

1 SUPPLEMENTAL DIRECT TESTIMONY

2 OF

3 MICHAEL S. PROCTOR

4 MISSOURI PIPELINE COMPANY

5 CASE NO. GR-92-314

6 Q. Please state your name and business address.

7 A. My name is Michael S. Proctor and my business
8 address is P. O. Box 360, Jefferson City, Missouri 65102.

9 Q. Are you the same Michael S. Proctor who has
10 previously filed testimony in this case?

11 A. Yes, I am.

12 Q. What is the purpose of your supplemental
13 direct testimony?

14 A. The purpose of my supplemental direct
15 testimony is to address the significant changes in both
16 costs and volumes which had an impact on the zone rates
17 which were presented in my direct testimony.

18 Q. What changes were made in costs from the time
19 of your initial filing in this case?

20 A. The revised levels of costs are shown on
21 Schedule 6, attached to this testimony, which corresponds
22 to Schedule 4 of my direct testimony. It is the increase
23 in the percentage of these costs being classified as
24 distance related which has a significant impact on zoned
25 rates.

26 Q. What caused the increase in the percentage of
27 costs being classified as distance related?

Supplemental Direct Testimony of
Michael S. Proctor

1 A. I have included two worksheets as Schedules
2 7-1 and 7-2. The first worksheet shows the original
3 functionalization of plant costs in which account 369 was
4 reported as having over \$16.7 million in costs and account
5 367 as having just under \$12.5 million. The second
6 worksheet shows that account 369 as decreased to \$5.7
7 million and account 367 as increased to \$23.5 million. The
8 reason for this shift of \$11 million is that the Company
9 discovered a mis-categorization of those costs.

10 Q. What is the impact of correctly categorizing
11 these costs on your zoned rate analysis?

12 A. The result is that distance related
13 transmission plant costs go from 53.94% to 84.23%, and
14 distance related total plant costs go from 53.56% to
15 83.64%.

16 Q. What other changes are there in the
17 classification of costs?

18 A. Account 366 (Structures and Improvements) was
19 reclassified from being miles related to being diameter-
20 miles related. This was done because the vast majority of
21 those costs are related to the Company's purchase of the
22 petroleum pipeline from AMOCO, and this expenditure was for
23 the acquisition of mains.

24 Q. What is the impact of changing this
25 classification?

Supplemental Direct Testimony of
Michael S. Proctor

1 A. Of total distance related costs, those that
2 are diameter-mile related go from 63.71% to 90.05%. Recall
3 from my direct testimony, at Schedule 2, that the mileage
4 ratio of Zone 2 to Zone 1 was 1.2618 and the diameter-mile
5 ratio was 1.3076. The diameter-mile ratio now gets 90% of
6 the weight resulting in the overall ratio going from 1.2910
7 to 1.3030.

8 Q. Were there any other significant changes in
9 costs?

10 A. Yes, I had failed to include a deferred
11 income tax expense in my initial filing. That error has
12 been corrected. In addition to the \$7.8 million shown on
13 Schedule 6 a cost of \$225,000 was added to the total cost
14 of service but was allocated among the zones on volumes and
15 included in the demand component of the rates. That cost
16 is not shown on Schedule 6, but does appear on Schedule 8
17 as a part of the total \$8 million in revenues collected by
18 the rates. All other changes in costs have a fairly minor
19 impact on the rate design.

20 Q. What changes were made in volumes from the
21 time of your initial filing in this case?

22 A. The Staff received additional information
23 regarding volumes and reduced firm volumes from 21,900,000
24 to 19,156,750 and interruptible volumes from 4,197,000 to
25 2,085,750. The revised volumes are shown on Schedule 8
26 along with the revised rates.

Supplemental Direct Testimony of
Michael S. Proctor

1 Q. Were the revised rates calculated following
2 the same methodology as presented in your direct testimony?

3 A. Yes, for the most part. I first calculated
4 rates for Zone 2 without the revised interruptible Zone 1
5 volumes, fixed those rates and recalculated the rates for
6 Zone 1 including the revised interruptible volumes. In
7 this way, the revised interruptible volumes from Zone 1
8 were not allowed to increase rates in Zone 2.

9 Q. What rates are shown on Schedule 8?

10 A. For firm load, both demand and commodity
11 rates are shown for the two zones in the shaded portion of
12 the first set of columns. For interruptible load,
13 commodity rates are shown for the two zones in the shaded
14 portion of the second set of columns. For both firm and
15 interruptible load, non-zoned rates are shown in the rows
16 directly below the shaded portions.

17 Q. Which rates are you recommending?

18 A. I am recommending the zoned rates shown in
19 the shaded portions on Schedule 8.

20 Q. Does this conclude your supplemental direct
21 testimony?

22 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter Missouri Pipeline Company)
for authority to file tariffs increasing)
rates for gas transportation services to) CASE NO. GR-92-314
customers within its service area.)

AFFIDAVIT OF MICHAEL S. PROCTOR

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael S. Proctor, of lawful age, on his oath states: that he has participated in the preparation of the foregoing written testimony in question and answer form, consisting of 4 pages of testimony to be presented in the above case, that the answers in the attached written testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Michael S. Proctor
Michael S. Proctor

Subscribed and sworn to before me this 14th day of January, 1993.

George C. Neuner
Notary Public

My commission expires June 18, 1993

STAFF CLASSIFIED COST-OF-SERVICE

DEMAND / COMMODITY CLASSIFICATION

	<u>TOTAL</u>	<u>DEMAND</u>	<u>COMMODITY</u>
1 TRANSMISSION EXPENSE	\$707,045	\$482,245	\$224,800
2 CUSTOMER ACCOUNTING	\$0		
3 CUSTOMER SERVICE	\$0		
4 ADMINISTRATIVE & GENERAL	\$513,577	\$513,577	
5 DEPRECIATION & AMORT.	\$896,994	\$896,994	
6 TAXES OTHER THAN INCOME	\$563,726	\$563,726	
7 INCOME TAXES	\$1,222,691		\$1,222,691
8 INTEREST ON DEBT	\$1,751,302	\$1,751,302	
9 <u>RETURN ON EQUITY</u>	<u>\$2,152,264</u>		<u>\$2,152,264</u>
10 COST-OF-SERVICE	\$7,807,599	\$4,207,844	\$3,599,755
		53.89%	46.11%

DISTANCE / NON-DISTANCE CLASSIFICATION

	<u>% DIST</u>	<u>DEMAND</u>		<u>COMMODITY</u>	
		<u>DISTANCE</u>	<u>NON-DIST</u>	<u>DISTANCE</u>	<u>NON-DIST</u>
1 TRANSMISSION EXPENSE	84.23%	\$406,217	\$76,028	\$189,359	\$35,441
2 CUSTOMER ACCOUNTING	0.00%				
3 CUSTOMER SERVICE	0.00%				
4 ADMINISTRATIVE & GENERAL	0.00%		\$513,577		
5 DEPRECIATION & AMORT.	83.64%	\$750,233	\$146,761		
6 TAXES OTHER THAN INCOME	83.64%	\$471,492	\$92,234		
7 INCOME TAXES	83.64%			\$1,022,641	\$200,050
8 INTEREST ON DEBT	83.64%	\$1,464,763	\$286,539		
9 <u>RETURN ON EQUITY</u>	<u>83.64%</u>			<u>\$1,800,122</u>	<u>\$352,142</u>
10 COST-OF-SERVICE	78.19%	\$3,092,705	\$1,115,139	\$3,012,122	\$587,633
		73.50%	26.50%	83.68%	16.32%

MISSOURI PIPELINE: ORIGINAL FUNCTIONALIZED PLANT COSTS

FUNCTIONALIZATION OF RATE BASE		TOTAL	MILES	DIA MILES	NON-DIST
TRANSMISSION					
365	RIGHTS-OF-WAY	\$3,047,828	\$3,047,828		
366	STRUCTURES AND IMPROVEMENTS	\$4,069,975	\$4,069,975		
367	MAINS	\$12,497,676		\$12,497,676	
369	MEASURING & REGULATING EQUIPMENT	\$16,748,825			\$16,748,825
TOTAL TRANSMISSION		\$36,364,304	\$7,117,803	\$12,497,676	\$16,748,825
% DISTANCE RELATED		53.94%	\$19,615,479 <-----^-----^		
OTHER					
370	COMMUNICATIONS EQUIPMENT	\$11,086			\$11,086
390	STRUCTURES AND IMPROVEMENTS	\$23,118			\$23,118
391	OFFICE FURNITURE & EQUIP.	\$126,967			\$126,967
392.2	TRANSPORTATION EQUIP - TRUCKS	\$97,993			\$97,993
TOTAL OTHER		\$259,164	\$0	\$0	\$259,164
TOTAL PLANT COSTS		\$36,623,468	\$7,117,803	\$12,497,676	\$17,007,989
% DISTANCE RELATED		53.56%	\$19,615,479 <-----^-----^		
% MILES vs DIAMETER		63.71%	\$12,497,676 <-----^-----^		

MISSOURI PIPELINE: REVISED FUNCTIONALIZED PLANT COSTS

FUNCTIONALIZATION OF RATE BASE		TOTAL	MILES	DIA MILES	NON-DIST
TRANSMISSION					
365	RIGHTS-OF-WAY	\$3,047,828	\$3,047,828		
366	STRUCTURES AND IMPROVEMENTS	\$4,069,975		\$4,069,975	
367	MAINS	\$23,513,525		\$23,513,525	
369	MEASURING & REGULATING EQUIPMENT	\$5,732,976			\$5,732,976
TOTAL TRANSMISSION		\$36,364,304	<u>\$3,047,828</u>	<u>\$27,583,500</u>	\$5,732,976
% DISTANCE RELATED		84.23%	\$30,631,328 <-----^-----^		
OTHER					
370	COMMUNICATIONS EQUIPMENT	\$11,086			\$11,086
390	STRUCTURES AND IMPROVEMENTS	\$23,118			\$23,118
391	OFFICE FURNITURE & EQUIP.	\$126,967			\$126,967
392.2	TRANSPORTATION EQUIP - TRUCKS	\$97,993			\$97,993
TOTAL OTHER		\$259,164	\$0	\$0	\$259,164
TOTAL PLANT COSTS		\$36,623,468	<u>\$3,047,828</u>	<u>\$27,583,500</u>	\$5,992,140
% DISTANCE RELATED		83.64%	\$30,631,328 <-----^-----^		
% MILES vs DIAMETER		90.05%	\$27,583,500 <-----^-----^		

MISSOURI PIPELINE COMPANY PROPOSED RATES

\$/MMBtu	<i>FIRM</i>		
<i>DEMAND</i>	<i>RATE</i>	<i>MMBtu's</i>	<i>REVENUES</i>
ZONE 1	\$4.1797	660,000	\$2,758,586
ZONE 2	\$4.6228	300,000	\$1,386,833
NON-ZONE	\$4.3181	960,000	\$4,145,419

\$/MMBtu	<i>FIRM</i>		
<i>COMMODITY</i>	<i>RATE</i>	<i>MMBtu's</i>	<i>REVENUES</i>
ZONE 1	\$0.1658	16,419,250	\$2,721,598
ZONE 2	\$0.1945	2,737,500	\$532,379
NON-ZONE	\$0.1699	19,156,750	\$3,253,977

<i>INTERRUPTIBLE</i>		
<i>RATE</i>	<i>MMBtu's</i>	<i>REVENUES</i>
\$0.3032	2,065,750	\$626,274
\$0.3465	20,000	\$6,929
\$0.3036	2,085,750	\$633,204

\$/MMBtu	<i>FIRM</i>		
<i>AVERAGE</i>	<i>RATE</i>	<i>MMBtu's</i>	<i>REVENUES</i>
ZONE 1	\$0.3338	16,419,250	\$5,480,183
ZONE 2	\$0.7011	2,737,500	\$1,919,212
NON-ZONE	\$0.3863	19,156,750	\$7,399,395

<i>INTERRUPTIBLE</i>		
<i>RATE</i>	<i>MMBtu's</i>	<i>REVENUES</i>
\$0.3032	2,065,750	\$626,274
\$0.3465	20,000	\$6,929
\$0.3036	2,085,750	\$633,204

<i>TOTAL</i>		
<i>RATE</i>	<i>MMBtu's</i>	<i>REVENUES</i>
\$0.3303	18,485,000	\$6,106,458
\$0.6985	2,757,500	\$1,926,141
\$0.3781	21,242,500	\$8,032,599

Note: The shaded areas reflect Staff proposed rates.

James F. Mauze
Missouri Pipeline Company
11 South Meramec
Suite 1010
St. Louis, MO 63105

Office of the Public Counsel
P. O. Box 7800
Jefferson City, MO 65102

Juanita Feigenbaum
Attorney at Law
9900 Clayton Road
St. Louis, MO 63124

Thomas M. Byrne
Attorney at Law
9900 Clayton Road
St. Louis, MO 63124

Ronald K. Evans
Attorney at Law
P. O. Box 149
St. Louis, MO 63166

Richard W. French
Attorney at Law
720 Olive Street
Room 1517
St. Louis, MO 63101

Gerald T. McNeive
Attorney at Law
720 Olive Street
Room 1528
St. Louis, MO 63101

James M. Fischer
Attorney at Law
102 East High Street
Suite 200
Jefferson City, MO 65101

Robert C. Johnson
Attorney at Law
720 Olive Street
24th Floor
St. Louis, MO 63101

Thomas E. Marshall
City Attorney
328 S. Service Road, East
Suite 200
P. O. Box 472
Sullivan, MO 63080

Richard S. Brownlee
Attorney at Law
P. O. Box 1069
235 East High Street
Jefferson City, MO 65102