Exhibit No.:	
Issues:	**MKP/RPC Pipeline Adjustment**
Witness:	**Joan A. W. Schnepp**
Type of Exhibit:	**Rebuttal Testimony**
Sponsoring Party:	**Mid-Kansas Partnership/Riverside Pipeline Company, L.P.**
Case No:	**GR-96-450**

MID-KANSAS PARTNERSHIP/RIVERSIDE PIPELINE COMPANY, L.P.

REBUTTAL TESTIMONY

OF

JOAN A. W. SCHNEPP

FILED
DEC 16 1998
Missouri Public Service Commission

MISSOURI GAS ENERGY

A division of

Southern Union Company

CASE NO. GR-96-450

Jefferson City, Missouri
December, 1998

REBUTTAL TESTIMONY OF

JOAN A.W. SCHNEPP

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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of Missouri Gas Energy's Gas Cost Adjustment	)	
Tariff Revisions to be reviewed in Its 1996-1997 Annual	)	Case No. GR-96-450
Reconciliation Adjustment Account	)	

REBUTTAL TESTIMONY OF
JOAN A.W. SCHNEPP

I. Introduction

Q. Would you please state your name and business address?

A. My name is Joan A.W. Schnepp and my business address is 8325 Lenexa Drive, Suite 400, Lenexa, Kansas 66214.

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

A. I am employed by Kansas Pipeline Operating Company (KPOC) as Vice-President of Operations. My prior position was in the capacity of Director of Transportation and Supply for KPOC. KPOC currently operates the pipeline facilities owned by Kansas Pipeline Company. Kansas Pipeline Company's facilities include those facilities previously owned by Kansas Pipeline Partnership, KansOk Partnership and Riverside Pipeline Company, L.P.

Q. Please describe your professional experience.

A. From November 1987 to April 1993, I was Manager of Operations for GasTrak Corporation, a diversified firm headquartered in Overland Park, Kansas, involved in natural gas marketing, gathering and exploration. I was responsible for the operational aspects of marketing and purchasing natural gas, including supervising operations, transportation, accounting and contract administration. Subsequently, I was employed by Kansas Pipeline Operating Company (KPOC), as Director of Transportation and Supply. In my position as Director of Transportation and Supply, I researched, analyzed and implemented strategies for supply sourcing and system capacity utilization. I was also responsible for transportation contracts and tariff complaints, as well as the management of the day to day activities of transportation, nominations and natural gas supply. My current position is Vice President, Operations. I not only oversee the persons who perform my former job duties, but I also am responsible for supervising others who physically operate the pipeline.

Q. What is the purpose of your testimony?

A. My testimony will address the benefits received by Missouri Gas Energy (MGE) when it executed the Mid-Kansas II Agreement, on February 24, 1995, which replaced Mid-Kansas I, as well as the Riverside II Agreement, which provided for the transportation of 150,000 MMBtu into the MGE system from a source other than Williams Natural Gas (now known as Williams Gas Pipelines Central, hereafter referred to as WNG). My testimony will address the prudence of the actions taken by MGE to diversify its portfolio of transportation options. Specifically, I will examine (i) the superior quality of service guaranteed under Mid-Kansas II, (ii) the improved price of commodity realized under Mid-Kansas II, and (iii) why MGE was prudent in executing the Mid-Kansas II Agreement along with the Riverside II Agreement.

II. High Quality of Guaranteed Service Under Mid-Kansas II

Q. Please describe the attributes of the quality of service provided under the Mid-Kansas II Agreement.

A. Mid-Kansas provided high quality service under the Mid-Kansas II Agreement as further described below:

Firm and warranted

Mid-Kansas II provided this component which is associated with gas supplies received from 'plant' facilities, not wellhead supply. Low risk natural gas from plant facilities commands a premium because of its inherent reliability in extreme weather conditions as compared to wellhead supplies that are more prone to freeze off. This also required the highest level of supply priority available during extreme weather conditions and supply curtailment. Simply stated, many individual wells would have to experience major problems, and lower priority market commitments would have to be curtailed, before supply reliability affected the Mid-Kansas supply. Stated differently, a gas plant is an aggregator of supplies and has a much greater margin for error than an individual wellhead. Gas supplies provided under this category are also not subject to so called "price majeure" situations. An example of this type of activity occurs when daily spot prices are high enough to entice producers of natural gas to pull back their gas supply from one customer and resell to another to take advantage of the higher price.

Monthly, daily and hourly load following

The Mid-Kansas II Agreement permitted MGE to purchase additional gas, after the first of the month nominations were made, when additional supplies were needed and/or to reduce/divert gas supplies to other markets when excess supply was created by reduced deliveries. Mid-Kansas II, by giving MGE monthly and daily nomination rights, provided MGE with an excellent tool to manage its supply needs with a great deal of flexibility. This flexibility is not provided under gas supply arrangements negotiated on a "base load" or "flat load" basis.

Also, Mid-Kansas required hourly load following flexibility from its gas suppliers in order to meet the hourly load following obligations provided to MGE under the Mid-Kansas II Agreement. Mid-Kansas was able to provide this hourly flexibility by managing pressures and imbalances in conjunction with gas supply on the Transok system.

Peaking

Mid-Kansas has historically provided a peaking component for gas supply to provide MGE readily available, short notice, firm, warranted, secure supply at any given time. This component was paid for supply sourced from proven reliable suppliers.

No notice, balancing, allocation

Mid-Kansas provided for the general availability of gas supply to MGE, often times with very little notice from MGE. Operating personnel of Mid-Kansas and MGE worked closely together to increase or decrease supplies to the MGE system, based in large part on either the increasing or decreasing pressures that indicated the need for more or less gas supply. In order to provide this service, Mid-Kansas paid suppliers for this added flexibility. In addition, these supplies were also purchased directly from 'plant' locations where actual receipts are monitored, balanced and allocated as purchased and needed.

Q. Does Staff's hypothetical alternative[1] provide MGE with these higher quality of service components?

A. No. To my knowledge, the services available under Staff's hypothetical alternative could have only included some minimum level of firm and warranted service and would not have provided MGE with the equivalent level of firm and

[1] Staff's hypothetical alternative to Mid-Kansas II is comprised of a commodity at Williams spot plus 4% transported under WNG's FTS service.

warranted service as provided by Mid-Kansas, nor any of the other services referenced above.

Q. Would the services made available to MGE under Mid-Kansas II, command a premium in excess of Staff's hypothetical calculated price of WNG spot plus 4%?

A. Absolutely. Based upon my experience, the Staff's calculated price in their hypothetical alternative to Mid-Kansas II would not have been sufficient to acquire the same quality of service provided to MGE under the Mid-Kansas II Agreement. In fact, producers have historically demanded premiums for committing to long-term firm contracts with the quality of service components described above. Producers are generally unwilling to warrant the supply and demand high take levels or compensation for such service. I'm not aware of any producer that is willing to offer to produce gas in a manner to follow load on a daily or more frequent basis without a substantial premium to compensate for the high quality, premium service.

Q. Does Staff's hypothetical alternative to service under Mid-Kansas II provide a fair basis for comparison?

A. No. Staff's recommendation simply uses prices without describing the terms and conditions of service associated with those prices. Staff's case is erroneous because we do not know if, under their alternative, there are specific take obligations, take-or-pay charges for failure to take minimum quantities, nor do we know if the supplies were warranted, would meet the various pipeline segment requirements under the Transok lease, or whether the suppliers were willing to follow the MGE loads on a hourly or daily basis. In fact, short term, baseload type supplies do not meet the requirements, guarantees or load following flexibility required of the low risk gas supply provided to MGE under the Mid-Kansas II Agreement. Short term supplies at or near posted index prices are typically much more prone to interruption, which increases the risk for loss of supply. In addition, the short term, baseload type supplies purchased by MGE are received at numerous wellhead receipt points. These wellhead receipt points are less reliable for meeting MGE's primarily residential load, gas supply requirements. By less reliable, I refer to actual volume being produced versus actual volume nominated (requested) and taken by MGE. At the end of each month, gas supply is balanced between the amount of gas received and the amount of gas delivered. MGE consistently took more gas from the Mid-Kansas pipeline system than it actually nominated to Mid-Kansas. This imbalance was managed by Mid-Kansas under the provisions of the Mid-Kansas II Agreement.

Q. Please continue

A. Comparisons cannot be fairly made unless we are comparing like alternatives. Each of the features in the Mid-Kansas II agreement adds value to the supply package, as well as making it more costly. However, Staff's hypothetical alternative, ignores the quality of service issue entirely. Such an analysis is the functional equivalent of expecting a Cadillac to be priced the same as a Ford Escort because they are both automobiles. A typical WNG spot gas contract is available for short time periods without option to renew, is typically not reliable during times of great price movement, contains no warranty as to volume, requires a relatively high take pattern, and will not be flexible enough for load following purposes. In automotive terms, it is the economy model Ford Escort with cloth seats, no air conditioning, no power locks, no power windows and no cruise control. So, if an expert compares the price of the Cadillac to the price of the Ford and finds that the Cadillac costs considerably more, and based upon that price difference, concludes that you paid too much for the Cadillac, it is not surprising that no one is persuaded by the automotive expert's analysis.

Q. Are there any additional quality of service components that are available under the Mid-Kansas II Agreement, that are not available under Staff's hypothetical alternative?

A. Yes. In addition to all of the specific service components provided to MGE under the Mid-Kansas II Agreement, Mid-Kansas must comply with the terms of the Transok Lease. MGE has an understanding of the obligations and intricacies of the Transok Lease. The opportunities provided by these obligations and intricacies currently cannot be found elsewhere. MGE has recognized those opportunities, and has insisted on having an option to take assignment of the

Lease, at their discretion, when the Mid-Kansas II Agreement was executed. Under the Transok lease, Mid-Kansas is required to access the gas supplies under a rigid allocation formula on various segments of the Transok system. It must meet the balancing and operating provisions of the Transok system. It must execute gas supply arrangements that can accommodate MGE's load swings that can vary anywhere from 2,000 MMBtu to 46,332 MMBtu daily. Mid-Kansas was required by contract to serve the peak demand (46,332 MMBtu) of MGE on any day of the year. In addition, the flexibility provided by Mid-Kansas in order to remain in balance on an hourly, daily and/or monthly basis gives Mid-Kansas very detailed knowledge of the Transok system. It is imperative that the Transok Lease is kept in balance. This flexibility is useless if not kept available; therefore, daily purchases and sales by Mid-Kansas off the Transok system are considered normal procedure.

III. The Mid-Kansas II Agreement Provides MGE with Superior Commodity Prices

Q. Under the Mid-Kansas II Agreement, how was the natural gas commodity priced?

A. The Mid-Kansas II Agreement provided for commodity priced at 105% of the Transok Spot Index. This compares quite favorably to the pricing provisions under the Mid-Kansas I Agreement (executed on January 15, 1990 with Western Resources, as amended on October 3, 1991, and assumed by MGE on January 31, 1994) where commodity was acquired by Mid-Kansas at 114% of a Mid-Continent Basket pipeline spot price.

Q. Could you briefly summarize the commodity price benefits MGE realized by executing the Mid-Kansas II Agreement on February 24, 1995?

A. Quite simply, under the Mid-Kansas II Agreement, MGE was able to source gas from a historically less expensive supply basin. Though the commodity pricing under the Mid-Kansas I Agreement was competitive, considering the quality of service provided, the Transok index has historically been lower than the Mid-Continent Basket of Spot Prices. Even Thom Shaw, a Staff representative, acknowledged that the Transok Spot Index has been historically lower (See **Schedule JAWS 1,** Deposition Transcript of Thomas Shaw, page 55, lines 19-25 and page 56, lines 1-23).

Q. While the Commodity costs secured under the Mid-Kansas II Agreement were superior to the commodity costs secured under the Mid-Kansas I Agreement, are the Mid-Kansas II commodity costs lower than the Williams spot prices used in Staff's hypothetical?

A. Absolutely. As the attached **Schedule JAWS 2** proves, access to the Transok system, under the Mid-Kansas II Agreement, has provided MGE with a very reliable, low cost source of gas supply. **Schedule JAWS 2** clearly reflects that the gas coming off the Transok system has consistently, year in and year out, offered MGE and its predecessors access to low cost gas supplies. **Schedule JAWS 2** delineates that the cost of gas off the Transok system is significantly lower than gas available on the WNG or Panhandle systems. **Schedule JAWS 2** also demonstrates that the difference between the spot price of gas off Williams and Panhandle is higher than that available off Transok, and that this differential increases in the winter months when the demand for gas is at its highest. In other words, not only does the Transok system offer consistently lower gas supply prices, but also those price differentials are even more remarkable during the winter months, during MGE's peak demand for gas supply. As demonstrated by **Schedule JAWS 2,** the cost of supply off of the Transok system is anywhere from $0.13 to $0.75 per MCF less expensive than supply off of either Panhandle or Williams.

IV. MGE Was Prudent in Executing the Mid-Kansas II Agreement

Q. Are you familiar with the contract provisions of the Mid-Kansas II Agreement that was executed between Mid-Kansas and MGE on February 24, 1995?

A. Yes, I am.

Q. In your opinion was MGE prudent in executing the Mid-Kansas II Agreement?

A. There is no question that MGE was not only prudent and reasonable in executing the Mid-Kansas II Agreement, but that they effectively secured for themselves and for the Kansas City consumers a reliable alternative source of gas supply for an extended period of time. First as I mentioned earlier, the Mid-Kansas II Agreement provided MGE with access to lower cost gas as described in **Schedule JAWS 2**. The Mid-Kansas II Agreement priced commodity at 105% of the Transok spot, which is significantly less than the gas cost available off either WNG or Panhandle. In addition, **Schedule JAWS 3** shows that during the subject ACA period, the Mid-Kansas II Agreement saved MGE and Missouri Ratepayers over $5,000,000 in gas costs. **Schedule JAWS 4** shows that from June 1, 1995 through May of 1998, the Mid-Kansas II Agreement saved MGE and Missouri Ratepayers over $12,000,000.[2] Also, MGE, through the Mid-Kansas II Agreement, locked in a guaranteed, warranted supply of gas and was able to obtain a fixed transportation rate until the year 2009. Second, Mid-Kansas II provided MGE with contractually fixed transportation rates. In other words, the risk of increased transportation costs were to be borne by Mid-Kansas, including, but not limited to costs of complying with the Department of Transportation Safety Regulations, increased personnel costs, increased operating and maintenance costs, insurance costs, increased property taxes, and all other costs associated with upstream transportation. The Mid-Kansas II Agreement provided only for a minimal 2% escalator in transportation charges every three years. This escalator is well below standard inflation rates. In view of my opinion that MGE, in 1995, was prudent in their attempts to move away from reliance upon WNG as the dominant supplier, and in view of the fact that WNG was notorious in the past for rate increases over the years, locking in a fixed transportation rate for 46,332

[2] June 1, 1995 is the effective date of the Mid-Kansas II Agreement. June 1, 1998 is the termination date of the Mid-Kansas II Agreement and the effective date of the Riverside I Agreement, which provides

MMBtu per day for an extended period of time was wise diversification on the part of MGE.

Q. In addition to the very favorable commodity price and fixed transportation rates, were there any other significant benefits from the Mid-Kansas II Agreement?

A. Yes, there are several material benefits. First, under the previous Mid-Kansas Agreement, there was an approximate 4 BCF annual volume limitation. Under the Mid-Kansas II Agreement, 46,332 MMBtu per day was available to MGE every day of the year. By eliminating the volume limitation, the Mid-Kansas II Agreement allowed MGE to maximize their opportunity to purchase less expensive gas off of the Transok supply basin. In fact, once the limitation was removed, MGE's volume deliveries more than doubled. Therefore, the removal of the volume limitation and MGE's increased deliveries under the Mid-Kansas II Agreement resulted in millions of dollars in savings to MGE and Missouri ratepayers. Second, the Mid-Kansas II Agreement provided that it would convert to a transportation only contract, giving MGE the merchant function, a function desired by local distribution companies, specifically, MGE. (See **Schedule JAWS 5-1**, Deposition Transcript of Michael T. Langston, page 41, lines 11-15). On February 24, 1995, Riverside Pipeline Company, L.P. (Riverside), an affiliate of Mid-Kansas, executed the Riverside I Agreement. This Agreement provided for transportation service only for the same volumes of gas that were sold by Mid-Kansas to MGE on a bundled basis. The Riverside I Agreement was to become

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transportation-only service to MGE.

effective when Riverside obtained FERC approval for transportation rates for deliveries from Oklahoma to Missouri. This approval was obtained on April 30, 1998.[3] Therefore, on or about June 1, 1998, deliveries under the Mid-Kansas II Agreement ceased and deliveries on a transportation only basis were commenced. Consequently, as a result of the Mid-Kansas II Agreement, MGE currently possesses the sought after merchant function. Third, under the Mid-Kansas II Agreement, and now the Riverside I Agreement, MGE possesses the option to take assignment of the Transok lease; the benefits and flexibility of which were discussed in Section II of my testimony. Fourth, MGE used the renegotiations with Mid-Kansas as an opportunity to expand competitive transportation options in the Kansas City market by executing another contract, Riverside II. This agreement required Riverside to pay for the construction of a pipeline from approximately 30 miles south of Kansas City to an interconnection with MGE's facilities near 107th and Elm in Kansas City, Missouri. This new pipeline, which was ultimately built by KN Interstate Gas Transmission Co.(which bought the contract and construction work in progress from Riverside), ultimately connected with the large transportation system of Panhandle Eastern Pipeline Company, as well as KN's Pony Express pipeline facility, to the distribution facilities of MGE. Though Riverside sold the Riverside II Agreement to KN Energy, during the construction phase of the project, the lateral pipeline facility was ultimately completed. Today, as a direct result of the Riverside II Agreement, MGE has taken a "positive step" in moving away from reliance upon Williams natural gas

[3] See 83 F.E.R.C. P61,107

transportation services (See **Schedule JAWS 5-2**, Deposition Transcript of Michael T. Langston, page 44, lines 5-22 and page 56, lines 8-16).

V. Conclusion

Q. Could you please summarize your conclusions?

A. I believe the decision to execute the Mid-Kansas II Agreement, the Riverside I Agreement, and the Riverside II Agreement, demonstrated prudent management on the part of MGE. Specifically, the Mid-Kansas II Agreement provided MGE with (i) a superior quality of service that is not available under Staff's hypothetical alternative, (ii) a dramatically improved price of gas commodity as compared to Mid-Kansas I, Williams supply and Panhandle supply, and (iii) several material benefits, as discussed in Section IV of my testimony, that were not available to MGE under the Mid-Kansas I Agreement. For all these reasons, I strongly urge this Commission to reject the disallowance recommended by Staff.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of the Missouri Gas Energy's Gas Cost Adjustment Tariff Revisions to Be Reviewed in its 1996-1997 Annual Reconciliation Adjustment Account	))))	Case No. GR-96-450

AFFIDAVIT OF JOAN A.W. SCHNEPP

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

Joan A. W. Schnepp, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, considering of 15 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

Joan A. W. Schnepp

Subscribed and sworn to before me this 30 day of November, 1998.

FELICIA A. BODY
NOTARY PUBLIC
STATE OF KANSAS
MY APPT. EXPIRES 6-2-2002

Felicia A. Body
Notary Public

My commission Expires: 6-2-2002

PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the Matter of Missouri Gas Energy's Gas Cost Adjustment Tariff Revisions to be Reviewed in its 1996-1997 Annual Reconciliation Adjustment Account.	Case No. GR-96-450 October 28, 1998 Jefferson City, Mo.

DEPOSITION OF THOMAS SHAW,

a witness, produced, sworn and examined on the 28th day of October, 1998, between the hours of 8:00 a.m. and 6:00 p.m. of that day at the law offices of Brydon, Swearengen & England, 312 East Capitol, in the City of Jefferson, County of Cole, State of Missouri, before

KELLENE FEDDERSEN, CSR, RPR
ASSOCIATED COURT REPORTERS, INC.
714 West High Street
P.O. Box 1308
JEFFERSON CITY, MO 65109
(573) 636-7551

and Notary Public within and for the State of Missouri, commissioned in Cole County, in the above-entitled cause, on the part of MGE, taken pursuant to agreement.

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Jefferson City, MO (573) 636-7551

time, do a comparison of the Mid-Kansas 1 contract and the Mid-Kansas 2 contract?

A. No, I've not made such a comparison.

Q. Are you intending to do so in your testimony?

A. No, I don't believe.

Q. Have you read Mid-Kansas 1?

A. Yes, I have read it.

Q. You answered some questions, I believe, that Mr. Duffy had asked regarding the lower commodity costs and fixed transportation rates. Do you recall those questions?

A. Yes.

Q. Do you recall indicating that the commodity price and transportation terms were more favorable to MGE under Mid-Kansas 2 than under Mid-Kansas 1?

A. I did make that statement.

Q. I don't recall if Mr. Duffy asked this question. Are you familiar with the fact that under Mid-Kansas 1 there was a buying limitation of takes to 4 BCF a year, but under Mid-Kansas 2 that volume limitation was eliminated and MGE had the right to take 46,332 MMBtu every day?

A. I'm aware of that fact, yes.

Q. Will you agree that is a favorable provision for MGE as the LDC to have the buying limitation lifted?

A. Certainly since they had access to a cheaper gas supply, a historically cheaper gas supply, it made sense to transport as much of that cheaper gas supply as you possibly could to offset the cost of the reservation.

Q. And that historically cheaper gas you're referring to is the gas off the TRANSOK system, correct?

A. That's right.

Q. When you say historically low cost supply, is that -- would you agree that TRANSOK supplies has historically been cheaper than, say, the Williams supply or Panhandle supply or Mid-Continent supply in general?

A. Certainly through the time where I testified on the gas supply incentive case, that was the case. I have not kept up with any differential in the indices after that point in time.

Q. It wouldn't surprise you, then, would it, if that historical trend continued forward?

A. No, that would not surprise me.

Q. Are you intending to do a comparative analysis of those commodity prices for your testimony?

POSTED PRICE DIFFERENTIALS
PEPL -vs- TOK and WNG -vs- TOK
July 1996 through June 1997

MONTHS	PEPL Mainline	TOK Non-Fuser	Posted Price Differential PEPL -vs- TOK	WNG	TOK Non-Fuser	Posted Price Differential WNG -vs- TOK
Jul '96	$2.18	$2.01	$0.17	$2.18	$2.01	$0.17
Aug '96	$2.13	$1.92	$0.21	$2.14	$1.92	$0.22
Sep '96	$1.67	$1.48	$0.19	$1.67	$1.48	$0.19
Oct '96	$1.69	$1.49	$0.20	$1.68	$1.49	$0.19
Nov '96	$2.51	$2.20	$0.31	$2.50	$2.20	$0.30
Dec '96	$3.61	$2.93	$0.68	$3.68	$2.93	$0.75
Jan 97	$4.10	$3.65	$0.45	$4.30	$3.65	$0.65
Feb '97	$2.77	$2.48	$0.29	$2.81	$2.48	$0.33
Mar '97	$1.64	$1.41	$0.23	$1.63	$1.41	$0.22
Apr '97	$1.71	$1.52	$0.19	$1.70	$1.52	$0.18
May '97	$1.95	$1.79	$0.16	$1.92	$1.79	$0.13
Jun '97	$2.13	$1.92	$0.21	$2.11	$1.92	$0.19
		High:	**$0.68**		**High:**	**$0.75**
		Low:	**$0.16**		**Low:**	**$0.13**

Prices from PEPL and WNG are the first of the month posted prices from *Inside F.E.R.C's Gas Market Report*.
Prices for TOK are the first of the month posted prices from *Gas Daily Price Guide*.

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CALCULATED SAVINGS TO MGE AND RATE PAYERS
Provided by Mid-Kansas II Contract
July 1, 1996 through June 30, 1997

MONTHS	ANR OKLA	NorAm (East)	NGPL OKLA (Texok)	NNG (TX,OK,KS) Field	PEPL Mainline	WNG	TOK Non-Fuser	6 Pipeline Index Average	6 Pipeline Avg. Plus 14%	Transok Plus 5%	Savings Per MMBtu	Actual MGE Volume	TOTAL SAVINGS
Jul '96	$2.18	$2.31	$2.51	$2.10	$2.18	$2.18	$2.01	$2.24	$2.56	$2.11	$0.45	302,206	$135,056
Aug '96	$2.14	$2.25	$2.23	$2.03	$2.13	$2.14	$1.92	$2.15	$2.45	$2.02	$0.44	159,536	$70,004
Sep '96	$1.67	$1.75	$1.75	$1.57	$1.67	$1.67	$1.48	$1.68	$1.92	$1.55	$0.36	0	$0
Oct '96	$1.69	$1.74	$1.76	$1.64	$1.69	$1.68	$1.49	$1.70	$1.94	$1.56	$0.37	145,866	$54,481
Nov '96	$2.50	$2.47	$2.57	$2.48	$2.51	$2.50	$2.20	$2.51	$2.86	$2.31	$0.55	792,166	$432,285
Dec '96	$3.60	$3.61	$3.69	$3.52	$3.61	$3.68	$2.93	$3.62	$4.12	$3.08	$1.05	1,438,462	$1,508,084
Jan 97	$4.20	$4.15	$3.80	$4.08	$4.10	$4.30	$3.65	$4.11	$4.68	$3.83	$0.85	1,451,756	$1,229,928
Feb '97	$2.77	$2.78	$2.75	$2.73	$2.77	$2.81	$2.48	$2.77	$3.16	$2.60	$0.55	1,296,765	$715,685
Mar '97	$1.63	$1.65	$1.64	$1.56	$1.64	$1.63	$1.41	$1.63	$1.85	$1.48	$0.37	713,137	$265,287
Apr '97	$1.71	$1.74	$1.74	$1.63	$1.71	$1.70	$1.52	$1.71	$1.94	$1.60	$0.35	718,774	$249,918
May '97	$1.96	$2.00	$2.03	$1.85	$1.95	$1.92	$1.79	$1.95	$2.22	$1.88	$0.35	739,217	$255,326
Jun '97	$2.13	$2.19	$2.24	$2.04	$2.13	$2.11	$1.92	$2.14	$2.44	$2.02	$0.42	719,755	$304,888
													$5,220,940

Prices from ANR, NorAm, NGPL, NNG, PEPL and WNG are the first of the month posted prices from *Inside F.E.R.C's Gas Market Report*.
Prices for TOK are the first of the month posted prices from *Gas Daily Price Guide*.

CALCULATED SAVINGS TO MGE AND RATE PAYERS
Provided by Mid-Kansas II Contract
June 1, 1995 through May 31, 1998

MONTHS	ANR OKLA	NorAm (East)	NGPL OKLA (Texok)	NNG (TX,OK,KS) Field	PEPL Mainline	WNG	TOK Non-Fuser	6 Pipeline Index Average	6 Pipeline Avg. Plus 14%	Transok Plus 5%	Savings Per MMBtu	Actual MGE Volume	TOTAL SAVINGS
Jun '95	$1.46	$1.61	$1.45	$1.39	$1.47	$1.44	$1.26	$1.47	$1.68	$1.32	$0.35	266,049	$93,862
Jul '95	$1.25	$1.40	$1.24	$1.20	$1.25	$1.23	$1.08	$1.26	$1.44	$1.13	$0.30	149,314	$45,436
Aug '95	$1.19	$1.30	$1.20	$1.17	$1.20	$1.18	$1.04	$1.21	$1.38	$1.09	$0.28	108,825	$30,863
Sep '95	$1.41	$1.50	$1.41	$1.38	$1.41	$1.42	$1.19	$1.42	$1.62	$1.25	$0.37	5,164	$1,917
Oct '95	$1.50	$1.54	$1.50	$1.46	$1.50	$1.49	$1.27	$1.50	$1.71	$1.33	$0.37	462,511	$173,257
Nov '95	$1.61	$1.68	$1.61	$1.57	$1.61	$1.60	$1.40	$1.61	$1.84	$1.47	$0.37	671,541	$247,933
Dec '95	$1.88	$2.02	$1.88	$1.84	$1.89	$1.88	$1.72	$1.90	$2.16	$1.81	$0.36	1,193,197	$427,284
Jan 96	$2.02	$2.09	$2.00	$1.93	$2.00	$2.03	$1.80	$2.01	$2.29	$1.89	$0.40	1,194,062	$481,565
Feb '96	$1.79	$1.89	$1.79	$1.73	$1.81	$1.84	$1.58	$1.81	$2.06	$1.66	$0.40	1,162,097	$467,744
Mar '96	$1.90	$1.93	$1.97	$1.87	$1.90	$1.90	$1.74	$1.91	$2.18	$1.83	$0.35	812,727	$286,324
Apr '96	$2.14	$2.23	$2.23	$2.06	$2.14	$2.15	$1.98	$2.16	$2.46	$2.08	$0.38	426,312	$162,638
May '96	$2.01	$2.12	$2.14	$1.95	$2.00	$2.00	$1.77	$2.04	$2.32	$1.86	$0.46	390,600	$180,965
Jun '96	$2.05	$2.18	$2.24	$1.98	$2.05	$2.03	$1.91	$2.09	$2.38	$2.01	$0.38	310,174	$116,377
Jul '96	$2.18	$2.31	$2.51	$2.10	$2.18	$2.18	$2.01	$2.24	$2.56	$2.11	$0.45	302,206	$135,056
Aug '96	$2.14	$2.25	$2.23	$2.03	$2.13	$2.14	$1.92	$2.15	$2.45	$2.02	$0.44	159,536	$70,004
Sep '96	$1.67	$1.75	$1.75	$1.57	$1.67	$1.67	$1.48	$1.68	$1.92	$1.55	$0.36	0	$0
Oct '96	$1.69	$1.74	$1.76	$1.64	$1.69	$1.68	$1.49	$1.70	$1.94	$1.56	$0.37	145,866	$54,481
Nov '96	$2.50	$2.47	$2.57	$2.48	$2.51	$2.50	$2.20	$2.51	$2.86	$2.31	$0.55	792,166	$432,285
Dec '96	$3.60	$3.61	$3.69	$3.52	$3.61	$3.68	$2.93	$3.62	$4.12	$3.08	$1.05	1,438,462	$1,508,084
Jan 97	$4.20	$4.15	$3.80	$4.08	$4.10	$4.30	$3.65	$4.11	$4.68	$3.83	$0.85	1,451,756	$1,229,928
Feb '97	$2.77	$2.78	$2.75	$2.73	$2.77	$2.81	$2.48	$2.77	$3.16	$2.60	$0.55	1,296,765	$715,685
Mar '97	$1.63	$1.65	$1.64	$1.56	$1.64	$1.63	$1.41	$1.63	$1.85	$1.48	$0.37	713,137	$265,287
Apr '97	$1.71	$1.74	$1.74	$1.63	$1.71	$1.70	$1.52	$1.71	$1.94	$1.60	$0.35	718,774	$249,918
May '97	$1.96	$2.00	$2.03	$1.85	$1.95	$1.92	$1.79	$1.95	$2.22	$1.88	$0.35	739,217	$255,326
Jun '97	$2.13	$2.19	$2.24	$2.04	$2.13	$2.11	$1.92	$2.14	$2.44	$2.02	$0.42	719,755	$304,888
Jul '97	$2.01	$2.07	$2.08	$1.91	$2.01	$2.04	$1.77	$2.02	$2.30	$1.86	$0.44	651,117	$289,291
Aug '97	$2.06	$2.11	$2.12	$1.96	$2.06	$2.06	$1.77	$2.06	$2.35	$1.86	$0.49	650,023	$319,681
Sep '97	$2.42	$2.44	$2.46	$2.33	$2.42	$2.38	$2.22	$2.41	$2.75	$2.33	$0.41	629,880	$261,085

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CALCULATED SAVINGS TO MGE AND RATE PAYERS
Provided by Mid-Kansas II Contract
June 1, 1995 through May 31, 1998

MONTHS	ANR OKLA	NorAm (East)	NGPL OKLA (Texok)	NNG (TX,OK,KS) Field	PEPL Mainline	WNG	TOK Non-Fuser	6 Pipeline Index Average	6 Pipeline Avg. Plus 14%	Transok Plus 5%	Savings Per MMBtu	Actual MGE Volume	TOTAL SAVINGS
Oct '97	$3.00	$3.05	$3.07	$2.86	$3.01	$2.98	$2.73	$3.00	$3.41	$2.87	$0.55	343,138	$187,971
Nov '97	$3.16	$3.17	$3.18	$3.09	$3.16	$3.15	$2.93	$3.15	$3.59	$3.08	$0.52	752,552	$388,618
Dec '97	$2.35	$2.37	$2.35	$2.28	$2.35	$2.37	$2.08	$2.35	$2.67	$2.18	$0.49	572,683	$280,214
Jan '98	$2.16	$2.16	$2.16	$2.05	$2.15	$2.15	$1.91	$2.14	$2.44	$2.01	$0.43	1,019,931	$440,814
Feb '98	$1.92	$1.94	$1.96	$1.86	$1.93	$1.92	$1.64	$1.92	$2.19	$1.72	$0.47	1,297,292	$608,041
Mar '98	$2.15	$2.16	$2.19	$2.06	$2.15	$2.15	$1.86	$2.14	$2.44	$1.95	$0.49	1,174,989	$576,215
Apr '98	$2.19	$2.20	$2.23	$2.06	$2.19	$2.18	$1.84	$2.18	$2.48	$1.93	$0.55	749,999	$410,624
May '98	$2.18	$2.18	$2.22	$2.05	$2.18	$2.16	$1.84	$2.16	$2.46	$1.93	$0.53	619,999	$330,025
												24,091,816	**$12,029,685**

Prices from ANR, NorAm, NGPL, NNG, PEPL and WNG are the first of the month posted prices from *Inside F.E.R.C's Gas Market Report*.
Prices for TOK are the first of the month posted prices from *Gas Daily Price Guide*.

Schedule JAWS4
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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's Gas Cost Adjustment Tariff Revisions to be Reviewed in its 1996-1997 Annual Reconciliation Adjustment Account) Case No. GR-96-450

DEPOSITION OF MICHAEL T. LANGSTON,

a witness, sworn and examined on the 27th day of October, 1998, between the hours of 8:00 a.m. and 6:00 p.m. of that day at the law office of Brydon, Swearengen & England, 312 East Capitol Avenue, in the City of Jefferson, County of Cole, State of Missouri, before

KRISTAL R. MURPHY, CSR, RPR, CCR
ASSOCIATED COURT REPORTERS, INC.
714 West High Street
Post Office Box 1308
JEFFERSON CITY, MISSOURI 65102
(573) 636-7551

Notary Public, within and for the State of Missouri, in the above-entitled cause, on the part of the MGE, taken pursuant to agreement.

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from as many alternative pipelines as are available in our service territories. Now, that may be with or without any contractual commitment to them, but we do want to have them as interconnected pipelines.

Q. We have described Riverside I, generally speaking, as the transportation-only version of Mid-Kansas II where MGE makes the purchasing decisions and the pipe -- and I'll refer to the Riverside pipe as all of the pipe from Oklahoma to Missouri -- only transports it.

Is the role of being the purchaser of the commodity, the gas, something that MGE and Southern Union generally prefer to have, rather than have the merchant function held by a third party?

A. Generally, that's true.

Q. Okay. I believe you -- in answering questions posed by the MPSC Staff counsel, you were present and directly involved in negotiations surrounding the execution of the Mid-Kansas II agreement; is that correct?

A. Yes.

Q. And, generally speaking, were you involved in the negotiations regarding the acquisition of the Western Local Distribution Company?

A. I was not involved in the negotiation of the

BEFORE THE PUBLIC SERVICE COMMISSION
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Energy's Gas Cost Adjustment)
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was a goal of Southern Union and its affiliates to have a situation where they had alternate pipeline options, whether it just be interconnect or a contract, but they have options.

In your opinion, did you view the execution of the Riverside II agreement calling for the construction of this lateral to connect Panhandle to your local distribution facilities to be a step in the direction of less reliance upon Williams Natural Gas as a server of your transportation needs?

A. That was one of the advantages. As I mentioned previously, I'm not sure in my deposition, we had identified after we took over the properties that we had a major need for additional capacity in the Kansas City area, so this would also have accomplished that result as well.

Q. In your opinion, do you view the Riverside II agreement as being a positive step towards pipeline -- on pipeline competition that would benefit not only MGE, but ultimately the ratepayers in Missouri?

A. Yes.

Q. I want to go back to the Mid-Kansas II agreement, and the commodity price we talked about the TRANSOK spot plus 5 percent, and you had indicated answer to Mr. Schwarz's question about -- did I pronounce his name right?

MR. SCHWARZ: Close enough.

MR. MONALDO: Okay. I want to --

MR. SCHWARZ: I don't know. I don't ever use it.

BY MR. MONALDO:

Q. In answer to the question regarding the fact that no volumes actually flowed in Riverside II because it was assigned and renegotiated, does that answer detract in any way from your earlier testimony that you believe the execution of the Riverside II agreement was a positive step in the right direction to move away from reliance on Williams Natural Gas for transportation services?

A. No.

Q. Okay. You were asked a question on redirect about whether or not there was more or less reliance before or after the 24th of February, 1995, on Williams, so I'll ask you this question: Under the Mid-Kansas I agreement you were taking roughly up to -- you had the ability to take up to 4 BCF a year under the Mid-Kansas I agreement; is that correct?

A. That's correct.

Q. Okay. And is it correct that obligation was