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Issues: Purchasing Practices: Storage  
Witness: Michael T. Langston  
Sponsoring Party: Missouri Gas Energy  
Type of Exhibit: Supplemental Rebuttal  
Case No.: GR-2001-382 et al.  
Date Prepared: November 14, 2003

**MISSOURI PUBLIC SERVICE COMMISSION**

**MISSOURI GAS ENERGY**

**CASE NO. GR-2001-382**

**SUPPLEMENTAL REBUTTAL TESTIMONY OF**

**MICHAEL T. LANGSTON**

**FILED**

**DEC 15 2003**

**Missouri Public  
Service Commission**

Jefferson City, Missouri

November 14, 2003

**Exhibit No.** 29 NP  
**Case No(s).** GR-2001-382 et al  
**Date** 11-24-03 **Rptr** HF

**NP**

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's Purchased Gas Adjustment Tariff Revisions to be Reviewed in its 2000-2001 Actual Cost Adjustment	)	<u>Case No. GR-2001-382</u>
In the Matter of Missouri Gas Energy's Purchased Gas Cost Adjustment Factors to be Reviewed in its 1999-2000 Actual Cost Adjustment	)	<u>Case No. GR-2000-425</u>
In the Matter of Missouri Gas Energy's Purchased Gas Cost Adjustment Factors to be Reviewed in its 1998-1999 Actual Cost Adjustment	)	<u>Case No. GR-99-304</u>
In the Matter of Missouri Gas Energy's Purchased Gas Cost Adjustment Tariff Revisions to be Reviewed in its 1997-1998 Actual Cost Adjustment	)	<u>Case No. GR-98-167</u>

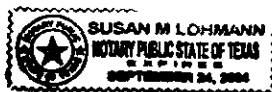
AFFIDAVIT OF MICHAEL T. LANGSTON

STATE OF Texas )  
COUNTY OF Harris ) ss.

Michael T. Langston, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Supplemental Rebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Supplemental Rebuttal 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.

  
MICHAEL T. LANGSTON

Subscribed and sworn to before me this 11<sup>th</sup> day of November 2003.



  
Notary Public

My Commission Expires: September 24, 2004

1     **SUMMARY**

2             In her supplemental direct testimony, Staff Witness Jenkins has gone well beyond  
3             the scope of the supplemental portion of this proceeding and has revised the  
4             approach that she uses to evaluate MGE's storage utilization for the winter of  
5             2000/2001. The reasons that Ms. Jenkins has advanced in support of her  
6             revisions, namely that a claimed "error" in her spreadsheet needed to be corrected  
7             and that "warmest month" demand estimates were needed for January, February  
8             and March 2000, are entirely without merit. Ms. Jenkins has made these revisions  
9             with absolutely no basis or support for doing so. As such, except for the portion  
10            of her supplemental direct testimony that actually addresses the defined scope of  
11            the supplemental phase of this proceeding, the Commission should disregard her  
12            supplemental direct testimony altogether.

13  
14            If, however, the Commission does consider Ms. Jenkins' supplemental direct  
15            testimony and her significantly "revised" supplemental storage utilization  
16            approach, the Commission should ascribe no value to the analysis since it suffers  
17            from two fatal flaws. First, Ms. Jenkins' "revised" storage utilization plan is  
18            based upon MGE only utilizing 79% of its contracted storage capacity in a normal  
19            winter. Second, Ms. Jenkins' "revised" plan is based upon "warmest month"  
20            demand estimates that she developed that are simplistic, arbitrary and inaccurate.

21  
22            Therefore, while Ms. Jenkins has continually tried to adjust her storage utilization  
23            proposal, neither her original storage utilization plan as presented in her direct  
24            testimony, her "revised" original plan in which she claims to correct the "error" in  
25            her spreadsheet, nor her "revised" supplemental storage plan is an appropriate or  
26            reasonable way of evaluating MGE's utilization of storage for the winter of  
27            2000/2001. In contrast, MGE's witnesses have demonstrated in their direct,  
28            rebuttal, and surrebuttal testimony in this proceeding that its storage utilization  
29            practices were well within the range of reasonable and prudent conduct.

**SUPPLEMENTAL REBUTTAL TESTIMONY OF  
MICHAEL T. LANGSTON**

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1                                   **SUPPLEMENTAL REBUTTAL TESTIMONY OF**

2                                   **MICHAEL T. LANGSTON**

3                                   **CASE NO. GR-2001-382**

4                                   **NOVEMBER 14, 2003**

5  
6   **Q.    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

7   A.    My name is Michael T. Langston. My business address is Panhandle Energy, 5444  
8           Westheimer Road, Houston, Texas 77056-5306.

9  
10 **Q.    ARE YOU THE SAME MICHAEL T. LANGSTON THAT PREVIOUSLY**  
11 **SUBMITTED DIRECT, REBUTTAL, SURREBUTTAL AND SUPPLEMENTAL**  
12 **DIRECT TESTIMONY IN THIS PROCEEDING?**

13 A.    Yes.  
14

15 **INTRODUCTION**

16 **Q.    WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL REBUTTAL**  
17 **TESTIMONY?**

18 A.    In her supplemental direct testimony, Staff Witness Jenkins has gone well beyond the  
19       scope of the supplemental portion of this proceeding and revised the approach that she  
20       uses to evaluate MGE's storage utilization for the winter of 2000/2001. The purpose of  
21       my supplemental rebuttal testimony is to address the numerous changes that Ms. Jenkins'  
22       has proposed in her "revised supplemental" storage utilization plan that she has relied

1 upon to develop her currently proposed storage disallowance in this proceeding.<sup>1</sup> In  
2 addition, I will comment on Ms. Jenkins' revised disallowance concerning the hedging  
3 issue as well.  
4

5 **Q. ARE YOU SPONSORING ANY SCHEDULES TO YOUR TESTIMONY?**

6 A. Yes. I am sponsoring six different schedules. The first three schedules (i.e., Schedules  
7 MTL-37, MTL-38 and MTL-39) are copies of the workpapers Ms. Jenkins' utilized in  
8 preparation of her supplemental direct testimony that were provided to MGE. Schedule  
9 MTL-40 illustrates that the framework upon which Ms. Jenkins' bases her "revised  
10 supplemental" disallowance is erroneous since it assumes that MGE should only plan on  
11 utilizing 14 Bcf of its 17.8 Bcf of purchased storage capacity. Schedule MTL-41 shows  
12 the inaccuracy of the new "warmest month" demand regression that Ms. Jenkins relies on  
13 in her supplemental direct testimony. Finally, Schedule MTL-42 is an update of  
14 Schedule MTL-15 that was part of my direct testimony. Schedule MTL-15 has been  
15 updated on Schedule MTL-42 to show how the revised flowing supply amount that Ms.  
16 Jenkins has most recently proposed for November in her supplemental direct testimony  
17 would still result in MGE significantly over-scheduling first-of-month flowing supplies  
18 for November, which could have harmful operational and/or financial consequences.  
19

20 **Q. COULD YOU PLEASE SUMMARIZE YOUR SUPPLEMENTAL REBUTTAL**  
21 **TESTIMONY?**

---

<sup>1</sup> In her supplemental direct testimony, Ms. Jenkins discusses three different storage utilization disallowance figures, although she is only supporting one of those proposals at the current time. Therefore, for ease of reference, Ms. Jenkins' analysis that was included as Schedule 13 of her direct testimony will be referred to as her "original" analysis, the analysis that produced the disallowance of approximately \$2.5 million will be

1 A. In her supplemental direct testimony, Staff Witness Jenkins has gone well beyond the  
2 scope of the supplemental portion of this proceeding and has revised the approach that  
3 she uses to evaluate MGE's storage utilization for the winter of 2000/2001. The reasons  
4 that Ms. Jenkins has advanced in support of her revisions, namely that a claimed "error"  
5 in her spreadsheet needed to be corrected and that "warmest month" demand estimates  
6 were needed for January, February and March 2000, are entirely without merit. Ms.  
7 Jenkins has made these revisions with absolutely no basis or support for doing so. As  
8 such, except for the portion of her supplemental direct testimony that actually addresses  
9 the defined scope of the supplemental phase of this proceeding, the Commission should  
10 disregard her supplemental direct testimony altogether.

11  
12 If, however, the Commission does consider Ms. Jenkins' supplemental direct testimony  
13 and her significantly "revised" supplemental storage utilization approach, the  
14 Commission should ascribe no value to the analysis since it suffers from two fatal flaws.  
15 First, Ms. Jenkins' "revised" storage utilization plan is based upon MGE only utilizing  
16 79% of its contracted storage capacity in a normal winter. Second, Ms. Jenkins'  
17 "revised" plan is based upon "warmest month" demand estimates that she developed that  
18 are simplistic, arbitrary and inaccurate.

19  
20 Therefore, while Ms. Jenkins has continually tried to adjust her storage utilization and  
21 hedging proposals, neither her original storage utilization plan as presented in her direct  
22 testimony, her "revised" original plan in which she claims to correct the "error" in her

---

referred to as the "revised original" analysis, and the analysis that produced the disallowance that she is now supporting of approximately \$2.9 million will be referred to as the "revised supplemental" analysis.



1 spreadsheet, nor her “revised” supplemental storage plan is an appropriate or reasonable  
2 way of evaluating MGE’s utilization of storage or hedging for the winter of 2000/2001.  
3 In contrast, MGE’s witnesses have demonstrated in their direct, rebuttal, and surrebuttal  
4 testimony in this proceeding that its storage utilization practices were well within the  
5 range of reasonable and prudent conduct.  
6

7 **NO BASIS FOR JENKINS’ REVISED STORAGE UTILIZATION APPROACH**

8 **Q. WHAT WAS THE SCOPE AND PURPOSE OF THE SUPPLEMENTAL DIRECT**  
9 **AND REBUTTAL TESTIMONY, AS WELL AS THE ADDITIONAL HEARINGS**  
10 **IN THIS PROCEEDING?**

11 A. Specifically, the parties agreed after the original hearings in this proceeding that the  
12 issues to be addressed in the supplemental direct and rebuttal testimony and discovery  
13 would be limited to three primary issues surrounding the proposed storage utilization  
14 disallowance:

- 15 1) MGE’s 1999/2000 heating season delivered natural gas volumes;
- 16 2) the use of those volumes in the spreadsheet developed by Ms. Jenkins; and
- 17 3) MGE's low case scenario used by Ms. Jenkins.

18 In addition, the parties agreed that the supplemental testimony would also address the  
19 request for information made by Commissioner Gaw at the hearing regarding the  
20 percentage of monthly hedging (see Tr. pages 536-537).  
21

22 **Q. PURSUANT TO THE SCOPE ESTABLISHED FOR THE SUPPLEMENTAL**  
23 **TESTIMONY, DID MS. JENKINS REPLACE THE “WARMEST MONTH”**

1       **DEMAND ESTIMATE FOR NOVEMBER AND DECEMBER 2000 WITH THE**  
2       **WARM MONTH ACTUAL DEMAND OF NOVEMBER 1999 AND DECEMBER**  
3       **1999?**

4       A.     Yes. Schedule MTL-37 is a copy of the workpapers to her supplemental direct testimony  
5       in which she has replaced her estimated "warmest month" demand for November and  
6       December 2000 with the actual demand for November 1999 and December 1999  
7       pursuant to the scope established for the supplemental portion of this proceeding. With  
8       the exception of the replacement of these two numbers, Schedule MTL-37 is the same  
9       storage utilization analysis that Ms. Jenkins originally filed as Schedule 13 of her direct  
10      testimony and which resulted in a proposed \$8,051,049 disallowance (referred hereafter  
11      as Ms. Jenkins' "original" storage utilization analysis).

12  
13      Specifically, on Schedule MTL-37, Ms. Jenkins replaced the "warmest month" demand  
14      estimate for November and December 2000 that she previously relied upon with the  
15      actual demand for November and December 1999, i.e., the warmest and fourth warmest  
16      of each of those months, respectively, in the past 40 years. The two demand figures that  
17      have been replaced are shown on Schedule MTL-37, page 7, on line 86, in columns (c)  
18      and (e) and have been shaded for easy reference. After replacing the estimated demand  
19      amounts, Ms. Jenkins acknowledged in her supplemental direct testimony (see p. 7, line  
20      21 to p. 8, line 1) that her proposed disallowance for storage utilization resulted in the  
21      same figure that MGE calculated using Ms. Jenkins' spreadsheets at the May 2003  
22      hearings, or a disallowance of \$182,159.

1 **Q. IS THIS THE DISALLOWANCE FOR STORAGE UTILIZATION THAT MS.**  
2 **JENKINS IS NOW PROPOSING IN THIS PROCEEDING?**

3 A. No, which is the very reason that my supplemental rebuttal testimony is necessary. Ms.  
4 Jenkins is not supporting a storage utilization disallowance of \$182,159 because she has  
5 claimed in her supplemental direct testimony that there was an "error" embedded within  
6 Schedule 13 of her direct testimony that was ultimately utilized to calculate her proposed  
7 disallowance that was reflected on Schedule 8 of her direct testimony. Therefore, while  
8 Ms. Jenkins replaced the "warmest month" demand for November and December, she  
9 indicated that she also needed to correct this "error". Her "corrected" analysis produced  
10 a storage utilization disallowance of approximately \$2.5 million. Her workpapers that  
11 reflect this \$2.5 million disallowance are presented as Schedule MTL-38 and will  
12 hereafter be referred to as Ms. Jenkins' "revised original" analysis.

13  
14 **Q. IS MS. JENKINS NOW SUPPORTING A DISALLOWANCE FOR STORAGE**  
15 **UTILIZATION OF \$2.5 MILLION?**

16 A. No. In addition to fixing the "error" that she found in her spreadsheet, Ms. Jenkins also  
17 claimed that it was necessary to make numerous other revisions to her approach and the  
18 calculation of her proposed disallowance. These significant changes to her approach  
19 were well outside of the scope of the supplemental portion of this proceeding. In fact,  
20 Ms. Jenkins revised her proposal to make four additional changes to her approach and  
21 calculations – beyond the "error" correction noted above – which produced a storage  
22 utilization disallowance of approximately \$2.9 million. These changes are discussed on  
23 pages 10 through 12 of her supplemental direct testimony. I have attached Ms. Jenkins'

1 workpapers that reflect this \$2.9 million disallowance as Schedule MTL-39 and will  
2 hereafter refer to the analysis contained therein as Ms. Jenkins' "revised supplemental"  
3 analysis. It is the \$2.9 million disallowance that results from her "revised supplemental"  
4 storage utilization analysis that she is now supporting.

5  
6 **Q. WAS THE "ERROR" THAT MS. JENKINS CORRECTED IN HER**  
7 **"ORIGINAL" STORAGE UTILIZATION ANALYSIS A MATHEMATICAL**  
8 **ERROR?**

9 A. No. It is important for the Commission to understand that Ms. Jenkins' "error" was not a  
10 calculation error within her "original" storage utilization spreadsheet or that she had an  
11 incorrect link in the spreadsheet. Rather, Ms. Jenkins' "error" is the result of a claimed  
12 misapplication of the logic within her spreadsheet to have it conform to her perception of  
13 how storage should have been utilized. Ms. Jenkins was not correcting mathematical  
14 errors in her spreadsheet.

15  
16 **Q. PLEASE EXPLAIN THE "ERROR" THAT MS. JENKINS CLAIMED NEEDED**  
17 **TO BE CORRECTED IN HER SUPPLEMENTAL TESTIMONY.**

18 A. The "error" that Ms. Jenkins has claimed was in her "original" analysis on Schedule 13  
19 can be seen from the differences between Schedule MTL-37, which are her workpapers  
20 that resulted in a storage utilization disallowance of \$182,159, and Schedule MTL-38,  
21 which are her workpapers that resulted in a storage disallowance of \$2.5 million after the  
22 supposed "error" was corrected and no other adjustments had been made. Specifically,  
23 on Schedule MTL-37, page 7, line 83, Ms. Jenkins' "original" analysis revised the daily

1 flowing supply figure for November downward from 162,749 MMBtu/day (shown in  
2 column (c)) to 142,151 MMBtu/day (shown in column (d)). Ms. Jenkins' approach  
3 adjusted the November flowing supply amount to 142,151 MMBtu/day because this  
4 represented the "warmest month" demand for November (as it actually occurred in  
5 November 1999). However, in Schedule MTL-38, page 7, line 83, Ms. Jenkins does not  
6 make the same adjustment to the flowing supply figure from column (c) to column (d).  
7 Ms. Jenkins does not adjust the flowing supply amount downward for November to  
8 reflect the "warmest month" demand, but instead holds the flowing supply figure at  
9 162,749 MMBtu/day, which is significantly higher than the "warmest month" demand for  
10 November.

11  
12 **Q. WHAT BASIS OR SUPPORT HAS MS. JENKINS PROVIDED FOR CLAIMING**  
13 **THAT HER "ORIGINAL" STORAGE UTILIZATION ANALYSIS CONTAINED**  
14 **AN "ERROR"?**

15 **A.** In her supplemental direct testimony, Ms. Jenkins provided the following explanation of  
16 why her "original" storage utilization analysis was incorrect:

17 Staff found that the calculations built into the spreadsheet did not properly  
18 revise the Company's first of month (FOM) nominations. This correction  
19 was necessary because Staff's assumption was that the Company's first of  
20 month (FOM) nominations should cover warmest month requirements –  
21 adjusted for deviations from planned storage inventory levels. **Staff did**  
22 **not state that FOM nominations must exactly equal the warmest**  
23 **month requirements. Staff stated that FOM nominations must at**  
24 **least cover warmest month requirements** – adjusted for deviations from  
25 planned storage inventory levels. (emphasis added) (Supplemental Direct  
26 Testimony of Lesa A. Jenkins, Case No. GR-2001-382, et. al., p. 7, ll. 6-  
27 13).  
28

1 In other words, Ms. Jenkins is now trying to make the distinction that she never stated  
2 that her recommended first-of-month flowing supply figures should equal the “warmest  
3 month” demand, but rather must at least cover the “warmest month” demand. Therefore,  
4 in her analysis shown on Schedule MTL-38, Ms. Jenkins now claims that her proposed  
5 November daily flowing supply amount should not have been adjusted from 162,749  
6 MMBtu/day to 142,151 MMBtu/day (the “warmest month” demand for November)  
7 because the proposed flowing supply amount of 162,749 MMBtu/day at least covers the  
8 “warmest month” demand of 142,151 MMBtu/day. In other words, Ms. Jenkins is now  
9 attempting to claim that her “original” analysis should not have based the flowing supply  
10 amount for November on the “warmest month” demand, but rather on a calculation  
11 involving normal heating degree days since this amount (i.e., 162,749 MMBtu/day) at  
12 least covered the “warmest month” demand.

13  
14 **Q. DID MS. JENKINS ACTUALLY MAKE THIS DISTINCTION IN HER DIRECT**  
15 **TESTIMONY THAT FLOWING SUPPLIES SHOULD “AT LEAST COVER”**  
16 **RATHER THAN “EQUAL” THE WARMEST MONTH DEMAND?**

17 **A.** Absolutely not, and in fact, quite the contrary. Ms. Jenkins’ direct testimony does not  
18 describe her proposed storage utilization approach for determining November flowing  
19 supplies as “at least covering” the “warmest month” demand. In fact, the reasoning that  
20 Ms. Jenkins’ has utilized in her supplemental direct testimony for claiming that there was  
21 an “error” actually contradicts her direct testimony. In her direct testimony, Ms. Jenkins  
22 stated:

23 Staff believes that it is reasonable to expect the Company to have  
24 sufficient “assigned term supplies” – planned first-of-month (FOM)

1 flowing supplies – scheduled to cover warm weather requirements for  
2 November through January, and that these would be adjusted beginning in  
3 December if the Company had withdrawn more or less natural gas from  
4 storage than planned. This means that when the month experiences  
5 heating degree days that are the warmest for that month, flowing supplies  
6 would cover the requirements. However, storage would be used when  
7 the weather is colder than the warmest heating degree days.  
8 (emphasis added) (Direct Testimony of Lesa A. Jenkins, Case No. GR-  
9 2001-382, et. al., p. 19, line 19 to p. 20, line 3).  
10

11 As can be seen, Ms. Jenkins uses the term “would cover” in relation to flowing supplies,  
12 but she does not say *at least* cover or *exactly* cover. However, her direct testimony  
13 clearly states that flowing supplies would be used to meet warmest month demand and  
14 that “storage would be used when the weather is colder than the warmest heating degree  
15 days”. It is clear that Ms. Jenkins was proposing in her direct testimony that storage  
16 withdrawals would be utilized to meet demand greater than the “warmest month”  
17 demand. In other words, regardless of what Ms. Jenkins now is attempting to claim, her  
18 own direct testimony states that flowing supplies for November should equal warm  
19 weather requirements because she stated in her direct testimony that storage should meet  
20 demand above warm weather requirements.  
21

22 **Q. DID MS. JENKINS’ ORAL TESTIMONY AT THE MAY 2003 HEARINGS**  
23 **CONFIRM THAT HER STORAGE UTILIZATION APPROACH SETS FIRST-**  
24 **OF-MONTH FLOWING SUPPLIES EQUAL TO “WARMEST MONTH”**  
25 **DEMAND?**

26 **A.** Yes. On cross-examination at the May 2003 hearings, Ms. Jenkins confirmed that her  
27 storage utilization proposal was to set the amount of first-of-month flowing supplies

1 equal to "warmest month" demand. Specifically, on cross-examination, Ms. Jenkins  
2 stated the following:

3 Q. So if we took your [storage utilization] approach of using more  
4 flowing supply – first of the month flowing supplies and during that  
5 month the prices actually came down or the weather became warmer  
6 driving prices downward, would that have not possibly and perhaps  
7 even likely resulted in having to sell excess gas into a market that  
8 was moving downward?

9 A. No. I'm not convinced of that, because I used warmest month in  
10 my Surrebuttal. I also stated that if the company could provide  
11 that, I can see possibly having lower first of the month, but then as  
12 the weather turned colder, they would have to bring on swing  
13 supplies to make up that difference. They couldn't then swing on  
14 storage.

15 Q. But you're assuming that it's warmer than normal first of the month  
16 and colder than normal within the month; is that right?

17 A. No. I'm saying they nominate at warmest month because they  
18 know they're going to flow that amount regardless of what the  
19 weather ends up being. Even if the weather is as warm as it's ever  
20 been, they can count on for the month that amount of gas.

21  
22 (clarification and emphasis added) (Cross-Examination of Lesa Jenkins,  
23 Case No. GR-2001-382, May 14, 2003, transcript p. 505, ll. 3-22.)  
24

25 **Q. IN FACT, HAS MS. JENKINS ADMITTED IN HER OCTOBER 30, 2003**  
26 **DEPOSITION ("OCTOBER 30<sup>TH</sup> DEPOSITION") THAT HER ORAL**  
27 **TESTIMONY AT THE MAY 2003 HEARINGS IS CONTRADICTORY TO HOW**  
28 **SHE HAS ACTUALLY CALCULATED HER "REVISED SUPPLEMENTAL"**  
29 **STORAGE UTILIZATION DISALLOWANCE?**

30 A. Yes. When asked about this in her October 30<sup>th</sup> deposition, Ms. Jenkins admitted that  
31 there was an inconsistency between her oral testimony at the May 2003 hearings and her  
32 proposed disallowance as calculated in her supplemental direct testimony:



1 Q. Do you still have that transcript available in front of you from the  
2 hearing?

3 A. I have some of them. What page are you looking at?

4 Q. Let's look at pages 505 and 506. I'm looking at line 18 on page 505,  
5 and that's you testifying there in an answer. And it says, "no, I'm  
6 saying they nominate at warmest month because they know they're  
7 going to flow that amount, regardless of what the weather ends up  
8 being." When you say MGE nominates at warmest month, aren't  
9 you saying that the nomination should be equal to the warmest  
10 month requirement there?

11 A. The term "at", I agree that's what it means, but if you go to my direct  
12 testimony on page 19, it says that it's reasonable to expect the  
13 company to have sufficient assigned term supplies –

14  
15 THE REPORTER: I'm sorry. I can't hear you.

16  
17 THE WITNESS [i.e., Ms. Jenkins]:

18 A. Staff believes that it is reasonable to expect the company to have  
19 sufficient assigned term supplies, planned first of month flowing  
20 supplies scheduled to cover warmest weather requirements for  
21 November through January and that these would be adjusted  
22 beginning in December if the company had withdrawn more or less  
23 natural gas from storage than planned.

24  
25 BY MR. DUFFY [i.e., MGE's Attorney]:

26 Q. And the point of your answer there? I'm sorry. I missed it. Can you  
27 tell me what the point is?

28 A. The point is that the work sheets that are included in my direct and  
29 also included in my supplemental direct don't set it at warmest.  
30 They check to make sure it at least covers warmest, and also adjust it  
31 so if November pulls more storage than planned, you adjust what  
32 you're going to do in December. Same thing for subsequent months.

33 Q. Doesn't at least cover mean that it would be -- that it would equal  
34 warmest month?

35 A. That's not -- you're right. That's what that means, but that is not  
36 what I did.

37 (clarification and emphasis added) (Deposition of Lesa Jenkins, Case No.  
38 GR-2001-382, October 30, 2003, p. 30, line 14 to p. 31, line 25.)

1 Therefore, Ms. Jenkins has admitted that she previously stated that the flowing supply  
2 number should "equal warmest month" but that is not what she did in developing her  
3 proposed "revised supplemental" disallowance.  
4

5 **Q. HOW WOULD YOU CHARACTERIZE MS. JENKINS' SUPPLEMENTAL**  
6 **DIRECT TESTIMONY THEN WITH REGARD TO HER FIXING THE**  
7 **"ERROR"?**

8 A. It is very important for the Commission to understand that there was never really an  
9 "error" in Ms. Jenkins' analysis as she has now claimed in her supplemental direct  
10 testimony. The storage utilization analysis she developed on Schedule 13 and Schedule 8  
11 of her direct testimony reflected the approach that she described and supported in her  
12 direct testimony. While Ms. Jenkins is attempting in her supplemental direct testimony  
13 to make a distinction that her proposed flowing supplies for November should have "*at*  
14 *least covered*" rather than "*equaled*" the warmest month demand requirements, her own  
15 direct testimony disproves this claim. In simple terms, Ms. Jenkins is attempting through  
16 her supplemental direct testimony to make wholesale revisions to her approach under the  
17 guise that her "original" analysis contained an alleged "error" that needed to be corrected.  
18 These revisions are well beyond the scope of the supplemental portion of this proceeding  
19 and should not be permitted. In other words, Ms. Jenkins has not just corrected an  
20 "error" in her spreadsheet and updated her analysis, but rather has fundamentally changed  
21 her proposed storage utilization approach.  
22

1 Q. HAS MS. JENKINS OFFERED ANY OTHER EXPLANATION AS TO WHY SHE  
2 BELIEVES IT IS NECESSARY TO MAKE ADDITIONAL CHANGES TO HER  
3 STORAGE UTILIZATION ANALYSIS AT THIS TIME?

4 A. Yes. In her supplemental direct testimony, Ms. Jenkins stated that she was not  
5 supporting her "revised original" analysis (which included replacing the "warmest  
6 month" demand for November and December) and needed to make additional changes to  
7 her approach because there were questions about the validity of MGE's "warmest month"  
8 estimates for January, February and March from the Reliability Report. Specifically, Ms.  
9 Jenkins stated in her supplemental direct testimony:

10 Q. Does Staff recommend that this adjustment of \$2,502,453 be  
11 accepted?

12 A. No. The Company is asking Staff to change only the low-case,  
13 warmest month estimate for November 2000 and December 2000, by  
14 using the actual usage from November 1999 and December 1999. A  
15 review of HDD data shows that November 1999 is the warmest  
16 November in the last 30 years, but December 1999 is not. Warmer  
17 Decembers were encountered in 1991 and 1994. Since there are  
18 questions about the validity of the November and December 2000  
19 low case estimates from the 2000/2001 Reliability Report, it would  
20 follow that the Company should also have concerns about the low  
21 case estimates for January through March 2001 and the normal  
22 estimates for all of these months, November 2000 through March  
23 2001. **The Company does not state what estimates of usage**  
24 **should be used for a warmest January, February or March.**

25 (emphasis added) (Supplemental Direct Testimony of Lesa A. Jenkins,  
26 Case No. GR-2001-382, et. al., p. 8, ll. 3-13).  
27

28 Therefore, Ms. Jenkins is arguing that further changes to her analysis are now required to  
29 address the estimates of "warmest month" demand for January, February and March.  
30

1 Q. IS THERE ANY BASIS FOR MS. JENKINS' CLAIM THAT "WARMEST  
2 MONTH" DEMAND ESTIMATES ARE REQUIRED FOR HER PROPOSED  
3 STORAGE UTILIZATION APPROACH?

4 A. No – absolutely not. The fallacy with Ms. Jenkins' argument is that there was no reason  
5 for MGE to, as she claims, "state what estimates of usage should be used for a warmest  
6 January, February or March" since Ms. Jenkins' storage utilization approach as set  
7 forth in her direct testimony on Schedule 13 did not rely upon "warmest month"  
8 demand for January, February or March.

9  
10 Q. WHAT STORAGE UTILIZATION APPROACH DID MS. JENKINS SUPPORT  
11 IN HER DIRECT TESTIMONY?

12 A. Ms. Jenkins' "original" storage utilization approach, i.e., the approach she supported in  
13 her direct, rebuttal and surrebuttal testimonies, can be summarized as follows:

14 *For November and December only*, Ms. Jenkins first calculated the level  
15 of first-of-month flowing supplies based on her "warmest month  
16 requirements" approach, with the storage withdrawals for those months  
17 then falling out as the difference between total normal monthly demand  
18 and the level of first-of-month flowing supplies. In contrast, *for January*  
19 *through March*, Ms. Jenkins instead first calculated the level of storage  
20 withdrawals (rather than flowing supplies) based on her "distribution of  
21 normal heating degree days" approach, with the level of flowing supplies  
22 for those months then falling out as the difference between total normal  
23 monthly demand and the projected monthly storage withdrawals. In other  
24 words, Ms. Jenkins *calculated a flowing supply* amount for the first part of  
25 the winter, but *calculated a storage withdrawal* amount for the second part  
26 of the winter.

27 Therefore, for January through March, Ms. Jenkins did not rely upon any "warmest  
28 month" demand estimate for her calculation of flowing supplies or storage withdrawals.

29 At the end of the May 2003 hearings, MGE only highlighted for the Commission that Ms.  
30 Jenkins was utilizing inaccurate "warmest month" demand for November and December

1 because her approach did not rely on "warmest month" demand for January,  
2 February or March. It is completely disingenuous of Ms. Jenkins to now claim that  
3 additional "warmest month" estimates are required so that she can change her analysis,  
4 when her "original" analysis did not even rely upon "warmest month" estimates for those  
5 three months.

6  
7 **Q. ARE YOU RECOMMENDING THAT THE COMMISSION DISREGARD**  
8 **ALTOGETHER MS. JENKINS' "REVISED ORIGINAL" ANALYSIS THAT**  
9 **RESULTED IN A \$2.5 MILLION DISALLOWANCE, AS WELL AS HER**  
10 **"REVISED SUPPLEMENTAL" ANALYSIS THAT RESULTED IN A \$2.9**  
11 **MILLION DISALLOWANCE?**

12 **A.** Yes. With exception of the portion of her supplemental direct testimony that actually  
13 addresses the defined scope of the supplemental phase of this proceeding, the  
14 Commission should disregard her supplemental direct testimony altogether. The entire  
15 reason for the supplemental portion of this proceeding was that MGE discovered that Ms.  
16 Jenkins had utilized "warmest month" demand amounts in her approach for November  
17 and December that were clearly wrong because they were substantially higher than actual  
18 demand that was experienced in November and December of 1999. While I have  
19 testified at length that MGE does not support Ms. Jenkins' "original" storage utilization  
20 approach, there is absolutely no basis for Ms. Jenkins to make changes to her "original"  
21 analysis. There was no "error" in the spreadsheet that needed to be corrected, nor is there  
22 any basis for the numerous other changes that she has proposed in her supplemental  
23 direct testimony. The Commission should disregard the various other analyses that Ms.

Jenkins has subsequently developed in her supplemental direct testimony because it is now exceedingly clear based on the numerous errors, modifications and adjustments contained in her approach that there has never been a firm basis for her alternative analyses in the first place.

**JENKINS' "REVISED SUPPLEMENTAL" ANALYSIS**

**Q. IF THE COMMISSION WERE TO CONSIDER MS. JENKINS' "SUPPLEMENTAL REVISED" ANALYSIS, SHOULD THE COMMISSION GIVE ANY WEIGHT TO HER ANALYSIS?**

A. No. Even if the Commission is to consider Ms. Jenkins' "supplemental revised" analysis, her analysis remains fraught with error, even after all of the adjustments and purported "corrections" she is proposing to make.

**Q. WHAT ARE THE CHANGES THAT MS. JENKINS MADE TO DEVELOP HER "REVISED SUPPLEMENTAL" STORAGE UTILIZATION ANALYSIS?**

A. In addition to correcting the "error" discussed earlier, she claimed in her supplemental testimony that there were four additional changes to her approach and calculations for her "revised supplemental" storage utilization approach:

- 1) Revised the overall approach for January, February and March so that flowing supplies are based on "warmest month" demand and not based on the amount of demand that is left after first determining storage withdrawals using the distribution of normal heating degree days;
- 2) Developed entirely new estimates of normal and "warmest month" demand for all five winter months using a regression analysis based on two years of heating degree day and volume data;
- 3) Forced the flowing supply plan for November to be no more than "warmest month" demand; and

- 1                   4)     Changed the date on which MGE made decisions for December 2000 to  
2                   November 27, 2000 rather than November 22, 2000 based on information  
3                   provided by MGE.<sup>2</sup>

4                   All of the changes to Ms. Jenkins' storage utilization analysis noted above, including the  
5                   correction of the "error" in her spreadsheet, were then utilized to calculate her proposed  
6                   "revised supplemental" disallowance as presented on Schedule 5 of her supplemental  
7                   testimony.

8  
9     **Q.     IN TERMS OF THE FIRST CHANGE NOTED ABOVE INCLUDED IN HER**  
10           **"REVISED SUPPLEMENTAL" ANALYSIS, COULD YOU PLEASE EXPLAIN**  
11           **HOW MS. JENKINS HAS CHANGED THE APPROACH THAT SHE IS**  
12           **RELYING UPON TO EVALUATE MGE'S STORAGE UTILIZATION?**

13    **A.     As I discussed earlier, Ms. Jenkins' "original" storage utilization approach, i.e., the**  
14           **approach she supported in her direct, rebuttal and surrebuttal testimonies, can be**  
15           **summarized as follows:**

16                   *For November and December only*, Ms. Jenkins first calculated the level  
17                   of first-of-month flowing supplies based on her "warmest month  
18                   requirements" approach, with the storage withdrawals for those months  
19                   then falling out as the difference between total normal monthly demand  
20                   and the level of first-of-month flowing supplies. In contrast, *for January*  
21                   *through March*, Ms. Jenkins instead first calculated the level of storage  
22                   withdrawals (rather than flowing supplies) based on her "distribution of  
23                   normal heating degree days" approach, with the level of flowing supplies  
24                   for those months then falling out as the difference between total normal  
25                   monthly demand and the projected monthly storage withdrawals. In other  
26                   words, Ms. Jenkins *calculated a flowing supply* amount for the first part of  
27                   the winter, but *calculated a storage withdrawal* amount for the second part  
28                   of the winter.

---

<sup>2</sup> While Ms. Jenkins was aware of this change in date after the filing of my direct testimony, she has only now proposed such a change, even though she could have done so in her rebuttal or surrebuttal testimony.

1 However, in her supplemental direct testimony, Ms. Jenkins has changed the approach by  
2 which she evaluates MGE's storage utilization for the winter of 2000/2001. In her  
3 supplemental direct testimony, her approach can be summarized as follows:

4 *For all five winter months*, Ms. Jenkins has first calculated the level of  
5 first-of-month flowing supplies based on her "warmest month  
6 requirements" approach, with the storage withdrawals for those months  
7 then falling out as the difference between total normal monthly demand  
8 and the level of first-of-month flowing supplies. Ms. Jenkins no longer  
9 relies upon her "distribution of normal heating degree days" approach to  
10 calculate the level of storage withdrawals for any month.

11 In addition to the change in approach noted above, another significant change to her  
12 "revised supplemental" storage utilization plan is that Ms. Jenkins has also created her  
13 own estimates of normal and "warmest month" demand requirements that she utilizes in  
14 her proposed storage utilization disallowance calculations.

15  
16 **Q. IS MS. JENKINS' SUPPLEMENTAL DIRECT TESTIMONY CONSISTENT**  
17 **WITH HER "REVISED SUPPLEMENTAL" PROPOSAL?**

18 **A.** No. In her supplemental direct testimony, Ms. Jenkins claims that her storage utilization  
19 approach is still based on the distribution of normal heating degree days when this is  
20 simply not the case. Specifically, Ms. Jenkins' supplemental direct testimony states:

21 Q. Has Staff previously explained why it believes the Company storage  
22 withdrawal plan is imprudent?

23 A. Yes. This is addressed in my earlier direct, rebuttal, and surrebuttal  
24 testimony. ...A general explanation of Staff's calculation is that  
25 planned storage withdrawals follow the same distribution as the  
26 distribution of normal heating degree days. Thus, greater  
27 withdrawal of natural gas from storage is planned for the coldest  
28 heating season months.

29 (Supplemental Direct Testimony of Lesa A. Jenkins, Case No. GR-2001-  
30 382, et. al., p. 13, ll. 4-7 and ll. 20-22).  
31



1 While Ms. Jenkins continues to claim in her supplemental direct testimony that her  
2 storage utilization plan is based upon the distribution of normal heating degree days, the  
3 workpapers to her supplemental direct testimony clearly indicate otherwise. On Schedule  
4 MTL-39, which are the workpapers that support the \$2.9 million disallowance that Ms.  
5 Jenkins is now proposing, it shows that Ms. Jenkins has completely abandoned the  
6 distribution of normal heating degree days approach. On Schedule MTL-39, page 7, line  
7 85 (which is in Table 3-2 of her spreadsheet), the columns (D), (F), (H), (J) and (L)  
8 reflect Ms. Jenkins' revised daily flowing supply amounts for each winter month. The  
9 daily flowing supplies reflected in on line 85 in those columns are based solely on  
10 "warmest month" demand, as adjusted for the previous month's storage  
11 underage/overage usage. As shown in those same columns but on line 83, Ms. Jenkins'  
12 proposed daily storage withdrawals bear no relation to how storage would be distributed  
13 each month based on the distribution of normal heating degree days in those months.  
14

15 **Q. ALTHOUGH MS. JENKINS CLAIMED SHE MADE FOUR ADDITIONAL**  
16 **CHANGES TO HER APPROACH, WERE THERE IN FACT OTHER CHANGES**  
17 **THAT SHE MADE THAT EITHER IMPACTED HER PREVIOUS TESTIMONY**  
18 **OR HER "REVISED SUPPLEMENTAL" DISALLOWANCE CALCULATIONS?**

19 **A.** Yes. As noted above, Ms. Jenkins stated that she corrected an "error" in the spreadsheet  
20 that she originally utilized to calculate the storage disallowance. However, there were at  
21 least two other apparent errors in Ms. Jenkins' spreadsheet that she corrected in the  
22 workpapers supporting her supplemental direct testimony, yet she failed to address in her  
23 supplemental direct testimony. For example, Ms. Jenkins made the following

1 adjustments to her "revised supplemental" analysis that were not addressed in her  
2 supplemental direct testimony:

- 3 • On Schedule 13-1, lines 11 through 14 of Ms. Jenkins' direct testimony, she  
4 presented what purportedly were the actual heating degree days through the  
5 date MGE had to make a decision for the following month, as well as the  
6 number of heating degree days forecasted through the end of the month. For  
7 every winter month, these figures were incorrect in her direct testimony and  
8 Ms. Jenkins made representations in her direct testimony relying upon these  
9 incorrect figures (see, e.g., p. 22, ll. 13-16). While Ms. Jenkins corrected  
10 these figures in her supplemental direct testimony, she never disclosed that  
11 these figures were incorrect in her direct testimony or attempted to clarify and  
12 revise her direct testimony for this error.
- 13 • On Schedule 13-1, line 16, columns (d) and (e) of Ms. Jenkins' direct  
14 testimony, she made an adjustment to MGE's end-of-month TSS storage  
15 balance for November 2000. As presented on Schedule 13-1, Ms. Jenkins  
16 increased the end-of-month storage balance shown in column (d) by 500,000  
17 MMBtu to account for MGE's interruptible storage contract (the adjusted  
18 balance is shown in column (e)). However, in the workpapers supporting Ms.  
19 Jenkins' supplemental direct testimony, she changed her approach and made  
20 no such adjustment in the calculation of her "revised" storage utilization  
21 disallowance. Again, Ms. Jenkins did not explain this change in her  
22 supplemental direct testimony or advise that her Schedule 13-1 of her direct  
23 testimony was adjusted, and that it had an impact on her "revised" storage  
24 disallowance.

25  
26 **Q. DID MGE ASK MS. JENKINS ABOUT THESE ADDITIONAL ADJUSTMENTS**  
27 **TO THE WORKPAPERS OF HER SUPPLEMENTAL TESTIMONY?**

28 A. Yes. When asked in her October 30<sup>th</sup> deposition about these additional adjustments, Ms.  
29 Jenkins acknowledged making them in her supplemental direct testimony, but admitted  
30 that she did not address these adjustments in her supplemental direct testimony because  
31 she assumed that MGE would find them, and that the Commission would not want this  
32 level of detail. Specifically, in reference to the adjustment to the end-of-month storage  
33 balance discussed above, Ms. Jenkins stated the following at the October 30<sup>th</sup> deposition:

1 Q. So you figured that somebody would find it, even though you  
2 didn't indicate that you had made the change?

3 A. I figured you'd [i.e., MGE] find it because I highlighted it, and I  
4 labeled the column differently.

5 .....

6 Q. But you made a judgment determination, as I understand your  
7 previous answer, to not discuss this in your [supplemental direct]  
8 testimony, even though it makes a change in the result, because  
9 you didn't consider it to be important?

10 A. I didn't include any of these tables, the former Schedule 13, in my  
11 [supplemental direct] testimony. In my judgment, it wasn't adding  
12 to anybody's understanding, other than the company, as to what  
13 was going on. I did provide this information to the company. I  
14 didn't feel that it was adding any value to what the Commissioners  
15 had. So I chose not to include it in there.

16 (clarification added) (Deposition of Lesa Jenkins, Case No. GR-2001-  
17 382, October 30, 2003, p. 44, ll. 13-17 and p. 45, line 16 to p. 46, line 1.)  
18

19 **Q. WITH ALL OF THE ADJUSTMENTS SHE HAS MADE IN HER**  
20 **SUPPLEMENTAL DIRECT TESTIMONY, IS MS. JENKINS' "REVISED**  
21 **SUPPLEMENTAL" STORAGE UTILIZATION PROPOSAL NOW AN**  
22 **APPROPRIATE WAY OF EVALUATING MGE'S STORAGE UTILIZATION**  
23 **FOR THE WINTER OF 2000/2001?**

24 A. Absolutely not. Even if one were to assume that MGE agreed with Ms. Jenkins'  
25 approach for evaluating storage (which MGE adamantly does not), Ms. Jenkins' analysis  
26 remains fraught with error, even after all of the adjustments that Ms. Jenkins has made to  
27 her "revised supplemental" analysis. Specifically, Ms. Jenkins' "revised supplemental"  
28 storage utilization proposal suffers from two critical fatal flaws, and as such, the  
29 Commission should ascribe no value to her analysis and proposed disallowance.  
30  
31

1 **“REVISED SUPPLEMENTAL” ANALYSIS - FATAL FLAW NO. 1**

2 **Q. WHAT IS THE FIRST FATAL FLAW WITH MS. JENKINS’ “REVISED”**  
3 **STORAGE UTILIZATION APPROACH?**

4 A. The first fatal flaw with Ms. Jenkins’ “revised supplemental” storage utilization proposal  
5 is that her proposal assumes MGE should only plan to utilize 79% of its contracted  
6 storage capacity in a normal winter. Even though MGE has purchased 17.8 Bcf of  
7 storage capacity for the benefit of its customers, Ms. Jenkins’ “revised supplemental”  
8 storage utilization is based on the assumption that MGE should only plan on utilizing  
9 14.0 Bcf of that capacity in a normal winter. This means that her proposed storage plan  
10 presumes that MGE should plan to leave nearly 3.4 Bcf of storage, or over 21% of its  
11 purchased storage capacity, completely unutilized in a normal winter. Fundamentally,  
12 the basis of Ms. Jenkins’ “revised supplemental” storage utilization approach simply does  
13 not make sense. There is absolutely no reason that MGE would contract for 17.8 Bcf of  
14 storage capacity to provide operational, reliability and financial benefits to its customers,  
15 yet intentionally plan to underutilize over 21% of the capacity that it had purchased.  
16 While all of MGE’s storage inventory may ultimately not be cycled in any particular year  
17 due to factors such as weather conditions, natural gas prices, and pipeline and distribution  
18 system issues, MGE certainly does not purchase storage capacity that it never intends to  
19 utilize under normal winter conditions.

20  
21 **Q. HAVE YOU SUMMARIZED MS. JENKINS’ “REVISED SUPPLEMENTAL”**  
22 **STORAGE UTILIZATION PROPOSAL AND HIGHLIGHTED THE PROBLEM**  
23 **WITH HER EVALUATION FRAMEWORK?**

1 A. Yes. Schedule MTL-40 attached to my testimony provides a summary of Ms. Jenkins'  
2 "revised supplemental" storage utilization proposal. This summary is based on the  
3 workpapers that she used to develop her supplemental direct testimony, and which are  
4 presented in their entirety on Schedule MTL-39.<sup>3</sup> As can be seen on Schedule MTL-40,  
5 Ms. Jenkins has proposed that, in a normal winter, MGE should schedule 37,399,382  
6 MMBtu of flowing supplies and withdraw 13,984,207 MMBtu of storage inventory. As  
7 discussed earlier, Ms. Jenkins has calculated these figures based upon her proposal that  
8 MGE should plan for flowing supplies in each winter month to *at least cover* "warmest  
9 month" demand, with the difference between total normal demand and the "warmest  
10 month" demand met by storage withdrawals. The fatal flaw with Ms. Jenkins' evaluation  
11 framework, however, is that she proposes storage withdrawals of 13,984,207 MMBtu in a  
12 normal winter when she is fully aware that MGE has purchased 17,767,629 Dth of  
13 storage capacity. Therefore, Ms. Jenkins' framework suggests that, in a normal winter,  
14 MGE should plan to leave over 21% of its purchased storage capacity unutilized. In  
15 other words, Ms. Jenkins has proposed a framework for evaluating the prudence of  
16 MGE's storage utilization for the winter of 2000/2001 that is based on a completely  
17 illogical premise. As a result, the Commission should ascribe no value to Ms. Jenkins'  
18 storage utilization analysis and her proposed disallowance.

19  
20 **Q. MS. JENKINS' WORKPAPER THAT YOU HAVE ATTACHED AS SCHEDULE**  
21 **MTL-39 SEEMS TO SHOW THAT HER "REVISED EXPECTED STORAGE**

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<sup>3</sup> The details of Ms. Jenkins' flawed storage utilization proposal are not specifically set forth in her supplemental direct testimony or its accompanying schedules, but rather are set forth in the workpapers provided with her supplemental testimony. The (i) normal monthly demand; (ii) first-of-month flowing supplies based on "warmest month" demand; and (iii) the resulting storage withdrawals, for each winter month as shown (cont.)

1       **WITHDRAWALS” TOTAL 16.4 BCF. WHAT IS THE DIFFERENCE BETWEEN**  
2       **THIS AND THE 14.0 BCF THAT YOU HAVE REFLECTED ON SCHEDULE**  
3       **MTL-40?**

4       A.    On Schedule MTL-39, page 1, line 19, column (F), Ms. Jenkins has calculated Staff’s  
5       “REVISED Expected Storage Withdrawals” to be 16,408,184 MMBtu for the winter of  
6       2000/2001. However, it is important to understand that Ms. Jenkins’ storage utilization  
7       framework, which is presented on pages 6, 7 and 8 of Schedule MTL-39 and has been  
8       summarized on Schedule MTL-40, has been developed for a normal winter. In other  
9       words, Ms. Jenkins has developed an approach to how MGE should have scheduled  
10      storage and flowing supplies under normal winter conditions. For her evaluation of the  
11      winter of 2000/2001, Ms. Jenkins then applies her storage and flowing supply framework  
12      to MGE’s actual 2000/2001 winter experience in order to calculate what her expected  
13      storage withdrawals for that winter would have been. Thus, the important distinction is  
14      that Ms. Jenkins has proposed storage withdrawals of 14.0 Bcf under normal winter  
15      conditions (as reflected on Schedule MTL-40) and has proposed storage withdrawals of  
16      16.4 Bcf for the winter conditions of 2000/2001 (as reflected on Schedule MTL-39, p. 1).

17  
18      **Q.    DID MGE ACTUALLY WITHDRAW MORE GAS FROM STORAGE IN THE**  
19      **WINTER OF 2000/2001 THAN MS. JENKINS IS GIVING MGE CREDIT FOR IN**  
20      **HER ANALYSIS?**

21      A.    Yes. In the winter of 2000/2001, MGE actually withdrew 16,856,032 MMBtu of natural  
22      gas from storage for the benefit of its customers. However, Ms. Jenkins’ “revised

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on Schedule MTL-40 are presented in Ms. Jenkins’ workpaper (i.e., spreadsheet) that has been provided as Schedule MTL-39, specifically on pages 4 and 7.

1 supplemental” storage utilization analysis only gives MGE credit for 16,408,184 MMBtu,  
2 or 447,848 MMBtu less than MGE actually withdrew from storage. Ms. Jenkins is  
3 basically calculating a proposed disallowance on an expected level of storage  
4 withdrawals that is far less than the level of storage that MGE actually withdrew during  
5 the winter of 2000/2001 for the benefit of its customers. It is simply not reasonable, nor  
6 does it make sense, for Ms. Jenkins to develop a storage utilization approach that does  
7 not even give MGE the full credit for the level of its actual storage withdrawals for the  
8 winter of 2000/2001.

9  
10 **“REVISED SUPPLEMENTAL” ANALYSIS - FATAL FLAW NO. 2**

11 **Q. WHAT IS THE SECOND FATAL FLAW WITH MS. JENKINS’ “REVISED**  
12 **SUPPLEMENTAL” STORAGE UTILIZATION APPROACH?**

13 A. The second fatal flaw with Ms. Jenkins’ “revised supplemental” storage utilization  
14 approach is that she has relied upon inaccurate “warmest month” demand estimates that  
15 she herself has created. As noted earlier, one of the changes that Ms. Jenkins has made to  
16 the storage utilization analysis in her supplemental direct testimony is that she has  
17 developed new “warmest month” demand estimates. Specifically, Ms. Jenkins has  
18 estimated “warmest month” demand based upon a regression of (i) actual monthly  
19 heating degree day data and (ii) MGE’s actual monthly demand, for the period July 1998  
20 through June 2000.<sup>4</sup> The problem is that these “warmest month” demand estimates are  
21 inaccurate.<sup>5</sup>

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<sup>4</sup> From her regression of these two years of data, Ms. Jenkins calculates a baseload and heatload factor. She calculates baseload demand by multiplying the baseload factor by the number of days in each month, and calculates heatload demand by multiplying the heatload factor by the “warmest month” heating degree days, i.e., the lowest number of heating degree days for each month in the past forty years. She then sums the

1  
2 **Q. HAVE YOU DETERMINED THE EXTENT TO WHICH MS. JENKINS'**  
3 **ESTIMATIONS OF DEMAND ARE INACCURATE?**

4 A. Yes. Schedule MTL-41 highlights the inaccuracy of Ms. Jenkins' demand estimates that  
5 she utilizes to calculate her "revised" storage disallowance. Schedule MTL-41 presents a  
6 comparison of MGE's actual demand for each winter month over the past five years  
7 versus the estimated demand that would be produced by Ms. Jenkins' regression (i.e., the  
8 baseload and heatload factors) applied to the actual heating degree days that occurred in  
9 each of those months. Page 1 of Schedule MTL-41 summarizes the variations between  
10 MGE's actual demand in each of the twenty-five months (i.e., five years of five winter  
11 months) and the demand that would result from Ms. Jenkins' regression equation. Page 2  
12 of Schedule MTL-41 provides the supporting information on how the demand for each of  
13 the months was developed using Ms. Jenkins' baseload and heatload factors from her  
14 regression equation. It should be noted that the demand estimates were developed using  
15 Ms. Jenkins' exact estimation model as reflected in her supplemental direct workpaper  
16 titled "MGE Regression using MTL-14 and DR146", which I have attached as Schedule  
17 MTL-42.

18  
19 **Q. PLEASE EXPLAIN THE RESULTS OF SCHEDULE MTL-41.**

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baseload and the heatload demand for each month to estimate the "warmest month" demand, which is utilized in her storage utilization disallowance proposal.

<sup>5</sup> It is important to note that MGE is not stating that the use of regression analysis is an inappropriate means of estimating baseload and heatload demand. Rather, Ms. Jenkins' demand estimates are inaccurate due to her misapplication of the regression analysis. For example, Ms. Jenkins only utilized a short data series (i.e., two years of data), and her approach was simplistic in that it calculated a single baseload and heatload factor for all twelve months even though it would have been more accurate to calculate a separate heatload factor for each month or at least each season since each month (or season) has a different level of heatload demand.



1 A. As shown on Schedule MTL-41, page 1, there are five months that have been shaded  
2 (i.e., January 1998, February 1998, November 1998, November 1999 and November  
3 2001). These months have been shaded to highlight the fact that, in these months, Ms.  
4 Jenkins' regression equation would have estimated a level of demand that varied from  
5 MGE's actual demand by 10% or more. This demonstrates that, not only is there a  
6 problem with the magnitude of the inaccuracy of her demand estimates (i.e., the actual  
7 demand versus estimated demand varies by more than 10%), but the frequency of her  
8 inaccurate estimates is also significant (i.e., five of the twenty-five months, or 20% of the  
9 time, her regression would have produced significantly inaccurate results). In other  
10 words, the regression that Ms. Jenkins has developed and utilized in her "revised"  
11 disallowance proposal simply is not accurate and does not do a reasonable job of  
12 estimating demand. In fact, three of the five months in which her estimate of demand  
13 varies from actual demand by more than 10% are for the month of November. This  
14 highlights the point I have stressed in my previous testimony that November is the most  
15 variable winter month in terms of demand and is very difficult to estimate or predict, and  
16 therefore, requires the high degree of operating flexibility that MGE's November storage  
17 utilization plan provides.

18  
19 Furthermore, as shown in the shaded boxes on page 1 of Schedule MTL-41, specifically  
20 in column (g), Ms. Jenkins' estimation of demand is the most inaccurate when the  
21 weather was the most extreme, i.e., when the actual monthly heating degree days varied  
22 significantly from the normal monthly heating degree days. Considering that Ms. Jenkins  
23 has attempted to estimate "warmest month" demand for her storage utilization proposal,

1 she has attempted to estimate the demand in those months in which the weather is the  
2 most extreme. However, as shown on Schedule MTL-41, Ms. Jenkins' demand  
3 estimation process is the most inaccurate when the weather is the most extreme,  
4 therefore, this only exacerbates the problems with Ms. Jenkins' "warmest month"  
5 demand estimates.

6  
7 **Q. ON SCHEDULE MTL-41, PAGE 1, THERE ARE SOME NOTATIONS IN**  
8 **COLUMN (H). COULD YOU PLEASE EXPLAIN WHAT IS MEANT BY THOSE**  
9 **NOTATIONS?**

10 **A.** Yes. As noted above, Ms. Jenkins calculated her "warmest month" demand estimates in  
11 her workpaper that I have attached to my testimony as Schedule MTL-42. In that  
12 workpaper, Ms. Jenkins calculated the "warmest month" demand using monthly data  
13 from July 1998 through June 2000, and calculated the estimated demand assuming "no  
14 customer growth" and "with customer growth". For her demand estimates, she grossed  
15 up her estimated demand by one year of customer growth (i.e., 0.75% per year based on  
16 MGE's figures) even though her baseload and heatload factors were based on two years  
17 of data, which appears inconsistent. Therefore, rather than add to the confusion and the  
18 potential error of how she accounted for customer growth, I have reflected the estimated  
19 demand on Schedule MTL-41 that would have been produced by Ms. Jenkins' proposed  
20 approach on an unadjusted basis, meaning that the demand has not been adjusted upward  
21 in those months that precede the winter of 2000/2001 or downward in those months that  
22 are after the winter of 2000/2001. The demand is presented in this manner to reflect the  
23 exact demand that would be produced by Ms. Jenkins' demand estimation equation

1 without attempting to replicate the manner in which Ms. Jenkins accounted for customer  
2 growth. However, because I have shown the demand on an unadjusted basis, I have  
3 made a notation on Schedule MTL-41, page 1, in column (h) to reflect how the variation  
4 between actual demand and Ms. Jenkins' estimated demand would be affected if  
5 customer growth were accounted for in the analysis. Since MGE's load growth is  
6 relatively modest, the differences reflected in column (f) would not change significantly.  
7 However, as shown in the shaded boxes in column (h), three of the five months in which  
8 Ms. Jenkins' analysis was most inaccurate would actually get even worse if the analysis  
9 accounted for customer growth.

10  
11 **Q. DID MS. JENKINS PERFORM ANY OF HER OWN STUDIES OR ANALYSES**  
12 **TO TEST THE ACCURACY OF HER "WARMEST MONTH" ESTIMATION**  
13 **PROCESS?**

14 A. No. In her supplemental direct testimony and in her October 30<sup>th</sup> deposition, Ms. Jenkins  
15 stated that her analysis was correct and reasonable since the adjusted R-squared of the  
16 two years of monthly heating degree day and demand data was over 0.90. However, Ms.  
17 Jenkins did absolutely no analysis or review to test whether her regression equation was  
18 good, average or poor at estimating MGE's demand that had actually occurred in the  
19 past. In fact, Ms. Jenkins admitted in her October 30<sup>th</sup> deposition that she had conducted  
20 no such studies to determine the reasonableness of her proposed estimates:

21 Q. Did you do any checks to determine whether this line fit works in  
22 other months?

23 A. What I looked at was just – I mean, I compared it to what the  
24 actuals were. I mean, this plot shows actuals and estimated for that  
25 period of time. No, that's the amounts that I looked at.

1 Q. Okay. So the answer to my question is, you didn't try to apply this  
2 approach to other months to determine whether the result that  
3 shows up in your Schedule 3-1 only works in these months or  
4 whether it's good for other months; is that right?

5 A. I didn't – I didn't see how that's appropriate, because the  
6 Company—

7 Q. Well, I'm not asking whether it's appropriate or not. I'm asking  
8 if you did it.

9 A. No.

10 Q. Okay. If I understand correctly, then, the disallowance that you're  
11 now supporting in this case rests upon, among other things, the  
12 number that appears in line 25, column (c), the 5,114,047  
13 decatherms; is that right?

14 A. That's the number that I used for the check. I wouldn't say it  
15 solely relies on that number.

16 Q. Well, but that number goes into – that number or the disallowance  
17 that you are proposing rests, in part, on your use of that number,  
18 does it not?

19 A. Yes.

20 Q. And that is a number that you got from your regression analysis; is  
21 that true?

22 A. Yes.

23 Q. Now, you are – that is supposed to reflect an estimate of the  
24 warmest month requirement for November of 2000, is that correct?

25 A. Yes.

26 (emphasis added) (Deposition of Lesa Jenkins, Case No. GR-2001-382,  
27 October 30, 2003, p. 49, line 17 to p. 50, line 24.)  
28

29 Q. SHOULD MS. JENKINS HAVE BEEN AWARE THAT THERE WAS  
30 SOMETHING WRONG WITH HER "WARMEST MONTH" DEMAND  
31 ESTIMATION PROCESS?

32 A. Yes. A point that highlights the arbitrary and inaccurate nature of Ms. Jenkins' analysis  
33 is that she has proposed a level of "warmest month" demand for November of 5,114,047  
34 MMBtu. However, Ms. Jenkins is fully aware that the warmest November in the past 40

1 years actually occurred in November 1999, and that MGE experienced a total demand of  
2 4,414,515 MMBtu in that month. Therefore, Ms. Jenkins' demand estimation produced a  
3 "warmest month" for November that was nearly 16% higher than the actual "warmest  
4 month" demand that had occurred only the year before the winter that is at issue in this  
5 proceeding. Moreover, Ms. Jenkins estimated a "warmest month" demand for March of  
6 6,454,007 MMBtu, even though she is fully aware that MGE's actual demand for March  
7 2000 was 6,042,011 MMBtu, or again, her "warmest month" estimate was *higher* than  
8 the actual demand. These facts alone should have indicated to Ms. Jenkins that her  
9 "warmest month" estimation process was faulty. If nothing else, Ms. Jenkins should not  
10 have estimated "warmest month" demand when she had actual "warmest month" demand  
11 available.

12  
13 **Q. DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING MS. JENKINS'**  
14 **"REVISED SUPPLEMENTAL" STORAGE UTILIZATION ANALYSIS?**

15 A. Yes, I have one further issue that I would like to point out for the Commission. As  
16 discussed in my previous testimony in this proceeding, Ms. Jenkins' "original" analysis  
17 included a proposal that MGE schedule 181,265 MMBtu/day of first-of-month flowing  
18 supplies. As shown on Schedule MTL-15 of my direct testimony, I illustrated how the  
19 amount of first-of-month flowing supply that Ms. Jenkins had proposed for November  
20 would result in a significant number of days in which MGE did not need the amount of  
21 supply that it had scheduled, and which could have a negative financial and/or  
22 operational impact on MGE. In her "revised supplemental" testimony, although Ms.  
23 Jenkins has now changed her proposed first-of-month flowing supply amount for

1 November to 165,468 MMBtu/day, the same problem still exists. I have updated  
2 Schedule MTL-15 to reflect Ms. Jenkins' "revised supplemental" analysis, which is now  
3 presented as Schedule MTL-43.

4  
5 As can be seen in the table at the bottom of Schedule MTL-43, Ms. Jenkins' "revised  
6 supplemental" storage utilization plan would have resulted in MGE having excess  
7 scheduled flowing supplies for 19 days in November 1999 (63% of the time) and 22 days  
8 in November 2001 (73% of the time). In other words, Ms. Jenkins' "revised  
9 supplemental" analysis does little to fix the problem that existed in her "original" analysis  
10 that MGE would likely have excess flowing supplies for a significant amount of  
11 November under her proposed plan.

12  
13 **Q. WOULD YOU PLEASE SUMMARIZE YOUR POSITION WITH REGARD TO**  
14 **MS. JENKINS' STORAGE UTILIZATION DISALLOWANCE PROPOSALS?**

15 A. This review of Ms. Jenkins testimony shows clearly that her "revised supplemental"  
16 disallowance is not truly based on either "distribution of normal heating degree days" or  
17 the actual "warmest month" data, but is based on a fabricated analysis that is new and  
18 only now being put in the record in this proceeding. As established in the scope for the  
19 supplemental portion of this proceeding, the purpose of this portion of the proceeding  
20 was specifically to review "(i) MGE's 1999/2000 heating season delivered natural gas  
21 volumes; and (ii) the use of those volumes in the spreadsheet developed by Ms. Jenkins."  
22 Instead, Ms. Jenkins has made wholesale changes to the data on which her calculations

1 are based in order to arrive at Staff's new proposed disallowance. The Commission  
2 should reject this out of hand.

3  
4 As I have demonstrated in all of my filed testimony in this proceeding, and as has been  
5 discussed by MGE Witness Reed, MGE's utilization of its storage inventory in the winter  
6 of 2000/2001 was well within the range of reasonable and prudent conduct. Furthermore,  
7 Ms. Jenkins' analyses continue to be fraught with errors. As such, Ms. Jenkins has  
8 clearly not demonstrated that her "original" storage utilization proposal, her "revised  
9 original" original storage utilization proposal, or her "revised supplemental" storage  
10 utilization proposal, and the various disallowance levels each of those produced, are a  
11 reasonable, appropriate or correct way in which to evaluate MGE's conduct for the winter  
12 of 2000/2001.

13  
14 **JENKINS' REVISED HEDGING DISALLOWANCE**

15 **Q. IN ADDITION TO THE CHANGES THAT MS. JENKINS HAS MADE TO HER**  
16 **STORAGE UTILIZATION ANALYSIS, HAS SHE ALSO CHANGED HER**  
17 **PROPOSED HEDGING DISALLOWANCE?**

18 **A.** Yes. In her direct testimony, Ms. Jenkins claimed that MGE did not meet Staff's  
19 minimum monthly hedging level of 30% for the months of January and March 2001, and  
20 as a result, proposed a disallowance of \$614,365. In her supplemental direct testimony,  
21 Ms. Jenkins has significantly revised her disallowance downward to \$130,137 based on  
22 MGE not meeting Staff's minimum monthly hedging level only for March 2001. Under

1 her revised analysis, Ms. Jenkins has claimed that MGE met Staff's proposed minimum  
2 monthly hedging level in all other winter months.

3  
4 **Q. DO YOU AGREE WITH MS. JENKINS' ADJUSTMENT TO HER PROPOSED**  
5 **HEDGING DISALLOWANCE?**

6 A. No. Ms. Jenkins adjusted her proposed hedging disallowance based upon the same  
7 fatally flawed regression equation she utilized to develop her "warmest month" demand  
8 estimates that I discussed earlier and are reflected in Schedule MTL-42. In addition to  
9 estimating "warmest month" demand, Ms. Jenkins also utilized the regression equation to  
10 estimate normal demand. It is these revised normal demand estimates upon which she  
11 has based her revised hedging disallowance.

12  
13 Regardless of the fact that her revised hedging disallowance is based on inaccurate  
14 estimates, MGE still maintains that Ms. Jenkins' original disallowance is unsupported  
15 and unreasonable and that there should be no disallowance for hedging based on the  
16 detailed direct, rebuttal and surrebuttal testimony that MGE has filed in this proceeding.  
17 In fact, prior to her revised hedging proposal, I testified that MGE hedged over 38% of its  
18 volumes for the winter of 2001/2002 (see my direct testimony at p. 45). Under her  
19 revised proposal, the amount that MGE hedged for the winter is even higher.  
20 Specifically, the total of the financially and physically hedged volumes for the winter of  
21 2000/2001 equaled 20,333,341 MMBtu, or nearly 40% of Ms. Jenkins revised normal  
22 requirements, clearly exceeding 30% of normal requirements.



1    **Q.    DOES THIS CONCLUDE YOUR SUPPLEMENTAL REBUTTAL TESTIMONY?**

2    **A.    Yes, it does.**