

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

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

**PUBLIC COUNSEL’S RESPONSE TO
STAFF’S RECOMMENDATION**

COMES NOW the Office of the Public Counsel (“Public Counsel”) and for its response to Commission Staff’s (“Staff”) Recommendation on Waiver of Submission Requirements for Gas Utility Depreciation Studies states:

1. On July 15, 2019, Summit filed its *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. Summit also requested waiver of the Commission’s rule requiring a utility company to issue a 60-day notice prior to filing this case.

2. On September 16, Staff filed its Recommendation in which it agreed the Commission should grant a waiver of the depreciation study required by 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 Rule 20 CSR 4240-40.090(1)(A).” Staff Cover Pleading for Recommendation at p. 2.

3. Attached is the Public Counsel's Response to Staff Recommendation in which it expresses its concern with certain aspects of the Company's recordkeeping, but notes it will work with the Company to address these issues.

4. Public counsel cannot, however, recommend the Commission grant longer than a five (5)-year variance from its rules under 20 CSR 4240-40.090.

WHEREFORE Public Counsel recommends the Commission grant no longer than a five (5)-year waiver as stated in the attached Memorandum.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

BY: /s/ Lera L. Shemwell

Lera L. Shemwell

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CERTIFICATE OF SERVICE

The undersigned certifies that true and correct copies of the foregoing have been e-mailed or mailed, via first-class United States Mail, postage pre-paid, to counsel of record this 3rd day of October, 2019.

/s/Lera L. Shemwell

MEMORANDUM

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

From: John A. Robinett, Utility Engineering Specialist
Office of the Public Counsel

Date: October 3, 2019

RE: Public Counsel's Response to Commission Staff's *Recommendation* to Summit
Missouri's Request for Waiver from Depreciation Rule

Procedural History

On July 15, 2019, Summit Natural Gas of Missouri ("SNGMO" or "Summit") filed its *Application for Waivers Concerning Depreciation Study and Notice* ("Application") requesting a waiver from Commission Rule 20 CSR 4240-3.235 and Commission Rule 20 CSR 4240-3.275..¹

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. For this case the important portion of the rule is: "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 requests a waiver from the rule requiring SNGMO be required to file a depreciation study with its next rate case. Instead, SNGMO asks to be excused for ten years from filing such a study or until after July 1, 2029. Importantly, this waiver would allow SNGMO to file future general rate cases without the required depreciation study. As discussed below, Public Counsel recommends that a five (5)-year waiver from completion of a depreciation study is more reasonable than a ten (10)-year waiver.

¹ Effective August 28, 2019, all of the Commission's regulations were transferred from the Department of Economic Development's Rules, Title 4, to the Department of Commerce and Insurance's (DCI) Title 20.

Recommendation

Below I will provide my recommendation in the matter of the application of Summit Natural Gas of Missouri Inc., for a waiver of Commission Rule 20 CSR 4240-40.090. As part of my review of this request I have reviewed both the Company's Application and Staff Recommendation, in addition I have reviewed Case No. GE-2014-0010. In that case Summit was previously granted a waiver of the requirement to perform a depreciation study.

As part Case No. GR-2014-0086, Summit supplied its depreciation study on January 2, 2014. As of January 2, 2019 Summit was and is currently in violation of 20 CSR 4240-40.090 requirement to provide a depreciation study every five years.

Review of GE-2014-0010

As part of Case No. GE-2014-0010 the Commission ordered the following conditions for Summit in granting the previous waiver.

- 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.
- 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-99-315.²

Additional Review

OPC issued data requests 8500-8506 on 8/15/19 to SNGMO to determine if Summit was maintaining and tracking data related to plant additions, retirements, cost of removal and salvage values on its books and records to confirm/prove that Summit has met all requirements agreed to as part of Case Number GE-2014-0010. Data Requests were due back on September 4, 2019. OPC received the first set of responses from Summit on September 19th 2019. In its response Summit indicated it was working on its response to data request 8504 and hoped to provide by September 20th 2019. On September 25th 2019, I had a phone call to discuss issues and concerns with Summit's responses to OPC data requests. OPC received data request 8504 October 2, 2019, some 30 days late. OPC is still in the process of reviewing the response 8504 and will likely address any issues with accounting policies in Summit's upcoming rate case.

OPC has also reviewed the historical retirement date for all plant accounts provided by Summit in response to my data request.

Conclusion

Based on my review, it is my opinion Summit has not had a sufficient number of retirements in order to perform a statistically valid depreciation study at this time. But OPC still has some concerns related to the continuing property records, which is that Summit is not maintaining enough detail in its records to perform a Continuing Property Record Audit for specific items on a facility audit. For example, items in 391 Office Furniture and Equipment only have a generic designation, without specifying if the item is a desk, computer or copy machine.

² Order Granting Application for Waiver of Commission Rule, GE-2014-0010, Effective October 11, 2013.

The auditing problem with lack of specific identification causes problems with being able to identify which assets that should remain on the books and what should be retired at the time of retirements for office equipment. Additional issues may be that some equipment could be replaced/retired in smaller components, which leads to confusion with the way Summit is currently categorizing these items because the lack of detail can affect the service lives associated with each account.

At this time I do not support the granting of the waiver for 10 years, there are a lot of factors that could occur to drive the retirements of a number of system assets. The Commission's five (5) year rule for filing a depreciation study allows for a regular review to be able to identify changes in standards or operations that may be occurring that effect the life of an asset. This allows experts a periodic review of the utilities assets in order to adjust rates if needed for changing conditions, requirements or operational decisions. This process also allows for a more regular review of Summit's historical depreciation data and its ability to maintain that information. Further, the process to request a future waiver should not be burdensome as Summit is currently required to maintain these records.

I am supportive of the Commission granting a depreciation waiver for purposes of the Summit upcoming rate case. I also do support Commission approval of a 5 year waiver from the effective date of a Commission order granting the waiver.

Public Counsel recommends the Commission grant no more than a five (5) year waiver.

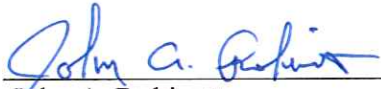
**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
)
COUNTY OF COLE) SS.

COMES NOW JOHN A. ROBINETT and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *PUBLIC COUNSEL'S RESPONSE TO STAFF'S RECOMMENDATION* and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.




John A. Robinett
Utility Engineering Specialist

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 3rd day of October, 2019.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037



Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.