

Exhibit No.:
Issue: Conditions to be Made Part
of Approved Merger
Witness: Anne M. Allee
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: EM-2000-292

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

FILED³

MAY 02 2000

REBUTTAL TESTIMONY

Missouri Public
Service Commission

OF

ANNE M. ALLEE

UTILICORP UNITED INC. AND

ST. JOSEPH LIGHT & POWER COMPANY

CASE NO. EM-2000-292

Jefferson City, Missouri
May, 2000

REBUTTAL TESTIMONY
OF
ANNE M. ALLEE
UTILICORP UNITED INC. AND
ST. JOSEPH LIGHT & POWER COMPANY
CASE NO. EM-2000-292

Q. Please state your name and business address.

A. Anne M. Allee, P.O. Box 360, Jefferson City, Missouri 65102.

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

A. I am a Regulatory Auditor with the Missouri Public Service Commission
(Commission).

Q. Please describe your educational and professional background.

A. I graduated from the University of Missouri at Columbia with a Bachelor
of Science degree in Accounting in 1989. I am currently a licensed Certified Public
Accountant in the state of Missouri.

Q. What has been the nature of your duties while in the employ of the
Commission?

A. My employment with the Commission began in October 1990 as a
Regulatory Auditor in the Accounting Department. My duties included assisting with
audits and examinations of the books and records of utility companies operating within
the state of Missouri.

In October 1993, I obtained my current position as a Regulatory Auditor
in the Procurement Analysis Department. Since that time, my responsibilities include

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1 reviewing and analyzing amounts charged by natural gas local distribution companies
2 (LDCs) through the Purchased Gas Adjustment (PGA)/Actual Cost Adjustment (ACA)
3 mechanism.

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

5 A. Yes, I have previously filed testimony before this Commission.
6 Schedule 1, attached to my rebuttal testimony, is a list of cases in which I have filed
7 testimony.

8 Q. What is the purpose of your rebuttal testimony?

9 A. The purpose of my rebuttal testimony is to recommend two specific
10 conditions that should be made part of any Commission decision to approve the UtiliCorp
11 United Inc. (UtiliCorp)/St. Joseph Light & Power Company (SJLP) merger in order for
12 the merger to not be detrimental to the public interest.

13 Q. What is the first condition that you would recommend be made part of any
14 Commission decision to approve the UtiliCorp/SJLP merger?

15 A. I recommend that the Commission should condition its approval of the
16 merger on UtiliCorp's and SJLP's acceptance of the following procedure for issuing
17 requests for proposals (RFPs) for procuring natural gas for resale:

18 UtiliCorp and SJLP will issue RFPs for natural gas for
19 resale which request bids which include but are not limited to price
20 ceilings, price floors, fixed prices and index pricing. UtiliCorp and
21 SJLP may include additional alternatives at their own discretion.
22 UtiliCorp and SJLP will compare and analyze the bids received.
23 UtiliCorp and SJLP will provide documentation of their analysis of
24 these bids to Staff as part of the annual ACA audit process.
25

26 Q. Please explain the RFPs that you refer to above.

1 A. The RFP is a document that UtiliCorp or SJLP would send to natural gas
2 suppliers requesting a price quote for gas supply for the Missouri Public Service (MPS)
3 division of UtiliCorp and/or for the gas supply for the SJLP division of UtiliCorp.

4 Q. Why does the Staff recommend approval of the merger be subject to this
5 condition?

6 A. RFPs provide a benefit to LDCs and ratepayers. RFPs are beneficial in
7 that they provide a means for LDCs to obtain a reasonable market based price for their
8 gas supplies in a prudent manner. LDCs are able to request diversified pricing
9 methodologies tailored to meet their specific requirements. This benefit is passed on to
10 the ratepayer through lower prices. Furthermore, a well-documented RFP provides a
11 basis for Staff to evaluate the purchasing decisions of a LDC.

12 Q. Does UtiliCorp currently perform RFPs?

13 A. Yes. In ACA Case No. GR-99-435, in response to Staff Data
14 Request (DR) No. 31 and in Case No. EM-2000-292 in response to Staff DR No. 5004,
15 UtiliCorp indicated its purchasing practices include issuing RFPs. The Staff believes
16 UtiliCorp should continue to thoroughly explore all of its available choices and diligently
17 document the choices it evaluated and the reasons for making its decisions with regard to
18 its natural gas procurement function.

19 Q. Does SJLP perform RFPs?

20 A. Yes. In ACA Case No. GR-96-47, SJLP, the Staff and the Office of the
21 Public Counsel entered into a Stipulation And Agreement which the Commission
22 approved and which contains a provision which requires that SJLP utilize the procedure
23 for issuing RFPs indicated above in my rebuttal testimony. SJLP is required to follow the

1 procedures until the earlier of either November 1, 2000 or the effective date of SJLP
2 tariffs which no longer utilize a PGA/ACA process which includes prudence reviews.

3 My first suggested condition in essence means that both Companies should
4 continue their current practices regarding RFPs after the merger.

5 Q. What is the second condition that you would recommend is made part of
6 any Commission decision to approve the proposed UtiliCorp/SJLP merger?

7 A. I recommend that the Commission not approve the sale unless UtiliCorp
8 and SJLP are willing to accept the following condition:

9 UtiliCorp United Inc. agrees to conduct a thorough,
10 detailed, well-documented peak design day study of the SJLP
11 natural gas distribution system to be completed 90 days after the
12 effective date of the Commission's Report and Order adopting the
13 merger of UtiliCorp and SJLP.
14

15 Q. Please describe how the merger will effect the SJLP's natural gas
16 procurement function.

17 A. Currently, all of SJLP's natural gas supply planning and procurement is
18 performed locally at SJLP. After the merger, UtiliCorp's Energy Supply Services group
19 will handle all of SJLP's natural gas planning and procurement. The Energy Supply
20 Services group is located in Omaha, Nebraska. Energy Supply Services will procure
21 natural gas not only for SJLP, but also for UtiliCorp's other divisional jurisdictional
22 regulated operations.

23 In addition, UtiliCorp has indicated that any SJLP existing agreements
24 will be honored through the life of the contracts. However, any new supply agreements
25 will be based on the supply agreements that UtiliCorp maintains with its suppliers, most
26 of with whom SJLP has previously done business. Likewise, as the end of their term

1 approaches, SJLP's transportation and storage contracts will be reviewed to determine
2 whether the agreements will be extended, modified or concluded. UtiliCorp further
3 indicates that there may be an opportunity to eliminate any duplicate contracts.

4 Q. Why does the Staff recommend approval of the merger is subject to this
5 condition?

6 A. The natural gas procurement function for SJLP will be moved to Omaha.
7 This function will be performed by different personnel and will be combined into a
8 multi-jurisdictional company. As a result, the peak design day study will illustrate how
9 SJLP will be incorporated into UtiliCorp's operations. The peak design day study ensures
10 that UtiliCorp has evaluated the newly acquired SJLP system for adequate and reasonable
11 natural gas supply and transportation to meet the heating needs of its SJLP division
12 residential customers and other retail customers.

13 Q. Please define peak design day study.

14 A. A peak design day study establishes standards of minimum demand
15 criteria, which the LDC must meet through the utilization of its supply, pipeline and
16 storage resources. These standards are based on the probabilities of extreme weather
17 recurrence. The design day is developed to measure the adequacy of a LDC's portfolio to
18 meet firm requirements given extreme conditions. The design standard takes into
19 consideration the specific characteristics of the LDC's service area and the diversity of
20 resources in the company's portfolio.

21 Q. Please explain why the Staff requests the 90 day completion date for the
22 peak design day study after the merger.

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1 A. This period gives UtiliCorp a reasonable length of time to complete the
2 peak design day study. The Staff believes that the peak design day study should be
3 performed as soon as reasonably possible.

4 Q. Please summarize your testimony.

5 A. If the Commission approves the UtiliCorp/SJLP merger, I recommend that
6 the Commission condition approval on UtiliCorp and SJLP issuing RFPs for procuring
7 natural gas for resale. I also recommend that UtiliCorp be required to conduct a peak
8 design day study to demonstrate how the SJLP natural gas distribution system will be
9 combined with UtiliCorp operations following the merger. These conditions are
10 necessary in order for the merger to not be detrimental to the public interest.

11 Q. Does this conclude your rebuttal testimony?

12 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

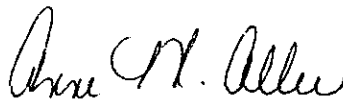
In the Matter of the Joint Application of)
UtiliCorp United Inc. and St. Joseph Light)
& Power Company for Authority to Merge)
St. Joseph Light & Power Company With)
and Into UtiliCorp United Inc. and, In)
Connection therewith, Certain Other Related)
Transactions.)

Case No. EM-2000-292

AFFIDAVIT OF ANNE M. ALLEE

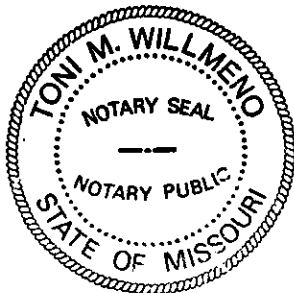
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.


Anne M. Allee, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 6 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.



Anne M. Allee

Subscribed and sworn to before me this 18 day of May 2000.





Toni M. Willmeno
Notary Public, State of Missouri
County of Callaway
My Commission Expires June 24, 2000

SUMMARY OF TESTIMONY

ANNE M. ALLEE

| | |
|----------------------------------|-----------|
| Choctaw Telephone Company | TR-93-336 |
| Laclede Gas Company | GR-92-165 |
| United Cities Gas Company | GR-93-47 |
| St. Louis County Water Company | WR-93-204 |
| Ozark Natural Gas Company | GA-96-264 |
| Missouri Gas Energy Company | GR-96-285 |
| St. Joseph Light & Power Company | GR-96-47 |
| Union Electric Company | GR-97-393 |
| Missouri Public Service | GR-96-192 |
| Missouri Gas Energy | GR-98-140 |
| Ozark Natural Gas Company | GR-98-227 |
| St. Joseph Light & Power Company | GR-99-246 |