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October 24, 2002

FILED³

NOV 20 2002

Missouri Public
Service Commission

Secretary
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. GR-2002-520 and GR-2001-461(Consolidated)

Dear Mr. Roberts:

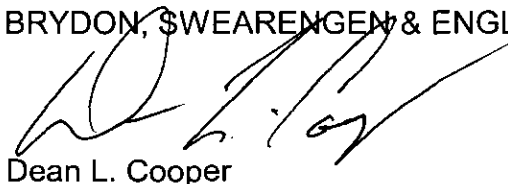
Enclosed please find an original and eight copies of the Rebuttal Testimony of Karen S. Russell, Shawn Gillespie and Bruce B. Henning, filed on behalf of Aquila, Inc. Please file stamp the enclosed extra receipt copy and return to me for my records.

If you have any questions concerning this matter, then please do not hesitate to contact me. Thank you very much for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:



Dean L. Cooper

DLC/tli
Enclosures
cc: Office of the Public Counsel
General Counsel

Exhibit No.:
Issues: Storage Calculation
Purchasing Practices
Witness: Karen S. Russell
Exhibit Type: Rebuttal
Sponsoring Party: Aquila, Inc.
d/b/a Aquila Networks - MPS
Case No.: GR-2000-520
GR-2001-461 (Consolidated)
Date: November 20, 2002

MISSOURI PUBLIC SERVICE COMMISSION

FILED³

CASE NO. GR-2000-520

NOV 20 2002

CASE NO. GR-2001-461 (Consolidated)

**Missouri Public
Service Commission**

REBUTTAL TESTIMONY

OF

KAREN S. RUSSELL

ON BEHALF OF

AQUILA, INC

D/B/A AQUILA NETWORKS - MPS

JEFFERSON CITY, MISSOURI

State of Nebraska)
County of Douglas) ss

AFFIDAVIT OF KAREN RUSSELL

Karen Russell, being first duly sworn, deposes and says that she is the witness who sponsors the accompanying testimony entitled "Rebuttal Testimony of Karen Russell"; that said testimony was prepared by her and/or under her direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, she would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of her knowledge, information, and belief.

Karen A Russell

Subscribed and sworn to before me this 18 day of November, 2002.

[Signature]
Notary Public

My Commission expires:

10/17/04

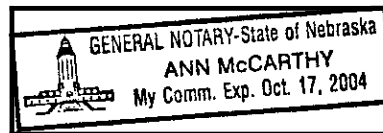


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1 **WITNESS INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Karen S. Russell and my business address is Aquila, Inc., 7101
4 Mercy Road, Omaha, Nebraska 68106.

5 **Q. Are you the same Karen Russell that previously filed Direct Testimony in**
6 **this case?**

7 A. Yes.

8 **PURPOSE**

9 **Q. What is the purpose of this rebuttal testimony?**

10 A. The purpose of this testimony is to explain why the Company's storage valuation
11 is appropriate and to rebut the positions of Staff witness Phil Lock. I will also
12 explain the types of allocations of gas purchases that are commonly performed in
13 response to testimony of Staff witnesses Lock and Jenkins, and the proposed
14 Eastern System purchasing practices adjustment.

15 **NORTHERN SYSTEM STORAGE CALCULATION**

16 **Q. Do the Staff and the Company agree on the effect of the Staff's proposed**
17 **adjustment to gas cost?**

18 A. The Staff in Direct Testimony states that the adjustment represents a timing
19 difference and the Company concurs.

20 **Q. Why doesn't the Company agree to make the changes recommended by the**
21 **Staff?**

22 A. First, as stated in my Direct Testimony, changing accounting practices for a
23 market price change is not logical when the impact to the storage WACOG could

1 be either up or down. Second, the Staff's method could be impossible to follow if
2 the withdrawal was greater than the previous month's ending balance. Third, this
3 issue is not just about the year in question, but would impact each and every
4 month since, which Staff acknowledges in Direct Testimony. Another annual
5 filing has been made since the filing at issue, and changing to Staff's method
6 would change each month's cost for that year also.

7 **Q. In your last response, you said that the withdrawal volumes could be greater**
8 **than the previous month's ending balance. How could that occur?**

9 A. Withdrawals and injections can occur during the same month. If weather was
10 warmer than projected during any portion of the month, then gas purchased in the
11 current month could be injected into storage. During other days of the month,
12 colder than normal weather could require withdrawals in excess of the month's
13 beginning balance. If the accounting did not allow for the injections to be added
14 to the inventory first, then valuing withdrawals would be a problem.

15 **Q. Do you find a contradiction in Staff's testimony?**

16 A. Yes, Staff witness Lock has stated in lines 14 and 15 page 4, "The ultimate goal
17 is to provide a more timely effect of changes in the cost of gas." This appears to
18 contradict the pricing of withdrawals prior to adding injection cost to inventory.

19 **Q. How would you summarize Aquila's position on changing the accounting**
20 **procedures for valuing storage inventory?**

21 A. Aquila does not believe that a change to the accounting method would provide
22 any benefit to Missouri customers. Nor does Aquila find any support for the
23 proposition that continuing to use the present method is detrimental to Missouri

1 customers. The inventory cost is the same in Staff and Company's method, the
2 cost is merely shifted from one accounting period to another.

3 **EASTERN SYSTEM GAS PURCHASING PRACTICES**

4 **Q. Have you reviewed those portions of the Direct Testimony of Staff witnesses**
5 **Lock and Jenkins which propose an adjustment to the Eastern System gas**
6 **costs because no fixed cost gas was purchased for that system in 2000-2001?**

7 A. Yes.

8 **Q. In response to that Staff proposal, Aquila witness Shawn Gillespie has**
9 ***proposed to reallocate fixed cost gas from the Southern System to the***
10 **Eastern System because extra gas was instead purchased on the Southern**
11 **System. Please describe the basis for this proposal to allocate cost between**
12 **Missouri Gas Systems.**

13 A. The fixed price purchases for Missouri Gas customers were purchased on the
14 Southern System or Williams Gas Pipeline. Since this did not become apparent to
15 all Company personnel involved in the process until after the Annual Filing was
16 made, the Company has determined that the accounting should have been handled
17 differently. Some of the fixed price purchases on the Southern System should be
18 allocated to the Eastern System.

19 **Q. Why is a shift of cost from one system, the Southern System, to another, the**
20 **Eastern System, considered appropriate, or vice versa?**

21 A. The intent of the purchase was determined to be an appropriate base for cost
22 assignment in numerous previous cases and is certainly viable in this specific
23 case. Gas is regularly rerouted by pipelines, which means the gas delivered to a

1 certain location is not the same gas that was nominated or purchased for that
2 delivery. The Company certainly intended for the Missouri Eastern System
3 portfolio to include fixed price purchases.

4 **Q. Is allocation of costs between systems a common practice?**

5 A. Yes. Missouri has approved gas purchases that were allocated between Kansas
6 and Missouri, and between Missouri and Michigan. On other Aquila LDC's, gas
7 purchase cost is allocated between multiple states because the gas was purchased
8 for jurisdictional customers, all without controversy.

9 **Q. Does this conclude your testimony?**

10 A. Yes.
11
12