

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN RE:)	
MIDAMERICAN ENERGY COMPANY)	
)	DOCKET NO. NG14-_____
)	

**DIRECT TESTIMONY
OF
DEBRA L. KUTSUNIS**

1 **Q. Please state your name and business address.**

2 A. Debra L. Kutsunis. MidAmerican Energy Company (“MidAmerican”), 106
3 East Second Street, Davenport, Iowa 52801.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by MidAmerican as manager, regulated pricing.

6 **Q. Please describe your education and business experience.**

7 A. I am a graduate of Augustana College in Rock Island, Illinois where I received
8 a Bachelor of Arts degree in Accounting and Business Administration in 1979.
9 I have been employed at MidAmerican or a predecessor company, Iowa-Illinois
10 Gas and Electric Company (“Iowa-Illinois”), since August 1983. Since August
11 2002 I have been manager, regulated pricing, where I direct activities related to
12 gas and electric pricing, tariff filings and rate cases. From January 1998 through
13 July 2002 I held the positions of regulatory analyst and manager, customer
14 choice initiatives in MidAmerican’s unregulated retail services division. Prior
15 to January 1998, I held various analyst and senior analyst positions in the rates,
16 gas supply, customer service and accounting departments. Prior to joining
17 Iowa-Illinois, I was employed in public accounting.

18 **Q. Have you testified before the South Dakota Public Utilities Commission or
19 other regulatory bodies previously?**

20 A. Yes, I have testified before the Iowa Utilities Board and the Illinois Commerce
21 Commission in various rate case and energy efficiency proceedings.

22 **Q. What is the purpose of your direct testimony?**

23 A. The purpose of my testimony is to sponsor MidAmerican’s proposed tariffs. I
24 also support MidAmerican’s cash working capital calculations and rate case
25 expenses.

26 **Q. Are you sponsoring any exhibits in the filing?**

27 A. Yes. I am sponsoring Exhibit DLK 1.1, which includes the following schedules:

- 28 • Schedule A: MidAmerican Energy Company Gas Tariff Schedule No. 2
- 29 • Schedule B: Cash Working Capital
- 30 • Schedule C: Rate Case Expense

31 **Q. Please describe the final tariff changes being proposed.**

32 A. The proposed final tariff is a complete revision of the existing South Dakota gas
33 tariff. MidAmerican has not fully revised its tariff terms and conditions in any
34 gas rate case since its formation in 1995, so the non-pricing portion of the tariff
35 has remained substantially unchanged since then. MidAmerican is proposing to
36 cancel its entire gas rate schedule entitled ‘TARIFF SCHEDULES
37 APPLICABLE TO GAS SERVICE IN SOUTH DAKOTA OF
38 MIDAMERICAN ENERGY COMPANY P. O. BOX 778 SIOUX CITY
39 IOWA’ (“Current Gas Tariff”) and replace it with a new MidAmerican Energy
40 Company South Dakota Gas Tariff Schedule No. 2 (“Tariff No. 2”).

41 **Q. Please describe the changes being proposed to the Current Gas Tariff.**

42 A. The proposed Tariff No. 2 maintains the various sections for gas rate schedules
43 and regulations as required by South Dakota Administrative Rules Section
44 20:10:13:04 but includes additional subsections. MidAmerican is proposing
45 greater detail in the rules and regulations section by providing more extensive

46 definitions and revised language to provide additional clarity. These changes
47 reflect input from employees in MidAmerican's customer service and delivery
48 organizations who work with customers on a daily basis. These changes will
49 make it easier for customers, employees and regulators to use MidAmerican's
50 tariff.

51 **Q. How are the proposed tariffs organized?**

52 A. As required by South Dakota rules, the tariffs are organized in six sections:

53 1. Table of Contents

54 2. Preliminary Statement

55 3. Gas Rate Schedules

56 4. Contracts with Deviations

57 5. Rules and Regulations

58 6. Sample Forms

59 **Q. What are the primary elements of the Gas Rate Schedules section of the**
60 **tariff?**

61 A. This is the section of the tariff that provides the rate schedules, adjustment
62 clauses and riders, including the applicable rates and charges. The rate
63 schedules, adjustment clauses and riders are identified with alphabetic
64 designations. The gas supply options offered include system gas service, Rider
65 S, which is available to all customers. Additional options available to customers
66 are the transportation of customer-owned gas, Rider T, and Monthly Metered
67 Transportation Service, Rate MMT. The following transportation balancing
68 services are also provided: Rider TDB – Daily Balancing of Customer-Owned

69 Volumes, Rider TDBO – Transportation Optional Balancing Services and Rider
70 TGB – Transportation Group Balancing Services. MidAmerican witness Tom
71 Gesell provides additional testimony regarding changes to MidAmerican’s
72 transportation service tariffs.

73 **Q. Please describe the revised rate schedules.**

74 A. MidAmerican is proposing to define its rates based on size. In addition, a
75 separate meter charge is proposed based on the size of meter utilized by the
76 customer. A two-step volumetric charge is proposed for the small volume sales
77 service and transportation rates. Single step volumetric charges are proposed for
78 the medium and large sales service and transportation rates. These rates are
79 based on the cost of service study and rate design sponsored by MidAmerican
80 witness Charles Rea. MidAmerican is proposing to discontinue seasonal rates
81 SSS and LSS. Upon review of the seasonal customers, MidAmerican found that
82 a number of customers on the seasonal rate were not really seasonal in nature
83 but rather firm, year-round customers. Currently there are only 39 customers
84 taking service under these rates and those customers will not be adversely
85 affected by transferring to other rates. In addition, MidAmerican is proposing to
86 discontinue Firm Supply Standby Service (FSS) because there have been no
87 customers on this rate for several years. MidAmerican is also proposing to
88 combine rates SVI and LVI into a single interruptible rate because there are
89 currently only 11 customers on interruptible rates with two of those customers
90 already indicating a desire to move to firm service prior to the start of the
91 heating season. MidAmerican is modeling the single interruptible rate on the

92 prior large interruptible rate. The interruption of a larger customer is more
93 beneficial to the operation of MidAmerican's system during peak periods than
94 the interruption of smaller customers. The interruptible rate being proposed
95 recognizes the greater system benefit of larger interruptible customers.

96 As described in MidAmerican witness Charles Rea's testimony, the
97 same charges will apply to all customers with average daily usage under 500
98 therms taking sales service, regardless of the customer's class. Just as in the
99 Current Gas Tariff, there will be no separate rate designations assigned to small
100 non-residential rates and residential rates. Rate SV – Small Volume Service
101 will be the designation for both.

102 MidAmerican will also continue to offer contract service under Rate
103 CPS.

104 **Q. Please describe the adjustment clauses and riders contained in the Gas**
105 **Rate Schedule section of the tariff.**

106 A. In addition to the balancing riders listed above, the adjustment clauses and
107 riders include the Cost of Purchased Gas Adjustment, Gas Tax Adjustment, Btu
108 Adjustment, Incremental Expansion Surcharge Adjustment, Gas Energy
109 Efficiency Cost Recovery Adjustment, Pipeline Demand Rider and Weekend
110 Service Rider. These are the same adjustment clauses and riders included in
111 MidAmerican's Current Gas Tariff, without modification.

112 **Q. Are you proposing to add or remove any riders in the Gas Rate Schedule**
113 **section of the tariff?**

114 A. Yes, MidAmerican is proposing to add Rider EF – Excess Facilities. This rider
115 provides a mechanism for the Company to recover the costs incurred when
116 customers request or require facilities in excess of a normal installation.
117 MidAmerican is also proposing to remove Rider No. 4 Pipeline Transition
118 Rider (PTR). The rate for this rider has been set at \$0.00 since November 1998
119 and it is no longer necessary.

120 **Q. Do the rate schedules proposed in the Gas Rate Schedules section of the**
121 **tariff reflect the revised rates requested in this case?**

122 A. Yes, the proposed rate schedules include the revised rates to implement the
123 revenue requirement described by MidAmerican witness Rick Tunning and the
124 rate design described by MidAmerican witness Charles Rea in this case.

125 **Q. What are the primary elements of the Rules and Regulations section of the**
126 **tariff?**

127 A. Section 5, Rules and Regulations, includes the following subsections:

- 128 1. Gas Service Policies
- 129 2. Customer Service Policies
- 130 3. Technical and Operational Requirements
- 131 4. Expansion of Gas Distribution System
- 132 5. Existing System Modifications
- 133 6. Miscellaneous Fees and Charges

134 **Q. Please describe the Gas Service Policies subsection.**

135 A. The Gas Service Policies provide definitions of terms used throughout the tariff
136 and identify general provisions and requirements and limitations of liability.
137 They also include information about service options, metering and billing.

138 **Q. Please provide an overview of the Customer Service Policies subsection.**

139 A. The Customer Service Policies provide information about the policies that
140 govern the Company's interaction with customers. This subsection includes
141 information about application for service, bill payment options, credit
142 requirements, disconnection and reconnection of service, and assignment of
143 rates. This subsection also includes additional information about deferred
144 payments and preferred due dates. The new subsection provides significantly
145 more detail than the Current Gas Tariff so as to be more informative to the
146 reader.

147 **Q. Please describe the Technical and Operational Requirements subsection.**

148 A. This subsection of the tariff describes delivery pressure, measurement of gas and
149 facilities provided by the Company. This subsection also describes customer
150 responsibilities, including One-Call notification.

151 **Q. Please describe the Expansion of Gas Distribution System subsection.**

152 A. This subsection of the tariff defines Company and customer obligations for
153 expansion of the gas distribution system. The subsection describes the three
154 times base revenue credit available to offset construction costs for gas main
155 extensions. Customers will pay a refundable advance equal to any gas main
156 construction costs in excess of their revenue credit. This subsection also defines
157 the free footage allowance for service lines. Non-residential customers and

158 residential customers that use natural gas as their primary heat source receive
 159 100 feet of plastic or 50 feet of steel service free of charge with any excess
 160 footage paid as a nonrefundable contribution. However, the free footage
 161 allowance may be extended for non-residential or large residential customers
 162 when sufficient revenue credit is available to offset the additional footage. The
 163 subsection also describes additional surety required for extensive plant
 164 additions greater than \$500,000. This tariff provides for temporary service, but
 165 clarifies that free extensions are not available for temporary services or
 166 intermittent use.

167 **Q. Are the provisions in the proposed Expansion of Gas Distribution System**
 168 **subsection different than the provisions of the Current Gas Tariff?**

169 A. Yes, the main differences are outlined below.

	Current Gas Tariff	Proposed Tariff
Residential Main Extensions	Customers that use natural gas as the primary heat source receive up to 100 feet free w/excess paid as refundable advance.	Customers receive a three times base revenue credit to offset construction costs with any excess construction costs paid as a refundable advance.
Non-Residential Main Extensions	Customers may receive gas main without charge where the Company deems the anticipated revenue from the customer is sufficient to justify the main extension according to an economic feasibility study.	Customers receive a three times base revenue credit to offset construction costs with any excess construction costs paid as a refundable advance.
Refund Period for Refundable Advance	5 years	10 years
Residential Service Lines	Customer must use natural gas for both space heating and water heating to receive 100 feet of free service line,	Customer must use natural gas as primary heat source to receive 100 feet of free service, with excess paid as a

	with excess paid as a nonrefundable contribution.	nonrefundable contribution.
Non-Residential Service Lines	Customers may receive a gas service line at no charge when the anticipated revenues are sufficient to warrant such installation according to an economic feasibility study or in other cases where the Company determines the conditions justify such installation.	Customer receives 100 feet of free service, with excess paid as a nonrefundable contribution. However, the free footage allowance may be extended when sufficient revenue credit is available to offset the additional footage.

170

171 **Q. Please describe the major elements of the Existing System Modifications**
172 **portion of the tariff.**

173 A. This portion of the tariff provides information about relocations or other
174 modifications to facilities. The tariff requires customers to pay for such
175 relocations or modifications when caused by the customer.

176 **Q. What is provided in the Miscellaneous Fees and Charges portion of the**
177 **tariff?**

178 A. This section of the tariff provides a single location for other charges or fees
179 applicable to multiple rate schedules. Examples of such charges are returned
180 check charges and the cost of meter testing. Placing all additional charges in a
181 single section of the tariff will make it easier for customers to identify all
182 charges which may apply to them.

183 **Q. Is MidAmerican proposing changes to any Miscellaneous Fees and**
184 **Charges in this case?**

185 A. Yes. MidAmerican is proposing to charge time and materials for turn-on and
186 turn-off service outside of normal working hours as well as for reconnections

187 after disconnections. Turn-on and turn-off service will continue to be provided
188 at no charge during normal working hours.

189 **Q. Are MidAmerican's proposed and Current Gas Tariffs presented and**
190 **compared elsewhere in this filing?**

191 A. Yes, MidAmerican's proposed tariff sheets are included as Exhibit DLK 1.1,
192 Schedule A. In addition, MidAmerican will supplement this filing with a cross-
193 reference comparison of MidAmerican's current and proposed tariffs within 30
194 days of this rate filing.

195 **Cash Working Capital**

196 **Q. What cash working capital requirements are you supporting in your**
197 **testimony?**

198 A. I am supporting the cash working capital requirements shown on Exhibit DLK
199 1.1, Schedule B.

200 **Q. Please define cash working capital.**

201 A. Cash working capital is generally the amount of day-to-day capital required to
202 operate a business. Cash working capital is required to cover the time lag
203 between the expenditure of cash in the delivery of services and the collection of
204 revenues from the sale of such services.

205 **Q. How is the level of cash working capital to be included in rate base**
206 **determined?**

207 A. The level of cash working capital needed is determined by comparing the
208 amount and timing of payments of costs MidAmerican must make in order to
209 provide gas service to its customers with the amount and timing of the receipt

210 of revenue from customers for that service. The amounts of costs and revenues
211 are obtained from MidAmerican's accounting and customer service systems.

212 MidAmerican Statement F, Schedule F-3, Page 1 shows the calculation
213 of cash working capital needs. In summary, the difference, measured in days,
214 between the revenue lag and the expense lead, is multiplied by the total daily
215 expense to determine the cash working capital amount.

216 **Q. What are lag days and lead days?**

217 A. Lag days refers to the time period between the rendering of service to a
218 customer and the payment by the customer for that service. The revenue lag
219 days used will be consistent across all items needed to provide gas service.
220 Lead days refers to the time period between MidAmerican's acquisition of
221 labor, materials, services and all other costs used to provide gas service and the
222 payment for those costs by the Company.

223 **Q. In this proceeding, what is the number of revenue lag days you propose to**
224 **use?**

225 A. The number of revenue lag days MidAmerican proposes to use in this
226 proceeding is 35.93 days. The bases for the components of these revenue lag
227 days are explained and summarized in Schedule F-3 Workpapers.

228 **Q. Please explain how you determined a collection period of 20.0 days.**

229 A. In the Settlement Stipulation of Docket No. NG-95-006, the Company and
230 Commission staff agreed to the use of a 20-day pay lag cut off since Section V,
231 Sheet No. 19 of the Company's Current Gas Tariff filed with the Commission
232 states that bills will be due twenty (20) days after the mailing date. Since a

233 calculation of the collection period made by the Company utilizing actual data
234 supports an amount greater than the twenty days used, the Company has made a
235 pro forma adjustment to the test period income statement to remove late
236 payment penalties. This adjustment, supported by Company witness Tunning,
237 corresponds to the use of the 20-day pay lag cut off which does not reflect cost
238 of service for payments made after the 20-day period. Such treatment is
239 consistent with the position taken by Commission Staff in prior rate cases.

240 **Q. What is the number of lead days you are proposing for expense items?**

241 A. I am proposing 37.99 lead days. The bases for the lead days for each expense
242 item are explained in Schedule F-3 Workpapers.

243 **Q. Is the method you have used in performing the cash working capital
244 calculation consistent with that used in your most recent South Dakota
245 case?**

246 A. Yes. The methodology described above is consistent with that used in
247 MidAmerican's gas cases Docket Nos. NG95-006, NG98-011, NG01-10, and
248 NG04-001.

249 **Q. What is the amount of cash working capital that is included in the rate
250 base shown in MidAmerican Schedule F-3 and supported in the testimony
251 of MidAmerican witness Mary Jo Anderson?**

252 A. The cash working capital included in rate base is negative \$536,000 and the
253 advance tax collection is negative \$85,000.

Rate Case Expense

254 **Q. Please describe MidAmerican's proposed rate case expense adjustment.**

255 A. This adjustment increases test year operating expenses for the estimated cost
256 associated with litigating this rate case. Prior to the conclusion of the case, this
257 estimate will be updated with actual values where available. The adjustment
258 amortizes such costs over a five-year period. MidAmerican witness Tunning
259 includes a pro forma adjustment for rate case expense. Supporting information
260 for rate case expense is attached as Exhibit DLK 1.1, Schedule C.

261 **Q. Why are these costs amortized over five years for purposes of this**
262 **adjustment?**

263 A. Since these costs are nonrecurring, it would not be equitable to include the
264 entire amount in test year results. However, some recovery of these costs is
265 appropriate since they were incurred specifically on behalf of MidAmerican's
266 South Dakota gas customers. Five years was used as a reasonable
267 approximation of the time between rate filings.

268 **Q. Does this conclude your prepared direct testimony?**

269 A. Yes, it does.