Exhibit No.:_____
Issue: Revised Tariffs to Increase Annual Revenues for Natural Gas Service
Witness: Louie R. Ervin Sr.
Exhibit Type: Surrebuttal
Sponsoring Party: Missouri School Boards' Association
Case No.: GR-2014-0086
Date: August 8, 2014

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GR-2014-0086

SURREBUTTAL TESTIMONY

OF

LOUIE R. ERVIN SR.

ON BEHALF OF

MISSOURI SCHOOL BOARDS' ASSOCIATION

Jefferson City, Missouri
August 8, 2014

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SURREBUTTAL TESTIMONY

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LOUIE R. ERVIN SR.

MISSOURI SCHOOL BOARDS' ASSOCIATION

CASE NO. GR-2014-0086

Q. Please state your name and business address.

A. Louie R. Ervin, Sr., Suite 300, 150 First Avenue NE, Cedar Rapids, Iowa 52401.

Q. Are you the same Louie R. Ervin Sr. who submitted direct and rebuttal testimony in this case on behalf of the Missouri School Boards' Association (MSBA)?

A. Yes.

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to comment on rebuttal testimonies of Company witnesses Taylor, Nitura and Porter, MPSC Staff witnesses Jenkins and Lock, and Public Counsel witness Meisenheimer. I will address my comments by issue rather than being repetitive by each witness. Specifically, I will address these issues:

1. Issue-1: Rate Shock
2. Issue-2: Straight Fixed Variable (SFV) vs. Two Part Rate Design
3. Issue-3: Mismatch of Class Cost of Service and Customer and Volumetric Charges
4. Issue-4: Definitions of Shipper, Customer, Participant, and School District
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13. Issue-13: Company's Pre-Determined Pipeline Allocation Algorithm (PDA)

Issue-1: Rate Shock

Q. What is MSBA's greatest concern with this rate case?

A. MSBA is extremely concerned that the Company's proposed rate increase for small rural school districts is estimated to exceed a shocking 90% for distribution delivery service. This estimate is based on calculation performed by the Company and does not include an additional increase that I would guess to be in the range of 20%, or more, which could result from a newly proposed cashout provision. Nor does it include the significant price increase in natural gas commodity market prices following the price huge spike this past winter. Such double to triple digit percentage increases will create severe budget hardships for Missouri's small rural public schools that are served by the Company.

Q. What percentage increase is estimated for Missouri schools under the Staff's proposed Class Cost of Service (CCOS) and rate design?

A. It is impossible to estimate the percentage increase for Missouri schools that are transporting under the program established by Section 393.310 RSMo. Because, to date as far as I know, Staff has not produced any resultant rate schedules that are based on Staff's proposed

CCOS and rate design. Nor am I aware of any schedules that show the cost impact of their proposed cashout mechanism to Missouri's transportation schools. Not having this information, as we are now filing surrebuttal testimony, effectively prevents us from being able to present evidence on this critical matter. Not being a lawyer, it seems both procedural and substantive due process is seriously impinged.

Q. What will be the impact on the budgets of the small rural school serviced by the Company even the Company receives 50% or less of what they requested?

A. Ava School District Superintendent Dr. Nancy Lawler's correspondence to MSBA states: A 30-50% increase would result in a $22,000 - $36,000 increase for Ava R-I. That is more than our beginning teacher salary, which is $29,296. So this increase would most definitely impact our district." Lebanon School District Superintendent Dr. Duane Widhalm states: "A 30% increase in natural gas costs would cost Lebanon School District approximately $42,200. A starting teacher's salary is $32,000, therefore there would be a significant impact on our district. A 50% increase would result in $70,360 and could mean the elimination of two teaching positions.

Issue-2: SFV vs. Two Part Rate Design

Q. What is MSBA's position on Staff's Straight Fixed Variable (SFV) rate design vs. Company's Two Part rate design?

A. MSBA opposes the Straight Fixed Variable (SFV) rate design for commercial customers. The SFV rate design would create rate shock for Missouri schools. The underlying presumption or justification for the SFV rate design is not valid. Staff's proposed SFV rate design is intended to recover all of Company's margin costs assigned to residential and small commercial customers in a fixed charge whereas Company's proposed Two-Part rate design recovers margin costs through both fixed and volumetric charges. The underlying presumption justifying the SFV rate design, is that the small customer classes cost of service are fixed regardless of the level of volumes used, which is contrary to my over forty years of experience in the industry.

Q. Does any other party oppose the SFV rate design?

A. Yes, Public Counsel witness Meisenheimer's rebuttal testimony (primarily beginning on page 29) opposes Staff's proposed SFV rate design based on safety and social reasons.

Q. What is your experience as it relates to design, construction, operation and maintenance of natural gas systems, particularly as it relates to a system similar to that of SNGMO which consists of expansion into service areas that previously had no natural gas?

A. My experience includes being Director and General Manager - Gas Operations for Alliant Energy's statewide natural gas system in Iowa. I had overall responsibility for the design, construction, operation and maintenance of the statewide natural gas system. This responsibility included managing the expansion of the natural gas system to over fifty smaller rural communities that previously did not have natural gas and converting customers' propane service to natural gas, which is similar to the situation for the Company.

Q. Was your work in this area recognized by the industry?

A. Yes. Our work was recognized by *Gas Industries* magazine and I was honored as national Manager of the Year.

Q. Will you further explain how the underlying premise justifying the SFV rate design is contrary to your industry experience?

A. Yes. First, if the level of customer usage or volume were not a factor which affects the cost of providing service, only minimum size gas mains, service lines, meters and regulators would be required for all customers regardless of usage level, which just isn't the case. The required size of natural gas distribution facilities is heavily impacted by the level of customer usage demand. Demand is simply the volumetric rate of customer usage measured over a time interval. Two customers with equal daily demands can use different volumes of gas over a billing month, but the underlying physics is that there cannot be a usage demand without volumetric usage. Demand does heavily impact the size and costs of facilities. There are certainly other variables which affect costs, such as type and size of pipe.

Q. Will you provide an example of how volumetric usage and its demand derivative affects system facilities costs?

A. Yes. For example, plastic pipe is less costly to install and to maintain than is steel pipe. Steel pipe requires cathodic protection to prevent pitting and leaks, but coated steel pipe can still be the appropriate economic choice over plastic pipe because steel pipe can be rated at much higher pressures and carry much greater gas flow to meet high customer demands. That is, large demands are related to larger usage over time. Thus larger, more costly facilities are required for larger usage demand. The size of pressure let-down stations is just another example of higher costs at higher pressures for higher usage demands. While I agree that there is a component of costs that is fixed regardless of usage volumes and that cost component is properly recovered in a fixed monthly charge, all margin costs are not fixed regardless of usage and therefore the Two-Part rate design more accurately matches rates to the cost of providing service.

Q. Does MSBA support Company's Two-Part rate design?

A. MSBA supports the structure of Company's Two-Part conventional rate design but does not support the extremely high monthly fixed Customer Charges as proposed by Company. Again, Public Counsel witness Meisenheimer testified to some of the safety and social issues associated with very high fixed monthly customer charges. See my direct and rebuttal testimonies for more specifics; but, fundamentally asking small rural schools to go from a monthly fixed charge of $50 per district to $300 per account would create rate shock.

Q. Why is MSBA now taking a position on rate design?

A. Heretofore, rate design had not been an issue for MSBA because both Company's and Staff's Class Cost of Service Studies (CCOS) properly placed transporting schools in the Transportation class. More recently on rebuttal, Staff witness Lock (beginning at page 1) and Company witness Taylor (pages 2 and 3) proposed that transporting school rates be placed on companion sales service rate schedules rather than on the Transportation rate schedules even though both Company and Staff include transporting schools in the Transportation class in their respective CCOS. MSBA opposes being charged rates for a class in which they have not been included in the CCOS and questions the legality of doing such.

Issue-3: Mismatch of Class Cost of Service and Customer and Volumetric Charges

Q. Will you address Issue-3: Mismatch of Class Cost of Service and Customer and Volumetric Charges?

A. Yes. Despite both Company and Staff properly including transporting schools in the Transportation class in their respective CCOS, Staff's position (Lock page 2 beginning at Line 4) is that the companion sales rate customer charge should apply to transporting schools. Lock bases his recommendation on a clause in Section 393.310 RSMo that the school transportation program is not to have a negative financial impact on other customers. Company witness Taylor (beginning on Page 2 of Schedule KDT-1 of rebuttal testimony) has gone one step farther and supports charging transportation schools the companion sales volumetric charge as well as the companion sales rate customer charge. By improperly relying on the no-negative-impact clause in Section 393.310 RSMo., both Staff and Company attempt to justify charging transporting schools different rates from the rates developed for Transportation class in which transporting schools were included in both Staff and Company CCOS.

Q. Are you the same Louie Ervin Sr. who originally authored Section 393.310 RSMo and testified before the legislature and before this Commission regarding implementing that statute for each Missouri gas corporation?

A. Yes.

Q. Do you agree with Staff's and Company's interpretation of Section 393.310 RSMo?

A. No. I can agree that between rate cases there is a cost basis for Staff's recommended end result of having equivalent Customer Charges for transporting schools as if they chose the alternative companion sales rate; but, I do not agree with Staff's interpretation of Section 393.310 RSMo to reach that end result. I believe that Company's interpretation of Section 393.310 RSMo to justify placing transporting schools on companion sales volumetric rates is also wrong and effectively creates a total mismatch between both Staff's and Company's placement of schools in the Transportation class and then charging them rates for other classes.

Q. Will you explain the language in Section 393.310 RSMo which addresses "….will not have any negative financial impact…."?

A. Yes. Attached is Appendix 1, which is Section 319.310 RSMo. Paragraph 5 of Section 393.310 RSMo leaves to the Commission the responsibility of developing specifics for implementing that law which provides for an aggregate natural gas purchasing program for Missouri schools within the broad parameters set forth in the law. Section 393.310 RSMo specifies that the Commission approve school aggregation tariffs by November 1, 2002 upon finding that implementation of the aggregation program tariffs would not have any negative financial impact on the gas corporation, its other customers or local taxing authorities.

Q. Can you provide insight regarding no negative financial impact on other customers or gas corporations?

A. Yes. There is no negative impact to customers or gas corporations when customers are charged just and reasonable rates that are approved by the Commission after due process in regulatory cases, such as this one. The Commission ultimately decides the just and reasonable level of rates that are to be charged to each rate class based on the evidence presented. Parties have an opportunity to present evidence as to which customers belong in the various rate classes or sub-classes for appropriate costs to be allocated to each class. The rates are developed for each customer class based on the CCOS to which the customer belongs.

Q. In a rate case such as this, in your opinion, does Section 393.310 RSMo prevent the Commission from approving a change of customer class for schools that have previously switched from sales service to transportation service in a manner similar to non-school accounts that have switched from sales to transportation service?

A. No, not at all. In my opinion, Section 393.310 RSMo does not restrict the Commission's decisions to justly and reasonably approve cost allocations and rate designs from one rate case to another based on the specifics of each class or sub-class and the evidence presented in each case. The only time gas or electric corporations can re-allocate costs and change base rates to any rate class is through the rate case process.

Q. If Section 393.310 RSMo isn't intended to prevent the Commission from approving placement of transporting schools in the Transportation rate class through the rate case process, then when is the no-negative-impact clause intended to apply?

A. The no-negative-impact clause is intended to apply between rate cases. That is, if a school chooses to switch from sales service to the school transportation program between rate cases then the school's contribution to the company margin revenue can change if the distribution delivery charges that the schools pay are different. That potential difference in the amount schools pay for delivery service when switching rates, positively or negatively, is either a bonus or a cost that would go to other customers or to the gas corporation unless there is a mechanism to prevent it. Section 393.310 RSMo intended that schools that switch from sales to transportation service between rate cases would continue paying the same delivery charges as the companion sales rate from which the school switched until the next company rate case. The purpose of rate cases is to ensure just and reasonable rates through allocation of updated costs to each rate class. There cannot be a negative impact to other customers or to Company due to any customer, school or non-school, switching from sales service to transport service if the newly transport account pays its full cost of service as determined in a rate case. In this case, Company and Staff filed CCOS with transporting schools in the transportation class; so, schools would indeed be paying their fully allocated cost of service and there can be no negative impact on either Company or other customers. If Company files a new rate case and if the Commission approves including transporting schools in companion sales classes, that would be a different set of circumstances, but that is not the case here. The evidence in this case regarding CCOS for the Commission to consider places schools in the Transportation class. Section 393.310 RSMo is intended to prevent any undue cost shift to or from gas corporations and other customers between rate cases.

Q. Isn't it normal procedure throughout a rate case to make corrections, adjustments or revisions to rate classes?

A. Yes, making corrections, adjustments or revisions to rate classes throughout a rate case is normal procedure when done in a manner which gives all parties a full opportunity to address the proposed changes. However, at this late date, I question the legality of proposing to change an entire sub-class of customers, transporting schools, to a different rate class than they have been included in the COSS.

Q. Company witness Porter (at Page 6 of his rebuttal testimony) states that "…neither Staff nor Summit has included the schools billing determinates in the applicable retail sales customer classes in its direct case", but goes on to say that "Summit has performed the analysis and shows the inclusion of the meters in the applicable retail sales customer classes in Rebuttal Schedule TDP-3." Does Schedule TDP-3 provide a timely revised CCOS with timely information for schools to have due process to address the proposed charging of schools at rates based on the CCOS for which they have been included?

A. No, not at all. See attached Appendix 2, which is Company's response to MSBA Data Request 42.

Q. What is Company's response to MSBA Data Request 42a, asking if SNGMO's analysis (Schedule TDP-3) produced a new CCOS?

A. Company answered “No.” There has been no evidence or CCOS presented to allow schools to determine if or how schools should be included in a sales service rate class when the schools are transportation customers.

Q. What is Company’s response to MSBA Data Request 42b, asking if SNGMO’s analysis (Schedule TDP-3) includes schools’ volumes in the retail sales class?

A. Company answered “No.” Apparently Company’s Schedule TDP-3 is not complete; it only moved part of the schools billing determinates to the sales class. That is, according to Company’s response to this data request, TDP-3 apparently only moved the number of school meters to the retail sales classes and left the school volumes in the transportation class. If Schedule TDP-3 is allowed at this late date, then it appears to me that schools would be billed meter charges at the retail sales class rate and volumetric charges at the transportation class rate, which is consistent with MSBA’s position but is arrived at in a totally different and ill-based manner.

Q. What is Company’s response to MSBA Data Request 42c, asking if SNGMO’s analysis (Schedule TDP-3) produced a new table of rate schedules?

A. Company answered “No.” There have been no rate schedules produced for the parties to consider or the Commission to rule on with the schools included in the retail sales CCOS.

Q. What is Company’s response to MSBA Data Request 42d, asking SNGMO’s legal basis and precedents to allow a complete change in placement of a sub-class of customers within a different rate class without withdrawing the current case and refiling a new case with adequate due process and timeline?

A. Company's full response is included as Appendix 2. However, the key part of the response is: "The Commission may rely on, or not rely on, the evidence presented to it and assign such weight to that evidence as it believes appropriate." To that point, as shown above and in responses to MSBA data request 42a, 42b and 42c, neither Company nor Staff has offered any evidence of CCOS or rate schedule for the Commission to consider that includes schools in a retail sales class and even Schedule TDP-3 apparently only places the schools meters in the retail sales classes while leaving school volumes in the transportation class.

Q. You questioned the legality, at this late date, of Company's and Staff's proposed switching a sub-class of customers, schools to different rate schedules than the CCOS in which they were included. What is your opinion as to the proper procedure for customers to be moved from one rate class to another?

A. It would be proper to propose a switch of customers from one rate class to another at the time of a rate case filing or direct testimony so that the parties can duly address the issue but to do so at the rebuttal or surrebuttal stage does not provide adequate time for due process. We cannot roll back the clock and start all over on discovery, etc. with regard to a new CCOS submittal until SNGMO files a new case.

Q. As the rate case stands currently, what is MSBA's position on rates that should be charged to transporting schools?

A. MSBA's position is that schools that switch to the school aggregation transportation program after the effective date of rates in this case should continue to be charged customer and delivery volumetric charges at the alternative companion sales rate they were on until the next rate case, then they should be charge at the applicable rates approved by the Commission in that next case. As for schools that switched to the aggregate transportation program prior to the effective date of rates approved by the Commission in this case, they should be charged approved Customer and Volumetric Charges for the Transportation Class in which their costs were included in the approved CCOS. However, within the Transportation rate design there should be two Customer Charges, one to reflect costs for a sub-class of small transportation customers and one to reflect costs for a sub-class of large transportation customers.

Q. Is there a cost basis and precedent for having two Transportation Customer Charges?

A. Yes. Appendix 3 is the applicable Commission-approved transportation rates for Ameren with large and small meter charges to reflect differing costs for each of two different size customers. Staff's end-result recommendation is correct because when schools switch from sales to transportation service they do not install more expensive telemetry but they retain the same smaller lower cost service lines, meters and regulators, per a requirement of Section 393.310 RSMo. Therefore, a School transportation customer charge that is "equivalent" to the companion sales rate is cost justified. However, it is important to note that the justification for an "equivalent" customer charge is cost-based and not based on an improper interpretation of Section 393.310 RSMo.

Issue-4: Definitions of Shipper, Customer, Participant, and School District

Q. Will you address Issue-4: Definitions of Shipper, Customer, Participant, and School District?

A. Yes. Company and MSBA agree that clarifying definitions should be added to Company's rate schedule as it pertains to transporting school. Specifically, Shipper, Customer, Participant, and School District should all be defined as having the same meaning. No other party has objected to including this clarifying definition.

Issue-5: Telemetry Requirement

Q. Will you address Issue-5: Telemetry Requirement?

A. Yes. Staff, Company, and MSBA all agree that clarifying language should be added to Company's rate schedules that pertain to schools by reflecting language from Section 393.310 RSMo which effectively states that telemetry is not required for schools with annual usage of 100,000 therms or less. No other party has objected to including this clarification. Specific proposed language is:

> "Telemetry or special metering that provides the Company with electronic meter reading to determine each transportation customers daily usage will not be required for school transportation program, except for individual school meters over one hundred thousand therms annually (10,000 dekatherms/year)."

Issue-6: Tier-1 Cashout for Monthly Metered Schools

Q. Will you address Issue-6: Tier-1 Cashout for Monthly Metered Schools?

A. Yes. Company and MSBA agree that because school meters without daily telemetry only record monthly usage and not daily usage, schools are to be cashed out in Tier-1. Staff witness Jenkins' rebuttal testimony (page 10) does not oppose a Tier-1 cashout for schools. The Company rate schedule should reflect such. Neither Staff nor any other party has objected to including this clarification. Specifically, MSBA proposes to add the following language to Company's proposed tariff P.S.C. MO No.3, Original Sheet No. 47, paragraph 4:

> "c. All imbalances for monthly metered accounts, positive or negative, will be treated as Imbalance Tier-1 for purposes of calculating monthly cashouts as described on Tariff Sheets 35 through 37."

Issue-7: Daily Cashout Index Price for Daily Metered Accounts and Monthly Index Price for Monthly Metered Accounts

Q. Will you address Issue-7: Daily Cashout Index Price for Daily Metered Accounts and Monthly Index Price for Monthly Metered Accounts?

A. Yes. Company proposed the minimum of three possible price determinates when it pays customers for an over-delivery imbalance of gas and the maximum of three possible price determinates when customer pays for an under-delivery imbalance of gas. In my direct and rebuttal testimonies, I took exception to the Company's proposed cashout price determinates, primarily because the proposed prices did not reasonably match Company's costs during the cashout period. Staff witness Jenkins rebuttal testimony (beginning on page 5) gives reasons for opposing Company's proposed maximum or minimum three-price determinate method for cashing out imbalances. Jenkins (beginning on page 7 of her rebuttal testimony) proposes a "Weekly weighted average prices" as published by *Gas Daily* to cashout all transportation accounts, regardless whether an account has daily or monthly metering. I agree that Staff's proposal of using a *Gas Daily* published index price more closely matches Company's costs than do the three-price determinates proposed by Company. However, Staff did not make a distinction between a cashout price for daily metered accounts and for monthly metered accounts.

Q. Can a weekly weighted average of index daily prices differ substantially from individual respective daily index prices and monthly average index price?

A. Yes, daily prices during the same month can vary greatly. It would be highly inaccurate and punitive to recover actual costs for a specific day using a weekly average maximum or minimum cashout price. Staff proposes Company cashout at the highest weekly weighted average daily prices during the month for all days of the month when Company is charging customers for gas supply. Conversely, Staff proposes Company cashout at the lowest weekly weighted average of daily prices for all days during a month when Company is paying transport customers for gas supply. Company's proposed Tier matrix for cashouts already includes a heavy penalty for imbalances to be cashed out. When Company is charging customers for gas in Tier-3, Company charges a 20% price premium. Conversely, when the Company pays Customer for gas it pays a 20% discount for Tier-3 gas. The Tier matrix is already a huge incentive for transportation customers to minimize imbalances. An additional heavy price penalty of using a weekly average of daily prices is too punitive for daily metered accounts.

Q. Is there justification for different indices to be used to cashout daily versus monthly metered imbalance gas?

A. Yes. MSBA supports a more cost-matched daily index price for cashouts of daily metered accounts and a monthly index price for cashouts of monthly metered accounts. MSBA supports the use of *Gas Daily* daily index price for the respective daily metered account imbalances rather than use of a high or low weekly average of daily prices as proposed by Staff. MSBA supports the use of monthly average of daily index price for monthly metered accounts in the same manner as the Commission-approved cashout price method in the MGE tariff, Appendix 4. Missouri Gas Energy (MGE) also serves monthly metered schools from the Southern Star pipeline which is the pipeline from which transporting schools' gas supply is delivered to the Company system.

Q. With monthly metering, how can the Company or anyone know whether the schools are in or out of balance on a given day?

A. Because by law, schools are not required to have daily metering, unless annual usage is over 100,000 therms; but, instead have monthly metering, there are no metered daily usages for schools to determine a daily or even a weekly imbalance. Thus to charge the schools based on an artificial weekly average price for days when they may not have been out of balance is contrary to a true monthly balancing mechanism as used in the industry, such as used by MGE. Section 393.310 RSMo provided for an administration and balancing charge to cover a true monthly balancing mechanism. To charge a weekly average of daily prices for monthly metered school accounts is overly punitive and is double dipping with the administrative and balancing charge specified by Section 393.310 RSMo and addressed as MSBA Issue 7.

Q. At Page 7 of Staff witness Jenkins' rebuttal testimony, she states: "Staff recommends use of Gas Daily because it publishes daily and weekly index prices for natural gas transported on pipelines that serve SNG's divisions." Does Gas Daily also publish the monthly average index price?

A. Yes. Gas Daily also publishes the monthly average index price.

Issue-8: Cashout Inclusion of Pipeline Fuel, Capacity and Commodity Charges

Q. Will you address Issue-8: Cashout Inclusion of Pipeline Fuel, Capacity and Commodity Charges?

A. Yes. Staff witness Jenkins (at Page 9 of rebuttal testimony) recommends inclusion of pipeline fuel, pipeline capacity and pipeline commodity charges in the cashout price when Company supplies a negative imbalance gas supply to a Transportation customer. I agree that the supplier (Company or Transportation Customer) of gas incurs incremental costs of pipeline fuel and commodity charges when gas supply is delivered to the Company system by either Company to Transportation Customer or by Transportation Customer to Company. However, the pipeline capacity costs are fixed and do not contribute to incremental costs. Jenkins was not clear that the reciprocal relationship of Customer supplying to Company also applies. That is, a Transportation customer also incurs incremental costs of pipeline fuel and pipeline commodity charges when supplying a positive imbalance gas supply to the Company for retail sales customers. Therefore, the cashout price should include these incremental pipeline costs of fuel and commodity charges in both directions. If fixed pipeline capacity is to be charged, then it should be charged either by Customer and Company, or not at all. To only include theses pipeline charges when the Company supplies the imbalance but not when the Company receives the imbalance from the Transport customer would allow the Company to receive imbalance supply from customers at below the cost the Company would otherwise pay for the supply it receives. Such a one-sided cashout provision would create a built-in bias in favor of the Company receiving gas supply from Transport customers without having to pay for pipeline costs.

Issue-9: Pool Operator Charge vs. Administration and Balancing Charge

Q. Will you address Issue-9: Pool Operator Charge vs. Administration and Balancing Charge?

A. Yes. In lieu of the Company proposed $250/month Pool Operator, MSBA supports charging transporting schools an administration and balancing charge of $0.004/therm, as contemplated in Section 393.310 RSMo, with Company crediting those revenues to Account 191 as proposed by Staff. Company, Staff nor any other party has objected to this position.

Issue-10: Pool Operator Agreement

Q. Will you address Issue-10: Pool Operator Agreement?

A. Yes. MSBA does not object to the standard form of Pool Operator Agreement that Staff has proposed.

Issue-11: Capacity Release Language

Q. Will you address Issue-11: Capacity Release Language?

A. Yes. When a school switches from sales service to transportation service, MSBA supports having the Company first offer to release the capacity to the schools for which the Company has been holding to serve these same schools as a sales service customers. Specifically, MSBA supports adding the following clarifying language to Company's capacity release provisions for school transportation service:

> "When a school switches from sales service to transportation service, the Company will make the capacity it holds to serve the school available to the school's Pool Operator. Any capacity released by the Company to the Pool Operator will be released for the full term of that capacity and will be non-recallable for the term of the agreement and will be released at the full demand rate charged by the upstream pipeline with the Pool Operator being directly responsible for any commodity related charges imposed by the upstream pipeline."

Issue-12: Interruptible vs. Firm Distribution Delivery Service

Q. Will you address Issue-12: Interruptible Vs Firm Distribution Delivery Service?

A. Yes. From reading Staff's rebuttal testimony, Jenkins at page 15, I apparently was not clear that MSBA is not proposing a higher priority of its "supply" for schools relative to Company's "supply", but MSBA is proposing the same priority for "delivery" of supply. MSBA supports Company's proposal, Taylor rebuttal Schedule KDT-1, to eliminate the interruptible status for School Program Shippers as found on Original Sheet No. 25, Availability Section and adding the below paragraph 10, to the provisions found on Proposed Tariff Sheet 49:

"10. Delivery Priority

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

Issue-13: Company's Pre-Determined Pipeline Allocation Algorithm (PDA)

Q. Will you address Issue-13: Company's Pre-Determined Pipeline Allocation Algorithm (PDA)?

A. Yes. Company's Pre-Determined Allocations (PDA) priority creates unwarranted imbalances for schools. Rebuttal testimony of Company witness, Renato Nitura (beginning at page 4, line 22) effectively demonstrates the Company has established Pre-Determined Allocations (PDA) that is provided to the Interconnecting Party (Southern Star pipeline (SS)). Nitura states: "On a monthly basis, prior to the beginning of any Delivery Month, *Company* submits Pre-Determined Allocations (PDA) to the Interconnecting Party (as applicable)." Italics were added for emphasis that it is the Company that provides the PDA to the pipeline; so the pipeline is only following the Company's pre-established procedure or algorithm. Appendix 5 is a copy of page 24, a Company provided report "Shipper Noms vs. Actuals Daily" which results from the PDA. The report name is a misnomer because the schools are monthly metered and there are no "Actual Daily" usages for schools. Because by law, schools are not required to have daily metering unless annual usage is over 100,000 therms; but, instead have monthly metering; so, there is no way the Company or anyone can know whether the imputed daily usage (PDA) is above or below actual school usage for any given day. Thus, the Company-provided PDA imputes an artificial daily imbalance that is then summed for an artificial monthly imbalance, which is proposed to be cashed out at prices that may be excessive, depending on the ultimate

Commission decision regarding the appropriate cashout price determinate(s). As one example, page 24 of the report shows that on 8/18/13, Seminole, schools' Pool Operator, scheduled deliveries of 76 MMBtu from SS to Company; but, SS using the Company-provide PDA, allocated 62 MMBtu. Thus, schools' daily deliveries for 8/18/13 schools were credited at 14 MMBtu less on 8/18/13 than was nominated to be delivered for the schools. When Company later gets an actual monthly meter reading for schools usage and compares the monthly actual usage to the sum of allocated daily deliveries for the month, that difference creates an artificial school monthly imbalance consisting of artificial daily imbalances that Company proposes to cashout in the future. That monthly imbalance is artificially calculated because the real monthly imbalance is the difference between the actual monthly metered usage and the total nominated deliveries for the month and is not the sum of the artificially imputed daily allocation using the Company-provided PDA algorithm. If Company were to treat monthly metered schools like MGE, which does true monthly balancing, the PDA would not apply to schools on a daily basis. Schools on the MGE system, which are also served from the SS pipeline, do not have imputed daily deliveries allocated on a PDA algorithm.

Q. What is MSBA's recommendation to the Commission regarding Company's PDA?

A. MSBA recommends that the Commission order Company to stop applying a PDA to schools, except on days with urgent system issues. Also, if and when the PDA is applied, MSBA recommends that the Commission order the Company to change its PDA daily allocation priority for "all" transportation customers to: (a) PDA for transportation customers with daily telemetry data and then followed by: (b) transportation customers with monthly metered data.

Q. Does that conclude your surrebuttal testimony?

A. Yes, it does.

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Summit Natural Gas of Missouri, Inc.'s Filing of Revised Tariffs To Increase its Annual Revenues for Natural Gas Service	))))	Case No. GR-2014-0086

AFFIDAVIT OF LOUIE R. ERVIN SR.

STATE OF IOWA)
)ss
COUNTY OF LINN)

Louie R. Ervin Sr., being first duly sworn on his oath, states:

1. My name is Louie R. Ervin Sr. I work in Cedar Rapids, Iowa and am employed by Latham & Associates as the Executive Vice President.

2. Attached hereto and made a part of hereof for all purposes is my Surrebuttal Testimony on behalf of Missouri School Board's Association consisting of 24 pages, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the questions therein propounded are true and correct.

DEBRA K PAULY COMMISSION NO. 781939 Iowa MY COMMISSION EXPIRES 12/27/2016 NOTARIAL SEAL

Louie R. Ervin Sr.
Louie R. Ervin Sr.

Subscribed and sworn to before me this 7 day of [illegible], 2014.

Debra Pauly
Notary Public

My commission expires 12-27-16