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February 13, 2001

**FILED<sup>4</sup>**  
**FEB 13 2003**

Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, Missouri 65102

Missouri Public  
Service Commission

RE: In the Matter of Southern Missouri Gas Company, L.P., Case No. GR-2001-388

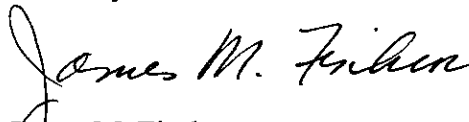
Dear Mr. Roberts:

Enclosed, for filing in the above-referenced matter, are the original and the required number of copies of the following documents:

1. Southern Missouri Gas Company, L.P.'s Motion To File Supplemental Direct Testimony;
2. Supplemental Direct Testimony of Scott F. Klemm; and
3. Position Statement of Southern Missouri Gas Company, L.P.

Thank you for your attention to this matter.

Sincerely,

  
James M. Fischer

Enclosures

cc: Doug Micheel  
Robert Franson

**FILED<sup>4</sup>**

**FEB 13 2003**

**Missouri Public  
Service Commission**

Exhibit No.: \_\_\_\_\_

Issues: Interest on DCCB

Witness: Scott F. Klemm

Type of Exhibit: Supplemental Direct Testimony

Sponsoring Party: Southern Missouri Gas Company, L.P.

Case No.: GR-2001-388

**MISSOURI PUBLIC SERVICE COMMISSION**

**SOUTHERN MISSOURI GAS COMPANY, L.P.**

**CASE NO. GR-2001-388**

**SUPPLEMENTAL DIRECT TESTIMONY OF**

**SCOTT F. KLEMM**

**Jefferson City, Missouri**

**February 12, 2003**


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

In the matter of Southern Missouri Gas )  
Company, L.P.'s Purchased Gas )  
Adjustment Factors to be Reviewed in Its ) Case No. GR-2001-388  
1999-2000 and 2000-2001 Actual Cost )  
Adjustment. )

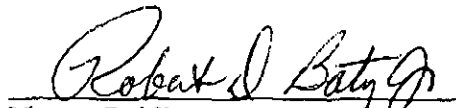
**AFFIDAVIT OF**

**SCOTT F. KLEMM**

Scott F. Klemm, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Supplemental Direct Testimony of Scott F. Klemm"; that said testimony and schedules attached thereto was prepared by him and/or under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge, information and belief.

  
Scott F. Klemm

Subscribed and sworn to before me this 12th day of February, 2003.

  
Notary Public

My Commission expires DECEMBER 31, 2006

ROBERT D. BATY JR.  
NOTARY PUBLIC LENEXA, MO.  
MY COMMISSION EXPIRES Dec 31, 2006

**SUPPLEMENTAL DIRECT TESTIMONY  
OF SCOTT KLEMM  
CASE NO. GR-2001-388**

**February 12, 2003**

1    **Q.    WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

2    A.    My name is Scott F. Klemm and my business address is 301 East 17<sup>th</sup> Street,  
3           Mountain Grove, MO 65711.

4  
5    **Q.    BY WHOM ARE YOU EMPLOYED?**

6    A.    I am employed by Southern Missouri Gas Company, L.P. ("SMGC") as Vice-  
7           President. My responsibilities include supervising all aspects of the SMGC's  
8           operations in Missouri, including regulatory matters.

9  
10   **Q.    ARE YOU THE SAME SCOTT F. KLEMM THAT PREVIOUSLY FILED**  
11       **DIRECT TESTIMONY IN THIS PROCEEDING?**

12   A.    Yes.

13  
14   **Q.    WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**  
15       **TESTIMONY IN THIS PROCEEDING?**

16   A.    The purpose of my Supplemental Direct Testimony is to replace Schedule No. 2 in  
17       my Direct Testimony filed on January 9, 2003 with the Revised Schedule No. 2  
18       which is attached to this Supplemental Direct Testimony, and explain the reasons for  
19       the need to revise this schedule. This schedule relates to the proper calculation of  
20       interest on the Deferred Carrying Cost Balance ("DCCB") for SMGC.

1   **Q.     PLEASE EXPLAIN THE REASON THAT YOU ARE REVISING SCHEDULE**  
2       **NO. 2.**

3   A.    After I filed my Direct Testimony in this proceeding, I discussed with other  
4       representatives of other Local Distribution Companies ("LDCs") the methodologies  
5       used by other LDCs in determining the appropriate interest on their DCCB. Based  
6       upon these discussions, it is my understanding that the LDC industry in Missouri has  
7       historically based the interest calculation for the DCCB on the PGA rate only, not  
8       including the ACA factor, as I did in my original Schedule No. 2. To be consistent  
9       with LDC industry practices in Missouri, as well as to ensure that current revenues  
10      and current costs are taken into account, I have performed the interest calculation  
11      using only the PGA factor. My revised interest calculations are shown in Revised  
12      Schedule No. 2.

13

14   **Q.     WHAT DOES INTEREST CALCULATION ON REVISED SCHEDULE NO. 2**  
15       **SHOW?**

16   A.    Revised Schedule No. 2 shows that the interest on the DCCB due SMGC is  
17       \$21,810.81, rather than \$5,772.07, as originally filed. This revision is necessary to be  
18       consistent with the approach used by other LDCs in Missouri when calculating the  
19       interest on the DCCB.

20

21   **Q.     DOES THAT CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

22   A.    Yes it does.

**Southern Missouri Gas Company, L.P. - Case #GR-2001-495**

**DCCB Calculation of Interest**

C) = (C) - (D)														G) = (E) * (F)	
Production Month & Year	Purchased MMBTU per invoices	Ccf Purchases (Net of Fuel)	Actual cost of Gas (\$)	Actual Annualized Unit Cost of Gas (Ccf)	Estimated Annualized Unit Cost of Gas	Price Variance	Billed Sales Volumes (Ccf)	Monthly DCCB Subject to interest	Cumulative DCCB	10% Threshold	Amount subject to interest	Interest rate: prime less 1%	Interest Due to Company or (Customers)		
Large Volume & Large General Service															
Sep-00	28,500	272,330	\$ 221,686.42	\$ 0.8140	\$ 0.4483	\$ 0.3657	166,390	60,848.82							
Oct-00	48,887	465,050	\$ 327,106.14	\$ 0.7034	\$ 0.4483	\$ 0.2551	233,710	59,619.42							
Nov-00	77,400	733,450	\$ 426,775.06	\$ 0.5819	\$ 0.6073	\$ (0.0254)	335,290	(8,516.37)							
Dec-00	228,783	2,168,330	\$ 1,713,414.21	\$ 0.7902	\$ 0.6073	\$ 0.1829	523,850	95,812.17							
Jan-01	210,162	1,974,360	\$ 1,710,664.05	\$ 0.8664	\$ 0.6073	\$ 0.2591	517,290	134,029.84							
Feb-01	130,200	1,230,480	\$ 797,509.37	\$ 0.6481	\$ 0.8434	\$ (0.1953)	413,760	(80,607.33)							
Mar-01	158,389	1,507,070	\$ 851,067.27	\$ 0.5647	\$ 0.8434	\$ (0.2787)	382,060	(106,480.12)							
Apr-01	46,459	446,270	\$ 347,886.26	\$ 0.7795	\$ 0.8434	\$ (0.0639)	146,280	(9,347.29)							
May-01	453	4,330	\$ 101,027.46	\$ 23.3320	\$ 0.8434	\$ 22.4886	117,000	2,631,166.20							
Jun-01	28,212	270,170	\$ 218,864.99	\$ 0.8101	\$ 0.8434	\$ (0.0333)	101,680	(3,385.94)							
Jul-01	13,633	130,280	\$ 165,437.93	\$ 1.2699	\$ 0.8434	\$ 0.4265	62,380	26,605.07							
Aug-01	17,333	164,490	\$ 175,082.22	\$ 1.0644	\$ 0.8434	\$ 0.2210	68,600	15,160.60							
Total	988,411	9,366,610	\$ 7,056,521.38				3,068,290	2,814,705.07							
General, Residential, and Optional Residential															
Sep-00	28,500	274,490	\$ 221,686.42	\$ 0.8076	\$ 0.4483	\$ 0.3593	106,850	38,391.21							
Oct-00	48,887	468,750	\$ 327,106.14	\$ 0.6978	\$ 0.4483	\$ 0.2495	190,940	47,639.53							
Nov-00	77,400	739,280	\$ 426,775.06	\$ 0.5773	\$ 0.4483	\$ 0.1290	385,970	49,790.13							
Dec-00	228,783	2,187,550	\$ 1,713,414.21	\$ 0.7833	\$ 0.6073	\$ 0.1760	1,160,740	204,290.24							
Jan-01	210,162	1,974,360	\$ 1,710,664.05	\$ 0.8664	\$ 0.6073	\$ 0.2591	1,452,090	376,236.52							
Feb-01	130,200	1,230,480	\$ 797,509.37	\$ 0.6481	\$ 0.6073	\$ 0.0408	1,033,750	42,177.00							
Mar-01	158,389	1,507,070	\$ 851,067.27	\$ 0.5647	\$ 0.8434	\$ (0.2787)	888,620	(247,658.39)							
Apr-01	46,459	446,270	\$ 347,886.26	\$ 0.7795	\$ 0.8434	\$ (0.0639)	590,550	(37,736.15)							
May-01	453	4,330	\$ 101,027.46	\$ 23.3320	\$ 0.8434	\$ 22.4886	186,400	4,191,875.04							
Jun-01	28,212	270,170	\$ 218,864.99	\$ 0.8101	\$ 0.8434	\$ (0.0333)	140,420	(4,675.99)							
Jul-01	13,633	130,280	\$ 165,437.93	\$ 1.2699	\$ 0.8434	\$ 0.4265	116,610	49,734.17							
Aug-01	17,333	164,490	\$ 175,082.22	\$ 1.0644	\$ 0.8434	\$ 0.2210	103,360	22,842.56							
Total	988,411	9,397,520	\$ 7,056,521.38				6,356,300	4,732,905.86							
Total Both Charts -- All Customer Classes															
Sep-00	28,500	272,330	\$ 221,686.42	\$ 0.8140			273,240	99,240.03	\$99,240.03	\$321,223.83		8.50%			
Oct-00	48,887	465,050	\$ 327,106.14	\$ 0.7034			424,650	107,258.95	\$206,498.98	\$321,223.83		8.50%			
Nov-00	77,400	733,450	\$ 426,775.06	\$ 0.5819			721,260	41,273.76	\$247,772.74	\$321,223.83		8.50%			
Dec-00	228,783	2,168,330	\$ 1,713,414.21	\$ 0.7902			1,684,590	300,102.41	\$547,875.15	\$321,223.83	\$226,651.32	8.50%	\$1,605.45		
Jan-01	210,162	1,974,360	\$ 1,710,664.05	\$ 0.8664			1,969,380	510,266.36	\$1,058,141.51	\$321,223.83	\$736,917.68	8.50%	\$5,219.83		
Feb-01	130,200	1,230,480	\$ 797,509.37	\$ 0.6481			1,447,510	(38,630.33)	\$1,019,511.18	\$321,223.83	\$698,287.35	7.50%	\$4,364.30		
Mar-01	158,389	1,507,070	\$ 851,067.27	\$ 0.5647			1,270,680	(354,138.52)	\$665,372.66	\$321,223.83	\$344,148.83	7.50%	\$2,150.93		
Apr-01	46,459	446,270	\$ 347,886.26	\$ 0.7795			736,830	(47,083.44)	\$618,289.23	\$321,223.83	\$297,065.40	7.00%	\$1,732.88		
May-01	453	4,330	\$ 101,027.46	\$ 23.3320			303,400	6,823,041.24	\$618,289.23	\$321,223.83	\$297,065.40	6.50%	\$1,609.10		
Jun-01	28,212	270,170	\$ 218,864.99	\$ 0.8101			242,100	(8,061.93)	\$610,227.30	\$321,223.83	\$289,003.47	6.00%	\$1,445.02		
Jul-01	13,633	130,280	\$ 165,437.93	\$ 1.2699			178,990	76,339.24	\$686,566.53	\$321,223.83	\$365,342.70	5.75%	\$1,750.60		
Aug-01	17,333	164,490	\$ 175,082.22	\$ 1.0644			171,960	38,003.16	\$724,569.69	\$321,223.83	\$403,345.86	5.75%	\$1,932.70		
Total	988,411	9,366,610	\$ 7,056,521.38				9,424,590	7,547,610.93					\$21,810.81		
													Per Staff	2,024.00	
													Difference	19,786.81	
99-00 ACA				\$ 3,466,824											
98-99 ACA				\$ 3,155,635											
97-98 ACA				\$ 3,014,256											
Sum				\$9,636,715											
Avg				\$3,212,238.33											
10% of AGL				\$321,223.83											
* Due to exceptional large amount, the activity for month is considered \$0.															
Thus, the cumulative balance at end of May is the same as at the end of April.															

\* Due to exceptional large amount, the activity for month is considered \$0.

Thus, the cumulative balance at end of May is the same as at the end of April.