Exhibit No.
Issue: Rate Design – Gas Transportation
Witness: Richard Haubensak
Sponsoring Party: Constellation NewEnergy-Gas Division, LLC
Type of Exhibit: Rebuttal Testimony
Case No.: GR-2009-0434
Date Testimony Prepared: December 9, 2009

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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

REBUTTAL TESTIMONY

OF

RICHARD HAUBENSAK

ON BEHALF OF CONSTELLATION NEWENERGY-GAS DIVISON, LLC

December 9, 2009

REBUTTAL TESTIMONY

OF

RICHARD HAUBENSAK

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

A. I am a self-employed consultant. I am testifying in this case on behalf of intervenor, Constellation NewEnergy-Gas Division, LLC ("Constellation"). Constellation is a major marketer of natural gas on the Empire District Gas Company ("Empire") distribution system.

Q. DID YOU PREVIOUSLY PRESENT DIRECT TESTIMONY IN THIS CASE?

A. Yes, I did.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I wish to comment on the *Staff Report – Class Cost-of-Service and Rate Design* prepared by the Staff of the Missouri Public Service Commission for this case and filed in November 2009. Specifically, I want to address the Staff's comments related to the proposed changes in the transportation tariff as proposed by Empire.

Q. HAS EMPIRE PROPOSED IN THIS CASE TO REQUIRE TELEMETRY FOR ALL SMALL VOLUME TRANSPORTATION CUSTOMERS, OTHER THAN SCHOOLS?

A. Yes, it has, as I discussed in my direct testimony on pages 3-7.

Q. WHAT IS STAFF'S POSITION ON EMPIRE'S PROPOSAL?

A. Beginning on page 23, line 2, of the *Staff Report*, in a discussion of Empire's proposal to require telemetry equipment for small volume transportation service, Staff makes a number of statements supporting Empire's proposal. The *Staff Report* states that "telemetry is necessary to measure daily imbalances for assessment of the Daily Charge....Under EDG's proposal, schools exempt from the telemetry requirement, are required to participate in a balancing service [footnote omitted]....EDG has priced its proposed school-only balancing service at $0.025 per Ccf....According to EDG, the current charge of $0.0075 per Ccf does not cover the value of this transportation and storage service. EDG offers the justification that the proposed fee of $0.025 per Ccf represents 20 percent of the proposed Daily Charge of $.125 per Ccf....Staff considers this analysis reasonable...."

Q. DO YOU AGREE WITH STAFF'S POSITION?

A. No. Staff's position is based on assumptions without any basis in fact – first, the need for telemetry equipment for small-volume transportation customers and, then, the acceptance of a 333% increase in the charge for a small-volume balancing service that is now proposed to be available only to schools choosing transportation service.

Q. IS TELEMETRY EQUIPMENT NECESSARY FOR SMALL-VOLUME TRANSPORTATION CUSTOMERS?

A. No, it is not. As I explained in my direct testimony, on page 6, "Small volume customers, including those on the school program, have been eligible for transportation service since 2001 with no requirement for telemetry equipment." The usage of small-volume customers is so predictable that telemetry equipment is not necessary to predict the daily consumption by customer.

Q. DO OTHER STATES REQUIRE TELEMETRY EQUIPMENT FOR SMALL-VOLUME TRANSPORTATION CUSTOMERS?

A. Telemetry equipment is not required for small volume transportation in either Iowa or Nebraska. In Kansas, the major LDCs do not require telemetry equipment to be installed for small-volume transportation customers. For example, Kansas Gas Service, the largest LDC in Kansas, does not require telemetry equipment to be installed for transportation customers having a peak month of less than 1500 Mcf. This is documented on Sheet 42.2, #2, of KGS' transportation tariff, which is attached to this rebuttal testimony as Schedule RJH 1. Kansas Gas Service refers to telemetry equipment as "Electronic Flow Measurement," which is the same thing as telemetry. A second example is the MidAmerican Energy tariff for Iowa, which I attach as Schedule RJH 2. On page WT-57, under the heading "Metering," it is explained that, "in lieu of installing daily metering and telemetry, MidAmerican will use a load profile to forecast the Customer's daily gas consumption at each Customer Meter."

Q. EVEN IF USAGE IS VERY PREDICTABLE, AREN'T THERE CERTAIN POSSIBLE PENALTIES COMING FROM THE INTERSTATE PIPELINE SUCH AS MONTHLY CASHOUT CHARGES OR MISCELLANEOUS PENALTIES THAT SHOULD BE THE RESPONSIBILITY OF THE TRANSPORTATION CUSTOMERS AND NOT THE SALES CUSTOMERS?

A. There certainly are. The best way to recover these costs is to require small volume transportation customers which are grouped in pools by a marketer to pay for a balancing service, which Empire has previously done. This should be based on a periodic study by the LDC to identify just what these costs are, to charge the customers receiving the service and to credit the resulting revenues back to the gas costs for the customers staying on the sales service. In the case of Empire, I don't believe any study has been done since 2001 to determine what gas supply related costs small volume transportation customers are putting on the system. It would be appropriate for Empire to do a study like this periodically and adjust their charge for the small volume balancing service accordingly, rather than to assume the charge should be $0.025 per Ccf, or 20% of the daily charge of $0.125, for being out of balance, as suggested by Empire and endorsed by the Commission Staff in this case. No cost study has been offered or cited by Empire or Staff in this case supporting and justifying Empire's proposed $0.025 per Ccf balancing charge. And there is no evidence that any audit or cost study was performed by Staff before concluding that Empire's proposals were "reasonable."

Q. WHAT IS WRONG WITH THE LOGIC OF TYING THE CHARGE FOR A BALANCING SERVICE TO THE PROPOSED CHARGE FOR BEING OUT OF BALANCE ON A DAILY BASIS?

A. First of all, the charge for being out of balance on a daily basis, proposed by Empire in this case, has not been justified in Empire's testimony. Second, as I just suggested, a study could be done by Empire to determine just what costs it is incurring that should be assigned to small-volume transportation customers. Third, the charge for a small-volume balancing service is going to be assigned to every Ccf of small-volume transportation. The unsupported proposed charge for daily imbalances would apply only to daily imbalances. It is possible that there would be no daily imbalances. There is very little correlation between these two charges that justifies one being an extrapolation of the other.

Q. ARE THERE ADDITIONAL APPROACHES THAT CAN BE UTILIZED TO MINIMIZE ANY COSTS SMALL-VOLUME TRANSPORTATION CUSTOMERS PUT ON THE SYSTEM?

A. Yes, there are. Some LDCs specify how much gas a marketer should deliver (nominate) into the LDC's system for small-volume transportation customers each day. An example of this is shown in the MidAmerican Energy tariff in Iowa, which I previously referenced, on tariff sheet WT-60 of my Schedule RJH-2. With this alternative, any incremental costs from the pipeline can still be recovered through a charge for a balancing service.

Q. HOW DO YOU THINK THIS PROCESS SHOULD BE MANAGED?

A. Constellation has small-volume transportation customers on LDCs where Constellation decides how much gas to nominate (deliver) into the LDC system, as is done currently on the Empire system, and also on LDCs like MidAmerican where the LDC specifies how much gas to deliver into the LDC's system. Personally, I think the second alternative (LDC designation of the marketer's nominations for small-volume transportation customers) is preferable, because it removes any argument that the marketer is deliberately nominating more or less gas than the transportation customers will take on a daily basis.

Q. DOESN'T THIS CREATE A LOT OF WORK FOR THE LDC?

A. Not really. The LDC already has to make a daily nomination for the total sales customers on their system not having telemetry equipment. This is based on past usage patterns of the entire customer group and factoring in weather conditions. To calculate the additional nomination necessary for the transportation customers, for which the LDC already has the same data as they have for their sales customers, is not that difficult.

Q. WHAT OTHER COMMENTS DO YOU HAVE REGARDING THE STAFF REPORT?

A. Constellation agrees with the Staff recommendation on page 27 of the Report "that all provisions referencing requirement for certification as an energy seller be removed from EDG's tariff." Also, on page 28 of the Staff Report, Staff commented on changes Empire is proposing on insurance requirements for marketers. Constellation agrees with the recommendations made by Staff on page 29, and most specifically the Staff statement on page 30: "This proposed language gives EDG the flexibility necessary to set an amount commensurate with perceived risk, but is not so discretionary as to give EDG the absolute power to impose insurance requirements of such a magnitude as to discourage competition."

Q. **DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

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 File Tariffs Increasing Rates for Gas Service Provided to Customers in the Missouri Service Area of the Company	)))))	**Case No. GR-2009-0434** Tariff No. YG-2009-0855

AFFIDAVIT OF RICHARD HAUBENSAK

Richard Haubensak, of lawful age, on his oath, states that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Rebuttal 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
Richard Haubensak

Subscribed and sworn before me this 7th day of December 2009.

GENERAL NOTARY - State of Nebraska
MIKE G. PETERSEN
My Comm. Exp. Nov. 7, 2010

Notary Public

My Commission Expires: November 7 2010

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

REBUTTAL TESTIMONY

OF

RICHARD HAUBENSAK

ON BEHALF OF CONSTELLATION NEWENERGY-GAS DIVISION, LLC

SCHEDULE RJH 1

Kansas Gas Service Company
Small Volume Transportation Tariffs
Filed with the Kansas Corporation Commission
September 17, 2003

Schedule RJH 1.2 – Kansas Gas Service Tariff Sheet 42.2
"Electronic Flow Measurement Rider (Continued)"

ELECTRONIC FLOW MEASUREMENT RIDER (Cont.)

2. RDQ Balancing: Notwithstanding the provisions above, according to the Required Daily Quantity (RDQ) Balancing provisions in Section 11 of Company's General Terms and Conditions for Gas Service (GT&C), a customer may agree to deliver during PODBs and/or POCs a predetermined Required Daily Quantity (RDQ) of natural gas to a transportation service meter which records a peak-month usage of less than 1,500 Mcf in the most recent 12 month period ending April 30, in lieu of the Company's requirement to install EFM. However, meters upon which EFM equipment has already been installed shall not be eligible for the RDQ Balancing option and the customer shall be subject to all charges set out in the Net Monthly Bill section.

3. A customer shall reimburse Company for the installed cost of EFM which shall become the sole property of Company. This CIAC for labor, material, and overhead costs associated with the installation shall be:

$ 1,600 per meter	if the customer's existing measurement facilities do not require the use of an electronic correction device as part of the EFM, or
$ 3,400 per meter	if the customer's existing measurement facilities include or require the use of an electronic correction device as part of the EFM.

4. A customer shall make an additional CIAC sufficient to cover the cost of any non-EFM related work performed and/or equipment installed at the customer's request. All such facilities and/or equipment shall become the sole property of Company. Payment shall be due from the customer at the time equipment is installed, except that Company may permit the customer to finance the EFM over a four year period at 8% per annum.

5. Company shall endeavor to coordinate the installation of all facilities required herein with a customer as soon as practicable following the effective date of this rider. Company shall notify the customer of its intent to install EFM, as well as the scope and estimated cost thereof.

   a. A customer shall provide adequate space for the installation of the EFM.

   b. A customer shall provide and maintain, at its cost, a dedicated telephone circuit or a Company-accepted alternative, according to Company's EFM Standards. Company and the customer shall mutually agree upon electric power and telephone connection location.

Issued	September	17	2003	03-KGSG-602-RTS
	Month	Day	Year	Approved
Effective	September	22	2003	Kansas Corporation Commission
	Month	Day	Year	September 22, 2003
By	/S/			/S/ Susan K. Duffy
	LARRY G. WILLER, DIRECTOR			

Schedule RJH 1.2

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

REBUTTAL TESTIMONY

OF

RICHARD HAUBENSAK

ON BEHALF OF CONSTELLATION NEWENERGY-GAS DIVISION, LLC

SCHEDULE RJH 2

MidAmerican Energy Company
Compliance Filing of Permanent Small Volume Transportation Tariffs
Filed with the Iowa Utilities Board
October 15, 2008

Schedule RJH 2.2 – MidAmerican Tariff Sheet WT-57 – Metering

Schedule RJH 2.3 – MidAmerican Tariff Sheet WT-60 – Nominations

MONTHLY METERED TRANSPORTATION SERVICE

CONTRACTS AND AUTHORIZATIONS: N

MidAmerican shall enter into a single contract with each Customer, or the Customer's Agent, for distribution service to all Customer Meters that are served under this tariff.

A Customer may designate a Pool Operator to act on the Customer's behalf for the purpose of nominations, balancing, and other Customer obligations under MidAmerican's Gas Tariffs.

Authorization by a Customer to allow an Agent or a Pool Operator to act on a Customer's behalf will require an Authorization and Release form be signed by the Customer and provided to the Company.

MidAmerican shall enter into a contract with a Customer or a Pool Operator on a Customer's behalf that addresses the obligations in respect to Nominations, Balancing Charges, Switching Fees, Cashout, Capacity Assignment, and applicable General Terms and Conditions of MidAmerican's Gas Transportation Tariff.

METERING:

In lieu of installing daily metering and telemetry, MidAmerican will use a load profile to forecast the Customer's daily gas consumption at each Customer Meter. This Forecasted Delivery Requirement shall be used for both nominating and daily balancing purposes. MidAmerican, the Pool Operator, and the Customer agree to consider the Forecasted Delivery Requirement equivalent to the actual gas consumed on any given day. N

Schedule RJH 2.2

MONTHLY METERED TRANSPORTATION SERVICE

POOL OPERATOR ELIGIBILITY: N

Pool Operators must comply with any Board certification requirements and applicable laws and regulations in order to provide competitive natural gas services to Iowa retail end users.

Pool Operators must be authorized by the Company and execute a contract with the Company. Eligible Pool Operators will be posted on the Company's Electronic Bulletin Board.

POOLS:

Pool Operators will be required to group Customers with the same balancing provisions, on the same interstate pipeline, and in the same interstate pipeline operational zone. MidAmerican will provide Forecasted Delivery Requirements for Customers in each Pool.

NOMINATIONS:

MidAmerican will utilize historical billing information to model each Customer's load profile and calculate the Forecasted Delivery Requirement using such profile and forecasted weather. A Customer's Forecasted Delivery Requirement for a new facility will be based on the estimated usage provided by the Pool Operator at the time of enrollment and profiles of similar Customers.

The Forecasted Delivery Requirement will be aggregated by Pool. The Forecasted Delivery Requirement will normally be provided 23 hours before the gas day begins using the Company's Electronic Bulletin Board and will include Retention volumes.

The Pool Operator will nominate the Forecasted Delivery Requirement to the interstate pipeline and MidAmerican. If the Pool Operator does not deliver the Forecasted Delivery Requirement posted on Company's Electronic Bulletin Board on any particular day, then the greater of any applicable pro-rata share of interstate pipeline penalties or Balancing Charges outlined in this tariff, will be billed to the Pool Operator. N

Schedule RJH 2.3