Exhibit No.:	_____
Issue:	Capacity Planning
Witness:	David N. Kirkland
Exhibit Type:	Surrebuttal Testimony
Sponsoring Party:	Missouri Gas Energy
Case No.:	GR-2002-348/ GR-2003-0330
Date Prepared:	July 19, 2006

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NOS. GR-2002-348/GR-2003-0330

SURREBUTTAL TESTIMONY

OF

DAVID N. KIRKLAND

ON BEHALF OF MISSOURI GAS ENERGY

Jefferson City, Missouri

July 19, 2006

** Denotes Highly Confidential Material **

NP

SURREBUTTAL TESTIMONY OF

DAVID N. KIRKLAND

Table of Contents

SURREBUTTAL TESTIMONY OF

DAVID N. KIRKLAND

CASE NOS. GR-2002-348 and GR-2003-0330 (Consolidated)

July 19, 2006

I. INTRODUCTION

Q. ARE YOU THE SAME DAVID N. KIRKLAND THAT FILED DIRECT AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. PLEASE STATE THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY.

A. The purpose of my surrebuttal testimony is to address two issues: (i) certain pipeline capacity decisions (i.e., Pony Express and Southern Star Central ("SSC")) and associated benefits of those decisions; and (ii) the peak day HDD utilized by MGE in certain reliability reports. Specifically, my surrebuttal will address these issues as addressed in the rebuttal testimony of Missouri Public Service Commission ("Commission") Staff ("Staff") Witness Lesa A. Jenkins at pages 26 though 32 and other selected issues in Ms. Jenkins' testimony.

Q. PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.

A. The primary conclusion of my surrebuttal testimony is that Ms. Jenkins has not considered the timing, the complexity, or the totality of the capacity decisions she has identified, i.e., Pony Express and SSC. Ms. Jenkins continues to rely on a flawed

demand estimate as her only evidence of why MGE should not recover certain capacity costs, and as I and Mr. Reed have addressed previously and will discuss in surrebuttal, that demand analysis itself is flawed. In essence, Ms. Jenkins ignores all the issues and constraints that MGE addressed and managed, yet she identifies the precise design day demand that MGE will experience by using demand from many days that are above freezing. Based on my experience, this approach to capacity planning is myopic.

Q. PLEASE BRIEFLY SUMMARIZE MS. JENKINS' CRITICISMS OF THE MGE CAPACITY DECISIONS.

A. In general, Ms. Jenkins has asserted that MGE did not reasonably forecast the peak day demand for its system and, as a result, contracted for more pipeline capacity than it really needed; specifically, Ms. Jenkins has identified certain Pony Express and SSC capacity as being, in her opinion, unreasonable excess capacity.

Q. ARE MS. JENKINS' ASSERTIONS REASONABLE AND CONSISTENT WITH THE BUSINESS CONSTRAINTS AND ISSUES THAT LDCS MUST ADDRESS AND MANAGE REGARDING THE EVALUATION AND ACQUISITION OF PIPELINE CAPACITY?

A. No. Ms. Jenkins' approach is what I would call "tunnel vision" that has not fairly or adequately considered the numerous other issues that MGE must address or consider when performing long-range planning for capacity. As detailed in my direct and rebuttal testimony, and that of Mr. Reed, the MGE capacity plan is a multi-year process that considers numerous variables and constraints, including supply diversity, operating and economic flexibility, the current portfolio, and the broader natural gas market. For

example, obtaining additional pipeline capacity is not like making a late-night trip to a gas station to fill up your car for a trip the next day. It usually is several years between the times additional capacity becomes available. It is also very important to focus on the prime objective for capacity planning, which is reliability. Ms. Jenkins has not done that. First and foremost, MGE has designed a capacity portfolio that provides reliable service to our firm customers. The capacity portfolio, as implied by the word portfolio, is diverse. MGE has negotiated over the years to where it now has contracted capacity on four different pipelines, access to three major natural gas supply basins, contracts for significant storage, and has integrated and leveraged its various capacity assets. As a result, the MGE capacity portfolio is well positioned to manage a variety of negative contingencies, including equipment failure, supply failure, or unusual weather events.

Q. PLEASE GENERALLY DISCUSS THE PROBLEMS YOU BELIEVE EXIST IN MS. JENKINS' APPROACH REGARDING THE PONY EXPRESS AND SSC CAPACITY DECISIONS.

A. First, as I just mentioned, Ms. Jenkins has apparently not even considered many of the numerous variables and constraints that the MGE capacity plan must consider and address. Second, Ms. Jenkins' approach to developing design day demand is, as outlined by Mr. Reed, flawed primarily because she uses data that is not representative of design day demand. Third, as detailed in my rebuttal testimony, Staff has provided feedback to MGE on numerous occasions during the relevant time period that the MGE planning process was adequate, indicating that Ms. Jenkins' totally different approach in this case looking back to that same general time period is highly suspect. Based on my experience

and my review, the MGE capacity decisions were commercially reasonable at the time they were made and have provided a reliable level of service.

II. CAPACITY DECISIONS

A. PONY EXPRESS CAPACITY

Q. PLEASE SPECIFICALLY DISCUSS THE BACKGROUND OF THE PONY EXPRESS CONTRACT.

A. As discussed in my rebuttal testimony, MGE contracted for ** ** MMBtus of pipeline capacity on the Pony Express pipeline in 1996. The contract called for the capacity to be implemented or phased-in over two stages. Specifically, in 1996, the MGE capacity on Pony Express was ** ** MMBtus. In 2001, the MGE capacity on Pony Express increased by ** ** MMBtus to ** ** MMBtus per the contract. In other words, the contract for ** ** MMBtus was executed in 1996 and therefore, all analysis and evaluation for that entire level of capacity was conducted prior to that time.

Q. HAVE ANY DOCUMENTS EVER BEEN PROVIDED TO STAFF THAT SHOW THE PONY EXPRESS VOLUMES WERE CONTRACTED FOR WELL BEFORE 2001?

A. Yes. There are several references regarding Pony Express capacity that are provided in the schedules attached to my direct testimony. For example, here is an excerpt from the MGE 1997 Reliability Report filed on May 1, 1997.

**

** [1]

In addition to the 1997 MGE Reliability Report, MGE also made reference to the Pony Express ** ** MMBtus in the 1996, 1998, 2000 and 2001 Reliability Reports. In other words, MGE communicated to Staff in various reliability reports over several years that the Pony Express capacity would increase by ** ** MMBtus in 2001. The Pony Express capacity is also illustrative of the integrated nature of the MGE capacity portfolio I spoke of previously. Specifically, MGE pursued negotiations with Pony Express and SSC with the intention to construct interconnects between the two pipelines that would allow for more reliable service to MGE's customers and to increase the overall flexibility of MGE's supply portfolio.[2] As a result of this integrated planning approach, MGE was able to leverage the Pony Express interconnect and the associated benefits of that interconnect in the SSC capacity renewal process. In simple terms, MGE carefully positioned itself over several years so it could increase its bargaining power with its major pipeline supplier in order to benefit MGE's customers.

1 Direct testimony of David N. Kirkland, Schedule DNK-3, p. 000047.

2 **

** - Direct testimony of David N. Kirkland, Schedule DNK-9, p. 000028.

NP

B. SSC CAPACITY

Q. WHEN WAS THE SSC CAPACITY RENEWED AND WAS THE SSC CAPACITY PRESENTED IN THE MGE RELIABILITY REPORTS ATTACHED TO YOUR DIRECT TESTIMONY?

A. As discussed in my rebuttal testimony, the SSC capacity renewal that was the result of the previous contract negotiations became effective June 15, 2001. Given the importance of the SSC capacity to the MGE portfolio (e.g., access to diverse supply basins, service to all of the MGE operating regions, and the no-notice flexibility across all the MGE regions), the SSC capacity was a prominent part of the MGE capacity presented in each reliability report.

Q. DOES MS. JENKINS ACKNOWLEDGE THE FACT THAT MGE PRESENTED AND COMMUNICATED A CONSISTENT CAPACITY LEVEL FOR THE 2001/2002 TIME FRAME?

A. No. In Ms. Jenkins' rebuttal testimony, she states: "Staff uses the same capacity value, or maximum daily quantity (MDQ), provided and used by MGE in its 2001/2002 Reliability Report and 2002/2003 Reliability Report."[3] However, what Ms. Jenkins does not state is that MGE has communicated a consistent message over several years regarding the 2001/2002 MGE capacity level. The following table is a summary of that communication.

[3] Rebuttal testimony of Lesa A. Jenkins, p. 27.

** | | |
|---|---|
| | |
| | |
| | |
| | |

**

In other words, MGE has filed several reliability reports (i.e., 1997, 1998, 2000) that document MGE's capacity and identify the capacity level which includes SSC and Pony Express capacity and Staff in its review of those reports stated that the MGE planning process regarding that capacity was adequate.

Q. WHAT WAS THE POSITION OF MGE REGARDING CAPACITY AS DISCUSSED IN THE 2000/2001 RELIABILITY REPORT; THE REPORT SUBMITTED PRIOR TO THE SSC RENEWAL?

A. MGE utilized a capacity level of ** ** MMBtus and identified a need for incremental capacity in early years of the forecast, specifically: "[t]his newest study covers a time horizon of 2000 through 2011, and continues to indicate a need for incremental capacity to cover the historic peak day prior to the 2003-2004 winter season."[4]

Q. COULD YOU EXPLAIN HOW THAT QUOTE APPLIES TO FIGURE I-1 OF THE 2000/2001 RELIABILITY REPORT?

A. As shown in Figure I-1, MGE was forecasting a historical peak day (i.e., design day) requirement of ** ** MMBtus by 2003/2004 and ** ** MMBtus by 2004/2005. When compared to the capacity level of ** ** MMBtus, MGE

[4] Direct testimony of David N. Kirkland, Schedule DNK-8, p. 000007.

concluded that incremental capacity would be needed by 2003/2004 to ensure reliable service to its customers. In other words, in the 2000/2001 Reliability Report, MGE had already included all the SSC capacity as well as the ** ** MMBtus of Pony Express capacity and concluded that still further capacity was needed, so Staff was made aware of all of that at least as early as that filing on July 1, 2000. Please note that, as discussed above, the SSC and Pony Express capacity was also presented as part of the MGE capacity portfolio that was submitted in the 1997, 1998, and 2000 Reliability Reports.

Q. DID STAFF REVIEW THE 2000/2001 RELIABILITY REPORT?

A. Yes. On November 27, 2001, Staff submitted a recommendation memorandum ("2001 Staff Memo") for Case No. GR-2000-425. In the 2001 Staff Memo, Staff commented on the MGE 2000/2001 Reliability Report.[5]

Q. DO YOU ATTRIBUTE ANY SIGNIFICANCE TO THE DATE OF THE 2001 STAFF MEMO?

A. Yes. As I indicated, the 2001 Staff Memo was dated November 27, 2001, which is over five months after the SSC capacity had been renewed (i.e., June 15, 2001).

Q. DID STAFF DISCUSS THE MGE CAPACITY PORTFOLIO IN THE 2001 STAFF MEMO?

A. Yes. Staff asserted that additional capacity would not be needed until 2005/2006, specifically: "[i]n the 2000/2001 Reliability Report, the Company states that additional

[5] Direct testimony of David N. Kirkland, Schedule DNK-6, p. 000003.

capacity is needed prior to 2003/2004, however, Staff's review of peak day estimates and capacity show that additional capacity is not needed until 2005/2006."[6]

Q. THE STAFF COMMENT YOU JUST QUOTED REFERS TO ADDITIONAL CAPACITY. DID STAFF'S DISCUSSION CONCLUDE THAT MGE DID NOT NEED ANY OF ITS EXISTING CAPACITY AT THAT TIME?

A. No. Staff predicted that the MGE requirement for additional capacity might come later than the MGE estimate but Staff did not comment with respect to the existing capacity level. Rather, in the recommendations section of the 2001 Staff Memo, Staff requested that certain MGE analysis be submitted by August 1, 2002. I think that if Staff had substantial doubts about the reasonableness of the existing level of capacity at that time, Staff would have brought that to the attention of the Commission and probably recommended a capacity expense disallowance.

Q. PLEASE DISCUSS THE COMPLEXITY OF THE SSC CAPACITY RENEWAL.

A. Staff has made the following statement: "[a] review of past workpapers for MGE reveals that the transportation discount savings for 2001/2002 include ** ** and Staff has made no adjustment in either the 2001/2002 ACA or 2002/2003 ACA related to production area capacity."[7] The message from Ms. Jenkins to MGE in that quote is quite clear to me. It is: heads I win, tails you lose. In other words, the production area discounts obtained by MGE negotiations, which benefited the MGE customers, are of no issue to Ms. Jenkins, but the market area

6 Direct testimony of David N. Kirkland, Schedule DNK-6, p. 000003.

7 Rebuttal testimony of Lesa A. Jenkins, p. 31.

transport and storage capacity that did not have a discount are considered excess capacity and MGE's shareholders should absorb a disallowance. The totality of the bargain fought for and obtained by MGE is not being acknowledged by Ms. Jenkins. In other words, all of the benefits and costs of the negotiations producing the SSC renewal are a bundled package that cannot and should not be viewed as discrete elements that can be sliced off and further dissected or subjected to inconsistent treatment by Staff. In my rebuttal testimony, I discuss, at length, the benefits of the SSC capacity. In general, the SSC negotiations were complex, as one would expect given the size of the negotiation. Specifically, the SSC capacity renewal was an approximately ** ** MMBtu contract which represents ** ** of the entire MGE portfolio. Simply stated, the SSC renewal encompassed the most significant asset in the MGE portfolio. Given the sheer volume of this negotiation, it is important that Staff and the Commission recognize that there were two parties involved in this negotiation, each with their own commercial and business objectives. The result of that process was an integrated deal, not separate individual components. The discounts were attached to the totality of the deal and should be recognized by the Staff and the Commission as a benefit occurring to MGE's customers that has to be given due consideration in this debate.

Q. PLEASE GENERALLY SUMMARIZE THE BENEFITS OF THE SSC CAPACITY.

A. In addition to the discounts just discussed, the SSC capacity renewal decision produced positive tangible benefits to MGE's customers heightening the reliability and flexibility of pipeline transportation and storage resources for all three of the major MGE regions (i.e., Kansas City, St. Joseph and Joplin). In addition, the SSC capacity also accesses

various supply basins, including the Anadarko, Hugoton and the Rocky Mountain supply basins (see Schedule DNK-1). The storage component of the SSC renewal coupled with the SSC service (i.e., TSS) provided MGE with no-notice service.

Q. PLEASE BRIEFLY EXPLAIN THE VALUE OF NO-NOTICE SERVICE.

A. The delivery of natural gas from wellhead to burner tip requires MGE to coordinate across several industry participants, including gas producers, gas marketers, pipeline companies, storage providers, and end users. In addition, the demand for natural gas needs to be estimated and scheduled. In other words, MGE will develop a forecast of natural gas consumption based on other forecasts, particularly weather. As an example, MGE will receive a weather forecast on Friday morning that will be utilized for the Friday gas day as well as the initial plan for the weekend. However, once the gas day begins and actual weather deviates from the forecast, MGE will need to adjust the gas supply resources to meet the changing customer consumption. No-notice service is the tool that provides the LDC with the ability to adjust the gas supply nominations to match the demand fluctuations associated with the deviation between forecast and actual weather with scheduling and balancing flexibility on the part of the pipeline.

Q. IF MGE DID NOT HAVE NO-NOTICE SERVICE, WOULD MGE BE EXPOSED TO PIPELINE IMBALANCE PENALTIES?

A. Yes. The SSC TSS service provided MGE with a tool to meet weather variability as well as forecast imprecision or operational constraints. Specifically, MGE would be exposed to the daily demand fluctuations because of actual temperatures deviating from forecast; imprecision in the forecast model; and supply reductions because of operational or

administrative issues. If the balancing provisions of the pipeline are not met under the typical contract that does not include no-notice provisions, balancing penalties may ensue.

Q. PLEASE SUMMARIZE THE PROBLEMS YOU SEE WITH STAFF'S POSITION REGARDING THE SSC CAPACITY RENEWAL.

A. Simply stated, Staff apparently does not acknowledge the following facts with respect to the SSC contract negotiations: (i) there were two parties in the negotiations, therefore, each party had leverage and business and commercial objectives, and the final product reflects a compromise of strong and informed but opposing positions; (ii) as in any commercial negotiation of this magnitude, the totality of the overall bargain needs to be acknowledged as opposed to selectively focusing on the individual components; (iii) the SSC capacity is the cornerstone of the MGE capacity portfolio and has long-term value; (iv) the SSC capacity benefits the customers by providing MGE access to various supply basins, thus diversifying the MGE supply risk; (v) all the MGE regions are served by SSC, therefore MGE was able though those negotiations to provide flexible no-notice service to all the MGE regions under one service, i.e., producing simplified operations and administration; and (vi) SSC has historically been fully contracted so any capacity MGE abandoned would likely never be available again to MGE at the same price.

III. DESIGN DAY HEATING DEGREE DAY ("HDD")

Q. DO YOU AGREE WITH STAFF'S COMPARISON OF MGE PEAK DAY HDD LEVELS AS SUMMARIZED ON PAGE 12 OF MS. JENKINS' REBUTTAL TESTIMONY?

A. No. Staff has asserted that a significant portion of its recommended capacity disallowance is a result of allegedly different HDD levels utilized by MGE and Staff, specifically: "[t]hus, the difference of ** ** dekatherms caused simply by selecting a different peak HDD accounts for 64% of Staff's recommended excess capacity disallowance for Kansas City and St. Joseph."[8]

In other words, Ms. Jenkins is claiming that a significant component of the capacity difference is the result of the two parties using different design day HDD levels. Her conclusion is based on a flawed analysis where she overlooks something called "wind adjustment" which results in her making an "apples to oranges" comparison. In fact, once her analysis is corrected, her resultant design day demand forecast is very similar to the MGE and Reed design day demand estimates.

Q. FOR BACKGROUND PURPOSES, PLEASE BRIEFLY OUTLINE THE MGE DESIGN DAY DEMAND PROCESS THAT WAS UTILIZED IN CERTAIN RELIABILITY REPORTS THAT STAFF FOUND TO BE ADEQUATE.

A. The MGE process for developing design day demand consisted of the following steps:

- Peak day demand from the prior year was identified and baseload was subtracted to calculate the heat load on this specific day.

[8] Rebuttal testimony of Lesa A. Jenkins, p. 12.

NP

- The HDD for that day was identified and adjusted by MGE for wind.
- The heat load was then divided by the wind-adjusted HDD to calculate a heat load factor.
- The heat load factor was then applied to the MGE design temperature, which was a wind-adjusted 85 HDD.
- The baseload was then added to the heat load to produce the design day demand.

Q. DID MGE EVER EXPLAIN TO STAFF HOW THE WIND-ADJUSTED 85 HDD WAS DEVELOPED?

A. Yes. MGE provided a detailed explanation of the wind-adjusted 85 HDD in the 1996 Reliability Report filed with the Commission, as the following quote specifically demonstrates:

> During the process of comparing the 1996 peak day to MGE's historic peak day, certain anomalies in the computations caused MGE to question the accuracy of the 89 HDD level reported by its predecessor as having occurred on December 23, 1989. After further review, it was determined that the coldest weather actually occurred on December 21, 1989. MGE contacted the forensics department of its weather service, Accu-Weather, Inc., and asked them to provide the high and low temperatures, heating degree days, and the average wind speed that actually occurred during the calendar day (midnight to midnight) and the gas day (7 am to 7 am) for the period December 21 through December 23, 1989. Their research confirmed that the actual peak day occurred on December 21, 1989, based on the following information.
>
> **December 21, 1989 Calendar Day (12:00 midnight to 12:00 midnight)**
>
High	Low	HDDs	Avg Wind Speed	***Adj HDDs***
-8	-23	81	11	81

> **December 21, 1989 Gas Day (7:00 am to 7:00 am)**
>
High	Low	HDDs	Avg Wind Speed	***Adj HDDs***
-12	-23	83	14	85

> Note: Calculated heating degree days are corrected for wind chill ("Adj HDDs") using the following formula - Calculated HDDs + ((Avg Wind Speed - 10 mph) / 2).
>
> Based on this data, MGE assumes that the 89 HDDs reported by our predecessor was incorrect. As a result of having established the proper peak level that occurred during the gas day and in an ongoing effort to improve its forecasting

accuracy, MGE will utilize 85 HDDs as its historic peak day for subsequent studies.

Q. DO YOU BELIEVE STAFF UNDERSTOOD MGE'S SELECTION OF DESIGN DAY HDD?

A. Yes. In Staff's response to MGE's Data Request No. 34 in Case No. GR-2002-348, Staff stated: "[a]s explained in the response to DR No. 36, according to past information provided by the Company the historic peak day for Kansas City International Airport of 83 HDD occurred December 21, 1989, and the Company adjusted the HDD for the reported 14 mph wind speed resulting in an adjusted peak day of 85 HDD."

Q. IS THERE ANY OBJECTIVE INDICATION THAT STAFF FOUND MGE'S APPROACH TO DESIGN DAY HDD TO BE ADEQUATE?

A. As detailed in my rebuttal testimony, Staff on numerous occasions reviewed the MGE approach to design day planning, including the HDD selection, and reported to the Commission that it was adequate.

Q. DOES THE STAFF DESIGN DAY DEMAND ANALYSIS AS SUMMARIZED ON PAGE 12 OF MS. JENKINS' REBUTTAL TESTIMONY UTILIZE WIND-ADJUSTED HDDS?

A. No. Ms. Jenkins did not wind adjust the HDDs.

Q. BASED ON THAT, DO YOU HAVE AN OPINION AS TO WHETHER STAFF'S COMPARISON OF THE DESIGN DAY DEMAND FORECASTS SHOWN IN MS. JENKINS' REBUTTAL IS A FAIR AND ACCURATE COMPARISON?

A. It is accurate from a strictly mathematical perspective given the numbers she uses, but it is not a fair comparison. Staff has not considered that the heat load factor in the MGE analysis is wind-adjusted while the Staff's heat load factor is not; therefore, Staff understates the demand in its analysis.[9] The corrected Staff analysis and associated results are summarized in Schedule DNK-19 which is attached, I will, however, provide a high-level review of Staff's analysis. Specifically, Staff multiplies the design day HDD of 81.5 by the wind-adjusted heat load factor of ** ** (HL/HDD)[10] from the MGE 2001 Reliability Report. Staff then adds back the baseload value of ** ** and applies the ** ** growth rate. This process is demonstrated below:

** _____
_____
_____
_____
_____ **

Q. CAN YOU PROVIDE A CORRECT VERSION OF MS. JENKINS' ANALYSIS?

A. Yes. First, the HL/HDD would be ** **[11] instead of ** **, which is simply correcting Staff's error of overlooking the wind adjustment.

---

9 For ease of comparison, I have utilized the Staff suggested HDD of 81.5 for the Kansas City region analysis detailed below.

10 Please see Schedule DNK-19, Column B, Line 2.

11 The calculation is ** **. Please see Schedule DNK-19.

The process as described above is repeated below with the one exception of correcting Staff's HL/HDD:

** _____
_____
_____
_____
_____ **

As a result of the correction, the Staff 2005/2006 estimate is now approximately ** ** MMBtus.

Q. ARE THERE ANY OTHER FLAWS IN STAFF'S ANALYSIS?

A. Yes. The second flaw in Staff's analysis is the calculation of the capacity difference value of ** ** MMBtus.[12] Specifically, Ms. Jenkins compares her 2005/2006 demand estimate of ** ** MMBtus to the 2005/2006 MGE demand estimate of ** ** MMBtus from the 2001 Reliability Report. (Please see Schedule DNK-19, Column C, Line 14, which is Column B, Line 16 minus Column B, Line 11). Ms. Jenkins then concludes that the difference of ** **[13] represents 64% of the ** ** MMBtu Staff proposed disallowance. What Ms. Jenkins fails to recall is the objective of the demand forecast is to compare the forecasted demand to the actual existing MGE capacity level of ** ** MMBtu. It doesn't make any sense for her to compare her demand estimate to one of our demand estimates. The comparison should properly be made between her

[12] Rebuttal testimony of Lesa A. Jenkins, p. 12.

[13] Please see Schedule DNK-19, Column C, Line 14.

demand estimate and the MGE contracted level of pipeline capacity because she is advocating a disallowance of the costs of existing contracted capacity.

Q. HAVE YOU COMPARED YOUR CORRECTED STAFF DEMAND ESTIMATE OF ** ** MMBTU TO THE MGE CAPACITY LEVEL?

A. Yes. Once the Staff estimate is corrected in the manner I just discussed, I then compared the corrected estimate of ** ** MMBtu to the MGE capacity level of ** ** MMBtu, which produces a difference of ** **[14] MMBtus, not ** ** MMBtus as indicated by Staff. So after her errors are corrected, it appears she has overstated the amount of that difference by approximately 150%.

Q. CAN YOU PROVIDE SOME CONTEXT REGARDING THE ** ** MMBTU NUMBER, I.E., THE DIFFERENCE BETWEEN THE CORRECTED STAFF DEMAND ESTIMATE AND THE MGE CAPACITY LEVEL?

A. Based on a growth rate of ** **, which is what MGE has used for several years and is not in dispute in this case, the ** ** MMBtu represents only two years of growth. In other words, the corrected Staff value of ** ** MMBtu by 2005/2006 grows to ** ** MMBtu by 2007/2008 or almost exactly the existing capacity level (i.e., ** ** MMBtu) of MGE. Therefore, the Staff analysis, after being corrected to eliminate the flaws and apples to oranges comparisons, validates the MGE demand estimate.

[14] Please see Schedule DNK-19, Column E, Line 13.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes, it does.