

Exhibit No.:
Issues: Cost of Service, Rate Design
Witness: Brian C. Collins
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Missouri Industrial Energy Consumers
Case No.: GR-2017-0215 & GR-2017-0216
Date Testimony Prepared: November 21, 2017

**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**
) Tariff No. YG-2017-0195
)

**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**
) Tariff No. YG-2017-0196
)
)

Surrebuttal Testimony and Schedule of

Brian C. Collins

On behalf of

Missouri Industrial Energy Consumers

November 21, 2017



Project 10402

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STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS) SS

Affidavit of Brian C. Collins

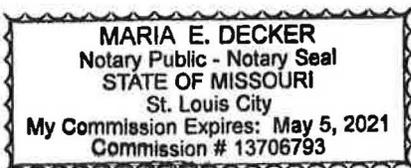
Brian C. Collins, being first duly sworn, on his oath states:

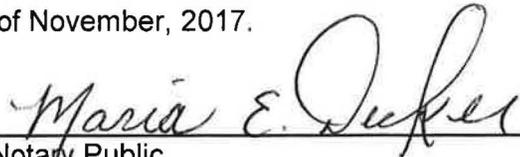
1. My name is Brian C. Collins. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes are my surrebuttal testimony and schedule which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. GR-2017-0215 and GR-2017-0216.
3. I hereby swear and affirm that the testimony and schedule are true and correct and that they show the matters and things that they purport to show.



Brian C. Collins

Subscribed and sworn to before me this 21st day of November, 2017.





Notary Public

1 **Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

2 A The purpose of my surrebuttal testimony is to reply to the rebuttal testimony of Staff
3 witness Ms. Robin Kliethermes.

4 **Q AT PAGE 9 OF MS. ROBIN KLIETHERMES' REBUTTAL TESTIMONY ON**
5 **BEHALF OF STAFF, SHE STATES THAT YOU RECOMMEND THE ALLOCATION**
6 **OF ALL DISTRIBUTION-RELATED COSTS ON A DESIGN DAY DEMAND BASIS.**
7 **IS THIS YOUR POSITION WITH RESPECT TO COST ALLOCATION?**

8 A No, it is not. As indicated in my direct testimony, I concluded that the Companies'
9 class cost of service studies were reasonable in this proceeding for allocating costs to
10 customer classes.

11 With respect to distribution-related costs, for example, the Companies have
12 allocated to customer classes on a design day demand basis only those distribution
13 costs classified as capacity or demand related. Distribution costs classified as
14 demand related include a portion of distribution main costs as well as the costs
15 associated with measuring and regulating station equipment.

16 For distribution-related costs classified as customer related, the Companies
17 have allocated these costs to customer classes based on allocators such as the
18 number of customers in each customer class, the number of meters in each customer
19 class, and the number of services in each customer class, to name a few. With
20 respect to the portion of distribution main costs classified as customer related, the
21 Companies have allocated those costs to customer classes based on the number of
22 customers in each class. As indicated, my direct testimony supported the
23 Companies' allocations, including those that do not allocate all distribution-related
24 costs on a design day demand basis.

Brian C. Collins
Page 2

1 Q DO YOU HAVE ANY CLARIFICATIONS TO YOUR DIRECT TESTIMONY IN
2 RESPONSE TO MS. KLIETHERMES' REBUTTAL TESTIMONY AT PAGE 9?

3 A Yes. I recently had a conversation with Ms. Kliethermes and her counsel, in which
4 they observed that my testimony could have been clearer. Therefore, I am clarifying
5 it at this time. This first clarification is at page 13, line 1 of my direct testimony. With
6 respect to the question regarding the allocation of distribution main costs, I would
7 insert the word "partially" before the phrase "on a design day demand basis." That
8 testimony should read:

9 Q WHY DOES ALLOCATING DISTRIBUTION MAIN COSTS
10 PARTIALLY ON A DESIGN DAY DEMAND BASIS REFLECT
11 SOUND COST OF SERVICE PRINCIPLES?

12 A As explained above, when a gas distribution utility designs its
13 system, the key consideration is the expected demands of the
14 customer classes on the peak day. The expected demands on
15 the peak day dictate both the proper size of the mains, and that
16 in turn directly impacts the total cost of the system. The cost of
17 the project is therefore a function of the peak day demand—
18 and that cost is *the same* regardless of how much gas
19 customers are expected to use throughout the year. For
20 example, the cost is the same regardless of whether customers
21 are expected to use gas consistently throughout the entire
22 year, or during only part of the year (e.g., the winter months).

23 The second clarification is at page 15, lines 11-13, where the sentence ending
24 that paragraph should read as follows: "Because distribution systems are constructed
25 to meet the design day demand, distribution-related capacity (demand) costs should
26 be allocated based on design day demand" rather than "Because cost causation is
27 driven by design day demand, distribution-related costs should be allocated based on
28 design day demand." It is my understanding that these clarifications will be
29 addressed by Ms. Kliethermes in her surrebuttal testimony.

1 Q AT PAGE 11 OF MS. KLIETHERMES' REBUTTAL TESTIMONY ON BEHALF OF
2 STAFF, SHE CONCLUDES THAT THE MAJORITY OF THE DIFFERENCE IN THE
3 CUSTOMER CLASS REVENUE RESPONSIBILITY PROPOSALS AMONG THE
4 COMPANIES, STAFF, AND MIEC ARE DUE TO THE DIFFERENCE BETWEEN
5 STAFF'S AND THE COMPANIES' PROPOSED REVENUE REQUIREMENTS
6 RATHER THAN A DIFFERENCE BETWEEN THE ALLOCATION OF COSTS
7 BETWEEN CUSTOMER CLASSES. DO YOU AGREE?

8 A No, I do not. There are considerable differences in the costs allocated to certain
9 customer classes by Staff in its class cost of service study as compared to the
10 Companies' class cost of service studies. These differences will cause there to be
11 differences in the Staff and Companies' customer class revenue responsibilities as
12 well.

13 One way to compare the level of costs allocated to customer classes between
14 two different class cost of service studies is to examine each customer class's relative
15 rate of return at current rates under the two class cost of service studies. This
16 ignores the impact of different total Company revenue requirements in the class cost
17 of service studies.

18 Q HAVE YOU PREPARED A COMPARISON OF THE RELATIVE CUSTOMER
19 CLASS RATES OF RETURN AT CURRENT RATES THAT RESULT FROM THE
20 RESPECTIVE STAFF AND COMPANIES' CLASS COST OF SERVICE STUDIES?

21 A Yes. Using the customer classes shown on page 10 of Ms. Kliethermes' rebuttal
22 testimony, the tables below compare the relative customer classes' rates of return
23 that result from the Staff and the Companies' respective class cost of service studies.

1 The results for Laclede are shown in Table 1 and the results for MGE are shown in
2 Table 2.

3 For Laclede, the Staff's class cost of service study shows a much lower
4 relative rate of return for the Large Volume, LV Transport, and Interruptible customer
5 classes as compared to the Company's study. This indicates that the Staff's study
6 allocates more costs to these customer classes relative to the Company's studies. As
7 a result, this will cause differences in the customer class revenue responsibilities
8 between the Staff and Company proposals. In short, the Staff's study will cause rates
9 to be too high for the Large Volume, LV Transport, and Interruptible customer
10 classes.

11 For MGE, the Staff's class cost of service study shows a much lower relative
12 rate of return for the General Service and Large Volume customer classes as
13 compared to the Company's study. This indicates that the Staff's study allocates
14 more costs to these customer classes relative to the Company's study. As a result,
15 this will cause differences in the customer class revenue responsibility between the
16 Staff and Company proposals. In short, the Staff's study will cause rates to be too
17 high for the General Service and Large Volume customer classes.

TABLE 1				
Laclede Class Cost of Service Study Results at Current Rates				
	<u>Staff Rate of Return</u>	<u>Relative Rate of Return</u>	<u>Laclede Rate of Return</u>	<u>Relative Rate of Return</u>
Residential	5.41%	0.98	4.17%	0.86
General Service	4.75%	0.86	6.23%	1.28
Large Volume	8.39%	1.52	18.77%	3.86
LV Transport	10.53%	1.91	14.27%	2.93
Interruptible Sales	<u>15.14%</u>	<u>2.74</u>	<u>90.54%</u>	<u>18.61</u>
Total	5.52%	1.00	4.86%	1.00

TABLE 2				
MGE Class Cost of Service Study Results at Current Rates				
	<u>Staff Rate of Return</u>	<u>Relative Rate of Return</u>	<u>MGE Rate of Return</u>	<u>Relative Rate of Return</u>
Residential	5.72%	1.08	3.50%	0.92
General Service	4.47%	0.84	4.12%	1.09
Large Volume	<u>3.79%</u>	<u>0.71</u>	<u>6.31%</u>	<u>1.66</u>
Total	5.31%	1.00	3.79%	1.00

1 **Q** **WHILE YOU AND THE COMPANIES AGREE ON THE ALLOCATION OF COSTS**
2 **TO THE VARIOUS CLASSES, DO YOU AGREE WITH THE COMPANIES ON HOW**
3 **THE COMMISSION SHOULD ASSIGN THOSE COSTS IN SETTING RATES?**

4 **A** No, I do not.

1 **Q WHAT IS THE BASIS FOR THE DISAGREEMENT?**

2 A As explained in my direct testimony, I concluded that the Companies' class cost of
3 service studies were reasonable for allocating costs to customer classes in this
4 proceeding. As a result, the reason for the differences between my proposed
5 customer class revenue responsibilities and the Companies' proposals is that I
6 proposed to move customer classes' rates to generate revenue closer to cost of
7 service. Therefore, the revenue responsibility differences between the Companies'
8 proposals and my proposal are not due to differences in class cost of service.

9 **Q AT PAGE 18 OF MS. KLIETHERMES' REBUTTAL TESTIMONY ON BEHALF OF**
10 **STAFF, SHE CONCLUDES THAT SHE FAILED TO ALLOCATE STORAGE**
11 **EXPENSE TO LACLEDE'S BASIC TRANSPORTATION CUSTOMERS AND AS A**
12 **RESULT, SHE HAS CORRECTED THE ALLOCATION. DO YOU AGREE WITH**
13 **THIS CORRECTION?**

14 A No, I do not. Ms. Kliethermes' correction does not reflect cost of service because
15 Laclede's underground storage assets are not used in providing service to
16 transportation customers.

17 **Q DID YOU ADDRESS THE ALLOCATION OF LACLEDE'S STORAGE COSTS TO**
18 **TRANSPORTATION CUSTOMERS IN YOUR REBUTTAL TESTIMONY?**

19 A Yes. In my rebuttal testimony I concluded that Staff's allocation of Laclede's
20 underground storage costs to the Transportation class should be rejected because
21 Laclede does not incur the cost of underground storage assets in providing
22 distribution delivery service to transportation customers.

1 Q IS YOUR POSITION CONSISTENT WITH THE COMPANY'S DIRECT
2 TESTIMONY?

3 A Yes. The Company did not allocate storage costs to transportation customers in its
4 cost of service study provided in direct testimony.

5 Q HAS THE COMPANY PROVIDED ANY ADDITIONAL COMMUNICATION
6 SUPPORTING ITS DIRECT POSITION?

7 A Yes. The Company has indicated that transportation customers manage their own
8 gas supply and are not allowed to use Laclede's gas storage assets. Attached to this
9 testimony as Schedule BCC-SUR-1 is an email MIEC received from Companies
10 witness Scott Weitzel discussing this issue. As can be seen from the e-mail, Laclede
11 has no intention of allowing the transportation customers access to Laclede's gas
12 storage assets. I would also note that Ms. Kliethermes was included in this email. In
13 summary, transportation customers should not be allocated any costs of assets which
14 they cannot use.

15

16 Q DOES LACLEDE'S TRANSPORTATION TARIFF SUPPORT THE COMPANY'S
17 POSITION THAT TRANSPORTATION CUSTOMERS DO NOT UTILIZE
18 LACLEDE'S GAS STORAGE ASSETS?

19 A Yes. As explained in my rebuttal testimony, a separate storage service charge is
20 collected from a transportation customer only when the customer delivers more gas
21 to the Laclede system than the customer consumes. Laclede may need to store that
22 gas if not consumed by the customer, and charges the customer to do so. Under the
23 tariff, transportation customers pay separately for storage service as needed, but
24 should not pay for it ahead of time in their customer, demand or transportation

1 volumetric charges. To do so would charge some customers twice for storage
2 service, and charge others for a service they may never use. Under Laclede's
3 transportation tariff, storage charges are not assessed to under deliveries of gas
4 because Laclede's storage facilities are not used.

5 **Q DO YOU CONTINUE TO RECOMMEND THAT NO LACLEDE STORAGE COSTS**
6 **BE ALLOCATED TO TRANSPORTATION CUSTOMERS?**

7 A Yes.

8 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

9 A Yes, it does.

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From: Meyer, Greg
Sent: Monday, November 06, 2017 11:45 AM
To: Collins, Brian; Brubaker, Maurice
Subject: FW: Spire Mo: Sales to LVTSS- Storage
Attachments: ACA THERMS 1117.xls

FYI

From: Weitzel, Scott A. [<mailto:Scott.Weitzel@spireenergy.com>]
Sent: Monday, November 06, 2017 11:35 AM
To: robin.kliethermes@psc.mo.gov; Meyer, Greg
Subject: Spire Mo: Sales to LVTSS- Storage

Hello,

There was some confusion on how much gas was sold under the LVTSS rate. Laclede sells a very small amount of gas to transportation customers as part of the balancing provisions in tariff sheet No. 38. The LVTSS PGA changes monthly which is laid out in tariff sheet No. 18 paragraph 5 of the PGA clause. I have attached a sheet showing the volumes for our different rate classes during fiscal 2017. Transport customers manage their own gas supply and are not allowed to use Laclede's storage assets. Please let me know if we need to jump on a call to discuss.

Thanks,

Scott Weitzel

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formerly The Laclede Group