

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's Tariffs)
Increasing Rates for Gas Service Provided to) Case No. GR-2006-0422
Customers in the Company's Missouri)
Service Area.)

STATE OF COLORADO)
) ss
COUNTY OF JEFFERSON)

I, Thomas J. Sullivan, witness for Missouri Gas Energy in Case No. GR-2006-0422 concerning depreciation expense, state:


In his affidavit, Mr. Macias claims that I have made a change in methodology between my direct and rebuttal testimony. This is not true. I made two corrections to Schedule TJS-2 contained in my direct testimony,. The first correction was to correct the calculation of average regional ASLs. The second correction was to include net salvage allowances for the general plant which were inadvertently left out of Schedule TJS-2. I discuss both of these corrections on Pages 2 through 3 of my rebuttal testimony.

In addition, I made one correction to the text of my pre-filed direct testimony in order to make my direct testimony consistent with my recommendation in my report, which was included in Schedule TJS-2 and submitted to the Commission Staff in June 2005. As stated in my rebuttal testimony, the statement made on Page 3, Lines 3-5 of my direct testimony was factually incorrect. In my rebuttal testimony, I am simply correcting the text of my testimony to be consistent with the exhibit filed with my direct testimony. I did not introduce new material; I was simply changing the reference in a table in my report that was already filed with my direct testimony.

In his affidavit, Mr. Macias states that in his opinion the depreciation rates I am recommending in my rebuttal are essentially remaining life rates is incorrect. As I indicated in my rebuttal, the statement I made in my direct referring to these rates as remaining life rates was wrong. The rates I recommended in my report (included with my direct testimony) and in my rebuttal testimony are whole life rates reflecting a reserve adjustment. They are not remaining life rates. A reserve adjustment to whole life rates is not a change to the whole life methodology, but a necessity and the primary reason for doing a reserve analysis. Beginning on Page 8, Line 18 of his direct testimony, Mr. Macias accurately outlines the exact reserve adjustment that I recommended in my report and my rebuttal testimony when he states the following:

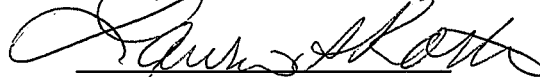
"When estimates of average service life and future net salvage change, the revised forecasts would have generated different annual accruals had they been applied from the beginning. Therefore, there will be an imbalance between the amount of the actual accumulated reserve for deprecation accrued using past depreciation rates, and that would have been accrued using current depreciation rate recommendations, or the theoretical reserve. Depending on the magnitude of this imbalance, and other factors such as the causes for the difference and the year-to-year volatility, an adjustment may be appropriate." (emphasis added)

In his affidavit, Mr. Macias implies that I concurred during a phone call with him that these corrections were a change in methodology. On the phone call I simply explained the three corrections I made. In no way did I say or imply that these were a change in methodology because they are not.



Thomas J. Sullivan

Subscribed and sworn to before me this 4th day of December, 2006



Notary Public

My commission expires: February 28, 2008