

Exhibit No.: _____
Issue: Gas Supply
Witness: Walt McCarter
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Case No.: GR-2022-0122
Date: May 13, 2022

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GR-2022-0122

DIRECT TESTIMONY

OF

WALT MCCARTER

ON BEHALF OF

SUMMIT NATURAL GAS OF MISSOURI, INC.

Jefferson City, Missouri

May 13, 2022

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INTRODUCTION

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

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

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

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

Q. WHAT IS YOUR PROFESSIONAL AND EDUCATIONAL EXPERIENCE?

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

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY BODIES?

1 A. Yes. Most recently, I provided testimony on behalf of AOG in AOG's Cost of Gas
2 Adjustment Clause Filing in Arkansas Public Service Commission Docket No. 07-
3 046-U. In addition, I provided testimony on behalf of SNGMO in Missouri Public
4 Service Commission ("Commission") Case No. GC-2022-0158, Ozarks Medical
5 Center d/b/a Ozarks Healthcare, Complainant v. Summit Natural Gas of Missouri
6 Inc., Respondent.

7 **PURPOSE OF TESTIMONY**

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

9 A. The purpose of my testimony is to provide an overview of SNGMO's gas supply
10 planning process and the gas supply challenges SNGMO faced in mid-February
11 of 2021 during the extreme winter weather event, in support of SNGMO's request
12 to recover carrying costs associated with its deferred recovery of gas costs at a
13 different rate than that identified in Sheet No. 52 of SNGMO's tariff. Company
14 witness Craig Root supports the carrying costs proposed for the recovery of costs
15 associated with Winter Storm Uri.

16 **SNGMO GAS PROCUREMENT PLAN**

17 **Q. PLEASE DESCRIBE THE COMPANY'S GAS SUPPLY AND CAPACITY
18 PLANNING PROCESS.**

19 A. SNGMO operates a natural gas distribution system in seventeen Missouri
20 counties. The Company's gas supply procurement and capacity decisions are
21 made for the entire system. Per Commission Rule 20 CSR 4240-40.018, it is
22 suggested that SNGMO and other Missouri gas utilities structure their portfolios
23 with various supply and pricing provisions in an effort to mitigate upward natural

1 gas spikes and provide a level of stability as part of a prudent planning effort.
2 SNGMO submits a Gas Procurement Plan (“Plan”) annually to the Staff of the
3 Commission (“Staff”), the most recent of which was submitted on May 15, 2021,
4 covering the 2021-2022 Plan period.

5 SNGMO’s Plan analyzes the forecasted gas supply needs of its system sales
6 customers for the 12-month period beginning in April and ending the following
7 March and identifies how forecasted supply needs will be optimally met. The Plan
8 identifies the Company’s gas supply strategies and key planning parameters. The
9 Plan is based on market and supply forecasts, and actual conditions may vary from
10 such forecasts, sometimes significantly. The Company updates its Plan annually
11 to reflect its most current forecasts based upon the information then available to
12 the Company.

13 **Q. DID SNGMO’S 2020-2021 PLAN TAKE WEATHER VARIATIONS INTO**
14 **ACCOUNT?**

15 A. Yes. SNGMO uses a regression model to forecast its peak supply and capacity
16 requirements. The model uses historic weather and demand data to forecast
17 demand and associated supply and capacity requirements under design day
18 weather conditions. The model allows SNGMO to plan for future upstream
19 capacity needs and long-term contract needs by adding in projected growth
20 numbers.

1 **WINTER STORM URI AND THE GAS MARKETS**

2 **Q. WAS THERE A “WEATHER CIRCUMSTANCE THAT HAS AN**
3 **EXTRAORDINARY IMPACT ON THE NATURAL GAS MARKET” DURING THE**
4 **ACTUAL COST ADJUSTMENT (“ACA”) PERIOD UNDER REVIEW?**

5 A. Yes, the Winter Storm Uri.

6 **Q. PLEASE DESCRIBE, GENERALLY, THE WINTER STORM URI.**

7 A. As the Commission is aware, during mid-February 2021, extreme winter weather
8 severely impacted customers in SNGMO’s service area and the surrounding
9 region. This weather event, named Winter Storm Uri, brought record-breaking cold
10 temperatures, disruptions of gas supply, and extreme volatility in natural gas
11 markets over a period of several days. The Company experienced gas supply
12 shortages and extremely high market prices in connection with the storm.

13 The extreme cold temperatures, extended period of those temperatures, and
14 precipitation contributed to what some have described as an “85-year event.”
15 According to the National Weather Service, the western side of the State
16 experienced the coldest temperatures, while the St. Louis and Springfield areas
17 experienced larger snowfall amounts.

18 Kansas City experienced temperatures ranging from -13 degrees to 23
19 degrees during this period, with February 15, 2021, reaching a high temperature
20 of -1 degree and a low temperature of -10 degrees. Snow depths ranged from 1 to
21 3 inches during this period.

22 Springfield experienced temperatures from -15 degrees to 19 degrees
23 during this period, with February 15, 2021, reaching a high temperature of 0

1 degrees and a low temperature of -9 degrees. Snow depth on February 17, 2021,
2 was approximately 7 inches.

3 While the daytime highs on February 16, 2021, were generally in the double
4 digits, each area saw its lowest temperatures on that day, with Kansas City and
5 Springfield reaching lows of -13 degrees and -15 degrees, respectively.

6 **Q. WHAT IMPACT DID THE WINTER STORM URI HAVE ON THE NATURAL GAS**
7 **MARKETS?**

8 A. The historic spike in natural gas prices during Winter Storm Uri, February 13-17,
9 2021, fell well outside the typical range of forecastable market conditions or
10 anything the Company had previously experienced. During the Winter Storm Uri
11 event, market prices increased from approximately \$2.50/mmbtu to over
12 \$620/mmbtu by the end of the cold weather event.

13 **Q. HOW DID THE RESULTS OF THIS MARKET PRICING COMPARE TO A**
14 **NORMAL YEAR FOR SNGMO?**

15 A. For the month of February 2021, which included Winter Storm Uri, SNGMO spent
16 \$34,338,147 to purchase the necessary natural gas to serve its customers. For
17 comparison, SNGMO spent \$6,896,392 for the entire 2020 calendar year to
18 purchase natural gas to serve its customers.

19 **Q. WHEN SNGMO PURCHASES NATURAL GAS, WHEN MUST IT MAKE**
20 **PAYMENT TO ITS SUPPLIERS?**

21 A. SNGMO is responsible for making payment to suppliers by the 25th day of the
22 following month to avoid penalties for nonpayment. In the case of Winter Storm
23 Uri, that meant payment was required by March 25, 2021.

1 **Q. DID SNGMO TAKE ACTIONS TO MITIGATE THE IMPACTS FOR THE**
2 **COMPANY AND ITS CUSTOMERS?**

3 A. Yes. To maintain safe and reliable service and to mitigate the price impact to
4 customers during Winter Storm Uri, SNGMO implemented additional measures
5 including:

- 6 ○ Designing an Outreach campaign through a variety of media channels that
7 encouraged customers to conserve energy.
- 8 ○ Making daily nomination adjustments throughout the long weekend.
- 9 ○ Staying in constant contact with SNGMO’s entire gas supplier roster, as well
10 as its industrial marketers, to attempt to secure adequate gas supply at the
11 lowest rates possible.
- 12 ○ Ordering its non-human needs transport customers in the Rogersville
13 District to reduce process load and use heat only.
- 14 ○ Operating its compressed natural gas facility to support system needs.

15 **Q. IS IT YOUR UNDERSTANDING THAT THE PRUDENCE OF SNGMO’S**
16 **PURCHASES DURING THE WINTER STORM URI WILL BE ADDRESSED**
17 **SEPARATELY?**

18 A. Yes. As instructed in paragraph three of the *Order approving PGA Tariff*, issued
19 on December 2, 2021, the Commission ordered that on or before December 15,
20 2022, Staff’s Procurement Analysis Department shall submit the results of its ACA
21 Review. SNGMO believes that any prudence issues will be addressed at that time.

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

23 A. Yes.

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

In the Matter of Summit Natural Gas)
Of Missouri, Inc.'s Changes to the)
Company's Purchase Gas Adjustment)
"PGA" Clause)

Case No. GR-2022-0122

AFFIDAVIT

STATE OF ARKANSAS)
) ss
COUNTY SEBASTIAN)

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 Direct 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
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Walt McCarter