

Exhibit No.  
Issue: Certified Territory  
Witness: Ronald F. Gatz  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Empire District  
Case No: GA-2007-0289  
Date Testimony Prepared: July 13, 2007

**Before the Public Service Commission  
of the State of Missouri**

**Direct Testimony**

**Of**

**Ronald F. Gatz**

**July 13, 2007**

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RONALD F. GATZ  
ON BEHALF OF  
THE EMPIRE DISTRICT GAS COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION

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DIRECT TESTIMONY  
OF  
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THE EMPIRE DISTRICT GAS COMPANY  
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MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO: GA-2007-0289

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Ronald F. Gatz and my business address is 602 Joplin Street, Joplin,  
4 Missouri 64801.

5 **Q. WHO IS YOUR EMPLOYER AND WHAT POSITION DO YOU HOLD?**

6 A. I am employed by The Empire District Electric Company (“EDE” or “Empire”) as  
7 Vice President & Chief Operating Officer – Gas. I am responsible for the  
8 operation of EDE’s wholly owned subsidiary, The Empire District Gas Company  
9 (“EDG” or “Company” or “Applicant”) and its natural gas distribution operations.

10 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.**

11 A. I hold a Bachelor of Science Degree in Agricultural Economics from Kansas State  
12 University, Manhattan, Kansas and a Graduate Degree in Banking from The  
13 Stonier Graduate School of Banking, University of Delaware.

14 **Q. PLEASE INDICATE YOUR PROFESSIONAL EXPERIENCE.**

15 A. Prior to joining Empire I worked in the banking industry and most recently as  
16 Executive Vice President, Senior Credit Officer and Chief Financial Officer of a

1 regional bank. I also was Chief Administrative Officer of a national specialty  
2 carrier. I joined Empire as General Manager Non-regulated Services in 2001, and  
3 attained my present position in 2006.

4 **PURPOSE**

5 **Q. WHAT IS EDG REQUESTING IN THIS CASE?**

6 A. Recall that EDG filed an application for a certificate of public convenience and  
7 necessity to construct, install, own, operate, control, manage and maintain a  
8 system for the provision of natural gas service to the public pursuant to its  
9 approved rates, rules and regulations in Sections 13, 14, 15, 22, 23 and 24,  
10 Township 52 North, Range 35 West in Platte County, Missouri. That application,  
11 Case No. GA-2007-0457, was consolidated with this case. EDG requests that the  
12 Missouri Public Service Commission (“Commission”) :

- 13 • Grant EDG a certificate of convenience and necessity to provide natural gas  
14 service in Sections 13, 14, 15, 22, 23 and 24 of Township 52 North, Range 35  
15 West in Platte County, Missouri
- 16 • Deny Missouri Gas Energy’s (“MGE”) request to expand its existing service  
17 territory in Platte County, Missouri to include Sections 13 and 14 of Township  
18 52 North, Range 35 West
- 19 • Find that MGE has not been granted a certificate of convenience and necessity  
20 for Sections 1, 2, 3, 10, 11 and 12 of Township 52 North, Range 35 West and  
21 sections 4, 5, and 6 of Township 52 North, Range 34 West of Platte County,  
22 Missouri

- 1       • Order MGE to correct the service territory description in its tariffs by  
2       excluding references to Sections 1, 2, 3, 10, 11 and 12 of Township 52 North,  
3       Range 35 West and Sections 4, 5, and 6 of Township 52 North, Range 34  
4       West of Platte County, Missouri
- 5       • Order MGE to sell its existing natural gas distribution facilities in Sections 10,  
6       11, 12, 13 and 14 of Township 52 North, Range 35 West to EDG at net book  
7       value and assist with the orderly transfer of natural gas service from MGE to  
8       EDG so that any customer disruption is minimized. Or in the alternative,  
9       order MGE to abandon its facilities installed in unauthorized areas at the time  
10      EDG facilities are available to serve the affected customers.

11   **Q.   WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

12   A.   My testimony will describe EDG's current natural gas operations; the additional  
13   service territory EDG is seeking in this application; describe the certified natural  
14   gas service territory that the Company acquired in Platte County, Missouri as a  
15   result of the acquisition of the Aquila natural gas assets on June 1, 2006; describe  
16   the Missouri Gas Energy ("MGE") incursion into EDG's certified natural gas  
17   service territory in Platte County, Missouri; and describe the errors in the Platte  
18   County territorial descriptions that are contained in the MGE tariffs. Mr. Dan  
19   Klein of EDG will provide direct testimony describing how EDG will provide  
20   natural gas service to the additional natural gas service territory it is seeking in  
21   this case. Mr. Steve Teter of EDG will provide testimony concerning various  
22   meetings and conversations EDG has held with MGE concerning the EDG service

1           territory in Section 12 of Township 52 North, 35 West, of Platte County,  
2           Missouri.

3           **CURRENT NATURAL GAS OPERATIONS**

4           **Q.     PLEASE DESCRIBE THE COMPANY’S NATURAL GAS OPERATIONS.**

5           A.     EDG’s current natural gas transmission and distribution systems in Missouri  
6           involve over \$120,000,000 in utility assets that currently provide service to  
7           approximately 47,000 natural gas customers in 44 communities in northwestern  
8           and west central Missouri. At the present time, EDG operates over 1,192 miles of  
9           natural gas transmission and distribution mains in Missouri. The largest single  
10          community in which EDG provides natural gas service is Sedalia, Missouri. The  
11          prior owner of these facilities, Aquila, Inc, had provided natural gas service to  
12          these same communities for many years. In particular, the community of Platte  
13          City, Missouri, has been part of the Company’s or its predecessor’s authorized  
14          service area for well over 50 years. This is of particular importance in this case as  
15          a major part of the service territory at issue in this case has already been  
16          designated for residential use by Platte County and was proposed for annexation  
17          into Platte City in 2006. That annexation proposal was withdrawn, but is  
18          expected to be attempted again by Platte City. EDG holds a franchise from Platte  
19          City to provide natural gas service within Platte City. In addition, EDG has an  
20          order from the County Court of Platte County to construct, operate and maintain  
21          pipelines for transmission of gas along, across, or under the roads, highways and  
22          public ways of Platte County, Missouri. EDG is clearly qualified to provide the  
23          proposed service.

1 **PLATTE COUNTY SERVICE TERRITORY**

2 **Q. IN WHAT AREAS OF PLATTE COUNTY, MISSOURI DOES EDG**  
3 **CURRENTLY HOLD A CERTIFICATE FROM THE MISSOURI PUBLIC**  
4 **SERVICE COMMISSION TO PROVIDE NATURAL GAS SERVICE?**

5 A. EDG was authorized by the Commission to provide natural gas service in all of  
6 the natural gas service territories of Aquila Networks-MPS/L&P by Commission  
7 Order issued April 18, 2006, in Case No. GO-2006-0205. The transaction which  
8 was the subject of Case No. GO-2006-0205 closed on June 1, 2006. A portion of  
9 the natural gas service territory that is currently the subject of some dispute in this  
10 case was originally granted to the Missouri Public Service Company by the  
11 Commission in Case No. 13,172 on January 12, 1956. In Case No. 13,172, the  
12 Commission authorized the Missouri Public Service Company to construct,  
13 operate and maintain a natural gas transmission and distribution system in  
14 Sections 13, 14, 15, 22, 23, 24, 25, 26, 27, 34, 35 and 36 in Township 53 North,  
15 Range 35 West and Sections 1, 2, 3, 10, 11, and 12 in Township 52 North, Range  
16 35 West, and Sections 16, 17, 18, 19, 20, 21, 28, 29, 30, 31, 32 and 33 in  
17 Township 53 North, Range 34 West, and Sections 4, 5 and 6 in Township 52  
18 North, Range 34 West of Platte County, Missouri. The additional service territory  
19 EDG is requesting in Platte County, Missouri in this case is located adjacent to  
20 Sections 10, 11 and 12 in Township 52 North, Range 35 West. I have attached a  
21 copy of the Commission's order in Case No. 13,172 as RFG Attachment 1 to my  
22 direct testimony.

1   **Q.   PLEASE DESCRIBE THE ADDITIONAL NATURAL GAS SERVICE**  
2   **TERRITORY EDG IS REQUESTING IN THIS APPLICATION.**

3   A.   EDG is seeking authorization from the Commission to provide natural gas service  
4       in Sections 13, 14, 15, 22, 23 and 24, Township 52 North, Range 35 West in  
5       Platte County, Missouri. These additional land sections are adjacent to and  
6       immediately South of EDG's existing service territory in Platte County, Missouri.  
7       A map displaying the relationship of this new service territory to our existing  
8       service territory was attached to our application as Appendix B. I have attached  
9       an enhanced version of this map as RFG Attachment 2 to my direct testimony.  
10      This map indicates where natural gas service is currently being provided in  
11      Section 12 of Township 52 North, Range 35 West by EDG and MGE. This map  
12      also indicates the relationship of the existing service area to the newly requested  
13      service territory.

14   **Q.   IS THE ADDITIONAL TERRITORY EDG IS REQUESTING TO SERVE**  
15   **EXPECTED TO DEVELOP IN THE NEAR FUTURE AND REQUIRE**  
16   **NATURAL GAS SERVICE?**

17   A.   Yes. Several of these sections are either under active development at the present  
18       time or expected to develop in the next few years. For example, Section 13,  
19       Township 52 North, Range 35 West is already under development (Seven  
20       Bridges) and this development is expected to extend into Section 14, Township 52  
21       North, Range 35 West in the very near future. A plat of this development is on  
22       file at the Platte County Courthouse. The current plans for this development  
23       indicate that around 1,500 homes are expected to be built in multiple phases.



1           Additionally, development is approaching the requested new certificated area  
2           from the north and south. There is clearly a need for the service, and I believe it  
3           is in the public interest to have natural gas service available as this area develops.

4           **SERVICE PLANS**

5           **Q.     HOW DOES EDG PLAN TO SERVE THIS NEW SERVICE AREA?**

6           A.     In general terms, EDG has the necessary interstate pipeline transportation  
7           capacity to serve the area via an existing transportation agreement it has with the  
8           Southern Star Central Pipeline Company. In addition, EDG has the necessary  
9           financial wherewithal to expand its existing natural gas delivery system in Platte  
10          County to adequately serve the expected increase in demand for natural gas  
11          service. EDG will serve the area pursuant to its existing tariff rates, rules and  
12          regulations, as they may change from time to time as provided by law. Mr. Dan  
13          Klein of EDG will explain the details of our plans to expand the Company's  
14          natural gas distribution system into the new Platte County service area to meet the  
15          expected increase in demand for natural gas service.

16          **FINANCING PLANS**

17          **Q.     HOW WILL EDG FINANCE THE EXPANSION OF ITS EXISTING**  
18          **DELIVERY SYSTEM IN PLATTE COUNTY?**

19          A.     EDG will use internally generated funds and will not need additional external  
20          financing. Therefore, Applicant has the financial ability to provide the proposed  
21          service.

1 **ENCROACHMENT**

2 **Q. IS MGE CURRENTLY PROVIDING NATURAL GAS SERVICE TO THE**  
3 **GENERAL PUBLIC IN PORTIONS OF THE SERVICE AREA**  
4 **AWARDED TO MISSOURI PUBLIC SERVICE COMPANY IN 1956?**

5 A. Yes. As far as EDG has been able to determine, MGE is currently serving retail  
6 customers in Section 12 of Township 52 North, Range 35 West, in Platte County  
7 in the Seven Bridges Subdivision. In addition, MGE continues to expand its  
8 natural gas distribution system in this section, and is using the existence of what  
9 appears to EDG as unauthorized gas service to buttress its application to expand  
10 its certificated service area in Platte County, Missouri to include Sections 13 and  
11 14 in Township 52 North, Range 35 West. As shown in RFG Attachment 1, EDG  
12 has the Commission authorization to provide natural gas service in Section 12 of  
13 Township 52 North, Range 35 West, not MGE. Finally, MGE has already started  
14 to extend its natural gas distribution system in Sections 13 and 14 of Township 52  
15 North, Range 35 West, from Section 12 despite the fact that MGE is not  
16 authorized by the Commission to be in Section 12 and despite the fact that its  
17 expansion into this new area of Platte County, Missouri is being contested by  
18 EDG, and the Commission has not awarded MGE a certificate to serve this area.

19 **Q. HAS EDG HELD MEETINGS WITH MGE TO DISCUSS MGE'S GAS**  
20 **FACILITIES IN SECTION 12 OF TOWNSHIP 52 NORTH, RANGE 35**  
21 **WEST IN PLATTE COUNTY, MISSOURI?**

22 A. Yes. Shortly after EDG acquired the Aquila natural gas properties in Missouri on  
23 June 1, 2006, and EDG personnel realized that MGE was providing natural gas

1 service in Section 12 of Township 52 North, Range 35 West, EDG contacted  
2 MGE and met with officials of MGE to discuss MGE's gas distribution facilities  
3 in Section 12 and what appears to be other incorrect territory descriptions in the  
4 MGE tariffs. In addition, I had an opportunity to discuss the matter directly with  
5 the President of MGE in August of 2006.

6 **Q. WHAT RESULTED FROM THESE DISCUSSIONS?**

7 A. Nothing. MGE basically gave us a copy of its existing tariff sheet that included a  
8 description of the service territory that it was purportedly authorized to serve in  
9 Missouri, copies of service area maps that contain errors similar to the errors in  
10 the MGE tariffs and MGE continued to provide natural gas service directly to  
11 customers in Section 12. Finally, instead of working toward a settlement of this  
12 issue, MGE has compounded the damage by continuing to extend facilities in  
13 Section 12, installing facilities in Sections 13 and 14 and then filing for additional  
14 service territory adjacent to Section 12 of Township 52 North, Range 35 West.

15 **Q. AS PART OF THESE DISCUSSIONS WITH MGE DID EDG REQUEST**  
16 **THAT MGE PRODUCE A COPY OF THE COMMISSION ORDER**  
17 **GRANTING MGE A CERTIFICATE TO DO BUSINESS AS A NATURAL**  
18 **GAS DISTRIBUTION COMPANY IN SECTION 12 OF TOWNSHIP 52**  
19 **NORTH, RANGE 35 WEST OF PLATTE COUNTY, MISSOURI?**

20 A. Yes, but to-date MGE has not given EDG a copy of any Commission order that  
21 grants MGE a certificate of convenience and necessity for this section of Platte  
22 County. Data Requests in this case requesting MGE provide an order granting a  
23 certificate for section 12 and other areas in their tariff that conflict with EDG's

1       certificated territory have had the same result. MGE has failed to provide any  
2       Missouri Public Service Commission order granting it a certificate for the area in  
3       question.

4     **Q.   IN WHAT OTHER SECTIONS OF PLATTE COUNTY, MISSOURI DO**  
5       **THE MGE TARIFFS APPEAR TO BE IN CONFLICT WITH THE**  
6       **COMMISSION'S ORDER IN CASE NO. 13,172, WHICH GRANTED THE**  
7       **AUTHORITY TO PROVIDE NATURAL GAS SERVICE TO MISSOURI**  
8       **PUBLIC SERVICE COMPANY?**

9     A.   In addition to Section 12 in Township 52 North, Range 35 West, MGE's current  
10       tariffs erroneously list the following sections in Platte County, Missouri as part of  
11       its service territory:

- 12               •   Sections 1, 2, 3, 10, and 11 in Township 52 North, Range 35
- 13               •   Sections 4, 5, and 6 in Township 52 North, Range 34 West

14    **Q.   DOES EDG CURRENTLY HOLD A CERTIFICATE FROM THE**  
15       **COMMISSION TO OPERATE A NATURAL GAS TRANSMISSION AND**  
16       **DISTRIBUTION SYSTEM IN EACH OF THESE SECTIONS OF PLATTE**  
17       **COUNTY, MISSOURI?**

18    A.   Yes. The Commission authorized Missouri Public Service Company, the  
19       predecessor to EDG, to provide natural gas service in each of these sections of  
20       Platte County.

21    **Q.   WHAT DOES EDG SEEK WITH RESPECT TO THE ERRORS**  
22       **CONTAINED IN THE CURRENT MGE TARIFFS AS THEY RELATE TO**  
23       **SERVICE TERRITORY DESCRIPTIONS IN PLATTE COUNTY?**

1 A. EDG requests that the MGE tariffs be corrected to eliminate any claim of  
2 Commission authority to provide natural gas service directly to customers in  
3 Sections 1, 2, 3, 10, 11 and 12 in Township 52 North, Range 35 West, and  
4 Sections 4, 5, and 6 in Township 52 North, Range 34 West of Platte County,  
5 Missouri.

6 **Q. WHAT DOES EDG SEEK WITH RESPECT TO THE MGE NATURAL**  
7 **GAS DISTRIBUTION SYSTEM CURRENTLY OPERATING IN**  
8 **SECTIONS 10, 11 AND 12 OF TOWNSHIP 52 NORTH, RANGE 35**  
9 **WEST?**

10 A. EDG seeks a Commission order directing MGE to cease operating as a natural gas  
11 distribution company in this section of Platte County, Missouri and to sell the  
12 existing MGE natural gas distribution facilities to EDG at net book value or in the  
13 alternative, order MGE to abandon its' facilities installed in unauthorized areas at  
14 the time Empire facilities are available to serve the affected customers.

15 **Q. DOES EDG HAVE THE COMMISSION'S APPROVAL TO PROVIDE**  
16 **GAS SERVICE DIRECTLY TO CUSTOMERS IN SECTIONS 10, 11 AND**  
17 **12 OF TOWNSHIP 52 NORTH, RANGE 35 WEST?**

18 A. Yes. In addition, as Mr. Dan Klein of EDG will explain, EDG can have the  
19 necessary facilities in place to not only provide natural gas service to the existing  
20 MGE customers in the aforementioned sections, but to the natural gas customers  
21 in the six additional sections of Platte County that are the subject of the EDG  
22 application in this case as they request natural gas service.

1 **COMMISSION ACTION REQUESTED**

2 **Q. WHAT COMMISSION ACTION IS EDG REQUESTING AT THIS TIME?**

3 A. EDG requests that the Commission:

- 4 • Grant a certificate of convenience and necessity to EDG to provide natural gas  
5 service in Sections 13, 14, 15, 22, 23 and 24 of Township 52 North, Range 35  
6 West in Platte County, Missouri
- 7 • Deny MGE's request to expand its existing service territory in Platte County,  
8 Missouri to include Sections 13 and 14 of Township 52 North, Range 35 West
- 9 • Find that MGE has not been granted a certificate of convenience and necessity for  
10 Sections 1, 2, 3, 10, 11, and 12 of Township 52 North, Range 35 West and  
11 Sections 4, 5 and 6 of Township 52 North, Range 34 West of Platte County
- 12 • Order MGE to correct the service territory description in its tariffs by excluding  
13 references to Sections 1, 2, 3, 10, 11 and 12 of Township 52 North, Range 35  
14 West and Sections 4, 5 and 6 of Township 52, Range 34 West of Platte County,  
15 Missouri
- 16 • Order MGE to sell its existing natural gas distribution facilities in Sections 10, 11,  
17 12, 13, and 14 of Township 52 North, Range 35 West to EDG at net book value  
18 and assist in the orderly transfer of natural gas service from MGE to EDG so that  
19 any customer disruption is minimized. Or in the alternative, order MGE to  
20 abandon its' facilities installed in unauthorized areas at the time EDG facilities are  
21 available to serve the affected customers.

22 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?**

23 A. Yes, it does.