BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Request to Increase Its Revenue for Gas Service	))	**File No. GR-2017-0215**
In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase Its Revenues for Gas Service	)))	**File No. GR-2017-0216**

STAFF'S CORRECTED POSITION STATEMENTS

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and provides its *Position Statements* for each of the issues included on the previously-filed *List of Issues* on which it takes a position.

I. LAC Only Issues

a. Forest Park Property

i. How should any gain resulting from the sale of the Forest Park property be treated for ratemaking purposes?

The Commission should order a sharing of the $5.8 million gain on the sale of LAC facilities located at Forest Park Avenue between ratepayers and shareholders to offset th

e higher costs of a partial replacement facility located at 5311 Manchester Avenue.

Staff recommends that the $5.8 million gain on the sale of the Forest Park facilities be shared between the ratepayers and the shareholders using Staff's recommended true-up capital structure in this case. The $3.15 million ratepayer portion would represent a regulatory liability with no rate base treatment that would be amortized over a five year period beginning with the effective date of new rates in this case. Staff's proposed adjustment reduces revenue requirement by approximately $631,000.

ii. How should the relocation proceeds from the sale of the Forest Park property, other than proceeds used for relocation purposes or contributed to capital for the benefit of customers, be treated for ratemaking purposes?

Staff recommends that the $5.7 million of relocation proceeds that were received as part of the sale of the Forest Park facilities should be offset by all actual expense incurred to relocate Forest Park employees to new locations. This balance should be further offset by "zero net rate base" capital contributions made by LAC. The $3.5 million remaining balance of the relocation proceeds should be used to partially offset the higher cost of the partial replacement facility.

Staff recommends that the Commission establish a $3.5 million regulatory liability with rate base treatment only that would be amortized over five years beginning with the effective date of new rates in this case. Staff's proposed adjustment reduces revenue requirement by approximately $336,000.

Taken together, both Staff adjustments would reduce revenue requirement by approximately $967,000.

II. MGE Only Issues

a. Billing Units

i. Should the billing units for MGE customers be changed from ccf to therms, consistent with LAC?

No. Changing the billing units from Ccfs to Therms is a significant change for MGE's customers. If MGE still wants to pursue this in the future, it should better explain why the conversion is needed, define the areas, install the necessary equipment, develop historic data, assign the customers to the areas and develop a customer education program.

b. Kansas Property Tax

i. What is the appropriate amount of Kansas property tax expense to include in MGE's base rates?

Staff recommends $1,454,069, a ten year average (2009-2016) of Kansas property taxes.

ii. Should the tracker for Kansas property tax expense be continued?

Yes.

c. Capitalization of Hydrostatic Testing

i. Should MGE continue to capitalize hydrostatic testing costs or recognize these costs as maintenance expenses?

Staff takes no position on this issue.

III. LAC-MGE Common Issues

a. Cost of Capital

i. Return on Common Equity – What is the appropriate return on common equity to be used to determine the rate of return?

The allowed ROE should be set between 9.00% to 9.50%. Staff specifically recommends 9.25%.

ii. Capital Structure – What capital structure should be used to determine the rate of return?

The capital structure should be based on Spire, Inc.'s consolidated capital structure, inclusive of short-term debt, as of the true-up date, which consists of 45.56% common equity, 47.97% long-term debt and 6.47% short-term debt.

iii. Cost of Debt – What cost of long-term debt should be used to determine the rate of return?

The cost of long-term debt should be based on Spire, Inc.'s consolidated embedded cost of long-term debt of 4.16% and the cost of short-term debt should be based on Spire, Inc.'s cost of short-term debt of 1.5% as of September 30, 2017.

iv. Should short-term debt be included in the capital structure? If so, at what cost?

Yes, based on Staff's recommended capital structure of 45.56% common equity, 47.97% long-term debt and 6.47% short-term debt. However, if the Commission determines that Gas and Propane Inventory Carrying Charges should not be included in rate base, Staff does not recommend including short term debt in rate making capital structure.

b. Rate Case Expense

i. What is the appropriate amount of rate case expense to include?

Staff recommends all properly verified rate case expense should be included based on the sharing mechanism listed below.

ii. What is the appropriate normalization period for recovering rate case expense?

Staff recommends rate case expense be shared between ratepayers and shareholders based on the ratio of LAC and MGE's Commission authorized revenue requirement increase to their requested revenue requirement increase, net of Staff's adjustments. This methodology is consistent with the Commission's treatment of rate case expense in the Report and Order in Case No. ER-2014-0370. The total amount of rate case expense should be split between LAC and MGE based on the requested revenue requirement increase. The adjusted, allocated amount of rate case expense should be recovered over four years.

c. **Off System Sales (OSS) Margins and Capacity Release (CR) Credits Sharing Mechanism**

i. Should the current four-tier sharing mechanism be used or should a flat rate of 25% be instituted?

Staff is not opposed to the Commission authorizing LAC and MGE to use a flat rate as their share of the OSS/CR levels. A single flat rate will bring consistency between the two divisions and will bring administrative ease to tracking the LAC's and MGE's share. The Commission should authorize LAC and MGE to change their OSS/CR Sharing Mechanisms so that 25% of OSS/CR is retained by the respective company and 75% goes to the ratepayers. MGE and LAC customers' credit should be remain separate by division. As an alternative, the current LAC and MGE OSS/CR sharing mechanisms should remain unchanged.

ii. If the current sharing mechanism is retained, what is the appropriate LAC and MGE sharing percentage for OSS/CR?

The Commission should authorize LAC and MGE to change their OSS/CR Sharing Mechanisms so that 25% of OSS/CR is retained by the respective company and 75% goes to the ratepayers.

d. Gas Supply Incentive Plan (GSIP)

i. Should LAC continue its current GSIP mechanism?

No; the GSIP for LAC should be terminated due to the uncertainty surrounding LAC's gas supply portfolio in the near future. LAC has entered into a Precedent Agreement for new pipeline capacity with Spire STL Pipeline, LLC. If Spire STL Pipeline is added, the historical locations from which LAC buys which are included in the current GSIP will change.

ii. Should a similar GSIP be approved for MGE?

No.

iii. If a GSIP is instituted for MGE and/or continued for LAC, should the gas pricing tiers that determine company eligibility for retaining a share of savings be updated or eliminated?

If a GSIP is authorized for MGE and continued for LAC, the gas pricing tier should be updated rather than terminated. The pricing tiers create a ceiling and a floor in determining eligibility for compensation. The ceiling prohibits Spire from being compensated at the same time customers are paying high gas prices and the floor curtails savings when gas prices are low. The gas price first tier should be $2.50 and the third tier should be $6.50 for both MGE and LAC and the overall cap on earnings of MGE should be $2,500,000. Laclede's overall cap would remain at $3 million.

e. PGA/ACA Tariff Revisions

i. Should LAC have new PGA/ACA tariff provisions pertaining to costs associated with affiliated pipeline transportation agreements?

The LAC PGA/ACA tariff should not be changed at this time due to a lack of specificity and clarity as to how any of the proposed changes would be applied.

f. CAM

i. Should a working group be created following this rate case to explore ideas for modifying the LAC and MGE CAM?

Staff has no position on this issue, but would be willing to participate in such a working group if the Commission determines a working group is necessary.

ii. Should an independent third-party external audit be conducted of all cost allocations and all affiliate transactions, including those resulting from Spire's acquisitions, to ensure compliance with the Commission's Affiliate Transactions Rule, 4 CSR 240-20.015?

Staff has no position on this issue.

g. Gas Inventory Carrying Charges

i. Should LAC's natural gas and propane inventory carrying costs be recovered through rate base inclusion, as currently is the case with MGE, or recovered through the PGA/ACA process?

If a representative level of short term debt consistent with the level of gas inventories in rate base is included in capital structure, gas inventories, including propane inventory, should be included in rate base as has been the case for natural gas inventories for MGE. Rate base treatment for gas inventory is consistent with all other Missouri gas local distribution companies except LAC. Rate base treatment has the advantage of simplifying the review of gas carrying costs and locking in those costs until the next rate case. However, if short term debt is not included in the capital structure, PGA treatment (Gas Inventory Carrying Cost) should be continued for LAC and extended to MGE's PGA tariffs.

ii. Should Line of Credit (LOC) fees be removed from LAC's PGA consistent with inventory inclusion in rate base?

If natural gas and propane inventory carrying costs are recovered through rate base inclusion (see position above), LOC fees should be removed from LAC's PGA along with the elimination of LAC's Gas Inventory Carrying Cost Recovery mechanism.

h. Propane Facilities

i. Should LAC and MGE ask the Commission for authorization to change the regulatory treatment of its propane facilities?

Staff recommends that the Commission mandate that Laclede seek specific authorization from the Commission regarding any new ratemaking treatment than what is currently authorized (via the language from GR-2013-0171 stipulation language) through either a separate case, or in direct testimony filed in the context of a future rate case. At the time it makes its filing for different regulatory treatment, Laclede Gas Company should be ordered to provide a study and all financial and operational justification for the determination and proposed change to the regulatory treatment compared to other alternatives it considered (e.g. reduction of other capacity and peaking supply). This request stems from past actions where Laclede moved investment and depreciation reserve associated with its propane cavern and other propane equipment below-the-line in between rate cases while that asset was still in the portfolio for use in meeting customer demand. There have also been recent discussions of retiring these facilities once the STL pipeline goes into service.

i. Credit Card Processing Fees

i. Should an amount be included in LAC's base rates to account for fees incurred when customers pay by credit card, in the same manner fees are currently included in MGE's base rates?

Yes. Staff is recommending that the Commission allow LAC to recover the fees for credit and debit card transactions in rates.

ii. If yes, what is an appropriate amount to include in LAC's base rates for credit card fees?

Staff recommends that actual, known and measurable credit and debit card transactions experienced by LAC be used to determine the amount of credit card fees to include in rates.

j. Trackers

i. Should LAC and MGE be permitted to implement an environmental tracker?

No. Trackers should be considered on a case by case basis to allow the Commission to take into account unusual conditions, such as high volatility of costs, costs for which there is no historical data, or for uncertain level of costs imposed on utilities by new Commission rules. Over the last several years, LAC and MGE have not incurred any environmental costs and there is no indication that LAC and MGE will incur material costs in the foreseeable future. Therefore, there is no need for a environmental cost tracker for LAC and MGE.

k. Surveillance

i. Should LAC and MGE provide surveillance data to the Commission?

Staff is proposing in this case to replace the surveillance reports formerly provided to the Commission with a new format of surveillance data that will allow earnings monitoring separately for LAC and MGE. Along with the surveillance reported data, Staff also requests that LAC and MGE provide their general ledger and CC&B subledger data on a quarterly basis. It is especially important that Staff and OPC be able to receive this information and monitor it because of Spire Inc's ongoing acquisition strategy. In the event that Spire Inc. acquires additional utilities in between rate cases, as it already has with Alagasco and Energy South Inc., this could have a profound effect on customers' future utility rates as well as the earnings that Spire Missouri realizes. The acquisition strategy allows for the possibility of overearnings if rates remain the same while greater economies of scale are achieved.

l. Cash Working Capital

i. Should non-cash expenses such as income tax expenses not paid be reflected in a Cash Working Capital Analysis?

Staff includes a normalized level of current income taxes in LAC and MGE's cost of service. Consequently, any cash flow related to income taxes should be included in the CWC analysis.

m. Severance Expenses

i. Should LAC and MGE's severance expense be included in cost of service?

No.

IV. Rate Design/Class Cost of Service

a. **Rate Design**

i. Should a Revenue Stabilization Mechanism or other rate adjustment mechanism be implemented for the Residential and SGS classes for MGE and LAC? If so, how should it be designed and should an adjustment cap be applied to such a mechanism?

No. No party has disputed Staff's finding that LAC's and MGE's proposed revenue stabilization mechanisms adjust for changes beyond those authorized by §386.266.3, RSMo. Additionally, the analysis of Staff witness Michael Stahlman shows that a revenue stabilization mechanism is not needed. No other party has provided any analysis on the need for a revenue stabilization mechanism.

However, should the Commission determine that LAC or MGE should have a revenue stabilization mechanism, Staff recommends that the revenue stabilization mechanism be limited to adjustments for weather and to the residential customer class.

ii. Reflective of the answer to part i, what should the Residential customer charge be for LAC and MGE, and what should the transition rates be set at until October 1, 2018?

Regardless of whether a revenue stabilization mechanism is implemented, Staff recommends that the residential monthly customer charge be set at $26 for LAC and $20 for MGE. Staff does not recommend use of transition rates.

iii. Reflective of the answer to part i, should LAC's weather mitigated Residential Rate Design be modified to collect a customer charge and variable charge for all units of gas sold, or should it be continued in its current form?

Regardless of whether a revenue stabilization mechanism is implemented, Staff recommends that LAC's weather mitigated

Residential Rate Design be modified to consist of a customer charge and a per unit charge for all units of gas sold. For LAC, based on Staff's direct filed revenue requirement a $26 customer charge Staff estimates that the variable charge will be approximately 0.16338 per therm for all therms. For MGE, based on Staff's direct filed revenue requirement a $20 customer charge Staff estimates that the variable charge will be approximately 0.13859 per ccf for all ccfs.

For the alternative inclining block design, Staff would recommend the following based on direct filed revenue requirements.

Rates - Incline Option	Customer Charge	First 50 units	All usage beyond 50 units
Residential (MGE)	$ 20.00	$ 0.12473	$ 0.15149
Residential (LAC)	$ 26.00	$ 0.14704	$ 0.17824

iv. What are the appropriate respective LAC and MGE Class Revenue allocations?

Staff assumes this question was meant to ask "What are the appropriate respective LAC and MGE Class Revenue Responsibilities" rather than "allocations." Therefore, Staff recommends the below class revenue responsibility levels for each rate class.

LAC Rate Classes	Staff Proposed Class Revenue Responsibility
Residential	$269,052,131
General Service	$53,246,058
Large Volume	$1,896,425
LV Transport	$13,338,541
Interruptible Sales	$812,599
Total	$338,345,754

MGE Rate Classes	Staff Proposed Class Revenue Responsibility
Residential	$163,167,354
General Service	$28,882,189
Large Volume	$16,281,045
Total	$208,330,588

v. What are the appropriate respective LAC Transportation and MGE Large Volume rate designs?

Staff recommends an equal percent increase to each rate element for the LAC Large Volume and Large Volume Transportation classes as well as the MGE Large Volume classes. To the extent that the final ordered revenue requirement does not exceed Staff's direct-recommended revenue requirement, Staff does not oppose applying a larger increase to the customer charge than the volumetric rates.

b. **Class Cost of Service**

i. Should the general service classes of each rate division be consolidated or modified? If so, how? What inter-class revenue requirement shifts, if any, should be made in implementing rates resulting from this case?

Yes the general service classes of each rate division should be consolidated. For LAC Staff recommends that LAC's current Commercial and Industrial classes labelled CI, CII and CIII be consolidated into one general services rate class. For MGE Staff recommends that MGE's current Small General Services and Large General Services classes be consolidated into one general services rate class.

For LAC a shift in revenue requirement responsibility should be made from the Large Volume, Large Volume Transport and Interruptible classes to Staff's proposed consolidated general service class to the extent that the awarded revenue requirement is less than or equal to Staff's direct filed revenue requirement. In the event, the awarded revenue requirement is less than or equal to Staff's direct filed revenue requirement Staff recommends the rates for the Large Volume, Large Volume Transport and Interruptible classes be held constant. For any revenue requirement above Staff's direct filed revenue requirement, Staff recommends that the increase be allocated to each class on an equal percent basis.

ii. What is the appropriate cost allocation to the customer classes of LAC's and MGE's Underground Storage Costs?

These costs should be allocated consistent with the usage of storage by the various classes, which can be approximated on maximum heating degree day demand. As discussed in the surrebuttal of Robin Kliethermes this would include the Large Volume Transportation class as a user of storage.

iii. What is the appropriate cost allocation to the customer classes of LAC's Gas Inventory and Propane Inventory Costs?

These costs should be allocated consistent with the usage of gas inventory and propane inventory by the various classes, which can be approximated on maximum heating degree day demand. As discussed in the surrebuttal of Robin Kliethermes this would include the Large Volume Transportation class as a user of storage.

iv. What is the appropriate cost allocation to classes of LAC's and MGE's Measuring and Regulating Station Costs?

Staff allocated LAC and MGE's measuring and regulating station costs in FERC accts. 378 and 379 to the rate classes using each class share of distribution main investment. The Company and Missouri Industrial Energy Consumer's (MIEC) recommend to allocate LAC's and MGE's measuring and regulating station costs on the Company's calculation of what is referred to as design day demand. The allocators used by Staff and the Company to allocate

LAC and MGE's measuring and regulating station costs are as follows:

LAC	Residential	Small General Srv	Large General Srv	Large Volume	Interruptible	Transportation
Company	65.10%	10.09%	14.29%	0.76%	0.0000%	9.68%
Staff	68.19%	25.93%		0.50%	0.16%	5.20%
MGE	Residential	Small General Srv	Large General Srv	Large Volume		
Company	62.14%	11.01%	9.80%	17.05%		
Staff	65.13%	20.16%		14.71%		

V. Pensions and OPEBs

a. What is the appropriate amount of pension expense to include in base rates?

   Rates should include pension expense sufficient to achieve an 80% funded status, as calculated by the federal ERISA legislation.

b. What is the appropriate amount of the LAC and MGE pension assets?

   LAC's pension asset is currently valued at $122,898,268. MGE's pension liability is currently valued at $26,865,607.

c. How should pension regulatory assets be amortized?

   Pension assets and liabilities should be amortized over an eight year period.

d. What is the appropriate amount of SERP expense to include in base rates?

   A three-year average of actual SERP payments is appropriate to include in rates, after the application of a shared services allocator.

e. Should SERP payments be capitalized to plant accounts?

   No. SERP Payments are not capitalized to plant accounts. However, the accrued service cost related to SERP is permitted to be capitalized to plant accounts. Therefore, normalized SERP expense should recognize a transfer to capital accounts.

f. Should the prepaid pension asset be funded through the weighted cost of capital or long-term debt?

   Staff has no position on this issue.

VI. Income Taxes

a. What is the appropriate amount of income tax expense to include in base rates for LAC and MGE?

The appropriate amount of income tax expense to include in the cost of service is Staff's net operating income less the deductions that are related to above the line income statement items as well as bonus and MACRS depreciation deductions. A level of deferred tax should be established for the bonus and MACRS depreciation deductions at Staff's effective tax rate.

b. What is the appropriate amount of accumulated deferred income tax to include for LAC and MGE?

The appropriate amount of accumulated deferred income tax to include in the cost of service is Staff's regulatory asset and liability balances for pensions, OPEBs, low income, and energy efficiency as well as depreciation and CIAC at Staff's effective tax rate.

VII. Incentive Compensation for Employees

a. What is the appropriate amount of employee incentive compensation to include in base rates?

The portion of the union's team level incentive compensation that is not earnings-based is appropriate to include in rates.

b. What criteria should be applied to determine appropriate levels of employee incentive compensation?

Incentive compensation expense charged to ratepayers should produce a benefit to Missouri ratepayers, and incent employees to perform duties at a level above the minimum required.

c. Earnings Based Incentive Compensation – Should LAC and MGE be permitted to include earnings based and/or equity based employee incentive compensation amounts in base rates?

No. Earnings-based incentive compensation and equity-based compensation align the interest of employees with shareholder interest. The primary shareholder interest is shareholder wealth maximization, which is not a ratepayers interest. Therefore, the costs associated with these compensations should be borne by the shareholders.

d. Should LAC and MGE be permitted to capitalize earnings based and equity-based employee incentive compensation amounts in base rates?

No. Since Staff's position is to assign earnings-based incentive compensation and equity-based compensation, capitalized amounts must also be removed from rate base.

e. To the extent the Commission declines to include employee incentive compensation in rates, what adjustment should be made to base salaries paid to employees?

Individual incentive compensation should be included assuming 100% achievement of the 2016 individual incentive compensation plan.

VIII. Commercial Deposits

a. Should LAC be required to deduct commercial deposits held in trust funds pursuant to 4 CSR 240-10.040(4) from rate base, and should there be corresponding adjustments made to MGE's rate base and expense?

It is Staff's position that commercial deposits are interest free loans that customers pay to utility companies as a mandatory condition to obtain utility service. Commercial deposits are not earned and they do not require shareholder investments. These funds are eventually refunded to customers with interest. Even though MGE has been afforded a discretionary option to pursue PSC rule 4 CSR 240-10.040, the issue of what is most economical for customers must be properly addressed. By deducting commercial deposits from rate base and by eliminating commercial deposit interest, MGE would create an additional, yet unnecessary revenue requirement of approximately $150,000 that customers would be asked to pay.

b. Should any deposits held by LAC or MGE for the purpose of assuring payment of customer balances and defraying bad debt be deducted from rate base?

Yes. Those funds are supplied by ratepayers and are held in trust by the Company until such time as the tariff allows the Company to draw upon them. The Company is required to return any unexpended funds to the ratepayer that deposited them with interest.

IX. Uncollectibles

a. What is the appropriate amount of bad debt to include in base rates?

The appropriate level of bad debt expense (uncollectibles) to include in base rates is $7,318,951 for LGC and $3,501,893 for MGE. Staff determined this normalized level by using the twelve months ending June 30, 2017. Both LAC and MGE made significant changes to their write-off policies. In Staff's opinion, the most appropriate way to calculate bad debt

expense is to use the most current data available since the change in policies.

X. Software

a. How should the costs of the NewBlue software be allocated?

Staff recommends that Spire's enterprise management information software (NewBlue) should be allocated between MGE and LAC using Staff's allocation factors.

XI. Performance Metrics

a. Should a proceeding be implemented to evaluate and potentially implement a performance metrics mechanism? If yes, how should this be designed?

Staff takes no position on whether a proceeding should be implemented to evaluate and potentially implement a performance metrics mechanism, but Staff would participate in any ordered proceeding. Staff does not take a position on the design.

XII. Transition Costs

a. What amount of one-time capital costs incurred to integrate MGE and LAC should LAC or MGE be permitted to recover?

Staff recommends $7.5 million of transition costs split between LAC and MGE to be recovered in rates over 5 years.

b. Should LAC be permitted to recover legacy MGE software costs as a transition cost?

No. Staff recommends no recovery of the MGE software costs as transition costs or otherwise through the cost of service.

c. Should LAC or MGE be permitted to recover leasehold improvements associated with 720 Olive as a transition cost?

No. Staff recommends no recovery of the 720 Olive leasehold improvements as transition costs or otherwise through the cost of service.

d. Should LAC be permitted to recover one-time costs associated with the name change to Spire as a transition cost?

No. Staff recommends no recovery of the one-time costs associated with the name change to Spire as transition costs or otherwise through the cost of service.

e. Should LAC or MGE be permitted to recover costs associated with the Southern Union Continuing Services agreement as a transition cost?

No. Staff recommends no recovery of the costs associated with the Southern Union Continuing Services agreement as transition costs or otherwise through the cost of service.

f. Should the deferred transition costs be included in rate base?

No. The deferred transition costs should not be included in rate base.

g. Should the transition costs be allocated between LAC and MGE? If yes, how?

Yes. The deferred transition costs should be allocated between LAC and MGE based on the customer counts in the latest filed annual reports.

h. Should LAC's and MGE's cost of service be adjusted to reflect the recognition of merger synergies through the test year?

Yes.

XIII. Corporate Identity (Rebranding) Costs

a. If the corporate identity/rebranding costs are determined to not be a transition cost, should they be included in base rates?

No. Staff is recommending that the Commission disallow rebranding related costs. These are one-time, non-recurring costs that are a result of management's decision to rebrand and provide no direct benefit to the ratepayers.

b. Should rebranding litigation costs be included in base rates?

No. Staff is recommending that the litigation costs that resulted from Spire's decision to rebrand are disallowed. These are one-time, non-recurring costs that are a result of management's decision to rebrand and provide no direct benefit to the ratepayers.

XIV. Tariff Issues

a. Economic Development Rider

i. Should MGE's current Economic Development Rider be modified and extended to LAC? If so, how should it be modified?

Staff recommends that the EDR be expanded to LAC, in the form attached to the rebuttal testimony of Sarah Kliethermes as SLK-R-4, which generally modifies the direct-filed Spire proposal in the following ways:

Spire Missouri's proposed tariffs should be revised to include the following provisions:

1. A limitation of availability to customers in a type of business that is not directly accessible by the general public;

2. A clarification of the type and value of qualifying incentives offered by state or local economic development agencies or governmental units, including a requirement that qualifying economic development incentives actually be received and that the customer remain eligible for continued receipt of the incentives;

3. A limitation of availability to customers who have an alternative supplier of gas or of energy for the intended usage;

4. Clarification of whether the governing document is a completed and approved application, or a separate contract, and specification of a timeline for execution of the contract and the start of discounts under the rider;

5. Retention of the revenue adjustment language found in the current MGE EDR tariff provision;

6. Clarification of the time period used to determine any nonparticipating ratepayer-funded level of investment and modification of the test for nonparticipating ratepayer investment, if applicable, from "expected revenues" to "expected rate impact";

7. Expansion of the reporting requirement to include a review of the continued eligibility of participating customers;

8. Correction of various typographical and reference errors, and editing for clarity.

b. Special Contract Rider

i. Should a generic Special Contract Tariff be included in MGE's and LAC's tariff book? If so, how should it be designed?

No. Given Staff's recommendation to make a well-designed EDR applicable to the entire service area, the proposed nonspecific special contract tariff provision is largely duplicative. To the extent the provisions are not duplicative, Staff recommends that additional nonspecific variation from tariffed rates not be permitted. In the alternative, Staff recommends that proposed Rule 38 be modified to reflect the existing MGE provisions including the limitation of availability to Large Volume Customers, with the addition of a requirement that all documentation supporting the contract be provided to Staff within 30 days of the execution of the contract, and an update of the $0.0005 per CCF minimum charge, or that the form of the recently approved Liberty Utilities "Negotiated Gas Sales Service," found on Sheet No. 34 be generally adopted.

c. Facilities Extension Tariff

i. Should MGE and LAC be authorized to allow financing of line extensions beyond the free allowance? If so, how should such tariff be designed?

Staff does not oppose adoption of the proposed tariff for Rule 19 if modified for typographical errors and if it were modified to include (1) adequate notice to future customers subject to the surcharge is required to be provided, (2) provision that non-participating ratepayers are held harmless from the company's decision to finance line extensions beyond the free allowance, and (3) sufficient detail to segregate all direct and indirect costs in excess of the free allowance from the regulated revenue requirement.

d. Excess Flow Valve ("EFV")

i. Should MGE's and LAC's Excess Flow Valve ("EFV") tariff be modified? If so, how should such tariff be designed?

Yes. Staff recommends use of Spire Missouri's proposed EFV tariff attached to the rebuttal testimony of Company witness Scott Weitzel, with the modification of the cost of installation as provided below.

Installation costs of an EFV on an eligible service line for an existing customer when requested by the customer and when service is not being replaced will consist of:

EFV Standard Charge: Customer may request installation of an excess flow valve consisting of a valve and 2 hours of labor for a charge of $560, subject to the provisions of Section B.

EFV Installation Beyond or Less than the Standard Installation: Company shall provide an estimate of the actual cost of installation prior to undertaking an installation. Investment in the installation of an EFV in excess of that provided by the Standard Charge as determined under Section A will be made by the Company, provided the applicant requesting installation of an EFV deposits, as a contribution-in-aid-of-construction, the Company's estimated cost of such excess. Any variation between any charge under Section A or this Section B and the actual cost of installation shall be refunded to customer within 60 days.

XV. Customer Programs

a. Energy Efficiency

i. What is the goal of the MGE's and LAC's energy efficiency programs? (OPC Issue Only)

Staff does not take a position on this issue at this time. Staff is of the opinion that it is up to MGE and LAC, through discussion with the EEC, to determine the goals of its energy efficiency programs as part of program design.

ii. Are the goals for LAC's and MGE's low-income programs different from other utilities' energy efficiency programs? If so, what is the goal for LAC's and MGE's low-income programs? (OPC issue only)

Staff does not take a position on this issue at this time. Staff is of the opinion that it is up to MGE and LAC, through discussion with the EEC, to determine the goals of its energy efficiency programs as part of program design.

iii. Should LAC and MGE suspend funding of their energy efficiency programs pending the results of cost efficiency studies?

No. Staff recommends the Commission approve the continuation of the programs.

iv. Should LAC's and MGE's energy efficiency targets or program funding levels be modified? If so, how?

No. Staff recommends the Commission approve the continuation of the programs.

v. What, if any, Commission approval should be required to change targets or program funding levels. If any, when should such approval be required?

Each year, at the beginning of a Program Year, the Company should be required to prepare a budget of program expenditures, and provide that budget to the members of the Energy Efficiency Collaborative prior to its implementation. The new budget should be used for the ensuing 12 months unless the Company determines there is a need to make changes within a budget year. When there is a variance of twenty percent (20%) or more from the previous year's total budget, or from an individual program's budget, the Company should be required to submit its annual budget to the Commission for approval.

vi. In addition to the amortization of the deferred balance, should a level of energy efficiency costs be included in base rates?

There continues to be uncertainty about the level of expense LAC and MGE will incur in the future for energy efficiency costs. Because of this uncertainty, including an expense level for these costs in addition to the amortization of the deferred costs is premature.

vii. Shall measures installed pursuant to the Low-Income Multifamily programs receive a bonus incentive? If so, at what levels?

Staff does not take a position on this issue. It is Staff's opinion thatthis is an issue for MGE and LAC to determine as part of program design and in consultation with the Energy Efficiency Collaborative.

viii. Should LAC and MGE meet the Commission's promotional practices rules regarding tariff filings for energy efficiency programs?

LAC and MGE should comply with the applicable Commission promotional practices rules.

ix. Should the LAC and MGE EECs become advisory?

Yes. The current LAC/MGE EEC arrangement places collaborative members, and particularly Staff, in the awkward position of "approving" tariff, budget, and program changes outside a transparent Commission process. Staff recommends the operation of the LAC and MGE EECs be modified such that collaborative members provide input and advice to LAC and MGE.

b. Low Income Energy Assistance Program

i. Should LAC's current Low Income Affordability Program continue, or should the Commission approve LAC's proposed Low Income Affordability Program?

Staff supports continuation and expansion of Low Income Programs as detailed below.

ii. Should LAC's Low Income Affordability Program be extended to MGE and be made available to MGE's customers?

Yes.

iii. Should the Commission order a collaborative of interested parties be formed to work with the Company to develop and provide to the Commission a new low-income assistance program, covering both the LAC and MGE service areas and incorporating elements of successful low-income energy assistance programs in Missouri?

Staff does not oppose.

iv. What is the appropriate funding level for each division?

Staff does not oppose the Company's proposed budget of approximately $600,000 annually for LAC ($300,000 for the Fixed Charge Assistance program and $300,000 for the Arrearage Repayment program) and $500,000 annually for MGE ($250,000 for the Fixed Charge Assistance program and $250,000 for the Arrearage Repayment program). However, Staff does oppose the requested 10% budgeted administrative costs and recommends retaining the current administrative budget.

v. How should credits be applied to customer bills?

Staff recommends that the monthly credits for the Fixed Charge Assistance program be applied to customer bills in the amounts of the applicable customer charge.

c. Red Tag Program

i. Should the company modify the budget of its red tag program?

Staff does not oppose the company's budget proposal for the Red Tag Program.

ii. Should the company be required to file effectiveness reports on its red tag program?

Staff does not oppose the concept of periodic reporting associated with the Red Tag Program.

iii. Should the company modify its red tag program to replace appliances with high-efficiency appliances where applicable?

Staff does not support the intervenor proposal to require high-efficiency appliances, as this can reduce the overall number of customers that can be assisted.

iv. Should the unamortized balance be included in rate base?

Staff recommends no rate base treatment for red tag deferred costs. Staff generally recommends rate base treatment for deferred costs that are capital in nature, costs that are amortized over a long period of time, and deferred balances that are significant. Red tag costs do not meet this criteria. Staff further recommends a four year amortization based on LAC's and MGE's recent history of filing rate cases.

d. CHP

i. Should LAC and MGE implement a CHP pilot program as proposed by Division of Energy?

No. Division of Energy's proposed Critical Infrastructure CHP pilot program potentially impacts non-intervening utilities (electric, steam, regulated, and non-regulated utilities) and may violate the Commission's prohibited promotional practice rule. The $5.1 million program budget would constitute a significant increase to the revenue requirement. Further, DE's proposal does not provide sufficient detail to implement the pilot program.

e. Weatherization Administration

i. How should future administration of the Companies' low income weatherization program be conducted?

MGE currently manages its own weatherization program. Staff recommends LAC also manage its weatherization program. Such an approach would be consistent with the Company's efforts for consistency among its divisions.

f. Check-off box on bill for L-I Weatherization

i. Should customers be provided, on the customer bill, an option to opt-in to a program to contribute $1 dollar to Low-Income Weatherization?

Staff does not take a position on the issue of adding an opt-in program at this time. Staff has yet to see any design proposal for the program, or any analysis as to resources that would be necessary to implement such a program.

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CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing was served electronically, or hand-delivered, or via First Class United States Mail, postage prepaid, on all parties of record herein on this 30th day of November, 2017.

/s/ Mark Johnson