

Exhibit No. _____
Witness/Type of Exhibit: Richard C. Kreul
Direct Testimony
Company: Missouri Pipeline Company
Case No. GO-97-285

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

CASE NO. GO-97-285

DIRECT TESTIMONY OF

RICHARD C. KREUL

ON BEHALF OF

MISSOURI PIPELINE COMPANY

FEBRUARY 18, 1997

FILED
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MISSOURI
PUBLIC SERVICE COMMISSION

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RICHARD C. KREUL
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1 Q. Please state your name and business address.

2 A. My name is Richard C. Kreul. My business address is 10700 East 350 Highway, Suite
3 200A, Kansas City, Missouri 64138.

4 Q. Mr. Kreul, by whom are you employed and in what capacity?

5 A. I am employed by Missouri Pipeline Company ("MPC" or "Company") as President.

6 Q. Have you previously testified before the Missouri Public Service Commission
7 ("Commission")?

8 A. Yes, I have.

9 Q. Would you please provide the Commission with a brief description of your
10 educational background and business experience.

11 A. I hold a Bachelor of Science and Masters of Science degrees in mechanical
12 engineering from the University of Arkansas. I am a registered professional engineer
13 in three states. I have previously been employed by Mobil Pipeline Company in
14 Dallas/Corpus Christi, Texas; Sun Pipeline Company in Tulsa, Oklahoma; and Omega
15 Pipeline Company in Tulsa, Oklahoma. I have sixteen years of experience in the
16 energy industry with responsibilities in engineering, business development and
17 management. In my current position as President of MPC, I am responsible for the
18 overall management of the Company including regulatory matters, business

1 development and strategic planning.

2 Q. Please describe MPC.

3 A. MPC is a Delaware corporation with its principal office and place of business at
4 10700 East 350 Highway, Suite 200A, Kansas City, Missouri 64138. The Company
5 is engaged in the business, generally, of designing, constructing, owning and operating
6 natural gas pipeline systems. MGC conducts such operations in Missouri subject to
7 the jurisdiction of the Commission.

8 Q. Who owns MPC?

9 A. MPC is a wholly owned subsidiary of UtiliCorp Pipeline Systems, Inc. ("UPL");
10 which in turn is a wholly owned subsidiary of UtiliCorp United Inc. ("UtiliCorp").

11 Q. I hand you what has been marked Schedule 1 to the application filed in this case, and
12 which is incorporated by reference in this testimony as Schedule RCK-1. Please
13 describe this schedule.

14 A. This is a copy of MPC's Certificate of Corporate Good Standing for a Foreign
15 Corporation issued by the Secretary of State of the State of Missouri.

16 Q. What does MPC seek by way of the application which is the subject of this case?

17 A. By this application, MPC seeks a waiver of and variance from section 3.2 of the Firm
18 Transportation Services Rate Schedule found on P.S.C. Mo. No. 3, Sheets 5, 6 and
19 7; section 3.2 of the Interruptible Provisional Transportation Services Rate Schedule
20 ("IRPTS") found on P.S.C. Mo. No. 3, Sheets No. 16 and 17 and the affiliated
21 transactions condition "C" as found at page 3 of the Report and Order on Rehearing
22 issued by the Commission in Case No. GM-94-252 on December 22, 1994.

1 Q. I hand you what has been marked as Schedule RCK-2 to this testimony. Would you
2 please describe this schedule?

3 A. Schedule RCK-2, which has been identified as Highly Confidential, is a copy of the
4 transportation agreement between MPC and UtiliCorp United Inc. d/b/a Missouri
5 Public Service ("MPS") for which a waiver/variance is sought.

6 Q. Please describe the project for which this waiver/variance is sought.

7 A. Missouri Gas Company ("MGC") has proposed in Commission Docket No. GA-97-
8 133 to construct a pipeline, which is sometimes referred to as the "Owensville
9 Delivery Spur." It is anticipated that the Owensville Spur will interconnect with a
10 natural gas distribution system which will be constructed, owned and operated by
11 MPS in and around the City of Owensville, Missouri. It is my understanding that
12 MPS's proposed distribution system is the subject of Commission Docket No. GA-
13 97-132. MPC would transport natural gas along its pipeline on behalf of MPS for
14 delivery to the MGC pipeline.

15 Q. What other customers are presently being served by MPC?

16 A. MPC directly serves the cities of St. Louis, Washington, Union, St. Clair and Sullivan,
17 and through Missouri Gas Company serves the cities of Cuba, St. James, Rolla,
18 Salem, Waynesville, St. Robert and Fort Leonard Wood.

19 Q. If the waiver/variance requested by MPC is granted, how will gas transportation
20 service be provided?

21 A. Gas transportation service will be provided by MPC pursuant to the tariffs, rules and
22 regulations which are now on file with and approved by the Commission or

1 subsequently will be filed with and approved by the Commission, with the exception
2 of the requested waiver/variance.

3 Q. From what prior Commission order does MPC request this waiver/variance?

4 A. The Commission's Report and Order on Rehearing in Case No. GM-94-252 stated
5 in affiliated transactions condition "C" that for all transportation agreements entered
6 into between UtiliCorp and its affiliates "[t]he lowest transportation rate charged to
7 an affiliate shall be the maximum rate that can be charged to non-affiliates." MPC
8 requests a variance/waiver from affiliated transactions condition "C" to allow it to
9 charge MPS a rate less than its current maximum allowable rate. Condition "E" states
10 that the Commission may be petitioned for a waiver of the conditions when the
11 petitioner believes that good cause exists to do so. MPC has requested such a
12 waiver/variance in this case.

13 Q. Are the terms of affiliated transactions condition "C" reflected in MPC's tariff
14 provisions?

15 A. Yes. Affiliated transactions condition "C" is reflected in section 3.2 of the Firm
16 Transportation Services Rate Schedule found on P.S.C. Mo. No. 3, Sheets 5, 6 and
17 7 and section 3.2 of the Interruptible Provisional Transportation Services Rate
18 Schedule ("IPTS") found on P.S.C. Mo. No. 3, Sheets No. 16 and 17.

19 Q. Is there good cause for the Commission to approve the waiver/variance request?

20 A. Yes. In order for natural gas to be a viable option for the citizens of Owensville and
21 the surrounding area, natural gas must be competitively priced, relative to propane.
22 If MPC's maximum allowable rates were used in the natural gas pricing equation, I

1 believe the price of natural gas delivered to the “burner tip” would be higher than the
2 price of propane. It has been MPC’s practice in the past to discount its maximum
3 allowed rates in order to compete with other energy sources, in this case, propane.
4 MPC is willing to continue this practice for the citizens of Owensville. MPC is not
5 willing to provide this discount if it negatively impacts the rates with other
6 communities along its pipeline. Without the waiver, such an impact would occur.

7 Q. What impact will this project have on the citizens of Missouri and the area proposed
8 to be served by the pipeline?

9 A. The major benefit of the project is the fact that it will bring natural gas through
10 Missouri gas Company to an area of Missouri which has not previously enjoyed the
11 benefits of natural gas service. Natural gas is clean, safe, reliable, and less expensive
12 than most alternative forms of energy. Our proposal will bring these benefits to
13 customers in Gasconade County, particularly in the City of Owensville, Missouri.
14 This will be a major force for development and employment in the central Missouri
15 area and a vehicle for future economic development.

16 Another benefit is the fact that natural gas will bring additional competition to the
17 energy marketplace. The public in Gasconade County now has limited energy
18 options. Our proposal will add natural gas to the range of energy alternatives for
19 these customers. New energy alternatives means increased customer benefits, and
20 generally means lower energy prices for the public in the long run.

21 Q. Are there any other matters which you seek to call to the attention of the Commission
22 at this time?

1 A. Yes. A grant of this waiver/variance combined with a grant of the authority MPS and
2 Missouri Gas Company have requested relating to this project will provide significant
3 benefits for residents and industry of south central portions of Missouri. It will have
4 a positive impact on employment in the area, will provide an additional energy source
5 in the area, and will promote economic development in the area.

6 Q. Does this conclude your direct testimony at this time?

7 A. Yes, sir.

8

AFFIDAVIT

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss

On the 13th day of February 1997, before me appeared Richard C. Kreul, to me personally known, who, being by me first duly sworn, states that he is the President of Missouri Pipeline Company and acknowledged that he had read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.



Richard C. Kreul

Subscribed and sworn to before me this 13th day of February, 1997.

Barbara S. Steinkuehler
Notary Public

My Commission Expires:

August 14, 1999
(SEAL)