BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Request to Increase Its Revenue for Gas Service	))	**File No. GR-2017-0215** Tariff No. YG-2017-0195
In the Matter of Laclede Gas Company d/a/a Missouri Gas Energy's Request to Increase Its Revenues for Gas Service	)))	 **File No. GR-2017-0216** Tariff No. YG-2017-0196

MISSOURI DIVISION OF ENERGY'S
POST-HEARING REPLY BRIEF

COMES NOW the Missouri Department of Economic Development – Division of Energy ("DE")[1] before the Missouri Public Service Commission ("Commission"), by and through the undersigned counsel, and for its *Post-Hearing Reply Brief* in the above-styled matter states as follows:

Introduction

Many of the counter-arguments raised by parties to this case were addressed in DE's *Initial Post-Hearing Brief*. Consequently, this *Reply* will focus on those assertions not already addressed in DE's earlier brief. However, DE reiterates that the outcomes of this case need to demonstrate the benefits promised from the merger of Laclede Gas Company ("Laclede") and Laclede Gas Company d/b/a Missouri Gas Energy ("MGE") into Spire (i.e., "Companies"). Such benefits should include meaningful assistance to low-income customers and support for innovative energy solutions.

[1] On August 28, 2013, Executive Order 13-03 transferred, "… all authority, powers, duties, functions, records, personnel, property, contracts, budgets, matters pending, and other pertinent vestiges of the Division of Energy from the Missouri Department of Natural Resources to the Missouri Department of Economic Development …."

Low-Income Energy Affordability Program

Both Consumers Council of Missouri ("CCM")[2] and DE[3] support an additional $1 million in funding annually for the Low-Income Energy Affordability Program in each Spire service territory (i.e., $2 million total annually above the amounts initially proposed by Spire). For Laclede, this would amount to $1.6 million, while the funding for MGE would be $1.5 million annually (i.e., a total of $3.1 million annually). These amounts, while short of the $5 million need for each territory that CCM witness Ms. Jacquelyn Hutchinson described,[4] represent incremental progress towards reducing the energy burden of low-income customers and ensuring that they receive a meaningful benefit from the Spire merger.

The Commission Staff ("Staff") expresses concern with increasing the funding amounts beyond those proposed by Spire, citing the historic inability of Laclede to fully expend its program budget.[5] However, the stipulation and agreement filed on January 10 – to which both Staff and DE are signatories – creates a process for soliciting stakeholder input and improving the Companies' ability to fully utilize authorized program funds. Additionally, increasing the authorized budget would not result in over-recovery by the Companies or an immediate increase in rates. Since program expenditures would be deferred,[6] any future impact on rates would be the result of customers actually participating in, and benefiting from the program. Past under-expenditures should not limit Spire's ability to meet the needs of low-income customers or limit the parties' flexibility in designing a more effective program.

---

[2] *Initial Brief of the Consumers Council of Missouri* ("CCM Brief"), p. 5.
[3] *Missouri Division of Energy's Initial Post-Hearing Brief*, pp. 2-3.
[4] Exhibit No. 800, pp. 3-5, ll. 25-30, 1-30, and 1-30, and p. 6, ll. 26-30.
[5] *Staff's Initial Post-Hearing Brief* ("Staff Brief"), pp. 106-107.
[6] CCM Brief, p. 7.

Combined Heat and Power

Combined heat and power ("CHP") provides an opportunity for this Commission to support innovative approaches to promoting resilient critical infrastructure and energy efficiency. DE is disappointed that many of the arguments raised in opposition to the CHP pilot, such as claims about load building and the target market for the program, are repetitions of less-than-accurate contentions. There are a few previously unaddressed claims that DE will counter below.

Staff contends that providing support for CHP would constitute "unduly preferential and discriminatory ratemaking."[7] Staff's argument assumes a different program than that proposed by DE. Staff asserts that the program, "… would … subsidize the construction and installation of CHP facilities for a mere *ten* commercial and industrial customers" (emphasis in original);[8] in actuality, the program recommended by DE witness Ms. Jane Epperson would potentially support CHP installation for institutions qualifying as *critical infrastructure* (such as emergency shelters and hospitals).[9] The benefits of supporting resilient critical infrastructure are unquestionable and would accrue to ratepayers in the communities supported by this infrastructure. It is hardly "unduly preferential or discriminatory" to ensure that emergency services are available in the wake of a natural disaster.

The Office of the Public Counsel ("OPC") similarly mischaracterizes DE's proposal in its citation of the extant CHP projects in Missouri, as found in Ms. Epperson's testimony. According to OPC, the existence of CHP projects in Missouri belies the need for supporting resilient communities.[10] However, OPC's argument only works if one accepts the erroneous portrayal of DE's proposal as an attempt to support profit-driven, non-critical entities. The table referenced in Ms.

[7] Staff Brief, pp. 107 and 111-113.
[8] *Id*, p. 113.
[9] Exhibit No. 502, pp. 16-17, ll. 14-20 and 1-3.
[10] *Initial Brief of the Office of the Public Counsel* ("OPC Brief"), pp. 57-58.

Epperson's testimony, which includes entities such as Anheuser-Busch and the La-Z-Boy Chair Company, was offered simply to provide information on the extent to which Missouri severely lags other Midwestern states with cost-of-service regulation in terms of the penetration of CHP.[11] DE's actual pilot proposal is directed at critical infrastructure such as emergency shelters and hospitals. OPC's citation of Ms. Epperson's testimony is therefore taken out of context and should be dismissed.

OPC also alleges that the proposed pilot program lacks specifics on program evaluation and length.[12] However, in her testimony Ms. Epperson recommends the Societal Cost Test for evaluating the potential benefits of projects under the program.[13] Staff questions the use of the Societal Cost Test,[14] but does not provide alternative suggestions; OPC also provides no suggestion for evaluating the program. DE's proposal does not lack a time limit, as Ms. Epperson recommends that projects submitted to the Commission would have to be approved in 60 days.[15] Obviously, the Commission could reject a specific CHP project proposal that it finds not to serve the public interest or could reevaluate the pilot program in future rate cases.

Residential Rate Design

OPC now states that a $14 residential customer charge should only be instituted if the Revenue Stabilization Mechanism ("RSM") proposal is approved, and that the residential customer charge should be $22 for Laclede and $20 for MGE if the RSM proposal is rejected.[16] This contrasts with the pre-filed testimony of OPC witness Dr. Geoff Marke, who recommended a $14 residential customer charge without any RSM-based conditions attached.[17] OPC's concern over the impacts of

[11] Exhibit No. 502, p. 6, ll. 1-5.
[12] OPC Brief, pp. 56-57.
[13] Exhibit No. 502, p. 18, ll. 1-3.
[14] Staff Brief, p. 111.
[15] Exhibit No. 502, pp. 16-17, ll. 19-20 and 1-3.
[16] OPC Brief, p. 35.
[17] Exhibit No. 415, p. 12, l. 16.

higher utility rates on low-income customers[18] cannot be reconciled with its support for a higher customer charge, which would disproportionately affect low-income, low-use customers.

Spire states that if the RSM is not approved, then both Laclede and MGE should not only have the type of weather-mitigated rate design currently in place for Spire, but should also have respective residential customer charges of $26 and $25.50.[19] Such a rate design would curtail efficiency-inducing price signals by raising the billing amounts that customers could not avoid and by charging less per unit of consumption for higher levels of usage. These proposals would also have detrimental impacts on low-income customers, who generally have lower usage than non-low-income customers.[20] Accepting Spire's alternative residential rate designs would shift the risk of revenue recovery to residential customers with insufficient support through rates for customers who want to control their bills, and would lower the effectiveness of energy efficiency and billing assistance programs.

Staff attempts to support its recommended $26 residential customer charge for Laclede by citing to cost of service considerations.[21] However, this argument is undercut by Staff's willingness to consider a $22 customer charge as an alternative.[22] Staff's stated focus on setting customer charges with a focus on its Class Cost of Service ("CCOS") Study also contrasts with Staff's recommended $20 residential customer charge for MGE;[23] Staff admits that its CCOS Study supports a $17.01 residential customer charge for MGE,[24] yet instead suggests a higher residential customer charge. In order to appropriately consider the, "… concern for customer impacts and other policy considerations

[18] Tr. Vol. 15, p. 703, ll. 19-23.
[19] *Initial Post-Hearing Brief of Laclede Gas Company and Missouri Gas Energy*, p. 82.
[20] Exhibit No. 503, pp. 21-23, ll. 3-19, 1-8, and 1.
[21] Staff Brief, pp. 59-60 and 61.
[22] *Id*, p. 62.
[23] *Id*.
[24] *Id*, p. 59.

such as encouragement of energy efficiency" cited by Staff,[25] the Commission should not set residential customer charges for either Laclede or MGE any higher than $20.

WHEREFORE, the Missouri Department of Economic Development – Division of Energy respectfully files its *Post-Hearing Reply Brief*.

Respectfully submitted,

/s/ Brian Bear

Brian Bear, Bar # 61957
General Counsel
Missouri Department of Economic Development
P.O. Box 1157
Jefferson City, MO 65102
Phone: 573-526-2423
Email: brian.bear@ded.mo.gov
Attorney for Missouri Department of Economic Development – Division of Energy

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 17th day of January, 2018.

/s/ Brian Bear
Brian Bear

[25] *Id*, p. 60.