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Case No. GR-2009-0434
Date Testimony Prepared: December 2009

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

Surrebuttal Testimony

of

W. Scott Keith

December 2009

SURREBUTTAL TESTIMONY
OF
W. SCOTT KEITH
THE EMPIRE DISTRICT GAS COMPANY
BEFORE THE
PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI
CASE NO. GR-2009-0434

1 **INTRODUCTION AND QUALIFICATIONS**

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

3 A. My name is W. Scott Keith and my business address is 602 S. Joplin Avenue,
4 Joplin, Missouri.

5 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR JOB TITLE?**

6 A. I am presently employed by The Empire District Electric Company (Empire) as the
7 Director of Planning and Regulatory. I am appearing in this case on behalf of The
8 Empire District Gas Company (EDG), a wholly owned subsidiary of Empire.

9 **Q. ARE YOU THE SAME SCOTT KEITH THAT PREVIOUSLY FILED**
10 **REBUTTAL TESTIMONY IN THIS CASE?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 A. My testimony will respond to the rebuttal testimonies of Constellation NewEnergy
14 (“Constellation”) witnesses Richard Haubensak and Wendi P. Brown in several
15 areas concerning EDG’s transportation tariff proposal. In addition, I will present a
16 revision to the definition of Demand Volume and Billing Demand in the proposed
17 transportation tariff in order to be consistent with the basic stipulation and
18 agreement reached earlier in this case.

1 **EXECUTIVE SUMMARY**

2 **Q. PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY.**

3 A. My testimony will address the following subjects addressed by Constellation
4 witnesses Haubensak and Brown on EDG's gas transportation tariff proposals:

5 1. Haubensak:

- 6 ○ Page 3, lines 9 through 22-Kansas Gas Service ("KGS") and MidAmerican
- 7 Energy ("MidAm")Transportation Tariffs
- 8 ○ Page 5, lines 17 through 22-MidAm Energy Small Volume Nominations
- 9 ○ Page 6, lines 1 through 17-Small Volume Customer Nominations

10 2. Brown:

- 11 ○ Page 3, lines 1 through 7-EDG Storage
- 12 ○ Page 3, lines 13 through 19-EDG & Daily Balancing
- 13 ○ Page 4, lines 7 through 14-Customer Curtailments
- 14 ○ Page 5, lines 1 through 17-Monthly Cash-out provisions

15 **KGS AND MIDAM TRASPORTATION TARIFF SHEETS**

16 **Q. DO YOU AGREE WITH CONSTELLATION WITNESS HAUBENSAK'S**
17 **STATEMENT AT PAGE 3 OF HIS REBUTTAL TESTIMONY THAT KGS**
18 **AND MIDAM DO NOT REQUIRE TELEMETRY FOR SMALLVOLUME**
19 **TRANSPORTATION CUSTOMERS?**

20 A. No. First, both of these gas companies have significantly higher transportation
21 usage thresholds than EDG and do not address those customers that are small
22 transporters on EDG's system. Specifically, KGS has an annual volume
23 requirement of 1,500 Mcf annually before a small volume customer can transport
24 on the KGS system and telemetry is required. The usage threshold on the MidAm

1 system is a maximum daily peak demand of no more than 500 therms and telemetry
2 is required. Both of these small volume thresholds are higher than the existing
3 EDG threshold of 500 Mcf per year and in both situations telemetry is required.

4 **Q. UPON WHAT DOES MR. HAUBENSAK BASE HIS ASSERTION?**

5 A. Apparently, Mr. Haubensak has selected individual tariff sheets that pertain to
6 exceptions to the general transportation rules rather than the tariff sheets that reflect
7 the basic small volume transportation requirements on each of the systems. I have
8 attached a complete copy of the KGS and MidAm transportation tariffs to my
9 surrebuttal testimony as Surrebuttal Schedules WSK-1 and WSK-2, respectfully.

10 **Q. PLEASE DESCRIBE IN MORE DETAIL THE TELEMETRY AND SIZE**
11 **REQUIREMENTS FOR SMALL VOLUME TRANSPORTATION ON THE**
12 **KGS SYSTEM.**

13 A. As indicated on Surrebuttal Schedule WSK-1, Index 28.1, Sheet STk, page 1 of 2,
14 to qualify for transportation a small volume customer is required to use at least
15 1,500 annually at a single location and Electronic Flow Measurement (telemetry) is
16 required. Constellation's contention that customers with usage of less than 1,500
17 annually routinely avoid telemetry is an exception to the general rules governing
18 transportation on the KGS system. Many of the small volume customers that
19 Constellation currently markets gas to on the EDG system would not qualify for
20 transportation on the KGS system.

21 **Q. PLEASE DESCRIBE IN MORE DETAIL THE TELEMETRY AND SIZE**
22 **REQUIREMENTS FOR SMALL VOLUME TRANSPORTATION ON THE**
23 **MIDAM SYSTEM.**

1 A. As indicated on Surrebuttal Schedule WSK-2, Sheet WT-3, small volume
2 transportation on the MidAm system is limited to those customers using less than
3 500 therms per day and having Company installed telemetric equipment in place to
4 monitor daily usage. Telemetry is a requirement on the MidAm system for small
5 volume transportation customers. Constellation has chosen to focus on a small
6 volume transportation service offered by MidAm that is restricted to 2,500
7 customers and not on the normal small volume transportation requirements on the
8 MidAm system (See Surrebuttal Schedule WSK-2, Sheet WT-56). In addition,
9 MidAm appears to have many additional fees that apply to small volume
10 transportation service that EDG has not requested or quantified in its proposal, such
11 as Firm Supply Standby Service, Swing Service, etc.

12 **Q. DO KGS AND MIDAM REQUIRE TELEMETRY ON SMALL VOLUME**
13 **TRANSPORTATION CUSTOMERS?**

14 A. Yes. As indicated on KGS tariff sheet STk, Electronic Flow Measurement
15 (telemetry) is required (See Surrebuttal Schedule WSK-1). MidAm also restricts
16 its small volume transportation service to customers that have telemetry installed
17 (See Surrebuttal Schedule WSK-2). Constellation has chosen to focus on
18 exceptions to this requirement, rather than the general tariff rules on small volume
19 transportation.

20 **Q. DO YOU AGREE WITH CONSTELLATION WITNESS HAUBENSAK'S**
21 **SUGGESTION AT PAGE 5 OF HIS REBUTTAL TESTIMONY THAT EDG**
22 **OFFER A NOMINATION SERVICE TO SMALL VOLUME**
23 **TRANSPORTATION CUSTOMERS?**

1 A. No. EDG has not attempted to quantify the cost associated with offering this type
2 of service. In addition, EDG has not proposed any of the additional fees and/or
3 charges that would need to be in place to make the service offering work properly.
4 The MidAm example cited by Constellation appears to be restricted (only 2,500
5 customers) and involves the application of several supplemental fees and charges
6 that EDG does not have in place. Lastly, it appears to me that the duty to make
7 appropriate nominations is something that falls upon the transportation customer
8 and its marketer. At this time, EDG has no interest in assuming that duty.

9 **Q. DO YOU AGREE WITH CONSTELLATION WITNESS HAUBENSAK'S**
10 **CONTENTION AT PAGE 6 OF HIS REBUTTAL TESTIMONY THAT EDG**
11 **WOULD NOT INCUR ADDITIONAL COSTS TO MAKE THIS SERVICE**
12 **AVAILABLE?**

13 A. No. As I mentioned earlier, the MidAm tariff cited by Mr. Haubensak is restricted
14 to a maximum of 2,500 customers, and MidAm has several other fees and charges
15 that go with this service that EDG does not have. If this type of service did not
16 create additional tasks or involve additional costs for MidAm, I suspect the
17 additional fees and charges for this type of service would not exist in the MidAm
18 tariff.

19 **Q. DO YOU AGREE WITH CONSTELLATION WITNESS BROWN'S**
20 **STATEMENT AT PAGE 3 OF HER REBUTTAL TESTIMONY THAT EDG**
21 **USES STORAGE ON THE SOUTHERN STAR SYSTEM TO MEET THE**
22 **FUTURE NEEDS OF ITS SALES CUSTOMERS?**

23 A. No. This statement is too simplistic and only partially addresses EDG's use of

1 storage. EDG uses the transportation and storage arrangements on the Southern
2 Star system to not only meet the future (winter) needs of its sales service
3 customers, but also to balance the gas receipts and deliveries on the system each
4 day. The balancing of the receipts and deliveries takes into account not only the
5 sales customers requirements, but those of the transportation customers on the
6 system.

7 **Q. DO YOU AGREE WITH CONSTELLATION WITNESS BROWN'S**
8 **STATEMENT AT PAGE 3 OF HER REBUTTAL TESTIMONY THAT**
9 **DAILY BALANCING IS NOT REQUIRED ON THE SOUTHERN STAR**
10 **SYSTEM?**

11 A. No. In effect, Southern Star balances the daily receipts and deliveries of gas on the
12 EDG system using the no notice transportation and storage arrangements that EDG
13 has in place on Southern Star. This means that all gas deliveries, including
14 transportation, are balanced each day using these arrangements. EDG has
15 requested that a new daily balancing fee of \$1.25 per Mcf be established for the
16 large volume transportation customers using these arrangements.

17 **Q. DO YOU AGREE WITH CONSTELLATION WITNESS BROWN'S**
18 **CONTENTION THAT EDG COULD SIMPLY MONITOR**
19 **TRANSPORTATION ACTIVITY AND REQUEST THAT MARKETERS**
20 **OR CUSTOMERS ADJUST DELIVERIES TO AVOID THE USE OF EDG'S**
21 **STORAGE ARRANGEMENTS?**

22 A. No, actual experience suggests otherwise. Based upon my review of several of
23 EDG's communications with marketers such as Constellation concerning the

1 addition or curtailment of gas deliveries, without a daily balancing charge the
2 marketer and customer response to such communications is inconsistent and there
3 is little financial incentive for the marketer or customer to adjust gas deliveries on a
4 daily basis. Similar to my statement above, EDG believes that matching daily gas
5 deliveries with daily transportation usage is a part of the duties of the gas
6 transportation marketers and transportation customers. The proposed balancing fee
7 of \$1.25 per Mcf will encourage the marketers and customers to take this duty
8 seriously and better match gas receipts and deliveries without a direct
9 communication from EDG.

10 **Q. DO YOU AGREE WITH CONSTELLATION WITNESS BROWN'S**
11 **CONTENTION THAT THE MONTHLY CASH-OUT PROCESS**
12 **REIMBURSES EDG FOR DAILY BALANCING COSTS?**

13 A. No. The monthly balancing provisions in the existing and proposed transportation
14 tariff do not reimburse EDG for daily balancing. The monthly balancing provisions
15 are directly related to the monthly quantity of gas delivered and used by the
16 transportation customers. These monthly cash-out provisions have nothing to do
17 with how far out of balance a given transportation customer is on a daily basis. In
18 fact, the lack of a daily balancing fee on the EDG system has resulted in
19 transportation customers and marketers not bothering to adjust deliveries to match
20 consumption on a daily basis. If the monthly cash-out process were adequate as
21 Ms. Brown contends, the daily transportation imbalances on the system would not
22 be as large as EDG has experienced. (See Schedule WSK-5 attached to Keith
23 Rebuttal testimony)

1 **Q. PLEASE DESCRIBE THE REVISION TO THE DEFINITIONS OF**
2 **DEMAND VOLUME AND BILLING DEMAND IN THE PROPOSED**
3 **TRANSPORTATION TARIFF THAT YOU REFERENCED PREVIOUSLY.**

4 A. As a result of the Partial Stipulation and Agreement reached earlier in this case, the
5 proposed definitions of Demand Volume and Billing Demand in the proposed
6 Transportation tariff must be revised to be consistent with the definitions agreed to
7 in the Large Volume Sales Service rates. More specifically, the definition of
8 Demand Volume at sheet 24 of the proposed transportation tariff should be revised
9 to read as follows:

10 “Demand Volume: The billing months of November through March shall be
11 considered winter months; all other billing months shall be considered summer
12 months. The Demand Volume for any winter month shall be the maximum use in
13 Ccf during any consecutive period of 24 hours in such month. The Demand
14 Volume for any summer month shall be one-half of the maximum use in Ccf during
15 any consecutive period of 24 hours in such month.

16
17 Company will normally compute the maximum use in Ccf during any consecutive
18 period of 24 hours in any billing month as 1/20th of the number of Ccf used during
19 such billing month, adjusted to a base monthly billing period of 30 days. For
20 customers not consuming natural gas uniformly throughout the billing month,
21 Company and Customer may agree to determine the maximum use in Ccf during
22 any consecutive period of 24 hours during any billing month by use of metering
23 when such capability is available.

24
25 The Demand Volume for any billing month shall not be less than the greatest
26 billing demand for any of the preceding eleven months. If gas service was
27 furnished during any of the preceding eleven months under any other rate
28 schedule in effect, for the purpose of determining Demand Volume use under such
29 other rate schedule shall be treated as if this Rate Schedule applied thereto.”
30

31 In addition, the definition of Billing Demand at paragraph 4 of tariff sheets 37 and
32 38 should also be revised to reflect the following:

33 “For purposes of determining the billing demand under this rate schedule, the
34 billing months of November through March shall be considered winter months; all
35 other billing months shall be considered summer months. The billing demand for
36 any winter month shall be the maximum use in Ccf during any consecutive period

1 of 24 hours in such month. The billing demand for any summer month shall be
2 one-half of the maximum use in Ccf during any consecutive period of 24 hours in
3 such month.

4
5 Company will normally compute the maximum use in Ccf during any consecutive
6 period of 24 hours in any billing month as 1/20th of the number of Ccf used during
7 such billing month, adjusted to a base monthly billing period of 30 days. For
8 customers not consuming natural gas uniformly throughout the billing month,
9 Company and Customer may agree to determine the maximum use in Ccf during
10 any consecutive period of 24 hours during any billing month by use of metering
11 when such capability is available.

12
13 The billing demand for any billing month shall not be less than the greatest billing
14 demand for any of the preceding eleven months. If gas service was furnished
15 during any of the preceding eleven months under any other rate schedule in effect,
16 for the purpose of determining billing demand use under such other rate schedule
17 shall be treated as if this Rate Schedule applied thereto."
18

19 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY AT THIS**
20 **TIME?**

21 **A.** Yes, it does.