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October 3, 2003

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

FILED³

OCT 03 2003

Re: Case No. GR-2001-382

Dear Mr. Roberts:

**Missouri Public
Service Commission**

Enclosed for filing on behalf of Missouri Gas Energy, please find an original and eight (8) copies of Supplemental Direct Testimony of Michael Langston and two schedules. Please note that Schedule MTL-35 has been designated as "Highly Confidential." One copy of a public version of this testimony is also enclosed.

A copy of this filing is being provided to the General Counsel and Office of the Public Counsel.

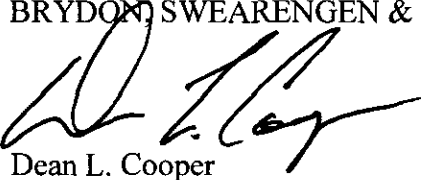
Please see that this filing is brought to the attention of the appropriate Commission personnel.

I thank you in advance for your cooperation in this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND, P.C.

By:


Dean L. Cooper

DLC/lar
Enclosure

cc: Doug Micheel
Tim Schwarz
Jim Deutsch
Jeff Keevil
Rob Hack
Mike Langston
Mac Ketchum

Exhibit No.:
Issues: Purchasing Practices: Storage
Witness: Michael T. Langston
Sponsoring Party: Missouri Gas Energy
Type of Exhibit: Supplemental Direct
Case No.: GR-2001-382 et al.
Date Prepared: October 3, 2003

MISSOURI PUBLIC SERVICE COMMISSION

FILED³

OCT 03 2003

MISSOURI GAS ENERGY

CASE NO. GR-2001-382

**Missouri Public
Service Commission**

SUPPLEMENTAL DIRECT TESTIMONY OF

MICHAEL T. LANGSTON

Jefferson City, Missouri

October 3, 2003

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's Purchased Gas Adjustment Tariff Revisions to be Reviewed in its 2000-2001 Actual Cost Adjustment)	<u>Case No. GR-2001-382</u>
In the Matter of Missouri Gas Energy's Purchased Gas Cost Adjustment Factors to be Reviewed in its 1999-2000 Actual Cost Adjustment)	<u>Case No. GR-2000-425</u>
In the Matter of Missouri Gas Energy's Purchased Gas Cost Adjustment Factors to be Reviewed in its 1998-1999 Actual Cost Adjustment)	<u>Case No. GR-99-304</u>
In the Matter of Missouri Gas Energy's Purchased Gas Cost Adjustment Tariff Revisions to be Reviewed in its 1997-1998 Actual Cost Adjustment)	<u>Case No. GR-98-167</u>

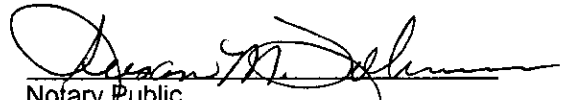
AFFIDAVIT OF MICHAEL T. LANGSTON

STATE OF Texas)
COUNTY OF Harris) ss.

Michael T. Langston, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Supplemental Direct Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Supplemental Direct 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.


MICHAEL T. LANGSTON

Subscribed and sworn to before me this 23rd day of September 2003.


Notary Public

My Commission Expires: 9-24-2004



SUMMARY

Staff Witness Jenkins proposed that MGE should have used storage in the winter of 2000-2001 based on flowing gas at a rate sufficient to serve demand based on the warmest November and December. Storage use would then equal the difference between flowing gas and total actual demand. Toward the end of the initial hearings in this case, MGE discovered that Staff Witness Jenkins' proposed approach was based on data that did not accurately reflect demand in the "warmest" November and December experienced in MGE's service territory. My supplemental direct testimony demonstrates that while MGE does not endorse Ms. Jenkins' recommended approach for storage utilization, if such an approach is being sponsored by Staff, then accurate customer demand data for the "warmest" November and December is required. When the accurate data is utilized in Ms. Jenkins' approach, it produces a significant reduction in the dollar value of her recommended disallowance. Thus, even if one were to assume that her theoretical approach is reasonable, Ms. Jenkins' disallowance calculation for the storage utilization issue in this proceeding must be reduced from \$8.1 million to less than \$200,000 to accurately account for the actual "warmest" November and December.

**SUPPLEMENTAL DIRECT TESTIMONY OF
MICHAEL T. LANGSTON**

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1 **SUPPLEMENTAL DIRECT TESTIMONY OF**

2 **MICHAEL T. LANGSTON**

3 **CASE NO. GR-2001-382**

4 **OCTOBER 3, 2003**

5
6 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

7 A. My name is Michael T. Langston. My business address is Panhandle Energy, 5444
8 Westheimer Road, Houston, Texas 77210-4967.

9
10 **Q. ARE YOU THE SAME MICHAEL T. LANGSTON THAT PREVIOUSLY**
11 **SUBMITTED DIRECT, REBUTTAL, AND SURREBUTTAL TESTIMONY IN**
12 **THIS PROCEEDING?**

13 A. Yes.

14
15 **INTRODUCTION**

16 **Q. WHY IS SUPPLEMENTAL TESTIMONY BEING FILED BY THE PARTIES IN**
17 **THIS PROCEEDING?**

18 A. Supplemental testimony, both direct and rebuttal, is being filed in this proceeding as a
19 result of the recognition by the parties late in the previously-scheduled hearing that the
20 Commission needed more information about an apparent discrepancy in Staff Witness
21 Jenkins' storage utilization calculations. During the course of Ms. Jenkins' cross-
22 examination, MGE discovered that although Ms. Jenkins testified that she had used
23 "warmest" month demand data in her storage utilization calculations, she actually used

1 numbers from a scenario that had been prepared by MGE for a totally different purpose
2 and were not actual "warmest" month demand. In fact, the figures used by Ms. Jenkins
3 reflect demand for November and December that is significantly higher than the actual
4 customer demand for the warmest November and December in MGE's service territory.
5 MGE made Staff aware of this discrepancy as soon as it was discovered since we
6 determined that Ms. Jenkins' calculations produced a significantly different result when
7 the actual "warmest" November and December demand was utilized. Since Ms. Jenkins
8 did not have time to verify the use of this actual data and the resulting calculations at the
9 initial hearing, the hearing was recessed.

10
11 **Q. ARE THE ISSUES TO BE ADDRESSED IN THE PARTIES' SUPPLEMENTAL**
12 **TESTIMONY THEN LIMITED TO THE ISSUE RELATING TO THE DATA**
13 **USED FOR THE STORAGE UTILIZATION CALCULATIONS?**

14 **A.** Yes, with the exception of a question that Commissioner Gaw asked of Ms. Jenkins
15 regarding the hedging issue when she was being cross-examined. Specifically, the parties
16 agreed after the hearing in June 2003 that the issues to be addressed in supplemental
17 testimony and discovery would be limited to three primary issues surrounding the
18 proposed storage utilization disallowance: (1) MGE's 1999/2000 heating season
19 delivered natural gas volumes; (2) the use of those volumes in the spreadsheet developed
20 by Ms. Jenkins; and (3) MGE's low case scenario used by Ms. Jenkins. In addition, the
21 parties agreed that the supplemental testimony would also address the request for
22 information made by Commissioner Gaw at the hearing regarding the percentage of
23 monthly hedging (see Tr. pages 536-537).

1
2 **Q. MR. LANGSTON, WILL YOUR SUPPLEMENTAL DIRECT TESTIMONY**
3 **ADDRESS JUST THESE ISSUES?**

4 A. Yes, except that my supplemental direct testimony will not address the question posed by
5 Commissioner Gaw addressed to Ms. Jenkins at this time. I reserve the right to respond
6 to any supplemental direct testimony that Ms. Jenkins may have on that issue in my
7 supplemental rebuttal testimony.

8
9 **STAFF'S PROPOSED STORAGE UTILIZATION CALCULATIONS**

10 **Q. BY WAY OF BACKGROUND, CAN YOU SUMMARIZE THE METHOD THAT**
11 **MS. JENKINS PROPOSED IN HER DIRECT TESTIMONY REGARDING**
12 **STORAGE UTILIZATION?**

13 A. As I have said earlier, Ms. Jenkins developed her own approach regarding how MGE's
14 natural gas in storage should have been utilized in the winter of 2000/2001. Ms. Jenkins
15 suggests that MGE utilized too much of its storage gas in November and December 2000,
16 which as a consequence, required the use of a greater level of flowing supplies in the
17 latter portion of that winter and exposed customers to higher natural gas prices that were
18 being experienced at that time. Ms. Jenkins has testified that if MGE had instead
19 determined and scheduled its first-of-month flowing supply levels based on historical
20 "warmest month" natural gas requirements, and then based its monthly storage
21 withdrawals on the difference between total monthly demand and "warmest month"
22 requirements, MGE would not have utilized as much storage gas in the early part of the
23 winter. At pages 509 through 511 of the transcript, particularly page 511, lines 8-14, and

1 also in her exchange with Commissioner Gaw on pages 519 through 524 of the transcript,
2 Ms. Jenkins repeatedly speaks of the "warmest month" and the "warmest month on
3 record" as the criteria that she used in her analysis. Based on her recommended
4 "warmest month" approach, Ms. Jenkins calculated a recommended disallowance of
5 \$8,051,049 for the storage utilization issue in this proceeding.

6
7 **Q. DOES MS. JENKINS ACKNOWLEDGE THAT THERE CAN BE MORE THAN**
8 **ONE PRUDENT APPROACH TO STORAGE UTILIZATION?**

9 A. Yes. As discussed in my rebuttal and surrebuttal testimony, Ms. Jenkins suggested in her
10 direct testimony that there are a number of ways in which MGE's storage utilization
11 could have been conducted prudently. For example, Ms. Jenkins states that:

12 Staff believes that it is reasonable to expect the Company to have
13 sufficient "assigned term supplies" – planned first-of-month (FOM)
14 flowing supplies – scheduled to cover warm weather requirements for
15 November through January. (Direct Testimony of Lesa Jenkins, Case No.
16 GR-2001-382, January 15, 2003, page 19, lines 19-21.)

17 This is what Ms. Jenkins has referred to as her "warmest month requirements" approach.
18 In this context, "warmest month" is supposed to mean a month in which historically high
19 (or warm) temperatures are actually experienced in MGE's service territory, thus leading
20 to historically low weather-sensitive natural gas usage by MGE's customers, since the
21 majority of residential natural gas usage is for space heating. Again, for example, Ms.
22 Jenkins testified (see page 506, lines 17-20 of the transcript) that her approach is based on
23 the "warmest month on record". Under this approach, Ms. Jenkins has suggested that
24 MGE should have scheduled first-of-month flowing supplies for each winter month based
25 on the lowest demand that had been experienced for that month based on historical usage.

1 In addition, Ms. Jenkins has suggested that demand that occurred above the "warmest
2 month" requirements would be met by planned storage withdrawals.

3
4 An additional approach that Ms. Jenkins has supported in her direct testimony is that
5 storage withdrawals would be based on the distribution of normal heating degree days
6 throughout the winter. In other words, she has argued that MGE should first determine
7 its storage withdrawal volumes for each month based on the distribution of heating
8 degree days and then any additional volumes that are needed be supplied with flowing
9 supplies. In this regard, Ms. Jenkins has specifically stated in her direct testimony that:

10 Staff would also expect that the planned storage withdrawals for normal
11 weather would be distributed based on the normal distribution of heating
12 degree days in the heating season months – thus more storage would be
13 utilized in the coldest heating season month of January and the least
14 storage would be utilized in the warmest heating season month of
15 November. (Direct Testimony of Lesa Jenkins, Case No. GR-2001-382,
16 January 15, 2003, page 19, lines 19-21.)

17 Thus, under this alternative approach suggested by Ms. Jenkins, planned storage
18 utilization by month would be based on the distribution of normal heating degree days
19 over the winter season, and clearly there is a difference between this approach and her
20 "warmest month requirements" approach noted above.

21
22 **Q. SINCE MS. JENKINS SUPPORTED AT LEAST TWO ALTERNATIVE**
23 **APPROACHES FOR DETERMINING STORAGE UTILIZATION AND**
24 **FLOWING SUPPLIES IN HER DIRECT TESTIMONY, HOW DID MS. JENKINS**
25 **CALCULATE HER PROPOSED DISALLOWANCE IN THIS PROCEEDING?**

26 **A.** Ms. Jenkins' storage utilization calculation represents a hybrid of the two approaches
27 that she supported in her direct testimony. Schedule 13 of her direct testimony presents

1 the storage utilization calculations she utilized, which were in turn ultimately utilized to
2 develop Staff's proposed \$8,051,049 disallowance shown on Schedule 8 of her direct
3 testimony. Specifically, Ms. Jenkins utilized the "warmest month requirements"
4 approach for only November and December 2000, while she utilized the distribution of
5 heating degree day approach for January, February and March 2001.

6
7 Therefore, for November and December only, Ms. Jenkins determined the level of first-
8 of-month flowing supplies based on her "warmest month requirements" approach, with
9 the storage withdrawals for those months then falling out as the difference between total
10 monthly demand and the level of first-of-month flowing supplies. In contrast, for
11 January through March, Ms. Jenkins instead first determined the level of storage
12 withdrawals based on her "normal distribution of heating degree day" approach, with the
13 level of flowing supplies for those months then falling out as the difference between total
14 monthly demand and the projected monthly storage withdrawals.

15
16 **Q. IN CALCULATING STAFF'S PROPOSED STORAGE UTILIZATION**
17 **DISALLOWANCE, HAS MS. JENKINS RELIED UPON ACCURATE DATA**
18 **CONCERNING WARMEST MONTH REQUIREMENTS IN MGE'S SERVICE**
19 **TERRITORY?**

20 A. No. I have described in detail in my direct, rebuttal and surrebuttal testimony in this
21 proceeding that MGE does not agree with Ms. Jenkins' method for evaluating storage
22 utilization. However, *even if one were to assume for the sake of argument that her*
23 *method was appropriate for evaluating prudent storage utilization, Ms. Jenkins has not*

1 utilized accurate data concerning “warmest month requirements” in her analysis to
2 calculate the first-of-month flowing supplies, and in turn, the monthly storage
3 withdrawals, for November and December 2000. Specifically, the critical flaw MGE has
4 discovered is that Ms. Jenkins did not utilize the actual historical warmest month
5 requirements for her analysis.

6
7 **Q. PLEASE EXPLAIN HOW MS. JENKINS, ON SCHEDULE 13 OF HER DIRECT**
8 **TESTIMONY, CALCULATED HER PROPOSED LEVEL OF FIRST-OF-**
9 **MONTH FLOWING SUPPLIES FOR NOVEMBER AND DECEMBER 2000, AND**
10 **IN TURN, THE STORAGE WITHDRAWALS FOR THOSE SAME MONTHS.**

11 A. First, on Schedule 13 of her direct testimony, Ms. Jenkins assumed that the “warmest
12 month” requirement for November 2000 was 5,587,935 Dth, or an average of 186,265
13 Dth/day. She shows this on her Schedule 13-1, Table 1, column (c), line 25; and
14 Schedule 13-2, Table 3-2, column (c), line 89, respectively. After determining the
15 estimated “warmest month” requirement for November, Ms. Jenkins then, on Schedule
16 13-2, Table 3-2, calculated a storage withdrawal level for November by subtracting her
17 proposed first-of-month flowing supply level from MGE’s total normal natural gas
18 demand for November.

19
20 Specifically, Ms. Jenkins took MGE’s normal daily average demand for November plus
21 fuel requirements (i.e., 247,512 Dth/day + 2,715 Dth/day = 250,227 Dth/day; see
22 Schedule 13-2, Table 3-2, column (d), lines 80 and 85) and subtracted the first-of-month
23 flowing supply level she calculated based on her so-called “warmest month requirement”

of 186,265 Dth/day. This was adjusted downward to 181,265 Dth/day to account for MGE's interruptible storage contract of 5,000 Dth/day to derive her proposed storage withdrawal level for November of 68,962 Dth/day. This is shown on Ms. Jenkins' Schedule 13, Table 3-2, column (d), line 84. On the basis of this data, Ms. Jenkins concluded that since the "warmest month requirements" for November 2000 should have been 186,265 Dth/day, MGE's storage withdrawals should have been 68,962 Dth/day. A summary of Ms. Jenkins' calculations on Schedule 13 are shown in Table 1 below.

TABLE 1: SUMMARY OF MS. JENKINS' CALCULATION OF NOVEMBER FLOWING SUPPLIES AND STORAGE WITHDRAWALS

<u>Description</u>	<u>Amount (Dth/day)</u>
1. Normal Daily Avg. Demand – November	250,227
2. <u>Less:</u> First-of-Month Flowing Supplies ("warmest month")*	<u>(181,265)</u>
3. Difference (proposed storage withdrawal level)	68,962

* Adjusted downward from 186,265 Dth/day as a result of MGE's interruptible storage contract for 5,000 Dth/day

Q. ASSUMING FOR THE SAKE OF ARGUMENT THAT HER APPROACH IS APPROPRIATE, DID MS. JENKINS UTILIZE ACCURATE "WARMEST MONTH" REQUIREMENTS FIGURES IN HER CALCULATIONS?

A. No. As noted above, Ms. Jenkins assumed that MGE's "warmest month requirements" for November were 5,587,935 Dth, or an average of 186,265 Dth/day. As described in her direct testimony and as shown on Schedule 13-1, the warmest month requirement for

1 November was obtained from the Low Case scenario as presented in MGE's Reliability
2 Report dated July 1, 2000.¹ The "Low Case" figure that Ms. Jenkins relied upon from the
3 Reliability Report was a figure utilized in the Reliability Report, but it **does not** represent
4 the actual demand for the warmest November in MGE's service territory. As I have
5 stated repeatedly on the record in this proceeding (see, e.g., Langston Surrebuttal
6 Testimony, page 4, lines 11-19), the information contained in the Reliability Report was
7 not prepared for, nor is it now appropriate to be utilized for, determining how storage
8 should be dispatched throughout the winter.

9
10 **Q. IS ACTUAL DATA CONCERNING WARMEST MONTH REQUIREMENTS IN**
11 **NOVEMBER FOR MGE'S SERVICE TERRITORY AVAILABLE?**

12 **A.** Yes. This information has been in the possession of Ms. Jenkins since at least the filing
13 of direct testimony. As shown on Schedule 7-4 of Ms. Jenkins' direct testimony, the
14 warmest November experienced in MGE's service territory in the past forty years
15 occurred in November 1999 -- the winter immediately prior to the winter of 2000/2001
16 that is the subject of this proceeding. MGE's actual demand for November 1999 was
17 4,414,515 Dth, or a daily average of 147,151 Dth/day. That data was presented in my
18 direct testimony (Exhibit 3) in this proceeding on Schedule MTL-14 which was filed on
19 January 15, 2003. Ms. Jenkins posed several data requests to Mr. Noack of MGE on
20 May 22, 2003. These data requests to Mr. Noack were labeled Data Requests No. 146
21 through No. 156. The responses to these data requests demonstrate conclusively that the

¹ See, e.g., Direct Testimony of Lesa Jenkins, Case No. GR-2001-382, January 15, 2003, Schedule 13-1 HC, line 31, columns A and B -- "Using Company heat load and base load factors in Reliability Report with historical HDD (heating degree days)".

1 actual metered demand in the month of November and December 1999 was in fact as
2 represented in my direct testimony on Schedule MTL-14.

3
4 Making the same adjustment to the actual "warmest month" demand (i.e., 147,151
5 Dth/day for November 1999) as Ms. Jenkins did on Schedule 13 for MGE's 5,000
6 Dth/day interruptible storage contract, produces a daily average first-of-month flowing
7 supply level for November 2000 of 142,151 Dth/day. Therefore, assuming her approach
8 was correct in the first place, Ms. Jenkins should have utilized 142,151 Dth/day on
9 Schedule 13, Table 3-2, column (d), line 86, instead of 181,265 Dth/day, in order to
10 properly reflect demand in the "warmest" November. The use of the actual number
11 versus an estimate from the Reliability Report produces a difference of 39,114 Dth/day,
12 or a difference of over 1.1 million dekatherms for the month of November.

13
14 **Q. DID MS. JENKINS ALSO USE INACCURATE INFORMATION IN HER**
15 **CALCULATION OF FIRST-OF-MONTH FLOWING SUPPLIES FOR**
16 **DECEMBER 2000?**

17 **A.** Yes. Similar to the error for November 2000, Ms. Jenkins also used the wrong data in
18 order to calculate the level of first-of-month flowing supplies based on "warmest month"
19 requirements for December 2000. Specifically, as shown on Schedule 13-1, Table 1,
20 column (d), line 25, Ms. Jenkins assumed that MGE's warmest month requirements for
21 December were 10,592,504 Dth, or an average of 341,694 Dth/day (see Schedule 13-1,
22 Table 1, column (d), line 25; and Schedule 13-2, Table 3-2, column (e), line 89,
23 respectively). However, again, this warmest month requirement came from the "Low

1 Case" estimate found in the 2000 Reliability Report, but it **does not** represent the demand
2 likely to be experienced in the "warmest" December as intended by Ms. Jenkins' stated
3 approach.

4
5 As shown on Schedule 7-4 of Ms. Jenkins' direct testimony, the warmest December in
6 the past forty years was December 1965. Since MGE's system and, thus, its demand,
7 have changed significantly since that time, it would have been more appropriate for Ms.
8 Jenkins to utilize the warmest December in most recent history. In fact, the warmest
9 December in recent history occurred in December 1999, or, again, the winter
10 immediately prior to the winter of 2000/2001 that is the subject of this proceeding.
11 MGE's actual demand for December 1999 was 9,843,466 Dth, or a daily average of
12 317,531 Dth per day. That data was also presented in my direct testimony (Exhibit 3) in
13 this proceeding on Schedule MTL-14. Again, this has been verified as the actual demand
14 through data request responses by MGE subsequent to the initial hearing in this case. As
15 with November, the problem with Ms. Jenkins' calculation is that she has assumed a level
16 of demand for "warmest month" that is significantly higher than the level MGE actually
17 experienced in a recent "warmest" December. In this situation, she assumed a demand
18 level that was 24,163 Dth/day or nearly 750,000 dekatherms more than actually
19 experienced for the month of December.

20
21 **Q. WHAT WOULD BE THE RESULT OF MS. JENKINS' CALCULATIONS AND**
22 **PROPOSED STORAGE DISALLOWANCE IF YOU WERE TO CALCULATE**
23 **THE NOVEMBER AND DECEMBER 2000 FIRST-OF-MONTH FLOWING**

1 **SUPPLY FIGURES BASED ON MGE'S ACTUAL WARMEST MONTH**
2 **DEMAND?**

3 A. Schedule MTL-35 attached hereto is an exact replica of Ms. Jenkins' Schedule 13 from
4 her direct testimony, including all formulas and calculations, with the exception that the
5 numbers for MGE's actual warmest month demand for November and December have
6 been substituted for Ms. Jenkins' incorrect data. Everything else, including the formulas
7 that are an inherent part of her recommended method, remain the same as she originally
8 presented them. For ease of review, the pagination on Schedule MTL-35 is the same as
9 Ms. Jenkins presented on her Direct Schedule 13.

10
11 Specifically, on Schedule MTL-35, Table 1, column (c), line 25, Ms. Jenkins' "warmest
12 month" requirement for November of 5,587,935 Dth has been replaced with MGE's
13 actual warmest demand for November in the past forty years (i.e., November 1999) of
14 4,414,515 Dth. The average daily demand equivalent of this corrected demand data can
15 also be seen on Schedule MTL-35, Table 3-2, page 13-2, column (c), line 89, where Ms.
16 Jenkins' warmest month requirement for November of 186,265 Dth/day has been
17 replaced with MGE's actual average warmest month demand for November in the past
18 forty years (i.e., November 1999) of 147,151 Dth/day. Similarly, on Schedule MTL-35,
19 Table 1, column (d), line 25, Ms. Jenkins' "warmest month" requirement for December
20 of 10,592,504 Dth has been replaced with MGE's actual warmest demand for November
21 in the past forty years (i.e., November 1999) of 9,843,466 Dth. (The average daily
22 demand equivalent of this corrected demand data can also be seen on Schedule MTL-35,
23 Table 3-2, page 13-2, column (e), line 89, where Ms. Jenkins' warmest month

1 requirement for December of 341,694 Dth/day has been replaced with MGE's actual
2 warmest month demand for December experienced since 1965 (i.e., December 1999) of
3 317,531 Dth/day.)

4
5 Schedule MTL-36 is an exact replica of Ms. Jenkins' Schedule 8-1 from her direct
6 testimony, with the exception that the proposed disallowance reflects the actual warmest
7 month demand for November and December discussed above. As can be seen on
8 Schedule MTL-36, with *only* these two changes to reflect the actual "warmest"
9 November and December demand in order to be consistent with both the theoretical basis
10 for and explanation of her approach, Ms. Jenkins' proposed storage utilization
11 disallowance calculation nearly evaporates, declining from \$8,051,049 to \$182,159.
12 Therefore, even if one were to assume that Ms. Jenkins' storage utilization method were
13 appropriate - which MGE does not support - her proposed storage utilization
14 disallowance should be significantly reduced.

15
16 In fact, Ms. Jenkins' proposed storage utilization, given accurate data, is very similar to
17 what MGE actually did in the winter of 2000/2001. For example, in Exhibit 3 in this
18 case, on Schedule MTL-14, page 1, column (e) shows the volumes MGE actually
19 withdrew from storage and column (f) presents Staff's proposed storage withdrawals
20 based on Ms. Jenkins' analysis. As can be seen, the trend of MGE's actual storage
21 utilization and Staff's proposed storage utilization are nearly identical -- high storage
22 utilization in November and December 2000, a significant reduction in storage
23 withdrawals in January 2001 to account for the large withdrawals in the two previous

1 months, with a return to more normal level storage withdrawals for February and March.
2 Therefore, even if one were to accept the theoretical basis of Ms. Jenkins' storage
3 utilization method, her proposal—once corrected to be true to its stated purpose—is very
4 similar to what MGE actually did during the winter of 2000/2001. Thus, any claim of
5 imprudence on MGE's part is totally unsupported by the evidence.
6

7 **Q. DO YOU KNOW AT THIS TIME WHETHER MS. JENKINS AGREES THAT**
8 **THE ACTUAL WARMEST MONTH NUMBERS SHOULD BE USED IN HER**
9 **CALCULATIONS ON SCHEDULE 13 INSTEAD OF THOSE SHE TOOK FROM**
10 **THE LOW CASE SCENARIO OF THE RELIABILITY REPORT?**

11 A. No, I do not know what her position is. We attempted to determine her position by
12 sending her data requests in August 2003, but were told at that time she would tell us her
13 position in her supplemental direct testimony. As I have explained here, and as we
14 explained to Ms. Jenkins the day we discovered this situation, we have not attempted to
15 change her theory or underlying approach. All we have done is take two numbers that
16 are already in the evidentiary record, and that reflect the undisputed historical usage in
17 the warmest November and December recently experienced in the MGE service area, and
18 substitute them for estimates she took from a different, and inappropriate, source. Putting
19 only those two actual numbers into her spreadsheet dramatically changes the amount of
20 the proposed disallowance. If her approach as she has testified is to truly reflect the
21 "warmest month" usage, then what I have presented here cannot be ignored by the
22 Commission.
23

1 **Q. CAN YOU EXPLAIN WHY MGE DID NOT DISCOVER THIS SITUATION**
2 **EARLIER AND BRING IT TO THE ATTENTION OF THE STAFF AND THE**
3 **COMMISSION IN THE NORMAL COURSE OF THE PREPARED TESTIMONY**
4 **THAT HAS ALREADY BEEN FILED IN THIS CASE?**

5 A. Due to the complexities associated with Ms. Jenkins' spreadsheets that comprise
6 Schedule 13 of her direct testimony, and the differences between what her testimony
7 states and what is actually done in the spreadsheets, the problem was simply not
8 discovered sooner. The problem only became apparent when Ms. Jenkins was being
9 cross-examined and she presented additional explanation as to her recommended
10 approach. As noted previously, as soon as MGE became aware of the inaccurate use of
11 data in Ms. Jenkins' storage utilization calculations, MGE immediately contacted Staff
12 and asked to meet with them informally to tell them what we had discovered. If MGE
13 had discovered the discrepancy earlier in this case, it would have been addressed at that
14 time.

15
16 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

17 A. Yes, it does.

**SUPPLEMENTAL DIRECT TESTIMONY
MICHAEL LANGSTON
SCHEDULE MTL-35
CASE NO. GR-2001-382
HIGHLY CONFIDENTIAL**

Sept. 20, 1941

**Proposed Disallowance
Declines to \$182,159
from \$8,051,049**