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Witness: Michael J. Ensrud
Sponsoring Party: MO PSC Staff
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Case No.: GT-2010-0261
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SUPPLEMENTAL DIRECT TESTIMONY

OF

MICHAEL J. ENSRUD

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

**Jefferson City, Missouri
May 2010**

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 MICHAEL J. ENSRUD

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael J. Ensrud, of lawful age, on his oath states: that he has participated in the preparation of the following Supplemental Direct Testimony in question and answer form, consisting of 6 pages of Supplemental Direct Testimony to be presented in the above case, that the answers in the following Supplemental Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.


Michael J. Ensrud

Subscribed and sworn to before me this 24th day of May, 2010.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086


Notary Public

SUPPLEMENTAL DIRECT TESTIMONY

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MICHAEL J. ENSRUD

MISSOURI GAS ENERGY COMPANY

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3 **SUPPLEMENTAL DIRECT TESTIMONY**

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7 **MICHAEL J. ENSRUD**

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9 **MISSOURI GAS ENERGY COMPANY**

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11 **CASE NO. GT-2010-0261**
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15 Q. Please state your name and business address.

16 A. My name is Michael J. Ensrud, P.O. Box 360, Jefferson City, Missouri 65102.

17 Q. Are you the same witness who submitted information in the Staff's Class Cost
18 of Service and Rate Design Report (Staff Report) addressing Missouri Gas Energy's¹ (MGE
19 or Company) transportation tariff in Case No. GR-2009-0355?

20 A. Yes. I am.

21 **SUMMARY OF STAFF'S POSITION**

22 Q. What is the purpose of your Supplemental Direct Testimony?

23 A. The purpose of this testimony is to identify Staff's concerns that firm
24 customers should not be harmed by paying higher PGA rates if more MGE customers become
25 transportation only customers. MGE's proposed tariff lowers the usage threshold for
26 customers to be able to take service under MGE's Transport tariffs. Alternative proposals are
27 likely to be filed contemporaneously with this testimony, so Staff will take a position on the
28 reasonableness of the proposed threshold in later testimony.

¹ A division of Southern Union Company

1 On March 13, 2010, MGE filed proposed tariffs containing the revised usage thresholds over
2 the next three (3) years. It is possible other parties will propose modifications to the proposed
3 usage thresholds in their initial proposal. Staff will take a position on the reasonableness of
4 the proposed thresholds in later testimony.

5 **THE TRANSPORT FUNCTION**

6 Q. Please explain the basics of Transport function and the need for Daily
7 Balancing clauses for Large General Gas Services (LGS) Transport customers in MGE's
8 tariff.

9 A. MGE provides transportation service for these customers who buy their natural
10 gas from gas marketers. If transport customers deliver too much or too little to meet their
11 needs, MGE will buy or sell natural gas, or will inject or withdraw natural gas from storage to
12 cover the difference. These transactions are necessitated when a Transport customer orders
13 more or less gas from its gas supplier than that the Transport customer actually uses on a
14 given day. When MGE buys or sells gas or injects or withdraws natural gas from storage – to
15 benefit the Transport customer – this is the activity that generates costs that might harm sales
16 customers.

17 MGE's Sales customer should not pay those costs through the PGA. The LGS
18 Transport customer should be responsible for paying the transport and storage costs that they
19 cause MGE to incur.

20 Q. What tariff provision does MGE presently have in place to recover these costs?

21 A. In Tariff Sheet No. 61.2, MGE has Monthly Cash-Out provision for under and
22 over nominations. Limitation of Transportation Service and Other Charges are addressed in

1 | Tariff Sheet No. 61.3. Tariff Sheet Nos. 65, 66, and 67 address penalties for unauthorized
2 | usage under an Operational Flow Order (OFO) or during a Period of Curtailment (POC).

3 | Q. What information does MGE need to be able to quantify and charge LGS
4 | transport customers for these costs?

5 | A. MGE needs to be able to determine the extent of the LGS transport customers'
6 | daily imbalances. Any monthly "true-up" – based on the **net** volume of gas either purchased
7 | or sold during the month – fails to accurately quantify for recovery of the storage and
8 | transport costs that MGE will incur from the pipeline. Additionally, as described in Tariff
9 | Sheet Nos. 65, 66, and 67, MGE must be able to assess penalties for unauthorized usage
10 | during an OFO or POC.

11 | Q. What equipment does Staff recommend be installed for each LGS Transport
12 | customer?

13 | A. Staff recommends all LGS Transport customers be required to have telemetry
14 | equipment in order for MGE to accurately measure that particular customer's actual usage on
15 | a daily basis. Without having such readings, and appropriate charges to LGS Transport
16 | customers causing additional costs, the Sales customers will pay these charges through the
17 | PGA. The ability to monitor is important because, if there is a wide deviation on any
18 | particular day, the specific LGS Transport customer, who generated the costs associated with
19 | being out of balance, should be held responsible for paying these costs.

20 | Q. Do all MGE's current Large Volume Transport customers have telemetry
21 | equipment?

22 | A. Yes, this permits MGE to charge its current Large Volume Transport
23 | customers any penalties for unauthorized usage during an OFO or POC using daily readings

1 from telemetry equipment. It is important that all LGS Transport customers have telemetry
2 equipment so that cost causation can be determined, and costs for which these customers are
3 responsible can be billed to specific LGS Transport customer.

4 Q. Have you identified all the issues involved with the creation of a new transport
5 class?

6 A. No I have not. Staff witness Lesa Jenkins will address “Capacity Release”
7 revenues and general tariff provisions for LGS transport customers.

8 Q. Why isn’t Staff providing a recommendation as to lowering the threshold for
9 transportation service, or establishing a new small-class transport class at this time?

10 A. As the actual proposals of other parties should be filed contemporaneously
11 with this filing, Staff has not yet had the opportunity to review those proposals and compare
12 and contrast those to what MGE has already suggested. Further, there may be some (limited)
13 chance that MGE will change its initial proposal in its written testimony.

14 Staff will provide specific recommendations as to specific proposals in later rounds –
15 after Staff has reviewed the actual requests of the other parties.

16 For purposes of this discussion, Staff will refer to current sales customers who have
17 the potential to become transport customers if the gas usage threshold for the transport class is
18 lowered, as being LGS Transport customers.

19 **TELEMETRY REQUIREMENTS**

20 Q. What is your concern with telemetry requirements?

21 A. MGE’s Large Volume Transport Customers are required to have telemetry
22 equipment as shown in Tariff Sheet No. 70. Telemetry equipment permits MGE to determine
23 the customer’s daily usage in real time.

1 The primary issue in this case is whether all potential LGS Transport customers should
2 be required to obtain telemetry equipment for daily metering, and whether LGS Transport
3 customers should be subject to daily balancing requirements.

4 To properly allocate costs among classes and customers, the class of customer which
5 causes the cost must be determined. To determine cost causation for the LGS Transport
6 customers, MGE must be able to measure - on a customer-specific basis - the daily variance
7 between the quantity of gas put into the system by the supplier and the quantity of gas used by
8 the LGS customer.

9 While it is not practical to expect 100% uniformity between the amounts of gas
10 shipped and the gas used, it is reasonable to expect the LGS Transport customer make best
11 efforts to balance daily and come close to achieving balance on most days.

12 Q. Beyond achieving a matching of cost causer with cost payer, is there another
13 reason for the Commission to require telemetry?

14 A. Yes. When an OFO or POC is “called”, there is an expectation that the
15 transport customer will more closely (than normal) monitor daily usage to comply with the
16 restrictions detailed in the OFO or POC. Without telemetry equipment, the transport
17 customer and MGE do not have the data to more closely monitor daily usage. Telemetry
18 equipment will provide daily usage data for proper assignment of OFO and POC penalties
19 based on the variance between customer-specific daily usage and daily nominations. MGE’s
20 Tariff Sheet Nos. 65, 66 and 67 contain the penalty provisions for unauthorized usage during
21 an OFO or POC.

22 **STORAGE AND TRANSPORT COSTS**

23 Q. What costs are associated with this tariff change?

1 A. Staff's primary concern is other customers do not pay more for service as a
2 result of this tariff change. In this regard, Staff recommends that LGS Transport customers be
3 required to have telemetry equipment on their meters and that these customers pay the storage
4 and transport costs that they generate, including the transportation reservation costs MGE
5 pays for the pipeline capacity it acquired to serve these customers when they were Sales
6 customers.

7 Expanding the LGS class may impact MGE's use of its storage. When transport
8 customer's supplier either over/under delivers gas, such action could cause MGE to either,
9 inject gas into, or withdrawn gas from storage on a daily basis. This may restrict MGE's
10 ability to fully utilize its storage to meet the needs of its PGA sales customers. Daily
11 metering (or telemetry), permits MGE to monitor transport customer's activities.

12 Q. Does this conclude your Supplemental Direct Testimony?

13 A. Yes. It does.