

Exhibit No.	
Issue:	Rate Design –
	Gas Transportation
Witness:	Richard Haubensak
Sponsoring Party:	Constellation
	NewEnergy-
	Gas Division, LLC
Type of Exhibit:	Direct Testimony
Case No.:	GR-2009-0434
Date Testimony Prepared:	November 3, 2009

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

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

DIRECT TESTIMONY

OF

RICHARD HAUBENSAK

ON BEHALF OF CONSTELLATION NEWENERGY-GAS DIVISON, LLC

November 3, 2009

Constellation
Exhibit No. 20
Case No(s). GR-2009-0434
Date 1-08-10 Rptr KF

DIRECT TESTIMONY
OF
RICHARD HAUBENSAK

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1 **I. QUALIFICATIONS AND PURPOSE OF TESTIMONY**

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

3 A. My name is Richard Haubensak. My business address is 12120 Port Grace
4 Boulevard, Suite 200, LaVista, Nebraska 68128.

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

6 A. I am a self-employed consultant.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS
8 EXPERIENCE.**

9 A. I have a Bachelor of Science in Business Administration with a major in
10 accounting from Midland College in Fremont, Nebraska. I have a Masters of
11 Business Administration degree from the University of Nebraska at Omaha. I
12 started my career in the natural gas industry with Northern Natural Gas in
13 1965. From 1981 to the present, I have worked in the area of natural gas
14 regulation. For six years I was a member of the American Gas Association's
15 Rate and Strategic Planning Committee. I was Vice President of Natural Gas
16 Regulation for Aquila Energy until I retired from that firm in 2001. Since 2001
17 I have worked as an independent consultant in the natural gas industry.
18 During my career I have testified concerning, or managed, rate case
19 applications in Colorado, Florida, Iowa, Kansas, Michigan, Minnesota,
20 Missouri, Nebraska, West Virginia, and before the Texas Railroad
21 Commission.

1 **Q. FOR WHOM ARE YOU TESTIFYING IN THIS PROCEEDING?**

2 A. I am testifying in this case on behalf of Intervenor, Constellation NewEnergy-
3 Gas Division, LLC ("Constellation"). Constellation is a major marketer of
4 natural gas on the Empire District Gas Company ("Empire") distribution
5 system.

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

7 A. I have reviewed the testimony and proposed tariffs in this case, primarily to
8 ensure that no unreasonable barriers are being created that could prevent
9 customers from receiving transportation service, whether their natural gas
10 supply is arranged by the customers themselves or by an alternate provider,
11 such as a gas marketer like Constellation.

12 **Q. WHAT IS NATURAL GAS TRANSPORTATION SERVICE?**

13 A. Natural gas transportation is an arrangement in which the customer
14 purchases its own natural gas supply directly from a producer, or through a
15 marketer, rather than receiving sales (or "system supply") service from the
16 utility (local distribution company) such as Empire. Sales service includes
17 both the cost of the natural gas supply and the utility's charge for providing
18 the utility service. In both transportation and sales service, the utility's local
19 distribution system is the conduit for bringing the natural gas to the customer.

20 **Q. DID EMPIRE DISTRICT PROVIDE A REDLINE VERSION OF ITS PROPOSED**
21 **TRANSPORTATION TARIFF CHANGES IN THIS CASE?**

22 A. No. This is the first rate case I have ever been involved in where the utility
23 has refused to provide a redline version of the tariff sheets showing the old

1 language and the new, proposed language. This makes it very difficult to
2 identify every change being proposed by Empire District in this case. I have
3 identified a number of major proposed changes in Empire's proposed tariffs
4 that are seriously detrimental to transportation customers, but that are not
5 even mentioned in Empire's direct testimony in this case.

6 II. TELEMETRY FOR SMALL VOLUME TRANSPORTATION 7 CUSTOMERS

8 Q. WHAT CONCERNS DO YOU HAVE WITH THE PROPOSALS MADE BY
9 EMPIRE?

10 A. First, Empire apparently wants to start requiring that telemetry equipment be
11 installed, at the customer's expense, in order to receive small volume
12 transportation service. Even though this is a major change, it is not stated
13 anywhere in Empire's direct testimony in this case. On page 37 of Mr.
14 Overcast's direct testimony, beginning at line 19, he states, "The Company
15 proposes to allow customers, aggregators and marketers to have telemetry
16 installed at the customer's expense" (Emphasis added.) This makes the
17 installation of telemetry equipment sound optional. However, on proposed
18 tariff sheet 34, Empire states, "The company requires all SVFTM [Small
19 Volume Firm Transportation Medium] customers to have installed and
20 operating telemetry equipment and reimburse the Company for the cost
21 incurred by Company to install telemetry equipment" (Emphasis added.)

22 Q. WHAT IS TELEMETRY EQUIPMENT?

1 A. Telemetry equipment, sometimes referred to as electronic flow measurement
2 ("EFM") equipment or electronic gas measurement ("EGM") devices, is
3 equipment that measures the volume of gas taken daily (and sometimes
4 hourly) by the customer. This equipment is certainly necessary for measuring
5 the volume of gas taken by large-volume industrial customers. However, for
6 small-volume customers, where the load is very predictable, this equipment is
7 not necessary. This has been proven on the Empire District system where
8 telemetry has not been required for small volume transportation customers
9 since 2001, when the previous owner, Aquila, Inc., first started offering a
10 transportation option for small volume commercial and industrial customers.
11 Empire District acquired Aquila's Missouri gas assets on June 1, 2006.

12 **Q. IS TELEMETRY EQUIPMENT CURRENTLY REQUIRED FOR SMALL VOLUME**
13 **TRANSPORTATION CUSTOMERS OF EMPIRE DISTRICT?**

14 A. No. In the current tariff, telemetry equipment is not required for small volume
15 transportation customers and, as just indicated, telemetry has never been
16 required for small volume transportation customers on this system. The
17 current tariff states, on page 29, "All small volume transportation customers
18 must install telemetry equipment or purchase the Balancing Service provided
19 herein." (Emphasis added.)

20 **Q. WHAT IS A BALANCING SERVICE FOR SMALL VOLUME CUSTOMERS?**

21 A. Balancing service for small volume customers is usually a service provided by
22 the utility in lieu of requiring telemetry equipment. This is precisely the service
23 offered by Empire under the existing tariff, which has been eliminated in the

1 proposed tariff with no discussion or explanation. Apparently it is only going to
2 be offered in the future for the School Customers on transportation. The
3 purpose of the service and related charge is to offset any balancing penalties
4 the utility, in this case Empire, incurs from the pipeline, or related storage
5 costs, that are the responsibility of the small volume transportation customers.
6 By charging the small volume transportation customers for this service, and
7 crediting the related revenues back to gas costs for the remaining sales
8 customers, the sales customers are protected from incurring any gas-related
9 costs or penalties that the transportation customers have caused on the
10 system. The charge for this service, currently \$0.0075 per Ccf, should be
11 reviewed periodically to determine whether it is still appropriate.

12 **Q. HOW DOES EMPIRE PROPOSE TO TREAT BALANCING SERVICE IN THIS**
13 **CASE?**

14 A. There is no mention of eliminating the balancing service in Empire's direct
15 testimony. However, the proposed tariff only provides for balancing service for
16 School Customers. On page 44 of the proposed tariff, there is mention of a
17 balancing service for the School Customers with a charge of \$0.025 per Ccf.
18 This charge is 3.33 times (333%) higher than the current charge of \$0.0075
19 per Ccf for small volume balancing, which appears on page 44 of the present
20 tariff. There is no support anywhere in Empire's direct testimony for this very
21 large increase in the charge for the balancing service for the School
22 Customers, and no mention anywhere in its testimony of eliminating the
23 balancing service for non-school small volume transportation customers.

1 **Q. WOULD A REDLINE VERSION OF THE PROPOSED TARIFF HAVE MADE**
2 **THESE PROPOSED CHANGES EASIER TO IDENTIFY?**

3 A. Absolutely. This is an excellent example of how not providing a redline
4 version of the tariff, and not mentioning the changes in direct testimony, could
5 make it very easy for an interested party to miss these proposed changes. .

6 **Q. HAS EMPIRE DISTRICT JUSTIFIED THESE PROPOSED CHANGES?**

7 A. No. If indeed Empire is proposing that telemetry equipment be required for
8 small volume transportation service, they have not demonstrated any
9 justification for this requirement nor stated what the cost would be for the
10 equipment. Small volume customers, including those on the school program,
11 have been eligible for transportation service since 2001 with no requirement
12 for telemetry equipment. Empire also has not provided any justification for, or
13 even mentioned in testimony, the substantial increase in the charge for a
14 balancing service for the School Customers, increasing from \$0.0075 per Ccf
15 to \$0.025 per Ccf.

16 **Q. DOES CONSTELLATION CURRENTLY PROVIDE TRANSPORTATION SERVICE**
17 **FOR SMALL VOLUME CUSTOMERS ON EMPIRE'S SYSTEM?**

18 A. Yes. As Mr. Gipson stated in his direct testimony, there are "around 290 large
19 and small transportation customers" on the Empire system. (At p. 2, l. 23.)
20 Constellation provides service to over fifty percent (50%) of these customers,
21 including a large group of non-school small volume customers. To suddenly
22 burden these small volume customers with the requirement for telemetry
23 equipment, when not required before and with no evidence of any problems

1 having been experienced under the existing tariffs, is not justified. In addition,
2 these customers should have been notified of this significant increase in
3 charges as part of the original customer notification process. Any changes in
4 Empire's tariffs that have not been supported in its testimony or justified in
5 supporting schedules should be rejected by the Commission.

6 **III. OTHER TRANSPORTATION TARIFF ISSUES**

7 **Q. WHAT ADDITIONAL CONCERNS DO YOU HAVE ABOUT EMPIRE'S**
8 **PROPOSED TARIFFS IN THIS CASE?**

9 A. My additional concerns are in regard to the proposed changes in the rules for
10 transportation service. I will briefly discuss all the changes identified by Mr.
11 Overcast in his direct testimony.

12 **Q. PLEASE PROCEED.**

13 A. Mr. Overcast states on page 35 of his direct testimony, "Currently, capacity
14 assignment is non-recallable. Under the proposed change, capacity
15 assignment is changed to be recallable under certain conditions that
16 potentially have adverse impacts on system reliability." (p. 35, ll. 18-20.) This
17 change is acceptable to Constellation.

18 **Q. WHAT DOES IT MEAN FOR CAPACITY ASSIGNMENT TO BE**
19 **"RECALLABLE?"**

20 A. Capacity refers to the space on the interstate pipeline that the utility,
21 marketer, or individual transportation customer needs to nominate and deliver
22 (receive) firm gas supplies on the pipeline. When the utility transfers capacity

1 that it already owns to other transporters, that is called capacity assignment.
2 Having this capacity recallable simply means the utility has the right to take
3 the capacity back under certain conditions.

4 **Q. DOES EMPIRE'S PROPOSED TARIFF REQUIRE DAILY BALANCING?**

5 A. Yes. On page 36 of his direct testimony, Mr. Overcast suggests a new charge
6 when transportation customers and marketers are out of balance on a daily
7 basis. Effectively, Empire is attempting to create daily balancing requirements
8 even though the applicable pipeline, Southern Star, is a monthly-balanced
9 pipeline. Empire's argument, as stated on line twelve (12), is that: "Since both
10 injection and withdrawal have a direct cost (storage injection and withdrawal
11 costs) customers, marketers and aggregators impose those costs on the
12 Company and those costs should be paid by the party imposing costs." The
13 specifics of this new charge are stated on pages 41-42 of the new proposed
14 tariff, but not in Mr. Overcast's testimony. Empire has not demonstrated
15 anywhere in testimony or supporting schedules how this charge was
16 calculated.

17 **Q. WHAT ARE THE ARGUMENTS AGAINST THIS NEW DAILY BALANCING**
18 **CHARGE?**

19 A. The basic arguments against this proposed new charge are: (1) How will the
20 charge be calculated? Empire has not documented how the specific charge
21 was developed. (2) Will Empire provide intraday meter reads to transportation
22 customers and marketers to help them stay in balance? This is sometimes
23 done by other utilities having daily balancing requirements. Empire should

1 consider making this service available if they expect to create and impose
2 daily balancing penalties. (3) Empire's argument for justifying an ancillary
3 service charge for daily imbalances fails to recognize that transportation
4 customers' daily imbalances can help Empire stay in balance in total by
5 offsetting Empire's own daily imbalances.

6 **Q. WHAT DO YOU MEAN BY INTRADAY METER READS?**

7 A. Some natural gas utilities that require daily balancing provide this service. In
8 order to move gas on the interstate pipeline, a transporter (including the utility
9 itself) must nominate or forecast how much gas they intend to put into the
10 pipeline on a daily basis. By providing a meter reading early in the day
11 showing how much gas the individual large volume customers have taken up
12 to that point, transporters can adjust their final nomination accordingly. This
13 makes it easier for transporters to stay in balance on a daily basis.

14 **Q. REGARDING YOUR PREVIOUS POINT (3) ABOVE, HOW DO MARKETER AND**
15 **INDIVIDUAL CUSTOMER IMBALANCES SOMETIMES HELP THE UTILITY TO**
16 **STAY IN BALANCE?**

17 A. As Mr. Overcast explained in his testimony, when nominations and deliveries
18 get significantly out of balance, gas must be taken in or out of storage. "Since
19 both injection and withdrawal have a direct cost (storage injection and
20 withdrawal costs) customers, marketers and aggregators impose those costs
21 on the Company" (Overcast Direct, p. 36, ll. 12-14.) What Mr. Overcast
22 fails to acknowledge is that Empire itself, by being out of balance between its
23 nominations and deliveries to its sales customers, can cause injections to or

1 withdrawals from storage and impose costs on the Company. If, for example,
2 the imbalances of the other transporters, marketers and individual customers,
3 offset the imbalances of Empire itself, there would be no need to inject or
4 withdraw gas to or from storage.

5 **Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING EMPIRE'S PROPOSAL**
6 **FOR A DAILY BALANCING CHARGE?**

7 A. Yes, I do. If Empire could show there truly are storage injection and
8 withdrawal costs applicable to transporters other than Empire itself, which it
9 has not done, then it should consider offering a balancing service that
10 transporters could purchase to offset these costs. Another possibility would
11 be to identify any transporter that is truly gaming the system and add
12 provisions to the tariff that would require only that specific transporter (or
13 those transporters) to be subject to daily balancing.

14 **Q. WHAT DOES EMPIRE PROPOSE CONCERNING TRANSPORTATION**
15 **CUSTOMERS CHANGING BACK TO SALES (SYSTEM SUPPLY) SERVICE?**

16 A. Mr. Overcast states, on page 37 of his direct testimony (at lines 4-6), "the
17 Company is proposing that a large customer's return to sales service can only
18 take place on June 1st each year, and that a large transportation customer
19 must elect to change to transportation service by May 1st each year."

20 **Q. DOES CONSTELLATION SUPPORT THAT PROVISION?**

21 A. Conditionally. Constellation is in agreement with this language as long as it
22 does not prohibit Constellation from curtailing service to customers for non-
23 payment and does not prohibit new customers from taking transportation

1 whenever they initiate new natural gas service. The Commission should
2 require that Empire's tariff include these conditions.

3 **Q. HOW DOES EMPIRE'S PROPOSED TARIFF ADDRESS OPERATIONAL FLOW**
4 **ORDERS (OFOs)?**

5 A. Mr. Overcast, on page 37 of his testimony (lines 9-13), states: "Operational
6 flow orders ("OFO") represent a time when the system is stressed. . . . As a
7 result, the Company proposes a much tighter tolerance on matching receipts
8 and deliveries before incurring penalties."

9 **Q. WHAT ARE OPERATIONAL FLOW ORDERS OR OFO DAYS?**

10 A. An OFO day usually refers to an Operational Flow Order issued by the
11 applicable interstate pipeline when it has concerns that it may have problems
12 meeting everyone's delivery requirements on the pipeline, including gas
13 utilities like Empire, marketers, and individual customers purchasing their
14 natural gas supplies separately. In order to insure system integrity, the
15 interstate pipeline usually requires that each entity receiving gas supplies off
16 the interstate pipeline be more exact in nominating its daily needs on the
17 pipeline. Matching daily nominations with actual receipts of gas is called
18 "balancing." Failure to keep nominations to the pipeline and deliveries from
19 the pipeline in reasonable balance could result in not enough gas being
20 moved through the pipeline to meet every customer's needs, or having
21 excess gas put in the pipeline with the result that the pipeline has to make
22 arrangements to store the excess gas.

1 **Q. DO YOU OPPOSE TIGHTER TOLERANCES ON OFO DAYS, AS PROPOSED**
2 **BY EMPIRE?**

3 A. Once again, Empire's proposed, new tolerances are not explained in its direct
4 testimony but are merely shown at the new level in the proposed new tariff.
5 Constellation does not oppose tighter tolerances on OFO days, but believes
6 Empire should only be allowed to call an OFO when one has been called by
7 the respective interstate pipeline or if there is a true emergency on the Empire
8 system. Empire should not be allowed to call an OFO just for its own
9 convenience with the result that Empire would be imposing possible penalties
10 on the transportation customers and marketers that those customers and
11 marketers are not responsible for. The Commission should require that
12 Empire's tariff clarify these limitations on Empire's use of OFO days.

13 **Q. DO YOU OPPOSE EMPIRE'S PROPOSAL TO GIVE TRANSPORTATION**
14 **CUSTOMERS THE OPTION OF HAVING TELEMETRY EQUIPMENT**
15 **INSTALLED?**

16 A. Mr. Overcast, on page 37 (lines 19-20), states: "The Company proposes to
17 allow customers, aggregators and marketers to have telemetry installed at the
18 customer's expense" This is acceptable to Constellation as long as the
19 charge for this equipment is at Empire's cost and only where small volume
20 customers actually request the installation of this equipment.

21

IV. CONCLUSION

Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?

A. Any changes in Empire's tariffs not supported in testimony or justified in supporting schedules should be rejected by the Commission. This includes the requirement for telemetry equipment for small volume transportation customers, the elimination of small volume balancing service for all but School Customers, and the substantial increase in the charge for the small volume balancing service. Small volume customers have been receiving transportation service on this system since 2001 without the requirement for telemetry equipment. Empire has not offered any reasons for now requiring telemetry equipment. This proposal should be denied.

Q. PLEASE CONTINUE YOUR SUMMARY.

A. Empire proposes that capacity assignment be recallable. This is a reasonable proposal and should be accepted by the Commission. Empire is also proposing daily balancing requirements even though the interstate pipeline, Southern Star, does not require daily balancing. Constellation opposes this proposal for the reasons states previously: no documentation as to how the charge was developed, no provision to make intraday meter reads available, and failure to recognize that transportation customers and marketers can help the utility stay in balance. If Empire could show there truly are storage injection and withdrawal costs applicable to transporters other than Empire itself, which it has not done, then it should consider offering a balancing service that transporters could purchase to offset these costs.

1 **Q. PLEASE GO ON.**

2 A. Empire's proposal as to when large customers can go to or return from
3 transportation service is reasonable, with the conditions I have proposed.
4 These conditions should be included in Empire's tariff. Empire's request for
5 tighter balancing tolerances on OFO days is reasonable as long as Empire
6 may only call an OFO when one has been called by the applicable pipeline or
7 if there is a true emergency situation on the Empire system. The Commission
8 should require that Empire's tariff clarify these limitations on Empire's use of
9 OFOs. Finally, Empire's proposal to allow customers to have telemetry
10 installed is reasonable as long as it is at Empire's cost and actually at the
11 customer's request.

12 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

13 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 RICHARD HAUBENSAK

Richard Haubensak, of lawful age, on his oath, states that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


Richard Haubensak

Subscribed and sworn before me this 2nd day of November 2009.




Notary Public

My Commission Expires: November 7, 2010

1
2 A.