Exhibit No.:
Issue: ACA Recovery Method
Witness: Lewis
Type of Exhibit: Rebuttal testimony
Sponsoring Party: Associated Natural Gas
Case No.: GR-97-191

ASSOCIATED NATURAL GAS
A DIVISION OF ARKANSAS WESTERN GAS COMPANY

REBUTTAL TESTIMONY OF

BRADLEY R. LEWIS

August 18, 1999

Q. Please state your name, current business address, and occupation.

A. My name is Bradley R. Lewis and my current business address is 11524 Hemlock, Overland Park, Kansas 66210. I am an independent utility consultant.

Q. Are you the same Bradley R. Lewis who previously filed testimony in this case?

A. Yes.

Q. What is the purpose of your testimony today?

A. I will be presenting rebuttal testimony addressing Staff's position on Associated Natural Gas Company's (ANG) actual cost adjustment (ACA) recovery methodology applicable to liquefied natural gas (LNG) and Natural Gas Pipeline Company of America (NGPL) non-S2 storage withdrawal dollars.

Q. Have you read the direct testimony of Michael J. Wallis filed in this case on June 25, 1999?

A. Yes.

Q. Is Mr. Wallis' direct testimony consistent with Staff's position on the contested issue proposed in its memorandum filed in this case on August 3, 1998, titled "Staff's Recommendation in Associated Natural Gas Company's [ANG] 1996-1997 Actual Cost Adjustment [ACA] Filing"?

A. Yes.

Q. What was the purpose of Mr. Wallis' testimony?

A. As stated in his direct testimony, the purpose of his testimony was to support the Staff's proposed storage withdrawal adjustment of $382,162 to Associated

Natural Gas Company SEMO District gas costs.

Q. Has Mr. Wallis previously proposed a similar adjustment?

A. Yes, as mentioned in his direct testimony, Mr. Wallis proposed a similar adjustment in Case No. GR-96-227.

Q. Has Mr. Wallis presented any new facts, circumstances, rationale, or relevant information in this proceeding?

A. In general, no. Mr. Wallis resubmitted his direct, rebuttal, and surrebuttal testimony, as well as hearing transcript pages containing his hearing testimony from Case No. GR-96-227.

Q. At this time do you have any comments regarding this resubmitted information from Case No. GR-96-227?

A. No. My previously filed direct testimony has already addressed in great detail my disagreement with the Staff's conclusions in GR-96-227 (case for the 1995/1996 ACA audit which is currently on appeal) and thoroughly explains why those conclusions lack a factual basis and are contrary to widely held notions of gas rate making in this state. Further comments about Mr. Wallis' resubmitted information therefore are not necessary.

Q. What additional information has Mr. Wallis included in his direct testimony?

A. The only additional information included were copies of the June 1982 and February 1982 NGPL bundled gas invoices to ANG.

Q. What observations did Mr. Wallis make in regard to his review of these two invoices?

A. Mr. Wallis indicates that in the pre-Order 636 environment (bundled sales, storage, and transportation service) these invoices clearly show the following:

1. storage injections were included or added to the pipeline invoices
2. storage withdrawals were excluded or subtracted from the pipeline invoices

Q. Do you agree with this observation?

A. Yes. I have examined the NGPL invoices referred to by Mr. Wallis in his testimony. In my testimony on pages 51 and 52, I discussed similar NGPL invoices for the months of July and November 1981.

Q. What conclusions did Mr. Wallis derive from his review of these two invoices?

A. Mr. Wallis stated that as a result of a review of these invoices it is clear that ANG automatically received an up-front recovery of all storage withdrawal costs. Mr. Wallis then concludes that as a result, ANG has already recovered the $664,824 of Missouri allocated LNG and NGPL non-S2 storage withdrawal costs which were reflected in ANG's storage accounts on December 1, 1995.

Q. Do you have any reaction to the conclusions Mr. Wallis reached based on the new evidence he introduced?

A. Yes, quite strong ones in fact. I observe that Mr. Wallis has presented these invoices as evidence in support of his position. He simply observes a fact and draws a conclusion. Yet, I assert that more than mere invoices are required to provide sufficient support for his conclusions. As discussed and illustrated in a myriad of ways in my direct testimony, there is no factual basis for this conclusion. Invoices do not provide ANG with recovery of gas costs. It is the operation of ANG's PGA tariff that provides recovery. Mr. Wallis does not demonstrate that application of the tariff provisions would have actually produced the so-called "up-front recovery" that he has alleged. The invoices he presents simply do not support his conclusion that ANG's PGA tariff provided up-front recovery which would have resulted in the alleged double recovery of storage costs. The brand of "logic" that Mr. Wallis practices is misleading and should be totally rejected as the basis for his conclusions.

Q. You mentioned earlier that you had examined evidence similar to the NGPL invoices introduced by Mr. Wallis as Schedules 6 and 7. Please characterize your examination of the NGPL invoices you discussed in your testimony.

A. These invoices were examined and discussed in my direct testimony as part of a logically rigorous and comprehensive framework that resulted in my conclusions which are summarized beginning on page 65. My analysis of all the pertinent facts and circumstances stands in vivid contrast to the approach that Mr. Wallis has described in his testimony.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.