

SUPPLEMENTAL TESTIMONY
OF
Larry G. Arvidson & Gas Forecasting Panel

CASE 08-G-0888

1 Q. Are you the same Larry G. Arvidson, Glynis L. Bunt and Amy S. Patel who submitted
2 prefiled direct testimony in this proceeding?

3 A. Yes, we are.

4 Q. What is the purpose of your supplemental testimony?

5 A. (Arvidson) My supplemental testimony addresses an error discovered when responding
6 to interrogatories filed November 3, 2008 by the Department of Defense.

7 Q. Please describe the error.

8 A. (Arvidson) DOD-2 IR #15 asks “How is the fact that West Point uses no CH mains
9 smaller than 6-inch mains being taken into account when allocating the system-wide cost
10 of mains to West Point?” This led to the discovery that the distribution main allocators
11 had been adjusted for West Point to remove costs related to distribution mains less than
12 4-inch in diameter but not for less than 6-inch diameter mains. Correction of this error
13 would reduce West Point’s share of distribution mains investment, costs & revenue
14 requirement responsibility and slightly increase those of Service Classifications 1 & 2.

15 Q. Would any of your original exhibits be impacted by this correction?

16 A. (Arvidson) Yes. All three of the Schedules labeled Exhibit_(LGA-1) would be affected.
17 These schedules reflect the results of embedded cost of service (COS) studies for the gas
18 department for the historical year 2006 and the rate year.

19 Q. Have you made the corrections to the distribution mains allocators and re-ran the

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1 embedded COS studies?

2 A. (Arvidson) Yes.

3 Q. Have you prepared revised exhibits?

4 A. (Arvidson) Yes. Accompanying this text is a 11/20/08 Revised Exhibit__ (LGA-1)
5 Schedules A, B & C.

6 Q. Do these revised studies impact the text of your original testimony?

7 A. (Arvidson) Yes. Lines 11-12 of page 17 should be revised to read "...from two of the
8 seven rate classes..."

9 Q. Did you find any other errors?

10 A. (Arvidson) Yes. The denominator used to calculate customer charges for WP on line 52
11 of Exhibit__ (LGA-1) Schedule C Page 2 of 2 was "5", it should be "1".

12 Q. Does correction require revised embedded COS studies?

13 A. (Arvidson) No. It only impacts the customer charge to West Point on line 55 of Exhibit_
14 (LGA-1), Schedule C, Page 2 of 2.

15 Q. Have you made the correction for that error?

16 A. (Arvidson) Yes, on the "11/20/08 Revised Exhibit__(LGA-1) Schedule C, Page 2 of 2,
17 lines 52 & 55 of the West Point column.

18 Q. Any other modifications to your exhibits?

19 A. (Arvidson) Yes. The original backouts and MFCs were based upon a denominator that
20 included S.C. 8 & 9 sales parsed to the SC1 & SC2 classes. After some consideration,
21 the Company feels that the denominator should exclude S.C. 8 & 9 sales because those
22 classes are not entitled to MFC consideration. Nor should EEPS lost sales be excluded

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1 from any denominator. Therefore, line 51 of the original Exhibit__ (LGA-1) Schedule C
2 Page 2 of 2 has been refined to reflect EEPS lost sales and labeled 51a in the new exhibit
3 (attached as “11/20/08 Revised Exhibit__ (LGA-1) Schedule C Page 2 of 2”) and a line
4 51b added which also reflects EEPS lost sales but excludes the apportionment of
5 Interruptible sales to the S.C. 1 & 2 classes. Line 51a is used (as a denominator) to
6 develop the Full Service rates shown on lines 53 & 54 while line 51b is used (likewise as
7 a denominator) to develop the rates shown on lines 56, 60, 62 & 63.

8 Q. Any others?

9 A. (Arvidson) No.

10 Q. Mr. Arvidson, could you please summarize the impact of all these changes?

11 A. Yes. The correction to fix the misallocation of distribution mains of 5” & 4” diameter
12 from West Point shifts some of the distribution revenue requirements from West Point to
13 the S.C.1 & S.C.2 classes. That shift plus the recognition of EEPS lost sales slightly
14 increases the rates shown on lines 53 & 54 for the S.C.1 & S.C.2 classes while decreasing
15 the West Point rate on line 53. The correction for the number of customers at line 52 for
16 West Point from 5 to 1 increases the customer rate to West Point only (at line 55). The
17 use of line 51b in lieu of 51a as a denominator increases the Procurement rates by two
18 cents per Mcf (line 56), the Energy rate net of procurement (line 60) as well as the MFC_B
19 & MFC_A rates shown on lines 62 & 63.

20 Q. Now turning to the Gas Forecasting Panel, will any of the aforementioned revisions
21 presented by Mr. Arvidson impact any of your original testimony or exhibits?

22 A. Yes. The revisions presented by Mr. Arvidson will impact the revenue allocation and

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1 rate design proposals presented in Exhibit__(GFP-5), Exhibit __(GFP-6) and Exhibit
2 __(GFP-7), as well as corresponding testimony.

3 Q. Does the Panel intend to submit revised exhibits and testimony at this time to reflect the
4 aforementioned changes presented by Mr. Arvidson?

5 A. No. As indicated in the Panel's pre-filed direct testimony at Lines 3 through 9 on Page
6 12, to the extent that the assumptions regarding economic activity, prices and/or
7 consumption patterns incorporated in the sales forecasts sponsored by the Panel change,
8 these changes, as well as any other changes associated with revenue requirement, should
9 be reflected in the final Rate Year forecasts utilized to determine the revenue requirement
10 and rate design. As a result, the Panel believes that any required revenue allocation and
11 rate design changes should be made at a later stage in this proceeding.

12 Q. Does this conclude your supplemental testimony?

13 A. Yes.