

Exhibit No.:
Issues: Promotional Practice Variance
Witness: Michael L. Stahlman
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
File No.: GO-2013-0360
Date Testimony Prepared: March 19, 2013

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

REBUTTAL TESTIMONY

OF

MICHAEL L. STAHLMAN

SUMMIT NATURAL GAS OF MISSOURI, INC.

**FILE NO.
GO-2013-0360**

Jefferson City, Missouri
March 2013


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

In the Matter of Summit Natural Gas of)
Missouri, Inc.'s Proposed Conversion) File No. GO-2013-0360
Rebate Program)

AFFIDAVIT OF MICHAEL L. STAHLMAN

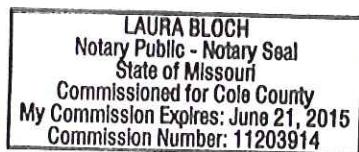
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael L. Stahlman, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 6 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



Michael L. Stahlman

Subscribed and sworn to before me this 19th day of March, 2013.





Notary Public

REBUTTAL TESTIMONY

OF

MICHAEL L. STAHLMAN

SUMMIT NATURAL GAS OF MISSOURI, INC.

FILE NO. GO-2013-0360

Q. Please state your name and business address.

A. My name is Michael L. Stahlman, and my business address is Missouri Public Service Commission (“Commission”), P.O. Box 360, Jefferson City, Missouri, 65102.

Q. What is your position at the Commission?

A. I am a Regulatory Economist III in the Energy Rate Design & Tariffs Unit, Economic Analysis Section, of the Tariff, Safety, Economic and Engineering Analysis Department in the Regulatory Review Division.

Q. Please describe your educational and work background.

A. Please see Schedule MLS-1.

Q. What is the purpose of your testimony?

A. I will address the history of Staff’s position regarding Summit Natural Gas of Missouri, Inc.’s (“SNG,” “Summit” or “Company”) conversion promotional practices tariff and address portions of Michelle Moorman’s Direct Testimony.

Q. Please provide the background of this filing.

A. On December 28, 2012, Summit Natural Gas of Missouri, Inc. filed a proposed Promotional Practices Tariff Sheet, P.S.C MO No. 2, 5th Revised Sheet 71, seeking to extend its Conversion Rebate Program until December 31, 2014. A variance for this program was granted

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1 in Case No. GE-2006-0189, and was extended in Case No. GR-2010-0347 until December 31,
2 2012.

3 Q. In Case No. GE-2006-0189, the Commission ordered, “That Southern Missouri
4 Gas Company, L.P. shall file semi-annual reports regarding the conversion program showing: a)
5 the number of conversions, by class; b) the conversion costs paid by the stockholders; c) the
6 conversion costs paid by the general ratepayers, and d) the conversion costs paid by the party
7 whose premises were converted.” Did Staff receive those reports?

8 A. Staff is not aware of receiving those reports and requested copies of the reports
9 in Staff Data Request No. 0001. In response, Summit stated that it was unaware of the
10 reporting requirement and does not have the reports requested. However, it is unclear whether
11 this reporting requirement would have continued after the extension of the program in Case No.
12 GR-2010-0347, which was before Summit purchased the Southern Missouri Gas Company,
13 L.P. (“SMGC”) system.

14 Q. Had this program been in place before the variance was granted on December
15 23, 2005 in Case No. GE-2006-0189?

16 A. Yes, as Michelle Moorman describes in her testimony, this variance was first
17 granted in Case No. GA-94-127 and became effective on April 15, 1995 and had been
18 reauthorized in Case Nos. GO-98-172, GR-00-485, GE-2006-0189, and GR-2010-0347.
19 Although it is unusual for a promotional practice to be in place for nearly twenty years,
20 Summit has only merged and taken over operations of the SMGC system since October 8,
21 2011 in Case No. GM-2011-0354 and is trying to expand the service area to make it viable.
22 This is also similar to a program Summit has in the former Missouri Gas Utility system,
23 where Summit took over municipal operations that were on the verge of ceasing operations.

1 Q. In its December 28, 2012 filing, did Summit request a variance from the
2 Commission's rules governing promotional practices for its Conversion Rebate Program?

3 A. No. However, Summit has subsequently filed an Application/Motion for
4 Variance in this case on February 14, 2013.

5 Q. Is it Staff's position that an Application for Variance from the promotional
6 practices rules was necessary for this case?

7 A. Yes. In Staff's Response to Order Directing Filing on January 24, 2013, Staff
8 expressed concern that Summit had not established good cause for the variance; nor had they
9 even requested a variance.

10 Q. What was the basis of Staff's position?

11 A. The current tariff language states, "The program will conclude on December
12 31, 2012, unless it is extended by the Company before that date." Staff's position is that the
13 variance for the Conversion Rebate Program was limited to December 31, 2012 and that an
14 extension would require a new variance request.

15 Q. Does the Application/Motion for Variance filed in this case on February 14,
16 2013 resolve Staff's concern about the lack of an Application for Variance discussed above?

17 A. Yes, although Staff had an additional concern discussed in its Response to
18 Order Directing Filing.

19 Q. What was this additional concern?

20 A. Staff was concerned that when Summit (then known as SMGC) apparently last
21 received a promotional practices variance for its conversion program, there were no other
22 Commission-regulated energy utility companies in SMGC's/Summit's certificated area. This
23 is no longer true, as Summit and The Empire District Electric Company are both certificated

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1 for at least a portion of the same territory. In Case No. GE-2006-0189, in the Commission's
2 Order Granting Variance and Approving Tariff Sheets, one of the reasons the Commission
3 found that SMGC had shown good cause for the requested variance was that they could
4 "compete more effectively against *unregulated* electric cooperatives and propane dealers with
5 the conversion program" (*emphasis added*). On February 6, 2013, Staff submitted a request
6 for an order directing notice of this case be given to each public utility providing the same or
7 competing utility service in all or any portion of the Summit service area (including The
8 Empire District Electric Company) and to anyone else the Commission deems proper, and
9 that such parties be given the opportunity to intervene in this case. On February 15, 2013, the
10 Commission issued an order and notice that allowed 10 days for parties, including The
11 Empire District Electric Company, to file a motion for leave to intervene.

12 Q. Has any party filed a motion to intervene?

13 A. No, therefore this concern of Staff is resolved.

14 Q. Has Summit demonstrated good cause?

15 A. Yes. The Application/Motion for Variance lists six reasons in paragraph 16 as
16 to why the variance should be granted:

- 17 • The conversion program will continue to permit consumers to gain
18 access to natural gas more quickly, more effectively and efficiently.
- 19 • The conversion program will continue to permit conversions to be made
20 more quickly and effectively at the lowest possible cost.
- 21 • The conversion program will continue to result in economic advantages
22 from the ordering of large bulk quantities of various parts and materials
23 that will be available to consumers through this conversion policy.
- 24 • The conversion program will continue to benefit low income and fixed
25 income consumers who might not otherwise have the opportunity to
26 enjoy the benefits of low-cost natural gas without the significant outlay
27 of funds for conversion.

- The conversion policy will encourage the development of natural gas demand faster to ensure the economic operations of the natural gas system and the lowest possible rates to consumers both near-term and long-term.
- The conversion policy will permit SNG to compete with unregulated competitors (primarily propane providers) who have the ability to make conversions to competing sources of energy without charge to customers; therefore, providing customers with a cost-regulated energy source that cannot increase drastically without cause after a customer has converted.

Michelle Moorman's direct testimony has the same six reasons, but includes another: "The conversion program will continue to contribute to the safest construction of the system since there are a limited number of qualified, outside contractors available for such conversion in [Summit]'s service area" (page 6, lines 10-12).

Q. Does Staff agree with the ratemaking treatment discussed on page 9, line 16 through page 10, line 2 of Michelle Moorman's direct testimony?

A. Yes. Staff agrees that the ratemaking treatment of the conversion promotional practice should be addressed in the context of a rate case and that this case is not the appropriate venue. Furthermore, if the Commission's order in this case approves Summit's request, the order should specifically include language similar to that contained on page 9, line 19 through page 10, line 2 of Ms. Moorman's direct testimony.

Q. Does Staff have any other recommendations?

A. Yes. Staff recommends, as originally ordered in Case No. GE-2006-0189, that Summit be ordered to file semi-annual reports in EFIS regarding the conversion program showing: a) the number of conversions, by class; b) the conversion costs paid by the stockholders; c) the conversion costs paid by the general ratepayers; and d) the conversion costs paid by the party whose premises were converted. Additionally, Staff recommends

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1 | some minor changes to the language in the tariff sheet, which is attached as schedules MLS-2
2 | and MLS-3.

3 | Q. Please explain why the header to tariff sheet 71 changed from P.S.C. MO No.
4 | 1 to P.S.C. MO No. 2.

5 | A. As part of the merger in Case No. GM-2011-0354, Summit adopted the
6 | Southern Missouri Natural Gas tariff. The notation of P.S.C. MO No. 2 identifies this as the
7 | second set of tariff sheets under the company name, which distinguishes the tariff for the
8 | former Southern Missouri Gas Company system from Summit's other tariff for the former
9 | Missouri Gas Utility system.

10 | Q. Does this conclude your rebuttal testimony?

11 | A. Yes.

Michael Stahlman

Education

2009 M. S., Agricultural Economics, University of Missouri, Columbia.
2007 B.A., Economics, Summa Cum Laude, Westminster College, Fulton, MO.

Professional Experience

2010 - Regulatory Economist, Missouri Public Service Commission
2007 – 2009 Graduate Research Assistant, University of Missouri
2008 Graduate Teaching Assistant, University of Missouri
2007 American Institute for Economic Research (AIER) Summer
Fellowship Program
2006 Price Analysis Intern, Food and Agricultural Policy Research Institute
(FAPRI), Columbia, MO
2006 Legislative Intern for State Representative Munzlinger
2005 – 2006 Certified Tutor in Macroeconomics, Westminster College, Fulton, MO
1998 – 2004 Engineering Watch Supervisor, United States Navy

Expert Witness Testimony

Union Electric Company d/b/a AmerenUE GR-2010-0363
In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File
Tariffs Increasing Rates for Natural Gas Service Provided to Customers in the
Company's Missouri Service Area

Union Electric Company d/b/a Ameren Missouri GT-2011-0410
In the Matter of the Union Electric Company's (d/b/a Ameren Missouri) Gas
Service Tariffs Removing Certain Provisions for Rebates from Its Missouri Energy
Efficient Natural Gas Equipment and Building Shell Measure Rebate Program

KCP&L Great Missouri Operations Company EO-2012-0009
In the Matter of KCP&L Greater Missouri Operations Company's Notice of Intent
to File an Application for Authority to Establish a Demand-Side Programs
Investment Mechanism

Union Electric Company d/b/a Ameren Missouri EO-2012-0142
In the Matter of Union Electric Company d/b/a Ameren Missouri's Filing to
Implement Regulatory Changes Furtherance of Energy Efficiency as Allowed by
MEEIA

Kansas City Power & Light Company EO-2012-0323
In the Matter of the Resource Plan of Kansas City Power & Light Company

KCP&L Great Missouri Operations Company EO-2012-0324
In the Matter of the Resource Plan of KCP&L Greater Missouri Operations
Company

Kansas City Power & Light Company, KCP&L Great Missouri
Operations Company, and Transource Missouri EA-2013-0098
EO-2012-0367

In the Matter of the Application of Transource Missouri, LLC for a Certificate of Convenience and Necessity Authorizing it to Construct, Finance, Own, Operate, and Maintain the Iatan-Nashua and Sibley-Nebraska City Electric Transmission Projects

Kansas City Power & Light Company EO-2012-0135

KCP&L Great Missouri Operations Company EO-2012-0136

In the Matter of the Application of Kansas City Power & Light Company [KCP&L Great Missouri Operations Company] for Authority to Extend the Transfer of Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.

Selected Manuscripts

Stahlman, Michael and Laura M.J. McCann. "Technology Characteristics, Choice Architecture and Farmer Knowledge: The Case of Phytase." *Agriculture and Human Values* (2012) 29:371-379.

Stahlman, Michael. "The Amoral of Signals." Awarded in top 50 authors for SEVEN Fund essay competition, "The Morality of Profit."

Selected Posters

Stahlman, Michael, Laura M.J. McCann, and Haluk Gedikoglou. "Adoption of Phytase by Livestock Farmers." Selected poster at the American Agricultural Economics Association Annual Meeting, Orlando, FL, July 27-29, 2008. Also presented at the USDA/CSREES Annual Meeting in St. Louis, MO in February 2009.

McCann, Laura, Haluk Gedikoglu, Bob Broz, John Lory, Ray Massey, and Michael Stahlman. "Farm Size and Adoption of BMPs by AFOs." Selected poster at the 5th National Small Farm Conference in Springfield, IL in September 2009.

FORM -NO. 13 P.S.C. MO

No. 2

~~(original)~~

Sheet No. 71

5th (revised)

Cancelling P.S.C. MO

No. 1

~~(original)~~

Sheet No. 71

4th (revised)

Summit Natural Gas -of Missouri, Inc. C

Name of Issuing Corporation

All Communities and Rural Areas

Within SNG-Mo For Missouri Certified
Service Areas

Community, Town or City

RULES AND REGULATIONS (cont.)

Typically, the Company will adjust the average billing during the fourth and eighth months of each twelve month period under the Plan, if the recalculated average payment amount reflects an increase of \$5.00 or more. Settlement of accounts will occur when participation in the Plan is terminated. No interest shall be due from or payable to the customer on the difference between actual and average usage.

(37) Promotional Practices

In compliance with rules prescribed by 4 CSR 240-14.010(1), a schedule is herein set forth prescribing all promotional practices being engaged in by the utility as of the effective date which are not in violation of 4 CSR 240-14.

Conversion Policy

A variance to 4 CSR 240-14.020(1~~5~~) (E), (F) and (H) was granted by the Missouri Public Service Commission in Case No. GR 94-127, and extended in Case No. GO-982013-1720360. This promotional C
practice is being provided on a uniform⁺ basis to the residential and commercial classes of customers as described in the terms and conditions contained in Section 29- ~~Free~~ Conversion
Rules and Regulations ~~of Southern Missouri's Natural Gas Tariff Number 1.~~ C

The purpose of this promotional practice is to encourage the connection of more customers, some of whom may not be able to afford the conversion, and should result in safer, more cost-saving construction and lower rates to all customers. This promotional practice is provided by the Company pursuant to its Tariff Sheets No 63-67.

The program will conclude on December 31, 2014, unless it is extended by the Company C
before that date.

N-Indicates New Rate or Text

C-Indicates Change

DATE OF ISSUE December 28, 2012
month-day yearDATE- EFFECTIVE January 29, May
30, 2013 month -
day yearISSUED BY Timothy R. Johnston Executive Vice President 7810 Shaffer Parkway, Ste. 120, Littleton, CO 80127
name of officer title address

FORM NO. 13 P.S.C. MO	No. 2	(original)	Sheet No. 71
		5th (revised)	
Cancelling P.S.C. MO	No. 1	(original)	Sheet No. 71
		4th (revised)	

Summit Natural Gas of Missouri, Inc. C
Name of Issuing Corporation

All Communities and Rural Areas
For Missouri Certificated Service Area
Community, Town or City

RULES AND REGULATIONS (cont.)

Typically, the Company will adjust the average billing during the fourth and eighth months of each twelve month period under the Plan, if the recalculated average payment amount reflects an increase of \$5.00 or more. Settlement of accounts will occur when participation in the Plan is terminated. No interest shall be due from or payable to the customer on the difference between actual and average usage.

(37) Promotional Practices

In compliance with rules prescribed by 4 CSR 240-14.010(1), a schedule is herein set forth prescribing all promotional practices being engaged in by the utility as of the effective date which are not in violation of 4 CSR 240-14.

Conversion Policy

A variance to 4 CSR 240-14.020(1) (E), (F) and (H) was granted by the Missouri Public Service Commission in Case No. GO-2013-0360. This promotional practice is being provided on a uniform basis to the residential and commercial classes of customers as described in the terms and conditions contained in Section 29- Conversion Rules and Regulations. C

The purpose of this promotional practice is to encourage the connection of more customers, some of whom may not be able to afford the conversion, and should result in safer, more cost-saving construction and lower rates to all customers. This promotional practice is provided by the Company pursuant to its Tariff Sheets No 63-67. C

The program will conclude on December 31, 2014, unless it is extended by the Company before that date. C

N-Indicates New Rate or Text

C-Indicates Change

DATE OF ISSUE December 28, 2012
month day year

DATE EFFECTIVE May 30, 2013
month day year

ISSUED BY <u>Timothy R. Johnston</u>	<u>Executive Vice President</u>	<u>7810 Shaffer Parkway, Ste. 120, Littleton, CO 80127</u>
name of officer	title	address