Exhibit No.:

Issue:

Puts and Calls

Witness:

Phil S. Lock

Sponsoring Party:

MoPSC Staff

Type of Exhibit:

Direct Testimony

Case No.:

GR-99-435

Date Testimony Prepared:

January 28, 2002

MISSOURI PUBLIC SERVICE COMMISSION UTILITY SERVICES DIVISION

DIRECT TESTIMONY

FILED³

JAN 2 9 2002

OF

Service Commission

PHIL S. LOCK

UTILICORP UNITED INC.

d/b/a MISSOURI PUBLIC SERIVCE

CASE NO. GR-99-435

Jefferson City, Missouri January 2002

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1	DIRECT TESTIMONY		
2	OF		
3	PHIL S. LOCK		
4	UTILICORP UNITED INC.		
5	d/b/a MISSOURI PUBLIC SERVICE		
6	CASE NO. GR-99-435		
7	•		
8	Q. Please state your name and business address.		
9	A. Phil S. Lock, 200 Madison Street, Jefferson City, MO 65101.		
10	Q. By whom are you employed and what is your position?		
11	A. I am a Regulatory Auditor III with the Missouri Public Service		
12	Commission (Commission).		
13	Q. Please describe your educational background and experience.		
14	A. I attended Central Missouri State University at Warrensburg, Missouri,		
15	and received a Bachelor of Science degree in Business Administration, with a major in		
16	Finance in May 1980, and a major in Accounting in December 1986. Since		
17	November 1996, I have been accredited as a Certified Government Financial Manager.		
18	Q. What has been the nature of your duties with the Commission?		
19	A. From 1987-1993 I conducted rate case audits under the direction of the		
20	Chief Accountant of the Commission's Accounting Department. From 1993 to the		
21	present, I have, under the direction of the Manager of Procurement Analysis, conducted		
22	audits and examinations of the books and records of gas utility companies operating		
23	within the state of Missouri.		

Direct Testimony of Phil S. Lock

1	Q. Have you previously filed testimony in cases before this Commission?
2	A. Yes. I have filed written testimony in Case No. TR-87-25, Grand River
3	Mutual Telephone; Case No. GR-89-48, Kansas Power and Light Company; Case
4	No. GR-90-84, St. Joseph Light and Power Company; Case No. GR-90-152, Associated
5	Natural Gas Company; Case No. GR-92-21, United Cities Gas Company; Case
6	No. GR-92-165, Laclede Gas Company; Case No. GR-93-47, United Cities Gas
7	Company; Case No. GR-93-149, Laclede Gas Company; Case No. GR-94-328, Laclede
8	Gas Company; Case No. GA-97-132, Missouri Public Service; and Case
9	No. GM-2001-585, Gateway Pipeline. I have also prepared numerous Actual Cost
10	Adjustment (ACA) recommendations since 1993.
11	Q. What is the purpose of your direct testimony?
12	A. **
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18	** The Staff will also briefly discuss an imbalance issue still pending
19	in this case.
20	Q. What are put and call options and how do they work?
21	A. Put and call options are a risk management tool that allows a party
22	purchasing or selling natural gas to achieve some degree of price protection while
23	retaining the ability to obtain favorable prices in the market at a given time. To ensure

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	Direct Testimony of Phil S. Lock				
1	against falling natural gas prices, a natural gas seller could buy a put option. A put optio				
2	gives the buyer the right, but not the obligation, to sell a specified quantity of gas to th				
3	seller at a specified price at a specified time. In return for this right, the seller receives a				
4	monthly premium from the buyer for this protection.				
5	A buyer would typically buy a call option to ensure it against rising gas prices				
6	Under a call option, the buyer would have the right, but not the obligation, to buy a				
7	specified quantity of gas from the seller at a specified price at a specified time. Again				
8	the seller receives a monthly premium for this protection.				
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	Direct Testimony of Phil S. Lock	· ·	·
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	Direct Testimony of Phil S. Lock
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2	**
3	Q. An imbalance issue arose in the context of Staff's ACA recommendation
4	in Case No. GR-99-435. Does UtiliCorp agree in principle with Staff's proposed
5	methodology for treating pipeline imbalances?
6	A. Yes, after further discussion with the Company, the parties agree on this
7	issue.
8	Q. Does this conclude your direct testimony?
9	A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri Public Service's Purchased Gas Adjustment Factors to be Reviewed In Its 1998-1999 Actual Cost Adjustment) Case No. GR-99-435)
AFFIDAVIT OF	PHIL S. LOCK
STATE OF MISSOURI) ss.	
COUNTY OF COLE)	
preparation of the foregoing Direct Testimony	oath states: that he has participated in the in question and answer form, consisting of se; that the answers in the foregoing 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.

Phil S. Lock

Subscribed and sworn to before me this

day of January 2002.

TONI M. CHARLTON NOTARY PUBLIC STATE OF MISSOURI COUNTY OF COLE My Commission Expires December 28, 2004



SCHEDULE 1

IS

HIGHLY

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ITS ENTIRETY

SCHEDULE 2

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HIGHLY

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ITS ENTIRETY