BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Propriety of the)	
Rate Schedules for Gas Service of)	File No. GR-2018-0229
The Empire District Gas Company)	

MISSOURI SCHOOL BOARDS' ASSOCIATION RECOMMENDATION

Comes Now the Missouri School Boards' Association (hereinafter "MSBA"), by and through counsel, RSBIII, LLC, Richard S. Brownlee, III, and respectfully states the following:

- 1. On October 3, 2018, the Commission issued an Order Directing Recommendations which directed Staff to file its recommendation regarding tariff sheets no later than October 12, 2018, and also allowed other parties to file their recommendation regarding the rate reduction tariff.
 - 2. In this regard, MSBA offers the following comments regarding the filings:
- (a) The Act to lower the federal corporate income marginal tax rate from 35% to 21% became effective January 1, 2018 and, over 9 months later, Empire's natural gas consumers have yet to receive the benefits of the Act. Missouri schools are being deprived of funds which would otherwise be available for classrooms.
- (b) Empire has submitted a tariff filing which MSBA understands is intended to reduce charges paid by consumers to reflect lower taxes created by the Act. MSBA believes the Commission Staff and Office of Public Counsel are best capable of reviewing Empire's tax accounting in this docket. Therefore, MSBA supports recommendations in Staff's October 12, 2018 filing with regard to Commission approval of Empire's filed tariff reduction dollar amount on this matter. However, MSBA does not support the single factor reduction for each rate schedule. To be fair and equitable, the resultant tax reduction to the School Transportation

Program (STP and non-STP schools and commercial customers) should be consistently applied to: (a) the fixed monthly charges and (b) the non-supply volumetric charges. Tax benefits should not be passed through on a volumetric basis; nor should the benefits be credited to or through the PGA gas cost factor. The tax reduction should be applied to each rate schedule by recalculating non-gas delivery rates, both fixed and volumetric delivery charges, in the same manner as rates were last approved by the Commission for Empire.

- (c) MSBA also supports Staff's recommendation for Empire to flow-back of excess ADIT. Specifically Staff recommends and MSBA supports a Commission order that Empire establish a regulatory liability to account for the difference between the excess ADIT balance included in current rates, which was calculated using the 35% federal corporate income tax rate, versus the amount calculated using the now lower federal corporate income tax rate of 21%, effective from January 1, 2018 going forward and to notify the parties to this case if EDG determines that it is unable to use the Average Rate Assumption Method ("ARAM") as a method for computing and normalizing excess ADIT within thirty days of such determination.
- (d) MSBA reiterates the importance for the Commission to quickly move this process to its conclusion so consumers can begin receiving the benefits of the Act.

(e) MSBA supports:

- i. passing on full tax benefits of the Act to schools and other rate payers at the earliest possible date; and,
- ii. utilizing a Commission approved pass-through mechanism which fairly, equitably and consistently passes through benefits of the Act by recalculating non-gas delivery rates, Customer and delivery volumetric charges, in the same manner as was approved in the last Commission approved rate case for Empire.

(f) MSBA does not support:

i. a pass-through mechanism which credits tax savings through the PGA calculation or through any other volumetric –only basis, because lower utility taxes impact both the Customer charge and delivery volumetric charge but not the gas supply or PGA charge.

WHEREFORE, the Missouri School Boards' Association submits the above recommendations as directed by the Commission's Order issued October 3, 2018.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing was served electronically to all parties on the official service list for this case on this 12^{th} day of October, 2018.

Richard S. Brownlee III, Attorney