

Exhibit No.:  
Issues: Class Cost of Service  
Witness: Joel McNutt  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Surrebuttal Testimony  
Case No.: GR-2014-0086  
Date Testimony Prepared: August 8, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**  
Tariff, Safety, Economic & Engineering Analysis

**SURREBUTTAL TESTIMONY**

**OF**

**JOEL MCNUTT**

**SUMMIT NATURAL GAS OF MISSOURI, INC.**

**CASE NO. GR-2014-0086**

*Jefferson City, Missouri*  
*August 2014*

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


In the Matter of Summit Natural Gas of )  
Missouri Inc.'s Filing of Revised Tariffs )  
To Increase its Annual Revenues For )  
Natural Gas Service )

Case No.: GR-2014-0086

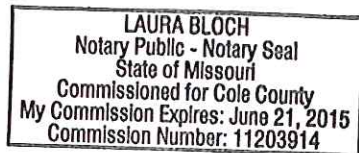
**AFFIDAVIT OF JOEL MCNUTT**


STATE OF MISSOURI     )  
                                  ) ss  
COUNTY OF COLE     )

Joel McNutt, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 2 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
Joel McNutt

Subscribed and sworn to before me this 7<sup>th</sup> day of August, 2014.



  
Notary Public

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **JOEL MCNUTT**

4 **SUMMIT NATURAL GAS OF MISSOURI, INC.**

5 **CASE NO. GR-2014-0086**

6 Q. Please state your name, title, and business address.

7 A. Joel McNutt, Regulatory Economist, MO Public Service Commission, P.O.  
8 Box 360, Jefferson City, MO 65102

9 Q. Are you the same Joel McNutt that contributed as a witness to the Missouri  
10 Public Commission's Staff's Class-Cost-of-Service ("CCOS") and Rate Design Report filed  
11 on June 13, 2014?

12 A. Yes.

13 Q. Please summarize your surrebuttal testimony.

14 A. The purpose of my surrebuttal testimony is to address concerns by Summit  
15 Natural Gas of Missouri ("SNG" or "Company") witness Kent Taylor regarding Staff's prior  
16 request that SNG file a Class Cost-of-Service Study ("CCOS") for each of its divisions in this  
17 rate case.

18 Q. In what case was SNG instructed to file a complete CCOS Study for each  
19 district in GR-2014-0086?

20 A. Per Staff's recommendation and the Commission's order in case No. GA-  
21 2013-0404, SNG was ordered to perform a separate class cost of service study for each of its  
22 districts during its next filed rate case, which is this case.

23 Q. Will SNG have to perform a CCOS study in their next rate case?

Surrebuttal Testimony of  
Joel McNutt

1           A.     No. Staff recommended a CCOS study be done in this rate case because, in  
2 several of the Company's districts, a CCOS had not been conducted before. The Company  
3 conducted a CCOS study in this case to ensure that rates in the respective districts were  
4 appropriate and fair given the differences in district size, geography, and cost to serve.

5           Q.     Does Staff recommend applying the results of either the Company's CCOS  
6 study or Staff's CCOS study directly to rate design for the purposes of this rate case?

7           A.     No. Staff treats the results of any CCOS study as a guide for rate making and  
8 not necessarily an exact rate design to be followed. A CCOS study attempts to capture,  
9 functionalize and allocate costs among customer classes as efficiently as possible, but there  
10 will always be disagreements about the analysis and therefore a CCOS cannot be seen as  
11 establishing a perfect rate design. Because rate design always involves subjective judgments  
12 about matters of public policy, no CCOS can completely resolve all differences in opinion  
13 about the "best" way to allocate costs as a reflection of the "true" cost of service for the utility  
14 and its customer classes.

15          Q.     Does that conclude your surrebuttal testimony?

16          A.     Yes.