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Witness:	**Timothy S. Lyons**
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Sponsoring Party:	**Laclede Gas Company Missouri Gas Energy**
Case Nos.:	**GR-2017-0215 GR-2017-0216**
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LACLEDE GAS COMPANY
MISSOURI GAS ENERGY

GR-2017-0215
GR-2017-0216

SURREBUTTAL TESTIMONY

OF

TIMOTHY S. LYONS

NOVEMBER 21, 2017

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SURREBUTTAL TESTIMONY OF TIMOTHY S. LYONS

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Timothy S. Lyons. I am a Partner at ScottMadden, Inc. My business address is 1900 West Park Drive, Suite 250, Westborough, Massachusetts 01581.

Q. ARE YOU THE SAME TIMOTHY S. LYONS WHO PREVIOUSLY SPONSORED DIRECT TESTIMONY AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes, I am. I provided direct testimony ("Direct Testimony"), and rebuttal testimony ("Rebuttal Testimony") in this proceeding before the Missouri Public Service Commission (the "Commission") on behalf of Laclede Gas ("LAC") and Missouri Gas Energy ("MGE"), operating units of Laclede Gas Company ("Laclede" or "Company").

I. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of this surrebuttal testimony ("Surrebuttal Testimony") is to address concerns raised in rebuttal testimony by other parties related to LAC and MGE's proposed residential and general service rate design. These include:

- Concerns by Office of Public Council ("OPC") witness Geoff Marke related to LAC and MGE's proposed Revenue Stabilization Mechanism ("RSM");

- Concerns by the Missouri Department of Economic Development - Division of Energy ("DE") witness Martin R. Hyman related to bill increases for high-use residential customers, particularly in the winter months.
- Concerns relating to the potential customer impacts of any cross subsidies between the SGS and LGS classes and measures that could be used to address them.

Q. HAVE YOU PREPARED SCHEDULES SUPPORTING YOUR REBUTTAL TESTIMONY?

A. Yes. Schedules TSL-SR1, TSL-SR2 and TSL-SR3 support this Surrebuttal Testimony. The Schedules were prepared by me or under my direction and are incorporated herein by reference.

II. REVENUE STABILIZATION MECHANISM

Q. WHAT IS OPC'S RECOMMENDATION REGARDING LAC AND MGE'S PROPOSED REVENUE STABILIZATION MECHANISM?

A. OPC has recommended that the Commission reject the proposed RSM.[1] Dr. Marke states, "The harm to captive ratepayers outweighs any alleged benefits."[2]

Q. DO LAC AND MGE AGREE WITH OPC'S RECOMMENDATION?

[1] Rebuttal Testimony of Geoff Marke, pg. 10
[2] *Ibid.*

A. No, LAC and MGE do not agree with OPC's recommendation. LAC and MGE believe that the proposed RSM provides substantial benefits to the Company and its customers. These include, among other benefits, greater flexibility in designing rates that enables LAC and MGE to better achieve important rate design objectives, such as moderating customer bill impacts on low-use customers, helping to further support customers' efforts to reduce energy usage, and adopting a simpler rate design that relies less upon fixed charges.

Q. WHAT ARE THE BENEFITS OF THE PROPOSED RSM?

A. The proposed RSM would provide a variety of benefits. Specifically, it would:

1. Stabilize customer bills by providing credits when bills are higher than normal due to colder weather (and likely higher natural gas prices), and surcharges when bills are lower than normal due to warmer weather (and likely lower natural gas prices);
2. Provide LAC and MGE with a more stable stream of revenues, and prevent over-collection and under-collection of fixed costs as actual sales vary from test year sales due to weather and/ or conservation through energy efficiency and other measures;
3. Eliminate LAC and MGE's financial disincentive to aggressively promote conservation through energy efficiency initiatives and programs;
4. Reduce utility earnings' dependence on factors beyond its reasonable control – namely weather; and

5. Provide greater flexibility in rate design so that other objectives – such as reducing the impact of high fixed charges on low use customers – can be addressed.

Q. IN WHAT WAYS DOES THE RSM PROVIDE FLEXIBILITY IN RATE DESIGN?

A. Presently, both MGE and LAC's rate designs are largely based on the objective of stabilizing the impact of weather on customer bills and utility revenues, with somewhat less emphasis on other rate design objectives, such as bill continuity and simplicity. MGE's current rate design seeks to achieve this objective by imposing higher fixed monthly charges that recover a greater share of fixed costs. LAC's Weather-Mitigated Rate Design ("WMRD") also seeks to achieve this objective by a combination of higher fixed monthly charges and recovery of the remaining fixed costs in the first block of its distribution charges, the impact of which on low use customers is partially offset by a reduction in the corresponding block of its PGA charges. With adoption of the RSM, such customer charge levels and complicated block rate structure are not necessary to mitigate the impact of weather, enabling LAC and MGE to adopt a more simplified rate design.

Q. ABSENT ADOPTION OF THE PROPOSED RSM, WHAT IS LAC'S PROPOSED RATE DESIGN?

A. Absent adoption of the proposed RSM, LAC proposes to continue its WMRD largely based on the objective of stabilizing the impact of weather on customer bills

and utility revenues. The WMRD would result in higher residential customer charges and a more complex rate design than that proposed by LAC with the RSM.

Q. ABSENT ADOPTION OF THE PROPOSED RSM, WHAT IS MGE'S PROPOSED RATE DESIGN?

A. Absent adoption of the proposed RSM, MGE proposes to adopt a WMRD similar to LAC's, largely based on the same objective of stabilizing the impact of weather on customer bills and utility revenues. A WMRD would result in higher customer charges and a more complex rate design than that proposed by MGE with RSM.

Q. GIVEN OPPOSITION IN CERTAIN REBUTTAL TESTIMONY TO THE RSM, PLEASE DESCRIBE WHAT A WMRD RATE DESIGN FOR MGE WOULD LOOK LIKE IF THE RSM WAS NOT APPROVED BY THE COMMISSION.

A. An illustrative rate design and bill impact analysis that demonstrates the impact of a WMRD on MGE's customers is included in Schedule TSL-SR1.[3] The Schedule shows that similar to LAC, a WMRD would be based on a higher customer charge of $25.50 (as compared to MGE's proposed customer charge of $20.00 with the RSM) and two-block, winter distribution rates. Consumption at or below 20 therms per month would be billed at $0.72635 per therm; and all other consumption during the month would be billed at no additional distribution charge. In addition, a WMRD would reflect two-step, winter PGA rates. Consumption at or below 20

[3] The illustrative rate design is based on actual bill frequency data, which would need to be normalized for weather if used in development of the final rate design.

therms would be billed at $0.30039 per therm; and all other consumption during the month would be billed at $0.54500 per therm.

The Schedule also shows that low-use customer bills would be substantially higher under a WMRD than MGE's proposed rate design. For example, under a WMRD, customers who use on average 327 therms per year would experience an increase of $61.00 per year, or 13.0 percent on their total bill. Under MGE's proposed rate design, such customers would experience a decrease of $7.00 per year, or 1.0 percent on their total bill.

Q. WOULD IMPLEMENTATION OF A WMRD FOR MGE HAVE A MORE FAVORABLE IMPACT ON LOW USE CUSTOMERS THAN A STRAIGHT-FIXED VARIABLE APPROACH WHICH RECOVERED ALL FIXED CHARGES IN THE CUSTOMER CHARGE?

A. Yes, a WMRD would have a more favorable impact on low-use customers than a straight fixed variable rate design; however, a WMRD would not be as favorable as the proposed RSM principally due to the lower customer charge the latter enables.

Q. WOULD IMPLEMENTATION OF A WMRD FOR MGE HELP MITIGATE THE IMPACT OF WEATHER ON CUSTOMER BILLS AND UTILITY REVENUES?

A. Yes, a WMRD would help mitigate the impact of weather on customer bills and utility revenues, as shown in Figure 1; however, a WMRD would not mitigate the

impact of weather on customer bills and utility revenues as much as the proposed RSM.

Figure 1: Increase in Annual Bills With & Without WMRD

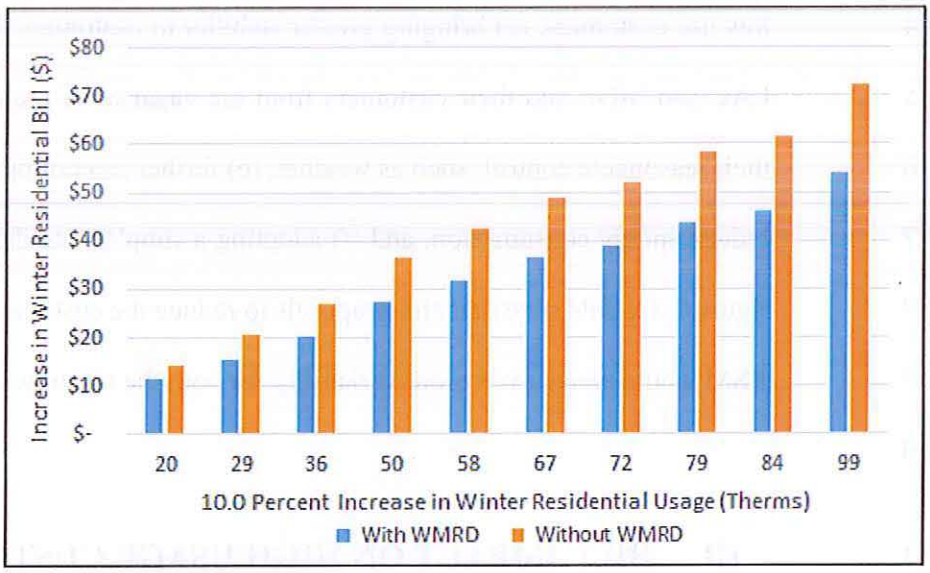

Figure 1 shows increases in winter (November through April) residential bills resulting from a 10.0 percent increase in winter usage. The increases are shown with and without a WMRD. The Figure shows that residential customers whose winter usage increases by 84 therms would experience a lower bill increase of $46.00 under a WMRD than the bill increase of $62.00 under a tradition, non-WMRD. Conversely, the revenue impacts on the Company without the WMRD or RSM would equate to millions of dollars in additional recoveries or additional losses for fixed costs depending on whether to what extent the weather was colder or warmer than the normal used to set rates.

Q. WHAT IS LAC AND MGE'S CONCLUSION?

A. LAC and MGE continue to believe that the proposed RSM provides substantial benefits that include: (a) flexibility in rate design, which enables them to better achieve important rate design objectives, (b) moderating customer bill impacts on low use customers, (c) bringing greater stability to customers' bills, (d) protecting LAC and MGE and their customers from the vagaries of factors that are beyond their reasonable control, such as weather, (e) further promoting customer efforts to reduce energy consumption, and (f) adopting a simpler rate design. As shown on figure 1, I would note that any proposals to reduce the customer charge without an RSM would create even more variability for both the customer and the Company.

III. BILL IMPACT ON HIGH USAGE CUSTOMERS

Q. PLEASE SUMMARIZE DE'S CONCERNS ON LAC'S PROPOSED RESIDENTIAL RATES?

A. DE has raised concerns related to bill increases on LAC's high-use residential customers during the winter months.[4] DE has recommended LAC establish a temporary winter tail block rate design to apply to LAC's high usage customers. As DE witness Hyman states, "While DE supports movement towards flat or inclining block rates, DE also supports gradual changes in rate design to avoid 'rate shock'."[5]

[4] Rebuttal Testimony of Martin R. Hyman, pgs. 16-17
[5] *Id.*, pg. 16

Q. DOES THE COMPANY AGREE THAT A TAIL BLOCK RATE DESIGN WOULD REDUCE BILL IMPACTS ON HIGH-USE RESIDENTIAL CUSTOMERS IN THE WINTER MONTHS?

A. Yes, the Company agrees with DE's conclusion that mathematically a lower tail block rate design in the winter months would reduce the bill impact on LAC's high-use residential customers in the winter months. The winter tail block rate design, however, would also increase the bill impacts on low-use residential customers.

An illustrative rate design and bill impact analysis that demonstrates the impact of a winter tail block rate design on high-use customers is included in Schedule TSL-SR2.[6] The Schedule shows a winter tail block rate design based on a customer charge of $17.00 (consistent with the proposed customer charge of $17.00) and two-block, winter distribution rates. Consumption at or below 90 therms would be billed at $0.53759 per therm; and all other consumption would be billed at $0.05000.

The Schedule shows that annual bills for high-use customers are lower under a winter tail block rate design than LAC's proposed rate design. For example, under a winter tail block rate design, LAC customers who use on average 1,448 therms per year (representing the top 9.1% of usage) would experience an increase in their annual bill of $97.00, or 8.0 percent (about $8.00/month), as compared to LAC's proposed rate design in which such customers would experience an increase in their annual bill of $242.00, or 20.0 percent (about $20.00/month).

[6] The illustrative rate design is based on actual bill frequency data, which would need to be normalized for weather if used in development of the final rate design.

Q. WHAT IS THE IMPACT OF A WINTER TAIL BLOCK RATE DESIGN ON LAC'S LOW-USE RESIDENTIAL CUSTOMERS?

A. Schedule TSL-SR2 further shows the impact of a winter tail block rate design on LAC's low-use residential customers. The Schedule shows that annual bills for low-use customers are higher under a winter tail block rate design than LAC's proposed rate design. For example, under a winter tail block rate design, LAC's customers who use on average 376 therms per year would experience a decrease of $29.00 per year, or 5.0 percent. Under LAC's proposed rate design, such low-use customers would experience a decrease of $80.0 per year, or 13.0 percent.

Q. WHAT IS LAC'S CONCLUSION?

A. LAC continues to support the proposed rate design; however, to the extent that the Commission believes that bill increases on high-use customers should be mitigated, then DE's proposed winter tail block rate design could be a reasonable way to address the concern. At the same time, however, such an approach would dampen the price signal for energy efficiency, complicate the rate design and create a need for further changes to customer rates in the future.

IV. MGE'S SGS AND LGS RATE DESIGN

Q. PLEASE EXPLAIN WHY MGE'S LGS CUSTOMERS WOULD RECEIVE A LOWER BILL UNDER THE PROPOSED LGS RATES FOR THE SAME USAGE THAN IF SERVED UNDER THE PROPOSED SGS RATES.[7]

A. As explained in Rebuttal Testimony, there is a cross-subsidy in rates between MGE's SGS and LGS rate classes that results in lower bills for the same usage if LGS customers are billed under the proposed SGS rates as compared to the proposed LGS rates. While it would be desirable to eliminate such cross-subsidy to better reflect the underlying cost of service differences between the SGS and LGS classes, MGE recognizes that in the interest of bill continuity concerns, such disparity should be addressed over time as reflected in the proposed rate design.

As explained in Rebuttal Testimony, there are also potential variations to the proposed rate design that could help reduce the disparity.

Q. PLEASE DESCRIBE POTENTIAL VARIATIONS IN THE RATE DESIGN THAT COULD HELP REDUCE THE DISPARITY BETWEEN THE SGS AND LGS RATES AND UNDERLYING COST OF SERVICE.

A. Potential variations in the rate design that could help reduce the disparity between the SGS and LGS rates and underling cost of service include:

- Reducing the subsidy to the SGS rate class
- Reducing the customer charge to the SGS rate class

[7] Staff proposes one General Service class while the Company proposes two General Service classes, Small General Service ("SGS") and Large General Service ("LGS"), as referenced in the Rebuttal Testimony of Robin Kliethermes, pg. 10.

- Increasing the customer charge to the LGS rate class
- Some combination of the above

Q. PLEASE DESCRIBE THE ILLUSTRATIVE RATE DESIGN AND BILL IMPACT ANALYSIS THAT REFLECTS ELIMINATING THE CROSS SUBSIDY BETWEEN THE SGS AND LGS RATE CLASSES.

A. An illustrative rate design and bill impact analysis that reflects eliminating the cross-subsidy between the SGS and LGS rate classes is included in Schedule TSL-SR3, page 1. The illustrative rate design is based on MGE's proposed customer charges. The Schedule shows that eliminating the cross-subsidy between the SGS and LGS rate classes would increase volumetric rates for the SGS class and decrease volumetric rates for the LGS.

The Schedule also shows that for approximately 50.0 percent of the consumption in the LGS rate class, the illustrative rate design would result in lower annual bills for the same usage if LGS customers are billed under the LGS rates as compared to the SGS rates. For example, by eliminating the cross-subsidy, LGS customers who use on average 50,000 therms per year would experience under the LGS rates (as compared to the SGS rates) a lower annual distribution bill of $1,091, or 16.2 percent. Customers who use at least 50,000 therms per year include schools, hotels, hospitals and industry.

It is important to note that eliminating the cross-subsidy has other implications on the SGS and LGS rate classes as compared to the proposed rate

design, including increases in bill impacts on SGS customers and decreases in bill impacts on LGS customers.

Q. PLEASE DESCRIBE THE RATE DESIGN AND BILL IMPACT THAT REFLECTS REDUCING THE SGS CUSTOMER CHARGE.

A. An illustrative rate design and bill impact analysis that reflects reducing the SGS customer charge is included in Schedule TSL-SR3, page 2. The illustrative rate design is based on the proposed revenue targets for the SGS and LGS rate classes. The Schedule shows that reducing the SGS customer charge to $30.00 would increase volumetric rates for the SGS class.

The Schedule also shows that for approximately 50.0 percent of the consumption in the LGS rate class, the illustrative rate design would result in lower annual bills for the same usage if LGS customers are billed under the LGS rates as compared to the SGS rates. For example, by reducing the reducing the SGS customer charge to $30.00, LGS customers who use on average 50,000 therms per year would experience a lower annual distribution bill of $1,094, or 13.6 percent, under the LGS rates as compared to the SGS rates.

Again, it is important to note that reducing the SGS customer charge has other implications on the SGS rate class as compared to the proposed rate design, including changes in bill impacts on SGS customers.

Q. PLEASE DESCRIBE THE RATE DESIGN AND BILL IMPACT ANALYSIS THAT REFLECTS REDUCING THE SGS CUSTOMER CHARGE AND INCREASING THE LGS CUSTOMER CHARGE.

A. An illustrative rate design and bill impact analysis that reflects reducing the SGS customer charge and increasing the LGS customer charge is included in Schedule TSL-SR3, page 3. The illustrative rate design is based on the proposed revenue targets for the SGS and LGS rate classes. The Schedule shows that reducing the SGS customer charge to $30.00 and increasing the LGS customer charge to $200.00 would increase volumetric rates for the SGS class and reduce volumetric rates for the LGS rate class.

The Schedule also shows that for approximately 50.0 percent of the consumption in the LGS rate class, the illustrative rate design would result in lower annual bills for the same usage if LGS customers are billed under the LGS rates as compared to the SGS rates. For example, by reducing the SGS customer charge to $30.00 and increasing the LGS customer charge to $200.00, LGS customers who use on average 50,000 therms per year would experience a lower annual distribution bill of $2,169, or 31.0 percent, under the LGS rates as compared to the SGS rates.

Q. WHAT IS MGE's CONCLUSION?

A. MGE continues to support the proposed rate design, including separate rate classes for customers who use less than 10,000 therms per year (i.e., SGS rate class) and those who use at least 10,000 therms per year (i.e., LGS rate class). This distinction is important since there are cost of service differences between SGS and LGS

customers. For example, the average cost per meter for a SGS customer is $249.51; whereas, the average cost per meter for a LGS customer is $1,130.27.

However, to the extent that the Commission believes that disparity between the SGS and LGS rate design should be addressed, there are several options to address the concern including reducing subsidy, reducing SGS customer charges, and increasing LGS customers, or some combination. It is important to note that any of the options will have other implications on customers in the SGS and LGS rate classes.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.

MISSOURI GAS ENERGY

Weather Mitigated Rate Design

Weather Mitigated Rate Design	Rates	Units	Revenues
Customer Charge	$ 25.50	5,621,516	$ 143,348,664
Nov-Apr (First Step)	$ 0.72635	57,941,096	42,085,303
Nov-Apr (Second Step)		225,063,277	-
May-Oct	$ 0.14871	83,143,988	12,364,261
Total		366,148,361	197,798,228
Nov-Apr (First Step)	20		
May-Oct (First Step)	-		
PGA Rates			
	Total Use	**Peak Use**	**Off-Peak Use**
Usage	366,148,361	283,004,373	83,143,988
Current PGA Rate	$ 0.49492	$ 0.49492	$ 0.49492
Total PGA Revenues	$ 181,214,147	$ 140,064,524	$ 41,149,623
Calculated PGA Rates			
First Step		$ 0.30039	
Second Step		$ 0.54500	$ 0.49492
Sales Volumes			
Nov-Apr (First Step)	57,941,096	57,941,096	
Nov-Apr (Second Step)	308,207,265	225,063,277	83,143,988
PGA Revenues			
Nov-Apr (First Step)	$ 17,405,038	$ 17,405,038	
Nov-Apr (Second Step)	$ 163,809,109	$ 122,659,486	$ 41,149,623
Total	$ 181,214,147	$ 140,064,524	$ 41,149,623

Proposed Rate Design

Residential Rate Design	Rate	Units	Revenues
		BF Adjustment	$ 197,798,228
Proposed Rates			
Customer Charge	$ 20.00	5,621,516	$ 112,430,325
Volume Charge	0.23315	366,148,361	85,367,903
Revenue at Proposed Rates			$ 197,798,228

MISSOURI GAS ENERGY

Weather Mitigated Rate Design

Annual Use	Cumulative Bills	Cumulative Use	Annual Bill (w/o PGA) WMRD Annual Bill	Current Annual Bill	Difference ($)	Difference (%)	Annual Bill (w/ PGA) WMRD Annual Bill	Current Annual Bill	Difference ($)	Difference (%)
227	6.3%	1.5%	$ 396	$ 316	$ 80	25%	$ 489	$ 428	$ 61	14%
327	13.4%	4.7%	$ 400	$ 323	$ 76	24%	$ 547	$ 485	$ 61	13%
426	25.1%	11.9%	$ 401	$ 330	$ 71	22%	$ 601	$ 541	$ 60	11%
575	49.0%	31.0%	$ 404	$ 341	$ 63	19%	$ 685	$ 626	$ 59	9%
675	64.1%	45.7%	$ 406	$ 348	$ 58	17%	$ 740	$ 682	$ 58	8%
775	75.8%	58.9%	$ 408	$ 356	$ 53	15%	$ 796	$ 739	$ 57	8%
825	80.2%	64.5%	$ 410	$ 359	$ 50	14%	$ 824	$ 768	$ 57	7%
923	86.8%	73.4%	$ 411	$ 366	$ 45	12%	$ 879	$ 823	$ 56	7%
974	89.2%	76.9%	$ 412	$ 370	$ 42	11%	$ 907	$ 852	$ 55	6%
1,147	95.0%	86.4%	$ 416	$ 383	$ 33	9%	$ 1,004	$ 950	$ 54	6%

Proposed Rate Design

Annual Use	Cumulative Bills	Cumulative Use	Annual Bill (w/o PGA) Proposed Annual Bill	Current Annual Bill	Difference ($)	Difference (%)	Annual Bill (w/ PGA) Proposed Annual Bill	Current Annual Bill	Difference ($)	Difference (%)
227	6%	1%	$ 293	$ 316	$ (23)	-7%	$ 405	$ 428	$ (23)	-5%
327	13%	5%	316	323	(7)	-2%	478	485	(7)	-1%
426	25%	12%	339	330	9	3%	550	541	9	2%
575	49%	31%	374	341	33	10%	659	626	33	5%
675	64%	46%	397	348	49	14%	731	682	49	7%
775	76%	59%	421	356	65	18%	804	739	65	9%
825	80%	64%	432	359	73	20%	841	768	73	10%
923	87%	73%	455	366	89	24%	912	823	89	11%
974	89%	77%	467	370	97	26%	949	852	97	11%
1,147	95%	86%	507	383	125	33%	1,075	950	125	13%

LACLEDE GAS COMPANY

Winter Tail Block Rate Design

Winter Tail Block Rate Design				
Customer Charge	$	17.00	7,267,620	$ 123,549,540
Nov-Apr (First Step)	$	0.53759	282,649,857	151,948,803
Nov-Apr (Second Step)	$	0.05000	135,452,255	6,772,613
May-Oct	$	0.37962	70,083,371	26,605,299
Total			488,185,483	308,876,255
Nov-Apr (First Step)		90		

LAC Proposed Rate Design

Residential Rate Design	Rate		Units	Revenues
			BF Adjustment	$ 308,876,255
Proposed Rates				
Customer Charge	$	17.00	7,267,620	$ 123,549,540
Consumption Charge	$	0.37962	488,185,483	185,326,715
Revenue at Proposed Rates				$ 308,876,255

LACLEDE GAS COMPANY

Annual Bill Impacts: Winter Tail Block Rate Design

			Annual Bill (w/o PGA)				Annual Bill (w/ PGA)			
Annual Use	Cumulative Bills	Cumulative Use	Winter TB Annual Bill	Current Annual Bill	Difference ($)	Difference (%)	Winter TB Annual Bill	Current Annual Bill	Difference ($)	Difference (%)
226	5.1%	1.1%	$ 321	$ 430	$ (110)	-26%	$ 429	$ 509	$ (80)	-16%
376	14.8%	5.7%	$ 397	$ 457	$ (59)	-13%	$ 577	$ 606	$ (29)	-5%
476	27.0%	13.5%	$ 444	$ 463	$ (19)	-4%	$ 671	$ 664	$ 8	1%
525	34.5%	19.1%	$ 463	$ 465	$ (3)	-1%	$ 714	$ 691	$ 22	3%
725	64.1%	46.1%	$ 508	$ 474	$ 33	7%	$ 854	$ 804	$ 50	6%
824	75.0%	58.4%	$ 525	$ 478	$ 46	10%	$ 918	$ 858	$ 60	7%
974	85.7%	72.3%	$ 551	$ 485	$ 67	14%	$ 1,017	$ 942	$ 75	8%
1,247	94.7%	86.5%	$ 588	$ 494	$ 94	19%	$ 1,184	$ 1,093	$ 91	8%
1,448	96.9%	90.9%	$ 608	$ 501	$ 107	21%	$ 1,299	$ 1,203	$ 97	8%
1,848	98.7%	95.2%	$ 647	$ 511	$ 136	27%	$ 1,530	$ 1,418	$ 111	8%

Annual Bill Impacts: LAC Proposed Rate Design

			Annual Bill (w/o PGA)				Annual Bill (w/ PGA)			
Annual Use	Cumulative Bills	Cumulative Use	Proposed Annual Bill	Current Annual Bill	Difference ($)	Difference (%)	Proposed Annual Bill	Current Annual Bill	Difference ($)	Difference (%)
226	5.1%	1.1%	$ 290	$ 430	$ (141)	-33%	$ 398	$ 509	$ (110)	-22%
376	14.8%	5.7%	$ 347	$ 457	$ (110)	-24%	$ 526	$ 606	$ (80)	-13%
476	27.0%	13.5%	$ 385	$ 463	$ (79)	-17%	$ 612	$ 664	$ (52)	-8%
525	34.5%	19.1%	$ 403	$ 465	$ (62)	-13%	$ 654	$ 691	$ (37)	-5%
725	64.1%	46.1%	$ 479	$ 474	$ 5	1%	$ 825	$ 804	$ 22	3%
824	75.0%	58.4%	$ 517	$ 478	$ 39	8%	$ 911	$ 858	$ 52	6%
974	85.7%	72.3%	$ 574	$ 485	$ 89	18%	$ 1,039	$ 942	$ 97	10%
1,247	94.7%	86.5%	$ 677	$ 494	$ 183	37%	$ 1,273	$ 1,093	$ 180	17%
1,448	96.9%	90.9%	$ 754	$ 501	$ 253	50%	$ 1,445	$ 1,203	$ 242	20%
1,848	98.7%	95.2%	$ 905	$ 511	$ 394	77%	$ 1,788	$ 1,418	$ 370	26%

MISSOURI GAS ENERGY

Eliminate SGS and LGS Subsidies

New Rates	Customer Chg	Peak Charge	Off-Peak Charge
SGS Class	$ 40.00	$ 0.14674	
LGS Class	$ 125.00	$ 0.12174	$ 0.07017

Bill Impact Analysis

Annual Use	Cumulative Bills	Cumulative Use	Annual Bill (w/o PGA) New SGS Bill	New LGS Bill	Difference ($)	Difference (%)
10,500	6%	3%	$ 2,021	$ 2,597	$ (577)	-22.2%
12,500	26%	13%	$ 2,314	$ 2,806	$ (492)	-17.5%
15,000	43%	22%	$ 2,681	$ 3,068	$ (387)	-12.6%
17,500	54%	31%	$ 3,048	$ 3,329	$ (281)	-8.4%
20,000	63%	38%	$ 3,415	$ 3,590	$ (176)	-4.9%
25,000	74%	48%	$ 4,148	$ 4,113	$ 35	0.9%
50,000	94%	77%	$ 7,817	$ 6,726	$ 1,091	16.2%
75,000	98%	86%	$ 11,485	$ 9,339	$ 2,146	23.0%
125,000	99%	93%	$ 18,822	$ 14,565	$ 4,257	29.2%
250,000	100%	98%	$ 37,164	$ 27,630	$ 9,535	34.5%

Proposed Rate Design and Bill Impact

New Rates	Customer Chg	Peak Charge	Off-Peak Charge
SGS Class	$ 40.00	$ 0.11273	
LGS Class	$ 125.00	$ 0.15293	$ 0.08814

Bill Impact Analysis

Annual Use	Cumulative Bills	Cumulative Use	Annual Bill (w/o PGA) New SGS Bill	New LGS Bill	Difference ($)	Difference (%)
10,500	6%	3%	$ 1,664	$ 2,879	$ (1,215)	-42.2%
12,500	26%	13%	$ 1,889	$ 3,141	$ (1,252)	-39.9%
15,000	43%	22%	$ 2,171	$ 3,469	$ (1,298)	-37.4%
17,500	54%	31%	$ 2,453	$ 3,798	$ (1,345)	-35.4%
20,000	63%	38%	$ 2,735	$ 4,126	$ (1,391)	-33.7%
25,000	74%	48%	$ 3,298	$ 4,782	$ (1,484)	-31.0%
50,000	94%	77%	$ 6,116	$ 8,065	$ (1,948)	-24.2%
75,000	98%	86%	$ 8,935	$ 11,347	$ (2,412)	-21.3%
125,000	99%	93%	$ 14,571	$ 17,912	$ (3,340)	-18.6%
250,000	100%	98%	$ 28,662	$ 34,323	$ (5,661)	-16.5%

MISSOURI GAS ENERGY

Reduce SGS Customer Charge

New Rates	Customer Chg	Peak Charge	Off-Peak Charge
SGS Class	$ 30.00	$ 0.17597	
LGS Class	$ 125.00	$ 0.15293	$ 0.08814

Bill Impact Analysis

Annual Use	Cumulative Bills	Cumulative Use	Annual Bill (w/o PGA) New SGS Bill	New LGS Bill	Difference ($)	Difference (%)
10,500	6%	3%	$ 2,208	$ 2,879	$ (671)	-23.3%
12,500	26%	13%	$ 2,560	$ 3,141	$ (582)	-18.5%
15,000	43%	22%	$ 3,000	$ 3,469	$ (470)	-13.5%
17,500	54%	31%	$ 3,439	$ 3,798	$ (358)	-9.4%
20,000	63%	38%	$ 3,879	$ 4,126	$ (246)	-6.0%
25,000	74%	48%	$ 4,759	$ 4,782	$ (23)	-0.5%
50,000	94%	77%	$ 9,158	$ 8,065	$ 1,094	13.6%
75,000	98%	86%	$ 13,558	$ 11,347	$ 2,211	19.5%
125,000	99%	93%	$ 22,356	$ 17,912	$ 4,444	24.8%
250,000	100%	98%	$ 44,352	$ 34,323	$ 10,029	29.2%

MISSOURI GAS ENERGY

Reduce SGS and Increase LGS Customer Charges

New Rates	Customer Chg	Peak Charge	Off-Peak Charge
SGS Class	$ 30.00	$ 0.17597	
LGS Class	$ 200.00	$ 0.10692	$ 0.06163

Bill Impact Analysis

Annual Use	Cumulative Bills	Cumulative Use	Annual Bill (w/o PGA) New SGS Bill	New LGS Bill	Difference ($)	Difference (%)
10,500	6%	3%	$ 2,208	$ 3,364	$ (1,156)	-34.4%
12,500	26%	13%	$ 2,560	$ 3,547	$ (988)	-27.8%
15,000	43%	22%	$ 3,000	$ 3,777	$ (777)	-20.6%
17,500	54%	31%	$ 3,439	$ 4,006	$ (567)	-14.2%
20,000	63%	38%	$ 3,879	$ 4,236	$ (357)	-8.4%
25,000	74%	48%	$ 4,759	$ 4,695	$ 64	1.4%
50,000	94%	77%	$ 9,158	$ 6,990	$ 2,169	31.0%
75,000	98%	86%	$ 13,558	$ 9,285	$ 4,273	46.0%
125,000	99%	93%	$ 22,356	$ 13,875	$ 8,481	61.1%
250,000	100%	98%	$ 44,352	$ 25,349	$ 19,003	75.0%

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	)))	File 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	)))	File No. GR-2017-0216

AFFIDAVIT

COMMONWEALTH OF MASSACHUSETTS)
) SS.
COUNTY OF WORCESTER)

Timothy S. Lyons, of lawful age, being first duly sworn, deposes and states:

1. My name is Timothy S. Lyons and I am a Partner at ScottMadden Inc. My business address is 1900 West Park Drive, Suite 250, Westborough, MA 01581.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony on class cost of service and rate design on behalf of Laclede Gas Company and MGE.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Timothy S. Lyons

Subscribed and sworn to before me this 14th day of November, 2017.

KIMBERLY H. DAO
MY COMM. EXPIRES MARCH 11, 2022
NOTARY PUBLIC COMMONWEALTH OF MASSACHUSETTS

Notary Public