

Exhibit No: _____
Issue: Billing After Winter Storm Uri
Witness: Walt McCarter
Exhibit Type: Rebuttal
Sponsoring Party: Summit Natural Gas of Missouri, Inc.
Case No.: GC-2022-0158
Date: March 30, 2022

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GC-2022-0158

REBUTTAL TESTIMONY

OF

WALT MCCARTER

ON BEHALF OF

SUMMIT NATURAL GAS OF MISSOURI, INC.

Jefferson City, Missouri

MARCH 30, 2022

Rebuttal Testimony of
Walt McCarter
Case No. GC-2022-0158

TABLE OF CONTENTS

I.	INTRODUCTION	3
II.	PURPOSE OF TESTIMONY	4
III.	LIST OF SCHEDULES SPONSORED IN TESTIMONY	4
IV.	SNGMO TRANSPORTATION SERVICE	4
V.	OMC'S TRANSPORTATION SERVICE WITH SNGMO.....	7

Rebuttal Testimony of
Walt McCarter
Case No. GC-2022-0158

1 I. INTRODUCTION

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Walt McCarter. My business address is 115 N. 12th Street, Fort Smith,
4 Arkansas.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?**

6 A. I am employed by Summit Utilities, Inc. (“Summit”), the ultimate parent company
7 of Summit Natural Gas of Missouri, Inc. (“SNGMO” or “Company”), as the Manager
8 of Gas Supply and Contracts.

9 **Q. WHAT ARE YOUR DUTIES AS MANAGER OF GAS SUPPLY AND**
10 **CONTRACTS?**

11 A. I manage gas supply for all of Summit’s subsidiaries, including SNGMO. My
12 responsibilities include developing and implementing annual gas procurement
13 plans, managing pipeline transportation agreements, scheduling gas deliveries,
14 ensuring regulatory compliance, providing regulatory support for gas supply, and
15 managing transportation-class customer accounts for industrial customers.

16 **Q. WHAT IS YOUR PROFESSIONAL AND EDUCATIONAL EXPERIENCE?**

17 A. After earning a Bachelor of Science degree in Agribusiness from Arkansas Tech
18 University in 2005, I graduated from the University of Arkansas School of Law with
19 a Juris Doctor degree in 2009 and earned a Master of Laws degree in 2010. From
20 2009 to 2014, I was an attorney in private practice and joined Arkansas Oklahoma
21 Gas (“AOG”), in 2014 as staff attorney. In 2017, after Summit acquired AOG, I
22 became Manager of Gas Supply and Contracts.

23 **Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY BODIES?**

Rebuttal Testimony of
Walt McCarter
Case No. GC-2022-0158

1 A. Yes. Most recently, I provided testimony on behalf of AOG in AOG's Cost of Gas
2 Adjustment Clause Filing in Docket No. 07-046-U.

3 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY OF OZARK MEDICAL**
4 **CENTER D/B/A OZARKS HEALTHCARE WITNESS JOSH REEVES?**

5 A. Yes.

6 **II. PURPOSE OF TESTIMONY**

7 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

8 A. The purpose of my testimony is to respond to Mr. Reeves' Direct Testimony by
9 discussing:

- 10 • A brief overview of SNGMO's transportation service; and
11 • Specific information about Ozark Medical Center d/b/a Ozarks Healthcare
12 ("OMC") during the 2021 Winter Storm Uri.

13 **III. LIST OF SCHEDULES SPONSORED IN TESTIMONY**

14 **Q. ARE YOU SPONSORING ANY SCHEDULES IN THIS PROCEEDING?**

15 A. Yes. I am sponsoring CONFIDENTIAL Schedule WMC-1.

16 **IV. SNGMO TRANSPORTATION SERVICE**

17 **Q. DURING THE 2021 WINTER STORM URI, WAS OMC A CUSTOMER OF**
18 **SNGMO?**

19 A. Yes. OMC was a transportation customer of SNGMO.

20 **Q. WHAT IS A TRANSPORTATION SERVICE CUSTOMER?**

21 A. In a very basic description, a transportation service customer is a customer who
22 supplies its own natural gas and pays SNGMO to transport that natural gas from
23 SNGMO's city gate to the customer's facility.

Rebuttal Testimony of
Walt McCarter
Case No. GC-2022-0158

1 **Q. HOW MANY TRANSPORTATION SERVICE CUSTOMERS DOES SNGMO**
2 **SERVE?**

3 A. SNGMO currently serves thirty-five (35) transportation service customers. More
4 specifically, SNGMO serves twenty-three (23) transportation service customers in
5 the same rate district as OMC.

6 **Q. ARE ALL TRANSPORTATION SERVICE CUSTOMERS SUBJECT TO THE**
7 **SAME SNGMO TARIFF PROVISIONS?**

8 A. Yes. All transportation service customers with the exception of the Missouri School
9 Program participants are subject to the same tariff provisions. This includes
10 imbalance and cashout provisions. The only difference is in the average monthly
11 natural gas requirements in order to elect transportation service per rate district,
12 but all other terms and conditions are the same.

13 **Q. WHAT ARE THE RESPONSIBILITIES OF TRANSPORTATION SERVICE**
14 **CUSTOMERS IN REGARD TO OBTAINING GAS SUPPLY?**

15 A. Customers who elect transportation service must manage their own gas supply
16 needs and must secure natural gas supply directly from a pipeline supplier or
17 through the use of a marketer who secures supply from a pipeline supplier on
18 behalf of the customer. Because the transportation service customer is providing
19 its own supply, it is the transportation service customer's obligation to nominate
20 appropriate amounts of gas supply so that there is neither an over, nor under,
21 supply of natural gas on SNGMO's system for that customer to use.

22 **Q. MAY TRANSPORTATION SERVICE CUSTOMERS BE INTERRUPTED OR**
23 **OTHERWISE CURTAILED?**

Rebuttal Testimony of
Walt McCarter
Case No. GC-2022-0158

1 A. Yes. The opening paragraph of SNGMO’s transportation service tariff states
2 “[s]uch transportation service is subject to interruption or curtailment as further
3 explained in the Character of Service section below.” The Character of Service
4 section further explains that service is subject to interruption or curtailment due to
5 system capacity or supply constraints.

6 **Q. IS THERE A BENEFIT TO BEING A TRANSPORTATION SERVICE**
7 **CUSTOMER?**

8 A. Potentially, yes. Transportation service provides a large business customer with
9 the opportunity to buy gas in a way that is specifically designed to meet its needs.
10 However, this is dependent on the transportation customer’s ability to maintain
11 balanced gas supplies. Transportation customers receive the benefit of an
12 “unbundled” rate that allows them to buy gas from a third-party marketer at a lower
13 cost than a utility’s purchased gas rate. Buying directly from a pipeline supplier or
14 through a marketer is cheaper for transportation customers for various reasons
15 including avoiding the additional fees associated with being a sales customer and
16 due to SNGMO’s obligation to purchase firm supply. However, choosing to be a
17 transportation service customer is also subject to a greater market risk and, as
18 previously mentioned, the risk associated with maintaining balanced gas supplies.

19 **Q. DO CUSTOMERS GENERALLY MAKE THESE PURCHASES ON THEIR OWN?**

20 A. No. Many transportation service customers utilize gas marketers to manage their
21 gas supply on their behalf. These entities are typically established natural gas
22 marketing firms who are familiar with regional gas markets and supply options. Gas
23 marketers have the resources to forecast customers’ needs and monitor their

Rebuttal Testimony of
Walt McCarter
Case No. GC-2022-0158

1 accounts to keep customers in balance.

2 **Q. WHAT HAPPENS WHEN A TRANSPORTATION SERVICE CUSTOMER DOES**
3 **NOT PROVIDE AMOUNTS OF GAS TO SNGMO THAT ARE EQUAL TO THE**
4 **AMOUNT OF GAS IT BURNS?**

5 A. When a customer over or under nominates gas supply for their usage, there is an
6 imbalance, as defined by the tariff. Imbalances, if any, are calculated at the end of
7 each delivery month, also known as a month end imbalance volume. All month end
8 imbalance volumes are then billed, or credited through SNGMO's Cashout
9 Provisions.

10 **Q. IS THIS A DAILY IMBALANCE OR COULD A CUSTOMER MAKE UP FOR AN**
11 **OVER OR UNDER BALANCE THROUGHOUT THE MONTH?**

12 A. The customers' daily difference rolls into a running, cumulative imbalance that is
13 assessed at the end of the delivery month. Therefore, a customer has the ability
14 to correct or minimize their cumulative imbalance throughout the month.

15 **V. OMC'S TRANSPORTATION SERVICE WITH SNGMO**

16 **Q. DID OMC SUPPLY ADEQUATE AMOUNTS OF GAS SUPPLY TO SNGMO**
17 **FROM IN THE MONTH OF FEBRUARY 2021?**

18 A. No. OMC's net nominations were 2,413 dekatherms (Dth), but its actual
19 consumption was 3,639 Dth, which resulted in a shortage (or imbalance) of -1,225
20 Dth or -33.67%.

21 **Q. DID SNGMO INTERRUPT SERVICE TO ANY OF ITS INTERRUPTIBLE**
22 **TRANSPORTATION SERVICE CUSTOMERS?**

23 A. No. However, SNGMO did ask its transportation service customers to curtail

Rebuttal Testimony of
Walt McCarter
Case No. GC-2022-0158

1 unnecessary usage. During the height of Winter Storm Uri, natural gas production
2 across the region had been disrupted to the point that there was a gas supply
3 shortage on the upstream interstate pipelines which serve SNGMO. Due to that
4 shortage, SNGMO asked its interruptible class customers to reduce any
5 unnecessary natural gas consumption in order to ensure reliability of service to its
6 firm service customers.

7 **Q. DID SNGMO HAVE TO PURCHASE GAS ON BEHALF OF OMC DURING**
8 **WINTER STORM URI?**

9 A. Indirectly. While SNGMO does not purchase “cover gas” on behalf of specific
10 transportation service customers; on the majority of days in February 2021, OMC
11 consumed more gas than it had nominated (or provided to the system) and was
12 therefore using natural gas purchased by Company on behalf of its firm customers.

13 **Q. DID OMC PURCHASE ADDITIONAL GAS DURING THE REMAINDER OF**
14 **FEBRUARY TO MAKE UP FOR THE INADEQUATE SUPPLY EARLIER IN**
15 **FEBRUARY DURING WINTER STORM URI?**

16 A. Somewhat. However, while OMC did increase its nominations for a few days at the
17 end of the month, it was insufficient to overcome the significant deficit from earlier
18 in the month.

19 **Q. AT WHAT RATE DID SNGMO PURCHASE GAS SUPPLY ULTIMATELY USED**
20 **BY OMC?**

21 A. For the month of February 2021, the Rogersville district’s weighted average cost
22 of gas (WACOG) was \$78.72 per Dth. However, the daily pricing we actually paid
23 during the height of Winter Storm Uri was as high as \$632 per Dth.

Rebuttal Testimony of
Walt McCarter
Case No. GC-2022-0158

1 **Q. AS A RESULT OF OMC'S UNDER DELIVERY OF NATURAL GAS IN THE**
2 **MONTH OF FEBRUARY 2021, DID SNGMO PERFORM AN IMBALANCE**
3 **CACLULATION?**

4 A. Yes.

5 **Q. PLEASE DESCRIBE THAT CALCULATION.**

6 A. Per SNGMO's tariff, if the customer's month-end imbalance is negative, meaning
7 the customer failed to procure enough gas to equal its actual usage, then the
8 customer's month-end imbalance is grossed up to account for upstream pipeline
9 fuel. This amount represents the true quantity of gas that SNGMO had to procure
10 in order to supply the customer's gas supply shortage. The price of the imbalance
11 is based on a higher or lower of the Weekly Weighted Average gas prices for the
12 delivery month, as published by Platt's natural gas price guide. For negative
13 imbalances, the highest Weekly Weighted Average price for the delivery month is
14 applied. In addition, there is a tiered multiplier that applies for imbalances that
15 exceed 5%, 10%, and 15%, respectfully. In this instance, OMC's imbalance was -
16 33.67%, which means the Tier 3 (maximum) multiplier of 120% of index price was
17 applied. The final rate is applied to the imbalance volume and billed to the
18 customer.

19 **Q. WOULD YOU PLEASE SHOW THE CALCULATION USED TO DETERMINE**
20 **OMC'S CASHOUT AMOUNT?**

21 A. Yes. See the attached CONFIDENTIAL Schedule WMC-1. Schedule WMC-1 has
22 been identified as Confidential pursuant to Commission Rule 20 CSR
23 4240.2.135(2)(A)1 (customer specific information).

Rebuttal Testimony of
Walt McCarter
Case No. GC-2022-0158

1 **Q. WOULD OMC HAVE INCURRED THIS CASHOUT BILL IF IT HAD BEEN A**
2 **SALES CUSTOMER?**

3 A. No. SNGMO is responsible for making sure its firm sales customers have adequate
4 supply. Firm sales customers are not subject to imbalance provisions or cashout
5 calculations.

6 **Q. DID SNGMO USE THE TARIFF FORMULA TO CASHOUT ANY OTHER**
7 **TRANSPORTATION SERVICE CUSTOMERS FOR LACK OF SUPPLY DURING**
8 **WINTER STORM URI?**

9 A. Yes. SNGMO used the applicable cashout formula for all transportation service
10 customers, including the fifteen (15) other customers who did not nominate enough
11 gas supply during 2021 Winter Storm Uri and received a cashout charge.

12 **Q. IS SNGMO CURRENTLY COLLECTING ANY INTEREST IN THIS UNPAID**
13 **AMOUNT?**

14 A. Yes. Currently, because this amount remains unpaid, SNGMO sales customers
15 are paying interest on this amount through the PGA. Once OMC pays its cashout
16 imbalance, sales customers will be credited back that amount through the ACA.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A. Yes.

Rebuttal Testimony of
Walt McCarter
Case No. GC-2022-0158

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

Ozarks Medical Center)
d/b/a Ozarks Healthcare)
)
Complainant)
v.)
)
Summit Natural Gas of Missouri, Inc.)
)
Respondent)

Case No. GC-2002-0158

AFFIDAVIT

STATE OF MAINE)
) ss
LINCOLN COUNTY)

1. My name is Walt McCarter. I am employed by Summit Utilities, Inc. as Manager of Gas Supply and Contracts.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Summit Natural Gas of Missouri, Inc., which has been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Under penalty of perjury, I declare that the foregoing is true and correct to the best of my knowledge and belief.

DocuSigned by:
Walt McCarter
6A172003A0EC45B...
Walt McCarter