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Comprehensive Gas Purchasing Approach
GSIP Modifications
Witness: Robert E. Schallenberg
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

ROBERT E. SCHALLENGER

LACLEDE GAS COMPANY

CASE NO. GT-2001-329

Jefferson City, Missouri
May 2001

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1 **REBUTTAL TESTIMONY**
2 **OF**
3 **ROBERT E. SCHALLENBERG**
4 **LACLEDE GAS COMPANY**
5 **CASE NO. GT-2001-329**
6

7 Q. Please state your name and business address.

8 A. Robert E. Schallenberg, 200 Madison Street, Jefferson City, Missouri,
9 65101.

10 Q. By whom are you employed and in what capacity?

11 A. I am the Director of the Utility Services Division of the Missouri Public
12 Service Commission (MoPSC).

13 Q. Please describe your educational background.

14 A. I am a 1976 graduate of the University of Missouri at Kansas City with a
15 Bachelor of Science and major emphasis in Accounting. In November 1976, I
16 successfully completed the Uniform Certified Public Accountant (CPA) examination and
17 subsequently received the CPA certificate. In 1989, I received my CPA license in
18 Missouri. I began my employment with the Missouri Public Service Commission as a
19 Public Utility Accountant in November 1976. I remained on the Staff of the Missouri
20 Public Service Commission until May 1978, when I accepted the position of Senior
21 Regulatory Auditor with the Kansas State Corporation Commission. In October 1978, I
22 returned to the Staff of the Missouri Public Service Commission. Most immediately prior
23 to October 1997, I was Audit Supervisor/Regulatory Auditor V. In October 1997, I

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1 began my current position as Division Director of the Utility Services Division of the
2 MoPSC.

3 Q. Please describe your responsibilities and experience while employed at the
4 MoPSC as Regulatory Auditor V?

5 A. As a Regulatory Auditor V for the MoPSC, I had several areas of
6 responsibility. I was required to have and maintain a high degree of technical and
7 substantive knowledge in utility regulation and regulatory auditing. Among my various
8 responsibilities as a Regulatory Auditor V were:

9 1. To conduct the timely and efficient examination of the accounts,
10 books, records and report of jurisdictional utilities;

11 2. To aid in the planning of audits and investigations, including
12 staffing decisions, and in the development of Staff positions in cases to which the
13 Accounting Department of the MoPSC was assigned, in cooperation with
14 management and other Staff;

15 3. To serve as lead auditor, as assigned on a case-by-case basis, and
16 to report to the Assistant Manager-Accounting at the conclusion of the case on the
17 performance of less experienced auditors assigned to the case, for use in
18 completion of annual written performance evaluations;

19 4. To assist in the technical training of other auditors in the
20 Accounting Department;

21 5. To prepare and present testimony in proceedings before the
22 MoPSC and the Federal Energy Regulatory Commission (FERC), and aid MoPSC
23 Staff attorneys and the MoPSC's Washington, D.C. counsel in the preparation of
24 pleadings and for hearings and arguments, as requested; and

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6. To review and aid in the development of audit findings and prepared testimony to be filed by other auditors in the Accounting Department.

The MoPSC relies on the Regulatory Auditor V position to be able to present and defend positions both in filed testimony and orally at hearing. I have had many occasions to present testimony before the MoPSC on issues ranging from the prudence of building power plants to the appropriate method of calculating income taxes for ratemaking purposes. I have worked in the area of telephone, electric and gas utilities. I have been deposed on behalf of the Missouri Commission. Attached as Schedule 1, is a listing of cases and issues on which I have worked at the MoPSC. My responsibilities were expanded to assist in the federal cases as assigned, which I am still doing.

Q. Have you previously submitted testimony in proceedings before the Federal Regulatory Energy Commission (FERC)?

A. Yes. I submitted testimony in Docket Nos. RP94-365, RP95-136, RP96-173, et. al. These are cases involving Williams Natural Gas Company (WNG). WNG provides gas transportation and storage services for local distribution companies serving the western portion of Missouri. WNG provides service to Missouri Gas Energy which serves the Kansas City area. My testimony in Docket No. RP94-365 involved a prudence challenge of the costs that WNG sought to recover in that case. I also filed testimony regarding certain cost of service issues in Docket No. RP95-136, WNG's current rate case before the FERC. These issues included affiliated transactions between WNG and its parent. I filed testimony in Docket No. RP96-173, et. al., on the issue of whether the costs in question met FERC's eligibility criteria for recovery under FERC Order No. 636.

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1 I submitted testimony in Docket No. RP96-149, a Mississippi River
2 Transmission Corporation's (MRT's) current rate case. MRT provides gas transportation
3 and storage services for local distribution companies serving the eastern portion of
4 Missouri. MRT provides service to Laclede Gas Company, which serves the St. Louis
5 area. My testimony in Docket No. RP96-199 involved cost of service issues. These
6 issues included affiliated transactions between MRT and its parent.

7 Q. During your career, have you been involved in the negotiation of drafting
8 of agreements between the MoPSC and the utilities under its jurisdiction?

9 A. Yes. I have been involved in negotiations in practically every case in
10 which I have been involved. I have been involved in either the actual drafting of
11 language or the review of language of each stipulation and agreement in these cases
12 related to revenue requirement issues. This experience began with my first rate case
13 involving Kansas City Power & Light Company, in Case No. ER-77-118.

14 Q. What is the purpose of your testimony in this proceeding?

15 A. The purpose of my testimony is to address the matters discussed in the
16 direct testimony of Kenneth J. Neises and Scott J. Jaskowiak. The direct testimony of
17 Kenneth J. Neises and Scott J. Jasowiak provide the details of the Laclede Gas Company
18 (Laclede) request to modify and extend its current Gas Supply Incentive Plan (GSIP).

19 Specifically, the purpose of my testimony is threefold. First, I will discuss
20 Staff's position regarding Laclede requesting to modify and extend its current Gas Supply
21 Incentive Plan (GSIP). Second, I will describe Staff's natural gas supply alternatives
22 offered to improve the purchase of natural gas for Missouri consumers. This is the
23 approach that the Staff recommends that the Commission support and adopt. Third,
24 Mr. Sommerer and I will discuss the modifications to the current GSIP that will be

needed in the event that the Commission continues to prefer this approach. Staff witness Thomas Imhoff will provide the sample tariffs related to these proposals.

GSIP REVIEW

THE COMMISSION SHOULD REJECT LACLEDE'S REQUEST

Q. What is Staff's position regarding Laclede's request to modify and extend its current GSIP?

A. Staff recommends that the Commission reject Laclede's request to modify and extend its current GSIP. The Staff offers an alternative approach that it believes will improve the Missouri's overall regulated gas purchasing activities. The Staff also provides modifications that are needed if the Commission decides that it wishes to continue with the GSIP approach.

Q. What is Laclede asking the Commission to adopt at this time?

A. The Company is asking the Commission to continue the existing features of the GSIP that generate the profit for Laclede, with four modifications. A Commission order approving the Company's request would have to find that these features are still appropriate in today's natural gas markets.

Q. What is your understanding of the modifications and extended time period related to the Company's request in this case?

A. Laclede has requested the following four explicit modifications in Mr. Neises's direct testimony:

- 1) Approval of the Company's Experimental Fixed Price Program (EFPP).

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2) Removal of the current \$9 million cap on the amounts that can be retained by the Company.

3) Removal of the exclusion of any rate discounts negotiated by the Company with its largest pipeline supplier, Mississippi River Transportation Company (MRT) in the determination of its overall GSIP profit levels.

4) Extend the GSIP indefinitely with no expiration date or sunset provision.

These are the four specific modifications identified in Mr. Neises's direct testimony in this case.

Q. What are the existing features that will also be adopted if the Commission approves the Company's request?

A. The following five components contribute to Laclede's overall GSIP profits that will also be adopted if the Commission approves the Company's request:

- 1) Gas Supply;
- 2) Pipeline Discounts;
- 3) Capacity Release;
- 4) Pipeline Mix; and
- 5) Off-System Sales.

Mr. Sommerer's rebuttal testimony will describe each of these components, how they function, and the amount of profit that they have generated each year.

Q. Would the Commission's adoption of the Staff recommendation in this case terminate the GSIP?

A. Yes. However, Staff proposes an incentive program designed to work in the current environment of high and volatile gas prices. Staff's proposal focused entirely

1 and simply on the delivered cost of gas and reliability. This is what the customer
2 understands and what they care about.

3 Q. Has the Commission ever terminated a utility's incentive plan before?

4 A. Yes. The Commission has ended the Southwestern Bell Incentive
5 Regulatory Experiment (SBIRE) in Case No. TC-93-224. More recently, the
6 Commission has terminated AmerenUE's Experimental Alternative Regulation Plan
7 (EARP) in its March 8, 2001 Order in Case No. EM-96-149.

8 Q. Why does the Staff recommend rejection of the Company's request to
9 modify and extend its current GSIP?

10 A. There are two features of the Company's GSIP proposal that cause the
11 Staff to recommend its rejection. First, the GSIP, and the gas purchasing practices that it
12 encourages, is not the best approach to natural gas purchasing in today's natural gas
13 markets. Second, the proposed GSIP will not provide the benefits to Laclede's customers
14 that are available from alternative approaches.

15 Q. What is the basis for your assertion that the GSIP and the gas purchasing
16 practices that it encourages is not the best approach to natural gas purchasing in today's
17 natural gas markets?

18 A. This assertion contains the following six aspects:

- 19 • The GSIP restricts the scope of the Company's decision-making while
20 requiring greater regulatory scrutiny at times when time is of the
21 essence.
- 22 • The plan provides for no adjustments for past achievements. The
23 proposed GSIP will allow Laclede to realize profits in a given year for
24 prior years' activities indefinitely.

- 1 • The proposed GSIP incentives are not clearly linked to a course of
- 2 action that will benefit its consumers.
- 3 • The proposed GSIP fragments Laclede's gas purchasing decisions,
- 4 while ignoring the interaction of these decisions on other gas
- 5 purchasing choices.
- 6 • The GSIP profit is not commensurate with the effort level required to
- 7 achieve the targeted result. Also, the profit components are not
- 8 proportional to the cost components that make up the cost of gas.
- 9 • The proposed GSIP, as does its predecessors, encourages the company
- 10 to be reactive and not respond to a market event until after its full
- 11 impact has been realized.

12 The Commission adopted a GSIP in Case No. GT-99-303 in a different gas market than
13 currently exists. Mr. Sommerer will address the differences between the gas market at
14 that time and the current gas market.

15 Q. What is the basis for your assertion that the GSIP restricts the scope of the
16 Company's decision-making while requiring greater regulatory scrutiny at times when
17 time is be of the essence?

18 A. The GSIP focuses the Company's attention on the piecemeal components
19 of its delivered cost of gas designed primarily to produce increased profits for its
20 shareholders. The GSIP also defines operating boundaries for Laclede that provide a safe
21 harbor against prudence disallowances. In turn, these operating boundaries dictate the
22 range of Laclede's decision-making regarding its gas purchase activities (i.e., favors
23 purchase of index-based gas) restricting the Company's initiative to explore gas
24 purchasing practices to address their customer needs. Any movement outside the GSIP

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1 operating parameters exposes Laclede to normal regulatory risk as well as possibly
2 decreasing its GSIP profits. The current natural gas purchasing market is volatile and is
3 not suited for predetermined, inflexible gas purchasing approaches.

4 Q. How does this lead to additional regulatory scrutiny?

5 A. Once the market shows that the current GSIP operating procedures require
6 modification (e.g. fixed price contract or equivalents), Laclede must undertake
7 negotiation with Staff and the Office of the Public Council (OPC), and then regulatory
8 proceeding to formulate the new operating parameters that will protect the company from
9 any regulatory risk. These proceedings take time as parties attempt to understand
10 Laclede's new proposal, complicated by evaluation of how Laclede can or will profit by
11 its new proposal. This review takes place after the Company has already acknowledged
12 that a modification to its current gas purchasing practices is required. By the time a
13 regulatory solution is reached regarding the new Laclede proposal, market conditions in
14 conjunction with the other GSIP features may render the new approach inoperable (e.g.
15 fixed price component in the current GSIP).

16 Q. What is the issue caused by the GSIP not providing for any adjustments
17 for past achievements?

18 A. The proposed GSIP will allow Laclede to realize profits in a given year for
19 prior years' activities indefinitely. For example, ratepayers still are paying 20% for
20 transportation rate discounts achieved in 1995. This feature does not require Laclede to
21 continually strive for better than its historical performance to maintain a given profit
22 level.

23 Q. Why do you state the GSIP incentive is not clearly linked to a course of
24 action that will benefit its consumers?

1 A. There are several GSIP design features that are clearly not linked to a
2 course of action that will benefit consumers. The following three examples illustrate this
3 point:

4 1. Laclede's negotiation with its largest pipeline has resulted in the
5 generation of only one document between the parties. This information
6 was provided in response to Staff Data Request No. 5004. The GSIP
7 creates the incentive for Laclede not to finalize any discounts with this
8 pipeline until the Commission changes the GSIP to include a portion of
9 these discounts in the Company's profits. The delay in realizing any
10 discounts on this pipeline only results in a higher bill to the Company's
11 customers.

12 2. The decision to make a capacity release transaction is influenced
13 by the potential to make an off-system sale. The margin on an off-system
14 sale must equal or exceed the amount of potential capacity release
15 revenues before the off-system transaction can be completed on economic
16 terms. The GSIP encourages Laclede to make off-system sales when the
17 margin is less than the revenues to be received through capacity release.
18 Laclede keeps all off-system sales profit while only receiving 10% to 30%
19 of capacity release revenues. The GSIP encourages Laclede to make off-
20 system sales at margins that are 30% or less than the revenues available
21 through capacity release. While the increase in these types of off-system
22 sales will increase corporate profits, the reduction in capacity release
23 revenues increase the customers' bill.

1 3. The GSIP defines the purchase of gas at 104% of index plus the
2 average Request for Proposal (RFP) premium to be prudent. The purchase
3 of gas inconsistent with these parameters exposes the company to a
4 prudence review as well as endangers its profit potential. The purchase of
5 fixed price gas or equivalents are discouraged under the GSIP despite the
6 fact that market conditions may dictate the reasonableness of this course
7 of action.

8 Q. Why does the proposed GSIP fragment Laclede's gas purchasing
9 decisions, while ignoring the interaction of these decisions on other gas purchasing
10 choices?

11 A. The GSIP focuses efforts onto individual items most likely to profit
12 Laclede rather than on the interaction of elements that when combined, result in the best
13 overall delivered cost of gas. The GSIP is only one component of Laclede's overall gas
14 purchasing activities. The proposed EFPP is a sub-component of the GSIP. The Price
15 Stabilization Plan (PSP) is another component of Laclede's overall gas purchasing
16 activities. For example, the decision to purchase future or fixed price contracts needs to
17 be made in conjunction with the option to buy call options. The optimal decision can
18 only be made after consideration of the advantages or disadvantages of each of the
19 alternatives. The decision to execute one approach without consideration of other
20 alternatives can result in the best option through random luck.

21 Q. What is the basis for your assertion that the GSIP profit is not matched to
22 the level of performance required to achieve the result?

1 A. The primary GSIP incentives are twofold. First, the GSIP is to protect
2 Laclede against the risk of a prudence disallowance. Second, the GSIP is to generate
3 profits to enhance the Company's profit stream.

4 The GSIP profit components and levels of reward are not proportional to
5 the cost components that make-up the cost of gas. The largest component in Laclede's
6 gas costs is the price of the gas itself, or the commodity cost. Only one of the five GSIP
7 components is designed to address the commodity cost of gas. There is no incentive in
8 the GSIP for Laclede to focus on reducing its overall cost of gas because it can profit
9 even when the customer's delivered cost of gas increases.

10 The GSIP targets are not designed to require superior performance in the
11 overall cost of gas before the Company can realize profits. In fact, the pipeline discount
12 target actually reflects a decrease in historical performance. The GSIP targets are not
13 proportional to the relative weight of the components that make-up the delivered cost of
14 gas that the customer pays in their bill.

15 Schedule 2 is the typical residential gas bill for the months of January of
16 2000 and 2001 based on normal weather. Schedule 2 shows the components that make-
17 up the cost of gas that the customer pays in their bill. Schedule 2 shows the impact in the
18 change in the cost of gas on the customer's bill. Schedule 2 does not show the affect of
19 the increased usage caused by the weather difference in these two months. Schedule 2
20 shows that only the gas supply profit center of the GSIP applies to the largest component
21 of the delivered cost of gas, commodity gas costs. Schedule 2 shows that the other four
22 GSIP profit centers apply to the pipeline transportation and storage component of the
23 delivered cost of gas. The commodity cost of gas is four times the cost reflected in the

1 transportation and storage component of delivered cost of gas, yet only one of the GSIP
2 targets are designed to address this element of cost.

3 Schedule 2 also shows the distribution element of the customer's bill.
4 This component includes the profit that is normally included in a regulated utility's bill.
5 The GSIP adds an additional profit charge to Laclede's customers that is only present in
6 one other Missouri utility bill.

7 Q. Why do you believe that the proposed GSIP, as its predecessors,
8 encourages the company to be reactive and not respond until after the full impact of the
9 event that required a different approach has been realized?

10 A. As previously discussed, the GSIP encourages Laclede to act within the
11 GSIP parameters to eliminate the risk of a prudence disallowance. The risk to customers
12 created by the volatility in the natural gas markets is not influenced by the parameters
13 contained in the GSIP. As the volatility in the natural gas markets increases the overall
14 price risk, the GSIP limits the amount of risk the Company assumes. This results in the
15 increased risk being passed directly to consumers.

16 Schedule 2 graphically illustrates the effects associated with the increased
17 risk created by the volatility in the natural gas markets being passed directly to
18 consumers. The GSIP not only relieves the Company of any risk management
19 responsibility, it provides Laclede the alibi that the Company is only acting in accordance
20 with the Commission's prescribed procedures. GSIP modifications are only proposed
21 after the natural gas markets demonstrate that the current GSIP parameters preclude
22 meaningful consideration of alternative gas supply options.

23 The GSIP rewards Laclede for focusing on the individual GSIP
24 components without reference to the customer's total cost of gas. There is no incentive

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1 for Laclede to operate outside the parameters established by the GSIP. Laclede operates
2 on the premise that its gas purchasing activities are protected from disallowance as long
3 as the Company operates within the parameters set by the GSIP. For example, the GSIP
4 encourages Laclede to contract for its gas supply using index-based contracts and Laclede
5 profits from the volume of gas it purchases. The prior GSIP had a fixed-price provision
6 that was not attractive to Laclede's objective to protect itself from prudence
7 disallowances and to make more profits, and the GSIP fixed-price provision was never
8 implemented. Therefore, the GSIP encourages the Company to use
9 index-based contracts even though a mixture of index-based and fixed price equivalents
10 provide an attractive approach to mitigate price volatility to Laclede's customers.

11 Q. Why do you assert that the proposed GSIP will result in detrimental
12 consequences to Laclede's customers compared to the alternative approaches that are
13 available?

14 A. The GSIP makes the additional profit-making on selected components of
15 gas costs and protection against a prudence disallowance equal and competing features
16 against the goal of the purchase of gas at the lowest delivered cost. Laclede's
17 performance during the last winter was not superior to the other Missouri LDCs. Laclede
18 filed for an unscheduled winter filing as did most other Missouri LDCs. AmerenUE and
19 UtiliCorp customers fared better this winter than Laclede's customers in this regard,
20 despite the fact that Laclede's customers paid a premium through its GSIP.

21 Q. What other detriment is in the GSIP?

22 A. Laclede's GSIP profits result in additional charges to its customers.
23 Laclede's consumers pay more than the actual cost of gas to Laclede. Paying more than

1 the actual cost of gas is detrimental to Laclede's customers unless the Company's
2 performance is at a level that justifies a reward or premium.

3 Such profits can be justified when they produce a demonstrated superior
4 result against the measurement that customers value, the delivered costs of gas. One of
5 the most difficult issues resulting from the winter 2000-2001 was customer questions
6 regarding the justification for Laclede profiting on top of the gas costs being charged to
7 its customers. I was present with several Staff members who could not provide any
8 response for this situation other than, talk to the Company.

9 Q. Didn't the Company provide support in its direct testimony demonstrating
10 the current benefits that Laclede's customers are receiving from its customers?

11 A. Not really. Mr. Neises's direct testimony refers to the record established
12 in Case No. GT-99-303 and the Commission's decision to extend the GSIP with
13 modifications. Mr. Neises refers to this material on page 5 of his direct testimony.
14 Laclede's direct testimony does not address the actual performance of the GSIP modified
15 in Case No. GT-99-303. The Company's direct testimony does not address the
16 performance of the GSIP during the last and very difficult winter of 2000-2001. The
17 Commission adopted a GSIP in Case No. GT-99-303 in a different gas market than
18 currently exists. Mr. Sommerer will address the difference in the gas market at that time
19 and the current gas market.

20 The Staff investigated external sources for evidence of superior
21 performance on Laclede's behalf. Staff compared Laclede's performance against the
22 other LDCs that operate in the State. Staff reviewed the specific items in the GSIP for
23 evidence of unique activity not seen elsewhere. Staff was unable to uncover any

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1 evidence that Laclede's performance was unique or exceptional that justified a premium
2 for its customers.

3 Q. Why is the performance of the GSIP during the winter of 2000-2001
4 important to the Staff?

5 A. The Staff has adopted the objective to examine, and modify where
6 necessary, the regulated natural gas purchasing practices that contributed to the hardships
7 experienced by Missouri's natural gas consumers. Staff recommendations support
8 proposals that are consistent with this goal. Likewise, Staff recommends rejection of
9 proposals that would subject Missouri consumers to the same hardship they recently
10 experienced if a similar winter were to occur in the future. If a similar winter occurs in
11 the future, the Company's proposal in this case will provide Laclede's customers the
12 same result they just recently experienced. This is a result that the Staff will not support,
13 nor a result that the Staff will suggest that the Commission approve.

14 Q. Won't the Experimental Fixed Price Program (EFPP) modification
15 proposed by the Company prevent Laclede's customers from experiencing the same
16 result that consumers just recently experienced if a similar winter were to incur in the
17 future?

18 A. No. It is unlikely that Laclede's EFPP will actually become effective. For
19 example, if the Commission had approved the EFPP in the past, it would not have been
20 activated for the winter of 2000-2001, and would not have had any impact on the costs
21 that Laclede charged its customers for last winter. Therefore, customers would have
22 experienced the same result last winter whether the EFPP existed or not.

23 Q. Won't the Company's proposal to establish a predetermined trigger of
24 \$3.75 per MMBtu as discussed on page 12 of Mr. Neises's direct testimony prevent

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1 customer from experiencing the same result that they just recently experienced if a
2 similar winter were to incur in the future?

3 A. No. For example, if the Commission had approved the EFPP with a
4 \$3.75 per MMBtu trigger in the past, it would not have been activated for the winter of
5 2000-2001.

6 Q. What is the Staff's issue with the EFPP component of the proposed GSIP?

7 A. The EFPP, Price Stabilization Plan (PSP), and other gas purchasing
8 elements need to be linked to an overall coordinated gas purchasing strategy focused on
9 the delivered cost of gas. This is one of the major flaws in the GSIP. The program
10 requires the Commission to decide the appropriate course of action regarding fixed price
11 future contracts for all future winters.

12 Q. Why is the perpetual life feature in the Company's proposed GSIP
13 inappropriate?

14 A. This feature provides Laclede too much control over changes to the GSIP,
15 and gives it no incentive to adopt any changes that do not benefit its shareholders. The
16 customer safeguard modifications that Laclede proposes to eliminate in this case would
17 never have resulted if the GSIP had an indefinite life. Mr. Neises acknowledges this fact
18 on page 16 of his direct testimony where he states that, "Although Laclede was willing to
19 agree to these temporary revisions in exchange for the extension in the GSIP that was
20 achieved last summer, we do not believe they are necessary or particularly appropriate as
21 permanent features of the program." These features would never have resulted from a
22 negotiated settlement if there had been no expiration date to the GSIP.

23 Q. Are there other reasons why the proposal to remove all expiration date and
24 sunset provisions from the GSIP is inappropriate?

1 A. The Commission has ordered the formation of a Natural Gas Commodity
2 Price Task Force in Case No. GW-2001-398. This Task Force is to investigate the
3 process for the recovery of natural gas commodity cost increases by local distribution
4 companies (LDCs) from their customers. This group's recommendations are expected
5 later this year. An indefinite time frame on a new GSIP will make it more difficult to
6 implement any Task Force recommendation.

7 The GSIP implicitly has gas-purchasing parameters that the Commission
8 has deemed to be prudent. This Commission approval needs to be reviewed at least
9 annually for its appropriateness given the dynamic nature of the natural gas market.

10 **COMPREHENSIVE GAS PURCHASING APPROACH**

11 Q. What approach to gas purchasing does the Staff recommend or support?

12 A. The Staff supports a comprehensive gas purchasing planning methodology
13 that incorporates a risk management/least cost philosophy, together with possible
14 financial incentives.

15 Q. How did the Staff develop this approach?

16 A. The catalyst for the approach was the overwhelming direct and indirect
17 customer reaction to their natural gas bills this last winter. Not only did the Commission
18 and Staff's workload explode due to the direct customer activity created by the winter
19 impact, but also Staff had to analyze the factors that contributed to the winter result and
20 commit to develop an approach that had a reasonable probability to produce a better
21 result if a similar winter occurred in the future.

22 Q. What factors did Staff identify as contributing to the winter result?

23 A. Weather and natural gas prices.

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1 Q. What LDC purchasing practices contributed to the results of last winter?

2 A. The simple answer was the natural gas company's heavy if not total
3 dependence on index-based contracts without a significant number of options to protect
4 against a rapid and dramatic rise in the index price of gas. In other words, the natural gas
5 companies needed to include fixed price contracts or similar equivalents in their gas
6 portfolios. However, further analysis revealed other factors were at work upon the major
7 players in the purchase of natural gas at the retail level in Missouri last winter.

8 Q. Who does Staff consider as the major players that influenced the purchase
9 of natural gas at the retail level in Missouri last winter that are relevant to this case?

10 A. The major players are the natural gas companies' purchasing groups, OPC,
11 the Commission and its Staff.

12 Q. What were the factors in play for the natural gas companies' purchasing
13 groups?

14 A. Generally, the major factor was a fear of prudence disallowance. For
15 Laclede and to a lesser extent AmerenUE, there was also the corporate goal to increase
16 corporate profits through their gas purchasing activities.

17 Q. What were the factors in play for OPC and the Commission Staff?

18 A. Generally, it was the fear of endorsing inappropriate conduct on behalf of
19 the natural gas companies' purchasing groups. This fear was magnified for Laclede, and
20 to a lesser extent AmerenUE, because of regulatory schemes that allowed the companies
21 to increase corporate profits through their gas purchasing activities.

22 Q. What role did the Commission play in the purchase of natural gas at the
23 retail level in Missouri last winter?

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1 A. The Commission ultimately approved the agreements and resolved the
2 disagreements that resulted from the interaction of representatives of the natural gas
3 companies' purchasing groups, OPC and the Commission's Staff.

4 Q. Is there another player that can impact the future purchase of natural gas in
5 Missouri?

6 A. Yes. The Commission's Task Force is another player that will impact
7 Missouri's future retail gas purchasing activities.

8 Q. What are the utilities' fears of a prudence disallowance related to their gas
9 purchasing prices?

10 A. Gas purchasing planning and related decision-making takes place
11 primarily in advance of the winter season. The gas purchasing planning covers a myriad
12 of elements including:

13 weather impact on demand;
14 commodity cost and related transportation;
15 storage capabilities;
16 price and costs of financial hedges; and
17 fixed price versus index price decisions.

18 This fixed price versus index price decision has been a relatively significant factor in
19 determining the cost of gas for prior winters prior to last winter. The dollar amount
20 related to these decisions is significant to the overall financial condition of most
21 companies as well as their customers. The winter of 2000-2001 has magnified the impact
22 of the fixed price versus spot index price decision as never before.

23 The prudence disallowance fear is founded in the fact that the best gas cost
24 decision is not known until sometime during or after the winter season. The natural gas
25 companies fear that their decision will be viewed in hindsight against the best decision
26 that could have been made after all the facts are known. Utilities fear the risk that the

1 dollar amount difference between their actual decisions and a hindsight review will be
2 charged to their shareholders. This disallowance poses a financial concern to the
3 company as well as a career advancement threat to the actual employees who made the
4 gas purchasing decisions.

5 Q. How does this disallowance fear affect the utilities' gas purchasing
6 practices?

7 A. Utilities seem to adopt a "follow the herd" philosophy regarding their gas
8 purchasing practices. This practice appears to be the defensive response to the threat of a
9 prudence disallowance from hindsight reviews. The position is that "just and reasonable"
10 is defined as the practice followed by a number of other companies. The reliance on the
11 practice of other utilities encourages the company not to document their own decision-
12 making process. Documenting the company's individual decisions runs the risk that the
13 specific facts and circumstances known at the time of the decision suggested a different
14 decision than those followed by other companies.

15 However, there appears to be a counter-balancing factor for those natural
16 gas purchasing groups that buy for both natural gas customers and electric power plants.
17 These purchasing groups must consider the actual price of natural gas in their decision-
18 making. This is a factor considered by industrial natural gas buyers who were able to
19 claim some of the success stories during last winter.

20 Q. Are after-the-fact reviews inappropriate?

21 A. No. After-the-fact reviews are necessary. However, such reviews can be
22 used inappropriately. After-the-fact reviews are the source of valuable information to test
23 the validity of current practices, philosophy and data sources. They identify the key
24 components (e.g. decisions, assumptions) that produced results different from the

1 expected outcomes. The analytical results initiated by the after-the-fact review will
2 spotlight candidates for program improvements, cultural belief changes and direction
3 modifications.

4 Q. What factors cause Staff's fear of inappropriate conduct related to the
5 utilities' gas purchasing practices?

6 A. The Staff of the Commission conducts the primary reviews necessary to
7 ensure that the cost of gas ultimately passed on to the consumer is just and reasonable.
8 The perception of the existence of inappropriate conduct is enhanced by three factors.
9 First, the Staff generally does not know what to expect from a given year until the
10 company makes its Actual Cost Adjustment (ACA) filing. The Staff uses an after-the-
11 fact review to identify the key decisions/events that affected the actual costs. The Staff
12 has no other frame of reference to conduct its review. Second, the Staff requests
13 documentation related to these key decisions/events. Generally, the documentation does
14 not contain conclusive evidence of the propriety of a key decision. The Staff is faced
15 with the dilemma of making the decision to approve or disallow the results of a key
16 decision without adequate documentation to determine the reasonableness of the key
17 decision. This lack of documentation feeds a concern that the documents are not
18 maintained in order to obscure the facts related to an inappropriate action. Third, Staff
19 does encounter events when a utility has acted in a reasonable manner. These actual
20 experiences add to the suspicion that the events that are not clearly supported are
21 inappropriate.

22 Q. How does the Staff's fear of inappropriate conduct affect the gas
23 purchasing practices in Missouri?

1 A. The Staff's review, with its related questioning, challenges and prudence
2 disallowances contribute to a defensive and sometimes hostile culture within the utility.
3 The defensive environment negatively affects the communication between the parties,
4 especially in areas such as listening to and understanding the other party's point of view.
5 The Staff's review is viewed as a lack of trust in the utility's ability to make the
6 appropriate gas purchase decisions.

7 Q. What does Staff propose as an improvement to the current related utility
8 gas-purchasing situation in Missouri?

9 A. Staff has developed the framework of a comprehensive gas purchasing
10 process or CGPP. The CGPP is focused on the end result, delivered cost of gas and
11 reliability. The CGPP should reduce the tensions among parties while making it easier to
12 adjust to market changes.

13 **COORDINATED PURCHASE PLAN**

14 Q. What are the components of Staff's approach?

15 A. The Staff's approach consists of three components, the coordinated gas
16 purchase plan documentation and reporting process, regulatory review procedure.

17 Q. Describe a coordinated gas purchase plan.

18 A. The coordinated gas purchase plan begins with the establishment of an
19 objective for the gas purchasing activity. This objective is supported by the measurable
20 goals that the gas purchasing activity plans to achieve. An example of a measurable goal
21 would be that the delivered cost of gas would be at or below \$4.50 per MCF next winter.

22 Q. What is the second element?

23 A. The next element of the coordinated plan is the identification of the gas
24 demand scenario that the company must plan to supply. This element includes

1 consideration of a warm winter baseline, as well as a cold winter extreme consumption
2 usage pattern. This element will also include the listing and description of the significant
3 assumption affecting gas demand.

4 Q. What is the final element of the coordinated gas purchase plan?

5 A. The final element of the coordinated gas purchase plan is the expected gas
6 supply scenario. The supply scenario would be the best overall approach to meet the gas
7 purchasing activity objective after consideration of all known reasonable options. The
8 gas supply scenario would consider the optimal fixed price versus index price mixture to
9 manage the risk of price volatility while providing price stability. The gas supply
10 scenario would address a summer and winter purchase strategy. The summer strategy is
11 now important given that electric generation is an increasing factor in the purchase of gas
12 during the summer months. The scenario would also list the key assumptions upon
13 which the gas supply scenario is built and the planned course of action if and when
14 market changes make these assumptions invalid.

15 **DOCUMENTATION AND REPORTING PROCESS**

16 Q. What is the documentation and reporting process?

17 A. In order for the Commission to evaluate an LDC's decision-making
18 process, the Commission must have a record made at the time the LDC took action, of the
19 factors driving the Company's decisions. Staff suggests the following framework for
20 generating and reporting decisions, data, records, and submittals with related timeframes:

21 **Submittal Timeline**

- 22 • January 1, of a given year the LDC submits its initial plan;
- 23 • Staff, OPC and other relevant parties identify issues/concerns/suggestions
- 24 by March 1 of that year and send to company. Company then is alerted
- 25 about decisions/actions that are potential concerns and additional

1 documentation or analysis that may be required to support recovery of
2 related costs from customers.

- 3 • As necessary, the Company reports any change in its plan with an
- 4 explanation and expected impact on the delivered cost of gas.
- 5 • Company reports monthly status of storage injections and financial
- 6 instruments with related costs.
- 7 • Final winter plan is submitted by October of that year with its PGA
- 8 request.
- 9 • Monthly submittal of recovered gas costs compared to the actual gas costs
- 10 throughout the winter season (November through March).
- 11 • Final report of actual results submitted to the Staff and OPC by April 15 of
- 12 the following year.

13 The format of the initial plan would include all the elements of the coordinated gas
14 supply plan, including the expected cost of gas for the upcoming winter, the course of
15 action expected to achieve that result, and the decision-making process that supports that
16 the results are just and reasonable. Mr. Sommerer, in his rebuttal testimony, addresses
17 some of the detailed components that should be included in their initial plan submittals.

18 Q. Is reliability a factor in the CGPP?

19 A. Yes. Staff will reevaluate the reliability aspects of each LDC submittal in
20 conjunction with its overall review of each plan. Staff will compare the reliability
21 aspects of each submittal against the reliability components built into each company's
22 current gas purchasing practices. Staff will inquire and investigate all changes in an
23 LDC's gas purchasing plan that could have negative aspects on system reliability.

24 **REGULATORY REVIEW PROCEDURE**

25 Q. What are the details related to the regulatory review procedure portion of
26 Staff's proposal?

27 A. Initially, there will be a continuation of the current PGA/ACA process.
28 Management will still have the responsibility to manage their overall gas purchasing
29 activities. This process can be modified as necessitated by the results in the change of the

1 gas purchasing practices. A formal reporting and documentation process would be
2 designed to achieve four results. First, all the parties will have the opportunity to be
3 brought into the process at an early stage of the gas purchasing process. This will
4 improve their knowledge on a real-time basis so that they will be in a better position to
5 fulfill their respective responsibilities. Second, the review will be contemporaneous with
6 the relevant fact and circumstances known at the time. This modification will reduce the
7 importance of the after-the-fact review. The role of the review will be more in line with
8 the objective to identify opportunities for improvement. Third, the documentation
9 requirements will be enhanced for specific concerns identified early in the process.
10 Fourth, the documentation will provide a basis for the parties to develop a process that is
11 less dependent on specific individuals. This feature will reduce transition issues related
12 to the change of individual employees.

13 The ACA reviews will be completed in a shorter time period because the
14 other parties' actual relevant knowledge will be increased before the initiation of the
15 actual ACA review. The scope of prudence disallowances should be limited in practice
16 to issues that were brought to the company's attention before the decision was made and
17 to disagreements regarding the proper measurement of actual costs.

18 Q. What are the benefits the comprehensive gas purchasing process is
19 intended to achieve?

20 A. The major benefit is the establishment of a framework to support the needs
21 of all the major parties affected by the utilities' gas purchase practices. All these parties
22 have a role in the process, and this winter proved that fact.

23 For the parties who must use such information, the comprehensive gas
24 purchasing process establishes a format to record the level and quality of the planning

1 that support a company's gas purchasing activities. The CGPP will provide a vehicle to
2 alert customers to the expected cost of gas before the actual impact.

3 The CGPP will shorten the period of time required to review an ACA
4 period because of the greatly increased level of information obtained much sooner in the
5 process. This process will improve the documentation and communication concerns that
6 have existed in the past.

7 **POSSIBLE INCENTIVE FEATURE**

8 Q. What are the details of Staff's incentive feature?

9 A. The Staff's incentive feature has two measures that an LDC must meet to
10 profit from its gas purchasing practices. First, the cost of gas provided to customers must
11 be less than the prior three-year average. Second, the district must be one of the top four
12 district performers in Missouri.

13 Q. What districts are you referring to?

14 A. The Staff's incentive feature is designed to include all of Missouri's
15 distributors that are individually affected by the regulated utilities gas purchasing
16 practices. There are approximately 20 of these districts. These districts are identified on
17 Schedule 6 attached to Mr. Sommerer's rebuttal testimony.

18 Q. What incentives does Staff propose?

19 A. The reward scheme would recognize the top 20% of district performances.
20 A district's performance is measured as the change in the delivered cost of gas from the
21 previous year. The reward would be the following sliding scale:

- 22 1) The lesser of two percent (2%) of the cost of gas or one-half of the
23 percent decline from the previous year;

1 2) The lesser of one percent (1%) of the cost of gas or one-half of the
2 percent decline from the previous year.

3 3) The lesser of one half of one percent (.5%) of the cost of gas or
4 one-half of the percent decline from the previous year.

5 4) The lesser of one-quarter of one percent (.25%) of the cost of gas
6 or one-half of the percent decline from the previous year.

7 The reward would be included in the calculation of the PGA rate for the next winter.

8 Q. What are the advantages of this incentive feature over the current GSIP?

9 A. The incentive feature contains the following six advantages:

10 1) The reward system focuses the companies on achieving a result
11 that is beneficial to customers. This focus will be beneficial when the
12 LDCs go into the natural gas market to buy gas. Regulated gas companies
13 will go into the market with a price target similar to large industrial
14 consumers.

15 2) The system is easier to justify from the perspective of the
16 individuals who will actually pay the rewards. The company was
17 rewarded for being one of the top performers in reducing their customers'
18 natural gas bills. The customer's interest in lower natural gas bills is given
19 a higher priority than the company's interest in profiting from its natural
20 gas purchasing activities.

21 3) The system does not guarantee rewards to any company from year
22 to year. This system more emulates a competitive environment where
23 profits are the result of performance against competitors.

1 4) The system does not need to be changed as often as the GSIP
2 because component benchmarks or targets are internalized within the
3 companies and adjusted as needed to meet the goal of reducing the cost of
4 gas. This system will be easier to administer from a regulatory
5 perspective, as it will require fewer cases and regulatory decisions.

6 5) The system introduces performance recognition with monetary
7 gain into the overall reward program.

8 6) The system is a positive reward program. There are no
9 benchmarks upon which the company can lose money for lack of
10 achievement.

11 This incentive feature can be used as a reporting system that would provide a utility's
12 customers information regarding the level of their company's performance compared to
13 the other companies operating in Missouri. This incentive plan has no need to be treated
14 as highly confidential. The details of this incentive plan will be available to all members
15 of the public.

16 Q. Why does the Staff eliminate the possibility of a natural gas company
17 making a profit from its gas purchasing activities in the event that the cost of natural gas
18 increases?

19 A. There were three reasons for this decision. First, reducing the cost of gas
20 to its customers must be a greater priority than profiting from gas purchasing activities.
21 The company already has its authorized return built into base rates. The company will
22 continue to receive their return independent of their gas purchasing performance. Any
23 additional profit should occur only for exceptional performance. Second, monetary
24 rewards are often impacted by negative external events that are independent of the level

1 of job performance. For example, companies will lay off employees as a result of a
2 reduction in a market valuation of a company's stock price regardless of their individual
3 productivity. State employees will have their salaries negatively impacted by the State's
4 financial condition regardless of the level of job performance. Third, it is more difficult
5 to justify a system that rewards a company when customers are paying more for natural
6 gas.

7 Q. Why did the Staff propose this alternative in this case?

8 A. Staff intended and preferred to initiate its proposal through an industry
9 dialog to gather thoughts, comments and suggestions. Laclede's filing to extend and
10 modify its GSIP necessitated the development and filing of the concept in this case.

11 **GSIP MODIFICATIONS**

12 Q. If the Commission chooses to continue with the GSIP, what modifications
13 does Staff recommend?

14 A. The Staff has the following eight recommended modifications to the GSIP
15 in the event that the Commission chooses to continue this program:

16 1) The term of the new GSIP should be one year.

17 2) The benchmark related to gas supply should be updated to reflect
18 current market conditions and the Company's actual gas purchasing
19 practices.

20 3) The pipeline discount target for pipelines other than MRT should
21 be updated to reflect the Company's actual historical performance.

22 4) A benchmark related to MRT pipeline discounts should be
23 established based on the current level built into the MRT contract.

1 5) The benchmark for the mix of pipelines should be updated to
2 reflect the Company's actual experience.

3 6) The target for off-system sales should be updated to reflect the
4 Company's actual experience and treated in the ACA process.

5 7) The benchmark for capacity release should be updated to reflect
6 the Company's current actual experience.

7 8) The \$9 million profit cap or ceiling should remain on the plan.

8 Mr. Sommerer's rebuttal testimony will provide the additional detail regarding the Staff's
9 position regarding the modifications two through eight.

10 Q. What criteria did the Staff use to evaluate and establish these
11 modifications?

12 A. The Staff evaluated each of the modifications using a "just and
13 reasonable" criteria. Staff used this criterion because each of these modifications affects
14 the rates that customers will ultimately pay Laclede for their natural gas service. Staff
15 asked the question, "If Laclede achieves the level of performance contained in their
16 benchmark, would the result be just and reasonable." For example, regarding the GSIP
17 gas supply component, Staff asked the question, "Is it reasonable for Laclede to accept
18 the average bid from a gas supply bidding process?" Staff's answer is "no." The normal
19 bidding process would result in the acceptance of the best bid(s). It would be
20 unreasonable to accept an average or higher bid compared to a alternative. Therefore, we
21 eliminate a proposition that would include in customer rates the act of accepting an
22 average or higher bid rather than the best bids. Likewise, it is unreasonable to include in
23 a benchmark any premium on the spot market component of a Company's gas portfolio.

1 Another example is that the Staff also removed any potential that Laclede
2 could experience a disallowance for not achieving a benchmark or target. The rationale
3 for this decision is to allow the GSIP targets to define achievement as performance better
4 than reasonable efforts. Staff developed its targets by using actual experience. Staff
5 considers the current actual performance as the floor for the establishment of exceptional
6 or superior performance. The GSIP will reward, based on Staff's modifications,
7 performance results greater than the company has previously achieved. Customers will
8 have the assurance that any rewards that they pay in their rates are based on the fact that
9 the Company had exceeded its historical level of achievement.

10 Q. What is Staff's position regarding the term of the GSIP if it is to be
11 continued by the Commission?

12 A. The GSIP term should be one year. There are two reasons for this
13 position. First, the performance last winter was not one that the Staff relishes to see
14 repeated. Laclede's performance during winters similar to last year's will likely be
15 repeated under the GSIP. The GSIP, even with Staff's modifications, does not remove
16 the Company's incentive to rely heavily on index-based gas purchase contracts. The one-
17 year period of time would be adequate to identify GSIP modifications necessitated by
18 changes in market, management philosophy, and gas supply options. Second, the
19 Commission's Task Force recommendations are expected in August of this year. A one-
20 year term will provide the opportunity to adjust the GSIP to address the Task Force
21 recommendations.

22 Q. What is the Staff's position regarding the elimination of \$9 million
23 earnings cap in the event the Commission chooses to continue the GSIP?

1 A. The Staff recommends that there is a need for an earnings cap in the event
2 the Commission chooses to continue with a GSIP approach. There are several reasons
3 that the Staff adopts this position. First, there is no current expectation as to the true
4 earnings potential of a given GSIP. This is a product of the fact that the GSIP has not
5 operated for any extended period without the need for modification coupled with the
6 ambiguity of the operation of its several individual components. Second, the Company
7 does not allege that the \$9 million cap is unreasonable. In fact, on page 17 of
8 Mr. Nieses's testimony, he states that he has "no reason to believe that the Company will
9 be able to generate revenues or savings in the future that materially exceed the \$9 million
10 cap." The issue is only that Laclede wants to be able to earn more than \$9 million.
11 Third, the goal of reducing gas costs should never be subjected to the Company's profit
12 enhancement objectives.

13 The GSIP allows the Company to make profits even when the overall gas
14 cost to its customers increases. The Company proposes to use a 3% of gas supply costs
15 as a limitation on its profit potential. Laclede can make more profits as it increases its
16 gas supply costs. This is the product of applying the 3% to a larger gas cost number. The
17 3% cap only applies to the commodity portion of the Company's gas costs. The 3% of
18 gas supply costs cap does not apply to the transportation and storage components of
19 Laclede's gas costs. The 3% cap does not provide an overall limit on the GSIP profits.
20 The \$9 million earnings cap will limit the incentive to permit gas costs to increase in
21 order to improve Laclede's overall profit levels as well as control the amount of profit
22 that the Company can make from the GSIP in one year.

23 Q. Does this conclude your rebuttal testimony?

24 A. Yes.

**D SUZIE MANKIN
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. JUNE 21, 2004**

RATE CASE PROCEEDING PARTICIPATION

ROBERT E. SCHALLENBERG

<u>COMPANY</u>	<u>CASE NO.</u>
Southwestern Bell Telephone	TR-79-213
Southwestern Bell Telephone	TR-80-256
Southwestern Bell Telephone	TR-81-208
Southwestern Bell Telephone	TR-82-199
Southwestern Bell Telephone	TR-83-253
Southwestern Bell Telephone	TR-86-84
Southwestern Bell Telephone	TC-89-14
Southwestern Bell Telephone	TO-89-56
Southwestern Bell Telephone	TR-90-98
Southwestern Bell Telephone	TC-93-224
Southwestern Bell Telephone	TO-82-3
Kansas City Power & Light Company	ER-77-118
Kansas City Power & Light Company	ER-78-252
Kansas City Power & Light Company	ER-80-48
Kansas City Power & Light Company	ER-81-42
Kansas City Power & Light Company	ER-82-66
Kansas City Power & Light Company	HR-82-67
Kansas City Power & Light Company	ER-83-49
Kansas City Power & Light Company	EO-85-185
Kansas City Power & Light Company	ER-85-128
Missouri Public Service	ER-78-29
Missouri Public Service	GR-78-30
Missouri Public Service	ER-90-101
General Telephone	TM-87-19
General Telephone	TR-86-148
General Telephone	TC-87-57
General Telephone	TR-89-182
Gas Service Company	GR-78-70

Gas Service Company	GR-79-114
Union Electric	EC-87-114
Kansas Power & Light Company	GR-91-291
Kansas Power & Light Company	EC-91-213
Western Resources	GR-93-240
Western Resources	GM-94-40
United Telephone Company of Missouri	TR-80-235
St. Joseph Light and Power Company	EC-92-214
St. Joseph Light and Power Company	ER-93-41
Kansas Power and Light Company	EM-91-213
Laclede Gas Company	GR-94-220
Williams Natural Gas Company	RP94-365-000
Williams Natural Gas Company	RP95-136-000
Mississippi River Transmission	RP96-199-000
Union Electric	EO-96-14

**CASE SUMMARY OF INVOLVEMENT
OF
ROBERT E. SCHALLENBERG**

Gas Service Company

Case No. GR-79-114

Date: June 15, 1979

Areas: Deferred Taxes as an Offset to Rate Base

Missouri Public Service Company

Case Nos. ER-78-29 and ER-78-30

Date: August 10, 1978

Areas: Fuel Expense, Electric Materials and Supplies, Electric and Gas Prepayments, Electric and Gas Cash Working Capital, Electric Revenues

Missouri Public Service Company

Case Nos. ER-79-60 and GR-79-61

Date: April 9, 1979

Areas: Depreciation Reserve, Cash Working Capital

Southwestern Bell Telephone Company

Case No. TR-79-213

Date: October 19, 1979

Areas: Income Taxes, Deferred Taxes

Kansas City Power & Light Company

Case Nos. ER-80-48 and ER-80-204

Date: March 11, 1980

Areas: Iatan, Interest Synchronization, Allocations

Kansas City Power & Light Company

Case No. ER-81-42

Date: March 13, 1981

Areas: Iatan (AEC Sale), Normalization vs. Flow-Through, Allocations, Allowance for Known and Measurable Changes

Southwestern Bell Telephone Company

Case No. TR-80-256

Date: October 23, 1980

Areas: Flow-Through vs. Normalization

United Telephone Company of Missouri

Case No. TR-80-235

Date: December 1980

Areas: Rate of Return

Southwestern Bell Telephone Company

Case No. TR-81-08

Date: August 6, 1981

Areas: License Contract, Flow-Through vs. Normalization

Kansas City Power & Light Company

Case Nos. ER-82-66 and HR-82-67

Date: March 26, 1982

Areas: Indexing/Attrition, Normalization vs. Flow-Through, Deferred Taxes as an Offset to Rate Base, Annualization of Amortization of Deferred Income Taxes, Cost of Money/Rate of Return, Allocations, Fuel Inventories, Iatan AFDC Associated with AEC Sale, Forecasted Coal and Natural Gas Prices, Allowance for Known and Measurable Changes

Southwestern Bell Telephone Company

Case No. TR-82-199

Date: August 27, 1982

Areas: License Contract, Capitalized Property Taxes, Normalization vs. Flow-Through, Interest Expense, Separations, Consent Decree, Capital Structure Relationship

Kansas City Power & Light Company

Case No. ER-83-49

Date: February 11, 1983

Areas: Test Year, Fuel Inventories, Other O&M Expense Adjustment, Attrition Adjustment, Fuel Expense-Forecasted Fuel Prices, Deferred Taxes Offset to Rate Base

Kansas City Power & Light Company

Case Nos. EO-85-185 and ER-85-28

Date: April 11, 1985

Areas: Phase I - Electric Jurisdictional Allocations

Date: June 21, 1985

Areas: Phase III - Deferred Taxes Offset to Rate Base

Date: July 3, 1985
Areas: Phase IV - 47% vs. 41.5% Ownership, Phase-In, Test Year/True-Up, Decision to Build Wolf Creek, Non-Wolf Creek Depreciation Rates, Depreciation Reserve, Jurisdictional Steam Allocation/Grand Avenue Station

Southwestern Bell Telephone Company

Case No. TR-83-253

Date: September 23, 1983

Areas: Cost of Divestiture Relating to AT&T Communications, Test Year, True-Up, Management Efficiency and Economy

Generic - Straight Line Equal Life Group and Remaining Life Depreciation Methods

Case No. TO-82-3

Date: December 23, 1981

Areas: Depreciation

General Telephone Company of the Midwest

Case No. TM-87-19

Date: December 17, 1986

Areas: Merger

General Telephone Company of the Midwest

Case No. TC-87-57 (TR-86-48)

Date: December 1986

Areas: Background and Overview, GTE Service Corporation, Merger Adjustment, Adjustments to Income Statement

Southwestern Bell Telephone Company

Case No. TR-86-4

Date: None

No prefiled direct testimony

Union Electric Company

Case No. EC-87-114

Date: April 27, 1987

Areas: Elimination of Further Company Phase-In Increases, Write-Off of Callaway I to Company's Capital Structure.

Western Resources

Case No. GM-94-40

Date: November 1993

Areas: Jurisdictional Consequences of the Sale of Missouri Gas Properties

Kansas Power & Light Company

Case No. EM-91-213

Date: April 1991

Areas: Purchase of Kansas Gas & Electric Company

Laclede Gas Company

Case No. GR-94-220

Date: July 1994

Areas: Property Taxes, Manufactured Gas Accruals, Deregulated Cost Assignments

Williams Natural Gas

Docket No.: RP94-365

Date: November 9, 1995

Areas: Imprudence of pipeline decisions that led to the incurrence of gas supply realignment costs.

Williams Natural Gas

Docket No.: RP-95-136

Date: November 30, 1995 and June 14, 1996

Areas: Depreciation and amortization expenses and the Administrative & General (A&G) expenses, including expenses relating to affiliate transactions.

Mississippi River Terminal Corporation

Docket No.: RP96-199

Date: January 3, 1997 and March 26, 1997

Areas: Rate base, expenses and capital structure issues.

Union Electric Company

Case No. EO-96-14

Date: April 1999

Areas: Alternative Regulation Plan Agreements

While in the employ of the Kansas State Corporation Commission in 1978, Mr. Schallenberg worked on a Gas Service Company rate case and rate cases of various electric cooperatives.

LACLEDE GAS COMPANY TYPICAL RESIDENTIAL GAS BILL* JAN 2000 VS JAN 2001

