

**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)
Purchase Gas Adjustment “PGA” Clause)

Case No. GR-2022-0122

STATEMENT OF POSITION

COMES NOW the Office of the Public Counsel (the “OPC”) and for its Statement of Position respectfully states:

Issue: What rate should be used to determine allowable carrying costs for SNGMO’s financing of unrecovered gas costs associated with the extended ACA recovery period previously approved by the Commission due to Winter Storm URI?

“[T]he interest rate [Summit LDC Holdings, LLC (“Midco”)]¹ pays on its revolving credit facility.” (Murray Surrebuttal Test. 6, Doc. 28; *see* Murray Rebuttal Test. 5-6, Doc. 21). At the time this credit facility is replaced with a new credit facility, “the new credit facility rate should be used to determine carrying costs for financing the gas purchases.” (Murray Rebuttal Test. 5-6).

Summit Natural Gas of Missouri (“SNGMO”) has provided only a “financing service” to its customers in procuring natural gas at extraordinarily higher costs during Winter Storm Uri (“Storm Uri”). (Murray Surrebuttal Test. 5). Because SNGMO is guaranteed to recover these costs, the Public Service Commission of the State of Missouri (the “Commission”) should not allow SNGMO’s shareholders to earn a return for providing the financing required to purchase gas. (*See id.* 5, 7). However, in setting the rate used to determine allowable carrying costs, it may be appropriate to consider a term premium, which is the primary risk (time value of money) SNGMO incurs for carrying Storm Uri costs over five years. (*Id.* 7).

¹ Summit Utilities Inc.—SNGMO’s ultimate parent company—“created an intermediate holding company, [Midco], to issue debt on behalf of its operating subsidiaries.” (Murray Rebuttal Test. 2-3). These subsidiaries include: SNGMO, Colorado Natural Gas Company, and Arkansas and Oklahoma Gas Company. (*Id.* 3). Due to this arrangement, “SNGMO has relied on Midco’s revolving credit facility for short-term capital needs.” (*Id.* 4).

The PGA/ACA process ensures that SNGMO recovers the cost of its commodity—gas—that it purchases from suppliers. (Murray Rebuttal Test. 3). Because natural gas distribution companies, such as SNGMO, are generally “cost takers from the suppliers of natural gas,” the Commission has allowed companies, such as SNGMO, to pass the gas costs directly to their customers using the PGA/ACA process. (*Id.*). The PGA/ACA process ensures there is no risk to the company of under- or over-recovery of gas commodity costs. (*Id.*). Rather, it is the ratepayer—not the shareholders—who bears the risk. (*Id.* 3-4). Because the shareholders bear no risk, they do not deserve a return on their equity investment.² (*Id.* 4).

However, the OPC understands that the Commission has granted an extended recovery period for the Storm Uri gas costs by extending the recovery period from twelve months to five years. (Order Rejecting Tariff, Approving Extended Recovery Period, Delegating Authority, and Directing Filing of Procedural Schedule Nov. 17, 2021 4, Doc. 9). For this reason, it may be appropriate to allow an additional term premium to account for the time value of money. (Murray Rebuttal Test. 2). The OPC’s witness Mr. David Murray provided debt pricing information from Midco’s current outstanding revolving credit facility to provide actual debt financing terms the Commission should consider when determining carrying costs on SNGMO’s Storm Uri gas costs. (Murray Surrebuttal Test. 4-6, Murray Rebuttal Test. 4-5). As shown in Staff of the Commission’s witness, Mr. David Sommerer’s Schedule DMS-r1, attached to Mr. Sommerer’s rebuttal testimony, the Oklahoma Corporation Commission also established fair and reasonable carrying

² The OPC understands that SNGMO’s shareholders contributed equity capital into Summit Utilities, Inc.—SNGMO parent company—“for purposes of providing liquidity to SNGMO to fund the extraordinary gas costs” due to Storm Uri. (Murray Rebuttal Test. 2). However, at least in this instance, because of the guaranteed recovery of that equity, this should not control the rate the Commission uses to determine carrying costs in this matter. (*See id.* 2-4; Murray Surrebuttal Test. 2).

costs based on actual underlying credit arrangements. (*See* Murray Surrebutal Test. 6; Sommerer Rebuttal Test., Schedule DMS-r1 1, Doc. 23).³

WHEREFORE, the Office of the Public Counsel respectfully requests that the Commission accept this Statement of Position and rule in the OPC's favor on the issue addressed herein.

Respectfully submitted,

/s/ Lindsay VanGerpen
Lindsay VanGerpen (#71213)
Associate Counsel

Missouri Office of the Public Counsel
P.O. Box 2230
Jefferson City, MO 65102
Telephone: (573) 751-5565
Facsimile: (573) 751-5562
E-mail: Lindsay.VanGerpen@opc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the forgoing have been mailed, emailed, or hand-delivered to all counsel of record this 5th day of July 2022.

/s/ Lindsay VanGerpen

³ The OPC understands that the Arkansas Public Service Commission (“ARPSC”) has allowed SNGMO’s Arkansas-affiliates to utilize a weighted average cost of capital rate (“WACC”) in determining the carrying costs associated with Storm Uri costs. (*See* Root Rebuttal Test. 3-4, Doc. 20). However, as will be addressed during briefing on this matter, distinguishing differences exist between the case before this Commission and the cases before the ARPSC.