

Exhibit No.:  
Issue: Environmental Response  
Fund; Gas Storage  
Inventory; Bad Debts  
Witness: Michael R. Noack  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: Missouri Gas Energy  
Case No.: GR-2004-0209  
Date Filed: June 14, 2004

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2004-0209

SURREBUTTAL TESTIMONY

OF

MICHAEL R. NOACK

Jefferson City, Missouri

June 2004

**SURREBUTTAL TESTIMONY OF MICHAEL R. NOACK  
ON BEHALF OF  
MISSOURI GAS ENERGY  
GR-2004-0209**

**INDEX TO TESTIMONY**

	<u>Page Number</u>
Environmental Response Fund	2
Gas Storage Inventory	10
Bad Debts-Cost Increases Resulting from New Denial of Service Rule	10
Historical MGE Earnings Analysis and O&M Cost Comparisons	12

**SURREBUTTAL TESTIMONY OF MICHAEL R. NOACK  
ON BEHALF OF  
MISSOURI GAS ENERGY  
GR-2004-0209**

1   **Q.   PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2   A.   My name is Michael R. Noack, 3420 Broadway, Kansas City, Missouri.

3  
4   **Q.   ARE YOU THE SAME MICHAEL R. NOACK WHO PREVIOUSLY SUBMITTED**  
5       **DIRECT, UPDATED DIRECT AND REBUTTAL TESTIMONY IN THIS**  
6       **PROCEEDING?**

7   A.   Yes.

8  
9   **Q.   WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

10   A.   I will address the rebuttal testimony of Staff witness Harrison and OPC witness Bolin related  
11       to the environmental response fund, the rebuttal testimony of OPC witness Bolin related to  
12       incentive compensation, the rebuttal testimony of Staff witness Imhoff related to increased  
13       bad debts and other cost increases resulting from the newly promulgated denial of service  
14       rule, and to the rebuttal testimony of Staff witness Oligschlaeger related to the historical  
15       MGE earnings analysis and annual operating and maintenance ("O&M") cost per customer  
16       comparisons.

17

18

19

**Environmental Response Fund**

**Q. PLEASE DESCRIBE THIS ISSUE.**

A. Both the Staff (by way of the testimony of Mr. Harrison) and OPC (by way of the testimony of Ms. Bolin) oppose MGE's proposal to implement a mechanism to address the ongoing regulatory and ratemaking treatment of costs associated with former manufactured gas plant ("MGP"). The basis of their opposition can be paraphrased as follows:

- a. OPC and the Staff allege that the asset purchase agreement pursuant to which Southern Union acquired the Missouri property from Western Resources, Inc., in 1994 somehow disclaims rate recoverability of MGP costs (Harrison Rebuttal, pp. 9-10; Bolin Rebuttal, pp. 20-22);
- b. the Staff alleges that MGP costs are not known and measurable (Harrison Rebuttal, p. 10) and OPC alleges that MGP costs may be potentially recoverable from other entities (Bolin Rebuttal, pp. 23 and 25-26);
- c. the Staff alleges that the environmental response fund proposed by MGE could constitute single-issue and retroactive ratemaking (Harrison Rebuttal, p. 10);
- d. the Staff alleges that the environmental response fund proposed by MGE is flawed in that it provides automatic rate recovery of MGP costs and therefore reduces the incentive for MGE to seek recovery of costs from other entities (Harrison Rebuttal, pp. 10-11) and OPC alleges that the environmental response fund proposed by MGE is flawed in that it permits MGE to retain a portion of recoveries or contributions obtained from other entities (Bolin Rebuttal, pp. 28-29).

- 1 e. OPC alleges that MGE did not actually expend any funds during the test year on  
2 MGP matters (Bolin Rebuttal, pp. 23-24);  
3 f. OPC alleges that the “used and useful” principle precludes recovery of MGP  
4 costs (Bolin Rebuttal, pp. 24-25);  
5 g. OPC alleges that customers have already reimbursed the company for MGP costs  
6 (Bolin Rebuttal, pp. 26-27); and

7 I will discuss and refute each of these allegations in turn below.  
8

9 **a. The 1994 Asset Purchase Agreement Does Not Preclude Rate Recovery of MGP Costs**

10 **Q. DOES THE 1994 ASSET PURCHASE AGREEMENT BETWEEN SOUTHERN**  
11 **UNION AND WESTERN RESOURCES PRECLUDE RATE RECOVERABILITY**  
12 **OF MGP COSTS?**

13 A. No. In fact the asset purchase agreement specifically requires Southern Union to seek  
14 rate recovery of MGP costs before it may seek recovery from Western Resources.  
15 (Harrison Rebuttal, Schedule 1-5, section (iii)). Moreover, if Southern Union had agreed  
16 to forego recovery of MGP costs from Missouri customers any such agreement most  
17 certainly would have been reflected in the Stipulation and Agreement approved by the  
18 Commission in the course of authorizing Southern Union’s acquisition of the Missouri  
19 property. No such agreement is reflected in that document and no party has made any  
20 allegation that Southern Union has made any such agreement.  
21  
22

1       **b. MGP Costs Need Not Be Known and Measurable to be Included in Rates**

2       **Q.     DO YOU AGREE THAT MGP COSTS MUST BE KNOWN AND MEASURABLE**  
3       **TO BE INCLUDED IN RATES?**

4       A.     No. The environmental response fund proposed by MGE as contained in my direct  
5       testimony would segregate all revenues—including a share of any contributions toward  
6       MGP costs the Company is able to obtain from other entities—collected for these costs  
7       into an interest bearing trust account. To the extent that monies in the account are not  
8       spent, any such amounts can be credited to the benefit of customers when the  
9       Commission deems it appropriate. However, it must be recognized that approximately  
10      \$9.3 million has been spent by MGE on MGP activities since February 1994, and as  
11      explained in the rebuttal testimony of MGE witness Alan Fish, MGE continues to believe  
12      that it will be necessary to incur additional MGP costs in the future.

13  
14      **c. Sound Policy Reasons Support Implementation of an Environmental Response Fund**

15      **Q.     DO YOU AGREE WITH STAFF WITNESS HARRISON THAT THE**  
16      **ENVIRONMENTAL RESPONSE FUND PROPOSED BY MGE COULD**  
17      **CONSTITUTE PROHIBITED SINGLE-ISSUE AND RETROACTIVE**  
18      **RATEMAKING?**

19      A.     No. The environmental response fund proposed by MGE is essentially a tracking  
20      mechanism designed to ensure that shareholders and customers are neither benefited nor  
21      disadvantaged by a mismatch between MGP costs included in rates and MGP costs  
22      actually incurred. Although not a traditional ratemaking mechanism in Missouri, a

1 tracking mechanism is appropriate for MGP costs because although the incurrence of  
2 such costs is certain, the precise timing and amount of such costs is not presently known.  
3 Many jurisdictions have adopted similar mechanisms for the regulatory and ratemaking  
4 treatment of MGP costs, presumably for those very reasons. Schedule MRN-1 attached  
5 hereto shows just a few examples of jurisdictions which have adopted mechanisms for  
6 the regulatory treatment of MGP costs similar to the environmental response fund  
7 proposed by MGE. The environmental response fund proposed by MGE is essentially an  
8 accounting authority order, as Staff witness Harrison appears to recommend at page 11 of  
9 his rebuttal testimony, with the added feature of funding. Funding serves the beneficial  
10 purposes of mitigating rate shock in the event significant MGP costs are incurred in the  
11 future and also promotes intergenerational equity concepts by spreading cost recovery  
12 over a wider base of customers. Therefore, because of the specific design features of the  
13 environmental response fund proposed by MGE, I do not believe it constitutes prohibited  
14 single-issue or retroactive ratemaking.

1       **d. The Environmental Response Fund Provides Appropriate Incentives for MGE to**  
2       **Minimize Cost Recovery from Customers**

3       **Q.     STAFF WITNESS HARRISON ALLEGES THAT THE ENVIRONMENTAL**  
4       **RESPONSE FUND PROVIDES AUTOMATIC RECOVERY OF MGP COSTS**  
5       **AND THEREFORE REDUCES THE INCENTIVE FOR MGE TO SEEK**  
6       **RECOVERY OF SUCH COSTS FROM SOURCES OTHER THAN CUSTOMERS**  
7       **AND OPC WITNESS BOLIN ALLEGES THAT THE ENVIRONMENTAL**  
8       **RESPONSE FUND INAPPROPRIATELY PROVIDES AN INCENTIVE**  
9       **OPPORTUNITY TO THE COMPANY. DO YOU AGREE?**

10      A.    No. Mr. Harrison apparently ignores three critical features of MGE's proposal that  
11           provide very real incentives for MGE to minimize cost recovery from customers. First,  
12           sub-paragraph (a) includes the following requirement: "The Company will use best  
13           efforts to satisfy its obligation to minimize the Environmental Response Costs charged to  
14           the fund consistent with applicable regulatory requirements and sound environmental  
15           policies and to minimize litigation costs that may arise." Second, the sharing between  
16           customers and shareholders of contributions and/or recoveries obtained from other  
17           parties toward MGP costs as proposed in sub-paragraph (a) provides the Company with  
18           an opportunity to generate benefits for shareholders and customers from successful  
19           pursuit of such contributions. Contrary to the allegations of Ms. Bolin, successful pursuit  
20           of such contributions provide benefits to both the Company and its customers, so a  
21           sharing of such contributions is entirely appropriate. Third, sub-paragraph (c)  
22           specifically provides that the right to review costs charged to the environmental response



1 fund is retained. All of these items make sure that the Company will use its best efforts  
2 to minimize MGP costs sought to be recovered from customers.  
3

4 **Q. HAS THE MISSOURI PUBLIC SERVICE COMMISSION EVER ENDORSED A**  
5 **PLAN OF REIMBURSEMENT OF ENVIRONMENTAL COSTS AND A**  
6 **SHARING OF INSURANCE PROCEEDS BETWEEN CUSTOMER AND**  
7 **SHAREHOLDER?**

8 A. Yes. The stipulation and agreement in FERC Docket No. RP93-109-000 called for  
9 Williams Natural Gas Company, now Southern Star Central, to recover annual  
10 environmental costs of \$1,700,000 and to continue to split insurance recoveries between  
11 customer and shareholder on a 90% customer and 10% shareholder basis. On February  
12 16, 2001, the "Comments of the Missouri Public Service Commission in support of  
13 Stipulation and Agreement" was filed. The cover letter and the Comments are attached  
14 as Schedule MRN-2.  
15

16 **e. Significant MGP Expenditures Were Made During the Test Year**

17 **Q. OPC WITNESS BOLIN ALLEGES THAT MGE DID NOT EXPEND FUNDS ON**  
18 **MGP ACTIVITIES DURING THE TEST YEAR. IS THIS ACCURATE?**

19 A. No. As I stated in my direct testimony, MGE spent \$6.32 million on MGP activities  
20 during the test year. The fact that these expenditures are recorded on the Southern Union  
21 corporate books rather than the MGE books is irrelevant because as an operating division

1 of Southern Union, my understanding is that MGE and Southern Union are effectively  
2 one and the same entity.  
3

4 **f. The "Used and Useful" Principle Does Not Preclude Recovery of MGP Costs**

5 **Q. OPC WITNESS BOLIN ALLEGES THAT THE "USED AND USEFUL"**  
6 **PRINCIPLE PRECLUDES RECOVERY OF MGP COSTS. DO YOU AGREE?**

7 A. No. My understanding is that only used and useful items are to be included in rate base  
8 on which a return may be earned for purposes of calculating revenue requirements. MGP  
9 costs are not rate base items, but expense items, and as such I do not believe the used and  
10 useful concept has any applicability to determining their recoverability through rates. As  
11 an example, utility companies will on occasion retire plant items prior to such plant items  
12 being fully depreciated. In such situations it is not at all uncommon for the Commission  
13 include in the calculation of rates an amount reflecting the amortization to expense of the  
14 undepreciated plant balance associated with the retired property. Thus, even though the  
15 property has been retired and is no longer used and useful, expense associated with that  
16 property is nevertheless included in the calculation of rates.  
17  
18  
19  
20  
21  
22

1       **g. Customers Have Not Already Reimbursed the Company for MGP Costs**

2       **Q.     OPC WITNESS BOLIN ALLEGES THAT CUSTOMERS HAVE ALREADY**  
3               **REIMBURSED THE COMPANY FOR MGP COSTS THROUGH THE RETURN**  
4               **ON EQUITY INCLUDED BY THE COMMISSION IN CALCULATING PAST**  
5               **RATES. DO YOU AGREE?**

6       A.     No. This allegation makes no sense at all to me. If true, one could also say that electric  
7               utilities should not be permitted to recover extraordinary costs caused by extreme  
8               weather events such as ice storms because past equity returns compensated the utility for  
9               such risks. Such an argument is clearly nonsense. As a matter of fact, the Company has  
10              expended approximately \$9.3 million in MGP costs since 1994 that have not been borne  
11              by customers.

12  
13       **Q.     DO YOU HAVE ANY OTHER COMMENTS TO MAKE?**

14       A.     Yes. The request which MGE has made in this case is very similar to a plan approved in  
15               Massachusetts in 1990. Attached as Schedule MRN-3 is the order approving a settlement  
16               in the generic case involving the ratemaking treatment of the costs of investigating and  
17               remediating matters associated with the manufacture of gas during the period 1822-1978.  
18               The order addresses most of the concerns of both OPC witness Bolin and Staff witness  
19               Harrison. In addition to setting up a mechanism to recover costs, the Order also approves  
20               a sharing mechanism between customers and shareholders of 50/50 of net insurance  
21               proceeds.

**Gas Storage Inventory**

**Q. IS GAS STORAGE INVENTORY STILL AN ISSUE IN THE CASE?**

A. No, I do not believe so. Agreement was reached between Staff and MGE to price the average volumes in inventory at a price of \$5.68 per MMBtu. This agreement results in an increase to Staff's rate base of \$11,394,748 and an increase in the Staff revenue requirement of \$978,475 (at the mid-point Staff rate of return).

**Bad Debts-Cost Increases Resulting From New Denial of Service Rule**

**Q. STAFF WITNESS IMHOFF CLAIMS IN HIS REBUTTAL TESTIMONY THAT THE ESTIMATED \$750,000 IMPACT OF THE NEW DENIAL OF SERVICE RULE ON MGE ASSUMES THAT THE NEW RULE PRECLUDES MGE FROM COLLECTING ON PAST DUE ACCOUNTS. HOW DO YOU RESPOND?**

A. I know what assumptions were the basis for the estimate I made. The estimated impact on MGE that I made contains no such assumption, so Staff witness Imhoff is wrong.

This new rule will preclude denial of service to an applicant based on the bad debt of someone who is going to live with the applicant. This will have a two-fold impact on MGE by both reducing potential revenue and increasing bad debt expenses. It will reduce potential revenue by eliminating a collection tool that has proven effective. The new rule will increase costs in two primary ways: 1) bad debts will rise; and 2) collection costs will rise. Under the previous procedure, MGE was able to utilize its tariff provision to the benefit of its

1 customers. That is because the tariff procedure provided a cost-effective means of collecting  
2 overdue bills that were legitimately owed to MGE. Because MGE, under the new rule, will  
3 no longer be able to require payment or payment arrangements by the bad debt holding  
4 roommate before initiating service, a greater number of accounts will now have to be referred  
5 to outside collection agents. On average, only about 35% of amounts referred to outside  
6 collectors actually gets paid. Moreover, outside collection costs typically amount to  
7 approximately 19% of the amount recovered. Therefore, the enactment of the new rule  
8 forces upon MGE a less efficient and more costly procedure for collection of some overdue  
9 bills for gas service. As I understand it, the new rule will take effect on November 1, 2004,  
10 so we are beyond the point of arguing over whether the policy underlying the change is good  
11 or bad. We are at the point of trying to determine what the financial impact on MGE is going  
12 to be so that rates can be set to allow MGE to recover this newly imposed increased cost of  
13 doing business.

14  
15 **Q. HAS THE STAFF UNDERTAKEN ANY ANALYSIS TO ASCERTAIN THE IMPACT**  
16 **OF THE NEW DENIAL OF SERVICE RULE ON MGE'S BAD DEBTS?**

17 **A.** No, according to the Staff's response to MGE data request number 0130 (Schedule MRN-4)

1                    **Historical MGE Earnings Analysis and O&M Cost Comparisons**

2    **Q.    ON PAGES 8-11 OF HIS REBUTTAL TESTIMONY STAFF WITNESS**  
3           **OLIGSCHLAEGER DISCUSSES THE HISTORICAL MGE EARNINGS ANALYSIS**  
4           **YOU PRESENTED ON SCHEDULE G-4 OF YOUR DIRECT TESTIMONY. WHAT**  
5           **CONCLUSION DOES MR. OLIGSCHLAEGER REACH?**

6    A.    Although offering some mild criticism of my analysis, which I will address later, Mr.  
7           Oligschlaeger does not disagree with the central point of the analysis, namely that MGE's  
8           actual earnings have consistently fallen short of its Commission-authorized return levels.  
9           Specifically, Staff witness Oligschlaeger acknowledges MGE's consistent historical earnings  
10          shortfalls when he states:

11           Q.    Having made these points concerning MGE's earnings analysis, **do you**  
12                  **disagree that MGE has had a tendency to underearn** in its short history to  
13                  date?

14           A.    **No.** Given the fact that MGE has added much plant in service to its rate base  
15                  in recent years, and the nature of the ratemaking process in Missouri, **that**  
16                  **phenomenon is exactly what would be expected to happen.**  
17                  (emphasis supplied)  
18  
19  
20

21    **Q.    WHAT CRITICISMS HAS MR. OLIGSCHLAEGER OFFERED REGARDING**  
22           **YOUR ANALYSIS OF MGE'S HISTORICAL EARNINGS?**

23    A.    In concluding that I have understated MGE's actual earnings levels, Staff witness  
24           Oligschlaeger offers three technical criticisms of the analysis:

- 25           1.      my use of "end of period" rate base amounts versus annual average rate base;

- 1                   2.       my use of actual revenues and expenses versus “normalized” revenues and  
2                               expenses; and  
3                   3.       my omission of deferred income taxes as an offset to rate base.

4       Interestingly, Mr. Oligschlaeger provided no alternative analysis of MGE’s historical  
5       earnings levels.  
6

7   **Q.   HOW DO YOU RESPOND TO THESE CRITICISMS?**

8   A.   As to items 1 and 3 above, I do not disagree with Mr. Oligschlaeger; however, incorporating  
9       those changes in the analysis does not significantly change the overall results, as can be seen  
10      on Schedule MRN-5.  
11

12       As to item 2, I disagree strenuously with using “normalized” revenues and expenses to  
13       ascertain actual historical earnings levels. Because the ratemaking process is forward  
14       looking and seeks to forecast expected conditions during the period in the future when the  
15       rates will be in effect, revenue and expense levels are “normalized” in an effort to reflect  
16       expected or “normal” conditions. The ascertainment of actual earnings experience, on the  
17       other hand, is a purely historical analysis that looks backward to quantify earnings actually  
18       experienced over a given time frame. Consequently, “normalized” revenues and expenses  
19       cannot be used to determine actual earnings levels. For example, if MGE’s employees are  
20       required to work more overtime than normal in a given year, MGE must pay those employees  
21       for all overtime worked regardless of the fact that such overtime exceeded normal. Actual  
22       earnings are based on actual expenses and revenues, not forecasts or estimates as to what a

1 “reasonable” or “expected” or “normal” level of such revenues or expenses might be in the  
2 future.

3  
4 **Q. REFERRING BACK TO SCHEDULE MRN-5, HAS MGE HAD RATE INCREASES**  
5 **GO INTO EFFECT DURING THE PERIOD COVERED ON MRN-5?**

6 A. Yes. MGE had increased rates become effective on March 21, 1997 in case number GR-96-  
7 285, September 2, 1998 in case number GR-98-140 and August 6, 2001 in case number GR-  
8 2001-0292.

9  
10 **Q. DID MGE EARN THE COMMISSION AUTHORIZED RETURN IN THE FISCAL**  
11 **YEAR IMMEDIATELY FOLLOWING ANY OF THE ABOVE MENTIONED RATE**  
12 **INCREASES?**

13 A. No.

14  
15 **Q. ON PAGES 3-8 OF HIS REBUTTAL TESTIMONY STAFF WITNESS**  
16 **OLIGSCHLAEGER DISCUSSES THE OPERATING AND MAINTENANCE**  
17 **(“O&M”) COST COMPARISON BETWEEN MGE AND CERTAIN OTHER**  
18 **MISSOURI GAS UTILITIES YOU PRESENTED ON SCHEDULE G-1 OF YOUR**  
19 **DIRECT TESTIMONY. WHAT CONCLUSION DOES MR. OLIGSCHLAEGER**  
20 **REACH?**

21 A. Although offering some criticism of my analysis, which I will address later, and some  
22 historical perspective that is not particularly relevant to a comparison of recent O&M costs,



1 Mr. Oligschlaeger does not disagree with the central point of the analysis, namely that  
2 MGE's O&M costs are lower than peer companies in the State. Specifically, Staff witness  
3 Oligschlaeger acknowledges MGE's consistently lower O&M costs when he states:

4 Q. Do you agree with Mr. Oglesby's conclusion that MGE's O&M expenses are  
5 lower than Laclede Gas Company's (Laclede's), AmerenUE's and Aquila  
6 Inc's (Aquila's) gas O&M expenses, when measured on a per customer  
7 basis?

8  
9 A. I do not disagree with the data shown on page 7 of Mr. Oglesby's direct  
10 testimony [which is drawn from Noack Direct, Schedule G-1]. \* \* \*  
11  
12

13 **Q. MR. OLIGSCHLAEGER INDICATES, ON PAGES 3-4 OF HIS REBUTTAL**  
14 **TESTIMONY, THAT CAUTION SHOULD BE USED WHEN MAKING DIRECT**  
15 **COST COMPARISONS BETWEEN DIFFERENT UTILITIES. HOW DO YOU**  
16 **RESPOND?**

17 A. I agree. No two companies are identical. However, the fact remains that the Missouri gas  
18 operations of Laclede, AmerenUE and Missouri Public Service (also known as "Aquila") are  
19 all subject to the regulatory authority and regulatory requirements of the Missouri Public  
20 Service Commission just like MGE's operations. Moreover, while the operations of these  
21 companies are not identical, they are subject to many similar economic conditions since all of  
22 the operations about which the comparison is being made are located within the State of  
23 Missouri. Moreover, Laclede, AmerenUE and Missouri Public Service, like MGE, have filed  
24 and processed requests for general rate increases in the recent past. In addition, the analysis  
25 compares O&M cost performance over a period of several years, not just one or two years,  
26 which eliminates the chance that MGE's significant advantage from an O&M cost

1 perspective is not being driven by an extraordinary or non-recurring item. As a consequence  
2 of these factors, I believe it is reasonable to conclude that MGE consistently outperforms  
3 Laclede, AmerenUE and Missouri Public Service from the analysis contained in Schedule G-  
4 1 in my direct testimony.

5  
6 **Q. DO YOU HAVE ANY MORE CURRENT INFORMATION THAN THE DATA**  
7 **INCLUDED IN YOUR DIRECT TESTIMONY?**

8 A. Yes. In April of this year, annual reports were filed by MGE and Laclede. Those annual  
9 reports indicate that for calendar year 2003, MGE's annual O&M cost per customer was  
10 \$141.15 and Laclede's annual O&M cost per customer was \$212.17. More recent annual  
11 reports were not available for AmerenUE and Aquila (Missouri Public Service).

12  
13 **Q. MR. OLIGSCHLAEGER ASSERTS THAT ATMOS ENERGY CORPORATION**  
14 **HAD LOWER O&M COSTS THAN MGE IN 2003 AND SHOULD HAVE BEEN**  
15 **INCLUDED IN YOUR ANALYSIS. HOW DO YOU RESPOND?**

16 A. For 2003, Mr. Oligschlaeger's analysis shows the Atmos annual O&M cost per customer to  
17 be \$8 lower than MGE's. What Mr. Oligschlaeger leaves unstated in his testimony is that  
18 while MGE is shown as having \$6,934,982 in Joint and Common Costs for calendar year  
19 2003 (amounting to approximately \$13.92 per customer), no such costs are included in the  
20 calculation of the Atmos annual O&M cost per customer for calendar year 2003. Therefore,  
21 Mr. Oligschlaeger is not comparing "apples to apples." I would expect that 1) Atmos has  
22 Joint and Common Costs that it would seek to recover through rates but that are not shown in



BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's  
Tariff Sheets Designed to Increase Rates  
for Gas Service in the Company's Missouri  
Service Area.

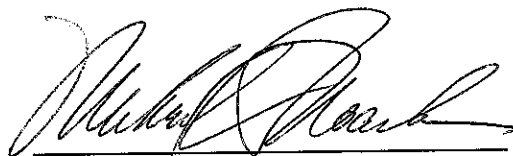
)  
)  
)  
)

Case No. GR-2004-0209

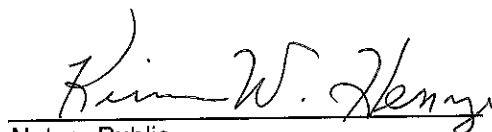
AFFIDAVIT OF MICHAEL R. NOACK

STATE OF MISSOURI            )  
  )  
COUNTY OF JACKSON        )       ss.

Michael R. Noack, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Surrebuttal 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.

  
MICHAEL R. NOACK

Subscribed and sworn to before me this 14<sup>th</sup> day of JUNE 2004.

  
Notary Public

My Commission Expires: Feb. 3, 2007

