

Exhibit No.  
Issue: Certified Territory  
Witness: Daniel R. Klein  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Empire District  
Case No: GA-2007-0289  
Date Testimony Prepared: July 13, 2007

**Before the Public Service Commission  
of the State of Missouri**

**Direct Testimony**

**Of**

**Daniel R. Klein**

**July 13, 2007**

EDGE Exhibit No. 1  
Case No(s). GA-2007-0289  
Date 10/25/07 Rptr MV

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OF  
DANIEL R. KLEIN  
ON BEHALF OF  
THE EMPIRE DISTRICT GAS COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION

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DIRECT TESTIMONY  
OF  
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MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO: GA-2007-0289

1 **INTRODUCTION**

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

3 A. My name is Daniel R. Klein and my business address is 412 Main Street, Platte  
4 City, Missouri 64079.

5 **Q. WHO IS YOUR EMPLOYER AND WHAT POSITION DO YOU HOLD?**

6 A. I am employed by The Empire District Gas Company ("Empire" or "Company")  
7 as Director of Engineering.

8 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.**

9 A. I hold a Bachelor of Science Degree in Mechanical Engineering from The  
10 University of Tulsa, Tulsa, Oklahoma.

11 **Q. PLEASE INDICATE YOUR PROFESSIONAL EXPERIENCE.**

12 A. Prior to joining Empire, I worked for Black & Veatch, Inc. in Kansas City, in  
13 their consulting engineering services division. I held various engineering and  
14 management positions for Aquila and its predecessor companies from 1987 to  
15 2005 including Asset Manager, Manager of Engineering and Regulatory  
16 Compliance and Director of Engineering.

1 **PURPOSE**

2 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

3 A. My testimony will describe Empire's existing natural gas distribution system in  
4 the Platte City area and how Empire will provide natural gas service to the  
5 additional natural gas service territory it is seeking in this case. I will also  
6 describe inaccuracies contained in MGE's application for new service territory in  
7 Platte County, Missouri.

8 **EXISTING NATURAL GAS OPERATION IN PLATTE CITY**

9 **Q. PLEASE GENERALLY DESCRIBE EMPIRE'S NATURAL GAS**  
10 **OPERATION IN PLATTE CITY, MISSOURI.**

11 A. Empire's existing natural gas distribution system in the Platte City, Missouri, area  
12 is comprised of approximately 47 miles of coated and wrapped steel and  
13 polyethylene main which serves approximately 2,800 customers in Platte City,  
14 Weston and Tracy, Missouri in Platte County. Empire's current service territory  
15 in Platte County, more particularly described in Mr. Ronald F. Gatz's direct  
16 testimony, includes Sections 1, 2, 3, 10, 11, and 12 in Township 52 North –  
17 Range 35 West and Sections 4, 5, and 6 in Township 52 North – Range 34 West.  
18 The natural gas utilized to serve these customers is delivered into Empire's  
19 distribution system through Southern Star Central Gas Pipeline's transmission  
20 network.

21 **Q. IS EMPIRE'S GAS DISTRIBUTION SYSTEM IN PLATTE CITY**  
22 **CAPABLE OF SERVING THE EXPECTED GROWTH IN THE**  
23 **SECTIONS REQUESTED IN THIS APPLICATION?**

1 A. Yes.

2 **Q. HAS THE EMPIRE SYSTEM IN PLATTE CITY BEEN DESIGNED TO**  
3 **ACCOMMODATE THE EXPECTED GROWTH IN THE AREA SOUTH**  
4 **OF PLATTE CITY?**

5 A. Empire's Platte City distribution system has been designed and constructed to  
6 accommodate growth in the area south of Platte City. Empire has expanded its  
7 system and built loop segments to support growth incurred in sections adjacent to  
8 or near the sections requested in this application. This system expansion and  
9 looping enhances the reliability of the existing Empire system, and provides the  
10 added deliverability necessary to serve the new growth that is occurring and the  
11 anticipated growth just south of Platte City. The exact system modifications  
12 necessary to accommodate all of the future growth in the six additional sections  
13 sought in this application have not been determined. The ultimate system design  
14 will be developed as the actual growth in those sections materializes and matures  
15 and the customers request natural gas service. Empire is in a position to prudently  
16 enhance the capability of its existing system to support the new growth in this  
17 new service area.

18 **Q. IF THE EXPECTED GROWTH OF THE SEVEN BRIDGES**  
19 **DEVELOPMENT IS COMPLETED AS PLANNED, CAN EMPIRE SERVE**  
20 **THE LOAD?**

21 A. Yes. Empire has secured enough additional capacity on Southern Star Central  
22 Gas Pipeline's system to supply the anticipated growth in the Seven Bridges  
23 development in Sections 11, 12, 13 and 14 T52N – R35W. If additional capacity

1 is required to serve continued growth in the requested service area south Platte  
2 City, Empire is in a position to secure additional pipeline capacity from SSCGP  
3 and design the required enhancements to the distribution system to accommodate  
4 the additional growth.

5 **Q. HAS EDG COMPLETED AN ECONOMIC OR FEASIBILITY ANALYSIS**  
6 **OF THE GAS FACILITIES CONSTRUCTED BY MGE IN SECTIONS 12,**  
7 **13 AND 14 T52N – R35W, TO DETERMINE IF THESE FACILITIES**  
8 **MEET THE EXISTING ECONOMIC THRESHOLDS IN EDG'S TARIFF**  
9 **FOR NATURAL GAS DISTRIBUTION LINE EXTENSIONS?**

10 A. No. EDG has requested the current book value and customer information  
11 associated with the facilities to perform an economic analysis, but MGE has  
12 refused to provide the information to EDG.

13 **Q. WILL EDG'S EXTENSION OF FACILITIES INTO THE NEW SERVICE**  
14 **TERRITORY MEET THE EXISTING ECONOMIC THRESHOLDS OF**  
15 **EDG'S TARIFF FOR NATURAL GAS DISTRIBUTION SERVICE?**

16 A. Yes. The projected extension of EDG's gas distribution facilities into the new  
17 service territory sought in this case meets the economic thresholds of EDG's line  
18 extension policy. The projected extensions will generate sufficient revenue to  
19 justify constructing and operating the new facilities as shown in EDG's  
20 application and attached as DRK Attachment A to my testimony. No additional  
21 capital contribution from the customer is anticipated at this time to fund the  
22 expansions. At the investment levels given in DRK Attachment A and at EDG's

1 current tariff rates, the projected extension of EDG's facilities is economically  
2 justified or "feasible."

3 **Q. DESCRIBE THE GENERAL GROWTH PATTERNS OF PLATTE CITY.**

4 A. Platte City is generally bordered on the north and west by the Platte River. The  
5 eastern border of Platte City extends approximately 2 miles east of I-29, and the  
6 southern border extends as far south as Broken Bridge Road. Generally, Platte  
7 City is growing in a southerly direction toward the new service territory Empire is  
8 seeking in this case.

9 **Q. WHAT FACILITY ADDITIONS WILL EDG NEED TO SERVE THE**  
10 **ANTICIPATED GROWTH IN THE NEW SERVICE TERRITORY**  
11 **SOUGHT IN THIS CASE?**

12 A. EDG expects that for every one-hundred (100) new homes in the proposed  
13 developments in Sections 13 and 14 T52N – R35W, approximately nine thousand  
14 five hundred (9,500) feet of main will be required to serve them. In addition to  
15 the main installation, a service line and associated regulator and meter set will be  
16 installed at each customer's home. As growth continues to materialize and  
17 mature in the service area requested in this case, EDG will prudently design its  
18 facilities to serve it.

19 **Q. WHAT LEVEL OF OVERALL INVESTMENT DOES EDG EXPECT TO**  
20 **MAKE IN THE NEW SERVICE AREA OVER THE NEXT THREE**  
21 **YEARS?**

22 A. EDG expects its investment in the new service area to grow to \$331,000 by the  
23 end of the third year of service.

1   **Q.   DOES THIS LEVEL OF INVESTMENT INCLUDE THE INVESTMENT**  
2       **NECESSARY TO SERVE THE CUSTOMERS IN SECTIONS 12, 13 & 14**  
3       **THAT ARE CURRENTLY TAKING SERVICE FROM MGE?**

4   A.   No.   MGE has refused to given us the information associated with these  
5       customers so we have not included it in our projections at this point.

6   **Q.   DOES EMPIRE HAVE A FRANCHISE TO SERVE PLATTE CITY?**

7   A.   Yes.  Empire has a franchise to provide natural gas service in Platte City.

8   **MGE APPLICATION FOR NEW SERVICE TERRITORY**

9   **Q.   MGE INDICATES IN THEIR APPLICATION THAT THE SEVEN**  
10       **BRIDGES PHASES 1, 2, 3 AND 4 AND COPPER RIDGE PHASE 1**  
11       **DEVELOPMENTS ARE NEW SUBDIVISIONS LOCATED IN THE**  
12       **TERRITORY WHICH MGE IS SEEKING CERTIFICATION, IS THIS**  
13       **ACCURATE?**

14   A.   No.  Copper Ridge Phase 1 is a proposed new subdivision located entirely in  
15       Section 12 T52N R35W, a section currently in Empire's certified service territory  
16       and not in the sections MGE is seeking authority to serve.  Empire has received a  
17       service request from Copper Ridge Phase 1, and has a signed agreement to  
18       provide natural gas service to the proposed Copper Ridge Phase 1 development.  
19       In addition, Seven Bridges development, Phases 1, 2, 3 and 4, are also generally  
20       located in Section 12 with small portions extending into Sections 11, 13 and 14.  
21       Seven Bridges, Phases 1 and 2, are subdivisions that exist as of the date of the  
22       application by MGE, and MGE has already installed natural gas facilities in  
23       Sections 11, 12, 13 and 14 to serve these existing phases of the subdivision.



1   **Q.   HOW MANY SECTIONS IS MGE SEEKING TO SERVE IN THEIR**  
2       **APPLICATION?**

3   A.   It is unclear. MGE's application initially indicates it is seeking authority to serve  
4       Sections 13 and 14 in T52N – R35W in Platte County, however MGE's  
5       application also indicates it is seeking authority to serve one section in Greene  
6       County.

7   **Q.   DID MGE PROVIDE A LIST OF TWELVE ADDRESSES/LANDOWNERS**  
8       **RESIDING IN THE PROPOSED NEW SERVICE AREA AS PART OF ITS**  
9       **APPLICATION IN THIS CASE?**

10  A.   It does not appear MGE included an accurate list of landowners in the new service  
11       area. Although, MGE's application included as Appendix D, a list titled "12  
12       Addresses/Landowners residing in proposed service area", none of the addresses  
13       on the list is located within the new service area MGE is requesting in its  
14       application nor are any of the names on the list shown in Platte County's property  
15       records as owning land in those two sections. In fact, half of addresses listed in  
16       Appendix D of the MGE application are located within Empire's existing natural  
17       gas service territory and are current Empire gas customers.

18  **Q.   DID EDG PROVIDE A LIST OF ADDRESSES/LANDOWNERS**  
19       **RESIDING IN THE PROPOSED NEW SERVICE AREA AS PART OF ITS**  
20       **APPLICATION IN THIS CASE?**

21  A.   Yes. EDG provided a list of addresses/landowners residing in the proposed new  
22       service area as Appendix D of its application in this case and pursuant to the  
23       Commission Filing Requirements for Gas Utility Applications for Certificates of

DANIEL R. KLEIN  
DIRECT TESTIMONY

1 Convenience and Necessity – 4 CSR 240-3.205. A copy of the EDG's Appendix

2 D list is attached to my testimony as DRK Attachment B.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?**

4 A. Yes, it does.

**THE EMPIRE DISTRICT GAS COMPANY  
THREE-YEAR CONSTRUCTION AND REVENUE ESTIMATE  
FOR THE REQUESTED PLATTE CITY CERTIFICATION AREA  
SECTIONS 13, 14, 15, 22, 23 and 24 - T52N - R35W, PLATTE COUNTY, MO**

Project	Main Installation Cost	Build-out per year (homes)	Service Installation Cost	Estimated Usage (ccf/year)	Usage per meter (ccf/year)	Margin per Meter	Estimated Annual Margin
Residential Development Yr 1	\$ 78,000.00	100	\$ 55,000.00	60,000	600	\$ 278.22	\$ 27,822.00
Residential Development Yr 2	\$ 44,000.00	100	\$ 55,000.00	60,000	600	\$ 278.22	\$ 27,822.00
Residential Development Yr 3	\$ 44,000.00	100	\$ 55,000.00	60,000	600	\$ 278.22	\$ 27,822.00
Totals	\$ 166,000.00	300	\$ 165,000.00	180,000			\$ 83,466.00

## Notes:

1. Projections based on a residential development rate of 100 homes per year in the new service territory.
2. Main and service installations would take place over years one, two and three of residential development.
3. Anticipated project revenue meets EDG's financial thresholds and targets.
4. Approximately 3,500 ft of 4" main and 25,000 ft of 2" main are required to serve the requirements of the 300 homes that are anticipated during the first three years in the new service territory.

THE EMPIRE DISTRICT GAS COMPANY  
APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY  
RESIDENTS AND LANDOWNERS  
IN PROPOSED SERVICE AREA

NAME	ADDRESS	CITY	STATE
Bivens Construction	16465 126 <sup>th</sup> St.	Platte City	MO
Lakes at Oakmont	16430 126 <sup>th</sup> St.	Platte City	MO
Golden Key	Lots-103 & 104	Platte City	MO
Jay Jackson Builders	17800 128 <sup>th</sup> St.	Platte City	MO
Central Platte Holdings, LLC	Seven Bridges	Platte City	MO
Dulin, Arlin & Sharon	12110 Dulin Dr	Platte City	MO
Lentine, Kordel & Sheryl	12240 Dulin Dr.	Platte City	MO
Dulin, Kevin & Julie	12290 Dulin Dr.	Platte City	MO
O'Rourke, James	12310 Dulin Dr.	Platte City	MO
Timber Creek Sewer Co.	18305 Cable Bridge Rd.	Platte City	MO
Philbrick, Charles & Beth	18115 Cable Bridge Rd.	Platte City	MO
Carson Custom Homes	Lot 123 Seven Bridges	Platte City	MO
Kostelac, Michael P & Amy L	Lot 125 Seven Bridges	Platte City	MO
Garrett Construction Inc.	Lot 126	Platte City	MO
Jonkman, Timothy J. & Lana M.	18050 127 <sup>th</sup> Court	Platte City	MO
Casa Bella Construction	Lot 134 Seven Bridges	Platte City	MO
Prather, Daniel & Donna	Southern Platte Estates	Platte City	MO
Zimmerman, Alex	Southern Platte Estates	Platte City	MO
Ninemire, Ronald & Doreen D	10955 Baker Rd	Platte City	MO
Brown, David & Cynthia	11350 Baker Rd	Platte City	MO
Blakely, R. Dean & Shelly D	11365 Baker Rd	Platte City	MO
Nickel, Gary K & Gisela E	11375 Baker Rd	Platte City	MO
Bohachick, Sam & Frances L	11435 Baker Rd	Platte City	MO
Juhnke, Timothy P & Lori G	11460 Baker Rd	Platte City	MO
Tinder, Lyle	11465 Baker Rd	Platte City	MO
Laures, Brian M & Sherry C	11470 Baker Rd	Platte City	MO
Turner, William R & Dianne L	11471 Baker Rd	Platte City	MO
Usedel, James V	11475 Baker Rd	Platte City	MO
Vanzant, Phillip L	11483 Baker Rd	Platte City	MO
Berrgman, Wanda L	23 Village Circle	Platte City	MO
Stickler, Darren M & Rence M	21 Village Circle	Platte City	MO
Crews, Stephen D & Cassandra	17 Village Circle	Platte City	MO
Bechtel, Jonathan	15 Village Circle	Platte City	MO
Klingenberg, Anna L	13 Village Circle	Platte City	MO
Sickman, Thomas F	35 Village Circle	Platte City	MO
Northwest Builders	37 Village Circle	Platte City	MO
Atkins, Frank & Dawn	39 Village Circle	Platte City	MO
Walkinshaw, David & Mary	43 Village Circle	Platte City	MO
Cannedy, Myrlin & Marcia	45 Village Circle	Platte City	MO

AFFIDAVIT

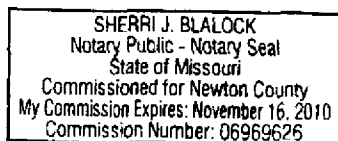
STATE OF MISSOURI     )  
                                      ) ss  
COUNTY OF JASPER     )

On the 13 day of July 2007, before me appeared Daniel R. Klein, to me personally known, who, being by me first duly sworn, states that he is the Director of Engineering of The Empire District Gas Company and acknowledged that he has read the above and foregoing document and that the statements therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.



Daniel R. Klein

Subscribed and sworn to before me this 13 day of July 2007.





Notary Public

My commission expires: 11-16-2010.