BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of	)	
Summit Natural Gas of Missouri Inc.'s	)	File No. GR-2014-0086
Filing of Revised Tariffs to Increase Its	)	Tracking No. YG-2014-0285
Annual Revenues for Natural Gas Service	)	

MISSOURI SCHOOL BOARDS' ASSOCIATION
STATEMENT OF POSITION

COMES NOW Missouri School Boards' Association ("MSBA") and for its position on issues states:

List of Issues

I. Rate of Return

A. What is the appropriate cost of capital that the Commission should apply in this case to determine a revenue requirement for SNGMO?

i. What is the appropriate cost of common equity?

ii. What is the appropriate cost of long-term debt?

B. What capital structure should the Commission use in this case to determine a revenue requirement for SNGMO?

MSBA Position: None

II. Revenue Requirement

A. Should the Commission grant the Company a rate increase? If so, in what amount?

MSBA Position: Any increase should be phased into avoid Rate Shock.

B. Should school accounts be based on the GS and CS rate classes?

MSBA Position: Schools are transportation customers (not GS and CS sales customers) per Section 393.310 RSMo., transportation contracts with Summit at transportation rates since the system was built, in the Transportation class of both Staff's and Company's Class Cost of Service Studies, which are the only CCOS in evidence.

C. How should the revenue be adjusted for customers switching rate classes during the test year? ***MSBA Position: None***

D. What level of O&M expense should be utilized in determining a cost of service for SNGMO? ***MSBA Position: None***

E. What depreciation rates should SNGMO use to accrue depreciation expense for each rate district on a going-forward basis? ***MSBA Position: None***

F. Should SNGMO make an adjustment to its depreciation reserves in the former MGU districts as recommended by Staff? ***MSBA Position: None***

G. Should SNGMO make an adjustment to Account 302? ***MSBA Position: None***

H. Should the Commission require SNGMO to impute a level of volumes, customer levels, and/or revenues in any of the four rate divisions in this rate case?

MSBA Position: No position, other than to enforce whatever is consistent with previous agreements with Summit regarding cost justifying construction of its system.

I. How should the former SMNG assets be booked to plant in service in light of MGU's merger with SMNG that was approved in GM-2011-0354?

MSBA Position: None other than to enforce whatever is consistent with previous agreements with Summit.

J. How should weather be normalized for purposes of calculating test year revenue?

MSBA Position: None

III. Misc. Tariff Issues

A. Should the Commission approve SNGMO's proposed Conversion Program?

MSBA Position: None, other than to avoid baiting with flex rate discount without clearly specifying duration of the flex discount before later switching to rates which create Rate Shock.

B. What conversion costs should SNGMO be required to charge?

MSBA Position: None

C. Should SNGMO's conversion practices be revised? ***MSBA Position: None***

D. Should SNGMO be required to revise its tariff provision that requires applicants for gas service to agree not to use propane inside any structure using natural gas?

MSBA Position: None

IV. Transportation Issues

A. How should SNGMO calculate cashouts of transportation customer monthly imbalances?

MSBA Position: Section 393.310 RSMo establishes an aggregation <u>and balancing</u> charge for monthly metered schools at $0.004/therm in the first year, thereafter as cost-justified and approved by the Commission. No cost-justification evidence has been presented to deviate from the 0.004/therm. Section 393.310 RSMo prohibits daily metering for schools with 100,000 therms or less annually. With monthly metering for schools, daily or weekly average of daily prices are not appropriate for cashing out schools. Platt's

publications, Gas Daily and Inside FERC, provide a monthly average index prices that are widely accepted in the industry and are appropriate for cashing out monthly metered schools.

B. Should the monthly transportation imbalances be cashed out using the three tiers proposed by SNGMO?

MSBA Position: No; Gas Daily and Inside FERC monthly average index prices are appropriate for cashing out monthly metered schools.

C. What cashout price determinant should SNGMO reference to calculate the cashout of the transportation monthly imbalances?

MSBA Position: No; Gas Daily and Inside FERC monthly average index prices are appropriate for cashing out monthly metered schools.

D. Should school transportation pool groups that do not require daily metering be cashed out differently than other transportation customer monthly imbalances?

MSBA Position: Yes, per Section 393.310 RSMo.

E. Should the school transportation customers' monthly imbalances be cashed out at Tier-1?

MSBA Position: Yes; Tier -1 at Gas Daily and Inside FERC monthly average index prices, plus an aggregation <u>and balancing fee, per Section 393.310 RSMo.</u>

F. Should the school transportation customers' monthly imbalances be cashed out using a different cashout price determinate than the other transportation customers?

MSBA Position: Yes, Per Section 393.310 RSMo.

G. Should the monthly imbalance cashout include pipeline fuel, pipeline capacity and pipeline commodity charges?

MSBA Position: Only if evidence is presented and approved by the Commission to justify charging greater than the $0.004/therm as specified by Section 319.310 RSMO. No other such evidence has been presented in this case.

H. What Pool Operator charge or Administration and Balancing Charge should be included?

MSBA Position: $0.004/therm as specified by Section 319.310 RSMO or greater if cost justification is presented and approved by the Commission. No other such evidence has been presented in this case.

I. Should SNGMO's tariffs include a standard Pool Operator Agreement?

MSBA Position: No objection, subject to content. Staff's proposed standard agreement is an acceptable place to start with future changes as appropriate to reflect actual operations needs.

J. Should SNGMO continue to use its Pre-Determined Pipeline Algorithm (PDA)?

MSBA Position: PDA is another way of saying curtailment. PDA should not apply to monthly metered schools, unless there is an urgent system operating necessity, and then only after large daily metered daily accounts are curtailed. Otherwise, monthly metered accounts are dumped into a curtailment with large transportation accounts, such as with asphalt plants, which can swing the entire system operations while schools have very little system impact and get curtailments under the PDA even during the summer when there is almost trivial school use.

K. Should SNGMO be required to monitor school imbalances?

MSBA Position: No objection.

L. Should SNGMO's tariff include consistent definitions for "Shipper," "Customer," "Participant" and "School District"? ***MSBA Position: Yes.***

M. Should SNGMO's tariff add language requiring telemetry for schools with certain volumes?

MSBA Position: No objection, if it reflects what is already effective in Section 393.310 RSMo.

N. Should the following language be added to SNGMO's proposed tariff sheet No. 49?

MSBA Position: Yes. Otherwise delivery of Company supply would have priority of delivery of school transportation supply, which would bias schools away from the program created by Section 393.310 RSMo.

> "10. Delivery Priority
>
> Each Shipper taking service under the Missouri School Program will possess the same delivery priority as retail sales customers to the extent The Pool Operator delivers and is allocated natural gas to the TBS from the upstream pipeline."

O. Should SNGMO add the following language to its tariffed capacity release provisions for schools' transportation service?

> "To the extent that the Company has excess capacity available that may be released, any capacity released by the Company to the Pool Operator will be released for the full term of that capacity and will be non-recallable for the term of the agreement. Any capacity released by the Company to the Pool Operator will be released at the full demand rate charged by the upstream pipeline and the Pool Operator is directly responsible for any commodity related charges imposed by the upstream pipeline."

MSBA Position: No, unless modified to include the first words in italics:

> *"**<u>When schools swith from sales service to transportation service and when</u>** the Company has excess capacity available that may be released, any capacity released by the Company to the Pool Operator will be released for the full term of that capacity and will be non-recallable for the term of the agreement. Any capacity released by the Company to the Pool Operator will be released at the full demand rate charged by the upstream pipeline and the Pool Operator is*

directly responsible for any commodity related charges imposed by the upstream pipeline."

V. Rate Design

A. What is "rate shock"? If it exists, should the Commission address rate shock in this case and, if so, how?

MSBA Position: Rate Shock is like electric shock; it is measured in degrees of pain. For Rate Shock, pain thresholds are different for different customers, such as residential customers on fixed incomes and schools on fixed budgets. Schools already received a rate shock of about a 20% increase in delivery rates from Summit this year when the flex rate that was offered to get them to switch from propane to natural gas was eliminated. An additional 50%-75% increase is proposed for schools under Staff's proposed revenue requirement. In addition, schools would receive an additional cashout increase in the range of 20% under Staff's proposal. Every 20%-25% increase equates to the loss of one teacher's salary; so, clearly schools are would be in Rate Shock absent a phase-in of rates exceeding 15% of less annually.

C. How should any rate increase/decrease be applied to volumetric and monthly charges?

MSBA Position: The maximum increase for the monthly fixed charge should at the rate of inflation with other increases going to the volumetric charge.

D. What billing determinants should be used for ratemaking purposes?

MSBA Position: None

E. What customer charges should be paid by schools in the Missouri School Aggregation Program?

MSBA Position: Under Section 393.310, schools with 100,000 therms annually or less do not change metering, service line or any other costs when switching from sales service to transportation service. The monthly fixed costs are the same as for sales service customers and the small monthly metered transportation Customer Charge should be the same as for the companion's sales rate.

F. Should schools be billed a different customer and volumetric charge than would be applied to the customer class that SNGMO and Staff placed the schools in their Class Cost of Service Studies?

MSBA Position: Rates should match costs. The only CCOS in evidence, Staff's and Company's, have schools correctly in the Transportation class and schools should be billed under Transportation rates with appropriate small-volume and large-volume customer charges like in the Commission-approved Ameren transportation rate schedule.

VI. Energy Efficiency/Low Income Weatherization Programs

MSBA Position: Energy efficiency is important for all customers and should be appropriately funded. MSBA does not take a position on what are the appropriate energy efficiency programs or on the appropriate level of funding.

A. Should the Commission approve an Energy Efficiency Collaborative for SNGMO?

B. What programs, if any, should the Commission authorize?

C. What funding level, if any, should the Commission authorize?

D. How should SNGMO recover funding for any programs?

E. Should the Commission direct SNGMO to enter into a funding agreement with the Division of Energy for administration and monitoring of programs?

F. If the Commission approves an energy efficiency program, what measures should be included in the program?

WHEREFORE, MSBA submits its position on Issues.

Respectively submitted,

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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 15th day of August, 2014.

Richard S. Brownlee III