

Exhibit No.: _____
Issue: Request for FMGP AAO
Witness: Crystal Callaway
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Missouri Gas Energy
Case No.: GU-2007-0480
Date Testimony Prepared: July 9, 2008

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GU-2007-0480

SURREBUTTAL TESTIMONY

OF

CRYSTAL CALLAWAY

Jefferson City, Missouri

July 2008

**SURREBUTTAL TESTIMONY OF CRYSTAL CALLAWAY
ON BEHALF OF
MISSOURI GAS ENERGY
GU-2007-0480**

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**SURREBUTTAL TESTIMONY OF CRYSTAL CALLAWAY
ON BEHALF OF
MISSOURI GAS ENERGY
GU-2007-0480**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Crystal Callaway, 3420 Broadway, Kansas City, Missouri.

3

4 **Q. ARE YOU THE SAME CRYSTAL CALLAWAY WHO PREVIOUSLY**
5 **SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?**

6 A. Yes.

7

8 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

9 A. I will respond to portions of the rebuttal testimony of Staff Witness Harrison and
10 OPC witness Robertson related to their recommendations that the Commission
11 deny MGE's request for an Accounting Authority Order (AAO) for Former
12 Manufactured Gas Plant ("FMGP") costs.

13

14 **1. Response to Rebuttal Testimony of Staff Witness Harrison**

15 **Q. ON PAGE 11 (LINES 15 THROUGH 18) OF HIS REBUTTAL TESTIMONY, MR.**
16 **HARRISON STATES THAT FMGP CLEAN-UP COSTS AND ACTIVITIES ARE**
17 **NOT CERTAIN TO OCCUR IN THE NEAR FUTURE. DO YOU AGREE WITH**
18 **HIS TESTIMONY?**

19 A. No. MGE has already conducted extensive soil and debris removal in 2008 at
20 the Station B FMGP site in Kansas City. MGE expects to continue to incur site

1 monitoring costs at both the Station A and B FMGP sites in Kansas City this
2 year. Further, extensive soil removal and remediation activities will begin in mid-
3 July 2008 at the FMGP site located at the MGE facility at 4th and Cedar Street in
4 St. Joseph. As described more fully below, costs associated with remediation
5 activities in St. Joseph are currently estimated to be \$3,258,237.00.

6
7 **Q. ON PAGES 6 THROUGH 8, MR. HARRISON TESTIFIES THAT HE DOES NOT**
8 **BELIEVE THAT MGE'S FMGP COSTS ARE EXTRAORDINARY, UNUSUAL,**
9 **UNIQUE, OR NON-RECURRING. DO YOU AGREE WITH HIS**
10 **ASSESSMENT?**

11 **A.** No. Based on my experience as an Environmental Compliance Specialist at
12 MGE, remediation actions at FMGP sites are not a normal, everyday part of
13 MGE's business, nor are they usually a significant part of MGE's normal
14 environmental compliance activity. While MGE has incurred costs associated
15 with FMGP sites for several years, by the close of calendar year 2008, significant
16 soil removal and remediation activities will have occurred only three times since
17 the acquisition by Southern Union in 1994. These three significant projects
18 include remediation activities in Kansas City at Station A in 2003, Station B in
19 2008, and the soil removal project scheduled to occur in St. Joseph beginning in
20 mid-July 2008.

1 **Q. WHY DO YOU BELIEVE THAT AN FMGP REMEDIATION ACTION IS AN**
2 **EXTRAORDINARY AND UNUSUAL EVENT FOR MGE?**

3 A. An FMGP remediation action is an extraordinary and unusual event for a natural
4 gas distribution company like MGE. As detailed in my direct testimony, the
5 timing of remediation actions are driven in large part by the actions of federal
6 and/or state regulatory agencies, which often dictate when MGE moves forward
7 with remediation activities. Once that remediation action begins, MGE must
8 engage specialized environmental companies, laboratories, trucking companies,
9 landfills, project managers, and myriad other environmental specialists and
10 experts to support such a project. Those companies have geologists, engineers,
11 technicians, and equipment operators that are able to provide the support that
12 such a specialized and complex project requires. There are very few
13 environmental companies that have the type of experience, depth, and skill to
14 successfully manage and remediate a FMGP site. MGE cannot and does not
15 staff for this type of work because it is infrequent and specialized. Those costs
16 that are incurred before large remediation projects begin (site assessments,
17 investigations, and monitoring activities) also require the assistance of outside
18 specialists. The fact that this type of expertise and support is required for an
19 FMGP remediation indicates that this type of activity is unusual and
20 extraordinary.

1 **Q. WHY DO YOU BELIEVE THAT MGE'S FMGP COSTS ARE NON-**
2 **RECURRING?**

3 A. FMGP costs are non-recurring because specific remediation activities are
4 unlikely to be repeated at each FMGP site and will not recur once the
5 remediation of those sites is final. Once a company proceeds with FMGP
6 remediation, the company ultimately must obtain official closure of the site by the
7 state or federal regulatory agency directing the activity. As outlined in more
8 detail in my direct testimony, the process to obtain site closure can include initial
9 site assessment, soil boring and excavation test trenching, soil and water
10 analysis, water and air monitoring, as well as soil and debris removal. Each step
11 in the process is directed at the goal of obtaining site closure. Each site-specific
12 plan must be approved and each action must be evaluated by the state or local
13 regulatory agency. Once these specific remediation activities are complete, they
14 are unlikely to be repeated again at the site. Each action is a step in the process
15 to site closure. Similar activity (i.e. further soil and debris removal or subsequent
16 monitoring) may be required at different stages of a project or on different parts
17 of a site, but a repetition of steps is not likely once they are completed. Once
18 official closure is obtained, further remediation costs are unlikely to recur.

19
20 **Q. ARE FMGP COSTS CONSISTENT FROM SITE TO SITE?**

21 A. No. Not only is the remediation activity itself unusual and unique as compared to
22 MGE's normal operations, but site-specific costs are unique as well. FMGP
23 costs are unique to each FMGP site because each site has variable

characteristics that affect the scope and magnitude of the remediation activity. Soil types vary by site, as does the depth at which impacted material may be found. Site gradient and subsurface water flow may affect the plume of impacted material on the site. The type of buildings and containers originally used in the manufacturing process may affect the remediation plan and whether the impacted material will be localized or dispersed. At times, soil removal activities must occur in close proximity to existing buildings, which may require the demolition of buildings or modification to the excavation plan. Even after initial site assessment and analysis, the extent and scope of remediation often changes once excavation begins because the impacted areas are underground and the extent of impacted areas are not readily ascertainable. By way of example, the approach for work at Station A and Station B FMGP sites was very different due to the characteristics of the sites. Station B was recently an active MGE service center with multiple buildings, while Station A was used primarily as a storage facility, which resulted in different work plans and approaches for both sites. Each site also had its own individual gradient and subsurface conditions that affected the way that contractors had to address soil removal and remediation. Aside from the individual site characteristics, the extent and scope of remediation may be unique and may vary depending on state or federal regulatory agency requirements, agency assessment of work performed, and changes in regulations or laws. Ultimately, each site has its own unique characteristics and each will have unique costs associated with any remediation activity.

1 **2. Response to Rebuttal Testimony of OPC Witness Robertson**

2

3 **Q. ON PAGE 5 (LINE 31) OF MR. ROBERTSON'S TESTIMONY, HE CITES A**
4 **DATA REQUEST RESPONSE THAT STATES THAT THERE IS CURRENTLY**
5 **NO INFORMATION ON FUTURE EXPENDITURES FOR MGP REMEDIATION**
6 **ACTIVITIES. IS THIS STILL CORRECT?**

7 **A. No. MGE has recently obtained cost projections for work scheduled at the**
8 **FMGP site located at the MGE facility at 4th and Cedar Streets in St. Joseph,**
9 **Missouri. Removal actions are scheduled to begin in mid-July, 2008. The**
10 **estimated cost for the project is currently \$3,258,237.00. This figure includes**
11 **estimates for removal activities, the risk management plan, transportation,**
12 **backfill material, air monitoring, laboratory fees, and landfill fees. Costs**
13 **associated with these remediation activities will be known for certain only when**
14 **the work is complete. This estimate does not include subsequent monitoring or**
15 **other activities that may be required by the Missouri Department of Natural**
16 **Resources, as these costs are not yet known.**

17

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

19 **A. Yes, at this time.**

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of)
Missouri Gas Energy, a Division of)
Southern Union Company, for an)
Accounting Authority Order Concerning)
Environmental Compliance Activities)

Case No. GU-2007-0480

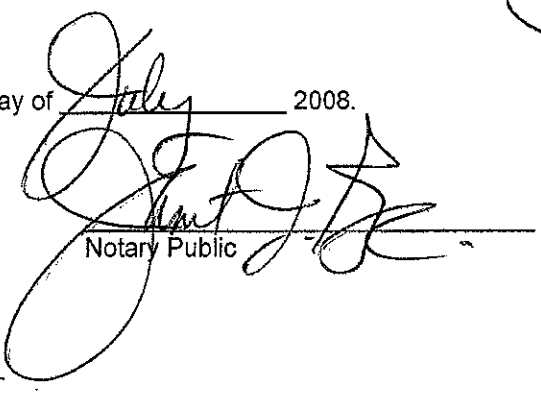
AFFIDAVIT OF CRYSTAL CALLAWAY

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss.

Crystal Callaway, of lawful age, on her oath states: that she 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 her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.


CRYSTAL CALLAWAY

Subscribed and sworn to before me this 8 day of July 2008.


Notary Public

My Commission Expires: 03/01/09

