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Witness:	*Sarah L. Kliethermes*
Sponsoring Party:	*MoPSC Staff*
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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

TARIFF/RATE DESIGN

REBUTTAL TESTIMONY

OF

SARAH L. KLIETHERMES

SPIRE MISSOURI, INC., d/b/a SPIRE

LACLEDE GAS COMPANY and MISSOURI GAS ENERGY
GENERAL RATE CASE

CASE NOS. GR-2017-0215 AND GR-2017-0216

Jefferson City, Missouri
October 2017

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CASE NOS. GR-2017-0215 AND GR-2017-0216

Q. Please state your name and business address.

A. My name is Sarah L. Kliethermes and my business address is 200 Madison Street, P.O. Box 360, Jefferson City, Missouri 65102.

Q. Who is your employer and what is your present position?

A. I am employed by the Missouri Public Service Commission ("Commission") and my title is Regulatory Economist III, in the Tariff/Rate Design Unit, Operational Analysis Department, Commission Staff Division. A copy of my education, experience, and prior testimonies is attached to this testimony as Schedule SLK-r1.

EXECUTIVE SUMMARY

Q. What is the purpose of your rebuttal testimony?

A. I will provide Staff's concerns and recommendations in response to proposed Rule 19, proposed Rule 37, and proposed Rule 38 as contained in the suspended tariff sheets filed by the Company to initiate this case.[1] LAC and MGE witnesses Eric Lobser and Scott A. Weitzel provided some support for these requested changes in their direct filed testimony, to which I will respond as well.

[1] For purposes of clarification, the Rules addressed in this testimony are contained within the proposed Rules and Regulations section of the proposed tariffs in this case rather than the Commission's Rules adopted in the Code of State Regulations. Spire Missouri's suspended tariff sheets for the LAC division and the MGE division contain identical proposed rule sections.

Proposed Rule 19 concerns main extensions, and would create a mechanism for Spire Missouri to finance the customer portion of main extension costs. Proposed Rule 37 concerns the Economic Development Rider ("EDR") with required ratepayer indemnification of the revenue shortfall, which is new to the LAC division, although the existing MGE tariff includes an EDR available to Large Volume customers with ratepayer protection for the revenue shortfall. Proposed Rule 38 creates a blanket Special Contract tariff provision including required ratepayer indemnification of the revenue shortfall.

PROPOSED RULE 37 - ECONOMIC DEVELOPMENT RIDER

Q. What is the stated purpose of Spire Missouri's proposed EDR provision?

A. The tariff states "The purpose of this Economic Development Rider is to encourage economic development in Missouri."

Q. Is the application for the EDR as proposed sufficiently clear for applicants, participating customers, Staff, and other stakeholders to achieve reasonable clarity of expectations and outcomes?

A. No. There are ambiguities as to timelines for decision making, timelines for processing applications, and qualifications of applicants.

Q. As proposed, does the EDR include adequate safeguards for non-participating customers?

A. No. The proposed EDR reverses current ratepayer protections found in the existing MGE EDR without adequate safeguards to limit the revenue impact of the EDR. The proposed EDR also lacks reasonable limitations on the availability of the EDR.

Q. Does Staff support inclusion of an appropriately designed EDR tariff for both divisions in the rules and regulations tariff?

A. Yes. A reasonably designed EDR tariff results in a true win-win-win situation for participating customers, non-participating customers, and shareholders. A reasonably designed EDR would provide for a temporarily discounted rate to cause a facility that would not otherwise be a customer to be a customer, expanding the revenue base of the utility, and marginally reducing rates for the residual customer base.[2] A reasonably designed EDR also includes adequate safeguards to reduce free ridership – that is, the application of a discount to usage that would have existed with or without the EDR.

Q. What provisions or modifications should be included in Spire Missouri's proposed EDR to effectuate this win-win-win result?

A. Spire Missouri's proposed tariffs should be revised to include the following provisions:

1. A limitation of availability to customers in a type of business that is not retail in nature;

2. A clarification of the type and value of qualifying incentives offered by state or local economic development agencies or governmental units, including a requirement that qualifying economic development incentives actually be received and that the customer remain eligible for continued receipt of the incentives;

3. A limitation of availability to customers who have an alternative supplier of gas or of energy for the intended usage;

4. Clarification of whether the governing document is a completed and approved application, or a separate contract, and specification of a timeline for execution of the contract and the start of discounts under the rider;

5. Retention of the revenue adjustment language found in the current MGE EDR tariff provision;

6. Clarification of the time period used to determine any nonparticipating ratepayer-funded level of investment and modification of the test for

[2] A well designed EDR would also retain existing customers at serious threat of leaving the system, and would also cause a facility to expand its usage that would not otherwise do so.

nonparticipating ratepayer investment, if applicable, from "expected revenues" to "expected rate impact";

7. Expansion of the reporting requirement to include a review of the continued eligibility of participating customers.

Non-Retail Business Limitation

Q. Should the EDR be restricted to commercial and industrial facilities?

A. Yes. Staff recommends including a provision that bars the availability of the EDR to facilities selling goods or providing services to the general public. This language is consistent with the Economic Development Riders of Kansas City Power & Light, KCP&L Greater Missouri Operations Company, and the Empire District Electric Company, and the Economic Development and Retention Rider of Ameren Missouri Electric. The Economic Development Gas Service tariff of Liberty Utilities restricts availability to manufacturing process customers.

Q. Why is it appropriate to include this limitation?

A. The reasoning behind the language in other EDRs, as is the case here, is that many factors go into a business's decision of locating a facility. For businesses that rely on or heavily involve the general public accessing the facility, the location of the building is presumably a more significant factor than the utility bill. This provision is easily applied to reduce free-ridership.

Q. Did MGE's EDR include a similar provision?

A. The MGE EDR included a more restrictive provision. Under the existing MGE EDR, found on current sheets 72, 73, and 74, the discount is available only to industrial customers, and only if served on the Large Volume rate schedule. A copy of the existing MGE EDR is provided as Schedule SLK-r2.

Q. Would it be appropriate for a gas utility's EDR to be generally consistent with the EDRs of electric utilities serving the same area?

A. Yes. Absent a reasonable distinction between the operating characteristics that relates specifically to a designated area, mismatching the discounts offered based on energy source would encourage fuel switching based on a false price signal, which could be ultimately inefficient both economically and in terms of energy consumption. For example, if there is an industrial process that is cheaper for the customer to perform using an electric energy source, it would be inefficient and wasteful to use gas utility funds to induce that customer to convert the process to a gas energy source using the discounted EDR rate during the EDR term, for the customer to ultimately revert to the electric energy source upon conclusion of the EDR term. This disparity could also implicate the Commission's promotional practices rules.

Qualifying Economic Development Incentives

Q. Why is the award of an economic development incentive used to qualify a facility for the EDR discount?

A. Spire Missouri is not in the business of evaluating economic development projects. Utilities with EDRs rely on the state, regional, and local economic development offices to vet the merits of a potential facility for subsidization. Staff and other stakeholders rely on the determination that the relevant governmental or quasi-governmental body - with limited funds to expend – has chosen to place some of those funds into the development or retention of a particular facility. This reliance takes the place of an individualized review that is generally beyond the scope of expertise of both Staff and the utility. Such a review would be difficult if not impossible unless Staff and the utility had access to the confidential information of other potential customers, which is possessed by the economic development agency.

Q. Why is it reasonable to clarify the nature of the economic development incentive used to qualify a facility for the EDR discount?

A. Staff has concerns, based on experience with EDRs in general, that an economic development agency may award “incentives” that have little or no monetary value, or that are of only specious value. When an organization chooses to make expenditures from a constrained budget to subsidize a project, it is not unreasonable to rely on that determination when the utility evaluates the reasonableness of reducing utility revenues to further subsidize the project for future revenue growth. However, if the awarded “incentives” lack a material value, it is unreasonable for the utility to rely on the decision of the economic development entity to reduce short term revenues from the facility to cause long-term revenue growth for the utility.

Q. What additional clarification of the nature of the qualifying economic development incentive is appropriate?

A. Staff recommends language clarifying that such incentives must be received at the location and for the use for which the customer seeks the EDR discount, and the actual receipt of the incentives must commence before any discount is provided under the EDR.

Q. What is the benefit of these clarifications?

A. Staff expects that Spire intended to limit the qualification of the incentive to the location and use of the subject facility, and only seeks to make that limitation more apparent to prospective customers. For example, if an economic development agency undertakes an incentive program to upgrade the lighting fixtures in the common areas of an industrial park, that incentive has nothing to do with the gas burned in an adjacent facility's boiler. Similarly, if a customer has multiple accounts at multiple facilities throughout the MGE or LAC service areas, an economic development incentive applied to one of those facilities should only qualify that facility for a discount under this EDR. Staff recommends that EDR availability and applicability be limited to the location and use of energy that is subject to the qualifying economic development incentives.

Q. Why is it appropriate to delay application of the EDR discount until some level of monetary value has been derived from the economic development incentive?

A. It is not uncommon for an economic development incentive to include constraints, such as the hiring of a given number of employees in a given time period. Continued satisfaction of the underlying incentive that was the basis for qualification is a reasonable mitigation of the risk that a facility ultimately does not receive the incentive that it initially qualified for. Staff recommends additional language be included that requires refunding the value of the discounts applicable to the time period between the start of the EDR contract and the actual receipt of a qualifying incentive.

Alternative Supplier

Q. Is it reasonable to limit the availability of the EDR to customers who have an alternative supplier of gas or of energy for the intended usage?

A. Yes. This limitation is an important aspect of mitigating the risk of free-ridership. Staff recommends including a provision that requires the customer to demonstrate the necessity of the EDR discount to the customer's decision to start, expand, or retain its usage of natural gas. This requirement is consistent with the Economic

Development Riders of Kansas City Power & Light and KCP&L Greater Missouri Operations Company, and the Economic Development and Retention Rider of Ameren Missouri Electric.

Governing Document and Timelines

Q. Why is it reasonable to clarify whether the governing document is a completed and approved application, or a separate contract, and to specify a timeline for execution of the contract and the start of discounts under the rider?

A. Clarification of the nature of the governing document assists applicants, the utility, Staff, and other stakeholders in understanding the process and performing any back-end reviews of the awarded discounts.

Q. Why is it reasonable to include timelines in the tariff?

A. Provision of a timeline improves the understanding of the process for involved parties. It is also helpful in determining qualification and applicable criteria under the tariff. Staff seeks to mitigate the need for after the fact Commission determination of how long a "new" customer retains its newness, or whether it was the economic development incentive or the EDR that was the deciding factor for the customer's activity. This clarification also assists in determining what usage is subject to the discounts provided under the EDR.

Revenue Adjustments

Q. Do ratepayers or shareholders benefit when a new customer is added?

A. It is important to remember that both MGE and LAC recover the cost of gas sold through the PGA/ACA process and rates. This means that when a customer is added to the system, any revenue received, less the direct expenses associated with that customer's (1) billing/postage, (2) meter reading, and (3) new installations, is additional net revenue to the utility. With that in mind, the general benefits of a customer addition (as conveyed through non-gas/non-ISRS rates) are provided in the graphic below:[3]

Customer Addition, No EDR			Rate Case						Rate Case
Shareholder Benefit	Increase Net Revenue - Overrecovery		Same Net Revenue as No Customer Addition						
Ratepayer Benefit	No Change to Rates		Rates decreased						

Q. Under the existing MGE EDR, do non-participating ratepayers or shareholders receive the benefit of revenues received from a new customer added pursuant to an EDR?

A. The existing MGE EDR states:

> Prior to any determination of the Company's revenue requirement for rate making purposes before the Commission, test year revenues shall first be adjusted to the level corresponding to that which would be produced under the standard Large Volume contract rate schedule with respect to the customers qualified for service hereunder.

So, under the existing MGE EDR, and assuming that the level of the discount is the same in each year, from the time a new customer is added until a rate case implements new rates recognizing that customer, the shareholders receive all benefit of the EDR customer's revenues – albeit at an average of 80% of the level those benefits would have been absent an EDR. Once a rate case occurs recognizing those units, ratepayers receive the benefit of the EDR customer's revenues at the same level as if the EDR did not exist, and shareholders receive a detriment during the remainder of the EDR equal to the value of the discount of the EDR. Upon conclusion of the EDR, shareholders receive the full benefit as though the EDR did not exist, and ratepayers continue to receive the full benefit amount they were already receiving. Upon a follow-up rate case, both ratepayers and shareholders are placed in the

[3] For purposes of these examples, it is necessary to assume that no other changes to costs, expenses, or sales to other customers occur. Numerical examples of the graphics provided in this section are attached as Schedule SLK-r3.

same position as if there was no EDR. The graphic provided below compares the relative benefits for shareholders and ratepayers under the existing MGE EDR to the benefits for shareholders and ratepayers if the customer was added without an EDR:

Customer Addition - Rate Case During EDR Term - Imputed Revenue			**Rate Case**							**Rate Case**
Shareholder Benefit	Overrecovery, but not as much as if Customer was added without EDR		Underrecover Annual Value of Discount			Same as no customer				
Ratepayer Benefit	No Change to Rates		Rates decreased, same as Customer addition at full rates.							
	EDR Term									

Q. Under the proposed Spire Missouri EDR, do non-participating ratepayers or shareholders bear revenue responsibility?

A. Under the proposed Spire Missouri EDR, ratepayers receive less benefit between rate cases recognizing the customer addition and the rate case recognizing the end of the EDR, while shareholders will overrecover from the time the EDR ends until the time when the end of the EDR is recognized in rates. An illustration of the benefits relative to the addition of a customer without an EDR is provided in the graphic below:

Customer Addition - Rate Case During EDR Term - Discounted Revenue			**Rate Case**							**Rate Case**
Shareholder Benefit	Overrecovery, but not as much as if Customer was added without EDR		Same Net Revenue as No Customer Addition			Overrecover Annual Value of Discount				Same Net Revenue as No Customer Addition
Ratepayer Benefit	No Change to Rates		Rates decrease, but not as much as if Customer was added without EDR							Rates decreased, same as Customer addition at full rates.
	EDR Term									

Q. If the existing MGE method results in a period of underrecovery for shareholders, and the requested Spire Missouri method results in a period of overrecovery for shareholders, what is a reasonable basis to decide between the two methods?

A. The MGE method is more reasonable for the following reasons:

1. Although there is a period of shareholder underrecovery under the MGE method, there is also a period of overrecovery prior to a rate case. It would be very unusual that the circumstances would result in an overall underrecovery over either the service of that customer, or the term of the EDR;

2. To the extent the MGE method results in a shareholder underrecovery:

   a. Spire is in possession of more information than any other party concerning quantification of any marginal costs to serve the customer not flowed through the PGA/ACA process and rate,

   b. Spire is in possession of more information than any other party concerning the timing of likely general rate case filings, which delineate the periods of additional revenues and underrecoveries,

   c. Spire retains total discretion in the offer of percentage discount per year, which may be adjusted to reduce the underrecovery in later years, or increase the overrecovery in early years.

3. As illustrated in Schedule SLK-r3, the period of overrecovery that results from the proposed Spire Missouri method can actually place the shareholders in a better position than if a customer is added without an EDR. Because the EDR is granted in the utility's discretion, it would be improper to incent the utility to grant EDRs to customers who would join the system anyway.

Q. The examples provided above have involved new customer additions with no company investment in additional rate base. Would similar impacts result from expansion customers, retention customers, or new customers requiring installation of services?

A. Generally, yes.[4] In fact, for an expansion customer the results may be even more favorable to shareholders if no marginal costs are necessary. The impact of applying the two methods to retention customers would generally have the same impacts in terms of being more or less favorable to shareholders and ratepayers relative to status quo, except that in that

[4] This analysis does not consider the impact on revenue requirement associated with off-system sales that are no longer possible due to an increase in retail sales, or any analysis of tax impacts.

instance the status quo would be a detriment to both rather than an improvement. For customers requiring installation of services the analysis becomes more complicated, and is dependent on finalization of the proposed language regarding Paragraph 4.b. of the EDR "Local Service Facilities."

Q. Do you agree with Mr. Lobser's statement on page 28 of his direct testimony that the current MGE program "contains a disincentive for the Company?"

A. Not necessarily. As demonstrated above, under the existing MGE design, from the time a customer is added on an EDR until rates take effect from a general rate case recognizing that customer, the company will recover more revenue than it would without that customer, but less revenue than if the customer was added without that EDR discount prior. Once rates take effect and until the EDR expires, the company will recover less revenue than if the customer was not added. However, the company retains discretion as to the percentage discount applicable to each year, and has superior knowledge of the expected level of annual sales and rate case timing. All of this is to say, I would agree that under the existing MGE design, in general, the company has a disincentive to place a new customer on an EDR versus simply taking the customer on as a new customer, but not that the company has a disincentive to take the customer on under an EDR versus not taking the customer. Similar analysis applies to retaining a customer on an EDR versus losing that customer.

Local Service Facilities

Q. What is meant by that language at Paragraph 4.b. stating:

> Local Service Facilities: The Company will install standard facilities to serve the customer at its own cost if the Company's analysis of expected revenues from the new or expanded load on an ongoing basis calculated at the standard rates and charges for the applicable rate schedule is determined to be sufficient to justify the investment in the facilities.

A. Staff would interpret the phrase "at its own cost" as this provision is currently worded in Spire Missouri's proposal, to mean that the direct and indirect costs of installation would be borne by shareholders.

Q. Would Staff be surprised if that result was not Spire Missouri's intent?

A. No. Staff is not certain how Spire intends this language be interpreted. To the extent this language calls for nonparticipating ratepayers to subsidize direct or indirect costs of any installations, Staff recommends modifying the analysis used from reviewing "expected revenues" to reviewing "expected rate impact." Staff also recommends including a time frame for the analysis. To that end, Staff would conclude the provision with the phrase "within the next 10 years."

Reporting Requirements

Q. Has Spire Missouri included a requirement to submit an annual report to the Commission identifying the names, locations, and discounts applicable to customers served under the EDR?

A. Yes.

Q. What additional information should be included with this reporting?

A. Staff recommends the reporting requirement be expanded to include the results of an annual review of continued eligibility.

Q. What additional factors should be included in the annual reporting?

A. Staff recommends certification of continued achievement of minimum usage requirements, and certification of continued receipt of economic development incentives, as applicable.

Q. Did Spire Missouri's proposed tariff require review of usage requirements?

A. While the usage requirements differ by new, expanded, moving, and retained customers, an annual usage requirement is in place for each type of eligible customer. Spire Missouri's proposed tariff included a provision requiring that a customer who fails to meet the annual minimum usage requirement be removed from the discounted Rider rate, and placed on the otherwise applicable rate schedule. In the course of improving the clarity of the proposed tariff, Staff recommends modification of the location and specific language of these provisions, but maintains the usage requirements proposed by Spire Missouri. Staff would simply recommend the results of that review be provided to the Staff and Commission annually.

Q. Did Spire Missouri's proposed tariff require review of retention of economic development incentives?

A. No. Spire Missouri's proposed tariff did not require that economic development incentives be retained. Similarly, Spire Missouri's proposed tariff did not require an annual review to confirm that the incentive has been retained in successive years.

Q. Is additional clarification of the reporting section necessary?

A. Yes. The phrase "prepare and submit an annual report to the Commission" is ambiguous. Staff recommends that it be specified that the report will be provided "as a BEDR Submission in EFIS,"[5] to resolve this ambiguity.

Q. Are further modifications appropriate to the proposed language to clarify the intent of the proposed tariff language and its application?

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[5] BEDR represents a non-case related designation for Economic Development Riders in the Commission's Electronic Filing Information System ("EFIS").

A. Yes. While Staff does not expect these recommendations to alter the intent of Spire Missouri's proposed tariff, inclusion of the following modifications should improve the clarity of the tariff:

1. As proposed, Paragraph 1. "Purpose" states "The purpose of this Economic Development Rider is to encourage economic development in Missouri." This language fails to clarify that such encouragement is necessarily limited by the rate impact of such encouragement on non-participating ratepayers. Improved utilization of the existing company system and services has a favorable rate impact on non-participating ratepayers, while free-ridership and ratepayer-funded construction of new infrastructure has an unfavorable impact on non-participating ratepayers. Staff recommends the provision be revised to state:

   > The purpose of this Economic Development Rider is to encourage efficient utilization of the existing company system and services and economic development in Missouri.

2. As proposed, Paragraph 4.a. "Rate Discount" states "the Company shall have the discretion to determine what level of discounts shall be provided in any contract year based on the needs of the customer and the discount structure that will be most effective in retaining, expanding or attracting the customer." It is not entirely clear at what point in time the Company will exercise this discretion to adjust discounts. Presumably a particular percent of discount will apply each contract year, and presumably the executed contract will state which percent will apply to which year. Clearly stating those items would improve the EDR's application. Staff recommends the provision be revised to state:

   > [T]he EDR contract shall specify the level of discounts as a percent of non-gas/non-ISRS charges that shall be provided for each contract year that, in the Company's discretion, based on the needs of the customer, will be most effective in retaining, expanding or attracting the customer, as applicable.

3. As proposed, Paragraph 2. "Availability" states "Availability: Service under this rider is available to customers or prospective customers who have or are expected to have usage exceeding 30,000 Dth/yr and who have or are being offered incentives by state or local economic development agencies or governmental units **to retain existing business activity**, encourage the expansion of existing business activity or attract new business activity." It further states that "The rider is not available to

customers who are already receiving natural gas service from the Company and are seeking to move to a new location within the Company's service territory, unless such move would result in expanded usage over current usage of at least 15,000 Dth/yr." Further, Paragraph 3 "Applicable" states that "For existing customers, qualified volumes shall be the sales or transportation volumes delivered during each contract year in excess of the current usage volumes, provided customer's annual natural gas requirement in each contract year exceeds the current usage requirement by at least 15,000 dth/yr."

The inconsistent wording of these provisions leaves ambiguity as to whether or not the discount is available to a customer that is an existing customer who has not changed locations, but will be increasing its usage by at least 15,000 decatherms per year. Further, there is an ambiguity as to whether the discount is available to "retain" a customer, and if so, to what level of usage such discount would apply. Staff presumes and recommends that the EDR be available to a customer that is not moving, but is increasing its usage in the specified manner, assuming all other requirements are met. Staff presumes and recommends that the discount be made available to "retain" customers meeting the usage characteristics applicable to a new customer.

Staff recommends Paragraphs 2 and 3 be revised to clarify the availability of the EDR. Staff's recommended Paragraphs 2 and 3, as provided below, include revisions for the concerns discussed earlier in this testimony:

> 2. a. Availability: Service under this rider is available to:
>
> (1) prospective customers who are expected to have usage exceeding 30,000 Dth/year; or
>
> (2) customers who are already receiving natural gas service from the Company and are seeking expand their business in a manner that will result in expanded usage over current usage of at least 15,000 Dth/year; or
>
> (3) customers who are already receiving natural gas service from the Company and are seeking to move to a new location within the Company's service territory that will result in expanded usage over current usage of at least 15,000 Dth/year; or
>
> (4) retention customers who have had usage exceeding 30,000 Dth/year in each of the preceding 3 years, and who are expected to have usage exceeding 30,000 Dth/year going forward pursuant to qualifying economic development incentive awards.

2. b. Limitations: Availability of this rider shall be limited to customers satisfying each of the following criteria.

(1) Availability is limited to industrial and commercial facilities which are not in the business of selling or providing goods and/or services directly to the general public.

(2) Availability is limited to customers receiving qualifying incentives by state or local economic development agencies or governmental units to retain existing business activity, encourage the expansion of existing business activity, or attract new business activity. To qualify, such incentives must be of a monetary value equal to or greater than the value of the discount provided under this Rider. Such incentives must be received at the location and for the use for which the customer seeks this discount, and the actual receipt of the incentives must commence before any discount shall be provided under this EDR; however, if the contract year under this EDR begins prior to the actual receipt of a qualifying incentive, upon receipt of the incentive the discounts applicable under the contract shall be provided.

(3) Documentation of viable energy alternatives. Customer shall furnish to Company documentation of the alternative locations or energy sources described in the affidavit provided in compliance with this section including sufficient documentation to demonstrate the but-for necessity of the discount provided under this Rider. Customers qualifying under paragraphs 2.a.(1), 2.a.(2), or 2.a.(3) must present a properly executed affidavit testifying that but-for the provision of the natural gas service discounts under this EDR, Customer would not construct the facilities for which the customer is applying for this EDR, or customer would construct the facilities in an area outside of the company’s service territory, or customer would utilize an alternative source of energy. Retention Customers under paragraph 2.a.(4) must present a properly executed affidavit testifying that but-for the provision of the natural gas service discounts under this EDR, Customer would not continue to operate the facilities for which the customer is applying for this EDR as of a date certain, or customer would construct alternative facilities in an area outside of the company’s service territory as of a date certain, or customer would operate the facility using an alternative source of energy as of a date certain. Such date certain must be less than 12 months beyond the date of the Affidavit.

3. Applicability: For customers under 2.a.(1) and 2.a.(4), all sales or transportation volumes delivered shall be considered qualified volumes with respect to the incentive provisions of this rider. For customers under 2.a.(2) and 2.a.(3) qualified volumes shall be the sales or transportation volumes delivered during each contract year in excess of

> the current usage volumes, provided customer's annual natural gas requirement in each contract year exceeds the current usage requirement by at least 15,000 dth/year. For Customers with existing facilities at one or more locations in the Company's service area, discounts under this Rider shall not be applicable to the portion of service related to a customer transferring activities occurring any other facility or metering point to the facility or metering point receiving service under this Rider.

Q. For convenience, has Staff prepared a redline and clean version of Spire Missouri's proposed Rule 37 – Economic Development Rider tariff sheets that incorporates the modifications Staff recommends?

A. Yes. While Staff notes it is not clear what the utility's intent is regarding Local Service Facilities, Staff has prepared a redline of Spire's proposed tariff provisions, attached as Schedule SLK-r4, and a clean version of the proposed tariff provisions, attached as Schedule SLK-r5, for reference.

Q. Is there an additional concern regarding Spire's proposed revisions to modify the MGE EDR and expand its applicability to the LAC division?

A. Yes. Spire has proposed to remove from its tariff book the existing MGE EDR available to Large Volume customers. Typically, when modifications are made to an EDR tariff and customers continue to receive service under that tariff, the existing tariff sheets are left in the tariff book to enable those customers to complete their contract terms under the existing tariff. Staff recommends the existing MGE EDR tariff provisions be retained and denominated "Frozen to new customers as of effective date."

PROPOSED RULE 38 - NONSPECIFIC SPECIAL CONTRACT TARIFF PROVISIONS

Q. What is the stated purpose of Spire's proposed Special Contracts Rider ("SCR") provision?

A. The "purpose" section of proposed Rule 38 is "This tariff is designed for two purposes. First, it permits Company to meet specific competitive threats, which if not responded to would result in lost margin to the Company and its customers. By attempting to meet competition, Company will seek to preserve or increase some contribution to the fixed costs all customers must pay for in rates. Second, the tariff can be used to serve and retain or attract load customers [sic] who require a service structure not found in Company's standard tariffs."

Q. Does the MGE tariff currently include a provision related to the first portion of the stated purpose?

A. Yes. Sheet 43, within the Large Volume Service Tariff for MGE provides:

> The Company may from time to time at its sole discretion reduce its charge for transportation service by any amount down to the minimum transportation charge for customers who have alternative energy sources, which on an equivalent BTU basis, can be shown to be less than the sum of the Company's transportation rate and the cost of natural gas available to the customer.
>
> Such reductions will only be permitted if, in the Company's sole discretion, they are necessary to retain or expand services to an existing customer, to re-establish service to a previous customer or to acquire new customers.
>
> The Company will reduce its transportation rate on a case by case basis only after the customer demonstrates to the Company's satisfaction that a feasible alternative energy source exists.
>
> If the Company reduces its transportation charge hereunder, it may, unless otherwise provided for by contract upon 2 days notice to the customer, further adjust that price within the rates set forth above.

Q. Does the LAC tariff currently include a provision related to either stated purpose?

A. No, there is not a provision for LAC to charge non-tariffed charges in its current tariff.

Q. Does the MGE tariff currently include a provision related to the purpose to "serve and retain or attract load customers [sic] who require a service structure not found in Company's standard tariffs?"

A. No.

Q. What support does Spire Missouri provide in testimony of the use of nonspecific special contracts to "serve and retain or attract load customers [sic] who require a service structure not found in Company's standard tariffs?"

A. Scott A. Weitzel's testimony discusses the first stated purpose, but not the second stated purpose. Eric Lobser's testimony does not discuss either purpose. Staff could not locate further discussion of the proposed tariff provisions in testimony.

Q. What examples are provided in testimony of the need of the nonspecific special contract tariff provision?

A. Mr. Weitzel provides the following examples:

1. Loss of a customer that will bypass the system for the interstate pipeline;
2. Attraction of a customer requiring more significant discounts than available under the EDR;
3. Attraction of a customer requiring longer term discounts than available under the EDR.

Q. Does the proposed tariff require that the customer have an alternative energy supply option such as proximity to an interstate pipeline?

A. There is language in paragraph 2 that states "Service under the EDR [sic] is available to customers or prospective customers who have or are expected to have usage exceeding 30,000 Dth/yr and that either have competitive alternatives for serving all or a portion of their natural gas load requirements or require a special form of service not otherwise available."[6] The tariff does not provide guidance for how it will be determined whether the customer must have a competitive alternative requirement to satisfy, or if a customer will not be obligated to satisfy, that requirement in that the customer requires "a special form of service not otherwise available."

Q. Has Spire Missouri provided testimony discussing what might constitute a customer requirement of a special form of service not otherwise available?

A. No.

Q. To the extent Spire Missouri applies the alternative requirement that a customer demonstrate a competitive alternative for all or a portion of their load requirement, does the tariff provide guidance as to what constitutes a "competitive alternative" or what a "minimum portion" might be?

A. No. While the MGE tariff currently in effect requires showing that the alternative must be less expensive on an all-in per-BTU basis, there is no requirement in the Spire Missouri proposal that the alternative be less expensive, nor a floor as to how little energy could be supplied.

Q. Has the Commission approved nonspecific special contract tariff provisions for any other natural gas utility?

[6] This provision refers to the EDR, not the SCR. Staff assumes the intent is to refer to the SCR.

A. Yes. Case No. GR-2014-0152, resulted in promulgation of a nonspecific special contract tariff for Liberty Utilities that is similar to that currently in place for MGE, including the requirement of a showing that an alternative supply of energy exists and is cheaper.

Q. Are there additional concerns with the proposed Spire Missouri tariff?

A. Yes. Mr. Weitzel's testimony states that:

> Staff and OPC would have an opportunity to review the contract and supporting information for 30 days. If neither party objects within that period, the Company could proceed to implement the contract, and the pricing in the contract would be used to set rates for the duration of the agreement. If a party did object, the Commission would have an opportunity to determine whether to approve the contract as is, ask the parties to amend the contract if such change in terms or delay is acceptable, or reject it.

Q. What portion of this review process is included in the proposed tariff?

A. Very little. The process described in Mr. Weitzel's testimony is not set forth in the proposed tariff. The proposed tariff includes paragraph 6 with definitional subparts, requiring the company to provide a copy of the contract and supporting documentation to Staff and OPC. The proposed tariff includes paragraph 7 which states:

> Prior to any determination of the Company's revenue requirement for rate making purposes before the Commission, test year revenues shall be based on the actual revenues being received by the Company under the discounts being provided pursuant to this SCR, provided that neither Staff or OPC objected to implementation of the Special Contract at the time it was submitted or the Commission approved the Special Contract prior to it going into effect.

Q. Under the literal language of this provision, if Staff or OPC objected to a contract but the Commission did not reject it, would the revenue requirement be subsequently determined based on actual revenues?

A. No.

Q. Lawfully, can the Commission approve a Special Contract submitted outside of a rate case for purposes of establishing the rate contained therein as just and reasonable for purposes of setting rates in a subsequent rate case?

A. Based on discussions with counsel, no, this would constitute single issue ratemaking and potentially discriminatory pricing. Further, based on the process described in the testimony, implementation of this process could constitute an unlawful delegation of the Commission's ratemaking authority to the Commission's Staff and OPC.

Q. Does the nonspecific special contract tariff provision include any safeguards against free ridership such as the imprimatur of an economic development agency?

A. No.

Q. Is there an additional concern regarding Spire Missouri's proposed revisions to modify the MGE EDR and expand its applicability to the LAC division?

A. Yes. As discussed further by Staff witness Robin Kliethermes, Spire Missouri has proposed to remove from its tariff book the existing MGE provisions relating to providing discounted service available to Large Volume customers with alternative supply options. Customers are currently receiving service under those provisions. Staff recommends the existing MGE tariff provisions relating to providing discounted service available to Large Volume customers with alternative supply options be retained and denominated "Frozen to new customers as of effective date."

Q. Should the Commission approve the proposed nonspecific special contract tariff provision, Rule 38?

A. No. Given Staff's recommendation to make a well-designed EDR applicable to the entire service area, the proposed nonspecific special contract tariff provision is largely duplicative. To the extent the provisions are not duplicative, Staff recommends that additional nonspecific variation from tariffed rates not be permitted. In the alternative, Staff recommends that proposed Rule 38 be modified to reflect the existing MGE provisions including the limitation of availability to Large Volume Customers, with the addition of a requirement that all documentation supporting the contract be provided to Staff within 30 days of the execution of the contract, and an update of the $0.0005 per CCF minimum charge.

<u>PROPOSED RULE 19 - DISTRIBUTION FACILITY EXTENSION SURCHARGE</u>

Q. What change does Spire propose to its main extension policy?

A. In Rule 19.E. Spire proposes to offer on-bill financing of the contributions-in-aid-of-construction required for main extensions beyond the free allowances offered under Rule 19.D [sic].[7] The customers taking service using the extension of the distribution system would provide payments for the financing pursuant to an on-bill surcharge.

Q. What recourse does Spire Missouri, and by extension its ratepayers, have if a customer utilizing on-bill-financing leaves the system prior to the 15 year term used to calculate the surcharge?

[7] While Staff does not recommend promulgation of the proposed changes to Rule 19.E., language in proposed Rule 19.F. includes a reference to "Section D" that should read "Section E." Also, a comma should be included after this reference.

A. There is no apparent recourse.

Q. Will customers who will be subject to a surcharge receive notice of the surcharge prior to taking service?

A. Both the testimony and proposed tariff are silent on what notice Spire Missouri will provide to customers who request service in an area subject to a surcharge. However, for a customer taking service in an area served by a main extension that was installed pursuant to this provision, the tariff does provide that subsequent customers will be assessed the main extension surcharge, even if they were not involved in the original decision to finance the main extension.

Q. What treatment does Spire Missouri propose for accounting, depreciation, and ratemaking purposes for balances subject to a surcharge and surcharge revenues?

A. Both the testimony and proposed tariff are silent on these matters.

Q. If the purpose of the tariff provision is to lower the initial investment necessary for customers who may not consume enough gas to otherwise justify the costs of a main extension, what would be the expected impact of those customers on average usage per customer?

A. If additional customers are added with consumption that is below the current average usage per customer, while overall usage would increase, usage per customer would decrease.

Q. Does Spire Missouri discuss this impact on usage per customer in the context of its requested revenue stabilization mechanism?

A. No, it does not. Staff's position on the revenue stabilization mechanism is discussed in the testimony of Mr. Michael L. Stahlman.

Q. Does Staff recommend the Commission approve Spire Missouri's requested inclusion of on-bill financing for main extensions as contained in proposed Rule 19?

A. Not as drafted. Staff would not object to surcharge financing of main extensions if (1) adequate notice to future customers subject to the surcharge is required to be provided, (2) non-participating ratepayers are held harmless from the company's decision to finance line extensions beyond the free allowance, and (3) the tariff provides sufficient detail to segregate all direct and indirect costs in excess of the free allowance from the regulated revenue requirement.

CONCLUSION

Q. Does this conclude your rebuttal testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Request to Increase Its Revenues for Gas Service	)))	Case No. GR-2017-0215
In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase Its Revenues for Gas Service	)))	Case No. GR-2017-0216

AFFIDAVIT OF SARAH L. KLIETHERMES

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW SARAH L. KLIETHERMES and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Sarah Kliethermes

SARAH L. KLIETHERMES

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 20th day of October, 2017.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2020
Commission Number: 12412070

D Suzie Mankin

Notary Public

Sarah L. Kliethermes

MoPSC Employment Experience

Regulatory Economist III (July 2013 – Present)
Tariff and Rate Design Unit, Operational Analysis Department, Commission Staff Division, of the Missouri Public Service Commission. In this position my duties include providing analysis and recommendations in the areas of RTO and ISO transmission, rate design, class cost of service, tariff compliance and design, and energy efficiency mechanism and tariff design. I also continue to provide legal advice and assistance regarding generating station and environmental control construction audits and electric utility regulatory depreciation.

My prior positions in the Commission's General Counsel's Office, which was reorganized as the Staff Counsel's Office, consisted of leading major rate case litigation and settlement and presenting Staff's position to the Commission, and providing legal advice and assistance primarily in the areas of depreciation, cost of service, class cost of service, rate design, tariff issues, resource planning, accounting authority orders, construction audits, rulemakings and workshops, fuel adjustment clauses, document management and retention, and customer complaints. Those positions were:

Senior Counsel (September 2011 – July 2013)
Associate Counsel (September 2009 – September 2011)
Legal Counsel (September 2007 – September 2009)
Legal Intern (May 2006 – September 2007)

Testimony and Staff Memoranda

Kansas City Power & Light Company — ER-2017-0316
In the Matter of Kansas City Power & Light Company's Demand Side Investment Rider Rate Adjustment And True-Up Required by 4 CSR 240-3.163(8)

Kansas City Power & Light Company — ER-2017-0167
In the Matter of Kansas City Power & Light Company's Demand Side Investment Rider Rate Adjustment And True-Up Required by 4 CSR 240-3.163(8)

Grain Belt Express Clean Line, LLC — EA-2016-0358
In the Matter of the Application of Grain Belt Express Clean Line LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Own, Operate, Control, Manage, and Maintain a High Voltage, Direct Current Transmission Line and an Associated Converter Station Providing an Interconnection on the Maywood - Montgomery 345 kV Transmission Line

KCP&L Great Missouri Operations Company ET-2017-0097
In the Matter of KCP&L Greater Missouri Operations Company's Annual RESRAM Tariff Filing

Kansas City Power & Light Company ER-2016-0325
In the Matter of Kansas City Power & Light Company's Demand Side Investment Rider Rate Adjustment And True-Up Required by 4 CSR 240-3.163(8)

Kansas City Power & Light Company ER-2016-0285
In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service

Union Electric Company d/b/a Ameren Missouri ER-2016-0179
In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service

KCP&L Great Missouri Operations Company ER-2016-0156
In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service

Empire District Electric Company ER-2016-0023
In the Matter of The Empire District Electric Company's Request for Authority to Implement a General Rate Increase for Electric Service

Ameren Transmission Company of Illinois EA-2015-0146
In the Matter of the Application of Ameren Transmission Company of Illinois for Other Relief or, in the Alternative, a Certificate of Public Convenience and Necessity Authorizing it to Construct, Install, Own, Operate, Maintain and Otherwise Control and Manage a 345,000-volt Electric Transmission Line from Palmyra, Missouri to the Iowa Border and an Associated Substation Near Kirksville, Missouri

Ameren Transmission Company of Illinois EA-2015-0145
In the Matter of the Application of Ameren Transmission Company of Illinois for Other Relief or, in the Alternative, a Certificate of Public Convenience and Necessity Authorizing it to Construct, Install, Own, Operate, Maintain and Otherwise Control and Manage a 345,000-volt Electric Transmission Line in Marion County, Missouri and an Associated Switching Station Near Palmyra, Missouri

Union Electric Company d/b/a Ameren Missouri EO-2015-0055
In the Matter of Union Electric Company d/b/a Ameren Missouri's 2nd Filing to Implement Regulatory Changes in Furtherance of Energy Efficiency as Allowed by MEEIA

Empire District Electric Company ER-2014-0351
In the Matter of The Empire District Electric Company for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Company's Missouri Service Area

Kansas City Power & Light Company ER-2014-0370
In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service

Union Electric Company d/b/a Ameren Missouri EC-2014-0316
City of O'Fallon, Missouri, and City of Ballwin, Missouri, Complainants v. Union Electric Company d/b/a Ameren Missouri, Respondent

Union Electric Company d/b/a Ameren Missouri ER-2014-0258
In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service

Union Electric Company d/b/a Ameren Missouri EC-2014-0224
Noranda Aluminum, Inc., et al., Complainants, v. Union Electric Company d/b/a Ameren Missouri, Respondent

Grain Belt Express Clean Line, LLC EA-2014-0207
In the Matter of the Application of Grain Belt Express Clean Line LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Own, Operate, Control, Manage, and Maintain a High Voltage, Direct Current Transmission Line and an Associated Converter Station Providing an Interconnection on the Maywood - Montgomery 345 kV Transmission Line

KCP&L Great Missouri Operations Company EO-2014-0151
In the Matter of KCP&L Greater Missouri Operations Company's Application for Authority to Establish a Renewable Energy Standard Rate Adjustment Mechanism

Kansas City Power & Light Company EO-2014-0095
In the Matter of Kansas City Power & Light Company's Filing for Approval of Demand-Side Programs and for Authority to Establish A Demand-Side Programs Investment Mechanism

Veolia Energy Kansas City, Inc. HR-2014-0066
In the Matter of Veolia Energy Kansas City, Inc. for Authority to File Tariffs to Increase Rates

RELATED TRAINING AND EXPERIENCE

2015, participant in Missouri's Comprehensive Statewide Energy Plan working group on Energy Pricing and Rate Setting Processes.

Presented:

Support for Low Income and Income Eligible Customers, Cost-Reflective Tariff Training, in cooperation with U.S.A.I.D. and NARUC, Addis Ababa, Ethiopia (February 23 - 26, 2016)

Fundamentals of Ratemaking at the MoPSC (October 8, 2014)

Ratemaking Basics (Sept. 14, 2012)

Attended:

Using Deemed Savings and Technical Reference Manuals for Efficiency Programs and Projects Evaluation, Measurement and Verification for Energy Efficiency (June 27, 2016)
Demand Charges: Pathway or Detour? (December 10, 2015)
Net Metering presented by Ralph Zarumba (December 9, 2014)
Fourth Annual Public Utility Law Symposium (October 17, 2014)
Electricity Energy Storage Sources (August 29, 2014)
Combined Heat & Power: Planning, Design and Operation (August 11, 2014)
Today's U.S. Electric Power Industry, the Smart Grid, ISO Markets & Wholesale Power Transactions (July 29-30, 2014)
MISO Markets & Settlements Training for OMS and ERSC Commissioners & Staff (Jan. 27 – Jan. 28, 2014)
Validating Settlement Charges in New SPP Integrated Marketplace (July 22, 2013)
PSC Transmission Training (May 14 – 16, 2013)
Grid School (March 4 – 7, 2013)
Specialized Technical Training - Electric Transmission (April 18 – 19, 2012)
Legal Practice Before the Missouri Public Service Commission (Sept. 1, 2011)
Renewable Energy Finance Forum (Sept. 29 – Oct 3, 2010)
The New Energy Markets: Technologies, Differentials and Dependencies (June 16, 2011)
Mid-American Regulatory Conference Annual Meeting (June 5 – 8, 2011)
Utility Basics (Oct. 14 – 19, 2007)

EDUCATION

Studied Energy Transmission at Bismarck State College, online (2014 – 2015).
Licensed to Practice Law in Missouri, MoBar # 60024 (Summer 2007).
Juris Doctorate, University of Missouri, Columbia, Missouri (2004 – 2007).
Bachelor of Science in Historic Preservation, Cum Laude, minor in Architectural Design, Southeast Missouri State University, Cape Girardeau, Missouri (2002 – 2004).
2000 – 2002: Studied Architecture and English Literature at Drury University, Springfield, Missouri.
2013 Economics courses at Columbia College, Jefferson City campus.

OTHER EMPLOYMENT EXPERIENCE

Law Clerk, Contracting and Organization Research Institute. Performed legal research; analyzed, described, and categorized contracts.

Paid Intern, Southeast Missouri State University. Accessioned and organized artifact collections for the Missouri Department of Natural Resources, Division of State Parks and Historic Sites.

Intermediate Clerk, Missouri Department of Elementary and Secondary Education. Responsibilities included organizing and managing various forms of data.

ECONOMIC DEVELOPMENT RIDER
EDG

PURPOSE

The purpose of this Economic Development Rider is to encourage industrial development in Missouri.

AVAILABILITY

Service under this rider is available to industrial customers qualified to receive service under the Company's contract rate schedule for Large Volume customers and as further set forth herein.

APPLICABLE

Upon election of the customer and acceptance by the Company, the provisions of this rider are applicable to new industrial customers qualified to receive service under the Company's Large Volume rate schedule and to the added consumption of existing industrial customers who have been served under the Large Volume rate schedule or its predecessor, the Large Industrial rate schedule for the twelve months prior to customer's election of this rider (the base period).

All sales or transportation volumes delivered to new customers shall be considered qualified volumes with respect to the incentive provisions of this rider. For existing customers, qualified volumes shall be the sales or transportation volumes delivered during each contract year in excess of the base period volumes, provided customer's annual natural gas requirement in each contract year exceeds the base period requirement by at least 300,000 Ccf.

All requests for service under this rider will be considered by the Company; however, in no event shall any provision of this rider apply to a customer's consumption for a period prior to the date the Company accepts the customer's application hereunder. If a qualifying customer's use of natural gas subsequently becomes insufficient to meet the requirements of this rider or the Company's contract rate schedule for Large Volume customers, the incentive provisions contained herein shall cease and the customer will be served under the applicable rate schedule for such reduced requirements.

ECONOMIC DEVELOPMENT RIDER
EDG

INCENTIVE PROVISIONS

The contract for service hereunder shall begin on the date the Company accepts the customer's application and shall continue for a period of five years. Customers receiving service under this rider shall be billed at the standard rates and charges for large volume customers as adjusted by the following incentive provisions:

1. Rate Discount: With respect to the qualified volumes, the commodity margin of the sales or transportation rate will be discounted by 30% during the first contract year, 25% during the second contract year, 20% during the third contract year, 15% during the fourth contract year, and 10% during the fifth contract year. After the fifth contract year, this incentive provision shall cease.

2. Local Service Facilities: The Company will install standard facilities to serve the customer at its own cost if the Company's analysis of expected revenues from the new or expanded load on an ongoing basis calculated at the standard rates and charges for Large Volume customers is determined to be sufficient to justify the investment in the facilities.

The total dollar amount of the incentives provided under this rider shall not exceed one percent (1%) of the Company's jurisdictional gross revenues during each calendar year; provided, however, the Company shall have the right at any time and for good cause shown to seek a modification of this limitation upon application to the Commission.

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas

ECONOMIC DEVELOPMENT RIDER
EDG

TERM

Upon application by the Company and approval of the Commission, this rider may be frozen with respect to new or expanded loads. Any customer receiving service under the rider on the date it is frozen may continue to receive the benefits of the incentive provisions herein through the first five years of such customer's contract provided the customer continues to meet the requirements of this rider.

REPORTING

During the term of this rider the Company will prepare and submit a semi-annual report to the Commission listing the names and locations of customers receiving service hereunder and a statement of incentives provided to each customer during the reporting period. The report will also describe the basis used to qualify each customer added to the Company's economic development program during the reporting period.

OTHER

Prior to any determination of the Company's revenue requirement for rate making purposes before the Commission, test year revenues shall first be adjusted to the level corresponding to that which would be produced under the standard Large Volume contract rate schedule with respect to the customers qualified for service hereunder.

DATE OF ISSUE January 7 1994 (month day year) DATE EFFECTIVE February 1 1994 (month day year)

ISSUED BY F. Jay Cummings, Vice President, Rates and Regulatory Affairs
Missouri Gas Energy
Kansas City, MO. 64111

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas

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DATE OF ISSUE January 7 1994 (month day year)   DATE EFFECTIVE February 1 1994 (month day year)

ISSUED BY F. Jay Cummings, Vice President, Rates and Regulatory Affairs
Missouri Gas Energy
Kansas City, MO. 64111

Rate Case During EDR Term - Discounted Revenue		**New Customer Added**		**Rate Case Occurs**						**Rate Case Occurs**	
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total Benefits
Revenue Requirement	$ 1,000,000	$ 1,000,000	$ 1,000,000	**$ 1,000,060**	$ 1,000,060	$ 1,000,060	$ 1,000,060	$ 1,000,060	$ 1,000,060	**$ 1,000,060**	
Units Recognized in Rate Case at Full Price	5,000,000	5,000,000	5,000,000	**5,000,000**	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	**5,002,000**	
Units Billed at Full Price	5,000,000	5,000,000	5,000,000	**5,000,000**	5,000,000	5,000,000	5,002,000	5,002,000	5,002,000	**5,002,000**	
Units Recognized in Rate Case at Discounted Price				**2,000**	2,000	2,000					
Units Billed at Discounted Price		2,000	2,000	**2,000**	2,000	2,000					
Unrecognized Usage		2,000	2,000								
Full Price Rate Set in Rate Case	$ 0.20000	$ 0.20000	$ 0.20000	**$ 0.19995**	$ 0.19995	$ 0.19995	$ 0.19995	$ 0.19995	$ 0.19995	**$ 0.19993**	
Discounted Rate		$ 0.16000	$ 0.16000	**$ 0.15996**	$ 0.15996	$ 0.15996					
Cost of Serving New Customer Not Recognized in Rate Case		$ 60	$ 60	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	
Revenue from Recognized Units	$ 1,000,000	$ 1,000,000	$ 1,000,000	**$ 1,000,060**	$ 1,000,060	$ 1,000,060	$ 1,000,140	$ 1,000,140	$ 1,000,140	**$ 1,000,060**	
Revenue from Unrecognized Units	$ -	$ 320	$ 320	**$ -**	$ -	$ -	$ -	$ -	$ -	**$ -**	
Total Revenue	$ 1,000,000	$ 1,000,320	$ 1,000,320	**$ 1,000,060**	$ 1,000,060	$ 1,000,060	$ 1,000,140	$ 1,000,140	$ 1,000,140	**$ 1,000,060**	
Change to Net Revenue		$ 260	$ 260	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	
Shareholder Benefit		$ 260	$ 260	$ -	$ -	$ -	$ 80	$ 80	$ 80	**$ -**	$ 760
Non-Participating Ratepayer Benefit				**$ 260**	$ 260	$ 260	$ 260	$ 260	$ 260	**$ 340**	$ 1,899
											$ 2,659

Rate Case During EDR Term - Imputed Revenue		**New Customer Added**		**Rate Case Occurs**						**Rate Case Occurs**	
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total Benefits
Revenue Requirement	$ 1,000,000	$ 1,000,000	$ 1,000,000	**$ 1,000,060**	$ 1,000,060	$ 1,000,060	$ 1,000,060	$ 1,000,060	$ 1,000,060	**$ 1,000,060**	
Units Recognized in Rate Case at Full Price	5,000,000	5,000,000	5,000,000	**5,002,000**	5,002,000	5,002,000	5,002,000	5,002,000	5,002,000	**5,002,000**	
Units Billed at Full Price	5,000,000	5,000,000	5,000,000	**5,000,000**	5,000,000	5,000,000	5,002,000	5,002,000	5,002,000	**5,002,000**	
Units Recognized in Rate Case at Discounted Price				**-**	-	-					
Units Billed at Discounted Price		2,000	2,000	**2,000**	2,000	2,000					
Unrecognized Usage		2,000	2,000								
Full Price Rate Set in Rate Case	$ 0.20000	$ 0.20000	$ 0.20000	**$ 0.19993**	$ 0.19993	$ 0.19993	$ 0.19993	$ 0.19993	$ 0.19993	**$ 0.19993**	
Discounted Rate		$ 0.16000	$ 0.16000	**$ 0.15995**	$ 0.15995	$ 0.15995					
Cost of Serving New Customer Not Recognized in Rate Case		$ 60	$ 60	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	
Revenue from Recognized Units	$ 1,000,000	$ 1,000,000	$ 1,000,000	**$ 999,980**	**$ 999,980**	**$ 999,980**	**$ 1,000,060**	**$ 1,000,060**	**$ 1,000,060**	**$ 1,000,060**	
Revenue from Unrecognized Units	$ -	$ 320	$ 320	**$ -**	$ -	$ -	$ -	$ -	$ -	**$ -**	
Total Revenue	$ 1,000,000	$ 1,000,320	$ 1,000,320	**$ 999,980**	$ 999,980	$ 999,980	$ 1,000,060	$ 1,000,060	$ 1,000,060	**$ 1,000,060**	
Change to Net Revenue		$ 260	$ 260	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	
Shareholder Benefit		$ 260	$ 260	$ (80)	$ (80)	$ (80)	$ -	$ -	$ -	**$ -**	$ 280
Non-Participating Ratepayer Benefit				**$ 340**	$ 340	$ 340	$ 340	$ 340	$ 340	**$ 340**	$ 2,379
											$ 2,659

No EDR		**New Customer Added**		**Rate Case Occurs**						**Rate Case Occurs**	
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total Benefits
Revenue Requirement	$ 1,000,000	$ 1,000,000	$ 1,000,000	**$ 1,000,060**	$ 1,000,060	$ 1,000,060	$ 1,000,060	$ 1,000,060	$ 1,000,060	**$ 1,000,060**	
Units Recognized in Rate Case at Full Price	5,000,000	5,000,000	5,000,000	**5,002,000**	5,002,000	5,002,000	5,002,000	5,002,000	5,002,000	**5,002,000**	
Units Billed at Full Price	5,000,000	5,000,000	5,000,000	**5,000,000**	5,000,000	5,000,000	5,002,000	5,002,000	5,002,000	**5,002,000**	
Units Recognized in Rate Case at Discounted Price				**-**	-	-					
Units Billed at Discounted Price		2,000	2,000	**2,000**	2,000	2,000					
Unrecognized Usage		2,000	2,000								
Full Price Rate Set in Rate Case	$ 0.20000	$ 0.20000	$ 0.20000	**$ 0.19993**	$ 0.19993	$ 0.19993	$ 0.19993	$ 0.19993	$ 0.19993	**$ 0.19993**	
Discounted Rate		$ 0.20000	$ 0.20000	**$ 0.19993**	$ 0.19993	$ 0.19993					
Cost of Serving New Customer Not Recognized in Rate Case		$ 60	$ 60	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	
Revenue from Recognized Units	$ 1,000,000	$ 1,000,000	$ 1,000,000	**$ 1,000,060**	**$ 1,000,060**	**$ 1,000,060**	**$ 1,000,060**	**$ 1,000,060**	**$ 1,000,060**	**$ 1,000,060**	
Revenue from Unrecognized Units	$ -	$ 400	$ 400	**$ -**	$ -	$ -	$ -	$ -	$ -	**$ -**	
Total Revenue	$ 1,000,000	$ 1,000,400	$ 1,000,400	**$ 1,000,060**	$ 1,000,060	$ 1,000,060	$ 1,000,060	$ 1,000,060	$ 1,000,060	**$ 1,000,060**	
Change to Net Revenue		$ 340	$ 340	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	
Shareholder Benefit		$ 340	$ 340	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	$ 680
Non-Participating Ratepayer Benefit				**$ 340**	$ 340	$ 340	$ 340	$ 340	$ 340	**$ 340**	$ 2,379
											$ 3,059

Schedule SLK-r3

Economic Development Rider - EDR

1. Purpose: The purpose of this Economic Development Rider is to encourage efficient utilization of the existing company system and services and economic development in Missouri.

2. a. Availability: Service under this rider is available to ~~customers~~:
~~or~~

(1) prospective customers who ~~have or~~ are expected to have usage exceeding 30,000 Dth/year; or

(2) customers who are already receiving natural gas service from the Company and are seeking expand their business in a manner that will result in expanded usage over current usage of at least 15,000 Dth/year; or

(3) customers who are already receiving natural gas service from the Company and are seeking to move to a new location within the Company's service territory that will result in expanded usage over current usage of at least 15,000 Dth/year; or

(4) retention customers who have had usage exceeding 30,000 Dth/year in each of the preceding 3 years, and who are expected to have usage exceeding 30,000 Dth/year going forward pursuant to qualifying economic development incentive awards.

~~and who have or are being offered incentives by state or local economic development agencies or governmental units to retain existing business activity, encourage the expansion of existing business activity or attract new business activity. The rider is not available to customers who are already receiving natural gas service from the Company and are seeking to move to a new location within the Company's service territory, unless such move would result in expanded usage over current usage of at least 15,000 Dth/yr.~~

2. b. Limitations: Availability of this rider shall be limited to customers satisfying each of the following criteria.

(1) Availability is limited to industrial and commercial facilities which are not in the business of selling or providing goods and/or services directly to the general public.

(2) Availability is limited to customers receiving qualifying incentives by state, regional, or local economic development agencies or governmental units to retain existing business activity, encourage the expansion of existing business activity, or attract new business activity. To qualify, such incentives must be of a monetary value equal to or greater than the value of the discount provided under this Rider. Such incentives must be received at the location and for the use for which the customer seeks this discount, and the actual receipt of the incentives must commence before any discount shall be provided under this EDR; however, if the contract year under this EDR begins prior to the actual receipt of a qualifying incentive, upon receipt of the incentive the discounts applicable under the contract shall be provided.

(3) Documentation of viable energy alternatives. Customer shall furnish to Company documentation of the alternative locations or energy sources described in the affidavit provided in compliance with this section including sufficient documentation to demonstrate the but-for necessity of the discount provided under this Rider. Customers qualifying under paragraphs 2.a.(1), 2.a.(2), or 2.a.(3) must present a properly executed affidavit testifying that but-for the provision of the natural gas service discounts under this EDR, Customer would not construct the facilities for which the customer is applying for this EDR, or customer would construct the facilities in an area outside of the company's service territory, or customer would utilize an alternative source of energy. Retention Customers under paragraph 2.a.(4) must present a properly executed affidavit testifying that but-for the provision of the natural gas service discounts under this EDR, Customer would not continue to operate the facilities for which the customer is applying for this EDR as of a date certain, or customer would construct alternative facilities in an area outside of the company's service territory as of a date

certain, or customer would operate the facility using an alternative source of energy as of a date certain. Such date certain must be less than 12 months beyond the date of the Affidavit.

3. Applicablitye: ~~Upon election of the customer or potential customer and acceptance by the Company, the provisions of this rider are applicable to all qualifying usage for the length of the contract which shall not exceed 5 years.~~ For customers under 2.a.(1) and 2.a.(4), ~~All~~ all sales or transportation volumes delivered ~~to new customers~~ shall be considered qualified volumes with respect to the incentive provisions of this rider. For ~~existing customers,~~customers under 2.a.(2) and 2.a.(3) qualified volumes shall be the sales or transportation volumes delivered during each contract year in excess of the current usage volumes, provided customer's annual natural gas requirement in each contract year exceeds the current usage requirement by at least 15,000 dth/year. For Customers with existing facilities at one or more locations in the Company's service area, discounts under this Rider shall not be applicable to the portion of service related to a customer transferring activities occurring any other facility or metering point to the facility or metering point receiving service under this Rider.

~~All requests for service under this rider will be considered by the Company; however, in no event shall any provision of this rider apply to a customer's consumption for a period prior to the date the Company accepts the customer's application hereunder. If a qualifying customer's use of natural gas subsequently becomes insufficient to meet the requirements of this rider, the incentive provisions contained herein shall cease and the customer will be served under the applicable rate schedule for such reduced requirements.~~

4. Incentive Provisions

~~-~~Discounts under this rider are applicable to all qualifying usage for the length of the contract which shall not exceed 5 years. All requests for service under this rider will be considered by the Company; however, in no event shall any discount under~~provision of~~ this rider apply to a customer's consumption for a period prior to the date of the execution of the contract~~the Company accepts the customer's application hereunder.~~ If at any point during the contract term ~~a qualifying~~ the customer's use of natural gas ~~subsequently~~ becomes insufficient to meet the requirements of this rider, or if the terms of the customer's qualifying economic development incentive are not continued to be met, the discounts provided under this rider ~~incentive provisions contained herein~~ shall cease and the customer will be served under the applicable rate schedule for such reduced requirements.

~~The contract for service hereunder shall begin on the date the Company approves the customer's application and shall continue for a period of five years.~~ Customers receiving service under this rider shall be billed at the standard rates and charges for the applicable rate schedule as adjusted by the following incentive provisions:

a. Rate Discount: With respect to the qualified volumes, the commodity margin of the sales or transportation rate will be discounted by an average annual amount of 20%, provided that such discount shall not exceed 30% during any contract year. Within these parameters, the ~~Company~~EDR contract shall specify the level of discounts ~~shall have the discretion to determine what~~ the level of discounts as a percent of non-gas /non-ISRIS charges that shall be provided for each ~~in any~~ contract year that, in the Company's discretion, based on the needs of the customer, ~~and the discount structure that~~ will be most effective in retaining, expanding or attracting the customer, as applicable~~. After the fifth contract year, this incentive provision shall cease.~~.

b. Local Service Facilities: The Company will install standard facilities to serve the customer ***at its own cost*** if the Company's analysis of expected ~~revenues~~ rate impact from the new or expanded load on an ongoing basis calculated at the standard rates and charges for the applicable rate schedule is determined to be sufficient to justify the investment in the facilities within the next 10 years.

Comment [KS1]: What does this mean?

c. Revenue Limitation: The total dollar amount of the incentives provided under this rider shall not exceed one percent (1%) of the Company's jurisdictional gross revenues during each calendar year; provided, however, the Company shall have the right at any time and for good cause shown to seek a modification of this limitation upon application to the Commission.

5. Term: Upon application by the Company and approval of the Commission, this EDR may be frozen with respect to new or expanded loads. Any customer receiving service under the EDR on the date it is frozen may continue to receive the benefits of the incentive provisions herein through the first five years of such customer's contract provided the customer continues to meet the requirements of this EDR.

6. Reporting: During the term of this rider the Company will prepare and submit an annual report to the Commission as a BEDR Submission in EFIS listing the names and locations of customers receiving service hereunder and a statement of incentives provided to each customer during the reporting period. The report will also describe the basis used to qualify each customer added to the Company's economic development program during the reporting period. The report will include an affidavit respecting each customer receiving service under the EDR in a given year, certifying that the Company has verified that the customer continued to meet applicable usage and economic development incentive receipt requirements throughout the subject year.

7. Other: Prior to any determination of the Company's revenue requirement for rate making purposes before the Commission, test year revenues shall first be adjusted to reflect the level corresponding to that which would be produced under the standard otherwise applicable rate schedule.~~average annual discounted revenue to be in effect during the next three years following the effective date of new rates, and provided further that the customer still qualifies for such discounts under the requirements set forth in the EDR~~.

8. Adjustments and Surcharges: The rates hereunder are subject to adjustment as provided in the following schedules: Infrastructure System Replacement Surcharge, Purchased Gas Adjustment/Actual Cost Adjustment Clause; Tax and License Rider

9. Regulations: Service under the EDR is subject to Rules and Regulations filed with the Commission

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(2) customers who are already receiving natural gas service from the Company and are seeking expand their business in a manner that will result in expanded usage over current usage of at least 15,000 Dth/year; or

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(4) retention customers who have had usage exceeding 30,000 Dth/year in each of the preceding 3 years, and who are expected to have usage exceeding 30,000 Dth/year going forward pursuant to qualifying economic development incentive awards.

2. b. Limitations: Availability of this rider shall be limited to customers satisfying each of the following criteria.

(1) Availability is limited to industrial and commercial facilities which are not in the business of selling or providing goods and/or services directly to the general public.

(2) Availability is limited to customers receiving qualifying incentives by state, regional, or local economic development agencies or governmental units to retain existing business activity, encourage the expansion of existing business activity, or attract new business activity. To qualify, such incentives must be of a monetary value equal to or greater than the value of the discount provided under this Rider. Such incentives must be received at the location and for the use for which the customer seeks this discount, and the actual receipt of the incentives must commence before any discount shall be provided under this EDR; however, if the contract year under this EDR begins prior to the actual receipt of a qualifying incentive, upon receipt of the incentive the discounts applicable under the contract shall be provided.

(3) Documentation of viable energy alternatives. Customer shall furnish to Company documentation of the alternative locations or energy sources described in the affidavit provided in compliance with this section including sufficient documentation to demonstrate the but-for necessity of the discount provided under this Rider. Customers qualifying under paragraphs 2.a.(1), 2.a.(2), or 2.a.(3) must present a properly executed affidavit testifying that but-for the provision of the natural gas service discounts under this EDR, Customer would not construct the facilities for which the customer is applying for this EDR, or customer would construct the facilities in an area outside of the company's service territory, or customer would utilize an alternative source of energy. Retention Customers under paragraph 2.a.(4) must present a properly executed affidavit testifying that but-for the provision of the natural gas service discounts under this EDR, Customer would not continue to operate the facilities for which the customer is applying for this EDR as of a date certain, or customer would construct alternative facilities in an area outside of the company's service territory as of a date certain, or customer would operate the facility using an alternative source of energy as of a date certain. Such date certain must be less than 12 months beyond the date of the Affidavit.

3. Applicablity: For customers under 2.a.(1) and 2.a.(4), all sales or transportation volumes delivered shall be considered qualified volumes with respect to the incentive provisions of this rider. For customers under 2.a.(2) and 2.a.(3) qualified volumes shall be the sales or transportation volumes delivered during each contract year in excess of the current usage volumes, provided customer's annual natural gas requirement in each contract year exceeds the current usage requirement by at least 15,000 dth/year. For Customers with existing facilities at one or more locations in the Company's service area, discounts under this Rider shall not be applicable to the portion of service related to a customer transferring activities occurring any other facility or metering point to the facility or metering point receiving service under this Rider.

4. Incentive Provisions

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Customers receiving service under this rider shall be billed at the standard rates and charges for the applicable rate schedule as adjusted by the following incentive provisions:

a. Rate Discount: With respect to the qualified volumes, the commodity margin of the sales or transportation rate will be discounted by an average annual amount of 20%, provided that such discount shall not exceed 30% during any contract year. Within these parameters, the EDR contract shall specify the level of discounts the level of discounts as a percent of non-gas /non-ISRIS charges that shall be provided for each contract year that, in the Company's discretion, based on the needs of the customer,will be most effective in retaining, expanding or attracting the customer, as applicable.

b. Local Service Facilities: The Company will install standard facilities to serve the customer ***at its own cost*** if the Company's analysis of expected rate impact from the new or expanded load on an ongoing basis calculated at the standard rates and charges for the applicable rate schedule is determined to be sufficient to justify the investment in the facilities within the next 10 years.

Comment [KS1]: Clarification of intent required

c. Revenue Limitation: The total dollar amount of the incentives provided under this rider shall not exceed one percent (1%) of the Company's jurisdictional gross revenues during each calendar year; provided, however, the Company shall have the right at any time and for good cause shown to seek a modification of this limitation upon application to the Commission.

5. Term: Upon application by the Company and approval of the Commission, this EDR may be frozen with respect to new or expanded loads. Any customer receiving service under the EDR on the date it is frozen may continue to receive the benefits of the incentive provisions herein through the first five years of such customer's contract provided the customer continues to meet the requirements of this EDR.

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the customer continued to meet applicable usage and economic development incentive receipt requirements throughout the subject year.

7. Other: Prior to any determination of the Company's revenue requirement for rate making purposes before the Commission, test year revenues shall first be adjusted to reflect the level corresponding to that which would be produced under the standard otherwise applicable rate schedule..

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