Exhibit No.:	______________
Issue:	Transportation Tariffs
Witness:	David N. Kirkland
Sponsoring Party:	Missouri Gas Energy
Case No.:	GT-2010-0261
Date Testimony Prepared:	June 22, 2010

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GT-2010-0261

SUPPLEMENTAL REBUTTAL TESTIMONY OF

DAVID N. KIRKLAND

Jefferson City, Missouri

June 22, 2010

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June 2010

I. INTRODUCTION

Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. My name is David N. Kirkland, and my business address is 3420 Broadway, Kansas City, Missouri 64111.

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

A. I am the Director of Gas Supply of Missouri Gas Energy ("MGE" or "Company"), a division of Southern Union Company.

Q. ARE YOU THE SAME DAVID N. KIRKLAND THAT PREVIOUSLY FILED DIRECT TESTIMONY IN THE REFERENCED CASE?

A. Yes, I am.

II. PURPOSE

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. The purpose of my Rebuttal Testimony is to address on behalf of MGE the Supplemental Direct Testimony of Constellation NewEnergy- Gas Division, LLC ("Constellation") witness Richard Haubensak, the Supplemental Direct Testimony of Staff witness Michael J. Ensrud and the Supplemental Direct Testimony of Staff witness Lesa A. Jenkins.

Q. WHAT SUBJECTS WILL YOU ADDRESS?

A. I will address the threshold for transportation service and the phase-in of that threshold, the need for, and cost of, telemetry equipment, and the capacity costs associated with customers that migrate to transportation service.

III. STAFF TESTIMONY

Q. MR. ENSRUD SUPPORTS STAFF'S POSITION THAT "ALL LGS TRANSPORT CUSTOMERS BE REQUIRED TO HAVE TELEMETRY EQUIPMENT IN ORDER FOR MGE TO ACCURATELY MEASURE THAT PARTICULAR CUSTOMER'S USAGE ON A DAILY BASIS." HE INDICATES THAT TELEMETRY EQUIPMENT IS NECESSARY TO PROPERLY ALLOCATE COSTS AMONG CLASSES AND CUSTOMERS AND TO PROVIDE DAILY USAGE INFORMATION THAT CAN BE MONITORED FOR PURPOSES OF OPERATIONAL FLOW ORDERS ("OFO") OR PERIODS OF CURTAILMENT ("POC"). DO YOU HAVE ANY DISAGREEMENT WITH STAFF WITNESS ENSRUD'S SUPPLEMENTAL DIRECT TESTIMONY?

A. No.

Q. WHAT SUBJECT DOES STAFF WITNESS JENKINS ADDRESS?

A. Ms. Jenkins addresses the treatment of capacity costs associated with those customers that move from MGE's firm service to its transportation service.

Q. WHAT DOES MS. JENKINS SUGGEST?

A. She suggests that Capacity Release Revenues and general tariff provisions for MGE's LGS Transportation must be addressed in order to safeguard MGE's sales customers.

Q. ON PAGE 3 OF HER SUPPLEMENTAL DIRECT TESTIMONY, MS. JENKINS RECOMMENDS THAT "ALL CAPACITY RELEASE REVENUE RECEIVED FOR CAPACITY RELEASE TO ANY AND ALL LGS TRANSPORT CUSTOMERS . . . BE CREDITED TO THE COMPANY'S ACTUAL COST ADJUSTMENT (ACA) ACCOUNT" AND THAT MGE NOT SHARE IN "REVENUES FOR CAPACITY IT RELEASES TO LGS TRANSPORT CUSTOMERS." DO YOU AGREE WITH THIS RECOMMENDATION?

A. Yes.

Q. MS. JENKINS ALSO RECOMMENDS THAT "GENERAL TERMS AND CONDITIONS, TRANSPORTATION PROVISIONS, ELECTRONIC GAS MEASUREMENT EQUIPMENT AND INFRASTRUCTURE REPLACEMENT SURCHARGE (ISRS) FOR LGS TRANSPORT CUSTOMERS BE SPECIFIED IN A SIMILAR MANNER AS THAT FOR THE LARGE VOLUME SERVICE (LVS) TRANSPORTATION CUSTOMERS." (JENKINS SUPP. DIR., P. 4) DOES MGE AGREE TO MODIFY ITS TARIFF IN THIS FASHION?

A. Yes, it does.

IV. <u>CONSTELLATION TESTIMONY</u>

A. <u>THRESHOLD</u>

Q. CONSTELLATION WITNESS HAUBENSAK RECOMMENDS THAT THE THRESHOLD FOR TRANSPORTATION SERVICE BE SET SUCH THAT CUSTOMERS TAKING 30,000 CCF PER YEAR OR MORE WOULD BE

ELIGIBLE FOR TRANSPORTATION SERVICE. WHAT THRESHOLD HAS BEEN PROPOSED BY MGE?

A. MGE has proposed that transportation service be made available to those customers whose annual usage exceeds 50,000 Ccf in the preceding calendar year.

Q. WHAT IS THE CURRENTLY EFFECTIVE TRANSPORTATION THRESHOLD?

A. Under MGE's current tariffs, customers who use more than 15,000 Ccf of natural gas in *any one month* are eligible for transportation service.

Q. WOULD EITHER CONSTELLATION'S OR MGE'S PROPOSAL "LOWER" THE THRESHOLD FOR TRANSPORTATION SERVICE ELIGIBILITY?

A. Yes. Under either proposal, there would be more customers eligible to take MGE's transportation service.

Q. WHY DOES MGE BELIEVE THAT 50,000 CCF OF ANNUAL USAGE IS A MORE APPROPRIATE THRESHOLD FOR TRANSPORTATION SERVICE THAN THE 30,000 CCF ANNUAL USAGE LEVEL PROPOSED BY CONSTELLATION?

A. Using annual usage of 50,000 Ccf would eventually make transportation service available to about 211 additional customers. Currently, approximately 375 customers transport under the Large Volume tariff. This would increase the number of transportation customers by almost 60%. To use 30,000 Ccf as the threshold would increase the number by 167%. Eventually, 30,000 Ccf might be the proper threshold, but not at this time. A 167% increase may have unforeseen consequences, such as requiring additional staff or equipment or create operational impacts. A 60% increase is still significant, but seems manageable from a staffing and operational standpoint. MGE simply cannot support the dramatic increase advocated by Constellation.

B. <u>THRESHOLD PHASE-IN</u>

Q. CLOSELY ASSOCIATED WITH THE THRESHOLD ISSUE SEEMS TO BE THE QUESTION OF HOW QUICKLY TO PHASE-IN THIS NEW THRESHOLD. WHAT HAS MGE PROPOSED IN REGARD TO THE PHASE-IN OF THE THRESHOLD?

A. MGE has proposed that during the phase-in period, transportation service be made available to those customers whose usage exceeds 100,000 Ccf in the preceding year in the first year (2010), with service limited to the first fifty (50) customers that apply; those that exceed 70,000 Ccf in the second year (2011), with service limited to the first 100 customers that apply; and, 50,000 Ccf in the third year (2012). MGE believes that it can accommodate an additional 50 customers per year without adding personnel to its existing staff.

Q. CONSTELLATION WITNESS HAUBENSAK SUGGESTS THAT MGE'S PROPOSAL IS TOO RESTRICTIVE IN THAT IT PHASES-IN BOTH THE ANNUAL USAGE LEVELS AND THE NUMBER OF CUSTOMERS. WHY IS IT NECESSARY TO DO BOTH?

A. It is not necessary to do both. MGE's proposal was made with the marketers in mind, thinking they would want to have their largest customers transport the soonest. If that is not the case, the new threshold does not need to be phased-in. Service should be limited however to the first 50 new customers in each year until MGE can quantify the additional resources which will be needed to connect the new customers and monitor these customers in our balancing system.

Q. MR. HAUBENSAK ARGUES THAT THE LIMITATIONS PLACED ON THE POSSIBLE NUMBER OF NEW TRANSPORTATION CUSTOMERS IN YEARS ONE AND TWO ARE ACTUALLY LOWER THAN THE NUMBERS CHOSEN BY MGE BECAUSE HE BELIEVES THAT THERE ARE ONLY 35 CUSTOMERS THAT WOULD BE ELIGIBLE IN YEAR ONE AND 87 CUSTOMERS THAT WOULD BE ELIGIBLE IN YEAR TWO. ARE MR. HAUBENSAK'S FIGURES CORRECT?

A. Mr. Haubensak's figures are correct. Again, this is a function of MGE's attempt to first make the service available to the largest customers.

Q. CONSTELLATION WITNESS HAUBENSAK FURTHER SUGGESTS THAT MGE'S PROPOSAL DOES NOT REPRESENT A MEANINGFUL EXPANSION OF TRANSPORTATION ELIGIBILITY ON THE MGE SYSTEM. HOW DO YOU RESPOND TO THIS SUGGESTION?

A. I do not think that Mr. Haubensak's suggestion accurately portrays the significant level of expansion this change would represent. Mr. Haubensak bases his suggestion on a comparison of the total number of MGE LGS customers (3,197) to the number of those customers that would be eligible for transportation service under MGE's proposal (211). However, if one compares the potential new transportation customers (211) to the number of electronically metered transportation customers MGE currently has on its system (376), you will find that MGE's proposal represents an almost sixty percent (60%) increase in transportation customers. That is a meaningful expansion that will test

MGE's ability to convert customers and its system's ability to track those customers. It should also be noted that before the GR-2009-0355 case, the number of customers in MGE's Large General Service (LG) class was only around 300. The 211 potential new customers of would represent more than two-thirds of the former LG class.

Q. HOW DOES MR. HAUBENSAK'S PROPOSAL COMPARE TO MGE'S CURRENT TRANSPORTATION CUSTOMER BASE?

A. Mr. Haubensak suggests that the transportation threshold be set at an annual usage of 30,000 Ccf. Doing so would make 628 additional customers eligible for transportation service. This approach would potentially increase the number of electronically metered MGE transportation customers by one hundred and sixty-seven percent (167%).

Q. WHAT OPERATIONAL ISSUES MUST MGE ADDRESS AS THE NUMBER OF TRANSPORTATION CUSTOMERS INCREASES?

A. As the number of transportation customers increase, MGE must be mindful of, and address, the following issues:

1) MGE's EGM system must be expanded to include additional modems; and,

2) MGE anticipates a need to schedule existing staff to accommodate the process of adding new transportation customers, while those personnel continue to meet their existing responsibilities. Over the last 36 months, MGE has added 23 LV customers, or approximately 8 customers per year. In this case, MGE has committed to add 50 customers per year. MGE's commitment to add new customers at the rate of 50 per year will provide significant demands on these employees.

C. <u>TELEMETRY/ ELECTRONIC GAS MEASUREMENT (EGM)</u>

Q. WOULD YOU AGREE THAT THERE ARE TWO ISSUES CONCERNING TELEMETRY EQUIPMENT – 1) SHOULD ALL TRANSPORTATION CUSTOMERS BE REQUIRED TO HAVE TELEMETRY; AND, 2) WHAT IS THE APPROPRIATE COST TO BE PAID BY THOSE CUSTOMERS THAT MUST HAVE TELEMETRY?

A. Yes. Those appear to be the issues.

Q. WHAT DOES CONSTELLATION WITNESS HAUBENSAK SUGGEST IN REGARD TO REQUIRING TELEMETRY FOR THE NEW TRANSPORTATION CUSTOMERS?

A. Mr. Haubensak seems to suggest that telemetry should not be required for any of the customers that may become eligible for transportation service as a result this case.

Q. WHAT IS MGE'S POSITION?

A. MGE feels very strongly that telemetry equipment must be required for all transportation service customers. Such equipment provides daily usage information that is necessary for transportation customers to adjust daily nominations in kind with daily usage and for MGE to effectively manage its gas supply operations. Staff, through the testimony of Michael Ensrud, seems to echo MGE's concerns.

Q. HOW IS THIS INFORMATION USED BY MGE IN MANAGING ITS GAS SUPPLY OPERATIONS?

A. The MGE system depends upon customers/agents nominating their volumes in kind with usage. By monitoring the information provided by the telemetry equipment, MGE is able to ask customers and agents to adjust nominations so they can bring month to date nominations more closely in line with customer usage as adjusted for fuel. In the event, a customer or agent is significantly over-nominated MGE, will not confirm all nominations. Working on a daily or weekly basis with transportation customers reinforces to customer/agents their requirement to meet the transportation tariff and in addition prepares all parties for conditions where managing of gas supplies and MGE transportation and storage assets are subject to capacity limitations and/or Operational Flow Orders and Periods of Curtailment. Customer/agents managing their business on a daily basis reduce the impact on interstate transportation capacity, storage assets and balancing agreements held between MGE and the interstate pipelines.

Q. WHAT JUSTIFICATION DOES MR. HAUBENSAK PROVIDE FOR BELIEVING THAT TELEMETRY SHOULD NOT BE PROVIDED?

A. Mr. Haubensak relies on four allegations:

1) Small volume usage is predictable;

2) School customers in Missouri are not required to have telemetry;

3) Certain customers in other states are not required to have telemetry installed; and,

4) The Empire District Gas Company does not require telemetry for certain small volume customers, as recently addressed in Case No. GR-2009-0434.

Q. DO THESE ALLEGATIONS HAVE ANYTHING IN COMMON?

A. Yes. None of these allegations address whether MGE can operate its system in a safe and adequate manner if 628 additional transportation customers are added to MGE's system and MGE has no way to track their usage on a daily basis.

Q. HOW DO YOU RESPOND TO MR. HAUBENSAK'S ALLEGATION THAT SMALL VOLUME USAGE IS PREDICTABLE?

A. In my opinion, small volume usage is no more or less predictable than any other customer's usage.

Q. DOES MGE CURRENTLY PROVIDE SERVICE TO ANY TRANSPORTATION CUSTOMERS WITHOUT THE BENEFIT OF TELEMETRY?

A. Yes. As indicated by Constellation witness Haubensak, MGE current provides transportation to certain schools. Missouri statutes state that local distribution companies may not require those schools to have telemetry equipment.

Q. WHAT HAS BEEN YOUR EXPERIENCE IN REGARD TO THOSE SCHOOLS' ABILITY TO PREDICT THEIR USAGE?

A. It appears that the schools have had significant difficulty in attempting to predict their usage. I have compiled the following information that assesses how successful two groups of school transportation customers have been in regard to matching their nominations (prediction of usage) with their actual usage over the last few years.

Agent A – Serves Schools having a Total Monthly Average Usage of 91,559 mmbtu/month

- For the 41 month period of December 2006 through April 2010, Agent A was out of balance an average of 52% each month;

- The three highest imbalance months in 2007 were out of balance by an average of 133%;

- The three highest imbalance months in 2008 were out of balance by an average of 158%;

- The three highest imbalance months in 2009 were out of balance by an average of 66%;

- As a result of the imbalance, for 6 months in 2008, Agent A owed MGE an average of $1.3 million in gas costs;

- Agent A owed MGE an average of $501,806 for 33 months, as a result of imbalances, within the period within the period of December 2006 through April, 2010;

- MGE owed Agent A an average of $77,954 for 9 months within the period of December 2006 though April, 2010.

<u>Agent B -- Serves Schools having a Total Monthly Average Usage of 5,291 mmbtu/month</u>

- For the 41 month period of December 2006 through April 2010, Agent B was out of balance an average of 40% each month;
- The three highest imbalance months in 2007 were out of balance by an average of 106%;
- The three highest imbalance months in 2008 were out of balance by an average of 96%;
- The three highest imbalance months in 2009 were out of balance by an average of 50%;
- As a result of the imbalance, Agent B owed MGE an average of $31,267 for 30 months within the period of December 2006 through April, 2010;
- MGE owed Agent B an average of $14,722 for 11 months within the period of December 2006 through April 2010.

Q. WHAT DO YOU CONCLUDE BASED ON THIS INFORMATION?

A. It appears to me that without telemetry these agents find it very difficult to predict the usage of relatively small transportation customers. The consequence of that inability to predict usage is that these customers effectively balance using the resources of MGE and its firm customers.

Q. CONSTELLATION WITNESS HAUBENSAK RELIES UPON THE EXPERIENCE OF THE EMPIRE DISTRICT GAS COMPANY (EDG) TO SUPPORT BOTH HIS POSITION AS TO THE NECESSITY OF TELEMETRY AND THE COST OF TELEMETRY. ARE YOU AWARE OF ANY STATEMENT THAT INDICATES EDG'S EXPERIENCE IN REGARD TO PREDICTABILITY OF SMALL VOLUME TRANSPORTATION CUSTOMERS?

A. In the same rate case that Mr. Haubensak references in support of his position (Case No. GR-2009-0434), EDG witness Scott Keith testified as follows:

> **Q. DO YOU AGREE WITH CONSTELLATION WITNESS HAUBENSAK'S STATEMENT AT PAGE 4 OF HIS DIRECT TESTIMONY THAT SMALL VOLUME TRANSPORTATION CUSTOMER USAGE IS VERY PREDICTABLE AND THAT TELEMETRY EQUIPMENT IS NOT NECESSARY?**
>
> A. No. Based upon the past billing history I have reviewed, the load (usage) of small volume transportation customers has not been predicted accurately, especially in the winter, and the gas nominations made for this customer group does not match the group or pools consumption. This can result in significant monthly cash out volumes for small transportation customer pools and marketers.
>
> **Q. DO MARKETERS ON BEHALF OF SMALL VOLUME TRANSPORTATION CUSTOMERS ROUTINELY ADJUST THE LEVEL OF NATURAL GAS FLOWING INTO EMPIRE'S SYSTEM DURING A MONTH DUE TO CHANGES IN WEATHER CONDITIONS?**
>
> A. No. Based upon my review of Empire's small volume marketer pool billing records, marketers do not routinely adjust the levels of gas flowing into our system on behalf of small volume customers due to changes in weather conditions during a month. I have attached an analysis of a small volume transportation pool's nominations for the month of January 2009 as Schedule WSK-2. As indicated, the daily nominations submitted by the marketer in this instance remained constant for two-thirds of the month despite the fact that the weather, in terms of Heating Degree Days (HDD) changed significantly. This led to a monthly imbalance of 10.7 percent by the end of the month. Also, there were undoubtedly large daily imbalances created during the month as the small customers actual usage changed with the changes in temperature. Telemetry would have enabled the marketer to avoid this situation by tracking the daily consumption of the pool and adjusting its gas nominations to match customer usage. Ironically, the increase in the gas delivered into the system that took place during the last 10 days of the month only contributed to increasing the imbalance in this particular instance.

(Schedule WSK-2 not included).

Q. HOW DO YOU RESPOND TO MR. HAUBENSAK'S ALLEGATION THAT CUSTOMERS WITH SIMILAR LOAD CHARACTERISTICS IN OTHER STATES ARE NOT REQUIRED TO HAVE TELEMETRY?

A. I am not sure what relevance this would have in the current case since we are talking about MGE's ability to provide safe and adequate service. Looking at tariffs of other companies, in other states, is always dangerous when it comes to operational issues. Tariffs seldom provide the operational context in which these provisions have been developed (number of customers, type of system, etc.). Further, a thorough review of the tariffs is often necessary to confirm what seems to ensure that one understands the whole story as what is really allowed and what it costs.

Q. ONE OF THE FACTS MR. HAUBENSAK RELIES ON IS THE EMPIRE DISTRICT GAS COMPANY'S (EDG) PROVISION OF TRANSPORTATION SERVICE TO SMALL VOLUME CUSTOMERS WITHOUT THE REQUIREMENT OF TELEMETRY. DOES EMPIRE PROVIDE THIS SERVICE AT NO COST?

A. No. EDG's tariff indicates transportation customers using at least 5,000 Ccf and less than 40,000 Ccf of natural gas on an annual basis have a choice between installing telemetry or paying a balancing fee of $0.015 per Ccf transported on the EDG system. (EDG Tariff, Sheet 45)

Q. DOES MGE HAVE SUCH A BALANCING FEE IN ITS TARIFFS?

A. No.

Q. CONSTELLATION WITNESS HAUBENSAK POINTS OUT THAT THE PARTIAL STIPULATION AND AGREEMENT IN CASE NO. GR-2009-0355 INDICATES THAT "THE REVISED TRANSPORTATION TARIFF WOULD REFLECT, AMONG OTHER THINGS, THE COST OF TELEMETRY EQUIPMENT TO TRANSPORTATION CUSTOMERS, WHICH SHALL BE NO

MORE THAN THE ACTUAL, NEW COST OF INSTALLED TELEMETRY EQUIPMENT." DO YOU AGREE WITH THIS STATEMENT?

A. Yes.

Q. DO YOU AGREE WITH MR. HAUBENSAK'S FURTHER STATEMENT THAT "CONTRARY TO THE PARTIAL STIPULATION AND AGREEMENT . . ., MGE HAS NOT FILED A REVISED TARIFF IN THIS CASE REFLECTING LOWER, ACTUAL COSTS FOR TELEMETRY"?

A. I agree that MGE did not file a new tariff sheet concerning telemetry costs. However, I disagree with Mr. Haubensak's suggestion that MGE's actions and or tariff are inconsistent with the Partial Stipulation and Agreement.

Q. WHY?

A. MGE's cost of telemetry is not $5,000, as may be implied by Mr. Haubensak's testimony. The current telemetry tariff states as follows in regard to cost:

<u>EGM CHARGES</u>

> Customer shall reimburse Company for the installed cost of EGM equipment not to exceed the cost as set out below and pay a monthly fee for the operations and maintenance as set out below.
>
> <u>Equipment Charges</u>
>
> Per meter site (includes one instrument point),
> Plus applicable income taxes $5,000

(MGE Tariff, Sheet 71).

Q. DOES THIS PROVISION INDICATE THAT THE INSTALLED COST OF TELEMETRY (OR EGM) EQUIPMENT WILL BE $5,000?

A. No. The $5,000 figure is a "not to exceed" figure. MGE believes that this tariff requires the telemetry charges to be equal to "the actual, new cost of installed telemetry equipment" (with a maximum price of $5,000) and, therefore, is consistent with the Partial Stipulation and Agreement.

Q. MR. HAUBENSAK PROVIDES SEVERAL EXAMPLES OF WHAT HE BELIEVES ARE TELEMETRY INSTALLATION COSTS FOR OTHER GAS DISTRIBUTION COMPANIES AND SEEMS TO SUGGEST THAT THOSE FIGURES SHOW THAT TELEMETRY INSTALLATION SHOULD BE AT A COST "PROBABLY NOT EXCEEDING $1,200, AS OPPOSED TO MGE'S CONTENTION THAT THERE WOULD NEED TO BE A ONE-TIME CHARGE OF $3,000 TO $4,000" (HAUBENSAK DIR., P. 11). DO YOU AGREE WITH HIS CONCLUSION?

A. No.

Q. WHY NOT?

A. First, MGE does not have a "one-time charge of $3,000 to $4,000." MGE charges the actual cost of installation. That cost can vary, and will vary, over time.

Second, the charges provided by Mr. Haubensak do not support his own conclusion.

Q. WHY IS THE CONCLUSION INCONSISTENT WITH MR. HAUBENSAK'S DATA?

A. First, the lower end of Mr. Haubensak's examples all apply to small volume meter installations. MGE currently has no small volume transportation customers. Thus, comparing its current installation charges to those small volume examples is not an "apples to apples" comparison. Second, while MGE's current installation charges of

$3,000 to $4,000 would be at the high end of the range, they are in the range identified by Mr. Haubensak. For example, Mr. Haubensak indicates that the estimated telemetry installation cost for MidAmerican Energy in Iowa is $3,385. (Haubensak Dir., p. 9) That estimate is very comparable to MGE's actual experience. Further, the Kansas Gas Services tariff (Schedule DNK-1 attached), which Mr. Haubensak references, provides that the charge for telemetry will be $3,400, where the measurement facilities include or require the use of an electronic correction device (which is a part of MGE's installations).

Q. DOES MGE HAVE A FINANCIAL INCENTIVE TO CHARGE MORE THAN ITS ACTUAL COST FOR TELEMETRY INSTALLATION?

A. No. Payments received for telemetry installation are utilized to offset MGE's revenue requirement in the rate setting process. MGE does not "profit" from these payments.

Q. WHAT IS THE CONSEQUENCE IF MGE'S TELEMETRY INSTALLATION CHARGE IS SET BELOW THE ACTUAL COST OF INSTALLATION?

A. Revenues associated with this activity would not be sufficient to cover the costs and firm sales customers or the existing transportation customers would be required to subsidize those customers desiring to move to the transportation service.

D. <u>CAPACITY RELEASE</u>

Q. CONSTELLATION WITNESS HAUBENSAK STATES THAT MGE'S PROPOSAL FOR RELEASING RECALLABLE CAPACITY "SOUNDS REASONABLE, ALTHOUGH THE DETAILS WILL HAVE TO BE WORKED OUT." CAN YOU PROVIDE DETAILS AS TO HOW MGE ENVISIONS THE

CAPACITY RELEASE WILL WORK BOTH IN TERMS OF FUNCTION AND COST?

A. Pipeline transportation capacity will be allocated and assigned based on the maximum monthly volume transported for a customer during a calendar year, calculated as a percentage of MGE's city gate sales receipts in January, including the volumes transported for LGS customers in January. Customers will be assigned a pro-rata share of the total firm transportation capacity under contract by MGE as of January 1 of each year. In the first year of transportation service, the allocated capacity will be based on the cycle billing information. In a year with both cycle billing and tele-metered volume information, the highest month reported will apply. Thereafter, the highest month of tele-metered volumes within a calendar year will apply when allocating and assigning pipeline transportation capacity. MGE will release capacity at the average rate for all capacity under contract.

MGE will assign pipeline capacity to LGS customers' Agents for periods of one year or less not to exceed the end of the contract term for the pipeline on which capacity is released or until such time as an LGS customer returns to commodity service. When a LGS customer returns to commodity service, the transportation capacity assigned to that customer will be recalled by MGE. All transportation capacity released will be recallable such that MGE retains primary rights to this capacity. Capacity release requirements will be calculated on an individual customer basis and released to the Customer's Agent.

Southern Star Central Gas Pipeline (SSCGP) transportation capacity will be assigned customers served in locations served by SSCGP. Panhandle Pipeline (PEPL) transportation capacity will be assigned to customers in locations that are only served by PEPL and no other pipeline.

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL REBUTTAL TESTIMONY?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In re Missouri Gas Energy's Revised Transportation Tariff	))	Case No. GT-2010-0261

AFFIDAVIT OF DAVID N. KIRKLAND

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

David N. Kirkland, 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.

David N. Kirkland
DAVID N. KIRKLAND

Subscribed and sworn to before me this 22nd day of JUNE 2010.

Kim W. Henzi
Notary Public

My Commission Expires: Feb. 3, 2011

KIM W. HENZI
Notary Public - Notary Seal
STATE OF MISSOURI
Jackson County
Commission Number 07424654
My commission expires February 3, 2011

ELECTRONIC FLOW MEASUREMENT RIDER

APPLICABILITY

Applicable to all customers served under rate schedules ST, GTk, GTt, LVTk, LVTt, WTk and WTt and located in and around the communities specified in the Index. Service is subject to the DEFINITIONS AND CONDITIONS section below.

NET MONTHLY BILL

$ 25.00	per meter	for each meter upon which Electronic Flow Measurement equipment (EFM) is installed, plus any charge to reimburse Company for the installed cost of the EFM.

DEFINITIONS AND CONDITIONS

1. EFM shall be required on all meters serving transportation accounts, except for the provisions of Definition and Condition #2 (below). Company shall install, operate, and own all EFM. Company shall provide and bill the customer the actual cost for any requested assistance beyond maintenance to Company's EFM and/or connection.

   a. The requirements of this provision shall be judged to have been met pending a customer's sequential assignment to Company's EFM installation schedule.

   b. Company may, at its sole discretion, waive the requirements of this provision for a customer which uses gas primarily during Company's off-peak season.

   c. A customer which declines Company's EFM installation, or which does not provide a Contribution in Aid of Construction (CIAC), or which does not install and/or maintain an operable dedicated telephone circuit, all as required by this rider, shall be ineligible for transportation service. Company shall promptly notify a customer of the need to install or maintain an operable dedicated telephone circuit and may, 45 days after such notification, disqualify such customer from transportation service.

ELECTRONIC FLOW MEASUREMENT RIDER (Cont.)

2. RDQ Balancing: Notwithstanding the provisions above, according to the Required Daily Quantity (RDQ) Balancing provisions in Section 11 of Company's General Terms and Conditions for Gas Service (GT&C), a customer may agree to deliver during PODBs and/or POCs a predetermined Required Daily Quantity (RDQ) of natural gas to a transportation service meter which records a peak-month usage of less than 1,500 Mcf in the most recent 12 month period ending April 30, in lieu of the Company's requirement to install EFM. However, meters upon which EFM equipment has already been installed shall not be eligible for the RDQ Balancing option and the customer shall be subject to all charges set out in the Net Monthly Bill section.

3. A customer shall reimburse Company for the installed cost of EFM which shall become the sole property of Company. This CIAC for labor, material, and overhead costs associated with the installation shall be:

$ 1,600 per meter	if the customer's existing measurement facilities do not require the use of an electronic correction device as part of the EFM, or
$ 3,400 per meter	if the customer's existing measurement facilities include or require the use of an electronic correction device as part of the EFM.

4. A customer shall make an additional CIAC sufficient to cover the cost of any non-EFM related work performed and/or equipment installed at the customer's request. All such facilities and/or equipment shall become the sole property of Company. Payment shall be due from the customer at the time equipment is installed, except that Company may permit the customer to finance the EFM over a four year period at 8% per annum.

5. Company shall endeavor to coordinate the installation of all facilities required herein with a customer as soon as practicable following the effective date of this rider. Company shall notify the customer of its intent to install EFM, as well as the scope and estimated cost thereof.

   a. A customer shall provide adequate space for the installation of the EFM.

   b. A customer shall provide and maintain, at its cost, a dedicated telephone circuit or a Company-accepted alternative, according to Company's EFM Standards. Company and the customer shall mutually agree upon electric power and telephone connection location.

ELECTRONIC FLOW MEASUREMENT RIDER (Cont.)

c. A customer's acceptance of Company's installation plan shall be assumed unless the customer declines in writing within 15 days of Company's notice. The customer shall, within 45 days of acceptance, complete the installation of the required telephone circuit, at the customer's own expense, after which time Company shall install EFM equipment.

6. When an EFM installation includes an electronic correction device, and at a customer's request, Company may provide a data link or contact closure meeting Company's Standards from Company's EFM to the customer at the meter site so the customer can receive data with the same type of output signal as Company. At the customer's request, Company shall inspect and evaluate the customer's connection during normal Company working hours.

7. Upon a customer's written request made prior to April 30 of each year, and agreement by Company given prior to May 31 of that same year and which shall not be unreasonably withheld, Company may credit 50% of assessed and paid Overrun Penalties incurred by the customer in the preceding winter heating season of November through March, to EFM. The credit shall be limited to the per meter CIAC required by Definition and Condition #2 (above). A credit for EFM is available only on new, Company-installed EFM and when Company is not assessed Overrun Penalties for a similar time period pursuant to a pipeline's authorized tariff.

8. In the event the EFM should fail, uncorrected mechanical readings shall be used to establish the estimated corrected read, except for orifice meter installations where historical data shall be used to estimate billing data.

9. A customer shall hold Company harmless from all claims for trespass, injury to persons, or damage to lawns, trees, shrubs, buildings or other property that may be caused by reason of the installation, operation, or replacement of the EFM or customer connection and other necessary equipment to serve the customer unless it shall be affirmatively proved that the injury to persons or damage to property complained of has been caused by willful default or negligence on the part of Company or its accredited personnel.

10. Service under this rider is subject to the provisions and applicable charges contained in Company's GT&C or successor documents, approved by the Commission.

11. All provisions of this rider are subject to changes made by order of the Commission.

Issued	September	17	2003
	Month	Day	Year
Effective	September	22	2003
	Month	Day	Year

By /S/
LARRY G. WILLER, DIRECTOR

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Approved
Kansas Corporation Commission
September 22, 2003
/S/ Susan K. Duffy