

Office of the Public Counsel

Data Request

Data Request No. 5
Company Name Summit Natural Gas of Missouri, Inc.-Investor(Gas)
Case/Tracking No. GR-2014-0086
Date Requested 4/17/2014
Requested From Dean Cooper
Requested By Marc Poston

Description The Direct Testimony of Mr. James Anderson states at Page 22 that additional risks to common equity investors are created by "a reduction in the competitiveness of the utility's total gas cost compared to all other alternative fuels." Please provide all facts and documents relied upon by Mr. Anderson to support his conclusion that the competitiveness of the Company's total gas cost is reduced as compared to all other alternative fuels.

Due Date 5/7/2014
Security Public

RESPONSE:

Natural gas supplied by SNG competes directly with propane in all of its service areas. The communities in the Company's service areas have not erected the same regulatory barriers to the delivery of propane as exist in many metropolitan area.

At December 31, 2013, SNG's rates for natural gas (including natural gas commodity costs) in equivalent values to propane prices by district were:

Gallatin District: Gas		Monthly Chr.
GS Class	\$0.804	\$15.00
CS Class	\$0.856	\$24.53
LVS Class	\$0.856	\$81.77
Warsaw District:		
GS Class	\$1.003	\$15.00
CS Class	\$1.049	\$30.00

LVS Class	\$1.049	\$100.00
Lake District;		
GS Class	\$1.367	\$15.00
CS Class	\$1.413	\$30.00
LV Class	\$1.413	\$100.00
Branson District:		
GS Class	\$1.039	\$10.00
Optional GS	\$1.257	-0-
CS Class	\$1.036	\$15.00
Optional GS	\$1.254	-0-
LGS Class	\$1.006	\$50.00
Rogersville District:		
GS Class	\$0.947	\$10.00
Optional GS	\$1.166	-0-
CS Class	\$0.945	\$15.00
Optional GS	\$1.163	-0-
LGS Class	\$0.915	\$50.00
LVS Class	\$0.915	\$300.00

Although the Lake of the Ozarks is not part of this rate case, it best demonstrates the competitiveness of propane to the Company's natural gas prices because any adjustment in rates in the other districts as a result of this rate case could produce rates similar to the Lake District.

At the Lake District, when propane prices approach \$1.40 a gallon, conversion to natural gas slows down or discontinues altogether.

Dave Moody, the president of SNG, has experienced the following: "Typically, when we arrive in a new expansion area, propane prices drop. The Lake District was no exception; however, the price typically drops 20-30 cents overall, and the Lake District prices dropped nearly 40 cents. In the Spring of 2012, a good cash average price for the Lake and most of Missouri was in the range of \$1.40 a gallon. In the Gallatin District, the price was slightly less. Many propane companies were offering a pre-buy price to the average homeowner of \$1.29 a gallon. At the time, the Gallatin GS tariff rate for an equivalent amount of natural gas was \$1.25. Adding the customer charge and franchise fees made the Company's rate higher than propane.

The Lake Ozark District did lose a few commercial load potentials. For example, Speedline Technologies at 1629 Old Route 5, Camdenton, received a bid for \$1.01 a gallon and would not consider switching to natural gas. Woodland Scenics in Linn Creek also received a price \$1.24 a gallon for propane. Woodland needed 7 natural gas meters, and

some meters were small enough that we could not discount the rate in the GS rate class.

Currently, the propane pre-buy price is \$1.89, but many consumers are not signing up for natural gas because they think the price of propane will go lower."

Response Provided by: James M. Anderson and Dave Moody