

Exhibit No.	
Issue:	Proposed Gas Transportation Threshold Tariffs
Witness:	Richard Haubensak
Sponsoring Party:	Constellation NewEnergy- Gas Division, LLC
Type of Exhibit:	Supplemental Direct Testimony
Case No.:	GT-2010-0261
Date Testimony Prepared:	May 25, 2010

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

**CASE NO. GT-2010-0261  
MISSOURI GAS ENERGY**

**SUPPLEMENTAL DIRECT TESTIMONY  
OF**

**RICHARD HAUBENSAK**

**ON BEHALF OF CONSTELLATION NEWENERGY-GAS DIVISON, LLC**

**May 25, 2010**

**SUPPLEMENTAL DIRECT TESTIMONY**  
**OF**  
**RICHARD HAUBENSAK**

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1           **I.       QUALIFICATIONS AND PURPOSE OF TESTIMONY**

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

3   A.   My name is Richard Haubensak. My business address is 12120 Port Grace  
4       Boulevard, Suite 200, LaVista, Nebraska, 68128.

5   **Q.   BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6   A.   I am a self-employed consultant.

7   **Q.   PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

8   A.   I have a Bachelor of Science in Business Administration with a major in  
9       accounting from Midland College in Fremont, Nebraska. I have a Masters of  
10      Business Administration degree from the University of Nebraska at Omaha. I  
11      started my career in the natural gas industry with Northern Natural Gas in  
12      1965. Since 1981 to the present I have worked in the area of natural gas  
13      regulation. For six years I was a member of the American Gas Association's  
14      Rate and Strategic Planning Committee. I was Vice President of Natural Gas  
15      Regulation for Aquila Energy until I retired from that firm in 2001. Since 2001  
16      I have worked as an independent consultant in the natural gas industry.  
17      During my career I have testified or managed rate case applications in  
18      Colorado, Florida, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska,  
19      West Virginia, and the Texas Railroad Commission.

1   **Q.    FOR WHOM ARE YOU TESTIFYING IN THIS PROCEEDING?**

2   A.    I am testifying in this case on behalf of Intervenor, Constellation NewEnergy-  
3       Gas Division, LLC (“Constellation”). Constellation is a major marketer of  
4       natural gas on the Missouri Gas Energy (“MGE”) distribution system.

5   **Q.    DID YOU PREVIOUSLY PRESENT TESTIMONY IN MGE’S MOST RECENT**  
6       **RATE CASE, CASE No. GR-2009-0355?**

7   A.    Yes, I presented direct, rebuttal and surrebuttal testimony in that case.

8   **Q.    WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

9   A.    I have thoroughly reviewed MGE’s proposed transportation tariffs in this case.  
10       The purpose of my testimony is to explain to the Commission why those  
11       tariffs do not meaningfully lower the threshold for transportation service in  
12       MGE’s service area, and impose unnecessary burdens on potential small  
13       volume transportation customers. I will also propose changes that the  
14       Commission should require to MGE’s proposed tariffs.

15   **Q.    WHAT IS YOUR OPINION OF MGE’S PROPOSED TARIFFS IN THIS CASE?**

16   A.    I believe MGE’s proposed tariffs in this case are inadequate. They do not  
17       lower the transportation threshold enough to be meaningful, the proposed  
18       phase-in is unworkable, and they require costs for telemetry equipment that  
19       will be an unnecessary obstacle to customers wishing to move to  
20       transportation service.

21   **II.    THE THRESHOLD FOR ELIGIBILITY FOR TRANSPORTATION**

22   **Q.    WHAT DO YOU PROPOSE IN LIEU OF THE MGE PROPOSAL IN THIS CASE?**

1 A. I believe the threshold should be lowered to 30,000 Ccf per year, as  
2 supported by my testimony in Case No. GR-2009-0355, and that telemetry  
3 should not be required for small-volume transportation customers whose peak  
4 month usage is less than 15,000 Ccf. MGE's proposal in this case would  
5 allow transportation only for customers using more than 50,000 Ccf per year,  
6 would do so only in the third year of a proposed "phase-down" of MGE's  
7 threshold. It would also require telemetry equipment for all small-volume  
8 transportation customers. While Constellation is open to the possibility of  
9 limiting the number of new customers taking transportation service in the first  
10 year or two of the lowered threshold, MGE's proposal would both limit the  
11 number of new transportation customers *and* "phase-down" the threshold.  
12 Further, the proposed phase-down is simply unworkable.

13 **Q. PLEASE EXPLAIN.**

14 A. MGE proposes to limit the service in the first year to only fifty (50) customers  
15 having annual usage of 100,000 Ccf or more. A document provided by MGE,  
16 attached to my testimony as **Schedule RJH 13**, shows that only thirty-five  
17 (35) customers in the Large General Service class have annual usage of  
18 100,000 Ccf. So their tariff proposal, which is already unreasonably  
19 restrictive, is not even possible due to the limited number of LGS customers  
20 having annual usage of 100,000 Ccf or more. In addition, at this 100,000 Ccf  
21 threshold, some customers that *currently* are transportation customers  
22 (because they use at least 15,000 Ccf of natural gas in one month, the  
23 current threshold) would not qualify for transportation under the new first-year

1 standard because they do not use at least 100,000 Ccf of natural gas in a  
2 year.

3 **Q. WHAT ABOUT YEARS TWO AND THREE OF THE PROPOSED PHASE-IN (OR**  
4 **PHASE-DOWN) OF THE THRESHOLD?**

5 A. In Year Two, MGE proposed to allow an additional 100 customers with annual  
6 usage of 70,000 Ccf or more to be eligible for transportation. Once again, this  
7 limited offering of customers eligible for transportation in the first two years of  
8 150 (50 in Year 1 + 100 in Year 2) is not even possible since, as **Schedule**  
9 **RJH 13** shows, MGE has only 87 customers in the LGS class with annual  
10 usage of 70,000 Ccf or more. In Year Three, MGE is offering to allow all  
11 customers in the LGS Class with annual usage of 50,000 Ccf or more to be  
12 eligible for transportation.

13 **Q. WHAT WOULD BE THE ENTIRE NUMBER OF ELIGIBLE TRANSPORTATION**  
14 **CUSTOMERS UNDER MGE'S PROPOSED TARIFFS?**

15 A. Based on the information provided by MGE in **Schedule RJH 13**, there would  
16 be only 211 LGS customers allowed to go on transportation at the ultimate,  
17 Year Three threshold of 50,000 Ccf per year. This would be just 6.60% of the  
18 total number of LGS customers of 3,197. In the *Partial Stipulation and*  
19 *Agreement* in GR-2009-0355, MGE stated that "it has no objection in principle  
20 to lowering the threshold for eligibility for transportation service." (Page 7,  
21 Paragraph 17.a.) However, only allowing 6.60% of LGS customers to qualify  
22 is hardly a meaningful expansion of transportation eligibility.

1   **Q.    HOW MANY CUSTOMERS DO YOU THINK SHOULD HAVE THE OPPORTUNITY**  
2   **TO CONSIDER TRANSPORTATION SERVICE?**

3   A.    In Case No. GR-2009-0355, I proposed the threshold be set so that  
4   customers taking 30,000 Ccf per year or more would be eligible for  
5   transportation service. I based this proposal on the threshold that Kansas Gas  
6   Service (KGS) had for customers on the Kansas side of the Kansas City area.  
7   I believe it is important for Missouri customers in the Kansas City area to have  
8   options for gas transportation service similar to those that their competitors  
9   have on the Kansas side of the same metropolitan area. As I stated in my  
10   direct testimony in GR-2009-0355, a number of commercial enterprises in the  
11   Kansas City area that have establishments on both sides of the state line  
12   already avail themselves of transportation service from Kansas Gas Service,  
13   but do not qualify for transportation from MGE because of the substantially  
14   higher threshold in place on the Missouri side of the river. It would be a  
15   shame for businesses to locate in Kansas instead of Missouri because gas  
16   transportation is not available on the Missouri side, or is not available at a  
17   reasonable cost.

18   **Q.    Is 30,000 CCF STILL THE THRESHOLD TO BE ELIGIBLE FOR**  
19   **TRANSPORTATION ON THE KGS SYSTEM?**

20   A.    No, it is not. KGS now allows customers with as little annual usage as 15,000  
21   Ccf to be eligible for transportation. Information concerning the KGS  
22   transportation threshold is attached to this testimony as **Schedule RJH-14.**

1   **Q.   DO YOU THINK MGE SHOULD BE REQUIRED TO LOWER THEIR**  
2       **TRANSPORTATION THRESHOLD DOWN TO 15,000 Ccf PER YEAR?**

3   A.   I believe our original proposal in GR-2009-0355, to have the threshold set at  
4       30,000 Ccf, would be a reasonable level at this time. It would be significant  
5       progress. Based on data from **Schedule RJH 13**, a 30,000 Ccf threshold  
6       would make 628 LGS customers eligible for transportation. That is about 20%  
7       of the LGS class. I would propose that 200 customers be eligible in the first  
8       year on a first-come, first-serve basis, with 200 additional customers  
9       becoming eligible in the second year and the remainder of the LGS class with  
10      usage of 30,000 Ccf or more eligible in Year 3.

11               **III.   TELEMETRY (ELECTRONIC GAS METERING)**

12   **Q.   DOES KGS REQUIRE TELEMETRY EQUIPMENT FOR ALL SMALL VOLUME**  
13      **TRANSPORTATION CUSTOMERS?**

14   A.   No. In my surrebuttal testimony in GR-2009-0355, I pointed out (starting on  
15       page 11, line 21) that KGS, just across the river from the MGE service area,  
16       does not require the installation of telemetry equipment for customers having  
17       a maximum month load of less than 1,500 Mcf (15,000 Ccf) in the most recent  
18       12-month period.

19   **Q.   IN ITS PROPOSED TARIFFS IN THIS CASE, MGE WOULD REQUIRE ALL**  
20      **CUSTOMERS GOING TO TRANSPORTATION TO HAVE TELEMETRY**  
21      **EQUIPMENT INSTALLED. CAN THIS BE JUSTIFIED?**



1 A. No, it cannot. I discussed this in my direct testimony in Case No. GR-2009-  
2 0355, beginning on page 8. Telemetry equipment need not be required for  
3 small volume transportation customers, for the following reasons:

4 1. Small volume usage is very predictable.

5 2. School customers in Missouri are not required to have telemetry equipment  
6 installed.

7 3. Customers with similar load characteristics in other states are not required  
8 to have telemetry installed.

9 4. The Empire District Gas Company in Missouri does not require telemetry  
10 equipment to be installed for small volume customers. This was just  
11 reaffirmed by the Missouri Commission in Case No. GR-2009-0434.

12 **Q. WHY IS THE INSTALLATION OF TELEMETRY EQUIPMENT SOMETIMES**  
13 **CONSIDERED NECESSARY FOR TRANSPORTATION CUSTOMERS?**

14 A. Telemetry equipment is very necessary for large volume customers whose  
15 usage can fluctuate dramatically from day to day. As customers require  
16 higher peak loads, it is reasonable to require the installation of telemetry  
17 equipment. There is also a strong argument that telemetry equipment should  
18 be installed where the applicable interstate pipeline has daily balancing  
19 requirements. However, this is not the case for MGE, which receives most of  
20 its gas supply from the Southern Star pipeline system, which does not have  
21 daily balancing.

22 **Q. DID THE PARTIAL SETTLEMENT IN CASE No. GR-2009-0355 ADDRESS**  
23 **TELEMETRY COSTS?**

1 A. Yes. The *Partial Stipulation and Agreement* approved in that case, in  
2 Paragraph 17.d., states: “The revised transportation tariff to be filed by MGE  
3 will, among other things, reflect the cost of telemetry equipment to  
4 transportation customers, which shall be no more than the actual, new cost of  
5 installed telemetry equipment.”

6 **Q. HAS MGE ADDRESSED TELEMETRY COSTS IN ITS PROPOSED TARIFFS IN**  
7 **THIS CASE?**

8 A. No, it has not. In my surrebuttal testimony in GR-2009-0355, starting on page  
9 9, line 21, I pointed out that MGE continues to suggest that telemetry  
10 equipment would require a one time charge to the customer in the range of  
11 \$3,000 to \$4,000. MGE’s existing tariff Sheet 71 shows a charge for telemetry  
12 equipment (“EGM,” or Electronic Gas Metering) of up to \$5,000. This tariff  
13 was last changed in 1998, when telemetry costs were much higher than they  
14 are today. Contrary to the *Partial Stipulation and Agreement* in GR-2009-  
15 0355, MGE has not filed a revised tariff in this case reflecting lower, actual  
16 costs for telemetry.

17 **Q. HAVE YOU PROVIDED EVIDENCE OF THE COSTS OF TELEMETRY FROM**  
18 **OTHER MIDWESTERN UTILITIES?**

19 A. Yes. On pages 10, 11 and 12 of my surrebuttal testimony in GR-2009-0355, I  
20 provided evidence from other utilities’ tariffs, and even evidence from the  
21 Missouri PSC Staff, that MGE’s telemetry charges are excessive. The highest  
22 charge I could find from my research for installed telemetry equipment for  
23 small volume transportation customers was around \$1,600.00.

1   **Q.    SINCE FILING TESTIMONY IN GR-2009-0355, HAVE YOU RECEIVED**  
2           **ADDITIONAL INFORMATION REGARDING THE COST OF TELEMTRY**  
3           **EQUIPMENT?**

4    A.    Yes, I have obtained additional information from three gas utilities that only  
5           require telemetry for large volume transportation customers. In the recently  
6           completed Empire District Gas Company rate case, Case No. GR-2009-0434,  
7           Empire responded in answer to Staff Data Request No. 0164 that, "At the  
8           present time the estimated cost of the investment in telemetry would range  
9           from around \$1,070 in the case of a small volume meter installation to around  
10          \$2,600 in the case of a large volume meter installation." I have attached a  
11          copy of that Data Request response to this supplemental testimony as  
12          **Schedule RJH 15**. Also, I have received information from Black Hills Energy  
13          that the installed cost of telemetry on large volume meters is around \$1,125.  
14          (See **Schedule RJH 16**). Black Hills provides natural gas service in Colorado,  
15          Kansas, Iowa and Nebraska. Lastly, I have received updated information from  
16          MidAmerican Energy showing their estimated costs to install telemetry for  
17          2010 will range from \$2,549 in South Dakota to \$3,385 in Iowa. (See  
18          **Schedule RJH 17**.)

19   **Q.    DOES THIS INFORMATION SHOW A RELATIVELY COMMON COST FOR THE**  
20           **INSTALLATION OF TELEMTRY EQUIPMENT?**

21    A.    Yes, it does. There are two basic methods of measuring gas deliveries, a  
22           standard meter with a telemetry unit attached, or using a flow computer,

1 which is normally used for very large volume customers. From the information  
2 provided by Black Hills, they apparently use the basic telemetry unit even for  
3 large volume customers choosing transportation, since they do not require the  
4 installation of telemetry equipment in any jurisdiction for small volume  
5 customers. From the information provided by Empire District, they apparently  
6 assume any telemetry equipment installed for small volume customers would  
7 be the basic unit, while a flow computer would be installed for measurement  
8 on large volume customers. Again, Empire District does not require telemetry  
9 equipment to be installed for small volume transportation customers. Finally,  
10 the information provided by MidAmerican shows a significant increase in  
11 costs from the information provided previously. However, as in the case for  
12 Black Hills and Empire, MidAmerican does not require the installation of  
13 telemetry equipment for small volume customers, so the new cost information  
14 pertains to large volume transportation customers only.

15 **Q. YOU HAVE MADE SEVERAL REFERENCES TO SMALL VOLUME AND LARGE**  
16 **VOLUME CUSTOMERS. WHAT IS USUALLY THE BREAK BETWEEN SMALL**  
17 **VOLUME AND LARGE VOLUME SERVICE?**

18 A. It varies from utility to utility, but a commonly-used requirement is that to  
19 qualify for large-volume service, a customer must have the capacity to  
20 consume or take 2,000 Ccf of natural gas per day. In the case of MGE, the  
21 customers in their Large General Service (LGS) class would be considered  
22 small-volume by the other utilities identified in my testimony here and in GR-  
23 2009-0355, and would not even be required to have telemetry equipment

1 installed. If, for some reason, the customer requested to have telemetry  
2 equipment installed, it would be at a lower cost probably not exceeding  
3 \$1,200, as opposed to MGE's contention that there would need to be a one-  
4 time charge of \$3,000 to \$4,000.

5 **Q. HAVE YOU HEARD FROM ANY PROSPECTIVE TRANSPORTATION**  
6 **CUSTOMERS IN THE KANSAS CITY AREA ON THIS ISSUE?**

7 A. Yes. Attached to my testimony as **Schedule RJH 18** is a letter from Mr.  
8 Robert Meuschke, the owner of Family Laundry in Kansas City, Missouri, who  
9 is President of the Missouri-Kansas Laundry Association. Mr. Meuschke  
10 would like to have the same availability of gas transportation service without  
11 telemetry for potential transportation customers in Missouri as is available in  
12 Kansas.

13 **IV. CAPACITY RELEASE, BALANCING AND CASH-OUT**  
14 **PROVISIONS**

15 **Q. WHAT IS YOUR OPINION OF MGE'S PROPOSAL FOR RELEASING**  
16 **RECALLABLE CAPACITY?**

17 A. This sounds reasonable, although the details will have to be worked out. The  
18 objectives should be that MGE does not get stuck with any stranded capacity  
19 costs that it, or remaining sales customers, would have to bear, and that the  
20 customers choosing the transportation alternative are not paying any more for  
21 pipeline capacity than they paid as sales customers. MGE should be required  
22 to prove that its proposed tariffs would accomplish that result. I will address  
23 this issue further in my supplemental rebuttal testimony, once we see MGE's

1 explanations and support for its proposed tariff provisions in its supplemental  
2 direct testimony.

3 **Q. WHAT CAN A UTILITY LIKE MGE DO TO ENCOURAGE MARKETERS TO**  
4 **STAY IN BALANCE AND KEEP THEM FROM “GAMING THE SYSTEM”?**

5 A. They can have tiered cash-out provisions where, if a marketer or  
6 transportation customer nominates more gas than is consumed during the  
7 month, they are cashed out at less than the index price. Conversely, if the  
8 marketer or transportation customer nominates less gas during the month  
9 than is consumed, they are required to pay the utility a price above the index  
10 price.

11 **Q. DOES MGE HAVE THESE PROVISIONS IN THEIR TRANSPORTATION**  
12 **TARIFF?**

13 A. Yes, they do. This is shown in MGE’s compliance tariff in Case No. GR-2009-  
14 0355, Sheet No. 61.2, attached here at **Schedule RJH 19**.

15 **Q. ARE MGE’S MONTHLY CASH-OUT PROVISIONS REASONABLE?**

16 A. Yes, they are. They encourage marketers and transportation customers to  
17 stay in balance and prevent them from gaming the system.

## 18 **V. CONCLUSION**

19 **Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

20 A. MGE’s threshold for transportation eligibility should be lowered to 30,000 Ccf  
21 per year, to be more consistent with the threshold of KGS on the Kansas side  
22 of the Kansas City metropolitan area. This would allow approximately 20% of

1 MGE's LGS customers to become eligible for transportation service, rather  
2 than the paltry 6.6% that MGE's proposed tariffs would allow. Telemetry  
3 should not be required for these new, small volume transportation customers  
4 unless they use more than 15,000 Ccf in their peak month, consistent with the  
5 KGS tariff in Kansas. While Constellation is open to the possibility of limiting  
6 the number of new customers taking transportation service in the first year or  
7 two of the lowered threshold, MGE's proposed phase-down is simply  
8 unworkable. Instead, the first 200 customers should be allowed to take  
9 transportation in Year One, another 200 in Year Two, and the remainder of  
10 the LGS class in Year Three. Lastly, MGE should be required to file a new  
11 tariff sheet reflecting that telemetry, when required, will be provided at  
12 installed cost based on current costs, which are much lower than those  
13 currently charged by MGE.

14 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

15 **A.** Yes, it does.

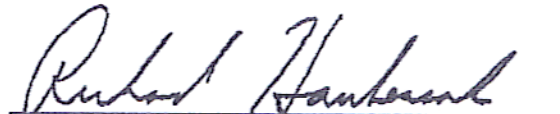
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In re Missouri Gas Energy's Revised  
Transportation Tariff

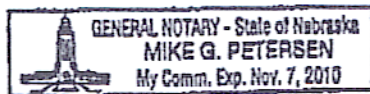
) File No. GT-2010-0261  
) Tariff No. JG-2010-0565

AFFIDAVIT OF RICHARD HAUBENSAK

Richard Haubensak, of lawful age, on his oath, states that he has participated in the preparation of the foregoing Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
Richard Haubensak

Subscribed and sworn before me this 25<sup>th</sup> day of May 2010.



  
Notary Public

My Commission Expires: November 7, 2010

1 A.