Exhibit No.	________________
Issue:	Rate Design – Gas Transportation
Witness:	Wendi P. Brown
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

WENDI P. BROWN

ON BEHALF OF CONSTELLATION NEWENERGY-GAS DIVISON, LLC

December 9, 2009

REBUTTAL TESTIMONY

OF

WENDI P. BROWN

TABLE OF CONTENTS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Wendi P. Brown. 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 employed by Constellation NewEnergy-Gas Division, LLC ("Constellation") as Regional Director of Supply. Constellation is a major marketer of natural gas on the Empire District Gas Company ("Empire") distribution system.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I graduated from the University of Nebraska-Omaha with a degree in Finance in 1991. I have been employed in the natural gas industry since January 1992. I have held positions in scheduling, accounting, transporting and buying of natural gas before becoming Regional Director of Supply for Constellation.

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

A. No, I did not.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I wish to comment on the *Staff Report – Class Cost-of-Service and Rate Design* prepared by the Staff of the Missouri Public Service Commission for this case and filed in November 2009. Specifically, I want to address the Staff's comments suggesting that marketers and transporters are not paying their fair share of storage costs incurred by Empire.

Q. PLEASE PROCEED.

A. Starting on page 21, line 9, the Staff report engages in a discussion of how "[t]he cash out process does nothing to recover storage costs incurred due to given daily imbalances, when those imbalances are settled up….Currently, storage costs are assigned 100% to EDG's firm customers, even though transport customers are also causing EDG to incur some of these costs….EDG proposes to establish a mechanism to redistribute storage costs among all classes of customers utilizing storage or causing EDG to incur storage charges….EDG is proposing a 10% daily threshold for over or under nominations, which Staff supports as reasonable….Staff does not consider the 10% level to be unreasonable….Staff supports the $1.25 per-Mcf Daily charge as reasonable and as an equitable way of recovering from transport customers the portion of storage-related costs attributable to transport customers." This analysis is based on information provided by Empire without any supporting evidence of whether transporters are causing any storage costs to be incurred or what the level of those costs is.

Q. WHY DOES EMPIRE INCUR STORAGE COSTS?

A. Empire purchases a storage service so that they can store gas for their sales customers to be used in future months. In other words, the primary reason Empire purchases storage capacity is to meet the needs of their sales customers. Per the Southern Star tariff, a portion of which is attached as Schedule WPB-1, gas is to be injected into storage from April through October and withdrawn from storage from November through March. Storage activity going counter to this is called "counter-cyclical."

Q. WHAT IS MEANT BY THE TERMS "BALANCING REQUIREMENTS" AND "BALANCING TOLERANCES"?

A. Interstate pipelines have balancing requirements that require LDCs like Empire to keep their deliveries of gas into the pipeline (called nominations) and gas taken out of the pipeline (called deliveries) within a certain tolerance.

Q. DOES SOUTHERN STAR HAVE DAILY BALANCING REQUIREMENTS ON THEIR SYSTEM?

A. No, they do not. As a result, the LDCs served off this pipeline, like Empire and Missouri Gas Energy, do not have daily balancing requirements. Empire is effectively trying to establish daily balancing when it is not required by Southern Star and is not required by other LDCs such as Missouri Gas Energy.

Q. IS IT POSSIBLE MARKETERS AND TRANSPORTERS ON THE EMPIRE SYSTEM ARE CAUSING EMPIRE TO INCUR STORAGE COSTS?

A. Yes, but they are not responsible for all of the storage costs Empire is proposing to assign to them.

Q. HOW COULD EMPIRE REDUCE ITS CURRENT STORAGE COSTS?

A. By actively managing what marketers are bringing in on their system, monitoring the weather and forecasting their own load, Empire should be able to balance their system on a daily and monthly basis.

Q. HOW DOES AN LDC LIKE MGE MINIMIZE ITS STORAGE COSTS?

A. They do basically what I discussed above. They monitor what their transportation customers are doing on a daily basis. If a marketer/transportation customer is getting them out of balance, MGE will communicate the imbalance to the marketer/transportation customer and will request them to balance. If necessary to stay in balance, MGE has cut the gas coming into their system on Southern Star that had been previously nominated by the marketer/transportation customer.

Q. WOULD CONSTELLATION BE WILLING TO ADJUST ITS DAILY NOMINATIONS ON CERTAIN DAYS TO ENABLE EMPIRE TO MINIMIZE ITS STORAGE INJECTION AND WITHDRAWAL CHARGES?

A. Yes, if it is our company that is causing the imbalance.

Q. AS STATED PREVIOUSLY, THE COMMISSION STAFF IS SUPPORTING EMPIRE'S PROPOSED $1.25 PER MCF CHARGE FOR DAILY IMBALANCES IN EXCESS OF TEN PERCENT. IF IT WERE DETERMINED THAT MARKETERS WERE CAUSING EMPIRE TO INCUR ADDITIONAL STORAGE COSTS, WHAT

WOULD THE PROPER RATE BE TO CHARGE MARKETERS TO RECOVER THESE COSTS AND PROTECT THE REMAINING SALES CUSTOMERS?

A. From review of the Staff report, I do not believe there is any support for the \$1.25 per Mcf proposal. There is no documentation of how the \$1.25 was developed and no indication that Staff audited or studied Empire's proposed charge. Also, Staff has completely ignored the fact that there are currently monthly cash-out provisions in the Empire tariff. If a marketer has delivered more gas into the Empire system than is consumed by the marketer's customers, the marketer is reimbursed for this gas at a rate lower than the current commodity rate on the New York Mercantile Exchange (NYMX). Conversely, if a marketer delivers less gas into the Empire system than is consumed by the marketer's customers, the marketer must reimburse Empire for this gas at a rate higher than the current rate on the NYMX. This monthly cash-out process effectively penalizes the marketer/transportation customer and benefits the remaining sales customers. Thus, the cash-out provisions already address the issue that Empire's proposed \$1.25 per Mcf daily balancing charge purports to address.

Q. DO YOU AGREE WITH THIS MONTHLY CASH-OUT PROVISION IN THE EMPIRE TARIFF?

A. Yes, I do. It is generally consistent with provisions in other LDC tariffs and protects Empire from marketers that might try to game the system. It further assures that sales customers are not being burdened with any gas costs that should be assigned to transportation customers.

Q. IN SUMMARY, WHAT SHOULD AN LDC LIKE EMPIRE TRY TO DO WHEN DESIGNING ITS TRANSPORTATION TARIFFS?

A. They should design their tariffs to give their customers the option to choose transportation service if they so desire. They should also insure that transportation customers are assigned all the costs they are putting on the system. They should not be creating unreasonable charges for customers choosing transportation, as Empire has done in this case.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.