

Exhibit No.	
Issue:	Gas Transportation
Witness:	Richard Haubensak
Sponsoring Party:	Constellation NewEnergy- Gas Division, LLC
Type of Exhibit:	Surrebuttal Testimony
Case No.:	GR-2009-0355
Date Testimony Prepared:	October 14, 2009

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

**CASE NO. GR-2009-0355
MISSOURI GAS ENERGY**

SURREBUTTAL TESTIMONY

OF

RICHARD HAUBENSAK

ON BEHALF OF CONSTELLATION NEWENERGY-GAS DIVISON, LLC

October 14, 2009

SURREBUTTAL TESTIMONY

OF

RICHARD HAUBENSAK

TABLE OF CONTENTS

I.	Purpose of Surrebuttal Testimony	1
II.	Response to Testimony of MGE Witness Kirkland	2
III.	Response to Testimony of MGUA Witness Johnstone	6
IV.	Operational Flow Order (OFO) Issue	7
V.	Telemetry Costs	9
VI.	Summary	13
Schedules 5 – 12		Separate pdf files

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

A. I am a self-employed consultant. I am testifying in this case on
behalf of Intervenor, Constellation NewEnergy-Gas Division, LLC
("Constellation"). Constellation is a major marketer of natural gas
on the Missouri Gas Energy ("MGE") distribution system.

**Q. DID YOU PREVIOUSLY PRESENT DIRECT AND REBUTTAL TESTIMONY
IN THIS CASE?**

A. Yes, I did.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. I wish to comment on the discussion of transportation thresholds
presented by MGE witness, David N. Kirkland, in his rebuttal
testimony (beginning on page 16), and the rebuttal testimony of
Donald Johnstone on behalf of MGUA in regard to his cost of
service study and discussion of transportation issues. I will address
the unfairness of MGE unilaterally calling OFO days (or OFO
months) when its pipeline has not done so and there is no system
operational emergency. Finally, I wish to discuss the cost of
telemetry equipment, if it is deemed necessary to provide
transportation service to small volume customers.

1 **Q. WHAT IS CONSTELLATION’S PROPOSAL IN THIS CASE CONCERNING**
2 **THE THRESHOLD FOR ELIGIBILITY FOR TRANSPORTATION**
3 **SERVICE?**

4 A. As set out in my direct testimony (on pages 3-7), Constellation
5 requests MGE’s threshold be changed to allow transportation to
6 non-residential gas customers with annual usage of 30,000 Ccf per
7 year. The newly-eligible transportation customers (“small volume
8 transportation customers”) would be in the Large General Service
9 (LGS) rate class. MGE currently limits transportation service only to
10 those customers “the Company expects will exceed 15,000 Ccf in
11 any one month of a 12-month billing period.” The current threshold
12 only applies to large, industrial customers in MGE’s LVS rate class.
13 By lowering the threshold to customers using at least 30,000 Ccf
14 per year, as I have proposed in this case, higher-volume customers
15 in the Large General Service (LGS) rate class would also qualify for
16 transportation service.

17 **Q. PLEASE ADDRESS MR. KIRKLAND’S REBUTTAL TESTIMONY.**

18 A. On page 16, beginning at line 16, of his Rebuttal Testimony, Mr.
19 Kirkland expresses the view that lowering the transportation
20 eligibility threshold would result in stranded costs to MGE. He
21 argues that “MGE’s remaining customers would pay for the cost of
22 interstate transportation capacity for those customers who change
23 to transportation service.”

1 **Q. IS THIS AN ACCURATE STATEMENT?**

2 A. No, it is not. The interstate pipeline capacity needed to serve
3 *existing* MGE sales customers who want to go to a transportation
4 service would be provided by MGE. MGE would be fully reimbursed
5 for the pipeline capacity that is assigned to serve *existing* MGE
6 customers who prefer to go to transportation service. If done
7 properly, MGE would be fully reimbursed for their cost of interstate
8 pipeline capacity and would be revenue neutral.

9 **Q. DO YOU HAVE AN EXAMPLE OF HOW THIS PROCESS WOULD WORK**
10 **USING THE ACTUAL TARIFF OF A LOCAL DISTRIBUTION COMPANY**
11 **(“LDC”)?**

12 A. Yes, I do. The specific language and details could vary. I have
13 attached as Schedule RJH 5 the compliance filing of MidAmerican
14 Energy, an Iowa LDC, when they filed their tariffs to implement
15 small volume transportation. The discussion of capacity release
16 starts on page 3 of MidAmerican’s filing, and is also covered on
17 page WT-58 of the tariff (which appears in Schedule RJH 5, at
18 Schedule RJH 5.15).

19 **Q. WHY DID YOU CHOOSE MIDAMERICAN ENERGY FOR YOUR**
20 **EXAMPLE?**

21 A. I believe the MidAmerican example is clear and easy to
22 understand. Again, the specific language and details could vary.

1 However, if done properly, there is no reason that MGE should be
2 left with stranded costs, or stranded interstate pipeline capacity, if
3 the threshold is lowered.

4 **Q. PLEASE CONTINUE.**

5 A. Mr. Kirkland, on page 17 of his Rebuttal Testimony, states, “if the
6 threshold for transportation capacity is changed to increase the
7 number of customers transporting supplies on MGE’s system, MGE
8 would have to propose a change in the balancing provisions to
9 include a daily balancing provision.”

10 **Q. IS THIS AN ACCURATE STATEMENT?**

11 A. I do not believe so. Assume for the moment that telemetry
12 equipment would be required for new transportation customers,
13 although I do not believe that is necessary based on Constellation’s
14 experience in other states. If telemetry equipment is deemed
15 necessary, these customers could be placed in existing
16 transportation pools which Constellation has on the MGE system,
17 or in a new pool established for these customers. I do not believe
18 there would be a need for a new balancing provision in this
19 situation.

20 **Q. WHAT OTHER ISSUES DOES MR. KIRKLAND RAISE?**

21 A. Mr. Kirkland goes on to state that “MGE is not prepared at this time
22 to make such changes, which require internal system programming

1 changes and a transition period for the installation of measurement
2 and telemetry equipment on customer premises.”

3 **Q. WHAT IS YOUR OPINION OF THIS STATEMENT?**

4 A. Again, if telemetry equipment is required, these customers could go
5 into existing transportation pools or a new pool on the MGE system.
6 I agree there would have to be a transition period to install
7 telemetry equipment. If telemetry is not required, as I have
8 demonstrated is workable from Constellation’s experience in other
9 states, a transition period would have to be established to set up
10 the process for making nominations for the non-telemetered
11 customers and development of a balancing service for these
12 customers to insure MGE is fully reimbursed for their costs and that
13 no additional costs are placed on the remaining sales customers.

14 **Q. PLEASE CONTINUE.**

15 A. Mr. Kirkland goes on to state that I have “not proposed a method
16 for the recovery of this cost from customers migrating to
17 transportation service or how to address the other issues noted
18 above.” I believe I have explained in my testimony how costs would
19 be recovered. I would have to defer to MGE as to how much should
20 be charged for daily balancing, since they know their system better
21 than I do. One last thing I would point out is that MGE is already
22 providing the service Constellation is proposing in this case, to
23 schools in Missouri. What Constellation is proposing is not new to

1 MGE. It is merely an expansion of an existing service which MGE is
2 already providing.

3 **Q. PLEASE COMMENT ON MR. JOHNSTONE'S REBUTTAL TESTIMONY.**

4 A. I did not complete a cost of service study as done by Mr.
5 Johnstone. However, as I noted in my direct testimony, the cost to
6 serve transportation customers is usually less than the cost to
7 serve similarly situated sales customers because: (1)
8 Transportation customers provide their own gas supply, reducing
9 the LDC's working capital needs; (2) Transportation customers
10 lessen the burden of the utility's gas supply department; and (3)
11 Any bad debt expense attributable to transportation customers
12 would be much less for the utility to bear because the gas supply
13 portion of the bad debt has been provided by the marketer.

14 **Q. WHAT ABOUT MR. JOHNSTONE'S COMMENTS ON THE**
15 **TRANSPORTATION TARIFF ISSUES IN THIS CASE?**

16 A. I am in agreement with Mr. Johnstone's comments about MGE's
17 proposed changes in the transportation terms and conditions in this
18 case. As he states, on page 15, beginning on line 10, of his
19 Rebuttal Testimony: "Many of the changes would increase the
20 charges to customers where there is no cost basis for the
21 increases." As I stated in my direct testimony, at page 12, line 21 to
22 page 13, line 4: "The local distribution company should design its
23 transportation rules to 'mirror the applicable interstate pipeline to

1 insure they recover all the penalties coming from the interstate
2 pipeline from the party on their system responsible for the penalty.
3 Anything more than that, such as being allowed to call an OFO
4 when one is not being called by the interstate pipeline, means they
5 are attempting to recover from someone else a penalty that party is
6 not responsible for.”

7 **Q. HAS MGE CALLED ON OFO DAY DURING THE PENDENCY OF THIS**
8 **RATE CASE?**

9 A. Actually, MGE has called two OFO *months*, not days, for the entire
10 months of September and October 2009. Copies of the OFO
11 notices issued by MGE are attached to this surrebuttal testimony as
12 Schedule RJH 6. MGE apparently believes it already has the power
13 to call an OFO day even though there is no system operational
14 emergency and the upstream interstate pipeline has not called an
15 OFO day. MGE should not be allowed to do this.

16 **Q. WHAT IS MGE’S STATED REASON FOR CALLING OFO DAYS**
17 **(ISSUING OPERATIONAL FLOW ORDERS) FOR THE ENTIRE MONTHS**
18 **OF SEPTEMBER AND OCTOBER?**

19 A. MGE says it is due to high levels of natural gas in storage, but does
20 not explain what this means, nor what or who caused the problem.
21 There is no indication that transportation customers or marketers
22 (like Constellation) contributed in any way at all to whatever the

1 vague “storage” problem is that MGE says it is addressing by
2 calling the OFO.

3 **Q. WHAT IS THE EFFECT OF THESE OFO MONTHS ON**
4 **TRANSPORTATION CUSTOMERS AND MARKETERS LIKE**
5 **CONSTELLATION?**

6 A. Normally on the MGE system, differences between deliveries and
7 retainage-adjusted receipts are reconciled and cashed out on a
8 monthly basis, as described under Section A (10) (a) of their
9 proposed new transportation tariff. However, when an OFO is
10 called, daily balancing is effectively required, where penalties are
11 charged on daily imbalances at the levels described in Section B
12 (6) (c) of the proposed MGE tariff.

13 **Q. WHEN MGE CALLS ITS OWN OFOs, IS MGE SUBJECT TO THE SAME**
14 **PENALTIES FROM ITS PIPELINE THAT IT IS FORCING ON**
15 **TRANSPORTATION CUSTOMERS AND MARKETERS?**

16 A. No. This is why allowing MGE to call its own OFOs is fundamentally
17 unfair. By calling an OFO day when its interstate pipeline has not,
18 MGE is imposing a higher standard on balancing accuracy on
19 transportation customers and marketers than MGE itself is held to.

20 **Q. WHAT SHOULD THE COMMISSION DO TO PREVENT THIS UNFAIR**
21 **APPLICATION OF OPERATIONAL FLOW ORDERS (OFOs)?**

1 A. The Commission should require MGE to only issue an OFO when
2 MGE's interstate pipeline has issued an OFO, or in the case of a
3 genuine system operational emergency. In the latter case, MGE
4 should be required to inform transportation customers and the
5 Commission within 24 hours of the operational emergency
6 condition(s) that required the OFO to be issued, and should be
7 required to document that emergency within a reasonable time after
8 it occurred.

9 **Q. THE LANGUAGE IN MGE'S PROPOSED TRANSPORTATION TARIFF,**
10 **SECTION 8 (6) (B), IMPLIES THAT PENALTIES FOR PERIODS OF**
11 **CURTAILMENT (POCs) AND PERIODS OF DAILY BALANCING**
12 **(PODBs) SHALL BE BASED ON THE UNAUTHORIZED USAGE BY THE**
13 **ENTIRE BALANCING GROUP OR POOL. DOES THIS BALANCING BY**
14 **GROUP OR POOL ALSO APPLY TO IMBALANCES ON OFO DAYS?**

15 A. I cannot tell from reading the proposed tariff. However, it should do
16 so. The Commission should require that clarification in MGE's
17 transportation tariff.

18 **Q. IF TELEMETRY WERE TO BE REQUIRED FOR SMALL VOLUME**
19 **TRANSPORTATION CUSTOMERS, WHAT COSTS SHOULD APPLY?**

20 A. The MGE tariff, Sheet 71 (in effect since 1998), shows a charge for
21 telemetry equipment ("EGM," or Electronic Gas Metering charges)
22 of up to \$5,000. In response to Data Requests in this case, MGE

1 has provided documentation showing recent charges to customers
2 for installing telemetry equipment to be a one time charge in the
3 range of \$3,000 to \$4,000. MGE Tariff Sheet 71, and the
4 documentation of these recent charges, are attached to this
5 testimony in Schedule RJH 7. These charges for installation of
6 telemetry equipment are much higher than Constellation has
7 experienced in recent years for customers that choose to take
8 transportation service in other states.

9 **Q. PLEASE PROVIDE EXAMPLES OF THE COMPARABLE CHARGES FOR**
10 **THE INSTALLTION OF TELEMETRY EQUIPMENT IN OTHER STATES.**

11 A. Some utilities do not specify in their tariffs what the charge is for
12 installing telemetry equipment for their customers who desire
13 transportation service. However, I have been able to get
14 information from several sources. (1) Schedule RJH 8 contains
15 Wisconsin utility tariffs showing a range of a one-time charge of
16 \$1,250, to no initial charge but a \$28 per month charge for
17 telemetry. (2) The Illinois utility tariffs included in Schedule RJH 9
18 show no one-time charge for the installation of telemetry
19 equipment, but monthly charges ranging from \$10 to \$28. (3)
20 MidAmerican Energy Company provided me a statement of what
21 they currently charge for the installation of telemetry equipment in
22 the states of Iowa, Nebraska and South Dakota, where they provide
23 gas service. This statement is included in Schedule RJH 10. As I

1 stated in my direct testimony, MidAmerican does not require the
2 installation of telemetry equipment for small volume customers
3 choosing transportation service. The estimated charges in Iowa
4 (\$1,676.42), Nebraska (\$1,610.40) and South Dakota (\$1,380.90)
5 are only for large volume customers.

6 **Q. DO YOU HAVE ADDITIONAL EXAMPLES OF CURRENT TELEMETRY**
7 **COSTS?**

8 A. Yes. Schedule RJH 11 includes selected pages from the initial brief
9 of Minnesota Energy Resources Corporation (MERC) in their recent
10 Minnesota rate case. The last full sentence on the last page of RJH
11 11 (page 55 of the brief) states that, "a small volume transportation
12 customer would be required to make a one-time payment of
13 approximately \$810.00 for the installation of telemetry equipment."

14 **Q. WHAT DOES KANSAS GAS SERVICE CHARGE FOR TELEMETRY?**

15 A. The tariff from Kansas Gas Service, which is shown in Schedule
16 RJH 12, for their Kansas utility operation, shows (on page 42.2)
17 that the charge for electronic flow measurement (EFM) equipment,
18 another name for telemetry equipment, will be \$1,600 per meter if
19 the customer's existing measurement facilities do not require the
20 use of a correction device and \$3,400 if a correction device is
21 required. This is the utility that I mentioned in my direct testimony
22 and stated that, on this same page 42.2, telemetry equipment is not
23 required for transportation service if "a customer may agree to

1 deliver during PODBs and/or POCs a predetermined Required
2 Daily Quantity (RDQ) of natural gas to a transportation service
3 meter which records a peak-month usage of less than 1,500 Mcf in
4 the most recent 12 month period ending April 30, in lieu of the
5 Company's requirement to install EFM."

6 **Q. IS THERE EVIDENCE ALREADY FILED IN THIS CASE OF MGE'S**
7 **ACTUAL COSTS FOR TELEMETRY?**

8 A. Yes. In Staff's Accounting Schedule 3, page 1 of 2, prepared by
9 Karen Herrington, "Electronic Gas Measuring Costs" are shown on
10 line 39 as \$390,663. Divided by the number of LVS customers, 461,
11 MGE's telemetry cost per transportation customer is \$846.00 per
12 customer. Yet, its current tariff, in effect since 1998, provides for
13 MGE to charge up to \$5,000.00 for telemetry.

14 **Q. SHOULD MGE'S TARIFF CHARGE FOR TELEMETRY EQUIPMENT BE**
15 **CHANGED?**

16 A. Yes. The information I have included in this surrebuttal testimony,
17 and the actual cost data in Staff's accounting schedules, vividly
18 demonstrates that MGE's 1998 tariff on telemetry charges needs to
19 be modified to reflect the significantly lower costs of telemetry
20 equipment in recent years. MGE should be ordered to replace its
21 Tariff Sheet 71 with a revised tariff that reflects its actual, current
22 costs for providing telemetry equipment, in line with the current
23 costs of other utilities reflected in this testimony.

1 **Q. PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.**

2 A. Mr. Kirkland does not present any valid arguments as to why the
3 threshold for transportation service cannot be lowered, with
4 additional customers being allowed to opt for that service. I have
5 identified how this can be accomplished in a manner that leaves
6 MGE revenue-neutral and not adding any costs for the customers
7 choosing to stay on sales service. I agree that any expansion of
8 transportation service would require a transition period, whether or
9 not telemetry equipment is required, although I do not believe
10 telemetry equipment is necessary for small volume transportation
11 customers. I agree with Mr. Johnstone's rebuttal testimony that the
12 cost to serve transportation customers should be lower than the
13 cost to serve similarly situated sales customers, and that MGE's
14 current proposed transportation rules would increase the charges to
15 transportation customers with no cost basis for the increase. I have
16 shown that one of the ways that is true is MGE's use of OFO days
17 when they have not been called by MGE's interstate pipeline or
18 required by an operational emergency on MGE's system. Finally, I
19 have demonstrated that MGE's charges for telemetry equipment
20 are far higher than for utilities in other states and not reflective of
21 current costs for such equipment. MGE should be required to get its
22 charges in line with the utilities I have identified in the states of
23 Illinois, Iowa, Kansas, Minnesota, Nebraska, South Dakota and

1 Wisconsin. MGE's current, unjustified high charges for telemetry
2 equipment denies transportation service to customers who would at
3 least like to consider transportation as an alternative.

4 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

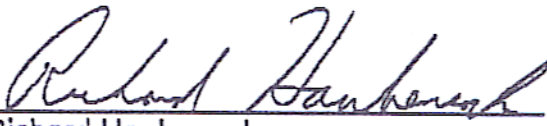
5 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

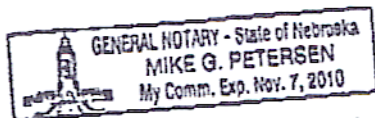
In the Matter of Missouri Gas Energy and)
Its Tariff Filing To Implement a General)
Rate Increase for Natural Gas Service) Case No. GR-2009-0355

AFFIDAVIT OF RICHARD HAUBENSAK

Richard Haubensak, of lawful age, on his oath, states that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Surrebuttal 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 13th day of October 2009.




Notary Public

My Commission Expires: Nov 7, 2010