

Exhibit No.:  
Issues: MKP/RPC Pipeline  
Adjustment  
Witness: Michael J. Wallis  
Sponsoring Party: MO PSC Staff  
Case No.: GR-96-450

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**FILED**

**AUG 3 1998**

**DIRECT TESTIMONY**

**OF**

Missouri Public  
Service Commission

**MICHAEL J. WALLIS**

**MISSOURI GAS ENERGY**

**a division of**

**Southern Union Company**

**CASE NO. GR-96-450**

Jefferson City, Missouri  
August 1998



Direct Testimony of  
Michael J. Wallis

1 Missouri.

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

3 A. Yes. Schedule 1, attached to my direct testimony, is a list of cases in which  
4 I have filed testimony before this Commission.

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

6 A. The purpose of my direct testimony is to support the Staff's proposed Mid-  
7 Kansas Partnership/Riverside Pipeline Company (MKP/RPC) pipeline adjustment of  
8 \$4,532,450 to the total gas costs, in Missouri Gas Energy (MGE or Company) 1996/1997  
9 Actual Cost Adjustment (ACA) filing.

10 Q. Please discuss the Staff's proposed MKP/RPC pipeline adjustment.

11 A. During the 1996/1997 ACA period, MGE incurred \$34,940,235 in natural  
12 gas costs (fixed and variable transportation charges and gas supply costs) with respect to  
13 its gas supply and transportation contracts with MKP/RPC. However, Staff believes that  
14 the contractual services which MGE received (during the 1996/1997 ACA period) from  
15 MKP/RPC for \$34,940,235 could have been obtained from Williams Natural Gas  
16 Company (WNG) for a total price of \$30,407,785.

17 The Staff's \$4,532,450 MKP/RPC pipeline adjustment is based on (1) MGE's  
18 response to Staff Data Request No. 23, wherein Company provided its own estimate of  
19 what the MKP/RPC transportation services would have cost had they been provided by  
20 WNG (given that the gas supply volumes could have been nominated and transported on

Direct Testimony of  
Michael J. Wallis

1 WNG) and (2) the Staff's review of the Inside FERC Gas Market Report (IFGMR) first-  
2 of-the-month WNG index prices for the 1996/1997 ACA period.

3 Q. Please explain your calculation of the Staff's proposed \$4,532,450  
4 MKP/RPC pipeline adjustment.

5 A. Staff's proposed \$4,532,450 MKP/RPC pipeline adjustment was  
6 calculated by (1) comparing the actual fixed and variable transportation charges paid by  
7 MGE to MKP/RPC to MGE's estimated WNG (Company's response to Staff Data  
8 Request No. 23) fixed and variable transportation charges, (2) comparing the actual gas  
9 supply charges paid by MGE to MKP/RPC to the Staff's estimate of gas supply costs on  
10 WNG [which was calculated by multiplying the actual monthly delivered MKP/RPC  
11 volumes by 104% (MGE's incentive plan benchmark) of the IFGMR first-of-the-month  
12 WNG index prices for the 1996/1997 ACA period], and (3) netting the amounts, derived  
13 in 1 and 2 above, to arrive at the Staff's proposed adjustment.

14 Q. Please summarize your direct testimony.

15 A. During the 1996/1997 ACA period, MGE incurred \$34,940,235 in natural  
16 gas costs (fixed and variable transportation charges and gas supply costs) with respect to  
17 its gas supply and transportation contracts with MKP/RPC. Based on (1) MGE's response  
18 to Staff Data Request No. 23 and (2) the Staff's review of the IFGMR first-of-the-month  
19 WNG index prices for the 1996/1997 ACA period, Staff believes that the contractual  
20 services which MGE received, during the 1996/1997 ACA period from MKP/RPC, could  
21 have been obtained from WNG for a total price of \$30,407,785. As a result, Staff

## Direct Testimony of Michael J. Wallis

proposes an adjustment to reduce MGE's total gas costs, per its 1996/1997 ACA filing, by \$4,532,450.

Q. Does this conclude your direct testimony?

A. Yes, it does.

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 MICHAEL J. WALLIS

STATE OF MISSOURI

COUNTY OF COLE

SS.

Michael J. Wallis, is, 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 Rebuttal 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 J. Wallis

**Michael J. Wallis**

Subscribed and sworn to before me this 31<sup>st</sup> day of July, 1998.

Roberta A. McKidder  
Notary Public

Notary Public

My Commission Expires: ROBERTA A. McKIDDY  
Notary Public, State of Missouri  
County of Cole  
My Commission Expires 09/11/99

## SUMMARY OF RATE CASE INVOLVEMENT

*MICHAEL J. WALLIS*

COMPANY NAME	CASE NO.
St. Joseph Light & Power Company	GR-88-115
Capital City Water Company	WR-88-215
GTE North Incorporated	TR-89-182
The Empire District Electric Company	WR-90-56
The Empire District Electric Company	ER-90-138
Ozark Natural Gas Company	GA-90-321
United Cities Gas Company	GR-91-249
St. Joseph Light & Power Company	EC-92-214
Western Resources Inc.	GR-93-140
Tartan Energy Company, L.C.	GA-94-127
Associated Natural Gas Company	GR-94-189
Associated Natural Gas Company	GR-95-213
Missouri Public Service	GR-95-273
Union Electric Company	EM-96-149
Laclede Gas Company	GR-96-181
Missouri Public Service	GR-96-192
Laclede Gas Company	GR-96-193
Associated Natural Gas Company	GR-96-227
Atmos Energy Corporation and United Cities Gas Company	GM-97-70
Associated Natural Gas Company	GR-97-272
Missouri Gas Energy	GO-97-409
United Cities Gas Company	GO-97-410
Missouri Gas Energy	GC-98-335