

Exhibit No.	Rate Design –
Issue:	Gas Transportation
Witness:	Wendi P. Brown
Sponsoring Party:	Constellation
	NewEnergy-
	Gas Division, LLC
Type of Exhibit:	Surrebuttal Testimony
Case No.:	GR-2009-0434
Date Testimony Prepared:	December 29, 2009

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

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

SURREBUTTAL TESTIMONY

OF

WENDI P. BROWN

ON BEHALF OF CONSTELLATION NEWENERGY-GAS DIVISION, LLC

December 29, 2009

Constellation Exhibit No. 24
Case No(s) GR-2009-0434
Date 1-08-10 Rptr KF

SURREBUTTAL TESTIMONY
OF
WENDI P. BROWN

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

2 A. My name is Wendi P. Brown. My business address is 12120 Port Grace
3 Boulevard, Suite 200, LaVista, Nebraska 68128.

4 **Q. DID YOU PREVIOUSLY PROVIDE REBUTTAL TESTIMONY IN THIS CASE?**

5 A. Yes, I did.

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

7 A. I wish to comment on the rebuttal testimony of Empire witnesses W. Scott
8 Keith and H. Edwin Overcast.

9 **Q. PLEASE PROCEED.**

10 A. Mr. Keith has sponsored two exhibits in his testimony, WSK-3 and WSK-4.
11 WSK-3 was prepared to support Empire's proposed charge for a small
12 volume balancing service of \$0.025 per Ccf. The explanation of the small
13 volume balancing service and the justification of the related charge for this
14 service do not appear anywhere in Empire's direct testimony, but only on
15 proposed tariff sheet 44, in the last paragraph. The data shown in WSK-3 is in
16 dekatherms (dth) or Mcf, which is a measurement ten (10) times the volume
17 represented by the term Ccf. I state this only to insure that readers of this
18 testimony understand the relationship between the calculation prepared by
19 Mr. Keith and the rate shown in proposed tariff sheet 44.

20 **Q. DO YOU AGREE WITH THE CALCULATION MADE BY MR. KEITH?**

21 A. No, I do not. The cost factors identified by Mr. Keith represent costs that
22 should be used in determining a charge for a small volume balancing service,
23 but they do not accurately portray the costs put on the system by

1 transportation customers nor give the transportation customers the benefit of
2 what they are already paying for.

3 **Q. PLEASE EXPLAIN.**

4 A. It is my understanding from conversations with Empire that the proposed
5 charge for a small volume balancing service includes charges for their
6 storage costs. Empire is charging storage costs on every dekatherm (dth) or
7 Mcf that a marketer would be out of balance. However, this is not an accurate
8 portrayal of what is actually happening on Empire's system. One marketer
9 may be "long" (nominate more than it delivers) on a given day and another
10 marketer could be "short" (nominate less than it delivers), which flattens out
11 the imbalance, thus costing Empire *no* storage costs.

12 **Q. HAS CONSTELLATION CALCULATED SMALL-VOLUME BALANCING COSTS?**

13 A. Yes, we have done our own calculations on information we have on how to
14 balance volumes on the Southern Star pipeline. We came up with \$0.0757
15 per dekatherm (dth) or Mcf for the cost of small volume balancing. (Schedule
16 WPB-2.) This is \$0.00757 per Ccf, compared to EDG's proposed rate of
17 \$0.025 per Ccf. We have used a "bottom-up" approach to calculate the costs
18 of a 25% swing in volumes. We define "swing" as the volume that the
19 customer actually consumes, versus what a marketer would have nominated
20 for that customer. For example, if we nominated 1,000 dth, and we have the
21 right to swing 25%, then the customer can use between 750 and 1,250 dth.
22 We have used Southern Star tariff rates in our exhibit for the "rate per day,"
23 which is the Storage Deliverability reservation, the Storage Capacity Rate,

1 Storage Injection/Withdraw rate, firm market area transport, and storage fuel
2 percentage.

3 **Q. WHAT ABOUT SCHEDULE WSK-4?**

4 A. This schedule, prepared by Mr. Keith, shows the calculation supporting the
5 \$1.25 per Mcf (\$0.125 per Ccf) for daily imbalances above ten percent (10%)
6 for large volume transportation customers which Empire proposes in this
7 case. Again, as in the case of the small volume balancing service, this charge
8 was not discussed anywhere in Empire's direct testimony, but is only
9 identified on proposed tariff sheet 42 near the top of the page. Mr. Keith made
10 his calculations in Mcf, or dth (dekatherms), which is the same unit of
11 measurement used on tariff sheet 42.

12 **Q. DO YOU AGREE WITH MR. KEITH'S CALCULATIONS?**

13 A. No, I do not. Again, the costs identified by Mr. Keith are costs that should be
14 considered but do not portray accurately the level of costs put on the system
15 by transportation customers, nor do they let the transportation customers get
16 the benefit of what they are paying for.

17 **Q. PLEASE EXPLAIN.**

18 A. Southern Star is not a daily balanced pipeline. No transporter is getting
19 charged daily balancing charges from Southern Star. Southern Star allows
20 transporters to carry a ten percent (10%) imbalance from month to month with
21 no costs or penalties charged. Empire could have this same right, but
22 chooses to inject/withdraw their imbalances on a monthly basis. They have
23 contractually agreed to do this with the pipeline, but it is not mandatory.

1 Empire proposes to charge marketers for their storage charges. If marketers
2 are getting charged maximum tariff rates for the storage costs, then we
3 should be offered the benefits of storage, *i.e.*, carrying a balance from the
4 injection to the withdrawal season. No other LDC on Southern Star has
5 implemented daily balancing charges. The other LDC's keep their costs to a
6 minimum by actively managing their daily gas flows.

7 **Q. COULD EMPIRE'S DECISION TO INJECT/WITHDRAW THEIR IMBALANCES**
8 **FROM STORAGE ON A MONTHLY BASIS UNFAVORABLY IMPACT THEIR GAS**
9 **SUPPLY COSTS FOR THEIR SALES CUSTOMERS?**

10 A. Yes, it could.

11 **Q. ARE YOU AWARE OF ANY OTHER MISSOURI LDC THAT HAS A DAILY**
12 **CHARGE FOR IMBALANCES, WHICH DOES NOT PURCHASE ITS SUPPLY**
13 **FROM AN INTERSTATE PIPELINE WHICH ALSO REQUIRES DAILY**
14 **BALANCING BY THE LDC?**

15 A. No, I am not. The only Missouri local distribution company which charges a
16 daily balancing charge is Ameren-UE. Ameren-UE is supplied by Panhandle
17 Eastern Pipeline which requires daily balancing of the LDCs on its system.
18 Southern Star Central Pipeline does not have daily balancing, as I stated
19 earlier. MGE, which acquires much of its supply from Southern Star, does not
20 have a daily balancing charge.

21 **Q. HOW WOULD EMPIRE'S PROPOSED DAILY CHARGE ON IMBALANCES**
22 **AFFECT MARKETERS LIKE CONSTELLATION?**

1 A. If Empire is allowed to add its proposed daily charge on imbalances,
2 marketers like Constellation would be subject to a higher level of perfection in
3 nominating gas supplies than Empire is held to by its interstate pipeline. This
4 would be entirely unfair to marketers like Constellation.

5 **Q. WHAT ABOUT MR. OVERCAST'S REBUTTAL TESTIMONY?**

6 A. Mr. Overcast, on page 9 of his testimony beginning at line 12, states: "The
7 current EDG model provides significant subsidies to transportation service at
8 the expense of firm service customers. This subsidy benefits both the
9 marketers, through higher margins, and the customers, through lower costs."

10 **Q. DO YOU BELIEVE THIS IS AN ACCURATE STATEMENT?**

11 A. No, it is not. By paying for a small volume balancing service, which I
12 previously discussed, small volume transportation customers are paying for
13 their share of the cost. I agree that the charge for the small volume balancing
14 service should be reviewed periodically, as is being done now, to ensure
15 costs are equitably being shared between sales and transportation
16 customers.

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

18 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)	<u>Tariff No. YG-2009-0855</u>
Provided to Customers in the Missouri)	
Service Area of the Company)	

AFFIDAVIT OF WENDI P. BROWN

Wendi P. Brown, 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.


Wendi P. Brown

Subscribed and sworn before me this 28th day of December 2009.




Notary Public

My Commission Expires: Nov 7, 2010

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THE EMPIRE DISTRICT GAS COMPANY**

SURREBUTTAL TESTIMONY

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SCHEDULE WPB 2

Small Volume Transportation Customer Balancing Service

Schedule WPB 2.2 – Balancing Cost Calculation based on
Southern Star Central Gas Pipeline, Inc.

Schedule WPB 2.1

Small Volume Empire/Southern Star Balancing Cost Calculation

25%swing (to be applied on top of 10% Southern Star allowance)

Example Daily Load (Dth) to determine a per Dth charge 1000

(Note: since this is a per Dth analysis, the 1000 example daily load is not critical, any basis for daily load can be used and the per Dth charge will result in the same per Dth result)

Assumed Storage MDTQ (assume 25% of daily load) 250

Rate per day \$ 0.0280

Total Deliverability Reservation \$ 7.00

Note: imbalance allowed on pipeline allows another 10% of swing for a total of 35% swing)

Capacity Required (assume that on average 15% of daily load is injected for 30 days = $1000 \times .25 \times 30$). 4500

Capacity Rate \$ 0.00130

Total Capacity Cost \$ 5.85

Daily inject/withdrawal cost (assume on average 15% daily amount) 150

Cost to inject withdraw per Dth \$ 0.01140

Daily inject/withdrawal cost \$ 1.71

Total MDTQ, Capacity, Inject/withdraw cost \$ 14.56

MDTQ 250

Percent of MDTQ that storage is applicable to (transport required) 100%

Rate (market transport) \$ 0.1370

\$ 34.25

Fuel cost on injection (market area only) Gas Cost \$ 5.00

Daily inject cost (assume 15% daily amount) 150

Fuel percent 3.59%

Fuel cost \$ 26.93

Total charges for all sources including transport \$ 75.74

Cost per Dth of daily load \$ 0.0757

Schedule WPB 2.2