

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

In the Matter of Summit Natural Gas of)
Missouri Inc.’s Filing of Revised Tariffs) File No. GR-2014-0086
To Increase its Annual Revenues For)
Natural Gas Service)

REPORT OF RATE DESIGN STUDY

COME NOW Summit Natural Gas of Missouri, Inc. (“SNGMO”); the Staff of the Missouri Public Service Commission (“Staff”); the Office of the Public Counsel (“OPC”); and, the Missouri School Boards’ Association (“MSBA”) (collectively the “Parties”), and respectfully submit the following report of the rate design study (“Report”) to the Missouri Public Service Commission (“Commission”):

1. This Report is submitted in compliance with a condition of the *Partial Stipulation and Agreement* filed August 18, 2014 (“Partial Stipulation”) in SNGMO’s last rate case (Case No. GR-2014-0086).¹ Appendix D to the Partial Stipulation states:

Within six months of the effective date of the compliance tariff sheets resulting from this case, the Parties agree to meet to determine the customer usage, billing, financial, demographic and other data necessary to fully explore and present various rate design structures in SNGMO’s next rate case proceeding, including information that would permit an assessment of the potential impact of straight fixed variable and traditional rate design structures on the Company and customers with different usage, cost causation, and demographic characteristics.

Thereafter, the Parties will work collaboratively to prepare and complete a report for submission to the Commission within 18 months of the completion of the case that will present in as factual and objective a manner as possible the results of the Parties’ analysis regarding the operation and impacts of various rate design structures. Such report may also include individual sections where individual Parties may present their individual recommendations regarding appropriate rate design structures and any other complementary ratemaking mechanisms that Parties believe may be necessary or desirable to implement various structures.

¹The Parties were ordered to comply with the terms of the Partial Stipulation by the Commission’s *Order Regarding Partial Stipulations and Agreements*, issued September 3, 2014.

The Company shall have the responsibility to coordinate the preparation of the report.

Parties are free to take whatever position they believe is appropriate in regard to such matters. It is expressly understood that all Parties reserve the right to propose whatever rate design they desire in SNGMO's next rate case.

2. On June 3, 2015, July 7, 2015, and January 14, 2016, SNGMO, Staff, and OPC worked collaboratively to organize and define the scope of the study; discuss data needs from SNGMO, and discuss findings and conclusions using data from the 2014 calendar year. On July 29, 2015, SNGMO provided Highly Confidential ("HC") data sets to the Parties containing the following information:

- Residential Class Usage (All Service Territories)
- Optional Residential Class Usage (Only applicable to former SMNG Service Territories)
- Residential Class Bad Debt Write-Offs
- Optional Residential Class Bad Debt Write-Offs
- LIHEAP Participant Information (All Service Territories)
- Residential Class Involuntary Disconnections (All Service Territories)
- Optional Residential Class Involuntary Disconnections (Only applicable to former SMNG Service Territories)

The data sets have been attached to this Report as Appendix 1-HC. And are designated as HC under the terms of Commission Rule 4 CSR 240-2.135, as they contain customer-specific information.

3. SNGMO maintains the overall rate design policy position that a decoupling mechanism is generally preferable to commodity based revenue recovery; however, that the resultant increase in customer charge could likely cause a decline in its customer base. SNGMO also maintains that it is unique as compared to other Missouri local distribution companies with respect to its geography and competition with propane that traditionally charges on a volumetric basis, which could potentially impact the acceptance of the Company's customer base.

4. MSBA generally maintains the overall rate design policy position that a volumetric-based mechanism is generally preferable to a decoupling mechanism, particularly because of the Company's competition with propane, which traditionally charges on a volumetric basis.

5. OPC maintains the position that a volumetric-based rate design best balances the interests of customers as well as shareholders and has always been found to be just and reasonable. OPC also believes SNGMO's desire to maintain a volumetric-based rate design to remain competitive with propane shows a volumetric-based rate design is consistent with the long-standing economic principle that rate regulation should "compel a regulated enterprise, despite its possession of complete or partial monopoly, to charge rates approximating those which it would charge if free from regulation but subject to the market forces of competition."


6. Staff maintains the position that rates should be designed so that each class pays its cost of service based on cost-causation principles and that rate design should be reconsidered in each general rate case.

7. After reviewing and analyzing the data, the Parties are in agreement that there are inherent limitations to the data such as an inability to globally define a low-income group. The Parties also agree the data does not reach a conclusive position or cause any party to revise its previous rate design policy positions. Finally, the Parties agree to reserve the right to propose whatever rate design they desire in SNGMO's next rate case.

WHEREFORE, the Parties respectfully request the Commission consider this Report to comply with Appendix D to the Partial Stipulation and Agreement and the Commission's *Order*

Regarding Partial Stipulations and Agreements, issued September 3, 2014.

Respectfully submitted,

 <hr/> Dean L. Cooper Mo. Bar 36592 BRYDON, SWEARENGEN & ENGLAND P.C. 312 East Capitol Avenue P.O. Box 456 Jefferson City, MO 65102-0456 Telephone: (573) 635-7166 Facsimile: (573) 635-0427 dcooper@brydonlaw.com ATTORNEYS FOR SUMMIT NATURAL GAS OF MISSOURI, INC.	OFFICE OF THE PUBLIC COUNSEL By: <u>//S// Marc D. Poston by dlc</u> Marc D. Poston (#45722) Deputy Public Counsel P. O. Box 2230 Jefferson City MO 65102 (573) 751-5558 (573) 751-5562 FAX marc.poston@ded.mo.gov
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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 13th day of May, 2016, to:

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