

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 11th day of
September, 2013.

In the Matter of the Application of)
Summit Natural Gas of Missouri, Inc.)
for Waiver Concerning Commission)
Rule 4 CSR 240-3.235)

File No. GE-2014-0010

**ORDER GRANTING APPLICATION
FOR WAIVER OF COMMISSION RULE**

Issue Date: September 11, 2013

Effective Date: October 11, 2013

Background

On July 9, 2013, Summit Natural Gas of Missouri, Inc. filed an application requesting a waiver of Commission rule 4 CSR 240-3.235. This rule concerns the compilation and submission of, among other things, a depreciation study in the context of a general rate case. Summit states that it intends to file a general rate increase request in January of 2014. However, because the company has many new assets and new service territories, it does not have a great deal of historical plant information to use in performing a depreciation study. The company therefore posits that the cost to complete a depreciation study would outweigh the corresponding benefit.

The Commission issued notice of Summit's request to all who would be notified in a general rate case. There were no requests to intervene.

Staff's Recommendation

The Staff of the Commission filed its recommendation on August 20, 2013. Staff recommends that the Commission partially and conditionally approve the company's

request. Staff informs the Commission that the company lacks reliable, historical plant retirement data. Staff states that this lack of information constitutes the necessary good cause for the Commission to waive that portion of the rule requiring the company to include in a study the “annual dollar additions and dollar retirements by vintage year and year retired . . .”¹ Staff, however, recommends that the Commission order the company to comply with the remaining requirements of the rule.

Finally, during the investigation of this application, Staff determined that the company was not keeping its records in a manner that would allow the company to do a full depreciation study in the future. For this reason, Staff suggests the following conditions:

- 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.
- 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 USOA plant account, beginning with the date of March 31, 2010, for the SMNG division, and September 30, 2007, for the MGU division, including any adjustments made by the company to accumulated reserves to correct for deficiencies.
- 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.
- 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 FERC USOA plant account current depreciation rate or accumulated reserve amounts.

¹ Commission rule 4 CSR 240-3.235(1)(A)2.A.

- 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.
- 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.
- 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.
- 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.

Public Counsel and Summit's responses

Public Counsel and Summit each filed a response to Staff's recommendation on August 22 and August 28. Both parties agree with Staff's recommendation and neither opposes the conditions that Staff suggests.

Discussion

Commission rule 4 CSR 240-2.060(4)(1) states that applications for waiver from Commission rules shall contain: the specific rule from which a waiver is sought; the reason for the proposed waiver; complete justification setting out the good cause for granting the waiver; and, the name of the public utility affected.

In its application, Summit states the rule from which the waiver is sought. As its good cause, the company proposes that because it does not have sufficient historical data, the cost of complying with the rule will outweigh the benefit. Staff recognizes the company's concern but points out that the concern is specific to only a portion of the rule.

For that reason, Staff proposes that the Commission narrow the scope of the waiver. Staff also suggests that the Commission direct the company to comply with conditions concerning accounting practices and testimonial evidence.

All of the parties are in agreement with Staff's recommendation. The Commission finds good cause to approve the application consistent with Staff's recommendation and will direct the company to comply with the conditions set out therein.

THE COMMISSION ORDERS THAT:

1. Summit Natural Gas of Missouri, Inc.'s application for waiver of Commission rule 4 CSR 240-3.235(1)(A)2.A. is granted.
2. Summit Natural Gas of Missouri, Inc. shall comply with the conditions suggested by the Staff of the Commission in Staff's recommendation and set out in the body of this order.
3. This order shall become effective on October 11, 2013.
4. This case shall be closed on October 12, 2013.



BY THE COMMISSION

A handwritten signature in cursive script that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

R. Kenney, Chm., Stoll and
W. Kenney, CC., concur.

Jones, Senior Regulatory Law Judge