

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

|                                       |   |                                     |
|---------------------------------------|---|-------------------------------------|
| In the Matter of the Application of   | ) |                                     |
| Summit Natural Gas of Missouri, Inc., | ) | <b><u>Case No. GE-2020-0009</u></b> |
| for Waiver Concerning Commission Rule | ) |                                     |
| 4 CSR 240-40.090                      | ) |                                     |

**STAFF RECOMMENDATION ON WAIVER OF SUBMISSION  
REQUIREMENTS FOR GAS UTILITY DEPRECIATION STUDIES**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and for its *Recommendation* in this matter hereby states:

1. On July 15, 2019, Summit Natural Gas of Missouri, Inc. (“Summit” or “Company”) filed an *Application for Waivers Concerning Depreciation Study and Notice* (“Application”) requesting a waiver of Commission Rule 4 CSR 240-3.235 and Commission Rule 4 CSR 240-3.275 which require utility companies to submit a depreciation study, database, and property unit catalog no less than every 5 years<sup>1</sup>. Additionally, Summit also requests a waiver of Commission Rule 4 CSR 4.017(1)<sup>2</sup> which requires 60-day notice prior to filing the case.

2. On July 18, 2019, the Commission ordered Staff to file a recommendation concerning Summit’s Application by September 16, 2019.

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<sup>1</sup> Commission Rule 4 CSR 240-3.235 lists the filing requirements for gas utility rate increase requests and Commission Rule 4 CSR lists the submission requirements for gas utility depreciation studies.

<sup>2</sup> Effective August 28, 2019, the Commission moved from the Department of Economic Development to the Department of Commerce and Insurance. Therefore, previous Commission rules that were located in 4 CSR 240 are now transferred in 20 CSR 4240. Except where this memo is referencing action prior to August 28, 2019, Staff has updated the rule references accordingly.

3. Commission Rule 4 CSR 240-3.235 and Commission Rule 4 CSR 240-3.275 were rescinded and consolidated to Commission Rule 4 CSR 240-40.090 effectively on July 30, 2019.<sup>3</sup>

4. Due to the change in citation of the Commission rules, on July 31, 2019, Summit filed a Motion for Leave to Amend Application and Case Caption to amend the Application filed July 15, 2019 and request a waiver from Commission Rule 4 CSR 240-40.090.

5. As noted in Summit's Application, the Commission has previously granted a similar variance from 4 CSR 240-3.235 in Case No. GE-2014-0010.

6. As reflected in the attached Recommendation memorandum, Staff has reviewed Summit's Application and suggests Summit's lack of historical plant retirement data is good cause to grant a temporary waiver of Commission Rule 20 CSR 4240-40.090(1)(A)1 requiring the average and remaining life of each primary plant account or subaccount. However, Staff suggests good cause does not exist to waive the database and property unit catalog requirements of Commission Rule 20 CSR 4240-40.090(1)(A)2 and Commission Rule 20 CSR 4240-40.090(1)(A)3 respectively.

**WHEREFORE**, as set forth in Staff's Recommendation memorandum, Staff recommends granting a waiver of the depreciation study of Commission Rule 20 CSR 4240-40.090(1)(A)1 but reject waiving the database and property unit catalog requirements of Commission Rule 20 CSR 4240-40.090(1)(A)2 and Commission

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<sup>3</sup> As part of Governor Eric Greitens efforts to reduce excessive regulations, on January 10, 2017 Governor Greitens signed Executive Order 17-03.

Rule 20 CSR 4240-40.090(1)(A)3 and grant such other and further relief as the Commission considers just in the circumstances.

**/s/ Ron Irving**

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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 16th day of September, 2019, to all counsel of record.

**/s/ Ron Irving**

## **MEMORANDUM**

TO: Missouri Public Service Commission Official Case File  
File No. GE-2020-0009

FROM: David Buttig, P.E., Utility Regulatory Engineer I  
/s/ Daniel I. Beck, PE / 09/16/2019      /s/ Ron Irving / 09/16/2019  
Engineering Analysis Manager / Date      Staff Counsel Division / Date

SUBJECT: Staff Recommendation on Summit Natural Gas of Missouri's Application for  
Waivers Concerning Commission Rule 4 CSR 240-40.090

DATE: September 16, 2019

The Staff of the Missouri Public Service Commission ("Staff") recommends that the Commission grant Summit Natural Gas of Missouri, Inc. ("SNGMo" or "Company") a partial waiver concerning Commission Rule 4 CSR 240-40.090<sup>1</sup>, subject to the conditions described in this *Memorandum*, because Staff suggests that there is good cause to grant a partial waiver pursuant to 20 CSR 4240-2.060(4).

### **Overview**

On July 15, 2019, SNGMo filed an *Application for Waivers Concerning Depreciation Study and Notice* ("Application") requesting a waiver from Commission Rule 4 CSR 240-3.235 and Commission Rule 4 CSR 240-3.275. Commission Rule 4 CSR 240-3.235 and Commission Rule 4 CSR 240-3.275 were rescinded effective July 30, 2019, and consolidated in Commission Rule 4 CSR 240-40.090, which became effective July 30, 2019. On July 31, 2019, SNGMo filed a *Motion for Leave to Amend Application and Case Caption* in order to amend the Application to reflect that SNGMo seeks a waiver from Commission Rule 4 CSR 240-40.090.

Commission Rule 20 CSR 4240-40.090 requires each gas utility subject to the Commission's jurisdiction to submit a depreciation study, database, and property unit catalog, and the rule prescribes the contents of each of these submissions. The gas utility shall submit a depreciation study, database, and property unit catalog five years from the utility's last submission or during a general rate increase request, whichever is first. SNGMo's Application requests a waiver from the

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<sup>1</sup> Effective August 28, 2019, the Commission moved from the Department of Economic Development to the Department of Commerce and Insurance. Therefore, previous Commission rules that were located in 4 CSR 240 are now transferred in 20 CSR 4240. Except where this memo is referencing action prior to August 28, 2019, Staff has updated the rule references accordingly.

rule, such that SNGMo would not be required to submit a depreciation study until after July 1, 2029. This waiver would allow SNGMo to file and maintain general rate cases during that time without the submission of a depreciation study. SNGMo requested a waiver from submitting a depreciation study in its 2014 rate case. In Case No. GE-2014-0010 the Commission approved the request with the condition SNGMo submit a depreciation review with the Company's next rate case. In Case No. GR-2014-0086 the Company submitted a depreciation review with the direct testimony of Alicia Picard. The Company states that good cause exists in this case because the assets remain relatively new for gas utility property and there is a lack of historical plant information to utilize in a depreciation study. According to the Company, the completion of a depreciation study would add expense without any corresponding benefit to SNGMo or its customers.

On July 18, 2019, the Commission issued its *Order Directing Notice, and Setting Dates for Intervention Requests and Staff Recommendation*, ordering Staff to file its response to the Application no later than September 16, 2019.

Staff reviewed SNGMo's Application and discussed SNGMo's depreciation accounting with the Company. As a result, Staff found that good cause exists to waive some of SNGMo's obligations under Commission Rule 20 CSR 4240-40.090, but not in its entirety. As explained below, Staff supports SNGMo's request for waiver from the rule requirement to submit a statistical depreciation study of vintage retirement dollars.

However, Staff does not recommend the Commission grant a waiver of the rule's requirements to submit a property unit catalog, database, reserves for depreciation, surviving plant balance, and estimated final retirement date and surviving dollar investment for each major facility or general office building. Furthermore, Staff recommends that SNGMo provide a review – preferably conducted by an experienced utility depreciation professional – of SNGMo's depreciation rates in its general rate increase requests. However, SNGMo need not submit a non-statistical depreciation review, database, or property unit catalog to the extent that the Commission's Staff received these items from the utility during the three (3) years prior to the utility's filing for a general rate increase request. The depreciation review will add benefit to SNGMo's upcoming rate cases by providing support for the Commission's establishment of just and reasonable depreciation rates used to determine SNGMo's revenue requirement.

### **Discussion**

Commission Rule 20 CSR 4240-40.090 Submission Requirements for Gas Utility Depreciation Studies provides:

- (1) Each gas utility subject to the commission's jurisdiction shall submit a depreciation study, database, and property unit catalog to the manager of the commission's engineering analysis unit and to the Office of the Public Counsel, as required by the terms of subsection (1)(B).

(A) The depreciation study, database, and property unit catalog shall be compiled as follows:

1. The study shall reflect the average life and remaining life of each primary plant account or subaccount;
2. The database shall consist of dollar amounts, by plant account or subaccount, representing –
  - A. Annual dollar additions and dollar retirements by vintage year and year retired, beginning with the earliest year of available data;
  - B. Reserve for depreciation;
  - C. Surviving plant balance as of the study date; and
  - D. Estimated date of final retirement and surviving dollar investment for each warehouse, propane/air production facility, liquefied natural gas facility, underground natural gas storage facility, general office building, and other large structure; and
3. The property unit catalog shall contain a description of each retirement unit used by the utility.

(B) A gas utility shall submit its depreciation study, database, and property unit catalog on the following occasions:

1. Upon the date five (5) years from the last time the commission's staff received a depreciation study, database, and property unit catalog from the utility; and
2. Upon submission of a general rate increase request. However, a gas utility need not submit a depreciation study, database, or property unit catalog to the extent that the commission's staff received these items from the utility during the three (3) years prior to the utility's filing for a general rate increase request.

In 2013, SNGMo filed for a similar waiver for Commission Rule 4 CSR 240-3.235 in Case No. GE-2014-0010. In that case, SNGMo was granted a partial waiver from Commission Rule 4 CSR 240-3.235 for its next rate case in year 2013 or 2014 with certain conditions. Those conditions were:

- a) In its upcoming rate case, Summit will submit in Direct Testimony: a property unit catalog, reserves for depreciation, surviving plant balance, and estimated final retirement date and surviving dollar investment for each major facility or general office building.

- b) In its upcoming rate case, Summit will also submit in Direct Testimony: a working spreadsheet file containing a history of depreciation accruals by month for each unit of property contained in the continuing property record of each Uniform System of Accounts (USOA) plant account, beginning March 31, 2010, for the Southern Missouri Natural Gas (SMNG) division, and September 30, 2007, for the Missouri Gas Utility (MGU) division, including any adjustments made by the company to accumulated reserves to correct for deficiencies.
- c) This waiver will apply only to rate cases filed by Summit in the calendar years 2013 or 2014 related to all or any of Summit's operating divisions, or until the Commission orders otherwise.
- d) Summit will provide a non-statistical depreciation review, preferably conducted by an experienced depreciation professional for the utility industry. The review by the depreciation professional would preferably include a tour of the MGU, SMNG and Lake Ozark physical plant, a review of current accruals and accumulated reserves, a review of retirement practices and records, and a review to justify or recommend changes to the depreciation rates currently in use by Summit. For the MGU and SMNG divisions, the review should provide a specific justification for each recommendation to adjust the Federal Energy Regulatory Commission (FERC) USOA plant account current depreciation rate or accumulated reserve amounts.
- e) Summit shall maintain continuing property records by FERC USOA account that include, but are not limited to, unit property descriptions, physical location, original cost, retirements, transfers, sales, cost of removal and salvage, in compliance with Commission rule 4 CSR 240-40.040 Uniform System of Accounts-Gas Corporations and 4 CSR 240-3.235 and 4 CSR 240-3.275 Submission Requirements for Gas Utility Depreciation Studies.
- f) Summit shall account for all payment from other parties when Summit is required to remove, relocate, rearrange, reroute, or otherwise make changes in utility property, other than for purposes of rendering utility service, as credits to the depreciation reserve in compliance with Commission rule 4 CSR 240-040 Uniform System of Account-Gas Corporation and the company shall appropriately identify amounts in its Annual Reports.
- g) Summit shall establish and adopt accounting policies or procedures for separating/allocating removal costs of plant that is being retired from costs to install new plant.

- h) Summit shall continue to keep a separate accounting of its amounts accrued for recovery of its initial investment in plant from the amounts accrued for the cost of removal, consistent with the Commission's Third Report and Order in Laclede File No. GR-99-315.<sup>2</sup>

SNGMo remains a relatively new local distribution company (LDC). The original in-service dates of the plant and equipment that SNGMo owns and operates date back to 1996. The majority of the plant and equipment operated by SNGMo originated from the 2011 merger of Southern Missouri Natural Gas Company and Missouri Gas Utility approved by the Commission in Case No. GM-2011-0354. Southern Missouri Natural Gas Company's initial plant and equipment originates from a certificate of convenience and necessity granted in Case No. GA-94-127 as Tartan Energy Company d/b/a Southern Missouri Natural Gas Company. Missouri Gas Utility's initial plant and equipment originates from Case No. GO-2005-0120, which authorizes the acquisition of natural gas distribution systems operated by the cities of Gallatin and Hamilton. The original installation of the Gallatin and Hamilton plant and equipment was conducted in 2003 and 2004.

A majority of the Company's plant and equipment has life expectancy of approximately 50 years. The lack of reliable data related to property retirements constitutes good cause to waive SNGMo's obligation to file a statistical depreciation study that includes vintage retirement dollars as required by 20 CSR 4240-40.090(1)(A)1.

However, Staff suggests that good cause does not exist to waive the rule's requirement that SNGMo file in its general rate increase requests a property unit catalog, database, reserves for depreciation, surviving plant balance, and estimated final retirement date and surviving dollar investment for each major facility or general office building. This data will be necessary to support the depreciation rates the Commission will set in SNGMo's upcoming rate cases. Therefore, Staff recommends partial approval of the waiver request to allow the Company to waive the filing of a statistical depreciation study of vintage retirement dollars under Commission Rule 20 CSR 4240-40.090(1)(A)1, but not the remaining requirements specified in Commission Rules 20 CSR 4240-40.090(1)(A)2 and (1)(A)3. A complete list of Staff's recommended conditions is set out below.

### **Staff's Recommendation and Conditions**

Staff supports granting SNGMo a partial waiver from the provisions of Commission Rule 20 CSR 4240-40.090, only for the time period up to July 01, 2029 subject to the following conditions:

- a) SNGMo will submit a statistical depreciation study, database, and property unit catalog according to 20 CSR 4240-40.090 on or before July 01, 2029.

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<sup>2</sup> GE-2014-0010, *Order Granting Application for Waiver of Commission Rule*, September 11, 2013, Page 2-3



- b) SNGMo will provide a non-statistical depreciation review, database, and property unit catalog upon submission of a general rate increase request. However, SNGMo need not submit a non-statistical depreciation review, database, or property unit catalog to the extent that the Commission's Staff received these items from the utility during the three (3) years prior to the utility's filing for a general rate increase request.
- c) The non-statistical depreciation reviews would be preferably conducted by an experienced depreciation professional for the utility industry. The review by the depreciation professional would preferably include a tour of SNGMo plants, a review of current accruals and accumulated reserves, a review of retirement practices and records, and a review to justify or recommend changes to the depreciation rates currently in use by SNGMo.
- d) SNGMo shall maintain the database in compliance with Commission Rule 20 CSR 4240-40.090 Submission Requirements for Gas Utility Depreciation Studies.
- e) SNGMo shall maintain continuing property records by FERC USOA account that include, but are not limited to, unit property descriptions, physical location, original cost, retirements, transfers, sales, cost of removal and salvage, in compliance with Commission Rule 20 CSR 4240-40.040 Uniform Systems of Account-Gas Corporations and 20 CSR 4240-40.090 Submission Requirements for Gas Utility Depreciation Studies.

### **Conclusion**

Based on its review of the Company's application, Staff finds that SNGMo lacks the historical plant retirement data necessary to provide a statistically viable analysis of plant depreciation. In Staff's opinion, this constitutes good cause for the granting of a temporary and partial waiver of Commission Rule 20 CSR 4240-40.090(1)(A)1 for the depreciation study requiring a statistical retirement analysis of vintage retirement dollars. Staff, however, suggests that good cause does not exist to waive the requirements of Commission Rules 20 CSR 4240-40.090(1)(A)2 and (1)(A)3 that SNGMo file in its next rate cases a property unit catalog, database, reserves for depreciation, surviving plant balance, and estimated final retirement date and surviving dollar investment for each major facility or general office building. Therefore, Staff respectfully requests that the Commission approve Staff's recommendation to grant SNGMo a temporary and partial waiver of 4 CSR 240-40.090(1)(A)1 subject to the conditions (a) through (e) above.

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

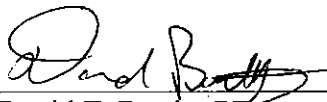
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|-------------------------------------------|---|-------------------------------------|
| In the Matter of the Application of       | ) |                                     |
| Summit Natural Gas of Missouri, Inc., for | ) | <b><u>Case No. GE-2020-0009</u></b> |
| Waiver Concerning Commission              | ) |                                     |
| Rule 4 CSR 240-40.090                     | ) |                                     |

**AFFIDAVIT OF DAVID T BUTTIG, PE**

STATE OF MISSOURI       )  
                                      ) ss  
COUNTY OF COLE        )

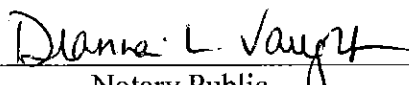
**COMES NOW** David T. Buttig, PE, and on his oath states that he is of sound mind and lawful age; that he contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

  
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David T. Buttig, PE

**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 16th day of September, 2019.

  
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Notary Public

