

Exhibit No.: _____
Issues: Experimental School
Transportation Tariff
Witness: Dave Beier
Type of Exhibit: Direct Testimony
Sponsoring Party: Fidelity Natural Gas, Inc.
Case No.: GT-2003-0036

MISSOURI PUBLIC SERVICE COMMISSION

FIDELITY NATURAL GAS, INC.

CASE NO. GT-2003-0036

TESTIMONY OF

DAVID N. BEIER

Jefferson City, Missouri

September 10, 2002

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of)
Fidelity Natural Gas, Inc.)

Case No. GT-2003-0036

County of Franklin)
State of Missouri)

AFFIDAVIT OF

DAVID N. BEIER

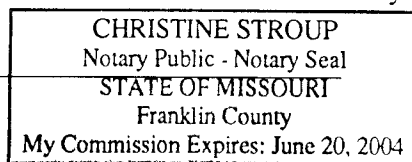
David N. Beier, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Direct Testimony of David N. Beier"; that said testimony and schedules attached thereto was prepared by him and/or under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge, information and belief. Subscribed and sworn to before me this 9th day of September, 2002. My Commission expires:

David N. Beier
David N. Beier

Subscribed and sworn to before me this 9th day of September, 2002.

Christine Stroup
Notary Public

My Commission expires _____



TESTIMONY OF DAVID N. BEIER

CASE NO. GT-2003-0036

September 10, 2002

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

2 A. My name is David N. Beier. My business address is 64 North Clark, Sullivan,
3 Missouri 63080.

4

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

6 A. I am employed by Fidelity Natural Gas, Inc., (Fidelity), as Vice President-
7 Regulatory.

8

9 **Q. BRIEFLY DESCRIBE THE NATURE OF YOUR DUTIES AND**
10 **RESPONSIBILITIES FOR FIDELITY.**

11 A. I am responsible for all regulatory affairs, tariff matters, compliance reporting and
12 revenue accounting for the Company.

13

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

15 A. The purpose of my testimony in this proceeding is to describe the tariff sheets filed by
16 Fidelity that will allow the public school districts within the Fidelity service territory
17 to aggregate the purchasing of natural gas supplies and transport said supplies to
18 eligible schools in compliance with House Bill No. 1402 which was signed into law
19 on July 11, 2002.

20

21

1 **Q. WHAT ARE THE SPECIFIC REQUIREMENTS OF NEW LAW?**

2 A. On July 11, 2002 the Governor signed into law House Bill No. 1402, enacting Section
3 393.310, RSMo 2002 which directed Fidelity and the state's other regulated natural
4 gas distribution companies to file with the Commission by August 1, 2002 a set of
5 experimental tariff sheets applicable to public school districts and which: (1) provides
6 for the aggregate purchasing of natural gas supplies and pipeline transportation
7 services on behalf of eligible school entities in accordance with aggregate purchasing
8 contracts negotiated by and through a not-for-profit school association; (2) provides
9 for the resale of such natural gas supplies, including related transportation service
10 costs, to the eligible school entities at the gas corporation's cost of purchasing of such
11 gas supplies and transportation, plus all applicable distribution costs, plus an
12 aggregation and balancing fee to be determined by the commission, not to exceed
13 four-tenths of one cent per therm delivered during the first year; and (3) not require
14 telemetry or special metering, except for individual school meters over one hundred
15 thousand therms annually. The new law also sets the requirements that the
16 Commission may suspend the tariff as required for a period ending no later than
17 November 1, 2002, and shall approve such tariffs upon finding that implementation of
18 the aggregation program set forth in such tariffs will not have any negative financial
19 impact on the gas corporation, its other customers or local taxing authorities, and that
20 the aggregation charge is sufficient to generate revenue at least equal to all
21 incremental costs caused by the experimental aggregation program. In addition the
22 law states that the Commission may adopt by order such other procedures not

1 inconsistent with this section that the Commission determines are reasonable or
2 necessary to administer the experimental program.

3
4 **Q. DID FIDELITY FILE THE REQUIRED TARIFF SHEETS IN ACCORDANCE**
5 **WITH THE LAW?**

6 A. Yes. On August 1, 2002 Fidelity filed with the Commission the proposed
7 Experimental School Transportation Program tariff sheets (ESTP). The sheets
8 contained an issue date of August 1, 2002 and an effective date of November 1, 2002.
9 As a result of discussion with the staff and the Missouri School Board Association,
10 Fidelity has agreed to make certain changes in the tariff sheets it originally filed.
11 These changes are reflected in Schedule 1 appended hereto.

12
13 **Q. THE NEW LAW ALLOWS FIDELITY TO COLLECT AN AGGREGATION**
14 **AND BALANCING FEE NOT TO EXCEED \$0.004 PER THERM THE FIRST**
15 **YEAR. HAS FIDELITY INCLUDED THAT FEE IN THE FILED TARIFFS?**

16 A. Yes. Fidelity has included an aggregation and balancing fee of \$0.04 per Mcf to
17 cover the incremental costs of initiating and implementing this new tariff. This rate is
18 equivalent to \$0.004 per therm. This fee will be subject to adjustment on an annual
19 basis based on whether Fidelity is over or under recovering the costs to implement
20 this new law.

1 **Q. THE NEW LAW ALSO PROVIDES THAT THERE WILL NOT BE ANY**
2 **NEGATIVE FINANCIAL IMPACT ON LOCAL TAXING AUTHORITIES.**
3 **HAS FIDELITY ADDRESSED THAT CONCERN IN THE PROPOSED**
4 **TARIFF SHEETS?**

5 A. Yes. Fidelity has included tariff language designed to mitigate negative financial
6 impact on local taxing authorities by requiring eligible school entities to agree to pay
7 local taxes or similar fees in a manner similar to the way such taxes are currently
8 levied on sales customers.

9

10 **Q. THE NEW LAW ALSO REQUIRES THAT THE TARIFF BE DESIGNED TO**
11 **BE REVENUE NEUTRAL TO FIDELITY AND ITS OTHER CUSTOMERS.**
12 **WILL THESE TARIFF SHEETS BE REVENUE NEUTRAL?**

13 A. Yes. With the inclusion of the aggregation and balancing fees, the new ESTP tariff
14 should not cause any shift of costs to the detriment of either Fidelity or other existing
15 sales or transportation customers. It has been proposed by the Commission Staff and
16 agreed to by Fidelity that no later than June 1 of each year of the experimental
17 program, Fidelity will provide an accounting of the revenues and expenses incurred
18 as a result of this experimental program.

19

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1 **Q. DOES FIDELITY PROPOSE TO RELEASE ANY OF ITS PIPELINE**
2 **CAPACITY TO THE SCHOOLS IN CONJUNCTION WITH THIS**
3 **EXPERIMENTAL PROGRAM?**

4 A. Yes. Fidelity will make available pipeline capacity on from the various intrastate and
5 interstate pipelines that provide transportation service to the Fidelity service area.

6

7 **Q. HAS THE SCHOOL BOARD ASSOCIATION AGREED WITH THE**
8 **CAPACITY RELEASE LANGUAGE CONTAINED IN THE ESTP TARIFF**
9 **SHEETS?**

10 A. Yes they have.

11

12 **Q. ARE THERE ANY PARTS OF FIDELITY'S PROPOSED TARIFFS WHICH**
13 **ARE IN DISPUTE EITHER WITH THE COMMISSION STAFF OR THE**
14 **SCHOOL BOARD ASSOCIATION?**

15 A. No. It is my understanding at the time of writing this testimony that Fidelity has
16 addressed any concerns of either the Commission Staff or the School Board
17 Association. Fidelity believes its tariff filing complies with the provisions of section
18 393.310 RSMo 2002.

19

20 **Q. DO YOU HAVE ANY OTHER COMMENTS TO MAKE AT THIS TIME?**

21 A. Fidelity has designed the ESTP tariff and seeks to implement this program in a spirit
22 that is in keeping with the experimental nature of the program. Fidelity has used its
23 best efforts to design a program that complies with the requirements of Section

1 393.310 RSMo 2002 and is at the same time capable of being administered with as
2 few structural or process changes as reasonably possible. Nevertheless, despite these
3 best efforts, it must be understood that actual experience under the program may be
4 considerably different than the projections that were of necessity used in the
5 development of the ESTP tariff and that such actual experience may necessitate
6 changes during the course of the experiment.

7
8 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?**

9 A. Yes it does.

10

Cancelling P.S.C. MO. No.

Fidelity Natural Gas, Inc.

For Refer to Sheet i

Name of Issuing Corporation

Community, Town or City

**Missouri School Pilot Program
Transportation Service
Rate Schedule**

1. Availability

This service is available to any eligible school entity as defined in Section 393.310.2(3), RSMo. (Cum.Supp. 2002) within Fidelity Natural Gas, Inc.'s (Company's) service area who has purchased natural gas from a third party supplier and desires transportation of those volumes through the Company's facilities. All provisions of the Transportation Service, Tariff Sheet Nos. 7-20.1, inclusive, shall apply to this program, unless otherwise indicated below. Transporter shall be required to execute a Transportation Agreement prior to receiving service under this Rate Schedule. This service shall be offered upon approval by the Missouri Public Service Commission as a pilot program in accordance with Section 393.310, RSMo. (Cum.Supp. 2002). As a condition of taking this transportation service, an eligible school entity must agree to pay local gross receipts taxes, or local franchise taxes, or other similar local fees or taxes, in a manner similar to the way such taxes would be paid if service were not taken under the experimental school program but under rate schedules GS, CS or LVS.

2. Applicability of Missouri School Pilot Program

- a. This Pilot Program will become effective upon approval by the Commission and continue as a pilot program through June 30, 2005. Participants should notify the Company no later than sixty (60) days prior to service beginning date. Transporter shall agree to remain on this Rate Schedule for a period of not less than one year. Transporter may return to sales service on November 1 of any year by giving the Company notice no later than September 1 of that year.

DATE OF ISSUE: August 1, 2002
month day year

Effective : November 1, 2002
month day year

ISSUED BY: Dave Beier Vice- President--Regulatory 64 North Clark, Sullivan, MO 63080
name of officer title address

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- b. Company will prepare a contract for execution by the Pool Operator addressing its obligations in respect to Nominations, Balancing Charges and Cash-Out provisions and other applicable charges.
- c. Pool Operator is defined as the entity responsible on the Transporter's behalf, to contract for, and cause delivery of, adequate natural gas supplies necessary to meet the Transporter's Forecasted Daily Gas Supply Requirements. The Missouri School Board Association will select the Pool Operator for this Pilot Program.
- d. Pool Group is defined as the transporters or schools participating in this Pilot Project. A customer is assigned to a specific pool group on the basis of the connecting pipeline which serves the respective customer.
- e. The Pool Operator will be responsible for forecasting the Daily Gas Supply Requirements of participating eligible school entities. The Company will initially provide historical monthly consumption information to the Pool Operator to assist it in the determination of the Daily Gas Supply Requirements of participating school entities. The Pool Operator will be responsible for taking the Forecasted Daily Gas Supply Requirement determined by the Pool Operator and the Company and provide a nomination to the interstate pipeline supplier and the Company. Nomination Procedures and Balancing Charges will be handled in accordance with Sections 3, and 4 set forth below or in the Pool Operator contract.
- f. The Pool Operator shall be responsible for pipeline imbalances, cash-outs, penalties, overrun gas charges or other charges it may create with the pipeline suppliers. All balancing charges or balancing-related obligations shall be the responsibility of the Pool Operator. Should the Pool Operator fail to satisfy such obligation, each individual transporter within such Pool Group shall remain responsible for their obligations. The Pool Operator shall enter into a group balancing agreement with the Company for a term of not less than one year.

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3. Nomination Procedures

- a. The Pool Operator will actively confirm with the Company's Gas Supply Department by 3:00 p.m. (CST) six (6) working days prior to the end of the preceding month the aggregated daily volumes and associated upstream transportation contract number(s) to be delivered for the Pool Group on whose behalf they are supplying natural gas requirements. This information will be relayed using Company's standard nomination form.
- b. In the event the Pool Operator must make any changes to the nomination during the month, the Pool Operator must directly advise Company's Gas Supply Department of those changes by 9:00 a.m. (CST) on the day preceding the effective date of the change. The Pool Operator must obtain prior approval from the Company to change the total daily volumes to be delivered to the city gate.

4. Transporter (s) Balancing Obligation

- a. The Transporters will be responsible to pay Company for any imbalances between the Forecasted Daily Gas Supply Requirement and the actual consumption caused by differences between actual weather and forecasted weather. An aggregation and balancing charge of \$.04 per Mcf on all throughput will be collected to offset the costs incurred by the Company to provide this service during the first year of availability and as approved by the Commission for subsequent years. Balancing charges will be collected and credited to the monthly cost of the Purchased Gas Adjustment Clause.
- b. Transporters within the Pool Group for respective Company pricing zones on common pipeline will have the obligation to insure that their Pool Operator delivers the Forecasted Daily Gas Supply Requirement volume to the Company's city gate. Transporters will be held responsible for any and all charges levied against their Pool Operator which are not paid.
- c. Transporters within one Pool Group will be treated as one customer for balancing. Consumption for all Transporters under this Pilot Program will be aggregated to be compared to monthly aggregated Confirmed Nominations to calculate the Monthly Imbalance. Any imbalances and cash-outs will be treated pursuant to the terms of Tariff Sheet Nos. 10-12, inclusive.

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5. Capacity Release Provisions

Company will release firm pipeline capacity on the applicable pipeline(s) equal to the peak day needs for all customers in aggregate to the Pool Operator, as specified in the Pool Operator Contract. The release will be at the same rate that the applicable pipeline(s) charges the Company for that capacity and will be for a term of one year. The release will be made on a recallable basis, but the Company agrees not to recall capacity unless requested to do so by Customer.

6. Billing

- a. In year one, Transporter shall pay the Company an aggregation and balancing charge of \$.04 per MMBtu. After year one, Transporter may pay the Company a higher or lower aggregation and balancing charge to cover incremental administrative costs, as may be approved by the Commission.
- b. The monthly commodity charges and customer charges equivalent in the applicable companion sales rate will be billed each transporter within the Pool Group by the Company in accordance with non-gas charges set forth in the Company's tariff for applicable sales service.
- c. Customer will be billed a daily balancing charge on all volumes delivered or set forth above under 4a.
- d. Customer will be billed any pipeline transition cost recovery factor which would otherwise be applicable as a system sales customer.
- e. ACA charges related to prior periods approved by the Commission will apply and will be billed to the customer for the first year.
- d. The Pool Operator will be billed all Overrun charges and cash-outs.

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ISSUED BY Dave Beier

name of officer

Vice-President—Regulatory

title

64 North Clark, Sullivan, MO 63080

address

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7. Taxes

The Pool Operator shall be required to collect local municipal franchise taxes, if any, on natural gas supplied by a Third Party and remit franchise tax collections to the applicable local municipal entity. In addition to local franchise taxes specified under Paragraph 1, above, schools shall agree to pay franchise tax on commodity transportation if applicable to Sales service for schools. Transportation shall be billed any applicable proportionate part of any directly allocable tax, impost or assessment imposed or levied by a governmental authority, which is assessed or levied against the Company or affects the Company's cost of operation and which the Company is legally obligated to pay on the basis of meters, customers, or rates of, or revenues from gas or service sold, or on the volume of gas produced, transported, purchased for sale, or sold, or on any other basis where direct allocation is possible.

8. Terms of Payment

Bills are delinquent if unpaid after the twenty-first (21st) day following rendition or as may be specified by law. Rendition occurs on the date of physical mailing or personal delivery, as the case may be, of the bill by the Company.

The Company shall add to any delinquent unpaid bill a sum equal to one and one half percent (1-1/2%) of the outstanding balance. In calculating the outstanding balance for these purposes, the Company may not include any amounts due to deposit arrears and amounts agreed to be paid under any deferred payment agreement. An unpaid bill shall be any undisputed amount that remains owing to the Company at the time of the rendition of the next bill. Failure to pay the late payment charge is grounds for discontinuance of service.

9. Rules and Regulations

Service will be furnished in accordance with Company's Standard Rules and Regulations.

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10. Reporting Requirements

The company shall, no later than June 1st of each year of the experimental program, provide records of the revenues and expenses incurred as a result of this experimental program. These records shall be provided to the Staff of the Missouri Public Service Commission and the Office of the Public Counsel and shall be categorized in sufficient detail to permit the PSC Staff and Office of the Public Counsel to determine what under or over recovery of expenses may be taking place at that time and to determine what changes in rates, if any, may be appropriate at that time to prevent any harm to the groups identified in RSMo section 393.310. The Commission may, no later than November 1st of each year of the experimental program, implement any adjustments in rates it deems appropriate to comply with RSMO section 393.310.

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