Exhibit No.:	
Issue:	Depreciation
Witness:	Thomas J. Sullivan
Type of Exhibit:	Supplemental Rebuttal Testimony
Sponsoring Party:	Missouri Gas Energy

Case No.: GR-2004-0209

Date Filed: June 23, 2004

Before the Public Service Commission

of the State of Missouri

Supplemental Rebuttal Testimony

Of

Thomas J. Sullivan

On Behalf of Missouri Gas Energy

Jefferson City, Missouri

June 2004

Q. Please state your name and business address.

A. Thomas J. Sullivan, 11401 Lamar, Overland Park, Kansas 66211.

Q. Are you the same Thomas J. Sullivan who filed rebuttal testimony in this case on behalf of Missouri Gas Energy ("MGE" or "Company")?

A. Yes, I am.

Q. Why are you providing supplemental rebuttal testimony?

A. As indicated on Page 18-19 of my rebuttal testimony, MGE requested (of Staff) access to Mr. Adam's analyses for Laclede (Company's Data Request No. 42 and Schedule TJS-2). At the time that my rebuttal testimony was prepared, Staff had not provided a complete response to that request. Since that time, Staff has provided a supplemental response to the Company's Data Request No. 42.

Q. What did Staff provide in its supplemental response to Data Request No. 42?

A. Staff provided Laclede's CPR data through 1996 in the Gannet Fleming format. Gannett Fleming is the depreciation software that Staff uses for retirement analysis. The diskettes provided referred to Case GR.-96-193. Salvage and cost of removal data were also provided.

Q. Why is Laclede's data important in this MGE case?

A. In the present case, Ms. Mathis recommends an average service life of 44 years for MGE Services. Her recommendation is based on Mr. Adam's

recommendation in Case No. GR-2001-292. In Case No. GR-2001-292, Mr. Adam asserted that Laclede's 44-year ASL is also reasonable for MGE Services.

Q. What would access to Laclede's data allow you to do?

A. As I discussed on Page 19, Lines 4-17 of my rebuttal testimony, the data would allow me to:

1. Compare Laclede to MGE to determine whether the two companies are comparable to the point of almost being interchangeable, as Staff would suggest.
2. Possibly run retirement analyses to isolate the period over which both companies were performing safety line replacements ("SLRP").
3. Verify the reasonableness of the 44-year ASL for Laclede.

Q. What did you do with Laclede's CPR data?

A. I ran retirement, or actuarial, analyses on Services, Accounts 380.10 (Steel) and 380.2 (Plastic).

Q. What were the results of your retirement analyses?

A. For both Accounts 380.10 and 380.20, I found an ASL of 42-years to be reasonable. This compares to Mr. Adam's findings of a 45-year ASL for Account 380.1 and a 44-year ASL for Account 380.2. The results of my analyses are presented as Schedule TJS-14.

Q. What do you conclude from the results of your retirement analyses of Laclede's Account 380?

A. Based on the results of my analyses, a 42-year ASL is reasonable for Laclede's Account 380-Services.

Q. Does your conclusion mean that a 42-year ASL is appropriate for MGE Services?

A. No, it does not. The 42-year ASL is reasonable for Laclede based on the Laclede data.

Q. What other analyses did you perform?

A. I compared the level of investment in Services made by Laclede and MGE during 1989-1996. I understand that during this period both utilities were fully engaged in safety line replacement programs ("SLRP"). SLRP continued through 2000, however I limited my comparison only through 1996 due to the limitation of detailed Laclede data that was provided by Staff in response to Data Request No. 42.

Q. What did you find?

A. My additional analyses support my initial conclusion that Laclede and MGE are not comparable as I discussed on Page 20, Lines 4-16 of my rebuttal testimony. As shown in Schedule TJS-15, according to Laclede's CPR at the end of 1989, Laclede's plant investment in Services was $146,483,010, which amounts to about 1.8 times MGE's investment of $81,112,071. However, during the period 1990-1996, MGE added Services investment of $120,888,240, which amounts to nearly two times the $62,158,258 in investment added by Laclede.

Viewed from a little different perspective, Laclede's additions during the 1990-1996 period amounted to 42 percent of the plant balance at the beginning of the period. MGE's additions during the same period amounted to nearly 150 percent of the beginning of period plant balance.

Q. How do the level of retirements compare between Laclede and MGE?

A. MGE experienced a much greater level of retirements than Laclede. As shown in Schedule TJS-15, Line 12, Laclede's retirements during the 1990-1996 period amount to 6 percent of the plant balance at the beginning of the period. MGE's retirements during the same period amount to 19 percent of the beginning of period plant balance, or over 3 times the rate experienced by Laclede.

Q. What did you conclude from these comparisons?

A. These comparisons clearly demonstrate that there have been fundamental differences between the nature of Laclede and MGE Service investment. These comparisons do not support Staff's hypothesis that Laclede is similar to MGE. Second, MGE's retirement rate significantly exceeded Laclede's during the period when comparable data is available. This higher retirement rate indicates a shorter life for Services for MGE relative to Laclede.

Q. Does this conclude your supplemental rebuttal testimony?

A. Yes, it does.

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 THOMAS J. SULLIVAN

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

Thomas J. Sullivan, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Supplemental Rebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Supplemental 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.

Thomas J. Sullivan
THOMAS J. SULLIVAN

Subscribed and sworn to before me this 22 day of June 2004.

Shelly Hoffman
Notary Public

NOTARY PUBLIC STATE OF KANSAS
SHELLY HOFFMAN
My Appt. Exp. 2-6-08

My Commission Expires: 2-6-08

BLACK & VEATCH ENGINEERS/ARCHITECTS 06/14/:4 PAGE 187
ACTUARIAL ANALYSIS COMPANY # 21 ACCOUNT # 380
SIMULATED IOWA CURVE APPLIED TO SURVIVOR CURVE DEVELOPED
BY THE RETIREMENT RATE METHOD 74 FITTING POINTS

LACLEDE, SERVICES 3801
380 SERVICES

ANALYSIS PLACEMENT BAND 1923 1996
ANALYSIS BALANCE BAND 1964 1996

(1) RANK	(2) CURVE TYPE	(3) AVERAGE LIFE	(4) SQUARED DIFFERENCE	(5) INDEX OF VARIATION
1	L0	42.22	0.49193E+03	47.65
2	L0.5	42.22	0.56405E+03	51.02
3	O2	43.52	0.63947E+03	54.33
4	S-.5	40.56	0.81725E+03	61.42
5	SC	39.96	0.82246E+03	61.61
6	R0.5	40.56	0.10109E+04	68.31
7	L1	42.22	0.12608E+04	76.28
8	SO	41.38	0.19484E+04	94.83
9	L1.5	42.22	0.25643E+04	108.79
10	R1	40.97	0.27323E+04	112.30
11	O3	52.13	0.34020E+04	125.31
12	S0.5	41.80	0.34778E+04	126.70
13	L2	42.22	0.46663E+04	146.76
14	R1.5	41.38	0.48269E+04	149.26
15	S1	41.80	0.57583E+04	163.03
16	O4	65.00	0.57612E+04	163.07
17	R2	41.38	0.80059E+04	192.23
18	S1.5	41.80	0.83065E+04	195.81
19	L3	42.22	0.10746E+05	222.71
20	R2.5	41.38	0.11299E+05	228.37
21	S2	41.80	0.11555E+05	230.95
22	R3	41.38	0.15566E+05	268.04
23	S3	41.80	0.18175E+05	289.64
24	L4	42.22	0.20148E+05	304.95
25	R4	41.38	0.23359E+05	328.35
26	S4	41.80	0.26916E+05	352.47
27	L5	41.80	0.29108E+05	366.54
28	R5	41.38	0.32845E+05	389.36
29	S5	41.38	0.35209E+05	403.13
30	S6	41.38	0.42564E+05	443.24
31	SQ	42.44	0.58321E+05	518.84

AVERAGE TOP FIVE 41.70

AVERAGE TOP TEN 41.58

BLACK & VEATCH ENGINEERS/ARCHITECTS 06/14/:4 PAGE 116
ACTUARIAL ANALYSIS COMPANY # 21 ACCOUNT # 380
SIMULATED IOWA CURVE APPLIED TO SURVIVOR CURVE DEVELOPED
BY THE RETIREMENT RATE METHOD 48 FITTING POINTS

LACLEDE, SERVICES 3802
380 SERVICES

ANALYSIS PLACEMENT BAND 1949 1996
ANALYSIS BALANCE BAND 1964 1996

(1) RANK	(2) CURVE TYPE	(3) AVERAGE LIFE	(4) SQUARED DIFFERENCE	(5) INDEX OF VARIATION
1	R3	42.22	0.17512E+04	73.60
2	R2.5	42.65	0.18955E+04	76.57
3	R4	42.22	0.21146E+04	80.88
4	S2	43.96	0.23974E+04	86.11
5	R2	43.08	0.24081E+04	86.30
6	S1.5	44.62	0.25084E+04	88.08
7	S3	43.08	0.25161E+04	88.22
8	L3	45.52	0.25472E+04	88.76
9	L2	48.35	0.28328E+04	93.61
10	L4	43.96	0.28436E+04	93.79
11	S1	45.52	0.28810E+04	94.40
12	R1.5	44.40	0.31346E+04	98.47
13	L1.5	50.07	0.31807E+04	99.19
14	S0.5	46.91	0.33368E+04	101.59
15	S4	42.65	0.34389E+04	103.14
16	L1	52.65	0.38596E+04	109.26
17	R5	42.65	0.39705E+04	110.82
18	SO	49.08	0.40082E+04	111.35
19	R1	46.45	0.41272E+04	112.99
20	L5	43.52	0.41307E+04	113.04
21	L0.5	56.20	0.44408E+04	117.20
22	S-.5	52.65	0.50112E+04	124.50
23	S5	43.08	0.51270E+04	125.93
24	L0	60.59	0.51961E+04	126.78
25	R0.5	51.09	0.52871E+04	127.88
26	O2	65.98	0.62099E+04	138.59
27	SC	58.50	0.62117E+04	138.61
28	O3	95.17	0.66185E+04	143.08
29	O4	127.29	0.68184E+04	145.23
30	S6	43.52	0.75654E+04	152.97
31	SQ	51.36	0.32885E+05	318.93

AVERAGE TOP FIVE 42.83

AVERAGE TOP TEN 43.97

Schedule TJS-15

Missouri Gas Energy
Analysis of MGE's Account 380 Investment Compared to Laclede

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]
		MGE					Laclede (1)				
Line No.	Year	Beginning Balance	Additions	Retirements	Transfers/Adj	Ending Balance	Beg. Bal.	Additions	Retirements	Adj.	Ending Bal.
1	1987	66,535,405	5,247,891	547,248	(2,252)	71,233,796	125,655,112	7,498,765	661,892	0	132,491,985
2	1988	71,233,796	5,232,196	1,082,965	(2,412)	75,380,615	132,491,985	7,391,350	626,741	-495	139,256,099
3	1989	75,380,615	5,974,783	224,688	(18,639)	81,112,071	139,256,099	8,011,464	782,164	-2,389	146,483,010
4	1990	81,112,071	19,552,514	3,109,855	(34,589)	97,520,141	146,483,010	7,292,174	761,644	-372	153,013,168
5	1991	97,520,141	16,471,586	1,918,419	(541,804)	111,531,504	153,013,168	8,319,336	923,454	-1,037	160,408,013
6	1992	111,531,504	17,312,702	2,247,798	(758,768)	125,837,640	160,408,013	8,194,389	1,365,948	-6,485	167,229,969
7	1993	125,837,640	15,531,128	1,799,170	(27,963)	139,541,635	167,229,969	9,045,931	1,141,762	-38,244	175,095,894
8	1994	139,541,635	17,318,472	1,141,206	(238,083)	155,480,818	175,095,894	9,342,690	1,542,589	-1,881	182,894,114
9	1995	155,480,818	18,214,631	2,064,532	(1,509,986)	170,120,931	182,894,114	9,622,448	1,267,872	-13,765	191,234,925
10	1996	170,120,931	16,487,207	3,098,103	501	183,510,536	191,234,925	10,341,290	1,546,323	4,565	200,034,457
11	Sum of 1990-1996 Additions		120,888,240	15,379,083	(3,110,692)			62,158,258	8,549,592	(57,219)	
12	Percent of 1989 Ending Balance		149%	19%	-4%			42%	6%	0%	

(1) Staff Response to DR No. 42