

Exhibit No.	
Issue:	Rate Design –
	Gas Transportation
Witness:	Richard Haubensak
Sponsoring Party:	Constellation
	NewEnergy-
	Gas Division, LLC
Type of Exhibit:	Rebuttal Testimony
Case No.:	GR-2009-0434
Date Testimony Prepared:	December 9, 2009

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

**CASE NO. GR-2009-0434  
THE EMPIRE DISTRICT GAS COMPANY**

**REBUTTAL TESTIMONY**

**OF**

**RICHARD HAUBENSAK**

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

**December 9, 2009**

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

5    A.    I am a self-employed consultant. I am testifying in this case on behalf of  
6        intervenor, Constellation NewEnergy-Gas Division, LLC (“Constellation”).  
7        Constellation is a major marketer of natural gas on the Empire District Gas  
8        Company (“Empire”) distribution system.

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

10   A.    Yes, I did.

11   **Q.    WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

12   A.    I wish to comment on the *Staff Report – Class Cost-of-Service and Rate*  
13        *Design* prepared by the Staff of the Missouri Public Service Commission for  
14        this case and filed in November 2009. Specifically, I want to address the  
15        Staff’s comments related to the proposed changes in the transportation tariff  
16        as proposed by Empire.

17   **Q.    HAS EMPIRE PROPOSED IN THIS CASE TO REQUIRE TELEMETRY FOR ALL**  
18        **SMALL VOLUME TRANSPORTATION CUSTOMERS, OTHER THAN SCHOOLS?**

19   A.    Yes, it has, as I discussed in my direct testimony on pages 3-7.

20   **Q.    WHAT IS STAFF’S POSITION ON EMPIRE’S PROPOSAL?**

21   A.    Beginning on page 23, line 2, of the *Staff Report*, in a discussion of Empire’s  
22        proposal to require telemetry equipment for small volume transportation

1 service, Staff makes a number of statements supporting Empire's proposal.  
2 The *Staff Report* states that "telemetry is necessary to measure daily  
3 imbalances for assessment of the Daily Charge....Under EDG's proposal,  
4 schools exempt from the telemetry requirement, are required to participate in  
5 a balancing service [footnote omitted]....EDG has priced its proposed school-  
6 only balancing service at \$0.025 per Ccf....According to EDG, the current  
7 charge of \$0.0075 per Ccf does not cover the value of this transportation and  
8 storage service. EDG offers the justification that the proposed fee of \$0.025  
9 per Ccf represents 20 percent of the proposed Daily Charge of \$.125 per  
10 Ccf....Staff considers this analysis reasonable...."

11 **Q. DO YOU AGREE WITH STAFF'S POSITION?**

12 A. No. Staff's position is based on assumptions without any basis in fact – first,  
13 the need for telemetry equipment for small-volume transportation customers  
14 and, then, the acceptance of a 333% increase in the charge for a small-  
15 volume balancing service that is now proposed to be available only to schools  
16 choosing transportation service.

17 **Q. IS TELEMETRY EQUIPMENT NECESSARY FOR SMALL-VOLUME**  
18 **TRANSPORTATION CUSTOMERS?**

1 A. No, it is not. As I explained in my direct testimony, on page 6, "Small volume  
2 customers, including those on the school program, have been eligible for  
3 transportation service since 2001 with no requirement for telemetry  
4 equipment." The usage of small-volume customers is so predictable that  
5 telemetry equipment is not necessary to predict the daily consumption by  
6 customer.

7 **Q. DO OTHER STATES REQUIRE TELEMETRY EQUIPMENT FOR SMALL-**  
8 **VOLUME TRANSPORTATION CUSTOMERS?**

9 A. Telemetry equipment is not required for small volume transportation in either  
10 Iowa or Nebraska. In Kansas, the major LDCs do not require telemetry  
11 equipment to be installed for small-volume transportation customers. For  
12 example, Kansas Gas Service, the largest LDC in Kansas, does not require  
13 telemetry equipment to be installed for transportation customers having a  
14 peak month of less than 1500 Mcf. This is documented on Sheet 42.2, #2, of  
15 KGS' transportation tariff, which is attached to this rebuttal testimony as  
16 Schedule RJH 1. Kansas Gas Service refers to telemetry equipment as  
17 "Electronic Flow Measurement," which is the same thing as telemetry. A  
18 second example is the MidAmerican Energy tariff for Iowa, which I attach as  
19 Schedule RJH 2. On page WT-57, under the heading "Metering," it is  
20 explained that, "in lieu of installing daily metering and telemetry, MidAmerican  
21 will use a load profile to forecast the Customer's daily gas consumption at  
22 each Customer Meter."

1   **Q.   EVEN IF USAGE IS VERY PREDICTABLE, AREN'T THERE CERTAIN**  
2       **POSSIBLE PENALTIES COMING FROM THE INTERSTATE PIPELINE SUCH AS**  
3       **MONTHLY CASHOUT CHARGES OR MISCELLANEOUS PENALTIES THAT**  
4       **SHOULD BE THE RESPONSIBILITY OF THE TRANSPORTATION CUSTOMERS**  
5       **AND NOT THE SALES CUSTOMERS?**

6   A.   There certainly are. The best way to recover these costs is to require small  
7       volume transportation customers which are grouped in pools by a marketer to  
8       pay for a balancing service, which Empire has previously done. This should  
9       be based on a periodic study by the LDC to identify just what these costs are,  
10      to charge the customers receiving the service and to credit the resulting  
11      revenues back to the gas costs for the customers staying on the sales  
12      service. In the case of Empire, I don't believe any study has been done since  
13      2001 to determine what gas supply related costs small volume transportation  
14      customers are putting on the system. It would be appropriate for Empire to do  
15      a study like this periodically and adjust their charge for the small volume  
16      balancing service accordingly, rather than to assume the charge should be  
17      \$0.025 per Ccf, or 20% of the daily charge of \$0.125, for being out of balance,  
18      as suggested by Empire and endorsed by the Commission Staff in this case.  
19      No cost study has been offered or cited by Empire or Staff in this case  
20      supporting and justifying Empire's proposed \$0.025 per Ccf balancing charge.  
21      And there is no evidence that any audit or cost study was performed by Staff  
22      before concluding that Empire's proposals were "reasonable."

1   **Q.   WHAT IS WRONG WITH THE LOGIC OF TYING THE CHARGE FOR A**  
2       **BALANCING SERVICE TO THE PROPOSED CHARGE FOR BEING OUT OF**  
3       **BALANCE ON A DAILY BASIS?**

4   A.   First of all, the charge for being out of balance on a daily basis, proposed by  
5       Empire in this case, has not been justified in Empire's testimony. Second, as I  
6       just suggested, a study could be done by Empire to determine just what costs  
7       it is incurring that should be assigned to small-volume transportation  
8       customers. Third, the charge for a small-volume balancing service is going to  
9       be assigned to every Ccf of small-volume transportation. The unsupported  
10      proposed charge for daily imbalances would apply only to daily imbalances. It  
11      is possible that there would be no daily imbalances. There is very little  
12      correlation between these two charges that justifies one being an  
13      extrapolation of the other.

14   **Q.   ARE THERE ADDITIONAL APPROACHES THAT CAN BE UTILIZED TO**  
15      **MINIMIZE ANY COSTS SMALL-VOLUME TRANSPORTATION CUSTOMERS PUT**  
16      **ON THE SYSTEM?**

17   A.   Yes, there are. Some LDCs specify how much gas a marketer should deliver  
18       (nominate) into the LDC's system for small-volume transportation customers  
19       each day. An example of this is shown in the MidAmerican Energy tariff in  
20       Iowa, which I previously referenced, on tariff sheet WT-60 of my Schedule  
21       RJH-2. With this alternative, any incremental costs from the pipeline can still  
22       be recovered through a charge for a balancing service.

1   **Q.    HOW DO YOU THINK THIS PROCESS SHOULD BE MANAGED?**

2   A.    Constellation has small-volume transportation customers on LDCs where  
3        Constellation decides how much gas to nominate (deliver) into the LDC  
4        system, as is done currently on the Empire system, and also on LDCs like  
5        MidAmerican where the LDC specifies how much gas to deliver into the  
6        LDC's system. Personally, I think the second alternative (LDC designation of  
7        the marketer's nominations for small-volume transportation customers) is  
8        preferable, because it removes any argument that the marketer is deliberately  
9        nominating more or less gas than the transportation customers will take on a  
10       daily basis.

11   **Q.    DOESN'T THIS CREATE A LOT OF WORK FOR THE LDC?**

12   A.    Not really. The LDC already has to make a daily nomination for the total sales  
13        customers on their system not having telemetry equipment. This is based on  
14        past usage patterns of the entire customer group and factoring in weather  
15        conditions. To calculate the additional nomination necessary for the  
16        transportation customers, for which the LDC already has the same data as  
17        they have for their sales customers, is not that difficult.

18   **Q.    WHAT OTHER COMMENTS DO YOU HAVE REGARDING THE STAFF**  
19       **REPORT?**

20   A.    Constellation agrees with the Staff recommendation on page 27 of the Report  
21        "that all provisions referencing requirement for certification as an energy seller  
22        be removed from EDG's tariff." Also, on page 28 of the Staff Report, Staff  
23        commented on changes Empire is proposing on insurance requirements for



1 marketers. Constellation agrees with the recommendations made by Staff on  
2 page 29, and most specifically the Staff statement on page 30: "This  
3 proposed language gives EDG the flexibility necessary to set an amount  
4 commensurate with perceived risk, but is not so discretionary as to give EDG  
5 the absolute power to impose insurance requirements of such a magnitude as  
6 to discourage competition."

7 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**


8 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

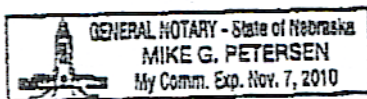
In the Matter of The Empire District Gas	)	
Company of Joplin, Missouri for Authority to	)	<u>Case No. GR-2009-0434</u>
File Tariffs Increasing Rates for Gas Service	)	Tariff No. YG-2009-0855
Provided to Customers in the Missouri	)	
Service Area of the Company	)	

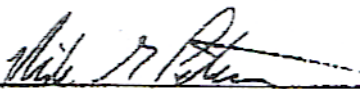
AFFIDAVIT OF RICHARD HAUBENSAK

Richard Haubensak, of lawful age, on his oath, states that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing 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 7<sup>th</sup> day of December 2009.



  
Notary Public

My Commission Expires: November 7 2010