

Exhibit No.: \_\_\_\_\_

Issue: Rate Design

Witness: Timothy R. Johnston

Exhibit Type: Rebuttal

Sponsoring Party: Summit Natural Gas of Missouri, Inc.

Case No.: GR-2014-0086

Date: July 11, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. GR-2014-0086**

**REBUTTAL TESTIMONY**

**OF**

**TIMOTHY R. JOHNSTON**

**ON BEHALF OF**

**SUMMIT NATURAL GAS OF MISSOURI, INC.**

**Jefferson City, Missouri  
July 2014**

Summit Exhibit No. 5  
Date 8-18-14 Reporter YF  
File No. GR-2014-0086

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**REBUTTAL TESTIMONY**

**TIMOTHY R. JOHNSTON**

**SUMMIT NATURAL GAS OF MISSOURI, INC.**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. Timothy R. Johnston, 7810 Shaffer Parkway, Littleton, CO 80127.

3 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

4 A. I am the Executive Vice President and Chief Strategy Officer for Summit Utilities,  
5 Inc., the parent company of SNG.

6 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND RELEVANT  
7 BUSINESS EXPERIENCE.**

8 A. Information responsive to this question is shown in the attached Schedule TMJ-1.

9 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY AND SCHEDULES IN  
10 THIS CASE?**

11 A. No.

12 **Q. ARE YOU PROVIDING TESTIMONY ON BEHALF OF SUMMIT NATURAL  
13 GAS OF MISSOURI, INC. ("SNGMO" OR COMPANY"?)**

14 A. Yes, I am.

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

16 A. I will: (1) adopt the Direct Testimony of Michelle Moorman; and, (2) discuss  
17 Staff's Straight Fixed Variable rate design proposal.

18

19

1 ADOPTION OF TESTIMONY

2 **Q. WHY ARE YOU ADOPTING THE DIRECT TESTIMONY OF MICHELLE**  
3 **MOORMAN?**

4 A. Since the filing of the Company's direct testimony, Ms. Moorman has left her  
5 employment with Summit Utilities, Inc.

6 **Q. ARE YOU FAMILIAR WITH THE SUBJECTS DISCUSSED IN MS.**  
7 **MOORMAN'S DIRECT TESTIMONY?**

8 A. I have read, and am familiar with, Ms. Moorman's testimony and will be available  
9 for cross-examination concerning that testimony.

10 STRAIGHT FIXED VARIABLE RATE DESIGN

11 **Q. PLEASE DESCRIBE YOUR UNDERSTANDING OF STRAIGHT FIXED**  
12 **VARIABLE (SFV) RATE DESIGN?**

13 A. First, a distinction should be made between SFV as applied to cost assignment  
14 and SFV used in rate design. SFV as a cost assignment tool would separate  
15 costs based upon their fixed or variable attribute. Fixed costs would then be  
16 assigned to customer classes based on the customer class contribution to those  
17 costs. SFV applied to rate design, as I understand it, is the simple recovery of all  
18 assigned customer class costs from a one part rate expressed as a monthly  
19 service charge. This is often referred to in natural gas distribution parlance as  
20 "Decoupling".

21 **Q. WHAT HAS STAFF PROPOSED IN ITS DIRECT TESTIMONY IN THIS CASE?**

22 A. Staff witness Mr. Tom Imhoff, in his direct testimony, proposed to apply SFV rate

1 design to SNGMO's Residential, General Service, and Commercial classes. Staff  
2 is not proposing SFV for SNGMO's Large Volume or Transportation classes.

3 **Q. DOES SUMMIT OBJECT TO STAFF'S SFV RATE DESIGN PROPOSAL?**

4 A. Yes.

5 **Q. DOES SUMMIT HAVE A PHILOSOPHICAL OBJECTION TO THE USE OF SFV**  
6 **RATE DESIGN?**

7 A. No. The use of SFV Rate Design as a tool by which to decouple utility non-gas  
8 costs from gas usage makes sense in an overall context which also promotes  
9 conservation.

10 **Q. WHAT IS THE BASIS FOR SUMMIT'S OBJECTION TO SFV RATE DESIGN IN**  
11 **THIS CASE?**

12 A. Summit's distribution system has been constructed and placed in service since  
13 1994. . A majority of the investment has occurred in the last ten years. The  
14 investment is characterized by costs that have not been eroded by inflation and  
15 the investment recovery has had little time to occur. Consequently, the  
16 investment per customer and corresponding non-gas revenue requirement per  
17 customer is significant.

18 Further, unlike many local distribution companies, Summit exists in a competitive  
19 environment. Summit's management believes SFV pricing may artificially drive  
20 customers to competitive fuels because low usage customers may migrate away  
21 from Summit's system when faced with a significant fixed monthly charge.

22 **Q. HOW DOES SUMMIT'S PROPOSED RATE DESIGN MITIGATE THE HAZARD**

1           **YOU CITED?**

2    A.    In his Direct Testimony and exhibits, Company witness Kent D. Taylor calculated  
3           a customer charge for each customer class in each SNGMO operating division  
4           (Schedule KDT-4, Exhibit 2). In preparation of this rate filing, Summit's  
5           management initially considered the rate shock implications of the full customer-  
6           related cost recovery from the monthly customer charge and instructed Kent to  
7           calculate a more balanced two part rate approach to customer related class cost  
8           recovery. He then established customer charge values lower than those which  
9           were indicated in the original calculation and calculated a commodity charge that  
10          absorbed the difference (Schedule KDT-4, Exhibit 3). This combination of  
11          customer charges and commodity charges was shown to recover the entire  
12          revenue requirement with a greater emphasis on the commodity charge than that  
13          which was indicated in the original rate design calculation.

14   **Q.    DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

15   A.    Yes.

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

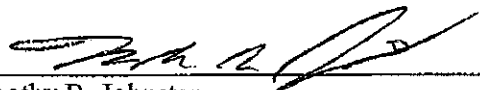
In the Matter of Summit Natural Gas of )  
Missouri Inc.'s Filing of Revised Tariffs ) Case No. GR-2014-0086  
To Increase its Annual Revenues For )  
Natural Gas Service )

**AFFIDAVIT OF TIMOTHY R. JOHNSTON**

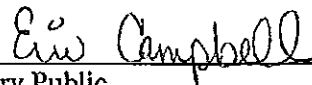
**STATE OF COLORADO** )  
 ) ss  
**COUNTY OF JEFFERSON** )

Timothy R. Johnston, being first duly sworn on his oath, states:

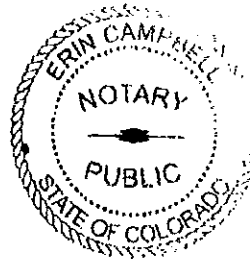
1. My name is Timothy R. Johnston and I work in Littleton, Colorado and I am employed by Summit Utilities, Inc. as the Executive Vice President & Chief Strategy Officer.
2. Attached hereto and made a part of hereof for all purposes is my Rebuttal Testimony on behalf of Summit Natural Gas of Missouri, Inc. consisting of 4 pages, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

  
\_\_\_\_\_  
Timothy R. Johnston

Subscribed and sworn to before me this 9th day of July, 2014.

  
\_\_\_\_\_  
Notary Public

My commission expires: 6/4/2016



## **Statement of Qualifications**

### **Timothy R Johnston**

I was one of the original founders of Colorado Natural Gas, Inc. in 1996. When the company re-organized, I became part of Summit Utilities, Inc., the parent company. I am the Executive Vice President and Chief Strategy Officer. My responsibilities include general oversight of the Regulatory Department and the Business Development Department. I am primarily involved in the strategic planning process at the Summit Utilities, exploring the potential for growth both within the existing operating companies and in new states.

Prior to the start-up of Colorado Natural Gas, I was employed as the Manager of Engineering Design in the Technical Services Department at Atmos Energy in Colorado. This position was a continuation of that same position which I had held under Greeley Gas for 10 years prior to its acquisition by Atmos in 1995. In that position I was responsible for all engineering, measurement and regulation activities in Colorado and Kansas.

From 1981 to 1985, I was the Plant Engineer for MAPCO, located in Fritch, TX. My duties includes performing testing, maintenance and process improvement for seven natural gas processing plants located in Texas, Oklahoma and New Mexico.

A. I received by Bachelors of Science from the Colorado School of Mines in 1981 and my Masters in Business Administration from Colorado State University in 2008. I am a Registered Profession Engineer licensed in the State of Colorado.