

Staff of the Missouri Public Service  
Commission,  
  
Complainant,  
  
v.  
  
Missouri Pipeline Company, LLC, Missouri  
Gas Company, LLC, Omega Pipeline, LLC,  
Mogas Energy, LLC, United Pipeline Systems,  
Inc., and Gateway Pipeline Company, LLC  
  
Respondents.

2. Staff is filing the redacted and HC versions as *substitute* testimony since none of the information in the testimony has been changed, it has simply been classified as either HC or public. Staff is indicating on the cover sheet that the date prepared remains as originally filed.

3. Additionally, the Staff is not filing amended affidavits, even though the total number of pages may change due to the document being redacted, because none of the text of the originally filed documents has changed.

4. The depositions which have also been marked for redaction by Respondents will also be filed as *substitute* attachments to testimony. Due to the volume of material, Staff will file these documents as soon as Staff is able to complete the redactions.

5. If the Commission needs assistance from Staff as a result of these substitutions, please let me know.

Respectfully submitted,

/s/ Lera L. Shemwell

Lera L. Shemwell  
Deputy General Counsel  
Missouri Bar No. 43792

Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751-7431 (Telephone)  
(573) 751-9285 (Fax)  
[lera.shemwell@psc.mo.gov](mailto:lera.shemwell@psc.mo.gov)

#### **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronic mail to all counsel of record on this 8<sup>th</sup> day of December, 2006.

/s/ Lera L. Shemwell

Exhibit No.:  
Issues: Other Tariff Issues  
Witness: Thomas M. Imhoff  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Substitute Surrebuttal  
Testimony  
Case No.: GC-2006-0491  
Date Testimony Prepared: November 17, 2006

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**THOMAS M. IMHOFF**

**MISSOURI GAS COMPANY**

**CASE NO. GC-2006-0491**

**Jefferson City, Missouri  
Substituted December 8, 2006**

**\*\*Denotes Highly Confidential Information\*\***

**NP**

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

Staff of the Missouri Public Service  
Commission, )

Complainant, )

v. )

Case No. GC-2006-0491

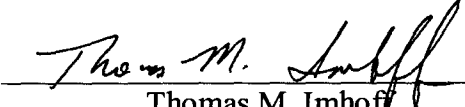
Missouri Pipeline Company, LLC and  
Missouri Gas Company, LLC, )

Respondents )

**AFFIDAVIT OF THOMAS M. IMHOFF**

**STATE OF MISSOURI** )  
 ) ss  
**COUNTY OF COLE** )

Thomas M. Imhoff, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 9 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
Thomas M. Imhoff

Subscribed and sworn to before me this 16<sup>th</sup> day of November, 2006.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

  
Notary Public

My commission expires 9-21-10

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31

16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

22  
23  
24  
25  
26  
27  
28  
29  
30  
31

30  
31

Surrebuttal Testimony of  
Thomas M. Imhoff

1           A.     No. Mr. Ries attributes several definitive statements to the Staff that were  
2 never conveyed to Mr. Ries or anyone else. Mr. Ries also represents that Staff was informed  
3 about certain matters that was not true.

4           Q.     What was your general recollection of the nature of Staff discussions with Mr.  
5 Ries?

6           A.     The best and most accurate sources for what was said would be Carmen  
7 Morrissey's notes and the emails that were circulated before and after the meetings. My  
8 general recollection is that Mr. Ries represented that he wanted to change MPC's and MGC's  
9 tariffs so MPC and MGC could sell gas to small towns and compete with propane. MPC and  
10 MGC had line certificates so their tariffs were more analogous to interstate pipeline tariffs  
11 than LDC tariffs so Carmen Morrissey and Craig Branum were asked to assist. This led to a  
12 fairly thorough comparison of Panhandle Eastern Pipeline's (PEPL) tariffs to the Missouri  
13 Pipeline Company (MPC) and Missouri Gas Company (MGC) tariffs. Various cash-out  
14 mechanisms, methods to allow the pipelines to charge or pay for gas imbalances) along with  
15 penalty provisions from PEPL's tariffs were discussed. Although Mr. Ries seemed to accept  
16 efforts to align MPC/MGC tariff with PEPL's tariff in his draft tariffs he kept removing the  
17 affiliate safeguard provisions. This caused Staff to question why these affiliate abuse  
18 safeguards were becoming a critical issue.

19          Q.     What was Mr. Ries' concern?

20          A.     At the time, Mr. Ries represented to the Staff that he did not intend to profit  
21 from any of the tariff modifications we discussed. While these modifications were never the  
22 major topic item in our discussions, Staff's insistence that affiliate safeguard provisions  
23 should remain in the tariffs was the major reason Staff was unable to reach a conceptual

1 agreement with Mr. Ries. Ultimately Mr. Ries dropped his efforts to change his tariffs and  
2 did not pursue these changes by filing with the Commission. The decision by Mr. Ries not to  
3 take his tariff change proposals to the Commission was his and only his decision. At no time  
4 did Staff indicate to Mr. Ries that he should not file his proposal with the Commission. In  
5 fact, my manager Warren Wood stated in a letter to Mr. Ries that filing with the Commission  
6 was our recommendation so all the details of the proposed changes could be thoroughly  
7 examined.

8 Q. Did Mr. Ries inform Staff that Omega would be performing marketing  
9 activities?

10 A Regarding Mr. Ries' disclosure to Staff of implementing his plans through an  
11 affiliate, I recall Mr. Ries was considering serving shippers on MPC/MGC through an  
12 affiliate as one of three approaches. His rationale was that the affiliate could provide services  
13 to very small customers that didn't have much sophistication with gas procurement. My  
14 recollection is that Staff said that any affiliate would come under the Commission's affiliate  
15 transaction rules, and there was some discussion about the Cost Allocation Manual (CAM)  
16 process. I recall that we gave the usual disclaimer and that we weren't attorneys, but believed  
17 there were requirements to conduct operations "separate and apart". It is my recollection that  
18 Mr. Ries may have indicated that Omega was very small and would likely share some  
19 services, but it is not my recollection Mr. Ries told Staff of his plans to use Omega to do  
20 marketing. I do not believe that Staff ever recommended that Omega be used to do  
21 marketing activities.

Surrebuttal Testimony of  
Thomas M. Imhoff

1           Mr. Ries offered very few, if any, concrete examples or details. This led Staff to send  
2           an e-mail to attempt to get clarification. Communications were by e-mail and Mr. Ries sent  
3           draft tariff language and Staff responded to each proposal.

4           Q.     What tariff language was at issue?

5           A.     The main difference in our tariffs was Mr. Ries insistence on removing  
6           affiliate safeguards from the existing tariffs. He wanted to delete the language designed to  
7           prevent affiliate abuse from his tariffs.

8           Q.     Do you have specific recollections for the statements Mr. Ries made in his  
9           rebuttal testimony?

10          A.     Yes.

11          Q.     What are your specific recollections regarding the matters addressed in Mr.  
12          Ries' rebuttal testimony on page 10 that Staff was "adamantly against MPC/MGC having any  
13          gas buying or selling authority"?

14          A.     My recollection is that Mr. Ries wanted MPC and MGC to be able to sell  
15          natural gas to its customers while Staff was proposing a cash-out mechanism similar to PEPL  
16          and had further questions about Mr. Ries' idea about buying and selling gas. Craig Branum  
17          copied the PEPL tariffs concerning the cash-out mechanism, because Staff's impression was  
18          that Mr. Ries' concern was to strengthen the cash-out provision so marketers and  
19          transportation customers could not "game" the system.

20          Q.     Did MPC and MGC have tariff provisions permitting the pipelines to sell  
21          natural gas?

22          A.     No. The condition that MPC/MGC could not buy or sell gas was from their  
23          certificate cases. Staff did not adamantly oppose Mr. Ries' proposition. Staff was only



Surrebuttal Testimony of  
Thomas M. Imhoff

1 seeking to understand the need to modify this condition of their certificates. As discussions  
2 continued with Mr. Ries, other Staff members and I began to suspect that Mr. Ries was not  
3 being candid with us in his discussions. I came to believe that Mr. Ries was not telling the  
4 Staff how he actually intended to operate the pipelines. This was the reason Staff  
5 recommended that Mr. Ries make a filing with the Commission so Staff could see the details  
6 of the manner in which Mr. Ries intended to operate.

7 Q. What are your specific recollections regarding Mr. Ries' testimony on page 10  
8 of his rebuttal testimony that Staff said that if MPC/MGC provided "small sales service to the  
9 small customers, MGC would be considered an LDC and subject to prudence reviews and  
10 cost disallowances"?

11 A. If one of Mr. Ries' proposals was to have MPC/MGC provide a PGA type  
12 mechanism, which I do not recall, Staff would have described to Mr. Ries the ACA process  
13 and questioned whether this would have made MPC/MGC an LDC. I recall Mr. Ries was  
14 contemplating providing services that were equivalent to what an LDC performs, but wanted  
15 to be an unregulated LDC.

16 Q. What are your specific recollections regarding Mr. Ries' testimony on page 10  
17 that Staff "refused to agree to change any of the tariff provisions related to discounts, which  
18 would effectively mean that this service could only be provided at maximum tariff rates.  
19 They were already aware that most of these customers were also receiving rate discounts.  
20 They also told me that the Missouri Public Utility Alliance (MPUA and its affiliated entity,  
21 Municipal Gas Commission of Missouri) was also trying to help small municipal utilities and  
22 would intervene against such a proposal"?

Surrebuttal Testimony of  
Thomas M. Imhoff

1           A.     I don't recall this particular discussion but I can state that Staff's concern in a  
2 situation like this is to make sure there was a "level playing field" and no unfair competition  
3 or undue preference given to an affiliate shipper over non-affiliated shippers. These  
4 discussions and I believe the red-line/strikeout revisions to the proposed tariff modifications  
5 that were e-mailed back and forth pertained to Mr. Ries' deletions of the affiliate transaction  
6 language that was in the tariff. Staff revisions had nothing to do with changing the discounts.  
7 I believe Mr. Ries' desire to remove these affiliate abuse provisions was so he could provide  
8 his affiliated companies with discounts, but not provide similar discounts to non-affiliates.  
9 Not only was this not acceptable to Staff, such conduct would violate the Commission's  
10 affiliate transactions rules. It is clear from the e-mails that Mr. Ries knew that he would be  
11 violating his tariff if he gave his affiliate discounts and did not charge the same rates to non-  
12 affiliates without obtaining Commission approval to delete the affiliate safeguard provisions  
13 of his tariffs. Staff did consistently oppose Mr. Ries attempts to remove affiliate abuse  
14 provisions from his tariffs.

15           Q.     What are your specific recollections regarding Mr. Ries' testimony on pages  
16 10 and 11 that Staff suggested MPC/MGC "use Omega as a marketing affiliate to help small  
17 customers if they wanted it. It would not require Commission approval for Omega to be a gas  
18 marketer."?

19           A.     It is my recollection that Staff did not suggest or support any particular  
20 approach but expressed a lack of understanding of the underlying details and proposals that  
21 Mr. Ries was attempting to describe. Staff cautioned that an affiliate would come under the  
22 Commission's new affiliate transaction rules. Staff never suggested that MPC/MGC could  
23 operate in a manner inconsistent with their current tariffs and always suggested that Mr. Ries

1 file with the Commission if he wanted to operate in any manner in conflict with his tariff  
2 requirements.

3 Q. What are your specific recollections regarding Mr. Ries' testimony on page 11  
4 that Staff was "not in favor of our proposed penalty assessing changes."?

5 A. I do not recall the specific change discussed in Mr. Ries' testimony, nor does  
6 he attach any support for his testimony but Staff generally supported changes that were more  
7 aligned with PEPL's tariffs. Staff supported changes to assessing penalties to non-compliant  
8 transporters, but we wanted to see the details and we were not provided any information. I  
9 remember clearly that Staff was supporting the use of PEPL type tariff language.

10 Q. What are your specific recollections regarding Mr. Ries' testimony on page 11  
11 that "Staff suggested that Omega begin to assist small customers where the need was  
12 greatest."

13 A. I do not recall ever hearing any Staff say this or seeing any such suggestion in  
14 e-mail. If it mentioned that Omega could help, that approach would be conditioned on MPC,  
15 MGC and Omega complying with the affiliated transaction tariff language and the affiliate  
16 transaction rules. Staff never suggested to MPC and MGC that their tariffs could or should  
17 be violated. It would be Staff's practice to suggest a filing with the Commission if there was  
18 any serious doubt that a proposed change in operation may violate their tariffs.

19 Q. What are your specific recollections regarding Mr. Ries' testimony on pages  
20 11 and 12 that he explained to Staff in 2002 that positive imbalances existed on MPC and  
21 MGC?

22 A. I do not recall any detailed discussion regarding operational problems on  
23 MPC/MGC or imbalances that were creating operational problems. I do recall discussion by

Surrebuttal Testimony of  
Thomas M. Imhoff

1 Mr. Ries as a desire to reduce gaming opportunities by shippers and to keep shippers in  
2 balance with their usage. There was never a discussion regarding a positive imbalance  
3 operating condition that needed to be addressed.

4 Q. What are your specific recollections regarding Mr. Ries' testimony on page 12  
5 that "Staff said they would not support our efforts to solve the positive imbalance  
6 concern."?

7 A. I'm not sure what meeting or discussion Mr. Ries is referring to in his  
8 testimony. Staff was generally supporting most of the tariff updates that were being proposed  
9 at that time, and was interested in adding additional PEPL-type provisions to address  
10 balancing issues. I was under the impression that Staff was close to an agreement with Mr.  
11 Ries regarding an imbalance approach. As noted above, the most significant impasse was  
12 Mr. Ries' insistence on removing the affiliate transaction safeguard provisions in the tariffs.  
13 Our disagreement in this area had nothing to do with any imbalance treatment. The major  
14 issue Mr. Ries presented to Staff was never in our approach to addressing pipeline  
15 imbalances. The major issue was Staff would not accept Mr. Ries' desire to remove tariff  
16 affiliate safeguard sections, such as 3.2 b or 12.c, from the MPC/MGC tariffs. On or around  
17 August 2003, Mr. Ries discontinued these discussions with Staff. I have spoken with other  
18 members of Staff and we were never informed that Mr. Ries had decided to use Omega to  
19 perform marketing activities on the pipelines.

20 Q. Did you or Staff ever indicate to Mr. Ries or a representative of MGC that the  
21 Company did not need to obtain Commission approval to extend their line certificate to build  
22 a lateral to serve \*\* \_\_\_\_\_ \*\*?

Surrebuttal Testimony of  
Thomas M. Imhoff

1           A.     No. I spoke with Staff members and we were never asked whether  
2 Commission approval was needed to modify the MGC line certificate to build the lateral to  
3 serve \*\* \_\_\_\_\_ \*\*. It would be Staff's practice to recommend that a company  
4 follow its tariffs, or file a request for modification of the tariff with the Commission.

5           Q.     Do you have anything else to comment on Mr. David Ries' rebuttal  
6 testimony?

7           A.     Yes. Attached as Appendices AA and BB to Mr. Ries' rebuttal testimony are  
8 responses to Staff data requests submitted by me. I have no recollection of ever receiving  
9 these data request responses from Mr. Ries and was surprised when I read them in his rebuttal  
10 testimony. I make it a practice to keep all information received through data request  
11 responses in my files for future references.

12          Q.     Does this conclude your surrebuttal testimony?

13          A.     Yes it does.