

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

In the Matter of Summit Natural Gas of )  
Missouri, Inc.'s Purchased Gas )  
Adjustment Tariff Filing )  
)

**Case No. GR-2022-0122**  
Tracking No. JG-2022-0146

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission and for its Recommendation, states as follows:

1. On November 4, 2021, Summit Natural Gas of Missouri, Inc. (“SNGMO”) filed three tariff sheets bearing an effective date of November 15, 2021, Tariff File No. JG-2022-0147, and an accompanying cover letter with supporting worksheets. The tariff sheets were filed to reflect changes in SNGMO’s Purchased Gas Adjustment (“PGA”) factors as a result of estimated changes in the cost of natural gas for the upcoming winter season and changes in the Actual Cost Adjustment (“ACA”) factors.

2. The Commission issued an order on November 5, 2021, directing Staff to file a recommendation regarding SNGMO’s request and corresponding tariff sheets, Tariff File No. JG-2022-0146, no later than November 9, 2021.

3. Subsequently, on November 5, 2021, SNGMO filed its *Application to Extend the ACA Period for Carrying Costs and Motion for Expedited Treatment and, in the Alternative, Motion for Leave* (Application) and a substitute tariff that reflected an update of its requested effective date to November 19, 2021, to allow for the required ten (10) business days’ notice.

4. On November 8, 2021, SNGMO filed a second substitute tariff reflecting impacts from Storm Uri that had previously not been incorporated in SNGMO's first two tariff filings.

5. The Commission issued an order on November 8, 2021, extending its previously ordered deadlines and directing Staff to file its recommendation regarding SNGMO's request and corresponding tariff sheets, Tariff File No. JG-2022-0146, no later than November 12, 2021.

6. Staff has reviewed SNGMO's filings. It is Staff's understanding that SNGMO is requesting a substantially higher carrying cost rate than the rate of Prime minus 2% SNGMO's PGA tariff contemplates. Further, it is apparent to Staff that SNGMO is also quantifying "forward interest" that places approximately one-fifth of the interest amount in current rates.

7. Staff does not recommend that the SNGMO be allowed to include higher than normal interest prior to any determination being made on the prudence of the gas costs in question. Staff and other parties should have the opportunity to conduct discovery, and if needed, request an evidentiary hearing, regarding the costs associated with SNGMO's debt and equity sources or the availability of short-term debt. As such, Staff recommends the Commission reject SNGMO's second substitute tariffs, filed on November 9, 2021, in Tracking No. JG-2022-0146, and order SNGMO to refile its tariffs without the higher carrying costs or forward interest. Staff also recommends the Commission order Staff and SNGMO to file a proposed procedural schedule to resolve the outstanding issues.

8. Lastly, due to the limited time available to review the documentation supporting the ACA factors SNGMO submitted in this filing, Staff requests the

Commission order Staff to submit its results and recommendations regarding the information in this ACA filing to the Commission on or before December 15, 2022.

**WHEREFORE**, for the foregoing reasons and those stated in Staff's Memorandum attached hereto, Staff recommends that the Commission issue an order that (1) rejects SNGMO's second substitute revised tariff sheets as filed on November 8, 2021, in Tracking No. JG-2022-0146; (2) orders SNGMO to refile its PGA/ACA tariff sheets and exclude in its refiling any impact of the higher carrying cost rate or future interest calculations; (3) requires Staff and SNGMO to file a proposed procedural schedule to resolve the outstanding issues; and (4) directs Staff to file its recommendation on SNGMO's ACA filing no later than December 15, 2022.

Respectfully submitted,

**/s/ Jamie S. Myers**

Jamie S. Myers  
Deputy Staff Counsel  
Missouri Bar Number 68291  
P.O. Box 360  
Jefferson City, MO 65102  
573-526-6036 (Voice)  
573-526-6969 (Fax)  
[jamie.myers@psc.mo.gov](mailto:jamie.myers@psc.mo.gov)

Attorney for Staff of the  
Missouri Public Service Commission

### **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record on this 12<sup>th</sup> day of November, 2021.

**/s/ Jamie S. Myers**

## MEMORANDUM

**TO:** Missouri Public Service Commission Official Case File,  
Case No. GR-2022-0122, Tariff No. JG-2022-0146  
Summit Natural Gas of Missouri, Inc.

**FROM:** Michael J. Ensrud, Research/Data Analyst - Procurement Analysis Dept.

/s/ David M. Sommerer 11/12/2021      /s/ Jamie Myers 11/12/2021  
Financial and Business Analysis Div./Date      Staff Counsel's Office/Date

**SUBJECT:** Staff Recommendation for Summit Natural Gas Scheduled Winter  
PGA Filing Effective Date November 19, 2021

**DATE:** November 12, 2021

On November 4, 2021, Summit Natural Gas of Missouri, Inc. (“SNGMO” or “Company”), filed three tariff sheets bearing a proposed effective date of November 15, 2021. In addition SNGMO filed a single cover letter and supporting worksheets. The tariff sheets were filed to reflect changes in SNGMO’s Purchased Gas Adjustment (PGA) factors as the result of estimated changes in the cost of natural gas for the upcoming winter season and changes in the Actual Cost Adjustment (ACA) factors. On November 5, 2021, SNGMO filed a supporting Application to Extend the ACA Period and For Carrying Costs and Motion for Expedited Treatment and, in the Alternative, Motion for Leave (Application). Also on November 5, 2021, the SNGMO filed a substitute tariff that reflected an update of its requested effective date to November 19, 2021 to allow for the required 10 business days rather than 10 calendar days’ notice. On November 8, 2021, the Company filed a 2<sup>nd</sup> substitute tariff reflecting impacts from Storm Uri that had previously not been incorporated in the first two tariff filings.

On November 5, 2021 the Commission issued its “**Order Directing Expedited Staff Recommendation and Setting Time for Responses**”. The order directs Staff to file its recommendation no later than November 9, 2021. That order was updated on November 8, 2021 to allow for a November 12, 2021 recommendation.

Beyond the requirements of past PGA filings, this PGA contains dollars for recovery that are newly allowed by the GT-2022-0093 proceeding. The GT-2022-0093 proceeding allows expansion of PGA recovery beyond the 12 months limitation that existed prior to the GT-2022-0093 proceeding. Per Tariff Sheet No. 55:

In the event of an **Act of God or weather circumstance** that has an **extraordinary impact on the natural gas market**, the Company, Staff, or OPC may apply, **supported by an affidavit**, to the Commission to seek to extend the ACA recovery period beyond 12 months, not to exceed 5 years. If the Commission allows the extended ACA recovery period not to exceed 5 years, the Company may also apply for the recovery of carrying costs

associated with such deferred recovery at a different rate, from the effective date of this tariff Sheet No. 55 on a going forward basis, from that identified in Sheet No. 52. [Emphasis added.]

Based upon the Company's Application and supporting affidavit, the extraordinary impact has been attributed to Storm Uri. The Company is proposing an extended ACA recover period of 5 years for all three of its service areas. Commission approval is required for this special treatment.

Spreading SNGMO's 2020-2021 ACA under-recovery balance over five years still produces significant increases over existing ACA rates.

SNGMO's November 4, 2021 cover letter makes following representations (November 8<sup>th</sup> updates provided by Staff, Total PGA is the sum of the Regular PGA and ACA factors):

These revised sheets include changes to Company's Purchased Gas Adjustment (PGA) Clause as approved by the Commission. These revisions reflect adjustments to the Regular Purchased Gas Adjustment (RPGA) and Actual Cost Adjustment (ACA) factors.

The changes in the PGA factors applicable to the Company's Gallatin Division will increase the firm sales customers' Total PGA from \$0.3779/Ccf to \$0.6101/Ccf (**Nov. 8 substitute, \$0.6692/Ccf**)

The changes in the PGA factors applicable to the Company's Warsaw and Lake of the Ozarks Divisions will increase the sales customers' Total PGA from \$0.3778/Ccf to \$0.7395/Ccf. (**Nov. 8 substitute, \$1.1239/Ccf**)

The changes in the PGA factors applicable to the Company's Rogersville and Branson Divisions will increase the firm sales customers' Total PGA from \$0.4216/Ccf to \$0.7327/Ccf. (**Nov. 8 substitute, \$1.10406/Ccf**)

The increases resulting from the spreading of Storm Uri costs over five (5) years, as opposed to the typical recapture in 12 months, greatly lessened the applicable charge. However, even after the implementation of this mitigation there is still a significant increase over current ACA rates.

On page 6 and page 7 of its Application, the Company describes issues related to "Financing of Costs". In that section, the Company argues for a higher carrying cost rate than is available from its PGA tariff. The PGA tariff generally provides for a rate of Prime minus 2%. However, a recent addition to its PGA clause allows the Company to apply for the recovery of carrying costs associated with deferred recovery at a different rate (from the effective date of Tariff Sheet No. 55 on a going forward basis). The Company "is seeking to recover carrying costs for the costs associated with February winter storm Uri at SNGMO's last Commission approved pre-tax rate of return, 9.64%, as ordered in Case No. GR-2014-0086" (page 7, paragraph 24 of the Application).

Staff's understanding of the Company's underlying carrying cost calculation in the current PGA/ACA filing is that the Company is including an allowance for carrying costs valued at a 9.64% interest rate as part of the current ACA rate. This inclusion of higher than normal ACA interest takes place prior to any determination of the prudence of the gas costs in question. The higher carrying cost treatment is requested without any thorough discovery or hearing regarding the costs associated with the Company's debt and equity sources, or the availability of short-term debt. The Company also appears to be quantifying "forward interest" that places approximately one fifth of the interest amount in current rates.

The Company's affiliate has a similar case before the Arkansas Public Service Commission ("APSC") in Docket No. 07-046-U where multiple rounds of detailed testimony was provided by the Company, the Arkansas Staff, and the Arkansas Attorney General's office regarding a similar carrying cost interest rate proposal by the Company. In Arkansas, the Company was required by the APSC to temporarily record interest at a short-term interest rate rather than the much higher interest rate it seeks here. A decision based upon record evidence in Arkansas is expected next year with regard to the carrying cost issue.

Due to the inclusion of relatively high carrying cost rates in the Missouri PGA filing, along with the placement of a portion of future interest in current rates, the Staff recommends rejection or suspension of this tariff. As a possible alternative, the Commission could consider ordering the Company to refile its PGA/ACA tariffs, but exclude any impact of the higher carrying cost rate or future interest calculations pending a procedural schedule to address the issue. The Staff would recommend that such a procedural schedule should be no sooner than the Staff's recommendation regarding the prudence of the Storm Uri costs.

Case No. GR-2022-0122, under which these changes were filed, was established to track SNGMO's PGA factors to be reviewed in its 2020-2021 ACA filing. Case No. GR-2021-0124 was established to track the Company's PGA factors to be reviewed in its (2019-2020) ACA filing. These rate changes should be made on an interim basis, subject to refund pending final Commission decisions in ACA Case No. GR-2022-0122 and ACA Case No. GR-2021-0124.

Due to the limited time available to review the documentation supporting the ACA factors submitted in this filing, the Procurement Analysis Department (PAD) requests permission to submit its results and recommendations regarding the information included in this ACA filing to the Commission on or before December 15, 2022.

The Staff has verified that the Company has filed its annual report and is not delinquent on any assessment. Staff has reviewed this filing and is not aware of any issue currently pending before the Commission that affects or is affected by this filing, other than those mentioned above.

Staff has reviewed this filing and determined that the rates on the proposed tariff sheets were calculated in conformance with SNGMO's PGA Clause with the exception of carrying cost application. Staff asks the Commission to take notice of SNGMO's tariff language that allows for approval of these tariff sheets on less than thirty (30) days' notice is demonstrated by SNGMO's

Commission-approved PGA clause allowing for ten (10) business days' for PGA change filings. Therefore, Staff recommends that the following tariff sheets filed on November 4, 2021 as substituted on November 5, 2021 and November 8, 2021, be **rejected or suspended**.

---

P.S.C. MO No. 3

7th Revised Sheet No. 56, Cancelling 6th Revised Sheet No. 56

7th Revised Sheet No. 57, Cancelling 6th Revised Sheet No. 57

7th Revised Sheet No. 58, Cancelling 6th Revised Sheet No. 58

Additionally, Staff recommends the Commission order SNGMO to refile its PGA/ACA tariff sheets and order that SNGMO exclude in its refiling any impact of the higher carrying cost rate or future interest calculations, and further order Staff and SNGMO to file a proposed procedural schedule to resolve the outstanding issues.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI


In the Matter of Summit Natural Gas of                    )  
Missouri, Inc.'s Changes to the Company's        )     Case No. GR-2022-0122  
Purchase Gas Adjustment "PGA" Clause            )

**AFFIDAVIT OF MICHAEL J. ENSRUD**

STATE OF MISSOURI        )  
                                      )     ss.  
COUNTY OF COLE         )

**COMES NOW MICHAEL J. ENSRUD** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation* in Memorandum form; and that the same is true and correct according to his best knowledge and belief.


Further the Affiant sayeth not.

  
MICHAEL J. ENSRUD

**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 12<sup>th</sup> day of November 2021.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

  
Notary Public