BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of	)	
Summit Natural Gas of Missouri Inc.'s	)	**File No. GR-2014-0086**
Filing of Revised Tariffs to Increase Its	)	Tracking No. YG-2014-0285
Annual Revenues for Natural Gas Service	)	

STAFF STATEMENT OF POSITION

COMES NOW the Staff (Staff) of the Missouri Public Service Commission (Commission), by and through counsel, and for its Statement of Position in this matter hereby states:

I. Rate of Return

A. What is the appropriate cost of capital that the Commission should apply in this case to determine a revenue requirement for SNGMO?

i. What is the appropriate cost of common equity?

Staff recommends 9.8 percent to 10.8 percent.

ii. What is the appropriate cost of long-term debt?

Staff recommends 5 percent.

B. What capital structure should the Commission use in this case to determine a revenue requirement for SNGMO?

Staff recommends 40 percent common equity and 60 percent debt.

II. Revenue Requirement

A. Should the Commission grant the Company a rate increase? If so, in what amount?

Yes. The Commission should grant SNGMO the following rate increases by district: Branson, $1,278,526; Gallatin, $180,972; Rogersville, $3,050,981; Warsaw, $637,508. This represents a total revenue increase of $5,147,987.

B. Should school accounts be based on the GS and CS rate classes?

Yes, all school accounts should be based on the sales rates they would fall under to be consistent with SNGMO's tariff and Section 393.310 RSMo.

C. How should revenue be adjusted for customers switching rate classes during the test year?

The usage for customers switching rate classes should be reflected in the new rate class they have been assigned to, and by decreasing the rate class they were switched from.

D. What level of O&M expense should be utilized in determining a cost of service for SNGMO?

The Commission should order Staff's O&M expense level by district as follows: Branson, $1,460,090; Gallatin, $492,850; Rogersville, $3,057,186; and Warsaw, $637,508. These levels include amounts for Outside Services and Corporate Costs that were excluded from Staff's direct case.

E. What depreciation rates should SNGMO use to accrue depreciation expense for each rate district on a going-forward basis?

SNGMO should use the current-ordered depreciation rates for each district. Rates for Gallatin ordered in GO-2005-0120, Warsaw in GA-2009-0264, Rogersville and Branson GA-94-127 and reaffirmed in GR-2010-0347, and Lake of the Ozarks in GA-2012-0285.

F. Should SNGMO make an adjustment to its depreciation reserves in the former MGU districts as recommended by Staff?

Yes, if the Commission accepts Staff's Position II.E above, SNGMO should make the adjustments set out in Schedule JAR(DEP)-2, which reflect the difference between the depreciation rates that are ordered and the rates that the Company is booking. These adjustments have a net impact of increasing the Depreciation Reserves by approximately $70,000 for both Warsaw and Gallatin districts.

G. Should SNGMO make an adjustment to Account 302?

Yes, SNGMO should adjust Depreciation Reserve for Account 302, Franchises and Consents, to remove all reserve. Account 302 is an account that should be amortized, not depreciated. Staff has included an amount in Rate Base for the associated Accumulated Amortization. Staff also made an adjustment to include an annualized amount for Amortization Expense associated with Franchises and Consents.

H. Should the Commission require SNGMO to impute a level of volumes, customer levels, and/or revenues in any of the four rate divisions in this rate case?

No. For the Gallatin and Rogersville Districts, Staff believes these systems are economically viable and should recover the full cost of service. For Branson and Warsaw, Staff believes its proposed "excess capacity" adjustments to Plant in Service are the appropriate way to address any economic viability concerns for these districts.

I. How should the former SMNG assets be booked to plant in service in light of MGU's merger with SMNG that was approved in GM-2011-0354?

The former SMNG assets should be booked at the updated Net Book Value (NBV) reflected by their original owner.

J. How should weather be normalized for purposes of calculating test year revenue?

Staff recommends that the weather should be normalized using the method that Staff performed, by using the actual number of heating degree days (HDDs), customer count, and usage for each respective month. Staff also recommends that SNGMO upgrade its billing system so that the HDDs, customer count, and usage can be provided by billing cycle.

III. Misc. Tariff Issues

A. Should the Commission approve SNGMO's proposed Conversion Program?

Staff recommends the cost of conversion kits be included in the tariff.

B. What conversion costs should SNGMO be required to charge?

Staff recommends SNGMO be required to charge the actual cost of conversions.

C. Should SNGMO's conversion practices be revised?

Staff is not recommending any revisions.

D. Should SNGMO be required to revise its tariff provision that requires applicants for gas service to agree not to use propane inside any structure using natural gas?

Yes, SNGMO should include this tariff provision for safety concerns.

IV. Transportation Issues

A. How should SNGMO calculate cashouts of transportation customer monthly imbalances?

SNGMO should cashout transportation customers, except school transportation customers not requiring daily telemetry, using the three tiers and multipliers proposed by SNGMO, and using the cashout price determinant recommended by Staff.

B. Should the monthly transportation imbalances be cashed out using the three tiers proposed by SNGMO?

Yes, for transportation customers, except school transportation customers not requiring daily telemetry. School transportation customers not requiring daily telemetry should be cashed out at Tier 1, provided that the cashout formula uses the cashout price determinant proposed by Staff for all transportation customers.

C. What cashout price determinant should SNGMO reference to calculate the cashout of the transportation monthly imbalances?

The cashout formula should use the cashout price determinant proposed by Staff that refers to the highest or lowest of the *Gas Daily* "Weekly Weighted Average Prices" determined for each cashout month as described in Staff witness Jenkins' rebuttal, Schedule LJ-3.

D. Should school transportation pool groups that do not require daily metering be cashed out differently than other transportation customer monthly imbalances?

Yes.

E. Should the school transportation customers' monthly imbalances be cashed out at Tier-1?

School transportation customers not requiring daily telemetry should be cashed out at Tier 1, provided that the cashout formula uses the cashout price determinant proposed by Staff for all other transportation customers.

F. Should the school transportation customers' monthly imbalances be cashed out using a different cashout price determinate than the other transportation customers?

No. Staff agrees that school transportation customers should be cashed out at one tier, instead of the three tiers for other transportation customers. However, the cashout price determinant should be the same as that for other transportation customers.

G. Should the monthly imbalance cashout include pipeline fuel, pipeline capacity and pipeline commodity charges?

Yes. Transportation customers should reimburse SNGMO and the natural gas sales customers for the use of the SNGMO transportation capacity (i.e., pipeline fuel, pipeline capacity, and any pipeline commodity charges) related to SNG transportation customers when the transport customers nominate more gas than they need because if SNGMO had needed the gas, it would have used its own transportation capacity.

H. What Pool Operator charge or Administration and Balancing Charge should be included?

Staff will agree to use the Administrative and Balancing Charge of $0.004/therm. Staff believes these costs should be representative of current costs. Staff believes that any revenues associated with these costs be included in A/C 400 (Operating Revenues).

I. Should SNGMO's tariffs include a standard Pool Operator Agreement?

Yes, the tariffs should include the standard pool operator agreement included in Staff witness Jenkins' rebuttal testimony schedule LJ-2.

J. Should SNGMO continue to use its Pre-Determined Pipeline Algorithm (PDA)?

Staff believes the "Delivery Priority" language (See Staff position IV.N, below) resolves this issue.

K. Should SNGMO be required to monitor school imbalances?

Yes. SNGMO should monitor all transportation customers' monthly imbalances to ensure that the tiers provide the proper incentive for all transportation customers to modify nominations to stay in balance. Such monitoring will provide information on whether the transportation imbalance cashout provisions should be revised in any future rate cases.

L. Should SNGMO's tariff include consistent definitions for "Shipper," "Customer," "Participant" and "School District"?

Staff's position is that all these terms need to be defined clearly in the tariff. Staff does not agree that all these terms mean the same thing.

M. Should SNGMO's tariff add language requiring telemetry for schools with certain volumes?

Yes. In order to align the tariff and statutory language, Staff recommends that the following be added to the proposed Tariff Sheet 46(e): "Telemetry of special metering that provides the Company with electronic meter readings to determine each transportation customers' daily usage will not be required for the school transportation program, except for individual school meters over one hundred thousand therms annually (10,000 dekatherms/year).

N. Should the interruptible status for School Program Shippers in SNGMO's tariff be eliminated, and should the following language be added to SNGMO's proposed tariff sheet No. 49?

> **"10. Delivery Priority**
>
> **Each Shipper taking service under the Missouri School Program will possess the same delivery priority as retail sales customers to the extent The Pool Operator delivers and is allocated natural gas to the TBS from the upstream pipeline."**

Staff is not opposed to this addition.

O. Should SNGMO add the following language to its tariffed capacity release provisions for schools' transportation service?

> "To the extent that the Company has excess capacity available that may be released, any capacity released by the Company to the Pool Operator will be released for the full term of that capacity and will be non-recallable for the term of the agreement. Any capacity released by the Company to the Pool Operator will be released at the full demand rate charged by the upstream pipeline and the Pool Operator is directly responsible for any commodity related charges imposed by the upstream pipeline."

Yes.

V. Rate Design

A. What is "rate shock"? If it exists, should the Commission address rate shock in this case and, if so, how?

Rate shock describes the size of the rate increase, not a certain level of rates. Staff's case addresses rate shock by recommending a reasonable Rate of Return and by removing excess capacity from the Warsaw and Branson divisions. Staff's position is that rates should go into effect when approved; a phase-in will result in customers ultimately paying more than the rates approved by the Commission.

B. How should any rate increase/decrease be applied to volumetric and monthly charges?

Staff will agree to apply any rate increase/decrease as an equal percentage by rate category. Due to the magnitude of the rate increases, Staff will forego its recommendation to apply the Straight Fixed Variable rate design in this case.

C. What billing determinants should be used for ratemaking purposes?

Staff's billing determinants reflect the proper level of usage and customer levels for computing rates. These determinants were based off Staff's 30-year normal and regressions for weather normalized usage per customer.

D. What customer charges should be paid by schools in the Missouri School Aggregation Program?

Schools should pay the customer charge pursuant to the companion sales rate charges they would be under as described in Rebuttal Testimony of Phil Lock.

E. Should schools be billed a different customer and volumetric charge than would be applied to the customer class that SNGMO and Staff placed the schools in their Class Cost of Service Studies?

Schools should be billed their respective customer and volumetric charges by the rate class they should fall under. Staff is recommending an equal percentage to all rate classes, so the effect of the rate increase would not change.

VI. Energy Efficiency/Low Income Weatherization Programs

A. Should the Commission approve an Energy Efficiency Collaborative for SNGMO?

Yes, Staff recommends the Commission authorize an EEC to oversee the design, implementation and evaluation of the energy efficiency and low-income weatherization programs.

B. What programs, if any, should the Commission authorize?

The Commission should authorize an energy efficiency program with two measures: High efficiency furnace (AFUE 95 percent) and programmable thermostat, because they are both cost effective. The programs should be offered to new and current residential customers.

C. What funding level, if any, should the Commission authorize?

The Commission should authorize a natural gas energy efficiency and a low-income weatherization program that will be ratepayer funded through a regulatory asset account with a target goal of 0.5 percent of annual revenues to be reached within three years.

D. How should SNGMO recover funding for any programs?

Through a regulatory asset as described in Staff Position VI.C above.

E. Should the Commission authorize SNGMO to enter into a funding agreement with the Division of Energy for administration and monitoring of programs?

Staff is opposed to such a funding agreement.

F. If the Commission approves an energy efficiency program, what measures should be included in the program?

The Commission should authorize an energy efficiency program with two measures: High efficiency furnace (AFUE 95 percent) and programmable thermostat, because they are both cost effective. The programs should be offered to new and current residential customers.

WHEREFORE, Staff submits this Position Statement for the Commission's consideration.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 15th day of August, 2014.

/s/ John D. Borgmeyer