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 1                    STATE OF MISSOURI
 2             PUBLIC SERVICE COMMISSION
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 5             TRANSCRIPT OF PROCEEDINGS
 6                 Evidentiary Hearing
 7                  August 20, 2014
 8              Jefferson City, Missouri
                      Volume XII
 9
10    In the Matter of Summit     )
      Natural Gas of Missouri     )
11    Inc.'s Filing of Revised    )
      Tariffs to Increase its     ) Case No. GR-2014-0086
12    Annual Revenues for         )
      Natural Gas Service         )
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               DANIEL R.E. JORDAN, Presiding,
16                SENIOR REGULATORY LAW JUDGE.
               ROBERT S. KENNEY, Chairman
17             STEPHEN M. STOLL,
               WILLIAM KENNEY,
18             DANIEL Y. HALL,
                  COMMISSIONERS.
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21    REPORTED BY:
22    KELLENE K. FEDDERSEN, CSR, RPR, CCR NO. 838
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 1   P R O C E E D I N G S.

 2   JUDGE JORDAN: Good morning,

 3 everyone. It is seven minutes after nine on

 4 August 20th, 2014. This is the evidentiary hearing

 5 in Case No. -- in File No. GR-2014-0086, in the

 6 matter of Summit Natural Gas of Missouri,

 7 Incorporated's filing of revised tariffs to

 8 increase its annual revenues for natural gas

 9 services.

10   Let's begin by silencing cell phones.

11 I'm going to do that right now with my device. I

12 will not require anyone to turn them off, but

13 please do silence them.

14   And let's proceed with entries of

15 appearance. We'll start with the Applicant.

16   MR. COOPER: Dean Cooper and Diana

17 Carter will appear today on behalf of Summit

18 Natural Gas of Missouri, Inc. The court reporter

19 has the address.

20   JUDGE JORDAN: Thank you. For the

21 Staff of the Public Service Commission.

22   MR. BORGMEYER: Yes. Good morning,

23 your Honor. Appearing today for Staff will be John

24 Borgmeyer, and Kevin Thompson is also here for

25 Staff.

 1   JUDGE JORDAN: Thank you. For the

 2   Office of the Public Counsel?

 3   MR. POSTON: Marc Poston appearing

 4   for the Office of the Public Counsel.

 5   JUDGE JORDAN: Thank you. For the

 6   Missouri School Boards Association?

 7   MR. BROWNLEE: Richard Brownlee for

 8   the Missouri School Boards Association.

 9   JUDGE JORDAN: Is anyone here for the

10   Missouri Division of Energy this morning? Not

11   seeing anyone.

12   Missouri Propane Gas Association.

13   MR. JARRETT: Yes. Good morning,

14   Judge. Terry Jarrett appearing on behalf of the

15   Missouri Propane Gas Association, and the court

16   reporter has my address and contact information.

17   JUDGE JORDAN: Thank you. We had

18   some discussions off the record, some preliminary

19   matters before we resumed the taking of evidence

20   and argument this morning. Staff counsel?

21   MR. BORGMEYER: Yes, your Honor. We

22   discussed with the parties about stipulating to the

23   admission of some portions of Staff's Cost of

24   Service Report and Class Cost of Service Report,

25   stipulating to the admission of the testimony of

1 witnesses who didn't testify on any of the issues

2 on the list and nobody has any cross for them.

3 Those witnesses who participated in Staff's Cost of

4 Service Report HC and NP marked as Staff

5 Exhibit 103 and 104, those are Ashley Sarver, Keith

6 Foster, Jermaine Green, Brad Fortson, and Dan Beck

7 contributed portions of Staff's Class Cost of

8 Service Report, which is marked as Staff

9 Exhibit 108.

10   My understanding is that no one has

11 any cross for those witnesses and that the parties

12 agree that the portions of those reports authored

13 by those witnesses will be admitted into the

14 record.

15   JUDGE JORDAN: Okay. Anything from

16 the rest of the parties as to that?

17   (No response.)

18   JUDGE JORDAN: All right. Then those

19 portions of those exhibits will be admitted into

20 the record without objection by stipulation.

21   (PORTIONS OF STAFF EXHIBIT NOS. 103,

22 104 AND 108 WERE RECEIVED INTO EVIDENCE.)

23   JUDGE JORDAN: Anything else this

24 morning before we go on the record?

25   MR. POSTON: Yes, Judge. I wanted to

 1   raise the issue I raised earlier about having OPC

 2   witness Keri Roth not appear today, and she'll be

 3   back on Friday for the merger issue.

 4   JUDGE JORDAN: And I understand

 5   that's not a problem for anyone either. I'm not

 6   seeing any objection to that. So that witness may

 7   be excused for today.

 8   I understand also that we've had a

 9   little change in our order of witnesses. That is

10   to say that those witnesses listed to testify on

11   the Warsaw/Branson reductions and also on capacity

12   utilization calculations, those witnesses will take

13   the stand during the portion on rate increase

14   amount, amortization and imputation of minimum

15   levels of volumes; is that correct?

16   MR. COOPER: That's correct, your

17   Honor.

18   JUDGE JORDAN: Very good. All right.

19   Then that's all the preliminary matters that I can

20   think of right now.

21   MR. BORGMEYER: Your Honor, if I

22   could just raise one more. We talked about this

23   earlier, and I think this is going to be okay, but

24   I'll -- on the issue of rate shock, I believe that

25   we had discussed that witness Tom Imhoff would

 1   appear for Staff on that issue. And my

 2   understanding is that the parties would not have

 3   any cross for Staff witness Joel McNutt or Staff

 4   witness Robin Kliethermes.

 5   They're available today if anyone has

 6   questions for them, but I think just to -- before I

 7   forget, I would note that I believe that the

 8   parties have agreed that their testimony would also

 9   be stipulated into the record, that there wouldn't

10   be any cross for them.

11   And I can -- for Ms. Kliethermes,

12   that would be portions of Staff's Cost of Service

13   Report HC and NP, Staff Exhibit 103 and 104, and

14   rebuttal testimony marked as Staff Exhibit 115.

15   And for Joel McNutt, that would be portions of

16   Staff's Class Cost of Service Report marked as

17   Staff Exhibit 108 and surrebuttal testimony marked

18   as Staff Exhibit 129.

19   So I believe if Mr. Imhoff takes the

20   stand for Staff on the rate shock issue, my

21   understanding is that parties won't have any

22   cross-examination for those witnesses. But if

23   that's not the case, then I'll withdraw that, but

24   I -- my understanding is that's the situation.

25   JUDGE JORDAN: Okay. So we're

 1   discussing entering the exhibits that you discussed

 2   or portions -- those matters that you've listed

 3   into the record without those witnesses taking the

 4   stand being sworn, et cetera. Is that --

 5   MR. BORGMEYER: That's correct, your

 6   Honor.

 7   JUDGE JORDAN: Okay. Good. And does

 8   any party have any objection to that arrangement?

 9   MR. POSTON: I did have a question.

10   Can you explain again about the Tom Imhoff's --

11   you're saying all his -- he's not taking the stand

12   at all or just on issue --

13   MR. BORGMEYER: No. Tom Imhoff would

14   take the stand on all the issues that he's

15   currently take the stand on, but on the issue of

16   rate shock, he would be the only one taking the

17   stand for Staff on the issue of rate shock.

18   MR. POSTON: Okay. Thank you.

19   MR. BROWNLEE: I might be able to

20   clarify. We did not get, essentially, some

21   information on the Staff computation on the rate

22   shock until after we'd already filed our

23   surrebuttal testimony. So we kind of -- we sort of

24   are -- what I mentioned yesterday, it came in

25   after -- we couldn't get it in Mr. Ervin's

 1   testimony. Staff did supply it.

 2   And I think my questions to

 3   Mr. Imhoff really would be not technically how it

 4   was produced, just that the facts indicated are

 5   true and accurate. That's -- he's just going to

 6   verify. And it actually came in in a data request.

 7   So it's a very limited question to

 8   Mr. Imhoff; not technically what did you do to

 9   produce the numbers, just are these, in fact, the

10   true and accurate numbers.

11   JUDGE JORDAN: Okay.

12   MR. BROWNLEE: If that explains

13   anything.

14   JUDGE JORDAN: Then you're not making

15   an objection to the stipulation of the other

16   witnesses?

17   MR. BROWNLEE: No. No. I just

18   wanted to clarify why Mr. Imhoff was kind integral

19   to what our issue is.

20   JUDGE JORDAN: But Staff is planning

21   to call Mr. Imhoff?

22   MR. BORGMEYER: Yes. Mr. Imhoff will

23   appear on all issues where his name is listed on

24   the issues list just as normal. It's just that I

25   don't believe there would be any questions for

1   Robin or -- for Mr. McNutt or Ms. Kliethermes, so

2   I -- and I think that's what Mr. Brownlee just

3   agreed to, that they would not be needed to take

4   the stand.

5   JUDGE JORDAN: Okay. I haven't heard

6   any objection to that arrangement, so the

7   Commission will excuse those witnesses for today

8   and enter the matters listed into the record.

9   (PORTIONS OF STAFF EXHIBIT NOS. 103,

10   104, 108 AND EXHIBIT NOS. 115 AND 129 WERE RECEIVED

11   INTO EVIDENCE.)

12   JUDGE JORDAN: Thank you for that

13   clarification. I understand we may also be talking

14   witness Ervin out of order sometime today. I

15   wanted to check on the spelling of the name, Ervin.

16   I understand we'll be taking that witness out of

17   order today very likely?

18   MR. COOPER: It depends on how it

19   moves forward, your Honor, but yes, we certainly

20   have agreed to, depending on how the schedule moves

21   forward, to make sure Mr. Ervin takes the stand

22   today.

23   JUDGE JORDAN: Very good. Very good.

24   Any other matters preliminary to resuming evidence

25   and argument on today's issues?

1   (No response.)

2   JUDGE JORDAN: Okay. I'm not seeing

3   any. Did the Commissioners have any inquiries that

4   they wanted to make before we begin taking the

5   opening statements focused on the issues?

6   Okay. Then we will resume with the

7   issue of rate increase and amount, which includes

8   amortization and imputation of minimum levels of

9   volume. We'll begin with an opening statement

10   focused on that issue from Summit.

11   MR. COOPER: Good morning.

12   In my mind, we're actually tackling,

13   I think, the questions or at least three of the

14   four questions that are listed under revenue

15   requirement on the list of issues.

16   The first one of those has been --

17   has been posed as, should the Commission grant the

18   company a rate increase? If so, in what amount?

19   From the company's viewpoint, the appropriate

20   revenue increases by division are provided in the

21   company's statement of position.

22   Those numbers reflect the adjustments

23   noted in Summit's surrebuttal testimony and for the

24   FERC Account 105 transfer that has been proposed by

25   the Staff. The numbers also reflect the company's

 1   position on return on equity, cost of debt and

 2   capital structure that you heard yesterday.

 3   Now, one additional issue in regard

 4   to this 105 transfer that's been proposed by Staff

 5   and proposed by the company is that if the

 6   Commission were to direct Summit to make that

 7   proposed Account 105 transfer, Uniform System of

 8   Accounts would require that the Commission also

 9   include in its order a process for repatriating

10   those transferred amounts back based upon future

11   growth within the company.

12   Summit provides a detailed proposal

13   as to this process in the surrebuttal testimony of

14   Summit witness Johnston and would ask the

15   Commission to order that process if it agrees with

16   the Account 105 transfers.

17   Now, the second issue listed under

18   revenue requirement is, should Summit Natural Gas

19   of Missouri make an adjustment to Account 302?

20   This has to do with some accounting related to

21   franchises.

22   I don't think there's any agreement

23   amongst the parties. I think -- or at least

24   amongst Summit, Staff and the Office of the Public

25   Counsel. Probably with more time and a different

 1   situation, that would have made -- in my mind,

 2   would have made its way into the stipulation, but

 3   it did not. I think the testimony is generally

 4   consistent amongst those three parties on that

 5   issue as to what should happen.

 6   The third issue that's listed is,

 7   should the Commission require Summit Natural Gas of

 8   Missouri to impute a level of volumes, customer

 9   levels and/or revenues in any of the four rate

10   divisions in this rate case?

11   I'd like to start really our position

12   on that issue by reminding the Commission of the

13   following sentiment that was expressed at one of

14   the local public hearings in this case, at Lebanon

15   in particular. A gentleman stated that, he said, I

16   want to thank Summit Natural Gas for coming to

17   Lebanon. I have had excellent service, and I have

18   saved more than $1,000 a year on my heating bills

19   previously.

20   There are many customers that

21   appreciate and benefit from the availability of

22   natural gas. The imputation suggested by the

23   Office of Public Counsel would be greatly

24   detrimental to the company's ability to both

25   provide this service to existing customers and to

1 extend its service to new customers.

2   Summit believes that there are

3 already provisions in place that protect ratepayers

4 and make it clear that the company has accepted the

5 risk in regard to its growth.

6   As to the Rogersville division, I

7 mentioned yesterday, Summit certainly has provided

8 evidence and believes that it has exceeded the

9 minimum level of volumes that were set in Case

10 No. GA-94-127 during the test year and update

11 period applicable to this case. Accordingly, we

12 don't think there's any factual basis for an

13 imputation in that division.

14   I would mention that that's the only

15 situation where there is a specific number

16 mentioned in a Commission order in this series of

17 certificate cases.

18   Further, I'd like to note that Summit

19 has proposed in its testimony that the Commission

20 eliminate that Case GA-94-127 throughput

21 requirement for future cases. Because it changes

22 in circumstances, this standard is really no longer

23 meaningful in terms of what it was -- it was

24 designed for at the time.

25   The analysis that performed the basis

 1 for that requirement was performed around 1994,

 2 about 20 years ago, and included an average

 3 residential customer usage of about 100 MCF per

 4 year.

 5   Today, the average residential usage

 6 is less than 60 percent of that figure, and we just

 7 believe that the standard was based upon different

 8 usage levels, different usage patterns and

 9 equipment that was available to people 20 years ago

10 as opposed to today.

11   As to the Warsaw and Branson

12 divisions, as I mentioned yesterday, or I mentioned

13 earlier, Summit has asked the Commission to direct

14 it to transfer a portion of its mainline investment

15 into plant held for future use, Account 105, to

16 recognize underutilization of mainline assets in

17 those two divisions that the company recognizes.

18   This is not a meaningless gesture.

19 The proposed transfer would involve other

20 $34.6 million of plant -- of investment that's been

21 made, that's in the ground, and upon which the

22 company would not have the opportunity to earn a

23 return in this case. That's a significant -- a

24 significant movement, a significant item in terms

25 of addressing the concerns about growth and

1 utilization and accepting of risk for that matter.

2   The Gallatin division, as we talked

3 about yesterday, were small troubled municipal

4 systems. Summit has brought stability and growth

5 to those systems. The rate base already reflects

6 significant adjustment because they were brought

7 into Summit's books or onto Summit's books at a

8 price significantly less than the construction cost

9 of those systems.

10   And so it's Summit's position that

11 the rate base in that division already reflects an

12 adjustment based upon the conditions.

13 Consequently, Summit believes there's no basis for

14 any imputation of volumes, customer levels or

15 revenues in this case.

16   The fourth issue, as we mentioned, is

17 how should the former Southern Missouri Natural Gas

18 assets be booked to plant in service in light of

19 MGU's merger with Southern Missouri Natural Gas.

20 It was approved in GM-2011-0354. That is the issue

21 we mentioned that's going to come up on Friday, and

22 we'll address it in more detail at that time.

23   Thank you.

24   JUDGE JORDAN: Thank you, counselor.

25 Any inquiry of counsel from the Bench?

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 1                    CHAIRMAN KENNEY:  No, thank you.

 2                    JUDGE JORDAN:  Opening statement of

 3    Staff, please.

 4                    MR. BORGMEYER:  Good morning,

 5    everyone.  May it please the Commission?

 6                    Staff's position on this is basically

 7    the same as I mentioned in my opening statement

 8    yesterday.  The updated reconciliation and

 9    accounting schedules quantify Staff's final

10    position on revenue requirement.

11                    The process by which Staff got there

12    is contained in its Cost of Service Report and its

13    rebuttal and surrebuttal testimony.  Particularly,

14    the surrebuttal testimony of Amanda McMellen

15    describes exactly what Staff's done in this case.

16                    And the major adjustment, of course,

17    as Mr. Cooper just said, is the excess capacity

18    adjustment that Staff made to the rate base in

19    Warsaw and Branson divisions.  There's surrebuttal

20    testimony from Lesa Jenkins who describes how she

21    calculated that excess capacity.  And Amanda

22    McMellen's surrebuttal testimony explains what she

23    did with that to apply it to the Warsaw and Branson

24    divisions.

25                    And the bottom line is that it's a
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1   way to make sure that the utility customers are

2   paying the cost of service for the utility service

3   that they use, no more than that and no less than

4   that.

5   And Staff's view is that if the

6   Commission were to set rates in this case based on

7   the testimony of Public Counsel, that they would

8   not be setting rates based on cost of service, and

9   we don't think that's appropriate.

10   Staff agrees that SMG Mo. should make

11 an adjustment to Account 302, and as Mr. Cooper

12 said, we'll be discussing the issue of how the

13 former SMNG assets should be booked to plant in --

14 to plant in service. We'll be discussing that

15 issue on Friday. We'll talk more about it then.

16   Thank you.

17   JUDGE JORDAN: Questions from the

18 Bench for counsel?

19   CHAIRMAN KENNEY: No thanks.

20   JUDGE JORDAN: I have none. Thank

21 you. Office of Public Counsel, an opening

22 statement?

23   MR. POSTON: May it please the

24 Commission? Good morning.

25   Yesterday I spoke about the

1   conditions that were placed on the Certificates of

2   Convenience and Necessity, the CCNs.   In

3   particular, I spoke about the condition that the

4   company assume all risk of project success.

5   The evidence in this case will show

6   that the company has not met its conversion

7   projections, has not met its volume projections in

8   the four divisions. What the evidence won't show

9   is that the company has met its burden of proving

10   that it has met those projections.

11   The first CCN case, the 1994 case,

12   the Commission identified a method for preventing

13   risk from being shifted to ratepayers. We believe

14   that method can be used here to determine to what

15   extent imputations are needed for each of these

16   service areas or the divisions.

17   That's why we think the best outcome

18   for ratepayers is that the Commission reject the

19   rate increase and tell the company to come back if

20   it wants with a reasonable offset to their request

21   to reflect the risk-shifting protections that the

22   Commission put in place.

23   And one way to make these offsets was

24   recognized by the Staff and to an extent by the

25   company for the Branson and Warsaw division where

 1   they made -- Staff made an excess capacity

 2   adjustment to reflect that the company's not met

 3   its sales projections.

 4   But we really need more from the

 5   company to get this done for all four divisions,

 6   and an order reject the increase would hopefully

 7   provide the incentive needed to get the company

 8   more engaged on this issue.

 9   Thank you.

10   JUDGE JORDAN: Inquiries,

11   Commissioners? Very good. Thank you.

12   Opening statement from Missouri

13   Propane Gas Association?

14   MR. JARRETT: Good morning. May it

15   please the Commission?

16   As I stated yesterday in my general

17   opening statement, all MPGA is asking for is a fair

18   chance to compete on a level playing field. Today

19   you will hear testimony from Brian Brooks, who's

20   the fourth generation of his family to work in the

21   propane business.

22   Now, he speaks from, I think, a

23   rather unique point of view than Commissioners hear

24   during rate cases. He's speaking from a

25   competitor's point of view, because propane

1   competes with natural gas for customers in all of

2   Summit's districts.

3   And to summarize his testimony in

4   just a few words, when rates for a natural gas

5   company like Summit are set below the revenue

6   requirement like Summit is asking for in this case,

7   that makes it harder for competitive fuels, for

8   alternate fuels to compete in the market for

9   customers.

10   I know it's not a perfect analogy,

11   but -- and I'm dating myself here, but when I was a

12   kid, I can remember there used to be gas wars

13   where, for example, you might have two gas stations

14   across the street from each other and one gas

15   station one day decides that they're going to try

16   to steal some customers from the other -- the other

17   station, so they lower their prices. So the other

18   station across the street has to lower its prices

19   or they're going to lose customers.

20   So they get into a bidding war, and

21   pretty soon they're both selling under cost and

22   losing money. Now, if one of those businesses is

23   better financially well off than the other, one

24   could possibly drive the other one out of business,

25   could sell at a loss long enough to force that

 1   other company out of business. Most likely what

 2   happens is they fight for a while and then they

 3   both lose money and they declare a truce and prices

 4   eventually return back to normal.

 5   But as I said, that's not a perfect

 6   analogy, but it's kind of similar from a

 7   competitive perspective to what's going on here.

 8   Summit is pricing their product below their cost of

 9   recovery, and again, that makes it harder for

10   competitors to compete.

11   Of course, MPGA understands that it's

12   not fair to ask early movers on a new system to pay

13   for the entire cost of the installation of new

14   infrastructure right up front and that, of course,

15   you know, there's nothing wrong in those situations

16   for a period of time for investors to sort of

17   insulate those new early customers from risk and --

18   with the hope of growing in the future.

19   So we understand those concepts and

20   understand that that is going to take place, but

21   long term, no company can continue to price its

22   product below its cost of recovery and expect to

23   remain viable.

24   So, basically, MPGA is asking this

25   Commission to take into consideration that market

 1   perspective. The propane dealers understand that

 2   you have a responsibility to the ratepayers and to

 3   Summit and to the public to provide just and

 4   reasonable rates considering all relevant factors.

 5   And all the propane dealers can ask is that you

 6   take into consideration their competitive issues

 7   also when you're considering all those relevant

 8   factors.

 9   Another issue is -- that leads to

10   good, open and fair competition is information.

11   Consumers have to have full information in order to

12   make choices on which fuel they want to use.

13   Mr. Poston yesterday in his general

14   opening statement mentioned the Branson local

15   public hearing and the mayor of Branson's testimony

16   where she testified that certain information about

17   the rate structure there was not made clear to her

18   community, her citizens, business or city staff,

19   and that now they are facing what they feel is an

20   unexpected rate increase.

21   If people don't have all the

22   information, they can't make informed choices. So

23   again, what we're asking for is consideration of

24   these issues because we feel like a fair,

25   competitive market where consumers have all the

 1   information and can make fully informed choices

 2   benefits consumers as well. Thank you.

 3   JUDGE JORDAN: Questions for counsel?

 4   No. None from me either. Thank you.

 5   And I note that the Missouri School

 6   Boards Association is not presenting any evidence.

 7   Did that association want to make any opening

 8   statement?

 9   MR. BROWNLEE: No, your Honor.

10   JUDGE JORDAN: Very well. Then we

11   are ready for Summit's case in chief on this.

12   Before we start taking testimony, getting deep into

13   this, I want to remind the parties that the

14   Commission has an agenda scheduled for none. As

15   that testimony approaches, I hope the parties will

16   alert me to when they think is a good time for a

17   break.

18   Also, while we're on the subject of

19   scheduling, as the five o'clock hour approaches,

20   I'd like the parties to let me know about how they

21   feel about either extending this hearing past

22   five o'clock or using Thursday which is reserved

23   for these issues. Any questions on that?

24   All right.

25   MR. COOPER: Your Honor, Summit would

 1   call Mr. Tim Johnston.

 2   (Witness sworn.)

 3   JUDGE JORDAN: Thank you. Have a

 4   seat.

 5   TIMOTHY JOHNSON testified as follows:

 6   DIRECT EXAMINATION BY MR. COOPER:

 7   Q.   **Please state your name.**

 8   A.   Timothy Ray Johnston.

 9   Q.   **By whom are you employed and in what**

10   **capacity?**

11   A.   I am employed by Summit Utilities,

12   Incorporated, the parent company to Summit Natural

13   Gas. I'm the Executive Vice President and Chief

14   Strategy Officer for the company.

15   Q.   **Have you caused to be prepared for**

16   **the purposes of this proceeding certain rebuttal**

17   **and surrebuttal testimony in question and answer**

18   **form?**

19   A.   I have.

20   Q.   **Is it your understanding that that**

21   **testimony has been marked as Exhibits 5 and 6 for**

22   **identification?**

23   A.   I will take your word for it.

24   Q.   **Have you also -- have you reviewed**

25   **the direct testimony of Michelle Moorman?**

```
 1           A.    Yes.

 2           Q.    Is it your intention to adopt that

 3   testimony today?

 4           A.    Yes.

 5           Q.    And why is that necessary?

 6           A.    After the filing of the case,

 7   Ms. Moorman took another position with a different

 8   company and is no longer with Summit.

 9           Q.    Is it your understanding that her

10   testimony has been marked as Exhibit 4 for

11   identification?

12           A.    Yes.

13           Q.    If I were to ask you the questions

14   which are contained in Exhibits, 4, 5 and 6 today,

15   would your answer be the same as are reflected in

16   those exhibits?

17           A.    Yes.

18           Q.    Would those answers be true and

19   correct to the best of your information, knowledge

20   and belief?

21           A.    Yes.

22                 MR. COOPER:  Your Honor, at this time

23   I would offer Exhibits 4, 5 and 6 into evidence and

24   tender Mr. Johnston for cross-examination.

25                 JUDGE JORDAN:  Not hearing any
```

 1 objections to those exhibits, they will be entered

 2 into the record.

 3   (SUMMIT EXHIBIT NOS. 4, 5 AND 6 WERE

 4 RECEIVED INTO EVIDENCE.)

 5   JUDGE JORDAN: Cross-examination from

 6 Missouri Propane Gas Association.

 7 CROSS-EXAMINATION BY MR. JARRETT:

 8   **Q.   Good morning, Mr. Johnston.**

 9   A.   Good morning.

10   **Q.   I really just have a few questions.**

11 **In your surrebuttal testimony on page 2, if I**

12 **understand correctly, you reference Ms. Moorman's**

13 **testimony and basically state that Summit sought**

14 **less than the full revenue requirement when**

15 **initially setting rates in the Branson district,**

16 **and I assume also the Warsaw district, to avoid**

17 **assigning the full cost of new systems to early**

18 **moving customers. Is that accurate?**

19   A.   That is accurate.

20   **Q.   Because without early movers, the**

21 **system would never be built; is that correct?**

22   A.   The early movers are certainly part

23 of the analysis that goes into making the

24 determination whether to build a system.

25   **Q.   So with that being said, you would**

 1 **agree that rates, at least in the Branson and**

 2 **Warsaw districts, in this case are being set**

 3 **below -- or being -- the ask is for the revenue**

 4 **requirement to be set below what was -- below what**

 5 **was recommended by Mr. Taylor?**

 6   A.   The rates are being -- we're asking

 7 to set the rates at a level that is commensurate

 8 with the investment, including the reserve put into

 9 Account 105 that aligns the amount of investment

10 with the customers that are there.

11   Q.   **Right. But my question was about**

12 **Mr. Taylor's testimony. Are you familiar with his**

13 **testimony and his rate requirement calculations?**

14   A.   I've reviewed them briefly.

15   Q.   **All right. And would you dispute**

16 **that he's recommended more than what Summit is**

17 **asking for in this case?**

18   A.   I am aware that Mr. Taylor performed

19 a calculation that showed what the rate requirement

20 would be at the full amount of the rate base -- or

21 full amount of the investment that Summit made in

22 those systems, yes.

23   Q.   **Now, you would agree with me that,**

24 **from a long-term standpoint, it wouldn't be viable**

25 **for a company to charge a rate that is below its**

1   **revenue requirement or cost of recovery?**

2   A.   From a long-term standpoint, that's

3   correct. That's why we've included a mechanism for

4   repatriating the values out of 105 back into

5   utility plant in service over time.

6   **Q.   So Summit fully intends at some point**

7   **to set rates that will fully recover their costs**

8   **plus a little profit?**

9   A.   We intend to -- yes. We intend to

10   come back to the Commission at some point in the

11   future with a case that would include an allowed

12   return on that full investment as the customer

13   count and the volumes for those systems achieve the

14   original objectives.

15   **Q.   So really it's just kind of a**

16   **question of not if but when?**

17   A.   Yes.

18   **Q.   And how soon, sooner rather than**

19   **later?**

20   A.   Yes.

21   MR. JARRETT: All right. I have no

22   further questions. Thank you.

23   JUDGE JORDAN: Cross-examination from

24   Missouri School Boards Association?

25   MR. BROWNLEE: None.

 1   JUDGE JORDAN: Office of the Public

 2   Counsel?

 3   MR. POSTON: Yes, thank you. Is it

 4   okay if I can question from here?

 5   JUDGE JORDAN: Everyone may question

 6   from where they are seated.

 7   MR. POSTON: Great. Thank you.

 8   CROSS-EXAMINATION BY MR. POSTON:

 9   Q.   **Good morning, Mr. Johnston.**

10   A.   Good morning.

11   Q.   **Before MGU merged with Southern**

12   **Missouri Natural Gas, MGU had only two service**

13   **areas, a northern service area and a southern**

14   **service area; is that correct?**

15   A.   That's correct.

16   Q.   **And the former MGU northern service**

17   **area is now called the Gallatin division; is that**

18   **correct?**

19   A.   Yes. In this case, we're asking to

20   change the name as the -- as the tariffs are

21   merged, we're changing the name to Gallatin

22   division.

23   Q.   **And then the former southern service**

24   **area is now called the Warsaw division, correct?**

25   A.   It will be after this case, yes.

```
 1           Q.      And in your surrebuttal testimony you

 2    talk about the total system throughput for the

 3    Rogersville system?

 4           A.      Yes.

 5           Q.      And you say there's a 1.8 million,

 6    roughly, throughput, MCF throughput, which you

 7    state exceeds the 1.7 million imputation level; is

 8    that accurate?

 9           A.      That's accurate.

10           Q.      And do your test year throughput

11    figures, which is what the 1.8 is, that's --

12    1.8 million, that's a test year number; is that

13    correct?

14           A.      That's correct.

15           Q.      And that includes volumes from all

16    the communities that Summit currently serves in the

17    Rogersville division; is that correct?

18           A.      That's correct.

19           Q.      Would you agree that the

20    communities -- that there are some communities

21    within that Rogersville division that were not

22    included when the original 1.7 million imputation

23    number was originally calculated by the Commission?

24           A.      That's correct.  The only -- the only

25    community that I'm aware of of any size is Lebanon.
```

 1   Q.   Isn't it also true that the

 2   communities of Seymour, Diggins, Fordland, Norwood

 3   and Rogersville were also not included in that

 4   original calculation of 1.7 million imputation?

 5   A.   I don't know the answer to that

 6   question. Certainly those are all along the

 7   pipeline route. The pipelines went through each of

 8   those communities or close to each of those

 9   communities.

10   MR. POSTON: May I approach the

11   witness?

12   JUDGE JORDAN: You may. And unless

13   anyone objects, I will generally rule that counsel

14   may approach witnesses.

15   MR. POSTON: If I can have this

16   marked as exhibit -- I think we're at 207, I think

17   is the exhibit number.

18   JUDGE JORDAN: I have here exhibit

19   list ending with 205 right now.

20   MR. POSTON: Okay. So 206.

21   (OPC EXHIBIT NO. 206 WAS MARKED FOR

22   IDENTIFICATION.)

23   BY MR. POSTON:

24   Q.   Okay. You have what's been marked as

25   Exhibit 206; is that correct?

```
 1              A.    Yes.

 2              Q.    And can you identify what I've handed

 3  you?

 4              A.    You handed me a transcript in the

 5  official case file of Case GA-94-127.

 6              Q.    Okay.  And if you turn to the second

 7  page, it shows an index; is that correct?

 8              A.    Yes.

 9              Q.    And can you see that Tartan Energy's

10  witness Tom Taylor testified between pages 70 and

11  194?

12              A.    Yes.

13              Q.    And then if you can turn the next

14  page, you can see page 70; is that correct?

15              A.    Yes.

16              Q.    And you can see where witness Tom

17  Taylor took the stand, began his testimony; is that

18  correct?

19              A.    Yes.

20              Q.    Okay.  And then the next page is

21  page 159; is that correct?

22              A.    Yes.

23              Q.    And down at the very bottom you can

24  see a reference to Mr. Taylor.  So it appears

25  Mr. Taylor is still testifying; is that correct?
```

1   A.   Down at the bottom there's a

2   statement from a Mr. Connell asking the testimony

3   of Mr. Taylor be stricken.

4   Q.   Right.

5   A.   I don't know that that indicates he's

6   still testifying, but --

7   Q.   Based off of the index that you saw?

8   A.   Yes.

9   Q.   Okay. And then the next page, 160,

10   down at the bottom you see the question where it's

11   asked of Mr. Taylor, Were you personally present at

12   all of the discussions concerning the Stipulation &

13   Agreement? And he says, No, sir.

14   A.   Yes.

15   Q.   And again, this is referring to the

16   Stipulation & Agreement that was in Case GA-94-127.

17   And then the question is asked, Were you there for

18   the discussion of setting the floor at 1,797,000 as

19   the floor value? And then his answer is, I was

20   there when that concept was discussed. Is that

21   accurate?

22   A.   Yes.

23   Q.   And then down towards the bottom of

24   the next page, 161, line 18, he's asked, What

25   communities did your base case involve -- include?

 1   I'm sorry. And then he goes on to say that it

 2   specifically did not include Seymour, Diggins,

 3   Fordland and Rogersville; is that correct?

 4   A.   Yes.

 5   Q.   So just based on this, would you

 6   agree, then, that it appears that those four

 7   communities were not included in the calculation of

 8   the $1.7 million imputation -- I mean million MCF

 9   imputation? Sorry.

10   A.   I think that's a logical conclusion.

11   I'd also point out that at the top of page 161, the

12   continuation of the answer from the bottom of

13   page 160 where he started and said, I was there

14   when that concept was discussed. But then at the

15   top of page 161 he continues to say, I don't know

16   if I was there for that exact volume or not, but I

17   was there for the concept of it.

18   Q.   But then down towards the bottom of

19   161, he says that there was -- basically, the

20   projection was lowered because they were removing

21   these four communities, correct?

22   A.   I think that would be an accurate

23   reading, yes.

24   Q.   If you could turn to the next page,

25   162. It appears he's added another one to the

1   **list. He's added Norwood, the very top. And the**

2   **question's asked, Does your base case in**

3   **calculating the volumes include the probable**

4   **additional cities of Rogersville, Fordland,**

5   **Diggins, Seymour and Norwood? And then he goes on**

6   **to say those volumes were not included; is that**

7   **correct?**

8   A.   Yes.

9   MR. POSTON: Okay. Your Honor, I

10   move to have Exhibit 206 entered.

11   JUDGE JORDAN: Objection?

12   MR. COOPER: Your Honor, I think I

13   would object to having it entered as evidence. I

14   don't think it's -- well, I guess it's evidence. I

15   don't think I would object to the Commission's

16   taking notice of this document from its file, as

17   long as it takes notice of the complete document as

18   opposed to these few pages that have been pulled

19   out of a transcript that's obviously much longer

20   and involves several other witnesses.

21   MR. POSTON: That's fine. I have no

22   objection to that.

23   JUDGE JORDAN: The Commission will

24   take notice of the transcript in Case No.

25   GA-94-127, that being a transcript hearing held on

 1   August 3rd, 1994. Have you -- have you handed a

 2   copy to the reporter?

 3   MR. POSTON: I did.

 4   JUDGE JORDAN: Very good.

 5   BY MR. POSTON:

 6   Q.   **Mr. Johnston, Branson is served by an**

 7   **eight-inch and a six-inch steel mainline that**

 8   **brings gas to Branson from the Southern Star**

 9   **Central Gas pipeline; is that correct?**

10   A.   That's correct.

11   Q.   **And that line was sized to meet the**

12   **company's projected customer levels; is that**

13   **correct?**

14   A.   That is correct.

15   Q.   **I'd like to talk with you for a**

16   **minute about feasibility studies. And do you think**

17   **it would make sense when doing a feasibility study**

18   **regarding an expansion project to consider the**

19   **effects of increased conservation efforts on**

20   **projected volumes of usage?**

21   A.   I can tell you that we don't usually

22   include a conservation number because traditionally

23   the areas that we have served have had growth rates

24   such that the -- over a long period of time after

25   the system's built and we've achieved essentially

1   100 percent concentration, the conservation that

2   occurs each year has been offset by organic growth.

3   At least that's the assumption that we make.

4   Q.   So you're assuming that conservation

5   then would play no part in the volumes that you, I

6   guess, are projecting?

7   A.   Conservation definitely plays a part

8   long-term in the amount of gas in the system,

9   amount of gas that's going to flow through the

10 system. But it also depends on, as I said, on the

11 relationship between the organic growth rates in

12 the area and the amount of conservation that

13 occurs.

14   Q.   So if you consider those other, the

15 organic growth rates and those things as well as

16 conservation, I mean, wouldn't it make sense to

17 consider all those factors when doing a feasibility

18 study?

19   A.   As I said, we generally just make the

20 assumption that the organic growth rates and the

21 conservation offset each other, and we don't

22 include those.

23   Q.   So I guess you're saying you don't

24 think that would be a sensible consideration to

25 make in a feasibility study?

```
 1        A.    Restate the question, please.

 2        Q.    I said, so then is it your testimony

 3  that that's not a sensible consideration to make

 4  when doing a feasibility study?

 5        A.    What is not, I guess is my question?

 6        Q.    Conservation, the impacts of

 7  conservation on your projected volumes.

 8        A.    No.  It's not generally something

 9  that we -- that we include because we generally

10  expect that we're going to get to something close

11  to system capacity within a reasonable length of

12  time, and the system obviously has to be built for

13  the amount of throughput that will be necessary to

14  serve those customers.

15             We also build in in our feasibility

16  studies some amount of excess capacity to allow for

17  additional growth if there is additional growth.

18        Q.    Well, regardless of what you do do

19  now, what I'm asking is, should or should not

20  conservation be considered when doing a feasibility

21  study?

22        A.    I would not normally consider

23  conservation doing a feasibility study.

24        Q.    How about energy efficiency

25  improvements, such as improvements on efficient
```

 1   **appliances, is that a consideration that should be**

 2   **made in doing a feasibility study?**

 3   A.   We do not include effects of energy

 4   conservation or energy efficiency in designing our

 5   systems. We do include those over a long period of

 6   time. When we look at a project over, say, a 25 or

 7   30-year period, we look at those effects because to

 8   do -- to not do so in looking at economics would be

 9   improper given that the country as a whole has seen

10   decreases in the gas usage by residential customers

11   in particular. They were running about 1 to 2

12   percent per year from the early 70s until 2002.

13   They've since -- the rate of decline has since

14   dropped off a bit.

15   These are figures, rough figures from

16   the American Gas Association information on the

17   subject. It's just been an effect of going from 65

18   percent efficient furnaces to 84 to now 95 percent

19   efficient.

20   Q.   **When a gas utility does a feasibility**

21   **study, would you agree there's a risk that the**

22   **study will overlook a factor that will impact a**

23   **project's feasibility?**

24   A.   I'm tempted to answer with Yogi

25   Berra's answer that forecasting is especially

1 difficult when it's about the future. But yes, I

2 agree that there's always the possibility of

3 overlooking a factor that might be important.

4   **Q.   So then would you agree that each**

5 **time Summit or its -- one of it's predecessor**

6 **companies did a feasibility study, that there was a**

7 **risk that the company had overlooked an important**

8 **factor in the feasibility of the project?**

9   A.   Yes.

10   **Q.   Is the economic feasibility one**

11 **reason why a utility may decline to serve an area?**

12   A.   Certainly. I mean, if a feasibility

13 study that we run for an area indicates that that

14 area -- that the cost to serve that area is going

15 to be greater than what we expect to have as far as

16 customer counts and revenues in order to get a

17 return on our investment, certainly that's a reason

18 not to do that.

19   **Q.   And during your time with Summit and**

20 **MGU, did the company ever decline to request a CCN**

21 **for an area because of the results of a feasibility**

22 **study?**

23   A.   Yes, I believe we have. I'd have to

24 give some thought to tell you an example, but I

25 know we've looked at a lot of feasibility studies

 1   over the years, some of which were okay and with

 2   which we proceeded and some of which we did not.

 3   MR. POSTON: I have another document

 4   I'd like to have marked. I apologize to everyone.

 5   It's large.

 6   (OPC EXHIBIT NO. 207HC WAS MARKED FOR

 7   IDENTIFICATION BY THE REPORTER.)

 8   MR. POSTON: This would be

 9   Exhibit 207?

10   JUDGE JORDAN: That is correct.

11   BY MR. POSTON:

12   Q.   **Mr. Johnston, have you had a chance**

13   **to look at this exhibit to see what this is?**

14   MR. COOPER: Marc, would that be

15   207HC?

16   MR. POSTON: Yes, it would be. Thank

17   you.

18   JUDGE JORDAN: Thank you, counsel.

19   BY MR. POSTON:

20   Q.   **Are you familiar with this company**

21   **response to an OPC data request?**

22   A.   I have not reviewed this response,

23   but it appears to be a response to Data Request 9

24   from the Office of the Public Counsel.

25   Q.   **And you see at the very bottom,**

 1   response provided by, and this was provided by you;

 2   is that correct?

 3   A.   It was provided by me. I think it

 4   was actually prepared by others.

 5   Q.   But your name is on this response to

 6   verify or I guess to attest to the accuracy of this

 7   response; is that correct?

 8   A.   That is correct. And I am familiar

 9   with the feasibility studies that are included.

10   Q.   And this DR asks you that rates have

11   historically been based, determined on feasibility

12   studies calculated during the CCN process, and

13   we've asked you to provide all feasibility studies

14   performed by or on behalf of the company; is that

15   correct?

16   A.   That's correct.

17   Q.   And you would then agree that this is

18   your response to that data request?

19   A.   Yes.

20   MR. POSTON: Your Honor, I move to

21   have Exhibit 207HC entered into the record.

22   JUDGE JORDAN: Not hearing any

23   objections, Exhibit 207 will be entered into the

24   record.

25   (OPC EXHIBIT NO. 207HC WAS RECEIVED

 1   INTO EVIDENCE.)

 2   MR. POSTON: I've got just two more

 3   exhibits that I'd like to have marked, and then I

 4   think I'll be done. The first one will be Data

 5   Request No. 1110. That would be 208. And then the

 6   next one is Data Request 18. Be 209.

 7   (OPC EXHIBIT NO. 208 AND 209 WERE

 8   MARKED FOR IDENTIFICATION BY THE REPORTER.)

 9   MR. POSTON: Were these 207 and 208

10   or 208 and 209?

11   JUDGE JORDAN: These are 208 and 209.

12   BY MR. POSTON:

13   Q.   So Exhibit 208, if you could please

14   look at that Mr. Johnson.

15   A.   Yes.

16   Q.   Would you agree this is a data

17   request from Public Counsel to the company asking a

18   series of questions regarding the order granting

19   the Certificate of Convenience and Necessity in

20   Case GA-2010-0189?

21   A.   Yes.

22   Q.   And the response was provided by

23   Alicia Picard. Is she an employee of the company?

24   A.   Yes.

25   Q.   And does this look to be an accurate

 1   **copy of the response the company provided?**

 2   A.   It is an accurate response to the --

 3   or copy of the response the company provided.

 4   MR. POSTON: Your Honor, I move to

 5   have Exhibit 208 entered.

 6   JUDGE JORDAN: Hearing no objection,

 7   Exhibit 208 will be received into the record.

 8   (OPC EXHIBIT NO. 208 WAS RECEIVED

 9   INTO EVIDENCE.)

10   BY MR. POSTON:

11   **Q.   Okay. And the last one, which has**

12   **been marked as Exhibit 209, Data Request No. 18,**

13   **we've asked the company to provide a breakdown by**

14   **division by customer class of the size and kind of**

15   **meters serving the customer class; is that correct?**

16   A.   Yes.

17   **Q.   And the response was provided by Dave**

18   **Moody?**

19   A.   Yes.

20   **Q.   And do you believe this is an**

21   **accurate copy of the company's response to OPC's**

22   **data request?**

23   A.   Yes.

24   **Q.   And if you turn towards the back of**

25   **what I've given you, there is a series of**

 1   **additional DRs that all refer back to this DR 18;**

 2   **is that correct? In fact, it's DR 19, 20, 21, 22,**

 3   **23 and 24; is that accurate?**

 4   A.   Yes.

 5   MR. POSTON: Your Honor, I move to

 6   have Exhibit 209 entered.

 7   JUDGE JORDAN: Hearing no objection,

 8   Exhibit 209 is entered into the record.

 9   (OPC EXHIBIT NO. 209 WAS RECEIVED

10   INTO EVIDENCE.)

11   MR. POSTON: That's all I have.

12   Thank you.

13   JUDGE JORDAN: Cross-examination from

14   Staff?

15   MR. BORGMEYER: Staff has no

16   questions, your Honor.

17   JUDGE JORDAN: Questions from the

18   Bench for this witness?

19   CHAIRMAN KENNEY: No questions.

20   Thanks for being here, sir?

21   COMMISSIONER STOLL: I have no

22   questions either. Thank you.

23   COMMISSIONER W. KENNEY: Thank you.

24   JUDGE JORDAN: Then we'll need no

25   recross, no redirect.

 1   MR. COOPER: We will need to

 2   redirect.

 3   JUDGE JORDAN: I'm sorry. We do need

 4   redirect.

 5   MR. COOPER: At least briefly.

 6   JUDGE JORDAN: Thank you.

 7   REDIRECT EXAMINATION BY MR. COOPER:

 8   Q.   Mr. Johnston, Mr. Jarrett asked you

 9   about a portion of Michelle Moorman's testimony

10   where she indicated that the company was seeking

11   less than its full revenue requirement. Do you

12   remember that?

13   A.   Yes.

14   Q.   Was that approach to the revenue

15   requirement request later replaced with the

16   Account 105 transfer methodology that's reflected

17   in later testimony?

18   A.   Yes.

19   Q.   Also in response to Mr. Jarrett's

20   questions, I think you talked a little bit about

21   the process of repatriating plant that's in plant

22   held for future use over time. Do you remember

23   that?

24   A.   Yes.

25   Q.   And I think you -- you maybe made the

 1   mention that that would happen as growth occurs; is

 2   that correct?

 3   A.   That's correct.

 4   Q.   Would that -- as that plant is

 5   repatriated along with growth, would that

 6   necessarily mean a rate increase?

 7   A.   No.

 8   Q.   Why is that?

 9   A.   Because there would be additional

10   customers, obviously, that would be added, which is

11   the growth in the system usage, which would justify

12   moving the amounts back from 105 into utility plant

13   in service.

14   Q.   In response to -- well, let me back

15   up.

16   Mr. Poston asked you some questions

17   about whether there were some communities not

18   included in the 1.7 million throughput figure,

19   correct?

20   A.   Yes.

21   Q.   Are there also communities included

22   in that $1.7 million figure for which no system was

23   ever constructed?

24   A.   There were. There were at least

25   three that I recall immediately. The communities

 1   of Mountain View, Houston and Licking were included

 2   in the original numbers and not ever built.

 3   Q.   Were you involved in that 1994 case

 4   from which a portion of the transcript was

 5   discussed?

 6   A.   No.

 7   Q.   One of the exhibits was a packet

 8   containing many feasibility studies. Do you have

 9   that? I guess that's Exhibit 207HC, correct?

10   A.   Yes.

11   Q.   Were you involved in all of those

12   feasibility studies?

13   A.   I believe so.

14   Q.   Take a look at the ones listed --

15   well, okay. I understand. Because those are all

16   feasibility studies for either Summit Natural Gas

17   or its predecessor Missouri Gas Utility, correct?

18   A.   Yes. And I probably need to modify

19   my answer. I apologize. As I look down through

20   here, the original Branson feasibility study I was

21   not involved in. That was the predecessor company,

22   Southern Missouri Natural Gas. And the Lebanon

23   feasibility study I was also not involved in.

24   Q.   Exhibit 208 asks a question about

25   Case GA-2010-0189. Do you know what communities

1 were involved in that certificate case by chance?

2   A.   If you'll give me a moment, I'll look

3 it up in the other packet. My apologies, your

4 Honor. These are not particularly well marked as

5 far as which pages are which in the merger package.

6   Mr. Cooper, I apologize. I don't

7 believe I'm going to be able to do what I said I

8 was going to do. The information contained in the

9 other exhibit is done by the name of the system we

10 were considering and not by the -- not by the case

11 number.

12   Q.   If I were to tell you that the title

13 of that case or the caption of that case says that

14 it concerns Greene, Polk and Dallas Counties, would

15 that refresh your memory as to what that would be

16 about?

17   A.   I believe that would be the one about

18 Buffalo and Bolivar then.

19   Q.   And was there ever any construction

20 in regard to that Buffalo and Bolivar project?

21   A.   There was not.

22   MR. COOPER: That's all the questions

23 I have, your Honor.

24   JUDGE JORDAN: Very good. Sorry.

25 Didn't mean to take away your redirect. You may be

 1   excused.

 2   THE WITNESS: Thank you very much.

 3   MR. COOPER: Your Honor, at this time

 4   we would call Mr. Tyson Porter.

 5   (Witness sworn.)

 6   TYSON PORTER testified as follows:

 7   DIRECT EXAMINATION BY MR. COOPER:

 8   Q.   Please state your name.

 9   A.   Tyson Porter.

10   Q.   By whom are you employed and in what

11   capacity?

12   A.   Summit Utilities, Inc., as a

13   regulatory accountant.

14   Q.   Have you caused to be prepared for

15   the purposes of this proceeding certain direct,

16   rebuttal and surrebuttal testimony in question and

17   answer form?

18   A.   Yes.

19   Q.   Is it your understanding that that

20   testimony has been marked as Exhibits 13, 14NP and

21   HC, and 15 for identification?

22   A.   Yes.

23   Q.   Do you have a number that you would

24   like to correct at this time in that testimony?

25   A.   I do.

1   Q.   Where is that number?

2   A.   It's in my surrebuttal testimony,

3   page 7, line 15, and the correction, I want to

4   change the number of 1,888,994 MCF to 1,869,737.

5   Q.   Are there any other corrections that

6   you need to make or changes you need to make?

7   A.   No.

8   Q.   If I were to ask you the questions

9   which are contained in Exhibits 13, 14NP and 14HC

10   and 15 today, would your answers as now amended be

11   the same?

12   A.   Yes.

13   Q.   Are those answers true and correct to

14   the best of your information, knowledge and belief?

15   A.   Yes.

16   MR. COOPER: Your Honor, I would

17   offer Exhibits 13, 14NP, 14HC and 15 into evidence,

18   and tender Mr. Porter for cross-examination.

19   JUDGE JORDAN: Hearing no objection,

20   those exhibits are entered in the record.

21   (SUMMIT EXHIBIT NOS. 13, 14NP, 14HC

22   AND 15 WERE WAS RECEIVED INTO EVIDENCE.)

23   JUDGE JORDAN: Cross-examination from

24   Missouri Propane Gas Association?

25   MR. JARRETT: No questions, Judge.

 1   JUDGE JORDAN: Cross-examination from

 2   Missouri School Boards Association? I see none.

 3   Office of the Public Counsel, cross-examination?

 4   MR. POSTON: Yes. Thank you.

 5   CROSS-EXAMINATION BY MR. POSTON:

 6   Q.   Mr. Johnston just testified that, in

 7   regards to an earlier CCN case, that the company

 8   did not build out to Houston and Licking. Do you

 9   recall that?

10   A.   I do.

11   Q.   But since that time, the company has

12   built out to those areas; is that correct?

13   A.   That is not correct.

14   Q.   Is your tariff currently -- you're

15   currently certified to serve those areas; is that

16   correct?

17   A.   I don't know.

18   Q.   Do you have a copy of your proposed

19   tariff with you?

20   A.   I do not.

21   Q.   Look at that (indicating). Is what I

22   provided you, is that a copy of your proposed

23   tariff in this case?

24   A.   I believe so.

25   Q.   And what page have I drawn your

 1 **attention to there?**

 2   A.   It's Sheet No. 4G.

 3   **Q.   And does that show that Houston and**

 4 **Licking, the company does provide service to**

 5 **Houston and Licking, or at least they're certified**

 6 **to?**

 7   A.   It appears they're certified to, but

 8 they do not provide -- there is no pipe in the

 9 ground serving those communities.

10   **Q.   Okay. And do you recall answering**

11 **several OPC data requests?**

12   A.   I do.

13   MR. POSTON: I've got two more

14 exhibits. 210, your Honor, if I could have the

15 exhibit that's Data Request 1101 marked as

16 Exhibit 210, and then Data Request 1104 marked as

17 Exhibit 211.

18   (OPC EXHIBIT NOS. 210 AND 211 WERE

19 MARKED FOR IDENTIFICATION BY THE REPORTER.)

20   JUDGE JORDAN: Hang on a second.

21 So 210 will be Data Request what number?

22   MR. POSTON: 1101.

23   JUDGE JORDAN: 1101. I don't have

24 any 1101 here at the bench. We'll sort it out.

25 Data Request 1101 will be Exhibit No. 210, and 211

 1 will be Data Request 1104. Proceed.

 2 BY MR. POSTON:

 3   Q.   Would you agree that what I've handed

 4 you are two answers that you provided to OPC Data

 5 Request Nos. 1101 and 1104?

 6   A.   Yes.

 7   Q.   And 1101 asks you a series of

 8 questions regarding the Stipulation & Agreement in

 9 Case GA-94-127 and current numbers such as customer

10 numbers, MCF sales, test year expense, plant in

11 service; is that correct?

12   A.   That is correct.

13   Q.   And is this the answer you provided?

14   A.   Yes.

15   Q.   And DR 1104 asks you nearly identical

16 questions regarding the Report and Order issued in

17 GA-2007-0212; is that correct?

18   A.   That is correct.

19   Q.   Is this the answer you provided?

20   A.   Yes.

21   MR. POSTON: Your Honor, I move to

22 have Exhibits 210 and 211 entered into the record.

23   JUDGE JORDAN: Not hearing any

24 objection, Exhibits No. 210 and 211 are entered

25 into the record.

 1   (OPC EXHIBIT NOS. 210 AND 211 WERE

 2   RECEIVED INTO EVIDENCE.)

 3   MR. POSTON: Thank you. That's all I

 4   have.

 5   JUDGE JORDAN: Cross-examination from

 6   Staff?

 7   MR. BORGMEYER: No questions from

 8   Staff, your Honor.

 9   JUDGE JORDAN: Questions from the

10   Bench for this witness?

11   COMMISSIONER W. KENNEY: No

12   questions.

13   CHAIRMAN KENNEY: Thank you,

14   Mr. Porter.

15   JUDGE JORDAN: In that case, we will

16   need no recross, but we may have redirect.

17   MR. COOPER: Thank you, your Honor.

18   REDIRECT EXAMINATION BY MR. COOPER:

19   Q.   **Mr. Poston asked you about Houston**

20   **and Licking, correct?**

21   A.   That is correct.

22   Q.   **And I believe you indicated that the**

23   **company had no plant in Houston or Licking?**

24   A.   That is correct.

25   Q.   **And has -- to your knowledge, has the**

 1   company ever served anyone in Houston or Licking?

 2   A.   No.

 3   Q.   How about would that also be true for

 4   Mountain View?

 5   A.   That is correct for Mountain View as

 6   well.

 7   Q.   How about Buffalo and Bolivar?

 8   A.   That is correct for Buffalo and

 9   Bolivar.

10   Q.   So although those communities are

11   listed on, actually, I think in the case of

12   Houston, Licking and Mountain View, more than one

13   certificate case, no service has ever been provided

14   or construction performed in those areas?

15   A.   That is correct.

16   MR. COOPER: No further questions,

17   your Honor.

18   JUDGE JORDAN: Thank you. You may

19   stand down. We're ready for Staff's case in chief

20   on this issue, and I understand that in the course

21   of this presentation, we will be taking witnesses

22   McMellen and Jenkins.

23   MR. BORGMEYER: Staff calls Amanda

24   McMellen.

25   (Witness sworn.)

 1   AMANDA McMELLEN testified as follows:

 2   DIRECT EXAMINATION BY MR. BORGMEYER:

 3   **Q.   Good morning.**

 4   A.   Good morning.

 5   **Q.   Will you please state your name for**

 6   **the record.**

 7   A.   It's Amanda C. McMellen,

 8   M-c-M-e-l-l-e-n.

 9   **Q.   And by whom are you employed?**

10   A.   Missouri Public Service Commission.

11   **Q.   Are you the same Amanda McMellen who**

12   **prepared or caused to be prepared direct testimony**

13   **marked as Staff's Exhibit 102?**

14   A.   Yes.

15   **Q.   Portions of the Staff Cost of Service**

16   **Report HC and NP marked as Staff Exhibit 103 and**

17   **104?**

18   A.   Yes.

19   **Q.   Staff Accounting Schedules marked as**

20   **Staff Exhibit 106?**

21   A.   Yes.

22   **Q.   Rebuttal testimony marked as Staff**

23   **Exhibit 117?**

24   A.   Yes.

25   **Q.   Surrebuttal testimony marked as Staff**

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 1   Exhibit 128?

 2         A.    Yes.

 3         Q.    And did you prepare or cause to be

 4   prepared the Reconciliation marked as Staff

 5   Exhibit 133?

 6         A.    Yes, I did.

 7         Q.    And the final Staff Reconciliation

 8   marked as Staff Exhibit 134?

 9         A.    Yes, I did.

10         Q.    And also the final Staff Accounting

11   Schedules marked as Staff Exhibit 135, 136, 137

12   and 138?

13         A.    Yes, I did.

14         Q.    And do you have any corrections to

15   those exhibits at this time?

16         A.    I have two corrections to my

17   surrebuttal testimony.

18         Q.    Okay.

19         A.    In my surrebuttal testimony, page 7,

20   line 2, I need to correct the number 1,888,994 to

21   1,869,737.

22         Q.    Could you say that again, please?

23         A.    1,869,737.  1,869,737.  Correct.

24         Q.    And what's the --

25         A.    And then the second one, I need to
```

 1   replace my Schedule ACM-1 with the Appendix E from

 2   the Partial Stipulation & Agreement.

 3   Q.   **And that's ACM-1 to your surrebuttal**

 4   **testimony?**

 5   A.   Correct.

 6   Q.   **And do you have any other corrections**

 7   **at this time?**

 8   A.   No, I do not.

 9   Q.   **If I asked you today the same**

10   **questions that are in your prefiled testimony,**

11   **would your answers be the same?**

12   A.   Yes, they would.

13   Q.   **And would those answers be true and**

14   **correct to the best of your knowledge and belief?**

15   A.   Yes, they would.

16   MR. BORGMEYER: Your Honor, at this

17   time Staff would move to admit Staff Exhibit 102,

18   Staff Exhibit 106, Staff Exhibit 117, 128, 133,

19   134, 135, 136, 137 and 138.

20   JUDGE JORDAN: Not hearing any

21   objections to those exhibits, they will be admitted

22   into the record.

23   (STAFF EXHIBIT NOS. 102, 106, 117,

24   128, 133, 134, 135, 136, 137 AND 138 WERE RECEIVED

25   INTO EVIDENCE.)

 1   MR. BORGMEYER: I tender this witness

 2   for cross.

 3   JUDGE JORDAN: Cross-examination from

 4   the Office of the Public Counsel?

 5   MR. POSTON: Yes. Thank you. Just a

 6   few.

 7   CROSS-EXAMINATION BY MR. POSTON:

 8   Q.   Good morning, Ms. McMellen.

 9   A.   Good morning, Mr. Poston.

10   Q.   Could you just briefly explain the

11   capacity adjustment that you made to mains for

12   Branson and Warsaw?

13   A.   It was removing the excess capacity

14   based on factors that I received from our

15   procurement analysis department and applied those

16   to the mains -- main assets in Warsaw and Branson.

17   Q.   And why did you make that adjustment?

18   A.   Because of the excess capacity on

19   that system for Branson and Warsaw.

20   Q.   And did you make any similar

21   adjustments for corporate costs?

22   A.   No, I did not.

23   Q.   Did you make any similar adjustments

24   for operations and maintenance expenses?

25   A.   No, I did not.

 1   MR. POSTON: Thank you. That's all I

 2   have.

 3   JUDGE JORDAN: Cross-examination from

 4   Missouri School Boards Association? Not seeing

 5   any. From Missouri Public -- Missouri Propane Gas

 6   Association?

 7   MR. JARRETT: No questions.

 8   JUDGE JORDAN: And from the

 9   Applicant?

10   MR. COOPER: No questions.

11   JUDGE JORDAN: Questions from the

12   Bench?

13   CHAIRMAN KENNEY: No, thank you.

14   COMMISSIONER W. KENNEY: No, thank

15   you.

16   JUDGE JORDAN: Any redirect?

17   REDIRECT EXAMINATION BY MR. BORGMEYER:

18   **Q.   Ms. McMellen, one brief redirect**

19   **question.**

20   A.   Okay.

21   **Q.   Do you think that there would be**

22   **reductions to corporate costs and O&M costs if the**

23   **pipe had been installed at a smaller size?**

24   A.   Yes.

25   MR. BORGMEYER: No further questions.

 1   JUDGE JORDAN: Very good. Thank you.

 2   You may stand down.

 3   MR. BORGMEYER: Staff calls Lesa

 4   Jenkins.

 5   (Witness sworn.)

 6   LESA JENKINS testified as follows:

 7   DIRECT EXAMINATION BY MR. BORGMEYER:

 8   Q.   **Ms. Jenkins, will you please state**

 9   **your name for the record.**

10   A.   Lesa Jenkins.

11   Q.   **By whom are you employed?**

12   A.   Missouri Public Service Commission,

13   for Staff.

14   Q.   **Are you the same Lesa Jenkins who**

15   **prepared or caused to be prepared portions of the**

16   **Staff Class Cost of Service Report marked as Staff**

17   **Exhibit 108?**

18   A.   Yes.

19   Q.   **Rebuttal testimony HC and NP marked**

20   **as Staff Exhibits 113 and 114?**

21   A.   Yes.

22   Q.   **And surrebuttal testimony marked as**

23   **Staff Exhibit 126?**

24   A.   Yes.

25   Q.   **And do you have any corrections to**

 1   any of those exhibits?

 2   A.   No.

 3   Q.   Are those documents true and correct

 4   to the best of your knowledge and belief?

 5   A.   Yes.

 6   Q.   If I asked you the same questions

 7   today, would your answers be the same?

 8   A.   Yes.

 9   MR. BORGMEYER: Staff moves to admit

10   Staff Exhibits 113, 114 and 126 into the record.

11   JUDGE JORDAN: Counsel, you mentioned

12   NP and HC versions for one of those exhibits?

13   MR. BORGMEYER: Yes, for -- for

14   rebuttal testimony, Exhibits 113 and 114.

15   JUDGE JORDAN: Thank you. I'm not

16   hearing any objections to those exhibits, so they

17   will be entered into the record.

18   (STAFF EXHIBIT NOS. 113, 114 AND 126

19   WERE RECEIVED INTO EVIDENCE.)

20   MR. BORGMEYER: Staff tenders this

21   witness for cross.

22   JUDGE JORDAN: Cross-examination from

23   OPC?

24   MR. POSTON: No questions. Thank

25   you.

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 1                    JUDGE JORDAN:  I see none from

 2   Missouri School Boards Missouri.  From Missouri

 3   Propane Gas Association?

 4                    MR. JARRETT:  No questions.

 5                    JUDGE JORDAN:  Cross-examination from

 6   Summit?

 7                    MR. COOPER:  No, thank you.

 8                    JUDGE JORDAN:  Questions from the

 9   Bench for this witness?

10                    CHAIRMAN KENNEY:  No questions.

11   Thank you.

12                    JUDGE JORDAN:  Then you may stand

13   down.  We're ready for the Office of Public

14   Counsel's case.  Witness Roth has been excused.

15                    MR. POSTON:  Thank you.  Call Barb

16   Meisenheimer.

17                    (Witness sworn.)

18   BARBARA MEISENHEIMER testified as follows:

19   DIRECT EXAMINATION BY MR. POSTON:

20        Q.    Please state your name for the

21   record.

22        A.    My name is --

23                    JUDGE JORDAN:  Microphone, please.

24   Sorry to interrupt.  Counsel is a bid soft-spoken.

25                    THE WITNESS:  My name is Barbara
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 1   Meisenheimer.

 2   BY MR. POSTON:

 3   Q.   **Are you the same Barbara Meisenheimer**

 4   **that caused to be prepared and filed rebuttal and**

 5   **surrebuttal testimony in this case that's been**

 6   **marked as Exhibit Nos. 202 and 203?**

 7   A.   Yes, I am.

 8   Q.   **And do you have any changes or**

 9   **corrections to your testimony?**

10   A.   I do have some corrections. I have a

11   correction on page 7 of rebuttal testimony,

12   line 16, it's Jamesport, not Jamestown. I have a

13   correction on page 15.

14   Q.   **Of rebuttal as well?**

15   A.   Of the rebuttal as well, yes. On

16   line 14, the case number should -- on that line

17   should be GA-94-127. In addition, there was a case

18   GA-95-349 which included Rogersville, Fordland,

19   Diggins, Norwood and Seymour.

20   On page 57, line 16, near the middle,

21   I need to change the word using to year.

22   With respect to surrebuttal, I had

23   filed schedules in my testimony, and they were

24   based on an original stipulated level of billing

25   units, customers and volumes that the parties had

 1 agreed to. Since that time, there's been a

 2 correction or a -- I shouldn't say really a

 3 correction, but a modification so that the billing

 4 units are consistent with the way that the rates

 5 appear in the tariff.

 6   And so I have made an adjustment to

 7 my tables for the two districts affected and to my

 8 schedule, all that were in surrebuttal. It's not a

 9 big change. It doesn't change the conclusions in

10 my testimony, but I wanted it to be consistent with

11 the updated billing units that I think are now

12 agreed to by the parties.

13   MR. POSTON: And, Judge, we have

14 copies of those updates, and she can point to

15 what's been changed.

16   JUDGE JORDAN: Okay. And why don't

17 we have that marked as an exhibit?

18   MR. POSTON: Okay. There's actually

19 two sheets. Where are we?

20   JUDGE JORDAN: We'll be 212 and 213.

21 212 will be Updated Schedule 1-HC of Barbara

22 Meisenheimer. And Exhibit 213 in the lower

23 right-hand corner states simply, Updated

24 Schedule 1-HC reflects current billing units agreed

25 to by the parties.

 1   (OPC EXHIBIT NOS. 212 AND 213 WERE

 2   MARKED FOR IDENTIFICATION BY THE REPORTER.)

 3   BY MR. POSTON:

 4   Q.   So we've had exhibits marked as 212

 5   and 213. Could you just explain what has changed

 6   from your surrebuttal, or no, from -- yeah, your

 7   surrebuttal?

 8   A.   The parties I think have reached

 9   agreement on the billing units for purposes of

10   calculating current pro forma revenue, and so the

11   only replacements that I made in the schedule were

12   to the current case volumes to reflect a change in

13   the transport volumes in terms of how they appear

14   in the stipulation that was entered into by the

15   parties.

16   So these -- the only change that I

17   made was to transport volumes in two districts,

18   Rogersville and Branson.

19   Q.   I'm sorry. Are you --

20   A.   Yeah. I'll add something else. And

21   I just want to be clear that the stipulation so far

22   is only to current billing units. They haven't yet

23   signed onto my projected numbers.

24   Q.   And with -- do you have any more

25   changes or corrections to your testimony?

 1   A.   No.

 2   Q.   **And with all of these corrections**

 3 **that you've made, is your testimony true and**

 4 **correct to the best of your knowledge?**

 5   A.   Yes.

 6   MR. POSTON: Your Honor, I offer

 7 Exhibits 202, 203, 212 and 213 into the record.

 8   JUDGE JORDAN: Not hearing any

 9 objections, those exhibits will be entered into the

10 record.

11   (OPC EXHIBIT NOS. 202, 203, 212 AND

12 213 WERE RECEIVED INTO EVIDENCE.)

13   MR. POSTON: And tender this witness

14 for cross-examination.

15   JUDGE JORDAN: Cross-examination from

16 Staff?

17   MR. BORGMEYER: Thank you.

18 CROSS-EXAMINATION BY MR. BORGMEYER:

19   Q.   **Good morning, Ms. Meisenheimer.**

20   A.   Good morning.

21   Q.   **If the Commission set rates in this**

22 **case based on your testimony, would those rates be**

23 **based on the company's current cost of service?**

24   A.   They would be based on the last cost

25 of service approved by the Commission, the last

1   revenue requirement approved by the Commission.

2   **Q.   Would they be based on the company's**

3   **current cost of service in this case?**

4   A.   I'm not sure. I would say no, I

5   don't think that they would. So let me change

6   that. Let me say no, I don't think that they would

7   be.

8   MR. BORGMEYER: Okay. Thank you. No

9   further questions.

10   JUDGE JORDAN: I see nothing from

11   Missouri School Boards Association. Missouri

12   Propane Gas Association?

13   MR. JARRETT: No questions.

14   JUDGE JORDAN: Questions from the

15   Applicant.

16   MR. COOPER: Yes, your Honor, and I

17   need to mark an exhibit. I believe this will be

18   Exhibit 21.

19   JUDGE JORDAN: Yes.

20   MR. COOPER: And it can be identified

21   as OPC Response to DR 1.

22   (SUMMIT EXHIBIT NO. 21 WAS MARKED FOR

23   IDENTIFICATION BY THE REPORTER.)

24   CROSS-EXAMINATION BY MR. COOPER:

25   **Q.   Ms. Meisenheimer, do you have before**

 1   you what has been marked as Exhibit 21 for

 2   identification?

 3   A.   Yes.

 4   Q.   Do you recognize that?

 5   A.   Yes, I do.

 6   Q.   What is that?

 7   A.   It's a data request that I received

 8   and responded to.

 9   Q.   In that data request response --

10   well, actually, in the question there's a reference

11   to HC BAM Summit Case Work Papers HC. Do you see

12   that? In the question.

13   A.   In the question, yes. Sorry. I was

14   looking in the response. Okay.

15   Q.   So you see that reference?

16   A.   Yes, I do.

17   Q.   Is HC BAM Summit Case Work Papers HC,

18   is that the name for the work papers that you used

19   to calculate your projected numbers contained in

20   your testimony?

21   A.   In direct testimony, yes.

22   Q.   And in your response, I believe you

23   indicate that there are projections for Licking,

24   Houston, Mountain View, Buffalo and Bolivar in your

25   projections, correct?

 1   A.   Yes.

 2   MR. COOPER: That's all the questions

 3   I have. Thank you.

 4   JUDGE JORDAN: Questions from the

 5   Bench for this witness?

 6   CHAIRMAN KENNEY: No questions.

 7   Thank you.

 8   JUDGE JORDAN: I have no questions

 9   for you. Then we can move on to redirect.

10   REDIRECT EXAMINATION BY MR. POSTON:

11   Q.   **Staff asked you whether the -- if**

12   **your, I guess your numbers included the current**

13   **cost of service study; is that correct? Did I get**

14   **that right?**

15   A.   They asked me if my -- if adopting

16   the recommendation in my testimony would create

17   rates based on the cost of service.

18   Q.   **Okay. And you -- and your response**

19   **was?**

20   A.   Originally I said maybe, and then I

21   changed it to no, and I think I was a little

22   confused at that point. I think maybe is a better

23   answer. The --

24   Q.   **Can you explain why? Just explain**

25   **why.**

 1   A.   The -- in this case, Public Counsel

 2   has proposed the amount that -- I've proposed a

 3   method for reviewing and trying to identify what

 4   portion of the proposed cost that the company's

 5   brought forward and requested an increase to

 6   provide for, what portion of that should reasonably

 7   be offset to reflect that this company has not met

 8   either the customer projections or the volume

 9   projections that it's met in this case.

10   So in terms of what specifically are

11   the costs of service for this company, what is the

12   true cost of service, I don't think it's available

13   to you in this case in terms of what is fair to

14   recover from customers currently.

15   And that -- therein lied my confusion

16   in initially responding. And I'll leave my answer

17   at that, unless I get additional questions on that.

18   **Q.   The company asked you questions about**

19   **different communities that you had included in your**

20   **analysis, including Licking, Houston, Mountain**

21   **View. I believe you also mentioned Bolivar and**

22   **Buffalo. Can you explain why you included those?**

23   A.   Over the course of this company's

24   history, they've come in and requested

25   certification in numerous areas. The systems

1 primarily began as two -- they began as two

2 separate companies. There was the original MGU

3 that began in the Gallatin area. I think it was

4 Hamilton and Gallatin were the communities that

5 they originally came in to serve in that area.

6   The Southern Missouri Natural Gas

7 system that I guess originally was Tartan owned,

8 that system was developed in piece parts over a

9 number of certification cases.

10   And so these areas of Licking,

11 Houston and Mountain View they had requested in

12 their original application, I think in '94. They

13 later came back and asked for Licking and Houston

14 again. And those communities were included in the

15 original agreement between the parties to impute a

16 volume level of 1.7 million MCF. That was

17 something that all the parties agreed to, the

18 Commission approved.

19   And so that is why I have an amount

20 that reflects them in my studies. What I did is I

21 started with the earliest case related to each

22 service area that they provided to, and then

23 included incremental projected growth as they went

24 along in developing their systems.

25   So that is why I have some measure of

```
 1   growth or some measure of customer volumes and

 2   customer counts for Licking, Houston and Mountain

 3   View is those came from the original stipulated

 4   amounts.

 5             Buffalo and Bolivar, the company came

 6   in and requested a certification to provide in

 7   those areas.  I did include those in my -- in my

 8   customer counts.  Those communities are identified

 9   in the MGU tariff as part of the Southern system

10   for the old MGU tariff.  I was not and am still not

11   aware that they came in and said that they didn't

12   intend to utilize the certificate that they

13   obtained.

14             In response to data requests, we got

15   a response from them that was not clear that there

16   had been no cost involved in considering offering

17   that area.

18             MR. POSTON:  That's all I have.

19             JUDGE JORDAN:  The Commission needs

20   some clarification on one of those answers.

21   QUESTIONS BY COMMISSIONER W. KENNEY:

22        Q.    Thank you very much,

23   Ms. Meisenheimer.  It's just something you said

24   brought up a question I'd asked your counsel.

25   Because the company's asking for 8.2 million,
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 1   Staff's recommending 5.1, and OPC is recommending

 2   zero, not up, not down. So is it -- I'm just

 3   trying to understand. Do you believe that their

 4   cost of service has remained neutral since their

 5   last rate case?

 6   A.   I think it is their burden to show

 7   what their cost of service is, and I think because

 8   they --

 9   Q.   That's not what I asked you. Is it

10   your -- do you believe that they've remained

11   neutral, no up -- that the cost of service is

12   identical to what it was?

13   A.   I don't believe there's a showing

14   they should collect more from their customers at

15   this point.

16   Q.   So their cost of service is neutral?

17   JUDGE JORDAN: Please answer the

18   question.

19   BY COMMISSIONER W. KENNEY:

20   Q.   I'm just asking if you don't think

21   their --

22   A.   I don't know.

23   Q.   -- revenue requirement's stayed the

24   same. You don't know?

25   A.   I don't know.

 1   COMMISSIONER W. KENNEY: Okay. Thank

 2   you.

 3   JUDGE JORDAN: Thank you.

 4   THE WITNESS: Sorry.

 5   JUDGE JORDAN: Did that generate the

 6   need for any recross? How about redirect?

 7   MR. POSTON: No questions.

 8   MR. COOPER: Your Honor, I'm only

 9   leaning forward because when we finish with

10   questioning, I want to go ahead and offer into

11   evidence Exhibit 21 if I did not do that.

12   JUDGE JORDAN: Let me check. You may

13   stand down. I do not have that marked as having

14   been received.

15   MR. COOPER: I would like to offer it

16   at this time.

17   JUDGE JORDAN: And I'm not hearing

18   any objection, so I will receive that exhibit into

19   evidence.

20   (SUMMIT EXHIBIT NO. 21 WAS RECEIVED

21   INTO EVIDENCE.)

22   JUDGE JORDAN: Missouri Propane Gas

23   Association.

24   (Witness sworn.)

25   BRIAN BROOKS testified as follows:

 1   DIRECT EXAMINATION BY MR. JARRETT:

 2   Q.   Good morning. Would you please state

 3   your name and business address.

 4   A.   Brian Brooks, 209 South Clay,

 5   Marshfield, Missouri 65706.

 6   Q.   And for whom do you work?

 7   A.   Brooks Gas Company.

 8   Q.   What is your position?

 9   A.   I'm the hearth products manager.

10   Q.   Did you prepare prefiled rebuttal

11   testimony in this case that has been prefiled and

12   premarked as Exhibits 600 and 601?

13   A.   I have.

14   Q.   600 is the NP version and 601 is the

15   HC version; is that correct?

16   A.   Yes.

17   Q.   Do you have any corrections to those

18   testimonies?

19   A.   No.

20   Q.   If I were to ask you the same

21   questions in those testimonies today, would your

22   answers be the same?

23   A.   Yes.

24   MR. JARRETT: Judge, I would offer

25   Exhibits 600 and 601HC, and tender the witness for

 1   cross-examination.

 2   JUDGE JORDAN: That's 600 and 601HC;

 3   is that correct? 601HC and 600?

 4   MR. JARRETT: That's correct.

 5   JUDGE JORDAN: Thank you. I'm not

 6   hearing any objections, so those exhibits will be

 7   admitted into the record.

 8   (MPGA EXHIBIT NOS. 600 AND 601 HC

 9   WERE RECEIVED INTO EVIDENCE.)

10   JUDGE JORDAN: And cross-examination

11   from Staff?

12   MR. BORGMEYER: No questions from

13   Staff, your Honor.

14   JUDGE JORDAN: Office of Public

15   Counsel?

16   MR. POSTON: No questions. Thank

17   you.

18   JUDGE JORDAN: Nothing from Missouri

19   School Boards Association. Applicant Summit?

20   MR. COOPER: Very briefly.

21   CROSS-EXAMINATION BY MR. COOPER:

22   **Q.   During your counsel's opening**

23   **statement yesterday, he, I believe, indicated that**

24   **Propane Gas Association members competed with**

25   **Summit Natural Gas of Missouri for customers in all**

 1   **of its divisions. Would you agree with that?**

 2   A.   Yes.

 3   MR. COOPER: That's all the questions

 4   I have.

 5   JUDGE JORDAN: Questions from the

 6   Bench for this witness?

 7   CHAIRMAN KENNEY: No questions.

 8   JUDGE JORDAN: Very good. I have no

 9   questions for you. So we will go to redirect.

10   MR. JARRETT: No questions.

11   JUDGE JORDAN: Thank you. You may

12   stand down.

13   THE WITNESS: Thank you.

14   JUDGE JORDAN: We're ready for

15   evidence and argument on the issue of miscellaneous

16   tariff issues, promotional practices and conversion

17   issues, commodity flex rate. First opening

18   statement on this will be from Summit Natural Gas.

19   MS. CARTER: There are four questions

20   before the Commission under the heading

21   miscellaneous tariff issues. The first three

22   questions relate to a conversion program. And the

23   company's testimony supports the continuation of

24   this service, but with the actual cost of each

25   conversion being paid by the customer receiving

 1   that service.

 2   The company wants to continue

 3   offering the service, which is an in-home

 4   conversion, but with no component being free. I

 5   believe there was some confusion in that the

 6   program was previously titled a free conversion

 7   program, but the proposal in this case is for the

 8   actual cost of the conversion to be paid by the

 9   customer receiving that service.

10   The fourth question under

11   miscellaneous tariffs is whether the Commission

12   should approve the company's proposal to modify its

13   commodity flex provision. The commodity flex

14   provision only applies to contract commercial

15   service customers, large general service, large

16   volume service and transport customers.

17   The proposed changes are

18   non-substantive in nature and are necessary to make

19   the tariffs consistent among the rate classes and

20   among the service areas. There's no new proposal

21   in this case, just minor changes for consistency

22   purposes. It's only the variable portion of the

23   rate that's impacted by this flex provision, not

24   the customer charge and not the PGA.

25   Also, there is a benefit to

 1   ratepayers by allowing the company to have this

 2   flexibility in a tariff provision so that they can

 3   keep those large customers on the -- excuse me --

 4   receiving service from Summit instead of leaving

 5   these -- instead of leaving the system.

 6   And Ms. Wankum will be testifying on

 7   behalf of the company on all four of those

 8   questions.

 9   JUDGE JORDAN: Any questions for

10   counsel on that opening statement? Thank you,

11   counselor. Opening statement of OPC.

12   MR. POSTON: May it please the

13   Commission?

14   We initially opposed the free

15   conversion program, and I would agree there may be

16   some misunderstanding on this issue, what

17   Ms. Carter just said about there being no -- that

18   the customer would pay the full cost of conversion.

19   We may not have an issue with this one. I intend

20   to ask Ms. Wankum some questions about that just to

21   clarify.

22   On the other issue of the commodity

23   charge flex provision, Ms. Meisenheimer has

24   testified on this, our concern about giving the

25   company the ability to charge one customer a

 1   different rate than another customer for both -- in

 2   a similar situation. An example Ms. Meisenheimer

 3   provided in her testimony was a customer using

 4   3,000 CCF per year, one could be charged a 25 cent

 5   commodity rate and the other a dollar commodity

 6   rate. We're just concerned that that could lead to

 7   some form of discrimination.

 8   And with that, I will -- again, we've

 9   got Ms. Meisenheimer to address these issues if you

10   have further questions about that, or you can ask

11   me. Thank you.

12   JUDGE JORDAN: Any questions for

13   counsel? Thank you. We're ready for Summit's

14   first witness, only witness.

15   MS. CARTER: Ms. Wankum.

16   (Witness sworn.)

17   MARTHA WANKUM testified as follows:

18   DIRECT EXAMINATION BY MS. CARTER:

19   Q.   **If you could please state your full**

20   **name and your employer?**

21   A.   Martha Wankum with Summit Utilities,

22   Incorporated.

23   Q.   **Did you file direct, rebuttal and**

24   **surrebuttal testimony in this case?**

25   A.   Yes.

 1   Q.   And have those pieces of testimony

 2   been marked as Exhibits 18, 19 and 20?

 3   A.   Yes.

 4   Q.   Do you have any corrections for that

 5   prefiled testimony?

 6   A.   Not for the testimony. I do have a

 7   correction in one of the tariff sheets we filed

 8   with this case.

 9   Q.   And that is related to this issue?

10   A.   Yes. It's related to the proposed

11   conversion program.

12   Q.   And could you please tell us the

13   tariff sheet number?

14   A.   It is tariff book PSC Mo. No. 3,

15   Sheet 83, provision B6, and it did accidentally

16   leave the word no cost in one shot. That word

17   should be removed.

18   Q.   Do you have any other corrections?

19   A.   No.

20   MS. CARTER: Ms. Wankum will be

21   taking the stand on Friday as well on energy

22   efficiency issues, but I would proceed at this time

23   to offer Exhibits 18, 19 and 20 into evidence, and

24   tender her for cross-examination.

25   JUDGE JORDAN: I'm not hearing any

1 objections to Exhibits 18, 19 and 20, so the

2 Commission will receive those into evidence.

3   (SUMMIT EXHIBIT NOS. 18, 19 AND 20

4 WERE RECEIVED INTO EVIDENCE.)

5   JUDGE JORDAN: Cross-examination from

6 Missouri Propane Gas Association?

7   MR. JARRETT: No questions.

8   JUDGE JORDAN: Cross-examination -- I

9 see nothing from Missouri School Boards

10 Association. Office of the Public Counsel, any

11 cross-examination?

12   MR. POSTON: Yes. Thank you.

13 CROSS-EXAMINATION BY MR. POSTON:

14   **Q.   Could you please go through that**

15 **correction you just made? I didn't follow it. If**

16 **you could --**

17   A.   Sure.

18   **Q.   -- point me where you are.**

19   A.   The proposed tariff book that we

20 filed with the case --

21   **Q.   Right.**

22   A.   -- that we have titled as PSC Mo.

23 No. 3, it's sheet -- original sheet 83, and then at

24 the top of the page, that paragraph starts with

25 paragraph B, and then there should be a

1   provision 6.

2   Q.   Okay.

3   A.   And if you read there, there's the

4   term no cost, and that needs to be stricken.

5   Q.   Okay. So could you just explain how,

6   then, this program would work?

7   A.   Sure. Currently in certain

8   circumstances the company has the ability to offer

9   conversion services to new customers at no charge.

10   We'd like to continue offering that service to new

11   customers but for a charge.

12   Q.   The current tariff has expired,

13   though, right? You're not currently offering

14   no-charge conversions; is that correct?

15   A.   We have two tariff books. Our PSC

16   Mo. 1 tariff book is for our territory for the

17   former MGU system, and our PSC Mo. No. 2 tariff

18   book is for the SMNG system. The conversion

19   program that was previously offered in the PSC

20   Mo. 2 tariff book for the SMNG system, that program

21   expired December 31, 2012. There are provisions

22   for conversion program in the PSC Mo. 1 tariff

23   book.

24   Q.   For former MGU?

25   A.   For former MGU, yes.

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 1        Q.    And so you're saying the customer

 2   would pay the full cost of conversion or would the

 3   company pay a portion of that?

 4        A.    No.  The customer would pay the full

 5   cost.

 6              MR. POSTON:  Okay.  I think that's

 7   all the questions I have.

 8              JUDGE JORDAN:  Cross-examination from

 9   Staff?

10              MR. BORGMEYER:  No questions, your

11   Honor.

12              JUDGE JORDAN:  Questions from the

13   Bench?

14              CHAIRMAN KENNEY:  Thank you.

15              JUDGE JORDAN:  Redirect from Summit?

16              MS. CARTER:  No questions.

17              JUDGE JORDAN:  You may stand down.

18   Office of the Public Counsel.  You've already been

19   sworn.  I won't swear you in again.

20              MR. POSTON:  OPC brings Barbara

21   Meisenheimer and tenders her for cross-examination.

22              JUDGE JORDAN:  Very good.

23   Cross-examination from Staff?

24              MR. BORGMEYER:  No questions, your

25   Honor.
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 1   JUDGE JORDAN: Nothing from Missouri

 2   School Boards Association. Missouri Propane Gas

 3   Association?

 4   MR. JARRETT: No questions.

 5   JUDGE JORDAN: Cross-examination from

 6   Summit?

 7   MS. CARTER: No questions.

 8   JUDGE JORDAN: Questions from the

 9   Bench for this witness on this topic?

10   CHAIRMAN KENNEY: No, thank you.

11   JUDGE JORDAN: Then we have neither

12   recross nor redirect. You may stand down.

13   This brings us to the next issue,

14   which we have described as rate design and rate

15   shock, including customer charges, equal percentage

16   application of any rate increase. Our first

17   opening statement will be from Summit.

18   MR. COOPER: Your Honor, I note that

19   this is the issue that Mr. Brownlee wanted to

20   appear on, and I don't see him. I don't know

21   whether he's en route. I think he had mentioned

22   being here at 11. So if we want to -- looks like

23   Mr. Ervin went out to perhaps check for him.

24   JUDGE JORDAN: Very good. Maybe this

25   would be a good time for a recess. Why don't we

1 take ten minutes, then. We'll go into recess.

2   (A BREAK WAS TAKEN.)

3   JUDGE JORDAN: We are back on the

4 record, and we will resume the evidence and

5 argument on the issue of rate design and rate

6 shock, which includes customer charges and equal

7 percentage application of any rate increase. We'll

8 begin with an opening statement from Summit.

9   MR. COOPER: Thank you, your Honor.

10 As you mentioned, two questions in this segment of

11 the hearing, what's been referred to as the rate

12 shock question, and the second question having to

13 do with how should any rate increase/decrease be

14 applied to volumetric and monthly charges or

15 customer charges.

16   There are proposals that the company

17 believes the Commission should accept that would be

18 a benefit to customers and minimize rate impacts in

19 this case. The first that we mentioned previously

20 is the transfer of approximately $34.6 million of

21 the company's mainline investments at Warsaw and

22 Branson into plant held for future use,

23 Account 105.

24   The Commission also should continue

25 the use of a customer charge plus volumetric charge

 1   rate design and reject the use of straight fixed

 2   variable rate design as was proposed by the parties

 3   in the Partial Stipulation & Agreement.

 4   One other thing I would mention at

 5   this time is that, for some additional perspective

 6   for the rate increase percentages that were

 7   mentioned yesterday in the various opening

 8   statements, the Commission needs to keep in mind

 9   that the percentages referred to were percentage

10   increase in non-gas costs. The non-gas cost of a

11   person's bill is generally significantly smaller

12   percentage of the bill than the gas portion.

13   Similarly for the schools

14   participating in the school aggregation program,

15   the amounts paid to Summit Natural Gas will be much

16   less than the amounts they pay for the gas they

17   purchase.

18   In both instances, the percentage

19   increases you've heard are, again, non-gas

20   increases. If you took into account the whole gas

21   bill or what I would think of as the whole gas

22   bill, those percentages would not be as great as

23   what you've heard.

24   As to the second question about how

25   should -- should any rate increase/decrease be

 1   applied to the customer charge, the volumetric

 2   charges, Staff has proposed to apply any rate

 3   increase to the existing rate elements in equal

 4   percentages, and Summit Natural Gas does not object

 5   to the use of equal percentages as proposed by

 6   Staff.

 7   Thank you.

 8   JUDGE JORDAN: Thank you. Inquiries?

 9   I don't have any either. Opening statement by

10   Staff, please.

11   MR. BORGMEYER: Yes. Thank you, your

12   Honor. May it please the Commission?

13   Staff doesn't have a whole lot to add

14   to what the company just said. I think the idea of

15   rate shock is mostly a subjective one. I think it

16   just refers to what the rate was and then what the

17   rate becomes, and I don't think there's any

18   objective measure for that, but it's just a

19   subjective feeling that one has when faced with a

20   rate increase.

21   And Staff would reiterate what

22   Mr. Cooper just said about this case doesn't

23   involve gas costs. Gas costs are included on a

24   customer's bill. So a lot of the percentages that

25   we're talking about here wouldn't be the same

 1   percentage increase that customers would actually

 2   see on their bill.

 3   And then just to reiterate that Staff

 4   did originally propose the SFV in this case, but

 5   Staff's current proposal is to apply any rate

 6   increase to the company's current two-part rate

 7   design on an equal percentage basis across rate

 8   elements, and that's Staff's current position.

 9   JUDGE JORDAN: Thank you. Any

10   inquiries for counsel? Thank you.

11   Opening statement from the Office of

12   Public Counsel, please.

13   MR. POSTON: May it please the

14   Commission?

15   Our position's been the Commission

16   should not raise rates in this case. We don't

17   think it's been proven. But in the event the

18   Commission does increase rates, we're very

19   concerned about the impact to ratepayers if the

20   Commission were to raise the customer charge, the

21   fixed customer charge.

22   Yesterday I gave the percentage

23   increases that the company's proposal would create.

24   It was between 77 and 31 percent. We're very

25   concerned that an equal percentage across all rate

 1   elements that's been proposed by Staff could lead

 2   to unreasonable increases to the fixed customer

 3   charge.

 4   High customer charges have a negative

 5   impact on low-usage customers, which includes many

 6   low-income customers that would be better protected

 7   by placing increases in the volumetric rate.

 8   The Commission -- this Commission in

 9   the past has recognized the problems with high

10   fixed charges, and Ms. Meisenheimer's testimony

11   discusses that and the Commission's past orders.

12   One problem with high customer charge

13   is the impact it has on conservation. We've

14   submitted evidence showing that high customer

15   charges tend to reduce a customer's incentive to

16   conserve their usage.

17   We don't believe that's the direction

18   this company should be heading, and for that reason

19   we ask that if you find a rate increase is

20   warranted, that that increase be reflected in the

21   volumetric rate only.

22   And on the issue of rate shock, I

23   would just like to let the customers' comments

24   speak for themselves, the filed comments and the

25   public hearing comments. The proposed rates are

 1   very shocking to these customers. Even though

 2   this -- the rate proposal does not involve gas

 3   costs, what they're requesting would still be a

 4   very large increase for these customers.

 5   Thank you. That's all I have.

 6   JUDGE JORDAN: Any inquiry for

 7   counsel? Thank you.

 8   Opening statement from the Missouri

 9   School Boards Association.

10   MR. BROWNLEE: Thank you again. I

11   want to again reiterate that rate shock is sort of

12   a bifurcated issue in this. One is to the schools

13   and what they are because it is kind of a unique

14   issue under that statute, vis-a-vis what I think

15   sometimes the other parties refer to, just the

16   overall. So that's an important decision.

17   Recognizing there's no objective

18   standard that I know of as to what's rate shock, I

19   can assure you that for the schools at a minimum

20   under the Staff's proposal, which people agree,

21   it's all close to above 50 percent, and when you

22   add on the loss of the flex and the cash out, it

23   approaches in many and most cases 80 percent.

24   If you received a bill from your

25   mortgage company if you happen to have one and your

 1   rates went up 80 percent starting January 1 at your

 2   mortgage, you would understand that to be rate

 3   shock. So I think it's an issue that, again, while

 4   not defined, it's within the purview of the

 5   Commission and I think of common sense to

 6   understand that.

 7   While Commissioner Kenney asked a

 8   really excellent question yesterday, which should

 9   have -- we should have -- I think none of us had

10   addressed. I don't think there's any testimony in

11   the record about the allocation of how much of this

12   is the gas cost versus how much of it is the

13   company cost that is what we're dealing with here

14   today.

15   I think -- I would urge one of you to

16   ask Mr. Ervin because he's the expert on it. He

17   can explain that. And I -- there's not evidence in

18   it, but I think that he has done an analysis on

19   that, and I think you would find that, in this

20   particular case, uniquely in this case, the

21   costs -- the company costs that we're talking about

22   within the purview of this case are higher than the

23   gas costs, which is usual.

24   But again, I would urge one of

25   you-all to ask it, because it is -- it's a -- it's

 1   a question that bears addressing for sure. And

 2   again, just under the -- having what I'll call

 3   canned testimony, sometimes we're all put in the

 4   position of having testimony filed on issues and

 5   then things pop up at the end and we don't --

 6   there's just not really a good way to get that kind

 7   of stuff in front of the Commission as evidence in

 8   the record. So if one of you-all has curiosity

 9   about that, I'd urge you to ask Mr. Ervin.

10   Thanks so much.

11   JUDGE JORDAN: A question,

12   Commissioner Kenney.

13   COMMISSIONER W. KENNEY: Considering

14   I ask such excellent questions, I'll ask one. Do

15   you know how many of your school districts in this

16   region, in the Summit Natural Gas region, have

17   converted from propane to gas?

18   MR. BROWNLEE: I believe all of them,

19   I think. There's 11 and I think 76 schools.

20   COMMISSIONER W. KENNEY: 11

21   districts?

22   MR. BROWNLEE: 76 schools.

23   COMMISSIONER W. KENNEY: What was the

24   reason they converted?

25   MR. BROWNLEE: I well, there was an

 1   offering by the company, I believe, for them to

 2   make a conversion, and they were given an incentive

 3   to do so in pricing. And again, I don't want to

 4   misrepresent because I don't know. The company

 5   would be truly the best to answer, or Mr. Ervin

 6   could. He could answer for sure.

 7   But that's part of the computation

 8   that we've done. We've taken the two-part Staff

 9   proposal, which I think everyone agrees to as the

10   numbers at least being accurate, and then we've

11   added back in --

12   COMMISSIONER W. KENNEY: Why don't we

13   do this: I'll wait for Mr. Ervin.

14   MR. BROWNLEE: I think that would be

15   the perfect, but there's -- yeah. And they canc--

16   the company canceled that incentive effective --

17   COMMISSIONER W. KENNEY: I

18   understand. Look at last year with propane and the

19   price hikes, what happened to propane, and a lot of

20   the stability, a lot of its cost. There's nothing

21   that prevents a school district from going back to

22   propane either. There are converter kids. It's

23   very --

24   MR. BROWNLEE: Well, there isn't

25   maybe physically, but the cost of those conversions

 1 are huge. I mean, for schools --

 2   COMMISSIONER W. KENNEY: No, they

 3 aren't.

 4   MR. BROWNLEE: Well, for schools and

 5 stuff, I think they -- I mean, again, I'm off --

 6 I'm in water over my head here.

 7   COMMISSIONER W. KENNEY: Okay. Thank

 8 you.

 9   MR. BROWNLEE: Thank you.

10   MR. JARRETT: Judge, could I address

11 Commissioner Kenney's question regarding the --

12   JUDGE JORDAN: Yes. Please do.

13   MR. JARRETT: I think Marshfield is

14 not a school that -- Marshfield is still propane.

15   MR. BROWNLEE: Well, I didn't know.

16   MR. JARRETT: I don't think they're a

17 member -- I don't know if they're a member of MSBA

18 or not, but Marshfield is one that is still

19 propane.

20   COMMISSIONER W. KENNEY: Thank you.

21   JUDGE JORDAN: Any other inquiries of

22 counsel? I don't have any inquiries for you. I

23 understand that Missouri School Boards Association

24 would like to take its witness out of order. Any

25 objections to that from any parties? I think

 1   that's -- I think that's all been discussed.

 2   MR. BORGMEYER: I don't know that we

 3   need to. I think we were talking about that maybe

 4   for time constraints, but we're -- I think we have

 5   time to just proceed in order.

 6   JUDGE JORDAN: We can certainly do

 7   that, keeping in mind that we will break before the

 8   noon hour for agenda and probably come back at

 9   one o'clock.

10   MR. BROWNLEE: I'm not sure what the

11   order is, so if we're out of order -- I'd be happy

12   to put Mr. Ervin on and get that behind so we'd be

13   done by noon. I have a few questions for

14   Mr. Imhoff and that's it.

15   MR. BORGMEYER: I guess the issue

16   would be, if we do Mr. Ervin and try to get through

17   him before noon, we may not have time to do

18   Mr. Imhoff before noon. And so I'm not sure --

19   MR. BROWNLEE: Either way.

20   MR. BORGMEYER: I'm not sure at this

21   point we'd be able to --

22   JUDGE JORDAN: Well, the Commission

23   has to go into -- has to recess this hearing at

24   about ten 'til noon at the latest. So I don't know

25   what the examination of any of these parties will

 1   require. Parties have a far better understanding

 2   on that.

 3   MR. BROWNLEE: I do think you could

 4   probably get Mr. Imhoff on on this limited issue

 5   surely before you-all need to adjourn. That would

 6   be one thing I can guarantee, unless somebody else

 7   has got a huge number of questions.

 8   JUDGE JORDAN: That would take care

 9   of Staff's case in chief for today. How does that

10   sound?

11   MR. BORGMEYER: I guess that would be

12   okay. We can just see how far we get, and then

13   your Honor can recess the proceeding whenever --

14   whenever we need to.

15   JUDGE JORDAN: All right. Any

16   objection to that proposal that we take the

17   testimony of Mr. Imhoff a little out of order here?

18   (No response.)

19   JUDGE JORDAN: I'm not seeing any.

20   So, Staff, you may call your witness.

21   MR. BORGMEYER: Staff calls Tom

22   Imhoff.

23   JUDGE JORDAN: And while Mr. Imhoff

24   is taking the stand, I'll make sure I understand

25   that Mrs. McNutt and Kliethermes will not be taking

 1   the stand today.

 2   MR. BORGMEYER: That's correct, your

 3   Honor. We stipulated earlier today that their

 4   testimony will be received into the record.

 5   JUDGE JORDAN: Very good.

 6   (Witness sworn.)

 7   THOMAS M. IMHOFF testified as follows:

 8   DIRECT EXAMINATION BY MR. BORGMEYER:

 9   Q.   **Good morning, Mr. Imhoff.**

10   A.   Good morning.

11   Q.   **Will you state your name for the**

12   **record, please.**

13   A.   My name is Thomas M. Imhoff,

14   I-m-h-o-f-f.

15   Q.   **By whom are you employed?**

16   A.   I am employed by the Missouri Public

17   Service Commission.

18   Q.   **And are you the same Tom Imhoff who**

19   **prepared or caused to be prepared direct testimony**

20   **marked as Staff Exhibit 100?**

21   A.   Yes.

22   Q.   **And direct testimony marked as Staff**

23   **Exhibit 107?**

24   A.   Yes.

25   Q.   **Did you prepare portions of the Staff**

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 1   Class Cost of Service Report marked as Exhibit 108?

 2        A.    Yes.

 3        Q.    And did you prepare testimony --

 4   surrebuttal testimony marked as Staff Exhibit 125?

 5        A.    Yes.

 6        Q.    Do you have any corrections to any of

 7   that testimony?

 8        A.    I just have one correction, and it is

 9   on my direct testimony for the cost of -- for the

10   cost of service, and it's on page 2 where --

11        Q.    I'm sorry.  That direct testimony is

12   Exhibit 100?

13        A.    Yes.  And it's on page 2.  My current

14   position, it states rate and tariff examination

15   supervisor, and it should say manager.

16        Q.    Thank you, Mr. Imhoff.  Other than

17   that correction, if I asked you the same questions

18   today, would your answers be the same as they are

19   in your prefiled testimony?

20        A.    Yes, they would.

21        Q.    And would those answers be true and

22   correct to the best of your knowledge and belief?

23        A.    Yes, they would.

24             MR. BORGMEYER:  With that, your

25   Honor, Staff would submit Staff Exhibit 100, Staff
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 1   Exhibit 107, Staff's Class Cost of Service Report,

 2   Exhibit 108, and Exhibit 125 to be admitted into

 3   the record.

 4   JUDGE JORDAN: Hearing no objections,

 5   those exhibits will be entered into the record.

 6   (STAFF EXHIBIT NOS. 100, 107, 108 AND

 7   125 WERE RECEIVED INTO EVIDENCE.)

 8   MR. BORGMEYER: I tender this witness

 9   for cross.

10   JUDGE JORDAN: Cross-examination from

11   the Office of Public Counsel?

12   MR. POSTON: Thank you.

13   CROSS-EXAMINATION BY MR. POSTON:

14   Q.   I just want to verify with you that

15   the straight fixed variable proposal is -- you're

16   no longer proposing that in this case; that's

17   correct?

18   A.   That is correct.

19   Q.   And I just want to ask you question

20   about rate shock, the concept of rate shock. If

21   the Commission were to conclude in this case that

22   the proposed increases would constitute rate shock

23   to customers, how could the Commission address that

24   in this case?

25   A.   They could address it, I'm assuming,

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 1   in any way that they would determine would be the

 2   most appropriate way.  So, I mean, I can't speak

 3   for the Commission itself.  They would be the one

 4   that would decide.

 5        Q.   Are you aware of any past instances

 6   where this Commission or another Commission has

 7   addressed rate shock?

 8        A.   I'm aware in the past, such as for

 9   the Callaway and the Wolf Creek nuclear rate cases,

10   there was a phase-in because of the magnitude of

11   the rates that went into effect.

12        Q.   Do you know how that worked?

13        A.   No.

14        Q.   It was a phase-in meaning over a

15   poured of time the rates --

16        A.   I think that it went over several

17   years.  I can't give you the exact number of years,

18   but I know it was more than two.

19             MR. POSTON:  Thank you.  That's all I

20   have.

21             JUDGE JORDAN:  Cross-examination from

22   the Missouri School Boards Association?

23   CROSS-EXAMINATION BY MR. BROWNLEE:

24        Q.   Good morning.

25        A.   Good morning.
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1   Q.   Mr. Imhoff, you and I have known each

2   other, I guess, for a number of years. Good to see

3   you. I'm representing the Missouri School Boards

4   Association, and I know you're familiar with the

5   issues they've raised in this case, are you not?

6   A.   Yes.

7   Q.   And are you aware that, in fact,

8   Missouri School Boards Association, as a result of

9   looking at the cost of service studies, we and I

10   think everyone else didn't have any figures from

11   the Commission as to what the proposed rate

12   increase was really going to be to the schools

13   during the cost of service study?

14   A.   That is correct.

15   Q.   There were no numbers there, that is

16   no final numbers showing what the rate increase was

17   going to be to the school, were there?

18   A.   Not at the time, no.

19   Q.   And isn't it also true that the

20   Missouri School Boards Association sent a data

21   request to the Staff after the surrebuttal was, in

22   fact, filed asking that the Staff provide those

23   numbers, that is the percentage of increases that

24   would go to the schools?

25   A.   That is correct.

1   Q.   And again, I'm going to hand you what

2   we've -- I previously marked, the court reporter,

3   it's Exhibit 403.

4   (MSBA EXHIBIT NO. 403 WAS MARKED FOR

5   IDENTIFICATION BY THE REPORTER.)

6   BY MR. BROWNLEE:

7   Q.   Ask if you can identify that,

8   Mr. Imhoff?

9   A.   It is the Staff response to the

10   Missouri School Boards Association data request

11   that was submitted to the Staff.

12   Q.   And while the exhibit speaks for

13   itself, is it not, in fact, a spreadsheet or

14   columnar sheet showing what was the Staff's

15   original recommendation with the straight variable

16   and then it also has the column for the two-part

17   rate, correct?

18   A.   That is correct.

19   Q.   As far as you know, are those figures

20   on that sheet true and accurate to the best of your

21   information and belief?

22   A.   I believe so, yes.

23   Q.   And it's also true that while others

24   have, in fact, assisted with sponsoring and

25   preparing those numbers, you, in fact, are

 1 sponsoring this exhibit, is that correct, as being

 2 true and accurate?

 3   A.   Yes.

 4   Q.   And are you also familiar, and I

 5 think you've heard at least some comment today

 6 about the fact that there was a flex rate additive

 7 that would be included on these rates?

 8   A.   I'm not quite sure I understand what

 9 you mean by flex rate.

10   Q.   Are you aware that when the company

11 as an incentive went to a number of the people in

12 the service area and offered them a special

13 incentive, if they switch from propane to natural

14 gas they would be given a certain price break or an

15 advantage?

16   A.   I don't know.

17   Q.   You don't know that --

18   A.   No.

19   Q.   -- about that at all?

20   A.   No.

21   Q.   And are you aware that for the rates

22 the Staff has at least under their two-part, there

23 would also be an additive for the cash-out

24 provisions that are, of course, stipulated to but

25 would still affect your numbers?

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 1          A.    I'm not --
 2                MR. BORGMEYER:  I'm going to object
 3   to that.  I'm going to object in that it calls for
 4   speculation.  The cash-out provision is related to
 5   the transportation customers' purchasing
 6   activities.  I don't think that Mr. Imhoff can
 7   testify as to exactly how that cash-out provision
 8   would affect the schools' ultimate costs.  That has
 9   to do with how the schools purchase gas, not -- it
10   would affect what those -- that final costs would
11   be.
12                MR. BROWNLEE:  He can answer, I
13   guess.
14                JUDGE JORDAN:  Can you answer that
15   question?
16                THE WITNESS:  I would probably need
17   to refer to Staff witness Lesa Jenkins because
18   she's the one that dealt with the cash-out portion
19   of that, but --
20   BY MR. BROWNLEE:
21          Q.    So your --
22          A.    But --
23          Q.    I'm sorry.
24          A.    But basically, if the schools held to
25   their nominations, then there probably would not be
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 1 no cash-out. So it's to make them, I guess, be

 2 more conscientious of their purchases, purchasing

 3 practices.

 4   **Q.   So again, on the total increase, the**

 5 **two-part rate, you don't know if there's an**

 6 **additive for the loss of the flex rate or for the**

 7 **cash-out?**

 8   A.   Well, I mean, on the two-part rate,

 9 it does not include any cash-out percentage.

10   **Q.   And it doesn't include the loss of**

11 **the flex rate, to your knowledge?**

12   A.   No. No. It does include that.

13   **Q.   Your number you think includes that?**

14   A.   Yes, it does.

15   **Q.   Okay.**

16   JUDGE JORDAN: Counselor, your

17 questions are directed to Exhibit what?

18   MR. BROWNLEE: It would be 403, which

19 is -- that was the data request.

20   JUDGE JORDAN: Staff request to

21 MSBA --

22   MR. BROWNLEE: It's Data Request 234.

23 We had listed it on the --

24   JUDGE JORDAN: Okay. I have that on

25 my exhibit list as No. 703. That's the -- that's

 1   what's distributed to me. Also --

 2   MR. BROWNLEE: Our numbers were all

 3   400.

 4   JUDGE JORDAN: Yes. I'm looking at

 5   703 on this document.

 6   MR. BORGMEYER: The one that you

 7   passed out to me has 403 at the top.

 8   MR. BROWNLEE: Maybe it's dually

 9   numbered, because we -- we had marked it on our

10   exhibit list, but I didn't know whether I'd be

11   offering it, so I didn't premark it.

12   JUDGE JORDAN: I don't have a problem

13   with the numbering. I just need to straighten that

14   out.

15   MR. BROWNLEE: I think they're both

16   the same, probably. It's Staff data response to

17   DR 234.

18   JUDGE JORDAN: That's what I need to

19   know. It also would be good to have copies for the

20   Bench.

21   MR. BROWNLEE: I think I have enough.

22   Maybe I need to collect some back.

23   MR. BROWNLEE: I don't think I have

24   anything else, and I'm going to at this time offer

25   Exhibit 403.

 1   JUDGE JORDAN: I'm not hearing any

 2   objection.

 3   MR. BORGMEYER: No objection, your

 4   Honor.

 5   JUDGE JORDAN: So I will enter

 6   Exhibit 403 into the record.

 7   (MSBA EXHIBIT NO. 403 WAS RECEIVED

 8   INTO EVIDENCE.)

 9   MR. BROWNLEE: Thank you.

10   JUDGE JORDAN: Cross-examination from

11   the Missouri Propane Gas Association?

12   MR. JARRETT: No questions.

13   JUDGE JORDAN: Cross-examination from

14   Summit?

15   MR. COOPER: Yes, your Honor.

16   CROSS-EXAMINATION BY MR. COOPER:

17   Q.   Mr. Imhoff, you had discussed a

18   phase-in, I think, or provided the word phase-in in

19   one of your responses a little bit ago, correct?

20   A.   That is correct.

21   Q.   If you know, the statute in Missouri

22   that provides for phase-ins, does it only apply to

23   electrics, the electric industry?

24   A.   I don't know.

25   Q.   Have you been involved in discussions

 1   of phase-ins before, either proposed if not

 2   enacted?

 3   A.   The only discussion on phase-in was

 4   during Summit's negotiation period.

 5   Q.   Would you agree with me that

 6   oftentimes phase-ins become complicated as you try

 7   to figure out what to do with the amount that's

 8   being deferred and whether that should have a

 9   carrying cost or when that amount, that deferred

10   amount should be recovered?

11   A.   I would agree with that, yes.

12   MR. COOPER: That's all the questions

13   I have.

14   JUDGE JORDAN: Very good. Questions

15   from the Bench for this witness?

16   CHAIRMAN KENNEY: No, thank you.

17   COMMISSIONER W. KENNEY: No.

18   JUDGE JORDAN: I have no questions.

19   Any redirect from Staff?

20   MR. BORGMEYER: Just briefly, your

21   Honor.

22   REDIRECT EXAMINATION BY MR. BORGMEYER:

23   Q.   So, Mr. Imhoff, the Staff's DR

24   response, do those percentages include the cost

25   increase to the schools that would be associated

 1 **with Staff's recommendation to move the schools to**

 2 **a per-meter charge?**

 3   A.   Yes.

 4   Q.   **Do those percentages include the**

 5 **impact to the schools' bill that would be realized**

 6 **if you factored in gas costs?**

 7   A.   I'm not quite sure I understand your

 8 question.

 9   Q.   **The DR response, does that**

10 **calculation include gas costs?**

11   A.   No, it did not.

12   MR. BORGMEYER: I just have one brief

13 exhibit to pass out here.

14   (STAFF EXHIBIT NO. 139 WAS MARKED FOR

15 IDENTIFICATION BY THE REPORTER.)

16 BY MR. BORGMEYER:

17   Q.   **Okay. Mr. Imhoff, I've handed you**

18 **what's been marked as Staff Exhibit 139. Do you**

19 **recognize that document?**

20   A.   Yes, I do.

21   Q.   **And how do you recognize that?**

22   A.   It's -- it was part of the

23 calculation that we had done in response to the

24 Missouri School Boards Association's data request

25 upon the Staff. However, that only reflected the

1   change on the margin rates. So we wanted to see

2   what the total overall impact would be when you

3   also included an approximation of what the gas cost

4   piece of that would be as well.

5   **Q.   And did you do those calculations?**

6   A.   It was under my direction, yes.

7   **Q.   Now, the PGA would not be a perfectly**

8   **accurate prediction of what the gas costs will be,**

9   **isn't that --**

10   A.   For purposes of Staff Exhibit 139, we

11   used Summit's current PGA rate for the Rogersville

12   district because that's where all the -- that's

13   where all of the schools are located is in the

14   Rogersville district. So -- and that current PGA

15   rate is approximately $5.754 per MCF.

16   **Q.   And then just broadly, what -- what**

17   **does this exhibit show as far as the relationship**

18   **between the DR response that you just talked about**

19   **and the actual bills that the schools will receive?**

20   A.   Basically, what -- what we did was,

21   we wanted to see what the total overall impact

22   would be with the rate increase because when I --

23   when a customer, that being a school or a

24   residential customer, they want to know what their

25   total bill is going to be. How much is it going to

 1   increase in total?

 2   So by taking the company's current

 3   PGA rate, we had roughly a percentage increase on

 4   these school districts anywhere from 9 percent to

 5   25 percent on their total bill, on their total

 6   bill.

 7   MR. BORGMEYER: Thank you. No

 8   further questions.

 9   JUDGE JORDAN: Then you may stand

10   down. The Commission will --

11   MR. BROWNLEE: We've never seen that

12   until just now. I've got one question if I might.

13   JUDGE JORDAN: It hasn't been moved

14   into evidence yet.

15   MR. BORGMEYER: Staff would move for

16   Exhibit 139 to be into evidence.

17   JUDGE JORDAN: MSBA has an objection?

18   MR. BROWNLEE: No, no objection. I'd

19   have one question, though.

20   MR. COOPER: I think we're out of

21   questions.

22   JUDGE JORDAN: We'll take that up

23   after recess at one o'clock.

24   (A BREAK WAS TAKEN.)

25   JUDGE JORDAN: We are back on the

 1   record. And before we recessed, Mr. Imhoff was on

 2   the stand and was discussing Exhibit No. 139 of

 3   Staff, and Missouri School Boards Association had

 4   some questions regarding this exhibit in the nature

 5   of voir dire for this witness.

 6   So if Mr. Imhoff will resume the

 7   stand, we can take up where we left off.

 8   MR. COOPER: I guess I had pointed

 9   out, your Honor, that this is contrary, I guess, to

10   the practice we've used in the past. Questions

11   beyond redirect would be out of the ordinary.

12   MR. BROWNLEE: If I can address that?

13   When they introduce an exhibit that no one -- at

14   least I'd never seen and question him about it, I

15   think it would waive any -- because otherwise we

16   have -- they're able to have a witness produce

17   evidence in which the parties are essentially

18   prohibited from cross-examining.

19   I mean, this is not just redirect.

20   It's on a whole new issue that's been brought up

21   and a new exhibit.

22   MR. COOPER: But it was only brought

23   about because of the cross-examination of one of

24   the parties, right? I mean, had there been no

25   cross-examination of Mr. Imhoff, there would have

1 been no opportunity for Staff to offer that

2 exhibit.

3   JUDGE JORDAN: Well, insofar as that

4 constitutes an objection, I will overrule it.

5 Mr. Brownlee.

6 VOIR DIRE EXAMINATION BY MR. BROWNLEE:

7   Q.   Mr. Imhoff, do you have a copy of

8 Exhibit 139 in front of you?

9   A.   Yes, I do.

10   Q.   Okay. And if you'll just take a look

11 at it. Refresh my memory. What was the reason you

12 used the PGA rate figure in this exhibit?

13   A.   The reason why I wanted to use that

14 was to show an estimate on what the school would

15 see as far as their total bill, not just the margin

16 piece of it, but it would also include the gas cost

17 side of it.

18   Q.   Are you aware that the schools don't

19 pay the PGA rate?

20   A.   I am aware that they do not pay the

21 PGA rate, but they do pay for gas. I don't know

22 what that rate is.

23   Q.   Well, the point being, they buy open

24 market gas, and by you using this PGA factor in

25 here, it's something the schools don't even

 1 utilize. Are you aware of that?

 2   A.   I'm not quite sure I understand your

 3 question --

 4   Q.   Well, by your including --

 5   A.   -- that they don't utilize. They do

 6 purchase gas, I believe.

 7   JUDGE JORDAN: One at a time, please.

 8 BY MR. BROWNLEE:

 9   Q.   They buy gas on the open market, but

10 you've used a PGA rate which the schools, in fact,

11 don't use?

12   A.   That is true, yes.

13   MR. BROWNLEE: Thank you.

14   JUDGE JORDAN: And I think that

15 concluded redirect; is that correct?

16   MR. BORGMEYER: I have no further

17 questions, your Honor.

18   MR. COOPER: I have a question.

19   JUDGE JORDAN: Counsel.

20 VOIR DIRE EXAMINATION BY MR. COOPER:

21   Q.   Did you have the option of utilizing

22 the school districts' actual gas purchase rate?

23   A.   I could have if I would have known

24 what it was, but I don't know what the schools pay.

25   Q.   And so you used the PGA a substitute

 1   **for that?**

 2   A.   That is correct.

 3   JUDGE JORDAN: Questions from the

 4   Bench on this exhibit?

 5   CHAIRMAN KENNEY: I don't have any.

 6   COMMISSIONER STOLL: I would ask one

 7   quickly.

 8   QUESTIONS BY COMMISSIONER STOLL:

 9   **Q.   Are we to assume that the -- that the**

10   **open market rate would be lower than the PGA rate?**

11   A.   I'm not sure what -- what the schools

12   are paying. I would assume that it would be less,

13   but I don't know.

14   COMMISSIONER STOLL: Okay. Thank

15   you.

16   JUDGE JORDAN: All right. Well, that

17   concludes Staff's presentation on this issue.

18   Missouri School Boards Association has asked to

19   take its witness, Mr. Ervin, out of order.

20   MR. BROWNLEE: Thank you.

21   JUDGE JORDAN: And I see no objection

22   to that, so we will do that.

23   (Witness sworn.)

24   LOUIE R. ERVIN, SR. testified as follows:

25   DIRECT EXAMINATION BY MR. BROWNLEE:

 1   Q.   Would you state your name for the

 2   record.

 3   A.   Louie R. Ervin, Senior.

 4   Q.   And by whom are you employed?

 5   A.   Latham & Associates.

 6   Q.   And briefly describe that business.

 7   A.   We're independent energy advisors for

 8   large consumers of natural gas electricity.

 9   Q.   And have you been employed by the

10   Missouri School Boards Association in this and

11   other cases involving the school transportation

12   issue?

13   A.   Yes, I have.

14   Q.   And were you also instrumental in the

15   early 1900s (sic), in fact, writing the statute

16   that we're dealing with here today?

17   A.   Yes, I was.

18   Q.   Mr. Ervin, we've previously asked the

19   court reporter to mark three separate sets of

20   exhibits, Exhibit 400, 401 and 402. 401 is your

21   direct testimony, is it not? I mean 400, I'm

22   sorry, is your direct?

23   A.   Yes, it is.

24   Q.   Do you have any additions or

25   corrections for the record on that testimony as

 1   well as the exhibits attached thereto?

 2   A.   Not the direct, no.

 3   Q.   Okay. And if I asked you the same

 4   question for Exhibit 401, are there any corrections

 5   to that testimony?

 6   A.   Yes. There is a typographical error

 7   on page 10, line 6. The very last number on that

 8   line is 07.

 9   Q.   It's 97. It should be 07?

10   A.   No. It says 07, and it should be 97.

11   Does your say 97?

12   Q.   Mine says 97.

13   A.   Then there's no error.

14   MR. BORGMEYER: I'm sorry. Which

15   piece of testimony are we in?

16   THE WITNESS: Surrebuttal.

17   MR. BROWNLEE: Exhibit 400 on

18   page 10. I've asked him about a change that wasn't

19   there.

20   BY MR. BROWNLEE:

21   Q.   Okay. Well, that's easy. Let's see

22   if I can do better with Exhibit -- with

23   Exhibit 402, please. Are there any corrections or

24   additions?

25   A.   Yes. On page 5, line 7, the word if

Page 345

 1 was left out between even and the. So that line

 2 should read, the company, even if the company

 3 receives 50 percent or less of what they requested.

 4   MR. BORGMEYER: I'm sorry. Could you

 5 just clarify what piece of testimony that is? I

 6 don't have --

 7   MR. BROWNLEE: 402. It's the

 8 surrebuttal.

 9   MR. BORGMEYER: Okay. Thank you.

10   MR. BROWNLEE: Page 5, line --

11   THE WITNESS: 7. It should say, if

12 the company receives.

13   MR. BORGMEYER: On page 7?

14   THE WITNESS: Page 5, line 7.

15   MR. BORGMEYER: Page 5, line 7.

16 Okay. Sorry about that.

17   MR. BROWNLEE: Even if the company.

18   MR. BORGMEYER: Thank you. Sorry

19 about that.

20   MR. BROWNLEE: Sorry. I just

21 approached the lawyer, not the witness.

22 BY MR. BROWNLEE:

23   Q.   **Mr. Ervin, if I ask you the same**

24 **questions and answers to Exhibits 400, 401 and 402,**

25 **would your responses be the same as printed?**

 1   A.   Yes, they would.

 2   MR. BROWNLEE: With that, your Honor,

 3   I'm going to offer Exhibits 400, 401, 402, and

 4   tender Mr. Ervin for cross-examination.

 5   JUDGE JORDAN: Cross-examination from

 6   the Missouri Propane Gas Association?

 7   MR. JARRETT: No questions.

 8   JUDGE JORDAN: Cross-examination from

 9   Summit?

10   MR. COOPER: Yes, your Honor.

11   CROSS-EXAMINATION BY MR. COOPER:

12   Q.   Would you agree with me that the

13   process of rate design is generally deciding who

14   will pay and how much they will pay in order to

15   allow the company the opportunity to recover a

16   revenue requirement?

17   A.   Yes, generally.

18   Q.   I believe in opening Mr. Brownlee

19   talked about some -- well, I don't think he

20   specified, but he essentially asked for some

21   special consideration that would lower the amount

22   to be paid by the schools that are in the school

23   aggregation program.

24   If those dollars aren't paid by the

25   schools in the school aggregation program, who

 1   **should pay them?**

 2   A.   I didn't hear him ask that question,

 3   but I think it was more a matter of when they

 4   should be paid and whether they should be phased

 5   in, as opposed to shifting costs to some other

 6   group.

 7   **Q.   Well, let's say that they're phased**

 8   **in, and in year one the schools pay something less**

 9   **than would be called for by the rate design. Who**

10   **will pay the difference in year one?**

11   A.   Typically the phase-in approaches

12   that I've been involved with at the Illinois

13   Commerce Commission and the Iowa Utilities Board,

14   it's been a -- the company would receive a carrying

15   cost and that the same customer group would pay for

16   those.

17   The case that was just settled in the

18   Illinois Commission was the rate phase for grain

19   dryers. Because they were experiencing a much

20   larger increase than other customers, that would be

21   phased in over three years, and that the company

22   would get, I don't remember if it was the cost of

23   debt or their average cost carrying charge.

24   **Q.   So in that scenario, it ultimately**

25   **gets paid by the same group of customers but with**

 1   interest at some point in the future, correct?

 2   A.   Yes.

 3   MR. COOPER: That's all the questions

 4   I have.

 5   JUDGE JORDAN: Cross-examination from

 6   Staff?

 7   MR. BORGMEYER: Yes, your Honor.

 8   CROSS-EXAMINATION BY MR. BORGMEYER:

 9   Q.   Good afternoon, Mr. Ervin.

10   A.   Good afternoon.

11   Q.   You are the executive vice president

12   of Latham & Associates; is that correct?

13   A.   Latham, yes.

14   Q.   And you're an energy advisor?

15   A.   Yes.

16   Q.   And your clients include schools

17   participating in aggregate gas and electric

18   programs in six states?

19   A.   Yes. I've helped develop school

20   aggregation programs across multiple states, in

21   those six as well as non-school aggregate programs.

22   Q.   And you were a big player in drafting

23   what became 393.310, Revised Statutes of Missouri,

24   correct?

25   A.   Depends on the definition of big

1   player, but I was original author. And typically

2   legislation, as was in this case, doesn't always

3   turn out exactly the way you originally draft it.

4   Q.   But that's what we call the school

5   aggregation program statute, right?

6   A.   Yes, Section 393.310.

7   Q.   Your direct testimony mentions that

8   the Missouri School Board Association uses a

9   third-party administrator and advisor; is that

10 correct?

11   A.   The School Board Association employs

12 an advisor, which is Latham & Associates. Okay.

13 And then they also employ a program administrator

14 or pool operator. The pool operator handles the

15 day-to-day activities of scheduling deliveries of

16 natural gas through the -- from basically the

17 source through the pipeline, interstate pipelines

18 to deliver to the local utilities. They also do

19 the billing and administrative end. Our role is

20 providing advice and consultation.

21   Q.   And what is the name of that

22 third-party administrator?

23   A.   Currently, the name of that company

24 is Continuum. They just changed their name from

25 Seminal Energy.

1   Q.   And is there any relationship between

2   Latham & Associates and that -- that entity you

3   just mentioned?

4   A.   No. We are independent of all gas

5   and electric marketers, utilities, pipelines. We

6   have no affiliations whatsoever, other than our

7   advice.

8   Q.   Does the advice that you provide the

9   MSBA include advice on selecting a third-party

10   administrator?

11   A.   It does.

12   Q.   Now, prior to the enactment of the

13   school aggregation program statute, the schools

14   paid a per-meter charge; is that correct?

15   A.   When the schools -- before the

16   aggregation program, was that your question?

17   Q.   Yes. Before the aggregation program

18   was implemented, the schools were paying a

19   per-meter charge?

20   A.   They paid whatever the local

21   utility's rate that they qualified for, and I'm not

22   sure that that was the case for Summit, because I

23   think they went directly to the transportation

24   rather.

25   But when the program was first

 1   implemented, like for Missouri Gas Energy or

 2   Laclede or Ameren, those schools had been on the

 3   sales rate buying gas and delivery services under

 4   that rate, and most all if not all of those did

 5   have a customer charge. Does that answer what

 6   you're looking for?

 7   Q.   I think so. So what you're saying is

 8   that, prior to the statute, those schools would

 9   have been in the general service, large general

10   service class and receiving retail service from

11   Summit under the tariffs?

12   A.   Not from Summit, because I don't -- I

13   think they were pretty much on propane, and then

14   they switched directly to the school aggregation

15   program. I don't think they preexisted on natural

16   gas like they did on Ameren or Laclede or -- and

17   then made the switch from natural gas sales service

18   to natural gas school transportation service.

19   Q.   Are there gas meters at those

20   schools?

21   A.   Yes.

22   Q.   And has there -- has the physical

23   meter at any school in the Rogersville district

24   changed since the school aggregation program began?

25   A.   I don't think so. If it -- if they

1   did, it was at the company's discretion for some

2   research information. Under the statute, only

3   those schools that are less than 100 -- excuse

4   me -- that are over 100,000 therms per year require

5   the electronic telemetry for the daily information

6   to be fed back to the company and the pipelines.

7   And all of these schools in the -- in

8   the program that are served by this company are

9   smaller than that. So none of them -- I mean, it's

10   the same meter as if they were on the sales

11   service.

12   Q.   Okay. And so then my question is,

13   the enactment of the school aggregation program

14   statute did not directly result in any physical

15   changes to the meters at any of the schools in the

16   Rogersville area?

17   A.   No, because the statute was enacted

18   about 2002, and most of these schools didn't switch

19   until after 2002. But their switch, again, wasn't

20   from company-provided gas under the sales rate to

21   the school aggregation program. Their switch was

22   from propane to the school aggregation program,

23   which is pretty much different than all the other

24   utilities in this state.

25   Q.   So is it your position in this case

 1   that the schools should pay less than their cost of

 2   service?

 3   A.   No, not at all.

 4   Q.   Is it your position that the schools

 5   should pay more than their cost of service?

 6   A.   No.

 7   MR. BORGMEYER: No further questions.

 8   JUDGE JORDAN: Cross-examination from

 9   the Office of Public Counsel?

10   MR. POSTON: Yes. Thank you.

11   CROSS-EXAMINATION BY MR. POSTON:

12   Q.   Were you in the room yesterday during

13   the general open statements?

14   A.   No, I was not.

15   Q.   Okay. So you weren't here, then, to

16   hear, I guess, some percentage impacts that your

17   counsel gave regarding the impacts that the

18   proposed rate increase would have on the schools?

19   A.   I wasn't here, but I had conversed

20   with our counsel.

21   Q.   The percentages that he gave were in

22   80 percent range, even up to 90 percent. Does that

23   sound consistent with your understanding of what

24   the impacts would be?

25   A.   The answer to that is yes, but

 1   understand that that 80 percent is -- consists of

 2   three components: This rate increase, plus the

 3   rate increase that they got effective at the

 4   beginning of this year. When the test year 2013

 5   flex rates were withdrawn, the company unilaterally

 6   pulled those contracts and said, you're going to

 7   start paying the full rate.

 8   So that was -- well, for Lebanon,

 9   that was like a little over a 30 percent increase.

10   On average, it was probably closer to 11 percent

11   increase. And then these increases are on the

12   range -- I've got an exhibit here that shows that.

13   They vary from -- the Staff's numbers were in the

14   50s for the most part, 50 percent increase. But

15   that was based upon the test year, which the test

16   year still had those lower flex rates. So we got

17   that increase on top of that.

18   And then the third increase would be,

19   per the provisions, there will be a cash out. And

20   while that is dependent upon various actions,

21   that's probably about another 20 percent increase.

22   So in total, the schools for Lebanon

23   would be -- well, I calculated 97 and a half

24   percent increase for Lebanon, and most of the

25   others are in the 70 to 80 percent range. So I

1 concur with that 80 percent is a reasonably average

2 number.

3   Q.   And that -- you've been in the room

4 today during -- I guess earlier today there was

5 testimony about that this increase was just on the

6 non-gas costs versus the overall cost of service,

7 which would include gas costs. Did you hear that

8 testimony?

9   A.   I did. But understand that the only

10 thing under the jurisdiction of the Commission is

11 the delivery cost. The cost of gas in the

12 marketplace is open competition. The price for the

13 delivery through the interstate pipeline is under

14 the Federal Energy Regulatory Commission's

15 jurisdiction.

16   But, you know, if you put in the cost

17 of gas that the schools are paying -- and

18 Mr. Imhoff didn't have that, but I do -- we're

19 paying about $4 per million BTUs on open market

20 delivered to the Summit system through Southern

21 Star Pipeline.

22   And if you -- if you roll that in

23 before the flex rate went away, that delivery

24 charge was about 45 percent of the total bill.

25 Okay. Now, most utilities, that deliver charge is

 1   20, 30 percent. So Summit was considerably higher

 2   before that.

 3   After that flex rate went away, the

 4   delivery charge then became the dominant part of

 5   the total bill. It went up to a little over

 6   60 percent of the total bill. And with the

 7   cash-out, it's going to be right at 70 percent of

 8   the total bill.

 9   So when you look at, say, an Ameren

10   or a Laclede or Missouri Gas Energy, they may have

11   30 percent of the total bill as a delivery charge,

12   but based upon all of these increases, it's going

13   to be about 70 percent for the schools on Summit.

14   So the delivery charge becomes by far the dominant

15   piece.

16   MR. POSTON: That's all I have.

17   Thank you.

18   JUDGE JORDAN: Questions from the

19   Bench?

20   CHAIRMAN KENNEY: No, thank you.

21   COMMISSIONER W. KENNEY: Yes.

22   QUESTIONS BY COMMISSIONER W. KENNEY:

23   Q.   **Thank you, Mr. Ervin. Just a**

24   **follow-up question first. Why are Summit's**

25   **delivery charges so high compared to Missouri Gas**

 1   **Energy or Laclede?**

 2   A.   Well, just from a general point of

 3   view --

 4   Q.   **I mean, just take Staff's projections**

 5   **for their increase as an example.**

 6   A.   Well, I'm not testifying on the

 7   revenue requirement, but I can tell you -- I think

 8   I can answer your question pretty well, and that is

 9   that Summit is a relatively new utility. Their

10   plant that's in service is relatively new compared

11   to Missouri Gas Energy or Laclede. It's not

12   heavily depreciated.

13   And furthermore, it's in the southern

14   part of Missouri that is rocky. It costs more to

15   install. So new plant, higher -- today's costs,

16   less depreciation, and then it's fairly rural area,

17   and it doesn't have a lot of volume over which to

18   spread those higher costs.

19   So I'm not surprised that Summit has

20   a higher cost for delivery, and I don't -- does

21   that come close to answering your question?

22   Q.   **You stated the reasons why, because**

23   **it's rural, fewer customers, soil type and**

24   **everything like that, right? So you expect them to**

25   **have a higher --**

```
 1          A.    Yeah.  I fully expect them to have a

 2    higher price.

 3          Q.    Now, have you worked with many --

 4    because this situation, I imagine these 11 school

 5    districts -- I don't know how many of them

 6    converted from propane.

 7          A.    I think all of them did.

 8          Q.    So they all converted from propane.

 9    Have you worked with a lot of school districts that

10    have done that?

11          A.    Yes.  In fact, I was responsible for

12    the State of Iowa's natural gas system for what's

13    now Alliant Energy, and we installed 500 miles of

14    pipe connecting up 52 new communities, and we did

15    the same thing that Summit's doing.  We went around

16    and competed with propane to -- for residential,

17    commercial, schools.  We tried to connect as much

18    as we could to spread these fixed costs basically

19    of overheads and buried pipe.

20          Q.    Why would these 11 school districts,

21    why would they choose to go off of propane and go

22    onto natural gas?

23          A.    Well, a lot of it had to do with the

24    flex lower rates that were offered to them at the

25    time and the no-cost conversion.
```

1   Q.   Which is mainly con-- okay. That's

2   not counting the pipes Summit has to run, but the

3   conversions, you're talking at the burner tips, at

4   the furnace, at the water heater?

5   A.   That and the service line and --

6   Q.   But those are new service lines. If

7   they're doing propane, it's usually a tank and it's

8   a --

9   A.   Right.

10   Q.   -- copper line probably from way

11 back. So they had to do all that. But does

12 anything prevent those school districts from going

13 back to propane?

14   A.   Nothing other than economics.

15   Q.   Well, explain the economics. Is it

16 very expensive to replace -- to convert a burner

17 tip at a furnace?

18   A.   Not if all you have to do is change

19 the orifice, but most of these pipes -- propane

20 systems probably are -- have been dormant or else

21 torn out. So you'll probably have to do some

22 repiping as well as just right at the burner tip.

23 But still, there's -- I mean, it becomes a question

24 of, well, what does it cost and --

25   Q.   Sure.

 1   A.   -- where am I better off?

 2   Q.   The only reason I bring that up,

 3   because when I was at one of the local public

 4   hearings, a lot of the chicken farmers were

 5   complaining about that because they're saying, hey,

 6   we hooked up because it saved us money and we

 7   didn't have to worry about the spikes, and now

 8   they're going to raise our rates.

 9   I'm a propane user, so I understand

10   cost spikes. And I have a friend who's a big hog

11   farmer, and last year you saw a lot of the problems

12   in propane with some contracts not being met

13   because of economic conditions because of the --

14   the companies really just losing money trying to

15   buy propane on the open market. They didn't have

16   enough contracts.

17   I guess what I'm getting to, probably

18   the economic reason the schools switched is for a

19   lot -- I mean, for -- it's an easier system. You

20   don't have to look at a tank. And economically it

21   probably cost less money, and they probably

22   projected less money in the future; wouldn't you

23   agree?

24   A.   I think that's right, but I don't

25   know that those projections are necessarily

1   accurate given the change in circumstances. When

2   they went from about 45 percent of their bill for

3   delivery to 75 or 80 percent, the economics

4   changed.

5   But there's another dynamic there

6   that really changed, too, and that is over the

7   last -- really since they've converted, natural gas

8   prices are about what I negotiated in 1984. And a

9   lot of that has to do with the shale oil extr-- the

10   shale extraction process.

11   So when you look at fluctuations on

12   propane, that's a market price that we don't have

13   control over. The Commission doesn't have

14   jurisdiction.

15   **Q.   Our legislature was working on that**

16   **last year to try to put the propane industry**

17   **underneath the Commission.**

18   A.   Well, the commodity part of it or

19   just the --

20   **Q.   Yeah. I don't know.**

21   A.   Anyway, but the -- but then you're

22   always trying to compare all the different fuels.

23   You're comparing what's the price of fuel oil,

24   what's the price of heating schools with

25   electricity? I mean, there was a lot of electric

 1   heating done particularly on the Ameren system and

 2   in the rural areas at different times. What is it

 3   for propane? What is it for geothermal? Can I

 4   extract heat out of the ground? So whether it's a

 5   school or --

 6   Q.   Let's just stick to propane and

 7   natural gas just for this discussion.

 8   A.   Okay.

 9   Q.   And I'll probably be just one more

10   question. With these new rates that are proposed

11   by the company, under current average of propane

12   over the last five years, would it -- is it

13   feasible -- would it be feasible for these

14   districts to stay where they are or would they be

15   better off with propane, at the current costs that

16   are suggested by the company?

17   A.   I don't know what the average price

18   of propane was, but I can tell you this, that if

19   you base that decision on what it was over the last

20   five years, you probably missed the boat because

21   that's not what the price is going to be over the

22   next five years.

23   Q.   What's propane going to do over the

24   next five years?

25   A.   I wish I knew and I could charge

 1   more.

 2   Q.   I was going to say, I'll call my

 3   broker.

 4   A.   I can tell you what the price of

 5   natural gas is going to be if you sign -- if you go

 6   out to the New York Mercantile Exchange and you

 7   lock in the futures, it's about $4 today through

 8   this next winter.

 9   Q.   It's projected to stay very low for

10   the next --

11   A.   It is.

12   Q.   -- several years.

13   A.   And the industry is saying that

14   probably in the next 20, 30 years, we're going to

15   see lower prices. But I can also tell you that my

16   hair was darker than yours when they told me that I

17   could not hook up -- when I was responsible for a

18   utility gas system, I could not hook up any more

19   gas customers because we were running out of gas

20   supply.

21   Q.   I think I remember that. Thank you

22   very much, Mr. Ervin. Appreciate you coming down

23   from Iowa.

24   QUESTIONS BY COMMISSIONER STOLL:

25   Q.   One question. Could you explain the

 1   **term cash out?**

 2   A.   Yes.   Cash out is a result of a

 3   difference, which is called an imbalance, between

 4   the amount of gas that is delivered to the utility

 5   and how much is actually used.

 6   So if you deliver to 79 school

 7   accounts off from the interstate pipeline 100 units

 8   and at the -- for the month, and at the end of the

 9   month you read all these 79 meters and you add them

10   up and there were 99, then you're out of balance by

11   one unit that you delivered too much.

12   So the company -- I'll come back to

13   that. But on the other hand, if you used 101 and

14   you delivered 100, then you used one that wasn't

15   yours. The company supplied it.

16   So what Laclede and Missouri Gas

17   Energy and what this company has been doing for the

18   school program is we've been paying what's called a

19   balancing charge, and that's in that statute,

20   393.310. So the schools pay to have the company

21   either absorb our extra that we've delivered or

22   provide what we were short on, and there's some

23   cost associated with that, and that's -- that's a

24   balancing charge.

25   But at the end of this case, the

 1   proposal that's stipulated to is that they won't

 2   carry that balance over to next month and say,

 3   okay, you were short by one unit, so you owe us one

 4   and pay us back, or vice versa. They're saying,

 5   whoever owes, either you pay us or we pay you, and

 6   that's called a cash out.

 7   **Q.   Okay. Good explanation. Thank you.**

 8   A.   You bet.

 9   JUDGE JORDAN: I have no questions.

10   Before you leave the stand, I want to clarify the

11   record on something. I'm going to ask

12   Mr. Brownlee, Missouri School Boards Association

13   has offered the following exhibits, if I remember

14   correctly. They are 400, 401, 402 and 403, and

15   that's all?

16   MR. BROWNLEE: I was going to -- I

17   had a minute to redirect. I may have one more,

18   yeah, that he's brought up in this testimony.

19   JUDGE JORDAN: That's fine. Let's go

20   to recross then. Missouri Propane Gas Association?

21   MR. JARRETT: No questions.

22   JUDGE JORDAN: Summit?

23   MR. COOPER: No questions.

24   JUDGE JORDAN: Recross from Staff?

25   MR. BORGMEYER: No questions, your

 1   Honor.

 2   JUDGE JORDAN: Recross from the

 3   Office of Public Counsel?

 4   MR. POSTON: No questions.

 5   JUDGE JORDAN: Then we'll go to

 6   redirect.

 7   REDIRECT EXAMINATION BY MR. BROWNLEE:

 8   **Q.   Mr. Ervin, during the**

 9   **cross-examination and questions from the Bench, you**

10   **mentioned and were asked questions about the Staff**

11   **proposal which was in the data request that**

12   **Mr. Imhoff identified that had the two-part**

13   **increase, and then you mentioned the flex rate as**

14   **well as the cash out; is that correct?**

15   A.   Yes.

16   **Q.   And have you, in fact, prepared an**

17   **exhibit that outlines those and that is -- explains**

18   **in detail that for your -- that was addressed in**

19   **your testimony?**

20   A.   Yes. What I've done is essentially

21   the same thing that Mr. Imhoff did, is I added the

22   cost of gas but not using the PGA. I used market

23   price that the schools purchase at. And then I

24   also used the -- or I showed the increase due to

25   the loss of the flex rate and also the estimated

1 increase of about 20 percent due to the cash-out

2 provision.

3   Q.   So it includes all three of the

4 factors that you mentioned, it has beginning cost

5 of the transportation, plus the percentage for the

6 loss of the flex rate when they switched from

7 propane to gas plus the cash out; is that correct?

8   A.   It is.

9   Q.   And has that been set forth in

10 Exhibit 404?

11   A.   Yes.

12   MR. BROWNLEE: At this time, your

13 Honor, I'm going to ask the court reporter to mark

14 Exhibit 404.

15   (MSBA EXHIBIT NO. 404 WAS MARKED FOR

16 IDENTIFICATION BY THE REPORTER.)

17 BY MR. BROWNLEE:

18   Q.   Mr. Ervin, I've handed you what we've

19 asked the court reporter to mark Exhibit 405 (sic)

20 and ask if you would identify that, please.

21   A.   Yes. This is an exhibit I prepared.

22   Q.   And quickly, does it have the --

23   A.   Excuse me. Did you say 405?

24   Q.   404.

25   A.   Yes.

1   Q.   And if you look at that exhibit,

2   what's really, with the cover sheet, the second

3   page, the part that Mr. Imhoff testified is really

4   the second column, is it not, the Staff proposed

5   two-part increase?

6   A.   That is -- that is the second column

7   that the Staff had before they added the PGA.

8   Q.   Correct. But just on what they

9   originally supplied with the answer to the data

10   request, that's correct, is it not?

11   A.   Yes. Those are Staff numbers.

12   Q.   Correct. Do you also have columns

13   with the pre -- the 2013 pre-loss of the flex to

14   show the increase?

15   A.   Yes.

16   Q.   And that would be the next to the

17   last column. And then finally is the third column

18   the cash-out additive?

19   A.   Correct.

20   Q.   And so those figures in that -- the

21   very final column would be the total according to

22   your testimony and your analysis of what would be

23   impacted to the school districts; is that correct?

24   A.   Yes, as a percentage increase on the

25   delivery charge only.

 1   Q.   Okay.

 2   A.   The other percentages down lower

 3   include the cost of gas.

 4   Q.   **The cost of gas. And that was the --**

 5   **that was really the question that Commissioner**

 6   **Kenney asked yesterday, the breakdown between what**

 7   **we're talking about today are the transportation**

 8   **side, and then you've also included the gas side at**

 9   **the bottom of this exhibit, have you not?**

 10   A.   Yes.

 11   Q.   **And that's what you testified to**

 12   **earlier, that many cases that transportation cost**

 13   **is 20 to 30 percent, but with these additives and**

 14   **these numbers added up in this case it's going to**

 15   **be approximately 70 percent; is that correct?**

 16   A.   Yes. My calculation shows 69 percent

 17   as an estimate.

 18   Q.   **And wouldn't it also be true that**

 19   **when we look at that percentage, the other**

 20   **remaining of the 100 would be the gas costs that**

 21   **Commissioner Kenney and others have addressed**

 22   **today?**

 23   A.   That's right.

 24   MR. BROWNLEE: At this time I'm going

 25   to offer Exhibit 404. Thank you.

 1   JUDGE JORDAN: Objections?

 2   MR. BROWNLEE: I have no further

 3   questions.

 4   MR. BORGMEYER: I would just -- your

 5   Honor, I would just say that this is the first time

 6   any of the parties have seen this, and I guess

 7   Mr. Brownlee was allowed to cross on his new

 8   exhibit. I think the parties should have an

 9   opportunity to ask some cross on this one.

10   JUDGE JORDAN: All right. Why don't

11   we just go ahead and do this in the order of cross,

12   and we'll take inquiries from the Bench, if there

13   are any. Then we will start with Missouri Propane

14   Gas Association.

15   MR. JARRETT: No, thank you.

16   JUDGE JORDAN: Summit, any questions

17   regarding this exhibit?

18   MR. COOPER: Yes, your Honor.

19   VOIR DIRE EXAMINATION BY MR. COOPER:

20   **Q.   Mr. Ervin, you added, it looks like,**

21   **a 20 percent increase associated with the cash-out**

22   **provision. As I understood your answer to**

23   **Commissioner Stoll, it sounded as if the influence**

24   **of the cash-out is due to the shipper's decisions,**

25   **activities, how they conduct their nominations and**

 1   the gas they use; is that correct?

 2   A.   Partially.

 3   Q.   So cash-out -- in a perfect world,

 4   the cash-out would be zero, correct?

 5   A.   For most utilities, yes. Not for

 6   this one.

 7   MR. COOPER: Okay. That's all the

 8   questions I have.

 9   JUDGE JORDAN: Staff?

10   VOIR DIRE EXAMINATION BY MR. BORGMEYER:

11   Q.   So it's true that the level of

12   cash-out is dependent on the activities of the

13   purchaser; is that correct?

14   A.   For this company, it depends upon the

15   actions of the company and the purchaser and those

16   factors that neither have control over.

17   Q.   Can you explain that?

18   A.   Sure. First of all, schools are

19   relatively small volumes, and that's why when the

20   industry started opening up after the Federal

21   Energy Regulatory Commission started basically

22   breaking up the -- from the wellhead to the meter

23   and companies started focusing on the local

24   delivery service, like Summit and Missouri Gas

25   Energy and so on.

 1   But you go back to the periods when

 2   it was People's Gas and Aquila and then -- what are

 3   they now -- Liberty, those companies own pipelines.

 4   They own gas reserves. They own all the way to the

 5   meter.

 6   And in the mid 1980s, that industry

 7   was broken up, much like the phone industry was

 8   broken up, and consumers were able to purchase

 9   third-party gas and pay the pipelines, contract

10   with the pipelines for delivery, and the utilities

11   charge for the delivery of this third-party gas

12   rather than supplying it. That was called

13   transportation service.

14   But that service for about the first

15   decade to about the mid 1990s was pretty much

16   exclusively for the very largest, like the

17   Monsantos of the world, because they were able to

18   get out into the marketplace, buy the gas, do all

19   the administrative work, do the day-to-day

20   nominations, do the contracting.

21   And it wasn't until about the mid

22   1990s that the wave started moving across the

23   country where you started having aggregation

24   groups. And that's when the Kansas schools, the

25   Iowa schools, the Nebraska schools, grain dryer

 1   associations, like in the Chicago area all of

 2   the -- the association for the buildings, all the

 3   owners of those high rises, they formed an

 4   association and they started going to the

 5   marketplace. And they didn't have all the in-house

 6   expertise that maybe a Monsanto did, but they went

 7   to a third-party program administrator and pool

 8   operator and they contracted for those services and

 9   they started aggregating them.

10   That was happening in Iowa that I was

11   part of, and then it was -- it came to Kansas and I

12   was part of that. And then the subject came up in

13   Missouri, and we put together that Section 393

14   Revised Statute of Missouri 310 and addressed those

15   issues that prohibited the smaller customers from

16   looking like, in aggregate, a big customer. And

17   that had to do with eliminating some of those

18   expensive telemetry charges that we talked about

19   earlier, I think.

20   And as a result of that, a very large

21   transport customer -- they know, every day they can

22   look on their computer, the company can look on

23   their computer, and the pipelines can look on their

24   computer and they will know exactly how much gas

25   was delivered today and how much gas they used, so

 1   that they could very closely minimize that

 2   imbalance that we talked about earlier.

 3   For schools, some of the smaller

 4   grain dryers, other smaller entities that are

 5   aggregating, they kept that same meter that you

 6   talked about earlier or we talked about earlier.

 7   So they don't know every day. They have -- they

 8   have good indicators. They can look at what the

 9   temperature forecast is and they can say, okay, we

10   know that yesterday we -- or our average was thus

11   and such for the month, but it's older tomorrow.

12   So we can bump up our deliveries, but you do not

13   know on a day-to-day basis how much out of balance

14   you are until you get to the end of the month and

15   you read the meter and then you -- then you know.

16   Okay. So what happens with this

17   company is, sometimes the total deliveries for

18   their whole system at the meter where the pipeline

19   delivers is different than what all of the

20   different transport companies -- or customers, like

21   asphalt companies, and even though schools use

22   very, very little natural gas during the summer

23   months, there are days that the company tells us

24   what you nominated to get delivered is not what

25   you're going to get. You're going to get allocated

 1   a smaller amount.

 2   So when I said it also depends upon

 3   the company's action, that's what I was referring

 4   to, or the pipeline's action or action by whomever

 5   to reduce what we said we wanted versus what we

 6   actually get.

 7   The other variables are the unknowns.

 8   You don't know precisely what every day is going to

 9   be. I mean, you can do -- you can develop

10   algorithms. One company, Mid-American Energy, the

11   Warren Buffet owned company --

12   Q.   I think we'll stipulate that no one

13   here can predict the future. So I get that.

14   A.   Well, but some of them say that they

15   can get very, very close.

16   Q.   Are the schools in Summit's area, are

17   they regularly out of balance?

18   A.   I saw some data that shows that they

19   are. I think their --

20   Q.   That was just a yes or no question.

21   So yes, they are, is that your answer?

22   A.   I think all schools are, yeah.

23   Q.   Wouldn't you agree that paying

24   cash-outs would make the schools watch their

25   imbalances more closely?

 1   A.   Yes.

 2   MR. BORGMEYER: Thank you.

 3   JUDGE JORDAN: Office of Public

 4 Counsel, any inquiry regarding this exhibit?

 5   MR. POSTON: No, thank you.

 6   JUDGE JORDAN: Questions from the

 7 Bench?

 8   COMMISSIONER STOLL: No further

 9 questions.

10   COMMISSIONER W. KENNEY: No, thank

11 you.

12   JUDGE JORDAN: I don't have any

13 questions. Redirect as to this -- as to this

14 exhibit?

15   MR. BROWNLEE: No. I just want to

16 reoffer Exhibits 400, 401, 402, 403 and 404.

17   JUDGE JORDAN: Very good. And I'm

18 not hearing any objection to that, so I will enter

19 those into the record.

20   (MSBA EXHIBIT NOS. 400 THROUGH 404

21 WERE RECEIVED INTO EVIDENCE.)

22   MR. BROWNLEE: Thank you.

23   JUDGE JORDAN: Thank you. You may

24 stand down. One more thing. Do we have one extra

25 Exhibit 404 for Commissioner Rupp?

 1   MR. BROWNLEE: Yes, I do.

 2   JUDGE JORDAN: Very good. We'll go

 3   back to the top of our order of witnesses.

 4   MR. BROWNLEE: May I be excused

 5   again?

 6   JUDGE JORDAN: You may.

 7   MR. BROWNLEE: Thank you.

 8   JUDGE JORDAN: And we are ready to

 9   hear evidence from Summit on this issue.

10   MR. COOPER: Summit would call

11   Mr. Kent Taylor.

12   (Witness sworn.)

13   KENT TAYLOR testified as follows:

14   DIRECT EXAMINATION BY MR. COOPER:

15   Q.   **Please state your name**.

16   A.   Kent D. Taylor.

17   Q.   **By whom are you employed and in what**

18   **capacity?**

19   A.   KTM, Incorporated, and I'm the

20   chairman.

21   Q.   **And are you appearing on behalf of**

22   **Summit Natural Gas of Missouri, Inc. in this**

23   **proceeding?**

24   A.   Yes.

25   Q.   **Have you caused to be prepared for**

 1   purposes of this proceeding certain direct and

 2   rebuttal testimony in question and answer form?

 3   A.   Yes.

 4   Q.   Is it your understanding that that

 5   testimony has been marked as Exhibits 16 and 17 for

 6   identification?

 7   A.   Yes.

 8   Q.   If I were to ask you the questions

 9   which are contained in Exhibits 16 and 17 today,

10   would your answers be the same?

11   A.   Yes.

12   Q.   Are those answers true and correct to

13   the best of your information, knowledge and belief?

14   A.   Yes.

15   MR. COOPER: Your Honor, I would

16   offer Exhibits 16 and 17 into evidence and tender

17   the witness for cross-examination.

18   JUDGE JORDAN: Not hearing any

19   objections, Exhibit 16 and 17 are admitted into the

20   record.

21   (SUMMIT EXHIBIT NOS. 16 AND 17 WERE

22   RECEIVED INTO EVIDENCE.)

23   JUDGE JORDAN: Cross-examination from

24   Missouri Propane Gas Association?

25   MR. JARRETT: No questions.

 1   JUDGE JORDAN: Missouri School Boards

 2   Association is still present. Any

 3   cross-examination?

 4   MR. BROWNLEE: No questions.

 5   JUDGE JORDAN: Cross-examination from

 6   the Office of Public Counsel?

 7   MR. POSTON: Yes. Thank you. I've

 8   got another exhibit to mark. I believe we're at

 9   214.

10   (OPC EXHIBIT NO. 214 WAS MARKED FOR

11   IDENTIFICATION BY THE REPORTER.)

12   BY MR. POSTON:

13   Q.   Mr. Taylor, I've handed you what's

14   been marked as Exhibit 214. Do you recognize this

15   document?

16   A.   Yes.

17   Q.   Can you describe what this is?

18   A.   It is --

19   Q.   Let me just ask this: Is this a

20   data request from Public Counsel to Summit that you

21   provided the answer for?

22   A.   Yes.

23   Q.   And it's actually more than one data

24   request, because if you flip back through, you'll

25   see several data requests attached to this. If you

1 **take a moment to look through. I believe you**

2 **provided all of these answers to these data**

3 **requests that were submitted in this case.**

4   A.   Yes, I recall, and I also note that

5 the documents were prepared on -- or prepared

6 and/or submitted May 21st of this year.

7   MR. POSTON: Your Honor, I offer

8 Exhibit 214 into the record.

9   JUDGE JORDAN: And I'm not hearing

10 any objections to Exhibit 214, so I will receive it

11 in into the record.

12   (OPC EXHIBIT NO. 214 WAS RECEIVED

13 INTO EVIDENCE.)

14   MR. POSTON: Thank you. That's all I

15 have.

16   JUDGE JORDAN: Cross-examination from

17 Staff?

18   MR. BORGMEYER: No, your Honor.

19   JUDGE JORDAN: Questions from the

20 Bench?

21   CHAIRMAN KENNEY: No, thank you.

22   JUDGE JORDAN: I have no questions

23 for this witness. We did have cross, though, so we

24 have the opportunity for redirect.

25   MR. COOPER: No, thank you, your

 1 Honor.

 2   JUDGE JORDAN: Then you may stand

 3 down.

 4   MR. COOPER: We would call Mr. Tyson

 5 Porter.

 6   JUDGE JORDAN: Mr. Porter, you've

 7 already been sworn, so I will not administer the

 8 oath again.

 9   THE WITNESS: Thank you.

10   MR. COOPER: We would offer

11 Mr. Porter or tender him for cross-examination.

12   JUDGE JORDAN: All right.

13 Cross-examination on this issue from Missouri

14 Propane Gas Association?

15   MR. JARRETT: No, thank you, Judge.

16   JUDGE JORDAN: Missouri School Boards

17 Association has been excused. Office of the Public

18 Counsel?

19   MR. POSTON: No questions.

20   JUDGE JORDAN: Any cross-examination

21 from Staff?

22   MR. BORGMEYER: No, your Honor.

23   JUDGE JORDAN: Questions from the

24 Bench for this witness on this issue?

25   CHAIRMAN KENNEY: No, thank you.

 1   COMMISSIONER W. KENNEY: No, sir.

 2   JUDGE JORDAN: Very well. Then we

 3   will require no recross, no redirect. You may

 4   stand down.

 5   THE WITNESS: Thank you.

 6   JUDGE JORDAN: Next case in chief on

 7   this issue is from the Office of Public Counsel.

 8   MR. POSTON: We call Barbara

 9   Meisenheimer.

10   JUDGE JORDAN: And I swore you in

11   already, and so you're still under oath.

12   MR. POSTON: I tender her for

13   cross-examination.

14   JUDGE JORDAN: Cross-examination from

15   Staff?

16   MR. BORGMEYER: No questions, your

17   Honor.

18   JUDGE JORDAN: Any cross-examination

19   from the Missouri Propane Gas Association on this

20   issue?

21   MR. JARRETT: No questions.

22   JUDGE JORDAN: Summit?

23   MR. COOPER: No questions, your

24   Honor.

25   JUDGE JORDAN: Questions from the

 1   Bench for this witness on this issue?

 2   CHAIRMAN KENNEY: No, thank you.

 3   COMMISSIONER STOLL: Thank you.

 4   JUDGE JORDAN: So no cross, no

 5   redirect, and you may stand down.

 6   THE WITNESS: Thank you.

 7   JUDGE JORDAN: According to my

 8   revised list of witnesses, that concludes the

 9   testimony for today. Am I correct in that?

10   MR. COOPER: I believe so, your

11   Honor.

12   JUDGE JORDAN: All right. Anything

13   else before we go off the record and adjourn until

14   Friday, since we will not need Thursday which was

15   reserved for anything we didn't get to? Not seeing

16   anything.

17   The Commission will reconvene at 9

18   a.m. on Friday morning. Until then, we're off the

19   record and adjourned 'til Friday.

20   (WHEREUPON, the hearing was adjourned

21   at 1:58 p.m.)

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 1              C E R T I F I C A T E

 2   STATE OF MISSOURI)

                     ) ss.

 3   COUNTY OF COLE        )

 4              I, Kellene K. Feddersen, Certified

 5   Shorthand Reporter with the firm of Midwest

 6   Litigation Services, do hereby certify that I was

 7   personally present at the proceedings had in the

 8   above-entitled cause at the time and place set

 9   forth in the caption sheet thereof; that I then and

10   there took down in Stenotype the proceedings had;

11   and that the foregoing is a full, true and correct

12   transcript of such Stenotype notes so made at such

13   time and place.

14              Given at my office in the City of

15   Jefferson, County of Cole, State of Missouri.

16

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19              _____

                Kellene K. Feddersen, RPR, CSR, CCR

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