

security income will not get a \$494 raise to help cover this huge rate increase, and instead will have to go without necessities such as heat, medicine or food. Public Counsel urges the Commission to recognize that this impact – foregoing necessities – is not a canned reply to rate increases. Rather, it is a harsh reality faced by Summit’s customers every day, and the Commission has within its ability the power to help or hinder these ratepayers with how it decides this case. An ROE of over 10% will most certainly hinder the customer’s ability to endure their fiscal challenges. For these reasons, Public Counsel implores the Commission to focus its decision on the fiscal challenges their decision will create for struggling Missouri citizens, not just the challenges that a low ROE will create for Summit’s Colorado investors.

3. Rate increases of this magnitude are unheard of for gas companies in Missouri, especially since Summit provides a necessary service and customers have little choice but to pay-up or go without heat. Any argument that these customers could simply switch to propane ignores the fact that converting back would require a large up-front expense that low-income customers simply cannot afford.

4. During agenda deliberations, the Commission recognized that there is a downward trend for returns on equity, yet a 10.8% ROE is entirely inconsistent with that trend. If one looks at the companies used in the Staff’s proxy group that it compiled for comparison purposes, an ROE over 10% would be much higher than the trend. For example, WGL Holdings, Inc., used by Staff as a proxy company, owns Washington Gas Light Company, and the recent returns authorized for Washington Gas were 9.25% in the

District of Columbia,¹ 9.6% in Maryland,² and 9.75% in Virginia.³ Piedmont Natural Gas Company was also one of the Staff's proxy companies, and the last authorized return on equity for Piedmont was 10%.⁴ Southwest Gas Corporation, also a proxy company, was recently awarded a 9.5% ROE.⁵ As the Commission recognized, the trend is that returns on equity are lowering, and anything over 10% would be reversing that trend without justification and at the expense of Missouri ratepayers.

5. When Summit's customers appeared before the Commission during the public hearings in Gallatin, Branson, Warsaw, Lebanon and West Plains, the Commission heard from residential customers and business customers alike, commenting on the difficulties such a large increase would create for their homes and businesses. A resolution of this case that orders a 10.8% ROE, and orders Summit's requested capital structure, simply ignores the pleas of the farmers in Warsaw, or the pleas of the elderly in Gallatin, that the magnitude of the requested increase is simply too large, and will cause significant unbearable hardship. The Commission has within its power the ability to help

¹ District of Columbia Public Service Commission, *In the Matter of the Investigation into the Reasonableness of Washington Gas Light Company's Existing Rates and Charges for Gas Service*, Case No. 1093, Opinion and Order (Order No. 17132), (May 7, 2013).

² Maryland Public Service Commission, Case No. 9276, *In the Matter of the Application of the Washington Light Gas Company for Authority to Increase Its Existing Rates and Charges and to Revise Its Terms and Conditions for Gas Service* ("Maryland PSC Case No. 9267"), Order No. 84475, p. 75 (November 14, 2011).

³ Virginia State Corporation Commission, Case No. PUE-2010-00139, *Application of Washington Gas Light Company for a General Increase in Rates and Charges and to Revise Its Terms and Condition for Service* ("Virginia SCC Case No. PUE-2010-00139"), Order, p. 10 (July 2, 2012).

⁴ North Carolina Utilities Commission, Docket No. G-9, SUB 631, *In the Matter of Application of Piedmont Natural Gas Company, Inc. for a General Increase in its Rates and Charges*, Order Approving Partial Rate Increase, 2013 N.C. PUC LEXIS 2122, (December 17, 2013).

⁵ Arizona Corporation Commission, *In the matter of the Application of Southwest Gas Corporation for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of its Properties Throughout Arizona*, Docket No. G-015551A-10-0458, Decision No. 72723, (January 6, 2012).

these hard-working Missourians by ordering an ROE that considers the health and safety needs of Summit's customers, and not just a return that considers the earning desires of Summit's potential investors.

6. Public Counsel asks the Commission to recognize that the primary purpose of the Commission is to serve and protect ratepayers. *State ex rel. Capital City Water Co. v. P.S.C.*, 850 SW2d 903 (Mo. App. 1993). The protection given the utility "is merely incidental." *State ex rel. Electric Co. of Missouri v. Atkinson*, 204 SW 897 (Mo. 1918). ROE deliberations and decisions that focus primarily on the returns investors want does not do service to the thousands of customers relying upon this Commission to protect their interests.

WHEREFORE, the Office of the Public Counsel respectfully submits this reply.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this October 23, 2014:

/s/ Marc Poston
