

**BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

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

MISSOURI SCHOOL BOARDS' ASSOCIATION
REPLY BRIEF

Richard S. Brownlee III, MO Bar #22422
RSBIII, LLC
121 Madison Street
Jefferson City, MO 65101
(573) 616-1911
rbrownlee@rsblobby.com

September 26, 2014

TABLE OF CONTENTS

1. ARGUMENT

- a. INTRODUCTION.....3**
- b. RATE SHOCK.....3**
- c. PUBLIC COUNSEL’S POSITION.....3**
- d. SNGMO’S POSITION.....4**
- e. STAFF’S POSITION.....4**

2. CONCLUSION.....6

REPLY BRIEF
OF
MISSOURI SCHOOL BOARDS' ASSOCIATION
CASE NO. GR-2014-0086

1. ARGUMENT

a. Introduction

The Missouri School Boards' Association principal issue is the rate shock that will be created if the Company or Staff position is adopted by the Commission.

b. Rate Shock

No party to this proceeding appears to have any objection or contrary assertion as to the conceptual understanding of the term "rate shock". The parties independently agree that while the term is not statutorily defined in Missouri law, it has a meaning understood by all.

Public witnesses at local hearings expressed serious concerns over the rate increases proposed, and the effect on the participating 72 schools in the 11 districts served by the Company in this case is shocking.

c. Public Counsel's Position

While Public Counsel's focus is appropriately placed on the typical low income consumer, the schools located in the SNG service areas are generally the same type of rural, limited tax base communities. Further, schools have no ability to increase income through "prices charged", raise taxes, or otherwise make an upward financial adjustment

to account for the proposed rate increases. What schools can do is dismiss teachers and staff, eliminate programs, and otherwise make only downward financial adjustments. A seven times increase to consumers, coupled with an average of 72.79% increase for schools is unconscionable.

d. SNGMO's Position

The Company recognizes “rate shock” is not a defined term (at least in Missouri statutory reference), then makes the assertion it has “no known remedy”. cf. Company Brief, p. 36. MSBA asserts, as supported by Public Counsel, that several remedies are available to the Commission to afford relief to the schools on this issue:

1. Deny the requested rate increase;
2. Modify the requested rate increase (reduce or phase in);
3. Order the Company to restore the flex rate discount which it had offered to the schools as an incentive to switch from propane to natural gas. While there is no allegation this action on the part of SNGMO was intentional, the effect is a bait and switch result which above produced 10.77% increase for all school districts (except Lebanon, which is 30.91%).

e. Staff's Position

Staff likewise recognizes “rate shock” will result from rate changes. Rate shock may also describe the effect of a large increase in revenue requirement...assuming the Commission approves the dramatic rate increase to alleviate the revenue need. However,

the Commission must also approve rates which are just and reasonable, which may be the opposite of rates requested at a level to create “rate shock”.

The position of MSBA is not misleading. We have adopted the two-part rate proposed by Staff, and the often two add-ons are not disputed by any party. What the schools have been paying have been the approved company rates. If increases are in order, they must be just and reasonable, and not create rate shock.

The Staff argument that natural gas costs are normally the largest part of a monthly bill does not exist in this case. Here, the delivery charges in the proposed rate are in the 70% range (normal is 20% to 30%). For Staff to assert the MSBA position is misleading is folly when its position is based on witness Imhoff’s (Ex. 139) analysis. There he used a PGA additive to show the transport rate and gas rate combined, yet he admitted the schools do not use the PGA rate! No party knows the future of the natural gas rate component, but we all know the 72.79% transport rate increase proposed in this case.

MSBA disagree that the cashout penalty is not a rate. It appears on the Company’s rate sheet and is a charge that would be applied in the normal course of doing gas transportation business and it can be a real cost increase of a 20% or more increase as created by the Company’s new punitive cashout provision that is to replace its current carryover of monthly imbalances to be offset in the following month. The Company rate schedule cashout table clearly shows a progressive penalty by paying the customer as little as 80% of market price but charging 120% of market price. Further, the market price is defined as the highest average price when Customer pays Company but the

lowest average price when the Company pays Customer for imbalance cashouts. For Staff to assert this rate increase should be ignored is specious, at best.

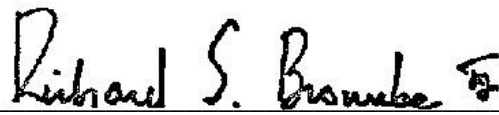
2. Conclusion

The following chart (Ex.404) is the best evidence of the rate shock that will occur if the Company and Staff positions are adopted by the Commission in this case.

See Staff response to MSBA DE 234	Staff proposed Two Part % Increase	Staff proposed Two Part % Incr. Relative to 2013 pre-loss of flex	Staff proposed Two Part % Incr. Relative to 2013 pre-loss of flex + Cashout % Incr.
Ava	51.64%	57.20%	77.20%
Rogersville	55.79%	61.80%	81.80%
Mansfield	52.19%	57.81%	77.81%
West Plains	56.29%	62.35%	82.35%
Willow Springs	57.92%	64.16%	84.16%
Mountain Grove	49.42%	54.74%	74.74%
Fordland	28.94%	32.06%	52.06%
Cabool	45.08%	49.93%	69.93%
Norwood	19.47%	21.57%	41.57%
Lebanon	59.23%	77.54%	97.54%
Seymour	37.46%	41.49%	61.49%

WHEREFORE, for all of the foregoing reasons, as well as those stated in its Initial Post-Hearing Brief, filed September 16, 2014, Missouri School Boards' Association respectively requests that the Commission consider its position on each of the contested issues in this case and conform its decision to the arguments contained herein.


Respectively Submitted,

Handwritten signature of Richard S. Brownlee III in black ink, written over a horizontal line.

Richard S. Brownlee III, Bar #22422
Attorney for Missouri School Boards' Association
RSBIII, LLC
121 Madison Street
Jefferson City, MO 65101
(573) 616-1911
rbrownlee@rsblobby.com

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all parties on the official service list for this case on this 26th day of September, 2014.


Richard S. Brownlee III, Attorney