

*Exhibit No.:*  
*Issue:* Gas Storage Inventory  
*Witness:* Phil S. Lock  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Direct Testimony  
*Case Nos:* GR-2004-0072  
*Date Testimony Prepared:* January 6, 2004

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**FILED** 3

JUN 21 2004

Missouri Public  
Service Commission

**DIRECT TESTIMONY**

**OF**

**PHIL S. LOCK**

**AQUILA, INC. d/b/a AQUILA NETWORKS-MPS  
and AQUILA NETWORKS - L&P**

**CASE NO. GR-2004-0072**

*Jefferson City, Missouri  
January 2004*

exhibit no. 41  
Date 3-30-04 Case No. GR-2004-0072  
Reporter KF


**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of Aquila, Inc.,                                    )  
d/b/a Aquila Networks – MPS and                            ) Case No. GR-2004-0072  
Aquila Networks – L&P, Natural Gas                     )  
General Rate Increase.    )

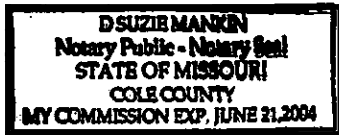
**AFFIDAVIT OF PHIL S. LOCK**

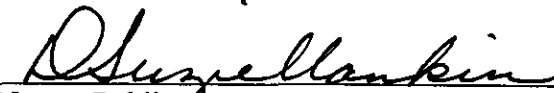
STATE OF MISSOURI        )  
                                   )       ss.  
COUNTY OF COLE         )

Phil S. Lock, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_ )  
Phil S. Lock

Subscribed and sworn to before me this 5<sup>th</sup> day of January 2004.



  
\_\_\_\_\_ )  
Notary Public

1 **DIRECT TESTIMONY**

2 **OF**

3 **PHIL S. LOCK**

4 **AQUILA, INC. d/b/a AQUILA NETWORKS - MPS and**

5 **AQUILA NETWORKS - L & P**

6 **CASE NO. GR-2004-0072**

7 Q. Please state your name and business address.

8 A. Phil S. Lock, P.O. Box 360, Jefferson City, Missouri 65102.

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

10 A. I am a Regulatory Auditor III with the Missouri Public Service Commission  
11 (Commission).

12 Q. Please describe your educational background.

13 A. I attended Central Missouri State University at Warrensburg, Missouri, and  
14 received a Bachelor of Science degree in Business Administration, with a major in Finance in  
15 May 1980 and a major in Accounting in December 1986. Since November 1996, I have been  
16 accredited as a Certified Government Financial Manager.

17 Q. Please describe your work background.

18 A. Prior to employment with the Commission, I was employed as a Tax Auditor  
19 with the Missouri Highway Reciprocity Commission. I also held a position as a Research  
20 Analyst with the Division of Family Services.

21 Q. Please describe your duties while employed with the Commission.

22 A. From 1987-1993, I conducted rate case audits under the direction of the Chief  
23 Accountant of the Commission's Accounting Department. From 1993 to the present, I have,

Direct Testimony of  
Phil S. Lock

1 under the direction of the Manager of Procurement Analysis, conducted audits and  
2 examinations of the books and records of gas utility companies operating within the state of  
3 Missouri.

4 Q. Have you previously filed testimony in cases before this Commission?

5 A. Yes. See Schedule 1 attached to this testimony. I have also prepared  
6 numerous Actual Cost Adjustment (ACA) recommendations since 1993.

7 Q. Did you make an examination and analysis of the books and records of the  
8 Company in regards to matters raised in this case?

9 A. Yes. In regard to matters raised in this case, I have reviewed the natural gas  
10 storage inventory of Aquila.

11 Q. What matters will you address in your revised direct testimony?

12 A. I will address the gas inventory levels for Aquila's natural gas storage for its  
13 Missouri service territories consisting of its Northern and Southern Systems operating under  
14 Missouri Public Service (MPS) and the former St. Joe Light and Power (L & P).

15 Q. What knowledge, skill, experience, training or education do you have in these  
16 matters?

17 A. I have conducted ACA reviews of regulated gas utilities on a full-time basis  
18 since the fall of 1993. I have participated in prior ACA reviews involving issues raised in  
19 this docket. I have also acquired knowledge of the matters discussed within this case through  
20 seminars, meetings, correspondence from other state regulatory bodies and gas publications.

21 Q. What is the purpose of your direct testimony?

22 A. I am sponsoring the Staff's natural gas inventory levels included in rate base  
23 for the Company's Northern and Southern Systems and L & P.

Direct Testimony of  
Phil S. Lock

1 Q. Please describe those Missouri service territories served by Aquila that have  
2 gas held in inventory.

3 A. Aquila's service territory in Missouri is composed of the Southern System that  
4 is currently served by Southern Star (formerly known as Williams Natural Gas), the Northern  
5 System that is served by Panhandle Eastern Pipeline (PEPL), and the former St. Joe  
6 system (L & P) that is served by ANR Pipeline. The Eastern System, which is served by  
7 PEPL, has not traditionally had gas storage inventory.

8 Q. Why is gas held in inventory included in rate base?

9 A. Natural gas stored underground represents an investment by Aquila. Natural  
10 gas is purchased and injected into storage during the summer months and held in storage  
11 until the winter months when it is withdrawn.

12 Q. What gas inventory levels have you used in this case?

13 A. I have attached Schedule 2 that shows the storage inventory balances  
14 supported by Staff.

15 Q. How did Staff determine the storage inventory levels provided in Schedule 2?

16 A. Staff used an average of the natural gas inventory balances for the Company's  
17 Northern and Southern Systems and the L & P System for the 13 months ended  
18 September 2003. This represents an update to the Company's storage balances for known  
19 and measurable changes. Staff used an average of the storage account balances to represent  
20 ongoing inventory levels.

21 Q. Does this conclude your direct testimony?

22 A. Yes.

## SUMMARY OF TESTIMONY

### PHIL S. LOCK

COMPANY NAME	CASE NUMBER	ISSUES
Grand River Mutual Telephone	TR-87-25	Cash Working Capital
Kansas Power and Light Company	GR-89-48	Lost & Unaccounted for Gas
St. Joe Light and Power Company	GR-90-84	PGA Costs
Associated Natural Gas Company	GR-90-152	Revenues, Gas Costs, Bad Debts
United Cities Gas Company	GR-92-21	Take-or-Pay Refunds
Laclede Gas Company	GR-92-165	Weather Normalization, Customer Annualization, Unbilled Revenue, Postage & Card Stock Expense, Uncollectible Accounts, E&D Expense, Gas Expense
United Cities Gas Company	GR-93-47	Revenues, Gas Costs, Uncollectible Expense, Postage Expense, Customer Bypass
Laclede Gas Company	GR-93-149	Transportation within Contract Demand
Laclede Gas Company	GR-94-328	Capacity Reservation Charges
Missouri Public Service	GR-95-273	Capacity Release
Missouri Public Service	GA-97-132	Establish Optimal Gas Cost and Transportation Level
Missouri Public Service	GR-99-435	Put and Call Transactions
Greeley Gas Company	GR-2001-394	Purchasing Practices
Atmos Energy	GR-2001-396	Agency fees, overrun gas, storage, purchasing practices
Aquila Networks D/B/A Missouri Public Service	GR-2001-461	Purchasing Practices, Deferred Carrying Cost Balance, Puts/Calls
Gateway Pipeline Company	GM-2001-585	PGA Costs

Aquila Networks  
Storage Inventory Balance  
Case GR-2004-0072

Month (Beginning Balance)	PEPL storage	WNG storage	WNG storage	ANR storage
	MPS-North	MO & KS	MPS-South 56.515%	L & P
Sep-02	\$1,901,051	\$3,597,051	\$2,032,873	\$1,008,718
Oct-02	\$2,213,452	\$4,121,942	\$2,329,516	\$1,197,751
Nov-02	\$2,305,748	\$4,441,901	\$2,510,340	\$1,226,146
Dec-02	\$2,209,680	\$4,405,770	\$2,489,921	\$1,112,544
Jan-03	\$1,929,712	\$3,693,596	\$2,087,436	\$839,739
Feb-03	\$1,176,184	\$2,054,023	\$1,160,831	\$369,044
Mar-03	\$523,163	\$442,376	\$250,009	\$64,181
Apr-03	\$264,698	\$1,056,396	\$597,022	\$231,125
May-03	\$790,625	\$1,094,526	\$618,571	\$405,390
Jun-03	\$1,231,581	\$2,212,276	\$1,250,268	\$646,731
Jul-03	\$1,770,263	\$3,438,705	\$1,943,384	\$966,795
Aug-03	\$2,309,079	\$5,192,715	\$2,934,663	\$1,257,516
Sep-03	\$2,752,263	\$5,948,205	\$3,361,628	\$1,648,021
13-month average	\$1,644,423		\$1,812,805	\$844,131

Source: DR 106