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| Exhibit No.              |   |
| Issue:                   | Proposed Gas<br>Transportation<br>Threshold Tariffs |
| Witness:                 | Richard Haubensak                                   |
| Sponsoring Party:        | Constellation<br>NewEnergy-<br>Gas Division, LLC    |
| Type of Exhibit:         | Supplemental Rebuttal<br>Testimony                  |
| Case No.:                | GT-2010-0261  |
| Date Testimony Prepared: | June 22, 2010                                       |

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

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

**SUPPLEMENTAL REBUTTAL TESTIMONY**

**OF**

**RICHARD HAUBENSAK**

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

**June 22, 2010**

**SUPPLEMENTAL REBUTTAL TESTIMONY**  
**OF**  
**RICHARD HAUBENSAK**

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

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

4   **Q.   ARE YOU THE SAME RICHARD HAUBENSAK WHO CAUSED TO BE FILED**  
5       **SUPPLEMENTAL DIRECT TESTIMONY IN THIS CASE?**

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

10   **Q.   WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL REBUTTAL TESTIMONY**  
11       **IN THIS CASE?**

12   A.   I wish to comment on the Supplemental Direct Testimony of MGE witness  
13       David N. Kirkland, and of Staff witnesses Lesa A. Jenkins and Michael J.  
14       Ensrud.

1   **Q.   DO YOU AGREE WITH MR. KIRKLAND REGARDING MGE’S PROPOSED**  
2   **TRANSPORTATION THRESHOLD?**

3   A.   No. In his Supplemental Direct Testimony, starting on page 5, line 11, Mr.  
4   Kirkland has proposed lowering the threshold for transportation to customers  
5   taking 50,000 Ccf or more per year, with a 3-year phase-in period. As I  
6   explained in my Supplemental Direct Testimony, starting on page 3, line 14,  
7   MGE’s proposal would allow only 35 Large General Service (LGS) class  
8   customers to move to transportation in the first year, and only a total of 211  
9   additional customers after 3 years. Constellation is certainly open to a phase-  
10   in period over 3 years, as suggested by Mr. Kirkland, but the number of  
11   customers per year should be increased and the threshold should be lowered  
12   to 30,000 Ccf per year as suggested in my previous testimony (page 5, lines  
13   1-6).

14   **Q.   PLEASE CONTINUE.**

15   A.   On page 7 of his Supplemental Direct, Mr. Kirkland starts a discussion of the  
16   concerns MGE has related to the potential for stranded interstate  
17   transportation capacity.

18   **Q.   DO YOU AGREE WITH HIM?**

19   A.   Yes, I generally agree that his concerns are valid.

20   **Q.   HAS MR. KIRKLAND PROPOSED A SOLUTION TO THIS ISSUE?**

21   A.   Yes, he has. It is described on page 8 of his Supplemental Direct Testimony,  
22   starting on line 3. His proposal is to require a customer or pool operator to

1 agree to accept a pro rata share of the applicable interstate pipeline's firm  
2 capacity, excluding storage capacity.

3 **Q. DO YOU AGREE WITH HIS PROPOSAL?**

4 A. Generally. However, I will reserve judgment until I can review the final  
5 proposed cost. Moreover, as more customers are able to take advantage of a  
6 competitive market, it may be preferable to allow customers, or their supplier,  
7 access to any storage capacity controlled by MGE.

8 **Q. ON PAGE 8, LINE 16, MR. KIRKLAND BEGINS HIS DISCUSSION OF THE**  
9 **NEED FOR TELEMETRY EQUIPMENT. DO YOU AGREE WITH THIS**  
10 **TESTIMONY?**

11 A. No, I do not. First of all, he states that, "consistent with its current tariffs MGE  
12 would require all transportation customers have EGM equipment." That is not  
13 correct. Currently, schools on the MGE system are not required to have EGM  
14 equipment. As I discussed in my Supplemental Direct Testimony, page 6, line  
15 12 through page 7, line 11, small volume customers on the school program in  
16 Missouri, all small volume transportation customers on the Empire District  
17 system and small volume transportation customers in other states are not  
18 required to have EGM equipment. Requiring small volume customers to have  
19 EGM equipment installed creates a barrier to prevent these customers from  
20 having an alternative to their present sales service from MGE. In his  
21 Supplemental Direct Testimony, Mr. Kirkland provides testimony on page 9,  
22 beginning on line 5 as to the cost of EGM equipment. These costs are in  
23 excess of what costs are for similar equipment installed by other utilities,

1       which I discuss in my Supplemental Direct Testimony starting on page 8, line  
2       19. The high cost charged by MGE for EGM equipment is another reason for  
3       not requiring EGM equipment to be installed and billed to small volume  
4       transportation customers.

5       **Q.   HAVE YOU BEEN ABLE TO DETERMINE WHY MGE’S CHARGE FOR**  
6       **TELEMETRY EQUIPMENT IS SO MUCH HIGHER THAN WHAT IS CHARGED BY**  
7       **OTHER UTILITIES?**

8       A.   Yes, I have. After reviewing MGE’s response to Constellation’s Data Request  
9       No. 0001, it was determined that MGE is charging customers going to  
10      transportation service for the cost of a MINI-AT PT Corrector (a pressure and  
11      temperature corrector) at a cost of approximately \$1,600.00.

12      **Q.   IS THIS A VALID AND PRUDENT CHARGE?**

13      A.   No. Not only is telemetry unnecessary for these small volume customers, but  
14      it is also apparent that MGE is proposing to charge these customers for a  
15      change in equipment that MGE either admits is unnecessary or was planning  
16      to make anyway. In its response to Constellation Data Request No. 0004,  
17      MGE states: “Most sales customers have a fixed delivery pressure,  
18      consequently, the pressure correction factor is fixed and a pressure corrector  
19      is not necessary. The meters on approximately 50% of MGE’s sales  
20      customers are temperature compensated meters. As the remaining meters  
21      are changed out, they are replaced with temperature compensated meters.”  
22      MGE should not be allowed to incrementally charge customers going to

1 transportation for equipment changes they would be making regardless of  
2 whether the customers were on sales or transportation service.

3 **Q. DOES MGE NEED TO MAKE THESE CHANGES?**

4 A. MGE apparently wants to standardize its transportation measurement and  
5 telemetry to include pressure correction capabilities in the instrument installed  
6 at the telemetered site. This is not necessary because the host computer  
7 software installed at the data collection site allows for storage and use of the  
8 pressure factor that is currently being used for the customer as a sales  
9 customer. Conversion to a remote site real-time pressure correction that is  
10 then charged to the small-volume customer is, in the first place, unnecessary.  
11 It is also clearly discriminatory when not based upon customer size or class  
12 but solely because the customer has decided to transport. In essence, not  
13 only is MGE trying to charge for unnecessary telemetering, but MGE is  
14 attempting to gold plate the current method and quality of readings charged to  
15 the transportation customer in discriminatory fashion. In addition, the  
16 argument for standardization is dubious because inputting a pressure factor  
17 into the telemetry central host software creates no additional time or expense  
18 over what is being performed now in the sales billing software as a sales  
19 customer.

20 **Q. IF MGE EXCLUDED THIS CHARGE WHEN INSTALLING TELEMETRY**  
21 **EQUIPMENT TO NEW TRANSPORTATION CUSTOMERS, WOULD IT GET**  
22 **THEIR TELEMETRY COSTS MORE IN LINE WITH OTHER UTILITIES?**

1 A. Yes, it would. This change would go a long way to removing the barriers MGE  
2 has proposed to put in place for customers wishing to move to transportation  
3 service.

4 **Q. WHAT COMMENTS DO YOU HAVE REGARDING THE TESTIMONY OF STAFF**  
5 **WITNESS LESA JENKINS?**

6 A. Ms. Jenkins, on page 3 of her Supplemental Direct Testimony, line 7, states  
7 that: "Staff recommends that **all** capacity release revenue received for  
8 capacity release to any and all LGS customers, or their designated agents,  
9 should be credited to the Company's actual cost adjustment (ACA) account,  
10 in a similar manner as that for capacity release for the School Transportation  
11 Program as described in the currently effective Tariff Sheet No. 56." I am  
12 assuming Ms. Jenkins is referring to the capacity release revenues received  
13 by MGE and not to any capacity release revenues received by LGS  
14 customers or their designated agents. In other words, once the capacity is  
15 released to the customer or its agent, the customer or agent should be free to  
16 do whatever they want with the capacity and keep any revenues they receive.  
17 If this is Ms. Jenkins' position, I am in agreement.

18 **Q. JUST WHAT IS MEANT BY THE TERM "CAPACITY RELEASE REVENUES"?**

19 A. Capacity release revenues are created when a utility or a marketer that has  
20 purchased interstate pipeline capacity to meet the needs of its customers  
21 finds it does not need all of this capacity every day of the year and so, when  
22 possible, sells this excess capacity to others, usually at less than full cost.  
23 This type of transaction, when completed by a utility or a marketer, makes



1 sense in that the released capacity can be used by someone else, and it  
2 reduces the total cost incurred for pipeline capacity by the utility or the  
3 marketer.

4 **Q. DO YOU HAVE COMMENTS REGARDING MR. ENSRUD'S TESTIMONY?**

5 A. Yes, I do. Mr. Ensrud is essentially concerned that MGE's sales customers  
6 should not be burdened with additional costs when some of the LGS  
7 customers choose to go to transportation service rather than traditional sales  
8 service.

9 **Q. DOES THIS CONCERN HAVE ANY VALIDITY?**

10 A. Yes, in part. However, as Mr. Ensrud points out, MGE already has in place  
11 tariff provisions to address some of his concerns, such as monthly cash-out  
12 provisions for under-and over-nominations. Mr. Ensrud states, starting on  
13 page 3, line 5, "MGE needs to be able to determine the extent of the LGS  
14 transport customers' daily imbalances. Any monthly 'true-up' -- based on the  
15 **net** volume of gas either purchased or sold during the month -- fails to  
16 accurately quantify for recovery of the storage and transport costs that MGE  
17 will incur from the pipeline." On lines 13-15 on that page, Mr. Ensrud states:  
18 "Staff recommends all LGS Transport customers be required to have  
19 telemetry equipment in order for MGE to accurately measure that particular  
20 customer's actual usage on a daily basis."

21 **Q. DO YOU AGREE THAT TELEMETRY EQUIPMENT IS NEEDED FOR ALL LGS**  
22 **TRANSPORT CUSTOMERS?**

1 A. No, I do not. As I pointed out in my Supplemental Direct Testimony and in my  
2 Direct Testimony in Case No. GR-2009-0355, telemetry equipment is not  
3 required for customers on the school program, small volume customers on  
4 the Empire District system, or for small volume transportation customers in  
5 several other states. It is possible, as Mr. Ensrud suggests, that injections or  
6 withdrawals from storage may, in small part, be caused by the actions of  
7 transportation customers. If in the opinion of MGE this is correct, then a  
8 balancing service charge should be developed to cover these estimated  
9 storage costs, such as is currently in place for schools on the MGE system  
10 and such as has been in place on the Empire District system for all small  
11 volume transportation customers since Empire first started offering small  
12 volume transportation in 2001. To require a few hundred small volume  
13 transportation customers to have telemetry equipment installed when they are  
14 such a minute portion of MGE's total throughput is excessive and appears  
15 contrary to the public interest. Moreover, this requirement is even more ill-  
16 advised considering MGE's gross charges for telemetry equipment, which are  
17 significantly higher than those of other utilities.

18 **Q. MR. ENSRUD (ON PAGE 5, LINE 14) STATES THAT WHEN AN OFO IS**  
19 **CALLED BY THE INTERSTATE PIPELINE, THERE IS AN EXPECTATION THAT**  
20 **TRANSPORTATION CUSTOMERS AND MARKETERS WILL MORE CLOSELY**  
21 **MONITOR DAILY USAGE. IS THIS A VALID CONCERN?**

22 A. Yes, it is. However, there are other ways to address this concern than by  
23 requiring the installation of telemetry equipment. Kansas Gas Service (KGS),

1        whose tariffs were previously filed in this case, handles this issue by requiring  
2        transportation customers and marketers to nominate a previously determined  
3        maximum daily quantity on OFO days. This way, KGS knows how much gas  
4        will be coming into the system.

5        **Q.    DOESN'T IT PLACE A SIGNIFICANT BURDEN ON THE GAS UTILITY TO**  
6        **REQUIRE IT TO DETERMINE A MAXIMUM DAILY QUANTITY FOR EACH**  
7        **TRANSPORTATION CUSTOMER?**

8        A.    Not really. Keep in mind that we are only talking about a few hundred small  
9        volume transportation customers, whose usage is very predictable.

10      **Q.    DOES THIS CONCLUDE YOUR SUPPLEMENTAL REBUTTAL TESTIMONY?**

11      A.    Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

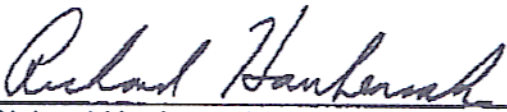
In re Missouri Gas Energy's Revised  
Transportation Tariff

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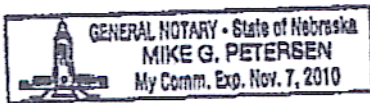
File No. GT-2010-0261  
Tariff No. JG-2010-0565


AFFIDAVIT OF RICHARD HAUBENSAK

Richard Haubensak, of lawful age, on his oath, states that he has participated in the preparation of the foregoing Supplemental Rebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Supplemental Rebuttal 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 15<sup>th</sup> day of June 2010.



  
\_\_\_\_\_  
Notary Public

My Commission Expires: November 7, 2010