

Exhibit No.: _____
Issue: Extension of Conversion Program
Witness: Michelle Moorman
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Sponsoring Party: Summit Natural Gas of Missouri, Inc.
Case No.: GO-2013-0360
Date: February 7, 2013

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GO-2013-0360

DIRECT TESTIMONY

OF

MICHELLE A. MOORMAN

ON BEHALF OF

SUMMIT NATURAL GAS OF MISSOURI, INC.

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SUMMIT NATURAL GAS OF MISSOURI, INC.

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DIRECT TESTIMONY

MICHELLE A. MOORMAN

SUMMIT NATURAL GAS OF MISSOURI, INC.

1 Q. **PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. Michelle A. Moorman, 7810 Shaffer Parkway, Suite 120, Littleton, CO 80127.

3 Q. **ON WHOSE BEHALF IS YOUR TESTIMONY PRESENTED?**

4 A. I am testifying on behalf of Summit Natural Gas of Missouri, Inc. ("SNG" or the
5 "Company").

6 Q. **BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

7 A. I am the Director of Regulatory Affairs for Summit Utilities, Inc., the parent
8 company of SNG.

9 Q. **PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND RELEVANT**
10 **BUSINESS EXPERIENCE.**

11 A. Information responsive to this question is shown in the attached **Appendix MAM-**
12 **1.**

13 Q. **HAVE YOU TESTIFIED BEFORE OTHER REGULATORY BODIES?**

14 A. Yes. I have testified before the Colorado Public Utilities Commission and the
15 Maine Public Utilities Commission.

16 Q. **IN WHAT CAPACITY?**

17 A. I have testified as a policy witness and as the representative for Colorado Natural
18 Gas, Inc., and Summit Natural Gas of Maine, Inc., both affiliates of SNG.

1 Q. **WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

2 A. In my testimony, I will describe the history of the longstanding conversion program
3 that has been offered by SNG. I will also explain why the continuation of this
4 program is important to both the operations of SNG and its customers. Finally, I
5 will show that this program has very little impact on regulated public utilities in
6 general and discuss why the presence of a regulated electric utility in the SNG
7 service territory should not be the primary consideration in the determination of
8 whether to extend this program.

9 Q. **PLEASE PROVIDE A BRIEF DESCRIPTION OF THE CONVERSION PROGRAM**
10 **SNG IS SEEKING TO EXTEND.**

11 A. SNG has two tariff books. One applies to the territory formerly served under the
12 Missouri Gas Utility, Inc. name (P.S.C. Mo. No. 1). The second applies to the
13 territory formerly served by Southern Missouri Natural Gas Company, L.P. (P.S.C.
14 Mo. No. 2). On December 28, 2012, SNG filed a tariff sheet (P.S.C. Mo. 2, Fifth
15 Revised Sheet No. 71) under Tracking No. JG-2013-0300 seeking to extend a
16 conversion program for the former Southern Missouri Gas Company, L.P.
17 (Southern Missouri) territory that has been in place since approximately 1994. In
18 the absence of a new tariff sheet, the program expired on December 31, 2012.
19 The conversion program provides “no charge” unit conversions for residential and
20 commercial customers up to \$350.00. Costs in excess of \$350.00 are recovered
21 by the Company through a pro rata monthly charge added to the customer’s
22 monthly gas bill for a period of up to thirty-six (36) months. The most common

1 conversions are to change parts for the purpose of converting propane burning
2 appliances to natural gas burning appliances.

3 Q. **PLEASE PROVIDE A BRIEF DESCRIPTION OF THE HISTORY OF THE**
4 **CONVERSION PROGRAM.**

5 A. Original Sheet No. 71 became effective as a result of *In re Tartan Energy*
6 *Company d/b/a Southern Missouri Gas Company L.C.*, Case No. GA-94-127. On
7 October 1, 1994, the Commission issued its Report and Order in Case No. GA-94-
8 127, which granted the Company's predecessor a certificate of convenience and
9 necessity to construct and operate a natural gas distribution system in southern
10 Missouri. The Commission also granted therein a variance from 4 CSR 240-
11 14.020(1)(E), (F) and (H), the Commission's Promotional Practices Rule, to permit
12 Southern Missouri to offer a conversion incentive program for a 24-month period
13 during the construction of the distribution system.

14 1st Revised Sheet No. 71. In Case No. GO-98-172, Southern Missouri Gas
15 Company filed an application for variance in which it requested that it be permitted
16 to extend its conversion program throughout its service territory until November
17 15, 2000. A stipulation and agreement between Southern Missouri and Staff
18 resulted in a variance from 4 CSR 240-14.020(1)(E), (F) and (H) until November
19 15, 2000. Southern Missouri was ordered to file Revised Sheet Nos. 63, 65 and
20 71, within 10 days after the effective date of the order approving the Stipulation
21 and Agreement.

1 2nd Revised Sheet No. 71. At the conclusion of Case No. GR-00-485, a 2nd
2 revised tariff sheet was filed that extended the program.

3 3rd Revised Sheet No. 71. In Case No. GE-2006-0189, Southern Missouri again
4 requested a variance from the provisions of 4 CSR 240-14.020 for the purpose of
5 the conversion program. Staff recommended approval of a variance and tariffs for
6 4 years or 48 months. Thus, 3rd Revised Sheet No. 71 the program was extended
7 until December 31, 2009.

8 4th Revised Sheet No. 71. The 4th Revised Sheet No. 71 was filed under Tracking
9 No. JG-2011-0253 (and Case No. GR-2010-0347) and became effective February
10 1, 2011. This tariff sheet extended the conversion the program until December
11 31, 2012.

12 On December 28, 2012, SNG filed a proposed 5th Revised Sheet No. 71 for the
13 purpose of extending the conversion program until December 31, 2014. In the
14 absence of a new tariff sheet, the program would expire on December 31, 2012.
15 In response to the filing of 5th Revised Sheet No. 71, the OPC filed its Motion to
16 Suspend and Request for Evidentiary Hearing.

17 **Q. IS SNG PROPOSING ANY CHANGES TO THE CONVERSION PROGRAM?**

18 A. No. The only substantive change is the proposed extension of the conversion
19 program through December 31, 2014. The specific provisions of the conversion
20 program are found on Sheets Nos. 63-67, and remain unchanged.

21 **Q. IS THE CONVERSION PROGRAM IMPORTANT TO THE OPERATIONS OF**
22 **SNG?**

1 A. Yes. The conversion program is important to the operations of SNG and is
2 necessary for SNG to compete with unregulated competitors (primarily propane
3 suppliers) in its certificated area. These unregulated competitors have the ability
4 to make conversions to competing sources of energy without charge to customers.
5 The providers of propane in the area are not regulated by the Commission;
6 therefore, the provisions of the Commission's promotional practices rules do not
7 apply to them.

8 Q. **DOES THE CONVERSION PROGRAM PROVIDE A BENEFIT TO**
9 **CUSTOMERS?**

10 A. Yes. The conversion program provides assistance to customers (primarily
11 residential customers). The purpose of this program is to "encourage the
12 connection of more customers, some of whom may not be able to afford the
13 conversion, and should result in safer, more cost-saving construction and lower
14 rates to all customers." (See Sheet No. 71) The conversion program benefits low
15 income and fixed income consumers who might not otherwise have the
16 opportunity to enjoy the lower cost benefits of natural gas. The conversion
17 program also encourages the development of natural gas demand to ensure the
18 economic operation of the natural gas system. This provides for the lowest
19 possible rates to consumers both near-term and long-term by increasing the
20 number of customers per investment; and it permits consumers to gain access to
21 natural gas more quickly, more effectively and efficiently.
22 The conversion program aids SNG in achieving a high penetration rate in the

1 communities it serves and allows the Company to expand in surrounding areas.
2 With expansion, more customers that have never had the opportunity to connect
3 to a natural gas system will be able to choose their energy source.

4 Q. **HAS THE COMMISSION PREVIOUSLY FOUND GOOD CAUSE FOR THE**
5 **EXISTENCE OF THIS PROGRAM?**

6 Yes. This program has been in existence since approximately 1994. The
7 Commission has previously found good cause for the existence of this program
8 and many of those reasons continue to be present. These reasons include the
9 following:

10 a. The conversion program will continue to contribute to the safest
11 construction of the system since there are a limited number of qualified, outside
12 contractors available for such conversion in SNG's service area.

13 b. The conversion program will continue to permit consumers to gain
14 access to natural gas more quickly, more effectively and efficiently.

15 c. The conversion program will continue to permit conversions to be made
16 more quickly and effectively at the lowest possible cost.

17 d. The conversion program will continue to result in economic advantages
18 from the ordering of large bulk quantities of various parts and materials that will be
19 available to consumers through this conversion policy.

20 e. The conversion program will continue to benefit low income and fixed
21 income consumers who might not otherwise have the opportunity to enjoy the
22 benefits of low-cost natural gas without the significant outlay of funds for

1 conversion.

2 f. The conversion policy will encourage the development of natural gas
3 demand faster to ensure the economic operations of the natural gas system and
4 the lowest possible rates to consumers both near-term and long-term.

5 g. The conversion policy will permit SNG to compete with unregulated
6 competitors (primarily propane providers) who have the ability to make
7 conversions to competing sources of energy without charge to customers;
8 therefore, providing customers with a cost-regulated energy source that cannot
9 increase drastically without cause after a customer has converted.

10 Q. **ARE THERE ANY OTHER PUBLIC UTILITIES PROVIDING SERVICE IN THE**
11 **TERRITORY FORMERLY SERVED BY SOUTHERN MISSOURI?**

12 A. Yes, since December 2010, SNG has shared a portion of its service territory with
13 The Empire District Electric Company ("Empire").

14 Q. **WHAT IMPACT DOES THE SNG CONVERSION PROGRAM HAVE ON**
15 **ELECTRIC UTILITIES?**

16 A. The SNG conversion program has very little impact on electric utilities. In fact, it is
17 uncommon to convert an all-electric home due to the cost of replacing electric
18 appliances. The most common conversions are to change parts for the purpose
19 of converting propane burning appliances to natural gas burning appliances. The
20 table below shows the number of electric conversions that have occurred relative
21 to the total number of conversions under the SNG Conversion Program.

Southern Missouri Territory

	2010	2011	2012
Total Conversions	1136	2009	1056
Electric to Natural Gas Conversions	0	13	6
Electric Conversions as a Percentage of Total Conversions	0.00%	0.65%	0.57%

The following table breaks out the number of electric conversions that have occurred relative to the total number of conversions under the SNG Conversion Program specifically for the Branson/Hollister District because this is the portion of the Southern Missouri territory that overlaps with Empire.

Branson/Hollister District

	2010	2011	2012
Total Conversions	3	628	299
Electric to Natural Gas Conversions	0	1	0
Electric Conversions as a Percentage of Total Conversions	0.00%	0.16%	0.00%

This information shows that the subject conversion program has very little impact on electric utilities in general; therefore, the presence of another regulated electric utility in a portion of the SNG territory should not be the primary consideration in determining whether this longstanding program should be extended.

In an effort to obtain approval to extend this program, SNG is willing to modify the conversion program to only include conversions to a customer premise where

1 propane is used. If the program is modified in this manner, there would be no
2 regulated public utilities within SNG's service area that could potentially be
3 affected by the conversion program.

4 Q. **HAVE ANY COMPLAINTS BEEN LODGED ABOUT THIS PROGRAM?**

5 A. No.

6 Q. **HAVE ANY CUSTOMERS EXPRESSED CONCERN THAT THE CONVERSION
7 PROGRAM MAY NOT BE AUTHORIZED TO CONTINUE?**

8 A. Yes. SNG has been in communication with several towns regarding future
9 expansion to their area. The inability of SNG to continue the conversion program
10 would have a detrimental effect on the number of new customers who are able to
11 convert to natural gas service, which places these future expansion efforts in
12 jeopardy.

13 Q. **DESCRIBE THE ACCOUNTING TREATMENT FOR THIS PROGRAM?**

14 A. Currently, the costs of conversions are being put into FERC account 386, which is
15 part of ratebase.

16 Q. **WOULD SNG AGREE TO ADDRESS RATEMAKING TREATMENT IN ITS NEXT
17 RATE CASE?**

18 A. Yes. SNG would be willing to include language similar to the following:
19 Nothing in the Commission's approval of this tariff shall be considered a finding by
20 the Commission of the treatment of these transactions for ratemaking purposes,

1 and that the Commission reserves the right to consider the ratemaking treatment
2 of these transactions in any later proceeding.

3 Q. **DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 A. Yes.

Statement of Qualifications

Michelle A. Moorman

I began my employment with Summit Utilities, Inc. in 2010. I am currently the Director of Regulatory Affairs. My responsibilities include oversight of the multi-jurisdictional department, and maintaining compliance with state and federal regulatory requirements as well as financial and environmental state statutes in multiple rate areas.

Prior to working at Summit Utilities, Inc. I was employed as a Case Specialist under the Regulatory and Government Affairs Department for Public Service Company of Colorado, a subsidiary of Xcel Energy Services, Inc. In that position, I was responsible for developing support and testimony and managing cases related to the company's renewable energy standards and policies.

From 2003 to 2008, I worked as a Production Engineer in natural gas, electric and hydro-electric generating facilities for Xcel Energy Service, Inc. In that position, I was responsible analyzing failures and making recommendations as to the operating procedures of the generating facilities.

AFFIDAVIT

State of Colorado)
) ss.
County of Jefferson)

I, Michelle A. Moorman, having been duly sworn upon my oath, state that I am the Director of Regulatory Affairs for Summit Utilities, Inc. and that I am duly authorized to make this affidavit on behalf of Summit Natural Gas of Missouri, Inc., and that the matters and things stated in the foregoing Application and appendices thereto are true and correct to the best of my information, knowledge and belief.


Michelle A. Moorman

Subscribed and sworn before me this 6th day of February, 2013

Erin Campbell
Notary Public

My Commission expires: 6/7/2016

