

1                               BEFORE THE PUBLIC SERVICE COMMISSION  
2                               STATE OF MISSOURI  
3                               \_\_\_\_\_  
4                               TRANSCRIPT OF PROCEEDINGS  
5                               HEARING  
6                               May 15, 2003  
7                               Jefferson City, Missouri  
8                               Volume 8  
9                               \_\_\_\_\_  
10                              In the Matter of Missouri Gas Energy's        )Case No.  
                            Purchased Gas Adjustment Tariff Revisions )GR-2001-382  
11                              to be Reviewed in its 2000-2001 Actual        )  
                            Cost Adjustment                                )  
12                              In the Matter of Missouri Gas Energy's        )Case No.  
                            Purchased Gas Cost Adjustment Factors to     )GR-2000-425  
13                              be Reviewed in its 1999-2000 Actual Cost     )  
                            Adjustment                                       )  
14                              In the Matter of Missouri Gas Energy's        )Case No.  
15                              Purchased Gas Cost Adjustment Factors to     )GR-99-304  
                            be Reviewed in its 1998-1999 Actual Cost     )  
16                              Adjustment                                       )  
17                              In the Matter of Missouri Gas Energy's        )Case No.  
                            Purchased Gas Cost Adjustment Tariff         )GR-98-167  
18                              Revisions to be Reviewed in its                )  
                            1997-1998 Actual Cost Adjustment                )  
19                              \_\_\_\_\_  
20                              BEFORE:                                        MORRIS L. WOODRUFF, Presiding  
                                                                                  SENIOR REGULATORY LAW JUDGE.  
21                                                                                   CONNIE MURRAY,  
                                                                                  COMMISSIONER.  
22                              \_\_\_\_\_  
23                              REPORTED BY:  
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24                              ASSOCIATED COURT REPORTERS  
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1 JUDGE WOODRUFF: All right. We're back on the  
2 record in GR-2001-382. And apparently there have been some  
3 discussions over the course of yesterday evening and this  
4 morning.

5 Mr. Duffy, since you're up at the podium, why  
6 don't you go ahead and explain what's going on.

7 MR. DUFFY: All right, your Honor. Thank you.  
8 I'll do my best and I'm sure people can correct me if  
9 misstate something unintentionally.

10 When we left off yesterday afternoon, I was in  
11 recross based on questions from the Bench of Ms. Jenkins.  
12 And I had handed her essentially a new version of her  
13 Schedule 13, I think, with some different assumptions in it.  
14 And you indicated that the Staff should have some time to  
15 determine if, by making the substitutions, the result would  
16 occur that that document predicted.

17 Now, that document's not in the record. Those  
18 numbers are not. The result shown on that document is not  
19 in the record.

20 So we've had subsequent discussions with the  
21 Staff about how much time they really need to adequately  
22 determine that that's -- you know, what we did was accurate  
23 or to determine if they want to make some comments about  
24 that.

25 And so the accord that has been reached, as I

1 understand it, is that essentially we want to hold that  
2 portion of the hearing in abeyance while we give the Staff  
3 time to verify, we determine if there are going to be any  
4 disputes and we both work together in order to put into the  
5 record at some point verified numbers that say, okay, under  
6 MGE's assumption, this is the result.

7               If the Staff wants to put in an alternative to  
8 that because they disagree with some concepts, they'll have  
9 the opportunity to do that. It may entail some additional  
10 prepared testimony, maybe a couple rounds of prepared  
11 testimony depending on whether people are in agreement or  
12 whether they dispute those things.

13              And there is some possibility we may even come  
14 back and want to do some additional cross and redirect and  
15 questions from the Commission about that narrow issue in  
16 order to determine how that ought to shake out. But other  
17 than that, our intention is to go ahead and proceed with the  
18 case.

19              So my understanding is that Mr. Schwarz will,  
20 with your permission, go ahead and do redirect on  
21 Ms. Jenkins today to the point he sees fit. Again, we're  
22 not addressing this additional issue on these alternatives  
23 that we talked about. And then when that's finished, we'll  
24 put Ms. Allee on the stand, we'll do direct and cross of her  
25 and essentially at that point close out everything that we

1 think we can accomplish in this hearing at this point.  
2 And, of course, then our understanding would  
3 be that it would be premature to establish a briefing  
4 schedule because we would still have things open. It's our  
5 understanding that we will attempt to notify the Commission  
6 some time in a two-week time frame, somewhere in that  
7 neighborhood, maybe more, maybe less, in writing as to what  
8 our progress is on verifying the numbers and where we think  
9 that that particular avenue is going to lead, whether we  
10 think we'll need additional hearing time or not.

11 So we'll keep the Commission posted as we  
12 understand how that develops and give the Commission an  
13 opportunity to deal with that as it comes up. So have I  
14 left anything out?

15 JUDGE WOODRUFF: Is that your understanding,  
16 Mr. Schwarz?

17 MR. SCHWARZ: That's my understanding. I  
18 would advise the Commission that Ms. Jenkins is the only  
19 Staff engineer in the procurement analysis department who  
20 works on these kinds of analyses. We may ask the Commission  
21 for extensions of time in filing Staff recommendations in  
22 other cases because she will now have to be devoting  
23 additional time to this. But I think that other than that  
24 item that's peculiar to Staff, that --

25 JUDGE WOODRUFF: Well, it certainly sounds

1       like a fair resolution of the problem.

2                   MR. KEEVIL: Judge, can I just ask one  
3       question over here? I have no objection with what Mr. Duffy  
4       and Mr. Schwarz have proposed here regarding the  
5       supplemental schedules, testimony, hearing even, so long as  
6       it's understood that what we're talking about is limited to  
7       this storage issue.

8                   MR. DUFFY: That's our understanding, yes.  
9       We're not proposing to do anything other than further  
10      explore, to the extent it's necessary, the ramifications of  
11      the document that I handed her yesterday.

12                  MR. SCHWARZ: And the change in volumes for  
13      the warmest --

14                  MR. DUFFY: Right. It's the issue of what  
15      really should be considered to be the warmest month volumes  
16      and ramifications that flow from that, how it all shakes out  
17      in this case. So with that understanding and --

18                  JUDGE WOODRUFF: Let me ask a question of you  
19      first. I believe this would be issue three that's directly  
20      affected by this. That's the storage issue.

21                  MR. DUFFY: Yes

22                  JUDGE WOODRUFF: Does it also have a carryover  
23      effect on to issue two, the 30 percent hedging?

24                  MR. DUFFY: I don't think so. Except -- the  
25      only possible thing I can think of is I remember

1 Commissioner Gaw asking a question about, well, what if you  
2 used some other set of numbers in the storage utilization?  
3 And I'm not sure exactly if I even understood the question,  
4 but that's the only possible thing I can think of is if  
5 there was some other hypothetical that he was thinking  
6 about. But as to the parties, I don't think there's  
7 anything.

8 MR. SCHWARZ: No.

9 JUDGE WOODRUFF: If, as you develop this  
10 information, it turns out that it does have an effect on any  
11 of the other issues, let the Commission know and we'll  
12 consider that in the future if it needs to be. We want to  
13 get full information as much as possible.

14 MR. DUFFY: Okay.

15 JUDGE WOODRUFF: All right.

16 MR. DUFFY: So with that understanding then, I  
17 guess my position is I am -- with the understanding that I  
18 have the right and am reserving the rights to deal with that  
19 other issue and Ms. Jenkins in the future, I am going to  
20 cease my recross based on questions from the Bench at this  
21 point.

22 JUDGE WOODRUFF: Very good.

23 And, Ms. Jenkins, you'll need to come forward  
24 then for redirect. And you were sworn yesterday so you're  
25 still under oath.

1       LESA JENKINS, having been sworn, testified as follows:  
2       REDIRECT EXAMINATION BY MR. SCHWARZ:  
3             Q.       Good morning.  
4             A.       Morning.  
5             Q.       I would like to start, if I might, with what  
6       was marked as Exhibit 24 yesterday, the --  
7             A.       Just a minute. I've got it.  
8             Q.       Do you have that with you?  
9             A.       Uh-huh.  
10            Q.       Let me ask you, if I might, the company in  
11       this has portrayed the November/December 2000 period as  
12       extreme. Do you feel that it's fair to ignore extremes when  
13       planning and operating a gas supply?  
14            A.       No. I think the extremes are -- make it --  
15       what makes it so difficult to plan for gas supply. And,  
16       therefore, you have to look at the extremes so you know what  
17       to do when those happen.  
18            Q.       Can you expand on that a bit?  
19            A.       For example, if you look at their normal  
20       distribution chart that's included in that and you look at  
21       my Schedule 7-2, their chart shows that two standard  
22       deviations would essentially be the average plus 2 times  
23       204, which is 2,122.  
24                    There are obviously points in my Schedule 7-2  
25       for November and December that are outside of that two



1 standard deviations. And I do not believe it would be  
2 acceptable to not have gas on those days. So you would  
3 expect that they would plan for those cold months happening.  
4 And --

5 Q. And Schedule 7-2 is this bar graph; is that  
6 correct?

7 A. That's correct.

8 Q. And which years would fall outside their  
9 parameters that you just described?

10 A. 1983/'84 has 2,229 heating degrees days for  
11 November and December. So that's over 100 and -- over 100  
12 outside of their two standard deviations. The year of  
13 1985/'86 had 2,153 heating degree days. That's about  
14 30 outside of their two standard deviation limit. Those are  
15 the ones that fall outside that upper range.

16 Q. If I might, let's talk in a little more  
17 technical terms about this graph. The mean calculated by  
18 the company for the data on the prior page was 1,714; is  
19 that correct?

20 A. That's correct.

21 Q. If you look at your Schedule 7-5, you have  
22 ranked those periods from high to low or low to high,  
23 depending on where you start on your table; is that correct?

24 A. That's correct.

25 Q. And what is the median value? Can you count?

1           A.       Hold on a minute. The median value would be  
2       between 1,698 and 1,689.

3           Q.       And that is less than the mean of 714; is that  
4       correct?

5           A.       Of 1,714, yes.

6           Q.       And when you have a median that's lower than  
7       the mean, does that indicate a skew in the values?

8           A.       Yes. It means that the values are skewed on  
9       the high side.

10          Q.       In this case, high side means more heating  
11       degree days?

12          A.       That's correct.

13          Q.       Is it true that approximately 68 percent of  
14       the observations would be expected to fall -- if they were  
15       plotted on the bell-shaped normal curve, 68 percent of the  
16       observations would be expected to fall within one standard  
17       deviation below and one standard deviation above the mean?

18          A.       It's been a while since I've had statistics,  
19       but it's somewhere between 65 and 68 percent, yes.

20          Q.       And normal distribution means that it's  
21       symmetrically distributed?

22          A.       Yes.

23          Q.       So that you would expect the same number of  
24       observations to the right of one standard deviation as you  
25       would have to the left?

1           A.       Yes.

2           Q.       In this case you have 40 observations.  If

3           68 percent would be expected to fall under the -- within one

4           standard deviation, that leaves 32 percent to be outside one

5           standard deviation; is that correct?

6           A.       That's correct.

7           Q.       And since it would be expected to be

8           symmetrical, you should have the same number of observations

9           to the left of one standard deviation as you do to the right

10          of one standard deviation?

11          A.       That's correct.

12          Q.       And if you have a total of 40 observations,

13          how many would you expect to be on the right in that

14          16 percent of the curve?

15          A.       Don't ask me to do the math.

16          Q.       This morning?

17          A.       Yeah.  There would be 20 on each side of

18          the -- of the mean, so it should be symmetrical on each

19          side.

20          Q.       But outside -- in that 16 percent of the

21          distribution would you not expect 16 percent of 40, which

22          is -- I would suggest the math is 6.4.

23          A.       Yes.

24          Q.       And you would expect the same number to the

25          left of one standard deviation?

1           A.     Yes.

2           Q.     Okay. And I notice that standard deviation is  
3     204, so if you subtracted 204 from 1,714, would that tell  
4     you the value that's one standard deviation from the mean?

5           A.     Yes.

6           Q.     Okay. And have you done that?

7           A.     That's 1,510.

8           Q.     Okay. And if you look at your table -- at  
9     your schedule, excuse me -- actually, can we do it -- we can  
10    do it from right here. How many such values would you find  
11    to the left?

12          A.     To the left within one standard deviation?

13          Q.     Yes. No. To the left outside one standard  
14    deviation.

15          A.     I'm sorry. Five values.

16          Q.     And how many do you find to the right of one  
17    standard deviation?

18          A.     That's 1,918?

19          Q.     Yes.

20          A.     Eight values.

21          Q.     So you find more observations with higher  
22    heating degree days than you would expect and fewer  
23    observations with low heating degree days than you would  
24    expect under a normal distribution?

25          A.     Yes.

1           Q.     And that, taken with the fact that the median  
2     is less than the mean, would suggest that perhaps it's not a  
3     normal distribution?

4           A.     Yes.

5           Q.     Do you have a copy of what's been marked as  
6     Exhibit 18?

7           A.     Yes.

8           Q.     Could you explain to me why this particular  
9     comparison might be useful to an LDC in planning for the  
10    variability in its load?

11               MR. DUFFY:  At this point I think I'm going to  
12    object because I don't remember any questions about  
13    Exhibit 18.

14               MR. SCHWARZ:  There were no questions about  
15    Exhibit 18, but certainly there were questions about  
16    coefficients of variation and the statistical distribution  
17    of heating degree days and the use of those values in  
18    planning purposes and the purpose of gauging the prudence of  
19    taking actions.  And I think that this is certainly within  
20    the latitude --

21               JUDGE WOODRUFF:  I'm going to overrule the  
22    objection.  You can proceed.

23               THE WITNESS:  State the question again,  
24    please.

25    BY MR. SCHWARZ:

1           Q.       How might these statistical measures be of use  
2       to a local distribution company in planning and operating  
3       its expected -- in meeting its expected heat loads?

4           A.       The company would want to know how the usage  
5       could vary in a given month. So I would expect that they  
6       would look at the heating degree days, the extremes, the  
7       highs and the lows, because if they're going to plan on  
8       nominating a certain value for first of the month, they  
9       would want to know how that would have to be adjusted if it  
10      happened to be colder or warmer than they had expected it to  
11      be.

12                   And, for example, for the month of November,  
13      you have a high of 877 and a low of 398. Just for example,  
14      if they nominated 677, they have to be able to adjust up to  
15      877 or down to 398 and that's a range of 479.

16                   For the month of January, the distribution is  
17      different because the heating degree days obviously are --  
18      you're generally colder in the month of January. So you're  
19      going to have a range of 788, so they have a much greater  
20      range in which they might have to adjust their nominations.

21           Q.       And there is some value, some importance to an  
22      LDC of knowing the absolute volumes as opposed to the  
23      relative change in volumes that it might face?

24           A.       Absolutely. When they're changing volumes,  
25      they're changing absolute volumes. When customers demand

1 natural gas, they don't want that expressed as a percentage.  
2 They want to know that that natural gas is going to be there  
3 even when the weather is really cold.

4 And, in my opinion, it is something that the  
5 company would have to consider. I think it would be more  
6 difficult for the company to go out and get an additional  
7 788 than it would be to go out and get an additional 479 and  
8 however that converts to actual usages. These are just  
9 heating degree days.

10 Q. Did the weather patterns in the '98/'99 and  
11 '99/2000 heating seasons mean that MGE shouldn't have been  
12 prepared for a cold 60 days with high prices in 2000/2001?

13 A. No. Especially if you look at '99/2000. I'm  
14 sure they covered this. It was warm. Those are the numbers  
15 they're asking me to look at again. So I don't know why you  
16 would expect it to be. You might consider it, but you  
17 wouldn't expect it.

18 Q. Does the weather pattern in 2000/2001 mean  
19 that MGE doesn't need to plan for a similar weather pattern  
20 for the next 40 or 50 or 20 years?

21 A. No. With weather you don't know when it's  
22 going to be warm. You could have two consecutive winters  
23 that are warm, you could have two that are high, you could  
24 have extremes. For example, if you look at the plot for  
25 January, if you look at 1988/'89 and 1989/'90, those were

1 both relatively low heating degree day months. So in that  
2 case, one happened right after the other.

3 Q. Thank you.

4 Do you have a copy of what was marked Exhibit  
5 25-HC?

6 MR. SCHWARZ: May I approach?

7 JUDGE WOODRUFF: You may.

8 THE WITNESS: Thank you.

9 BY MR. SCHWARZ:

10 Q. Is it your understanding that that's the  
11 document where MGE substituted I think it was two values,  
12 but substituted some values into your spreadsheet and then  
13 that presents the result of those substitutions?

14 A. That's my understanding.

15 Q. Do you recall what changes they made? Take a  
16 moment and look at it.

17 A. My understanding is that they changed the  
18 values in Table 3-2 so that the storage volumes were  
19 normally distributed and you didn't necessarily nominate  
20 first of the month to be at least warm weather requirements.

21 Q. And let me ask you this. Do you think -- you  
22 developed the spreadsheet in question, did you not?

23 A. Yes.

24 Q. Is it --

25 A. Not -- not the company's version, but the



1 original.

2 Q. No. The spreadsheet and the formulas in the  
3 spreadsheet you developed; is that correct?

4 A. Yes.

5 Q. Are the isolated changes that MGE made, in  
6 your opinion, appropriate or not?

7 A. No. I did not develop the spreadsheet to  
8 handle every scenario that could be conceived. I wasn't  
9 trying to market the spreadsheet. I was just trying to use  
10 it to evaluate our adjustment.

11 Q. Well, why would these two isolated changes or  
12 these isolated changes not be appropriate?

13 A. For example, the month of November if you  
14 assume normal, that forces the first of the month values  
15 much lower and the company also didn't purchase any  
16 additional flowing supplies during that month. So as the  
17 weather turned extremely cold, it doesn't make sense then  
18 that you would fully swing just on storage knowing that it's  
19 a coldest November on record.

20 I just -- I didn't perceive every possible  
21 case that this spreadsheet could be used in. I developed it  
22 for the one I was using. And if I were to develop it for  
23 that, I probably would have added other tables to do some  
24 evaluations.

25 Q. Thank you.

1 Do you have your Direct schedule, page 13-2,  
2 Table 3-2?  
3 A. Okay.  
4 Q. Do you recall some questions about the -- do  
5 you recall some questions yesterday about the source or  
6 derivation of those values?  
7 A. Yes.  
8 Q. And I think that Mr. Duffy suggested to you  
9 that those came from Mr. Langston's testimony at MTL-16,  
10 page 8.  
11 A. He suggested that, although the spreadsheet  
12 was developed long before I ever received this. I got those  
13 numbers from the reliability report.  
14 Q. Would you take a look, please, at Exhibit  
15 19-HC, page 10?  
16 A. Yes.  
17 Q. And would you compare those two? Compare that  
18 page 10 to Mr. Langston's 16.  
19 A. Schedule 19?  
20 Q. I believe. I'm sorry. Maybe it's 20, I'm  
21 sorry.  
22 MR. DUFFY: What's 20, the exhibit number?  
23 MR. SCHWARZ: Exhibit 20.  
24 THE WITNESS: Okay.  
25 BY MR. SCHWARZ:

1           Q.       Does MTL-16, page 8, appear to be a copy of  
2       the same page from the reliability report?

3           A.       Yes.

4           Q.       And it asks you to turn to Mr. Langston's  
5       direct at page 56, line 18 where he identifies what Schedule  
6       MTL-16 is.

7           A.       Page 56?

8           Q.       Page 56, line 18.

9           A.       Okay.

10          Q.       Would you read the sentence that begins on  
11       line 18 into the record, please?

12          A.       Attached to Schedule MTL-16 is a detailed  
13       listing and analysis of decisions made by MGE throughout the  
14       winter period.

15          Q.       Okay. It's my understanding that in  
16       calculating the values for your Direct Testimony, that you  
17       used the reliability report provided to you by Missouri Gas  
18       Energy and that that calculation included a heat conversion  
19       factor; is that correct?

20          A.       Yes. They have that in the reliability  
21       report.

22          Q.       And how did you use that again to calculate  
23       the volumes that you used for your warmest month scenario?

24          A.       In the reliability report, what we were just  
25       looking at, it gives the low case value for each of the

1 months. There was no support provided for that, so I had to  
2 check it in some fashion.

3 So what I did was I went back and looked at  
4 the 30-year weather data for warmest month for each month.  
5 And I used the company's heat load and base load factors to  
6 calculate warmest month. Since those numbers were similar,  
7 if you look at Table 1, row 25 and Table 1, row 33 of my  
8 Schedule 13-1 --

9 Q. I'm sorry. Which?

10 A. My Schedule 13-1, Table 1, lines 25 --

11 Q. Okay.

12 A. -- and lines 33 --

13 Q. Okay.

14 A. -- you can see, for example, for the month of  
15 November, their low case was relatively close to the  
16 November using the base load heat load factor. So that's  
17 what I used. So I used the reliability report number.

18 Q. Okay. And it's my understanding that the --  
19 part of this case that's going to remain open for further  
20 exploration and testimony is because it turns out that the  
21 calculated low case volumes are significantly -- would you  
22 agree significantly higher than the actual volumes that MGE  
23 appears to have flowed in November of '98 which was, in  
24 fact, the warmest November in the 30-year period?

25 MR. DUFFY: Excuse me. It's November of '99.

1                   MR. SCHWARZ: November '99, I'm sorry.

2                   THE WITNESS: Yes. The November '99 number

3                   that they have shown is much less than what they have

4                   included in their reliability report or for this calculation

5                   for warmest month.

6                   BY MR. SCHWARZ:

7                   Q.        So would it appear then that the heat

8                   conversion factor used by MGE is, at best, suspect?

9                   A.        Yes. I would suspect it.

10                  Q.        And do you know what they base that on?

11                  A.        No, I don't. When I asked for that

12                  information from the company, it took quite a bit of asking,

13                  but I was ultimately told that it was based on a 1994

14                  analysis for which they could not find and could not find

15                  the data. So I have no idea if it was really 1994 data,

16                  1992 data, 1988 data. I have no idea.

17                  Q.        But MGE can't verify it either, can they?

18                  A.        I -- no, they said it can't be found, so

19                  neither they nor I can verify that the numbers are correct.

20                  Q.        If MGE had an accurate reliable heat

21                  conversion factor, would your calculation based on the

22                  warmest 30-year November have at least theoretically come

23                  closer to the value that MGE raised yesterday?

24                  A.        Yes, it should have.

25                  Q.        Would a prudent local distribution company

1 check the reliability of its heat conversion factor before  
2 basing purchasing and nominating decisions on it?

3 A. I would expect that they would do that. Like  
4 I said earlier, it's the extremes that seem to be hardest to  
5 plan for. And that's pretty obvious that when it's a lot  
6 warmer or a lot colder than normal, it's very -- it's more  
7 difficult to meet those extremes and, therefore, you should  
8 look at those.

9 Q. Is that responsibility stated in their tariff?

10 A. No, it is not.

11 Q. Is developing and using an accurate heat  
12 conversion factor a duty independent of prodding or inquiry  
13 from Staff?

14 A. Yes. In order to do proper planning, in order  
15 to look at their contracts, in order to make nominations, I  
16 think in order to make all of those decisions, they'd want  
17 to make sure that they're looking at the data and that the  
18 data that they're looking at is reasonable.

19 MR. SCHWARZ: I think that's all.

20 JUDGE WOODRUFF: All right. Thank you. You  
21 may step down.

22 And if you'd call Ms. Allee.

23 MR. SCHWARZ: Staff will call Ms. Anne Allee.

24 (Witness sworn.)

25 JUDGE WOODRUFF: You may be stated.

1                   And you may inquire.

2       ANNE ALLEE, having been sworn, testified as follows:

3       DIRECT EXAMINATION BY MR. SCHWARZ:

4           Q.       Would you state your name and place of

5       employment for the record, please?

6           A.       Anne Allee, and I'm employed with the Missouri

7       Public Service Commission.

8           Q.       And what is your position with the Commission?

9           A.       I'm a regulatory auditor in the procurement

10       analysis department.

11          Q.       And are you the same Anne Allee who has caused

12       to be filed in this case the pre-filed Direct Testimony of

13       Anne Allee marked Exhibit 15 and the Surrebuttal Testimony

14       which has been marked Exhibit 16?

15          A.       Yes.

16          Q.       Do you have any corrections or changes to

17       make?

18          A.       I do not.

19          Q.       If I asked you the same questions today as

20       were asked in the pre-filed testimony, would your answers be

21       the same?

22          A.       Yes.

23          Q.       And are those answers true and correct to the

24       best of your information and belief?

25          A.       Yes.

1                   MR. SCHWARZ: I would offer Exhibits 15 and  
2     16. I would actually also offer -- I don't have -- well, I  
3     would offer those two exhibits and tender the witness for  
4     cross if there are no objections.

5                   JUDGE WOODRUFF: All right. Exhibits 15 and  
6     16 have been offered into evidence. Are there any  
7     objections to their receipt?

8                   Hearing none, they will be received into  
9     evidence.

10                  (EXHIBIT NOS. 15 AND 16 WERE RECEIVED INTO  
11     EVIDENCE.)

12                  JUDGE WOODRUFF: And for cross-examination,  
13     again City of Joplin is not here. Public Counsel is also  
14     absent this morning.

15                  KPC?

16                  MR. KEEVIL: No questions, Judge.

17                  JUDGE WOODRUFF: MGE?

18                  MR. DUFFY: Yes. I have two exhibits I'd like  
19     marked.

20                  JUDGE WOODRUFF: This will be 26. And I see  
21     it's HC, so it will be 26-HC.

22                  (EXHIBIT NO. 26-HC WAS MARKED FOR  
23     IDENTIFICATION.)

24                  JUDGE WOODRUFF: And this will be 27-HC.

25                  (EXHIBIT NO. 27-HC WAS MARKED FOR



1 IDENTIFICATION.)  
2 CROSS-EXAMINATION MR. DUFFY:  
3 Q. Good morning, Ms. Allee.  
4 A. Good morning.  
5 Q. Would you please turn to Schedule 2 attached  
6 to your Direct Testimony?  
7 A. Yes.  
8 Q. You ready?  
9 A. Yes.  
10 Q. Tell me what the heading in Column C says.  
11 A. Company's Normal Monthly Storage WDs, which  
12 stands for withdrawals.  
13 Q. Okay. Is it your understanding that the  
14 numbers in Column C on your Schedule 2 represent MGE's  
15 normal monthly storage withdrawal schedule?  
16 A. That's my understanding.  
17 Q. Okay. The numbers in your Column G are the  
18 sum of Column C plus Column D; is that right?  
19 A. Yes, it is.  
20 Q. And Column G represents the company's planned  
21 hedged volumes; is that right?  
22 A. Yes.  
23 Q. So you used MGE's planned storage withdrawal  
24 numbers for inputs to these calculations?  
25 A. Right.

1           Q.     Now, your Schedule 2 is essentially the same  
2     as Ms. Jenkins' Schedule 8-1, isn't it?  
3           A.     Yes.  
4           Q.     So we can refer to them interchangeably, I  
5     guess?  
6           A.     Yes.  
7           Q.     In Column H, the Staff is indicating there  
8     that MGE did not hedge sufficient volumes in January and  
9     March 2001 based on the difference between 30 percent of  
10    normal monthly demand and MGE's planned hedged volumes; is  
11    that right?  
12          A.     Yes.  
13          Q.     Now, we provided your counsel I think first  
14    thing Monday morning with substantially what appears on  
15    what's been marked for purposes of identification as 26-HC  
16    and asked them to have the Staff verify the calculations on  
17    that. Have you had the opportunity then to verify the  
18    calculations that appear on Exhibit 26-HC?  
19          A.     Yes.  
20          Q.     And do the numbers that appear on that  
21    document -- are those numbers correct and you're familiar  
22    with those numbers?  
23          A.     They're mathematically correct, yes.  
24          Q.     Okay.  
25                 MR. DUFFY: At this point I would offer into

1 evidence Exhibit No. 26-HC.

2 JUDGE WOODRUFF: 26-HC has been offered into  
3 evidence. Are there any objections to its receipt?

4 Hearing none, it will be received into  
5 evident.

6 (EXHIBIT NO. 26-HC WAS RECEIVED INTO  
7 EVIDENCE.)

8 BY MR. DUFFY:

9 Q. Now, this document summarizes the information  
10 that appears on your Schedule 2 and Ms. Jenkins' Schedule  
11 8-1 in the Columns B and G that we've previously discussed;  
12 is that right?

13 A. Yes.

14 Q. And as shown on Exhibit 26-HC, if you compare  
15 MGE's planned hedge volumes to the normal monthly demand,  
16 MGE's planned hedge volumes were 29.5 percent of normal  
17 demand for January 2001 and they were 26.7 percent for  
18 March of 2001; is that right?

19 A. Yes.

20 Q. Therefore, MGE's plan in January 2001 was  
21 within 1/2 of 1 percentage point of the 30 percent standard  
22 the Staff is advocating in this case; is that right?

23 A. Right.

24 Q. Now, it's possible to determine how much of  
25 the \$614,000 disallowance the Staff is proposing in this

1 case is attributable to that 1/2 of 1 percentage point,  
2 isn't it?

3 A. Yes.

4 Q. Ands that's the number 402,198 that appears in  
5 Column M on line 13?

6 A. Yes.

7 Q. Can you give me the percentage? You know,  
8 what percentage of 614,000 is the 402,000 number? Can you  
9 do that percentage calculation? I've got one here I can  
10 suggest to you.

11 A. Okay.

12 Q. 65.46 percent. Does that appear to be  
13 reasonable?

14 A. That appears to be reasonable.

15 Q. Okay. So over 65 percent of this recommended  
16 disallowance arises because MGE missed your 30 percent  
17 figure by 1/2 of 1 percentage point?

18 A. Right. We determined that 30 percent was the  
19 minimum.

20 Q. All right. Now, as we noted earlier, MGE's  
21 plan for March 2001 was within 3.3 percentage points of the  
22 30 percent standard; is that right?

23 A. Right.

24 Q. And that makes up the other \$212,167 of the  
25 \$614,000 adjustment; is that right?

1           A.       Yes.

2           Q.       So missing the standard by 1/2 of 1 percentage  
3 point produced 65 percent of the proposed disallowance;  
4 missing it by 3.3 percentage points produced the other  
5 35 percent of the disallowance?

6           A.       Yes.

7           Q.       Now, according to schedule -- or excuse me --  
8 Exhibit 26-HC, the planned hedged volumes for November of  
9 2000 was 56.1 percent; is that right?

10          A.       Yes.

11          Q.       So that's 26 percentage points above your  
12 30 percent standard. Right?

13          A.       Right.

14          Q.       And their planned hedge volumes for February  
15 were over 48 percent, which would be over 18 percentage  
16 points above the 30 percent standard?

17          A.       Right.

18          Q.       Now, Staff's proposed disallowance calculation  
19 on your Schedule 2 and Ms. Jenkins' Schedule 8-1 does not  
20 give MGE any credit for its planned hedged volumes being  
21 well in excess of 30 percent for some months; is that  
22 correct?

23          A.       That's correct.

24          Q.       And the way the calculations have been set up  
25 in the spreadsheets on Schedule 2 and Schedule 8-1, they

1 identify only the amounts that result if MGE did not hedge  
2 more than 30 percent in any given winter month?

3 A. That's right.

4 Q. And there obviously were some months in which  
5 MGE did hedge more than 30 percent of plan -- or planned to  
6 hedge more than 30 percent. Right?

7 A. Yes.

8 Q. So the way the spreadsheet was set up, you  
9 intentionally did not give any credit or offset in the  
10 proposed damages calculation to hedging over 30 percent at  
11 any given month?

12 A. No, we did not. We -- as Dave Sommerer and  
13 Lesa Jenkins explained, we looked at a range and determined  
14 that 30 percent was the minimum. And it was sufficiently  
15 low enough that a credit was not given.

16 Q. I understand that's the Staff's position.  
17 Now, it's possible to calculate what your  
18 spreadsheet would look like if you used the assumption,  
19 which I know you do not agree with, but if you used the  
20 assumption that you do give credit for over 30 percent;  
21 isn't that right?

22 A. Yes.

23 Q. And is that what's depicted on schedule -- or  
24 on Exhibit 27-HC?

25 A. Yes.

1           Q.       And this document or something substantially  
2       close to it was also given to your Staff counsel Monday  
3       morning and, therefore, you've had an opportunity to  
4       determine if the calculations shown on that, with the  
5       substitutions that MGE has made for its alternative, are  
6       mathematically correct on that document?

7           A.       Yes.

8           Q.       And have you determined that they are  
9       mathematically correct?

10          A.       Yes.

11                 MR. DUFFY: I would offer into evidence at  
12       this point Exhibit 27-HC.

13                 JUDGE WOODRUFF: All right. 27-HC has been  
14       offered into evidence. Are there any objections to its  
15       receipt?

16                 Hearing none, it will be received into  
17       evidence.

18                 (EXHIBIT NO. 27-HC WAS RECEIVED INTO  
19       EVIDENCE.)

20       BY MR. DUFFY:

21           Q.       And does that show under MGE's assumption that  
22       instead of a \$614,365 disallowance, that, in fact, MGE would  
23       have a credit of about \$3.34 million?

24          A.       Yes, it does.

25          Q.       I'd like to explore your Schedule 2 a little

1 further, and I'm going to ask you a hypothetical question.  
2 If MGE's storage plan had been slightly different than what  
3 you used -- and I'm going to ask you to assume a number,  
4 76,275 dekatherms, 76,275. And I'm going to ask you to  
5 assume hypothetically that MGE's plan simply shifted that  
6 amount from December to January.

7 So, in other words, if the storage withdrawal  
8 plan had shown a withdrawal of 76,275 less in December 2000  
9 and 76,275 more in January 2001 -- do you understand my  
10 hypothetical at this point? We're not changing the overall  
11 volumes. We're simply moving 76,000 from one month to the  
12 other in the plan.

13 A. I understand.

14 Q. Okay. If that had occurred, the formulas in  
15 your Schedule 2 would not have calculated a disallowance for  
16 either December or January; isn't that true?

17 A. Hypothetically, that's true. However, that  
18 wasn't their plan.

19 Q. I understand.

20 A. Okay.

21 Q. And I believe I indicated to you this was a  
22 hypothetical.

23 A. Okay.

24 Q. Now, I'd like to give you another  
25 hypothetical. If the storage withdrawal plan for February



1 2001 had shown a withdrawal amount of 279,535 dekatherms  
2 less than what it showed, and instead you shifted that exact  
3 volume to March and show a withdrawal amount of 279,535  
4 more, the formulas in your Schedule 2 again would not have  
5 calculated a disallowance for either February or March under  
6 that hypothetical; is that right?

7 A. That's correct. They would have met the  
8 30 percent.

9 Q. So on the basis of the two hypotheticals that  
10 I've given you, simply changing the planned amounts from one  
11 month to another but not changing the overall amounts, your  
12 Schedule 2 produces a totally different result with no  
13 disallowances hypothetically?

14 A. That's true. Because the 30 percent was a  
15 monthly minimum.

16 Q. Okay. So it's fair to say then that if MGE  
17 had had prior knowledge, prior to the winter of 2000/2001,  
18 that Staff was going to evaluate the prudence of its hedging  
19 behavior for that winter in the manner that you've presented  
20 on your Schedule 2, then MGE could have avoided Staff's  
21 proposed penalty of \$614,365 completely by simply shifting  
22 the planned withdrawal amounts on its normal monthly storage  
23 withdrawal plan even though that would have had absolutely  
24 no net effect on the total amount of storage MGE planned to  
25 withdraw for that winter?

1           A.       I think it's up to MGE to determine, yes,  
2       their storage plan.

3           Q.       But the answer to my question is, yes.  If  
4       we'd known that the target was 30 percent, by simply  
5       shifting within the plan and not increasing or decreasing  
6       the plan at all, we could have avoided your disallowance  
7       calculated on the basis of your Schedule 2?

8           A.       That would have been possible.

9           MR. DUFFY:  I think that's all I have, your  
10       Honor.

11                  JUDGE WOODRUFF:  Okay.  And I don't have any  
12       questions from the Bench, so there's no need for recross.

13                  Any redirect?

14                  MR. SCHWARZ:  No.

15                  JUDGE WOODRUFF:  All right.  Then you may step  
16       down.

17                  And that concludes the testimony at this  
18       point.

19                  MR. SCHWARZ:  What round is it, sir?

20                  JUDGE WOODRUFF:  I think it's about the 14th  
21       round and there's been a few knockout blows.

22                  MR. SCHWARZ:  No, we haven't had any knockouts  
23       yet.  Unfortunately, we all have to come back.

24                  JUDGE WOODRUFF:  No TKOs either.

25                  All right.  As you discussed -- as Mr. Duffy

1 indicated earlier, we will leave the record open in this  
2 case to take further testimony if necessary on exactly what,  
3 I'm going to ask the parties to define later on that  
4 contested issue.

5 I'm going to establish a date for you to  
6 file -- should we call it a status report? Perhaps a  
7 proposed procedural schedule might be more appropriate at  
8 that point, but I'm going to ask for that by June 5th, which  
9 is three weeks from today. At that point you can tell me if  
10 we need to have further testimony, if we need to have other  
11 people testify, whatever we need to do to tell us.

12 MR. DUFFY: Okay. It's going to be called a  
13 status report or a procedural schedule? I'm sorry. I  
14 didn't understand.

15 JUDGE WOODRUFF: Call it a procedural  
16 schedule. And if, of course, at that time you can't give me  
17 a firm procedural schedule, tell me that as well, but I'll  
18 look for a procedural schedule.

19 And while we're on the record, I want to just  
20 bring up one more bit of warning for the parties and this  
21 isn't as dire as it sounds. I noticed that -- I believe it  
22 was MGE's testimony used a lot of color charts and so forth,  
23 which is wonderful on the printed page, but when it's  
24 scanned into EFIS, is all comes out in black and white.

25 And I think this may be something we need to

1       send out over the list to notify everybody of that. The  
2       wonderful, colorful charts that Mr. Duffy was showing  
3       yesterday, on EFIS, they're black and white and you can't  
4       tell necessarily which line is which line.

5               That's not going to be a problem in this  
6       particular case, because this is a pre-EFIS case and the  
7       written documents filed are, in fact, the official  
8       documents, but for cases filed after EFIS came into effect,  
9       which would be the ones with four digits -- four numbers at  
10      the end, the EFIS file is the official file. So those  
11      colored charts would be in the official file as black and  
12      white.

13              MR. HACK: Is there a date that we can --

14              JUDGE WOODRUFF: You just need to keep aware  
15      of the four digits at the end of the number.

16              MR. SCHWARZ: So 382 is pre-EFIS, 0382 is  
17      post-EFIS. Everything in 2003 is certainly post-EFIS.

18              MR. KEEVIL: What if the filings are made in  
19      hard copy -- I know you scan everything in, but does that  
20      have any impact at all? If it's filed as a hard copy rather  
21      than as --

22              JUDGE WOODRUFF: It doesn't make any  
23      difference is my understanding. The official file is the  
24      electronic file on EFIS. So on appeal and so forth it would  
25      be going up from EFIS. So that's just a little bit of

1 warning for future reference.

2 All right. With that then, we are adjourned.

3 And I'll be waiting your proposed procedural schedule.

4 WHEREUPON, the hearing was adjourned.

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