

Exhibit No.: \_\_\_\_\_  
Issues: Off-System Sales & Capacity  
Release  
Witness: Michael T. Langston  
Sponsoring Party: Missouri Gas Energy  
Case No.: GR-2001-292

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2001-292

REBUTTAL TESTIMONY OF

MICHAEL T. LANGSTON

Jefferson City, Missouri  
June 1, 2001

Exhibit No. 211  
Date 6-25-01 Case No. GR-2001-292  
Reporter Stewart

REBUTTAL TESTIMONY OF

MICHAEL T. LANGSTON

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1 **REBUTTAL TESTIMONY OF**

2 **MICHAEL T. LANGSTON**

3 **CASE NO. GR-2001-292**

4 **June 1, 2001**  
5

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

7 A. My name is Michael T. Langston. My business address is Southern Union Company,  
8 504 Lavaca, Suite 800, Austin, Texas 78701.  
9

10 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

11 A. I am employed by Southern Union Company and hold the position of Vice President, Gas  
12 Supply.  
13

14 **Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL**  
15 **EXPERIENCE.**

16 A. I received a Bachelor of Science Degree in Electrical Engineering with honors from the  
17 University of Texas in Austin in 1975. I received a Master of Business Administration  
18 from Southern Methodist University in Dallas, Texas in 1978. I was employed by Mobil  
19 Pipe Line Company from 1975 to 1979 in various positions in their engineering  
20 department. From 1979 through most of 1986, I was employed by Texas Oil and Gas  
21 Corp. and its affiliate, Delhi Gas Pipe Line Corporation, holding various positions in  
22 corporate planning, special projects, and project development. I joined Southern Union

1 in September 1986 and have been employed by Southern Union since that time. I am  
2 also a Registered Professional Engineer in the states of Texas, Louisiana, and Oklahoma.

3  
4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 **A.** The purpose of my testimony is to respond to the recommendation of Office of the Public  
6 Counsel ("Public Counsel") witness Busch regarding treatment of capacity release  
7 revenues in the revenue requirement of this case. In addition, I respond to the  
8 recommendations made by Public Counsel witness Busch and Missouri Public Service  
9 Commission Staff ("Staff") witness Wallis regarding imputation of off-system sales  
10 revenues in Missouri Gas Energy's ("MGE's" or "Company's") revenue requirement in  
11 this case.

12  
13 **1. CAPACITY RELEASE**

14 **Q. PLEASE DESCRIBE WHAT IS MEANT BY THE TERM "CAPACITY**  
15 **RELEASE".**

16 **A.** Missouri Gas Energy (MGE), as do most local distribution companies ("LDCs"), holds  
17 contracts on upstream interstate pipeline systems for capacity within the pipeline that is  
18 used to transport its natural gas supplies from production areas to its distribution systems  
19 for ultimate consumption by its customers. These contracts provide a designated amount  
20 of "capacity" within the pipeline that is always available to the LDC for use in moving its  
21 gas supplies to its service territory. The Federal Energy Regulatory Commission  
22 ("FERC"), as a result of FERC Order 636, began allowing LDCs, and other customers on  
23 the interstate pipeline systems who hold firm capacity, to release this capacity to others

1 for their use if such capacity is not immediately needed to meet requirements. Because  
2 natural gas loads vary substantially for LDCs as a result of weather, all of the contracted  
3 capacity which they hold on upstream pipelines is not fully utilized at all times.  
4 Therefore, capacity release provides the LDCs and other customers the ability to release  
5 any such unused capacity and to receive credits that off set the reservation charges paid to  
6 the upstream pipeline for such contracted capacity.

7  
8 **Q. PLEASE OUTLINE YOUR UNDERSTANDING OF THE POSITION TAKEN BY**  
9 **PUBLIC COUNSEL WITNESS BUSCH REGARDING THIS ISSUE.**

10 A. Mr. Busch recommends that the Commission use \$1,000,000.00 as an increase to  
11 revenues, and a reduction in the revenue requirement for base or margin rates, to account  
12 for revenue generated by capacity release activities. Recognizing that MGE's current  
13 purchase gas adjustment ("PGA") mechanism contains a capacity release mechanism  
14 pursuant to which MGE's system sales customers share in the revenues derived from  
15 such transactions, Mr. Busch also recommends that MGE's current PGA mechanism be  
16 modified to remove the capacity release incentive mechanism.

17  
18 **Q. DOES MGE AGREE WITH THESE RECOMMENDATIONS BY MR. BUSCH?**

19 A. No.  
20  
21  
22

1 **Q. WHAT ARE YOUR PRIMARY CONCERNS WITH MR. BUSCH'S**  
2 **RECOMMENDATIONS?**

3 A. Capacity release revenues are derived as a result of specific FERC-approved tariff  
4 provisions for the upstream interstate pipelines systems which allow for such  
5 transactions. Once these transactions are implemented, the revenues generated by such  
6 transactions are not paid directly to MGE. These revenues are paid, by the company that  
7 acquires the released capacity from MGE, to the upstream pipeline company. The  
8 upstream pipeline then "credits" the invoices that it otherwise sends to MGE for payment  
9 of upstream capacity amounts reserved on the pipeline. Therefore, MGE does not  
10 "generate revenue" from these capacity release transactions but instead these transactions  
11 result in a reduced expense for its transportation cost for upstream transportation  
12 capacity.

13  
14 **Q. HOW ARE THESE UPSTREAM TRANSPORTATION COSTS RECOVERED?**

15 A. These upstream transportation costs are clearly deemed and defined as part of the overall  
16 gas costs included and recovered in the Company's PGA filings. It is not appropriate to  
17 break out the "credit amount of upstream capacity cost" when the transportation capacity  
18 cost from which these release transactions are derived continue to be included in the  
19 PGA account. In order to best match the expense as off set by the revenues, these costs  
20 should continue to be included in the PGA tariffs.

21  
22

1 **Q. HAS THE STAFF RECOMMENDED A SIMILAR CHANGE IN THE**  
2 **TREATMENT OF CAPACITY RELEASE REVENUES?**

3 A. No.

4

5 **Q. DOES MGE HAVE ADEQUATE INCENTIVE TO GENERATE CAPACITY**  
6 **RELEASE REVENUES?**

7 A. Yes. Public Counsel witness Busch has correctly outlined the history of the development  
8 of capacity release incentive mechanisms, which have operated for MGE since the Case  
9 No. GR-94-318 incentive mechanism case. The Commission has previously approved a  
10 specific capacity release incentive sharing mechanisms, which have changed in various  
11 dockets, with the most recent change being effected in Case No. GO-2000-705, effective  
12 August 31, 2000.

13

14 **Q. DID THE PUBLIC COUNSEL AND STAFF AGREE TO THIS CAPACITY**  
15 **RELEASE MECHANISM IN THIS PREVIOUS CASE?**

16 A. Yes.

17

18 **Q. PUBLIC COUNSEL WITNESS BUSCH STATES I HIS DIRECT TESTIMONY**  
19 **THAT "OFF SYSTEM SALES ARE USUALLY BUNDLED WITH THE SALE OF**  
20 **EXCESS PIPELINE CAPACITY" (PAGE 4, LINES 22-23). IS THIS**  
21 **STATEMENT TRUE FOR MGE?**

22 A. No. MGE has conducted capacity release transactions wholly separate and apart from all  
23 off-system sales transactions.

1 **Q. IS THE BELIEF THAT THESE ARE "BUNDLED" TRANSACTIONS THE**  
2 **BASIS OF PUBLIC COUNSEL'S PROPOSAL?**

3 A. I believe it is. In his direct testimony (page 7, line 17-18) Public Counsel indicated that  
4 the off-system sales and capacity release revenues were two functions he believes are  
5 interdependent and should not be treated differently. Because these two activities  
6 function totally separately for MGE, the basis for this proposal is not valid in the case of  
7 MGE.

8  
9 **Q. DOES CAPACITY RELEASE AFFECT OFF-SYSTEM SALES?**

10 A. No. Public Counsel witness Busch indicates on page 8, lines 12-13 of this testimony, that  
11 he feels this is the case. He indicates that engaging in capacity release would lower off-  
12 system sales. MGE does not utilize excess capacity in conjunction with off-system sales  
13 transactions. Therefore, the release of all excess capacity would in no way affect MGE's  
14 ability to make off-system sales.

15  
16 **Q. CAN YOU SUMMARIZE MGE'S POSITION ON CAPACITY RELEASE?**

17 A. Yes. MGE's position on capacity release would be summarized as follows:

- 18 1. Capacity release credits should continue to flow through the PGA, where the  
19 capacity-related expenses are incurred;
- 20 2. Capacity release functions separately from off-system sales activities and the two  
21 are not interdependent; and

22



1           3.     The Commission has previously dealt with capacity release incentive mechanisms  
2                   in many dockets dating back to Case No. GR-94-318, with the most recent  
3                   decision in Case No. GR-2000-705, approximately nine (9) months ago. No  
4                   further change is needed.

5  
6  
7                                   **2. OFF-SYSTEM SALES**

8     **Q.     PLEASE EXPLAIN WHAT IS MEANT BY "OFF-SYSTEM" SALES".**

9     A.     An off-system sales transaction is a sale whereby MGE takes excess gas supplies which it  
10           has purchased in the production area, and resells such gas supply to a third party in the  
11           production area. The third party then takes such gas supply for use or resale at locations  
12           other than in MGE's distribution system.

13  
14    **Q.     DO THESE TRANSACTIONS OCCUR WITHIN THE STATE OF MISSOURI?**

15    A.     No.

16  
17    **Q.     HOW ARE OFF-SYSTEM SALES PROFITS REALIZED BY MGE?**

18    A.     If MGE sells the gas to such third party at a price higher than what it paid for it, then a  
19           positive margin is generated. Conversely, if MGE sells gas at prices below what it paid  
20           for it, then MGE would have a loss.

1 Q. IS MGE PROPOSING TO RETAIN BOTH PROFITS AND LOSSES FROM OFF-  
2 SYSTEM SALES?

3 A. Yes.

4

5 Q. Has MGE generated a loss in these types of transactions?

6 A. Yes.

7

8 Q. PLEASE EXPLAIN WHEN MGE WOULD NORMALLY ENGAGE IN AN OFF-  
9 SYSTEM SALES TRANSACTION.

10 A. MGE engages in off-systems sales when the supplies which it has under contract for  
11 delivery into the upstream interstate pipeline grid are in excess of its flowing  
12 requirements including requirements for its storage operations. In such cases, the  
13 Company may engage in off-system sales. Such sales are generally utilized in order to  
14 match operational requirements for flowing gas volumes.

15

16 Q. PLEASE GIVE SOME EXAMPLES OF WHEN OFF-SYSTEM SALES MAY BE  
17 APPROPRIATE.

18 A. For example, during the summer, if customer demand is lower than expected, then  
19 scheduled supply volumes may lead to excess gas being injected into storage. In such an  
20 example, we might then exceed our allowed injection quantities and, therefore, be subject  
21 to penalties from the upstream pipeline for violating the limitations that are included in  
22 their FERC tariffs for storage operations. Similarly, during the winter period, during  
23 periods of warm weather, scheduled flowing volumes may exceed customer demands.

1 Such higher levels of flowing gas are generally required to make sure that we are able to  
2 meet peak weather generated demand. In such an example, typically the upstream  
3 interstate pipeline may impose an operational flow order as a result of excess gas on the  
4 system and, subsequently, require customers to limit their gas supplies flowing into the  
5 system in order to balance their supply with their demand on a daily basis. In such cases,  
6 MGE will often engage in off-system sales to reduce the amount of supply flowing into  
7 the upstream pipeline system, in order to balance the overall flowing supply with the  
8 demand on the distribution system. In these cases, the objective is to eliminate the  
9 potential for any penalty provisions that may be incurred on the upstream pipeline  
10 system.

11  
12 **Q. IF VARIATIONS IN CUSTOMER DEMAND WILL DRIVE MGE'S DECISION**  
13 **FOR MAKING OFF-SYSTEM SALES, ARE MGE'S DECISIONS TO ENTER**  
14 **INTO OFF-SYSTEM SALES DRIVEN BY WEATHER?**

15 **A.** In many cases, yes. When the weather is very warm, as it was during the winter of 1999-  
16 2000, MGE will engage in substantial off-system sales revenues in order to avoid the  
17 potential of incurring pipeline balancing penalties. In the case when the weather is  
18 normal or colder than normal, MGE may engage in no off-system sales.

1 **Q. DID MGE DERIVE ANY REVENUE FROM OFF-SYSTEM SALES DURING**  
2 **THE TRUED-UP TEST YEAR?**

3 A. No. The last off-system sales transaction made by MGE occurred at the end of the 1999-  
4 2000 winter, in May of 2000. Current market conditions, as well as experience, indicate  
5 that MGE will make no off-system sales between now and June 30, 2001. The trued-up  
6 test year is the twelve months ended June 30, 2001, during which MGE will have total  
7 off-systems sales revenues of zero.

8  
9 **Q. WHEN DID MGE FIRST BEGIN GENERATING OFF-SYSTEM SALES**  
10 **TRANSACTIONS?**

11 A. MGE undertook its first off-systems sales transaction in February 1998.

12  
13 **Q. HAVE OFF-SYSTEM SALES REVENUES BEEN REVIEWED IN MGE'S 1998**  
14 **ACA CASE?**

15 A. Yes, in Case No. GR-98-167, off-system sales revenues information was provided to  
16 Staff.

17  
18 **Q. DID THE STAFF RECOMMEND ANY ADJUSTMENT TO MGE'S PGA, COST**  
19 **OR REVENUES AS A RESULT OF OFF-SYSTEM SALES TRNASACTIONS IN**  
20 **CASE NO. GR-98-167?**

21 A. No. Staff made no recommendation regarding off-system sales.

22

1 **Q. DID MGE HAVE OFF-SYSTEM SALES REVENUES IN ITS 1999 AND 2000 ACA**  
2 **YEARS?**

3 A. Yes, similarly in 1999, Case No. GR-99-304, the Staff did not make any recommendation  
4 or adjustment for off-system sales revenues. The Staff has yet to file its recommendation  
5 in the 2000 ACA Case, Case No. GR-2000-425.

6  
7 **Q. WHAT LEVEL OF OFF-SYSTEM SALES REVENUES HAS MGE HAD?**

8 A. For the 1998-1999 ACA years, MGE's sales revenues were in the \$200-250,000 range.  
9 For the fiscal year ending June 30, 2000, with the last off-systems sales revenues  
10 occurring in May 2000, MGE had approximately \$1.5 million of off-systems sales  
11 revenues. For the fiscal year that will end June 30, 2001, MGE's off-system sales  
12 revenues will be zero.

13  
14 **Q. WHY IS THERE SUCH A SUBSTANTIAL DIFFERENCE IN THE AMOUNT OF**  
15 **THESE OFF-SYSTEM SALES REVENUES?**

16 A. Off-system sales are substantially generated as a result of excess system supplies and are  
17 strongly dependent upon the weather. The demand of system sales customers varies  
18 considerably depending upon the weather incurred within MGE's service territory.  
19 Under the current regulatory framework where MGE performs the merchant function for  
20 system sales customers, MGE must contract for sufficient supply to meet potential  
21 demand associated with extremely cold weather conditions. Therefore, when weather  
22 conditions are considerably warmer than normal, as was the case during the winter of  
23 1999-2000, it is to be expected that supplies under contract will exceed demand. In

1 addition, in many such cases MGE is subjected to operational flow orders which require  
2 the Company to balance its flowing supplies with its expected demand. In such cases, the  
3 use of these off-systems sales transactions have served to reduce and/or eliminate  
4 balancing penalties that would otherwise be incurred as additional costs from our  
5 upstream pipelines.

6  
7 **Q. DOES MGE AGREE WITH THE RECOMMENDATIONS OF THE STAFF AND**  
8 **PUBLIC COUNSEL REGARDING COMPUTATION OF OFF-SYSTEM SALES**  
9 **REVENUES?**

10 A. No. First, MGE conducts its off-system sales in a way that does not involve any material  
11 use of customer-funded assets. Put another way, MGE incurs no incremental cost in  
12 order to make off-system sales transactions, and no cost is generated that is funded by our  
13 rate payers. In addition, any off-system sales that MGE makes occur well beyond the  
14 borders of Missouri. As a consequence of these factors, MGE's off-system sales and  
15 associated revenues are beyond the scope of the Commission's lawful jurisdiction.  
16 Second, whether or not any off-system sales will occur in the period when rates set from  
17 the proceeding will be effective, is a speculative proposition at best. This is a result of  
18 the substantial uncertainty surrounding the price of natural gas that presently exists as  
19 well as the simple fact that off-system sales are largely driven by the weather, which  
20 cannot be predicted with any degree of accuracy.

21

1 Q. **WHAT DO YOU THINK HAS BEEN THE COMMISSION'S DRIVING FACTOR**  
2 **IN DETERMINATION OF THE APPROPRIATENESS OF ITS JURISDICTION**  
3 **OVER OFF-SYSTEM SALES REVENUE?**

4 A. The Commission has clearly utilized the test of determining whether or not the cost of  
5 producing off-system sales revenues was borne by rate payers. An example of this can be  
6 found in the Order in the last rate case filed by the Missouri Public Service Company, a  
7 division of UtiliCorp United, Case No. ER-97-394. In this case, the Commission found  
8 that UtiliCorp's ratepayers had funded costs that were ultimately utilized in generating  
9 off-system sales and, therefore, such off-system sales revenues fell under Commission  
10 jurisdiction.

11  
12 Q. **HAS A SIMILAR FINDING BEEN MADE FOR LACLEDE GAS COMPANY**  
13 **("LACLEDE")?**

14 A. In the Commission's Order in Laclede's Gas Company Case No. GR-99-315, the  
15 Commission ordered that a level of off-system sales revenue be included in rate case  
16 revenues. The basis for including these revenues was the fact that Laclede's rate payers,  
17 again, were paying supply and transportation related-demand costs that were incurred in  
18 generating such revenues.

19  
20 Q. **IS THIS NOT THE CASE FOR MGE?**

21 A. No. No additional supply or transportation related costs are generated or paid by rate  
22 payers as a result of MGE's off-system sales activities.

23

1 **Q. PLEASE EXPLAIN THE DIFFERENCES BETWEEN MGE AND LACLEDE'S**  
2 **OFF-SYSTEM SALES TRANSACTIONS.**

3 A. It is my understanding, that there are substantial differences in the over all supply and  
4 upstream transportation portfolio of MGE and that of Laclede. First, as I understand,  
5 Laclede has supply contracts which contain demand/commodity components. These  
6 demand based components are flowed through Laclede's PGA on a monthly basis, with a  
7 commodity cost incurred only as natural gas is purchased for resale. . Therefore, if  
8 Laclede enters into off-systems sales transactions, the difference between the sales price  
9 and the commodity price would generate "off-system sales revenues". However, since  
10 Laclede's rate payers have funded the demand-related cost component, then Laclede's  
11 rate payers are effectively supporting the underlying cost of generating off-systems sales  
12 revenues. In MGE's case, the Company purchases natural gas on a commodity price  
13 basis only. Therefore, whether or not more or less gas is purchased by MGE under its  
14 purchase contracts, there is no per unit cost change to MGE's rate payers for the amount  
15 of gas that is actually purchased and consumed for their benefit. For example, if MGE  
16 purchases 100,000 MMBtus per day of natural gas supply, and then, as a result of reduced  
17 demand, sells 20,000 MMBtus per day of this supply in an off-system sales transaction,  
18 the unit price on the remaining 80,000 MMBtus is the same both before and after the off-  
19 system sales transaction. In fact, as noted previously, in many cases such transactions  
20 reduce potential downstream balancing penalties on the interstate pipeline system.

21  
22 Secondly, Laclede holds substantial upstream pipeline capacity which is in many cases is  
23 utilized or bundled by Laclede with off-system sales transactions. In other words,



1 Laclede may have a sale of off-system gas at a point downstream of its actual purchase in  
2 the production field location, at a point of interconnect into another pipeline system. In  
3 such case, Laclede's rate payers have funded the demand cost incurred to hold such  
4 upstream pipeline capacity, and, therefore, have indirectly supported the cost of such off-  
5 system sales transaction. MGE does not engage in these types of transactions, and any  
6 excess pipeline capacity is simply sold on the open market, if there is a market for such a  
7 capacity, and such actions generate capacity release revenues. Such capacity release  
8 revenues are currently credited, and serve to reduce the cost, to system sales customers  
9 under MGE's existing PGA mechanism.

10

11 **Q. DO MGE'S CUSTOMERS FUND ANY COST INCREASES AS A RESULT OF**  
12 **MGE'S OFF-SYSTEM SALES TRANSACTIONS?**

13 A. No.

14

15 **Q. MAY MGE'S CUSTOMERS DERIVE BENEFITS FROM MGE'S OFF-SYSTEM**  
16 **SALES TRANSACTIONS?**

17 A. Yes. MGE primarily engages in off-systems sales transactions to balance its flowing  
18 supplies with its downstream demand. In many cases, when the upstream pipelines have  
19 either too much gas or too little gas in their pipeline system, they will implement  
20 operational flow orders which require customers on the system to balance supplies with  
21 demand on a daily basis. Off-system sales transactions generally occur only when the  
22 pipelines have "too much gas" on the pipelines, and are seeking to have customers reduce  
23 the amount of gas nominated and transported across their interstate pipeline systems. In

1 such cases, when the Company engages in off-system sales, the sales transactions reduce  
2 the overall total amount of natural gas flowing on the interstate pipeline systems, and  
3 assist MGE in avoiding balancing penalties that would otherwise be incurred on MGE's  
4 transportation invoices and paid by the rate payers as increased PGA costs. Therefore,  
5 off-system sales revenues have a beneficial effect on MGE's customers by eliminating  
6 and/or reducing the potential for upstream transportation balancing charges.

7  
8 **Q. DO YOU BELIEVE THE STAFF UNDERSTANDS THE DIFFERENCES**  
9 **BETWEEN THE WAY MGE OPERATES ITS OFF-SYSTEM SALES AND THE**  
10 **WAY LACLEDE OPERATES?**

11 **A.** It is clear to me that the Staff does not understand that MGE does not utilize downstream  
12 capacity in order to make off-system sales. In its response to MGE Data Request No. 28,  
13 the Staff indicated that, "Staff, as part of its audit reviews of MGE's ACA filings, has  
14 found in the past that MGE, in order to make off-system sales transactions, does use  
15 capacity under contract to serve Missouri customers." This statement is completely  
16 wrong. MGE has never utilized downstream interstate pipeline capacity in order to make  
17 an off-system sales transaction.

18  
19 **Q. DO MGE'S CUSTOMERS FUND ANY INTERNAL STAFF COST INCREASES**  
20 **AS A RESULT OF GENERATING OFF-SYSTEM SALES?**

21 **A.** To determine whether excess volumes may exist, MGE monitors its overall supply and  
22 demand daily, and the anticipated weather on its system. Each morning, if pipelines have  
23 issued operational flow orders that would require the Company to reduce its overall

1 flowing supplies, and/or if supplies are otherwise substantially in excess of the  
2 Company's requirements, then an off-system sales transactions may be made. All these  
3 volume monitoring activities are normal and part of the overall jurisdictional activity. An  
4 actual off-system sales transaction takes a matter of a few minutes where a third party is  
5 called on the phone and a sales transaction is implemented verbally. As a result of  
6 upstream interstate pipeline nomination deadlines, generally off-systems sales occur  
7 within the first hour of the work day, across the industry. In MGE's case, only one or  
8 two off-system sales transactions may be necessary in order to reduce its flowing supplies  
9 on any particular day. In addition, off-system sales are not done every single day of  
10 every month. Therefore, if an average off-system sales transaction takes approximately  
11 five (5) minutes, the time utilized for this activity is clearly *de minimus*. The potentially  
12 avoided balancing penalties would clearly exceed any minimal time utilized for these  
13 transactions. Further, to the extent that MGE has not engaged in off-system sales during  
14 this trued-up test year, clearly no cost have been incurred in this regard.

15  
16 **Q. PLEASE SUMMARIZE YOUR POSITION REGARDING OFF-SYSTEM SALES.**

17 **A.** MGE's position is as follows:

- 18 1. Off-system sales revenues do not impact costs to rate payers;
- 19 2. Off-system sales do not use transportation capacity held by MGE by contract;
- 20 3. Off-system sales, in general, help reduce and/or avoid pipeline balancing charges;
- 21 4. Off-system sales revenues during the trued-up test year in this case are zero (0);
- 22 5. Off-system sales transactions occur outside the State of Missouri; and

1           6.    As no cost is incurred by MGE customers within the State of Missouri as a result  
2                   of such transactions, and such transactions occur outside the State of Missouri, the  
3                   Missouri Public Service Commission has no jurisdiction over these transactions.

4

5   **Q.   DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

6   **A.   Yes.**

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's            )  
Tariff Sheets Designed to Increase Rates        )  
for Gas Service in the Company's Missouri      )  
Service Area.    )

Case No. GR-2001-292

AFFIDAVIT OF MICHAEL T. LANGSTON

STATE OF TEXAS                                 )  
   )  
COUNTY OF TRAVIS                         )        ss.

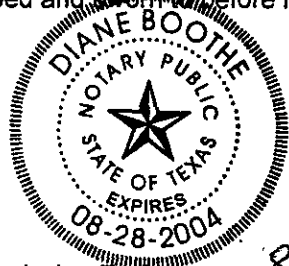
Michael T. Langston, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

*(Signature)*  


---

MICHAEL T. LANGSTON

Subscribed and sworn to before me this 30<sup>th</sup> day of May 2001.



*(Signature)*  


---

Notary Public

My Commission Expires: 8-28-2004