

Exhibit No.:
Issue: Accounting Authority Order
Witness: Amanda C. McMellen
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: GR-2018-0230
Date Testimony Prepared: April 26, 2019

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

AMANDA C. MCMELLEN

SUMMIT NATURAL GAS OF MISSOURI, INC.

CASE NO. GR-2018-0230

Jefferson City, Missouri
April 2019

**** Denotes Confidential Information ****

1 Ms. Tolbert also states that the effects of the TCJA should not be considered
2 extraordinary and an Accounting Authority Order (“AAO”) is not appropriate.

3 Q. Does Staff agree?

4 A. No. As stated in my direct testimony, Staff considers the TCJA to be both
5 extraordinary in nature and material in amount. Therefore, issuance of an AAO is appropriate.

6 Q. How does Staff respond to Ms. Tolbert’s rebuttal testimony regarding the
7 Commission’s past decisions on AAO’s for property taxes?

8 A. Staff agrees with the Commission’s past decisions denying AAOs for ongoing
9 property tax amounts, and asserts that these prior decisions are not pertinent to the current
10 request for income tax rate impact deferral.

11 First, in SNGMO’s Pre-Argument Brief, the Company refers to the Kansas City
12 Power & Light Company’s (“KCPL”) previous rate case (Case No. ER-2014-0370) where the
13 Commission denied that utility’s proposed property tax tracker. KCPL’s requested tracker
14 treatment would have resulted in automatic deferral of any differences between the amount of
15 property taxes included in KCPL’s rates and the amounts billed by taxing authorities on an
16 ongoing basis. This is completely different from Staff’s current proposal for a one-time only
17 deferral of the impact on income tax rates caused by the TCJA.

18 Also in SNGMO’s brief, the Company refers to the previous Missouri-American
19 Water Company (“MAWC”) request for an AAO (Case No. WU-2017-0341) for increased
20 property taxes in St. Louis and Platte counties. The request concerned MAWC’s proposed
21 deferral of the impact of a correction of an error made in its calculation of property taxes.
22 Again, this is not an analogous situation with the TCJA.

1 Billed property taxes and income tax amounts both are subject to change every
2 year for any number of reasons, and those annual changes have not and should not be considered
3 to be extraordinary or unusual in nature. The difference in the current situation for income
4 taxes is that there have been no material changes in the tax rate for over three decades. The past
5 requests for AAOs for property taxes are not comparable to this TCJA AAO application.

6 Q. Do you have any changes to your direct testimony?

7 A. Yes. As stated in Ms. Tolbert's testimony, Staff used SNGMO's 2017 Net
8 Income Before Taxes at its full cost of service (McMellen direct, page 7, lines 12-13), which is
9 incorrect. Please see the corrected revised table below using SNGMO's actual pro forma
10 Net Income Before Taxes:

11

| | |
|--------------------------|-------------|
| Financial Impact of TCJA | ** _____ ** |
| Net Income Before Taxes | ** _____ ** |
| | ** _____ ** |

12
13 Q. Does this revision change Staff's recommendation?

14 A. No. The revision above shows that the effects of the TCJA are more material
15 than Staff originally calculated and an AAO is still appropriate.

16 Q. Does Staff agree with Ms. Tolbert's rebuttal testimony that SNGMO is currently
17 underearning?

18 A. The information in SNGMO's rebuttal testimony regarding its earnings levels
19 are based upon unadjusted per book data, and not the adjusted data normally used to set rates.

Surrebuttal Testimony of
Amanda C. McMellen

1 | However, notwithstanding that, after review of past SNGMO surveillance and annual reports
2 | filed with the Commission, Staff agrees that it is likely that SNGMO has experienced
3 | underearnings in the recent past.

4 | Q. What is the appropriate course of action for SNGMO to take regarding its current
5 | earnings situation and the TCJA?

6 | A. Staff still proposes to defer and amortize the impacts of the TCJA until
7 | SNGMO's next general rate case. Staff suggests the best course of action is for SNGMO to file
8 | a general rate case to account for the decrease in income tax expense and any increases in other
9 | expenses, rate base, etc. which may have caused the underearnings. The ratemaking treatment
10 | of the TCJA deferral would be decided in a general rate case proceeding.

11 | Q. Does this conclude your surrebuttal testimony?

12 | A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Propriety of the Rate)
Schedules for Natural Gas Service of) Case No. GR-2018-0230
Summit Natural Gas of Missouri, Inc.)

AFFIDAVIT OF AMANDA C. McMELLEN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW AMANDA C. McMELLEN and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal Testimony*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

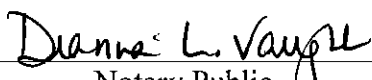


AMANDA C. McMELLEN

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 25th day of April, 2019.

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| DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 28, 2019 Commission Number: 15207377 |
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Notary Public