

Exhibit No.:  
Issue: Gas Inventory Storage Levels  
Witness: James A. Busch  
Sponsoring Party: MoPSC Staff  
Type of Exhibit: Direct Testimony  
Case No.: GR-99-315

**MISSOURI PUBLIC SERVICE COMMISSION**  
**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**JAMES A. BUSCH**

**FILED**

JUN 28 1999

Missouri Public  
Service Commission

**LACLEDE GAS COMPANY**

**CASE NO. GR-99-315**

Jefferson City, Missouri  
June, 1999

**\*\*Denotes Highly Confidential Information\*\***

**NP**

**DIRECT TESTIMONY**

**OF**

**JAMES A. BUSCH**

**CASE NO. GR-99-315**

**LACLEDE GAS COMPANY**

Q. Please state your name and business address.

A. My name is James A. Busch and my business address is P.O. Box 360, Jefferson City, MO 65102.

Q. By whom are you employed and in what capacity?

A. I am a Regulatory Economist with the Missouri Public Service Commission (Commission).

Q. Please describe your educational and professional background.

A. In June 1993, I received a Bachelor of Science degree in Economics from Southern Illinois University at Edwardsville (SIUE), Edwardsville, Illinois. In May 1995, I received a Master of Science degree in Economics also from SIUE. I am currently a member of the American Economic Association and Omicron Delta Epsilon, an honorary economics society. Prior to joining the Commission, I spent a year at the Missouri Department of Economic Development. I accepted my current position with the Commission in April 1997.

Q. What has been the nature of your duties at the Commission?

A. The nature of my duties at the Commission has been to follow the natural gas industry. This includes the futures and options markets for natural gas. I also am

1 involved with studying other forms of regulation. These include incentive mechanisms  
2 and unbundling. I also assist in matters involving the Federal Energy Regulatory  
3 Commission. Furthermore, I participate in rate cases to determine the proper volumes of  
4 storage a Local Distribution Company should include in rate base.

5 Q. Have you previously filed testimony before this Commission?

6 A. Yes, I have previously filed testimony in Union Electric Company, Case  
7 No. GR-97-393; Missouri Gas Energy, A Division of Southern Union Company, Case  
8 No. GR-98-140; Laclede Gas Company, Case No. GO-98-484; Laclede Gas Company,  
9 Case No. GR-98-374; St. Joseph Light & Power Company, Case No. GR-99-246 and  
10 Laclede Gas Company, Case No. GT-99-303.

11 Q. What is the purpose of your direct testimony?

12 A. The purpose of my direct testimony is to address the storage inventory  
13 volume levels (inventory levels) used by Staff to develop the balances in Staff  
14 Accounting Schedule 2, Rate Base. More specifically, my testimony shows the average  
15 storage inventory levels for Laclede Gas Company (Laclede or Company), according to a  
16 historical average. Pricing of these storage inventory levels will be addressed by Staff  
17 witness Michael J. Wallis in his direct testimony.

18 Q. How did you approach the analysis of the Company's storage inventory  
19 levels?

20 A. My analysis of the Company's storage inventory levels consisted of  
21 reviewing the direct testimony and supporting analysis of Staff witness Randy L.  
22 Flowers' in Case No. GR-98-374, the Company's responses to Staff Data Information  
23 Request (DR) No.5001, the Reliability Report provided to Staff in association with

1 Laclede's Gas Supply Incentive Plan, and DR No. 11 from the Actual Cost Adjustment  
2 audit, Case No. GR-98-297.

3 Q. Briefly describe the natural gas storage utilized by Laclede?

4 A. Laclede has two sources of natural gas storage available. The first is  
5 storage on Mississippi River Transmission Corporation's (MRT) pipeline. This is a Firm  
6 Storage Service (FSS) contract. The second source is Laclede's own underground  
7 storage aquifer.

8 Q. How did you calculate the storage inventory levels to be used?

9 A. I started with the injections, withdrawals, and end-of-month balances as  
10 developed by Staff witness Flowers contained on Highly Confidential schedules 2-1, 2-2,  
11 3-1, 3-2, and 4 from his direct testimony in the prior rate case. To that, I then added the  
12 actual injections and withdrawals provided by the Company in Staff DR No. 5001 in this  
13 case, and Staff DR No. 11 in ACA Audit Case No. GR-98-297. Then, starting with the  
14 end-of-month balance for March 1998, I added the overall net injections through  
15 February 1999 for both the Company's own storage and MRT. This gave me five years  
16 of monthly data for each storage facility except for the month of March for the  
17 Company's own storage and the months of March and April for the MRT storage. Then I  
18 calculated the appropriate end-of-month balance based on averaging this historical data.

19 Q. Was an historical average appropriate for calculating all end-of-month  
20 balances?

21 A. No. In the 1998-1999 Reliability Report submitted to the Staff on October  
22 15, 1998, the maximum end-of-month balances for May, June, September, and October

1 | were lower than the averages calculated for those months. Therefore, I substituted the  
2 | maximum allowable level according to Injection Schedules for these months.

3 | Q. What are the balances you are recommending?

4 | A. My recommended balances are shown on Schedule 1. Schedule 2 is a  
5 | comparison of my recommended balances with the historical volumes.

6 | Q. Please summarize your direct testimony?

7 | A. My direct testimony discusses the methodology I used to calculate the  
8 | end-of-month storage inventory levels I am recommending to be used to determine this  
9 | component in Staff Accounting Schedule 2, Rate Base. These levels are attached to my  
10 | testimony as Schedule 1. Staff witness Michael J. Wallis in his direct testimony will  
11 | address pricing of these inventory levels. I believe that the inventory levels I have  
12 | calculated for the Company's storage contracts are representative of normal operations  
13 | and should be used for establishing rates. It is therefore my recommendation that the  
14 | inventory levels I have calculated for the Company's storage resources should be used in  
15 | calculating the 12-month average inventory balances which (1) appear in the direct  
16 | testimony of Staff witness Michael J. Wallis, and (2) are used to determine this  
17 | component in Staff Accounting Schedule 2, Rate Base.

18 | Q. Does this conclude your direct testimony?

19 | A. Yes it does.

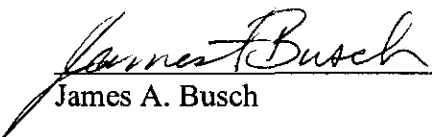
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of	)	
Laclede Gas Company's Tariff	)	Case No. GR-99-315
Tariff to Revise Natural Gas	)	
Rate Schedules.	)	

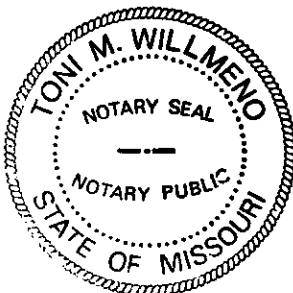
AFFIDAVIT OF JAMES A. BUSCH


STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

James A. Busch, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 4 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
James A. Busch

Subscribed and sworn to before me this 24<sup>th</sup> day of June 1999.



  
Toni M. Willmeno  
Notary Public, State of Missouri  
County of Callaway  
My Commission Expires June 24, 2000

**SCHEDULE 1**

**HAS BEEN DEEMED**

**HIGHLY CONFIDENTIAL**

**IN ITS ENTIRETY**

**SCHEDULE 2**

**HAS BEEN DEEMED**

**HIGHLY CONFIDENTIAL**

**IN ITS ENTIRETY**