

Exhibit No.:
Issue: Rate Design
Witness/ STEVEN M. LYON
Type of Exhibits: Rebuttal Testimony
Sponsoring Party: Noranda Aluminum, Inc.
Company: Associated Natural
Gas Co.
Case No.: GR-97-272

FILED
AUG 7 1997
MISSOURI
PUBLIC SERVICE COMMISSION

NORANDA ALUMINUM, INC.

INTERVENOR

REBUTTAL TESTIMONY OF

STEVEN M. LYON

BEFORE THE

MISSOURI PUBLIC SERVICE COMMISSION

Docket No. GR-97-272

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of ASSOCIATED NATURAL GAS)
COMPANY's tariff revision designed to)
increase gas rates for gas service)
provided to customers in the Missouri)
service area of the Company.) Case No. GR-97-272

AFFIDAVIT

STATE OF MISSOURI)
) ss.
COUNTY OF NEW MADRID)

Steven M. Lyon, of lawful age, being first duly sworn, deposes and states:

1. My name is Steven M. Lyon. I reside in Sikeston, Scott County, Missouri, and I am the Industrial Engineer Supervisor of Noranda Aluminum, Inc.
2. Attached hereto and made a part thereof for all purposes is my rebuttal testimony consisting of pages 1 to 7, both inclusive.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

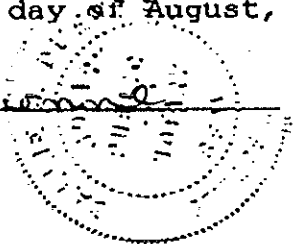
Steven M. Lyon

STEVEN M. LYON

Subscribed and sworn to before me this 6 day of August, 1997.

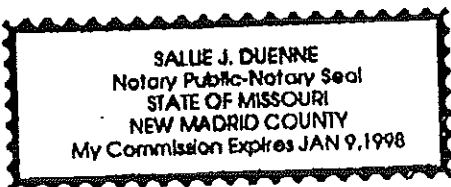
Sallie J. Duenne

Notary Public



(SEAL)

My Commission Expires:



PREPARED REBUTTAL TESTIMONY OF STEVEN M. LYON
INDUSTRIAL ENGINEER SUPERVISOR OF
NORANDA ALUMINUM, INC.
IN NEW MADRID, MISSOURI
ON ASSOCIATED NATURAL GAS COMPANY
APPLICATION FOR RATE INCREASE
IN CASE NUMBER GR-97-272

Q. State your name.

A. Steven M. Lyon.

Q. Where do you reside?

A. Sikeston, Missouri.

Q. By whom are you employed?

A. Noranda Aluminum, Inc.

Q. In what capacity?

A. Industrial Engineer Supervisor.

Q. What are your responsibilities in that position?

A. My duties are myriad. I plan and direct activities of two Industrial Engineers and the Departmental Secretary, and determine and recommend method improvements to increase utilization of labor, materials, and equipment. I also analyze cost data to assist operating departments in improving operational costs and analyze proposed capital expenditures to determine return on investment. In addition, I monitor plant-wide natural gas consumption and make monthly nominations of gas usage based on history and futures production demands.

Q. Please state your educational and employment background.

A. After my graduation from Southern Illinois University at

Carbondale in 1981 with a Bachelor of Science Degree in Industrial Technology, I was employed by Noranda Aluminum, Inc. as an Industrial Engineer. I held that position until 1985 when I was promoted to Industrial Engineering Supervisor. I have held that position from 1985 to the present.

Q. Have you submitted testimony in this proceeding previously?

A. No. George Swogger, the administrative manager of Noranda Aluminum, Inc., previously submitted direct testimony.

Q. Is your testimony being submitted in response to certain proposals made by Wendell R. Hubbs?

A. Yes.

Q. What matters do you wish to address?

A. There are four separate issues I wish to address that were raised by Wendell R. Hubbs. Those are as follows: The proposed affiliated transaction rules, the modification to the current balancing provisions, and with regard to that the related unauthorized usage charge, and the EGM metering charge of \$25.00 per month.

Q. What is Noranda's position with regard to the affiliated transaction rules?

A. Mr. Hubbs has suggested a complex methodology of prohibiting any related transactions between ANG and its sister and parent companies. The proposal as made by Mr.

Hubbs appears on pages 16-19 of his testimony and Schedules 5-9 to 5-14.

It is my understanding that there is currently pending before this Commission a generic Docket No. 00-96-329 which the Commission opened for the specific purpose of examining the advisability of adopting affiliated transaction standards to be generally applicable to regulated utilities. I have been informed that that case has been pending for quite some time and that testimony has been adduced and submitted by various parties, including utilities and intervenors who are not parties to this proceeding.

It would appear to be inappropriate that the Commission consider this issue herein, because in a general generic proceeding all interested parties can have an opportunity to be heard. It would seem to be inappropriate to have a rate case in which one utility is affected to attempt to use that proceeding to bootstrap an affiliated transaction rule into the tariffs.

Further, it would appear that the affiliated transaction rule in this case is attempting to fix something which is not broken. Noranda has in the past purchased gas supplies from affiliates of ANG and has found that ANG has helpfully assisted in the purchase of

such gas supplies.

Q. Does Noranda oppose the balancing provisions recommended by Mr. Hubbs?

A. Yes. It is my understanding that Mr. Hubbs has suggested an unauthorized use charge of \$1.50 for each Ccf of unauthorized use plus 150% of the highest cost of gas in the event that there is any variance in the balance of more than 0%.

At the current time Noranda's contract with ANG provides for a balancing variance of up to 6%. This contract had been in place for a considerable period of time and has worked very well. In discussing this matter with ANG personnel, it is my understanding that the 6% variance has worked very well for ANG also. It appears that the staff witness is once again proposing to fix something that isn't broken. If a procedure is working well and is not incurring additional costs for the company or costs for other customers, and all parties thereto are happy and satisfied with it, it would not seem appropriate to change it. Thus, this appears to be overzealous regulation.

Accordingly, I on behalf of Noranda am requesting the Commission to reject Mr. Hubbs' suggestion with regard to unauthorized usage charge and the related

modification to the current balancing provisions. It would appear that if there is to be any unauthorized usage charge, it should be related to cost of service and should not be punitive in nature; and further the level set forth in the current contract would appear to be adequate.

Q. Do you have any testimony with regard to the proposed EGM metering charge of \$25.00 per month?

A. Yes. I understand that Mr. Hubbs has also suggested a metering charge of \$25.00 per month for transportation customers. Noranda is opposed to this proposal upon the following grounds. Noranda has had a EGM meter access by telephone communication for approximately three years. This meter was provided for by ANG. Prior to that time ANG was compelled to have a meter reader come, obtain a printout from the meter, and then analyze the printout. Now ANG can access the meter by the touch of a button 24 hours a day. This has worked well for the past three years without any additional charges. It is our position that it is inappropriate to start charging for a service that is built into the rates in any event.

I should note that ANG is connected to this meter through Noranda's independent phone system and has been since the meter was installed. To date, Noranda has not

charged ANG for the use of that system. In researching this issue, I have discovered that if ANG was to have a separate line installed independent of the Noranda system, the cost would be very large due to no phone line easement existing into the building and no readily available access.

I have not completed a cost analysis on the cost to Noranda of allowing ANG the use of Noranda's facility as of yet, but my preliminary study seems to indicate a cost of \$25.00 per month. Noranda is willing to forego charging for the use of such lines but not if Noranda is compelled to pay an EGM charge of \$25.00 per month.

Additionally, it is my understanding that Mr. Hubbs, who has proposed this charge, admitted at the pre-hearing conference that he has no cost or service data upon which to base this charge. If there is no cost or service information, it appears to be clearly inappropriate to have any charges associated with something that is already being provided.

Q. Does Noranda have any other testimony to submit?

A. I have no further testimony to submit at this time. However, I do understand that Mr. John Mallinckrodt of Brubaker & Associates will be submitting testimony on additional issues on behalf of Noranda.

Q. Does that conclude your testimony at this time?

A. Yes.