

Exhibit No.: _____
Issue: Cashout Price Determinants and Natural Gas Supply Allocations
Witness: Renato Nitura Jr.
Exhibit Type: Rebuttal
Sponsoring Party: Summit Natural Gas of Missouri, Inc.
Case No.: GR-2014-0086
Date: July 11, 2014

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GR-2014-0086

REBUTTAL TESTIMONY

OF

RENATO NITURA JR.

ON BEHALF OF

SUMMIT NATURAL GAS OF MISSOURI, INC.

**Jefferson City, Missouri
July 2014**

**REBUTTAL TESTIMONY
OF
RENATO NITURA, JR.**

SUMMIT NATURAL GAS OF MISSOURI, INC.

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REBUTTAL TESTIMONY

RENATO NITURA JR.

SUMMIT NATURAL GAS OF MISSOURI, INC.

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

2 A. Renato Nitura Jr., 777 29th Street, Suite 200, Boulder, Colorado, 80303.

3 **Q. ON WHOSE BEHALF IS YOUR TESTIMONY PRESENTED?**

4 A. Summit Natural Gas of Missouri, Inc. (“SNG” or the “Company”).

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

6 A. I am a Natural Gas Manager for KTM, an energy consulting firm.

7 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND RELEVANT**
8 **BUSINESS EXPERIENCE.**

9 A. Information responsive to this question is shown in the attached Schedule RNJ-
10 1.

11 **Q. PLEASE DESCRIBE YOUR DUTIES AT KTM.**

12 A. I perform all natural gas control and natural gas supply related functions for a
13 number of KTM end user clients throughout the United States, including SNG.
14 As such, I am competent in the areas of gas transportation related functions
15 such as natural gas supply procurement, balancing policies and procedures,
16 gas scheduling, acquisition and release of pipeline capacity, response to
17 operational constraints, and tariff compliance within multiple jurisdictions. Such

1 duties require practical working knowledge of various interstate pipelines and
2 local distribution companies.

3 **Q. WHAT IS YOUR RELATIONSHIP WITH SNG?**

4 A. I provide a variety of Gas Management and Consulting services to SNG. Such
5 services include, but are not limited to, (1) procuring natural gas supply, (2)
6 scheduling gas and managing SNG's Interconnecting Party (upstream pipeline)
7 imbalances, (3) administering SNG's gas transportation services and customer
8 imbalance accounts, (4) developing reports for internal and external use, (5)
9 participating in the completion of various regulatory filings such as compiling
10 delivered gas costs for SNG's annual Purchase Gas Adjustment (PGA), (6)
11 responding to annual ACA review data requests from Commission Staff, (6)
12 ensuring compliance with upstream pipeline tariffs, and (7) responding to
13 urgent operating conditions, i.e. Operational Flow Orders.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

15 A. I will offer testimony, as referenced by witness Taylor's rebuttal testimony,
16 related to the Missouri School Boards' Association ("MSBA") Direct Testimony
17 filed on June 13, 2014, by (1) explaining the Company's reasoning with respect
18 to (a) the Company's proposed use of the currently effective PGA as a Cashout
19 Price Determinant, and (b) the basis for the development of its Cashout Price
20 Determinants; and, (2) providing rebuttal testimony to MSBA witness Ervin's
21 Direct Testimony (Page 10, lines 12 – 14) regarding Company's perceived
22 practice of prioritizing its own natural gas supply over MSBA's.

1 **Q. IN HIS DIRECT TESTIMONY, WITNESS ERVIN STATES THAT IT IS**
2 **INAPPROPRIATE TO USE THE COMPANY'S CURRENTLY EFFECTIVE**
3 **PGA AS A CASHOUT PRICE DETERMINANT. PLEASE EXPLAIN (1) SNG'S**
4 **PROPOSED USE OF ITS CURRENTLY EFFECTIVE PGA AS AN**
5 **IMBALANCE CASHOUT PRICE DETERMINANT FOR SHIPPERS**
6 **(TRANSPORTATION CUSTOMERS), AND (2) THE BASIS FOR**
7 **DEVELOPING ITS IMBALANCE CASHOUT PRICE DETERMINANTS.**

8 A. (1) The Company developed its proposed Cashout Price Determinants to avoid
9 potential negative cost impacts to its retail sales customers due to Shipper
10 imbalances. The Company's proposed use of its currently effective PGA is, at
11 a minimum, a means of insulating its retail sales customers from any adverse
12 effects (costs) that may result from any Shipper's, including MSBA's, actions or
13 inactions with respect to its imbalance management practices on SNG
14 (Imbalance Tier 1). Sales and purchases of natural gas supply for Shipper
15 imbalance cashouts at the currently effective PGA will not adversely affect
16 Company's Account 191; thereby, ensuring there is no negative financial impact
17 on Company's retail sales customers. To this point and conceptually, the
18 Company's development of the proposed Cashout Price Determinants was
19 further influenced by the desire to comply with Missouri Revised Statutes
20 Section 393.310(6), which states that the Company's other customers may not
21 be negatively impacted as a result of the Missouri School Pilot Program.

22 (2) The Company's Cashout Price Determinants are linked to the actual costs

1 incurred by the Company, which is reflective of its own gas purchasing
2 behaviors, including storage activity. It is important to note that Company's
3 natural gas supply purchasing activities, to some extent, may be a direct result
4 of providing balancing services to its Shippers, including MSBA. The
5 Company's Cashout Price Determinants and Imbalance Tiers 2 and 3, as
6 written in its proposed tariff, are also intended to promote effective and regular
7 management of Shipper imbalances and to also discourage economic
8 manipulation of Company's distribution system. For example, Company has
9 proposed that MSBA imbalances shall not be subject to Imbalance Tiers 2 and
10 3.

11 **Q. DO YOU AGREE WITH WITNESS ERVIN'S ASSERTION IN HIS DIRECT**
12 **TESTIMONY (P. 10) THAT SNG PRIORITIZES ITS OWN NATURAL GAS**
13 **SUPPLY OVER MSBA'S NATURAL GAS SUPPLY?**

14 A. No, I do not agree with witness Ervin's assertion that the Company prioritizes its
15 own natural gas supply over MSBA's, resulting in MSBA nomination reductions.
16 All confirmed receipts of natural gas supply to SNG are subject to the
17 Interconnecting Party's final allocated volumes. The Company is aware that
18 reductions in confirmed receipts of natural gas supply may occur from time to
19 time, but rejects the claim that such reductions are a result of the Company
20 prioritizing its own natural gas supply over MSBA's.

21 **Q. PLEASE EXPLAIN.**

22 A. On a monthly basis, prior to the beginning of any Delivery Month, Company

1 submits Pre-Determined Allocations (PDA) to the Interconnecting Party (as
2 applicable). The Company's general practice for its PDA submittals is to rank:
3 (1) all Shippers' (including MSBA's) monthly baseload nominations at the
4 highest priority level; (2) all Shippers' (including MSBA's) incremental or intra-
5 month nominations at a mid-priority ranking; and, (3) all Company related
6 nominations, including storage injections and withdrawals, at the lowest priority.
7 Since witness Ervin's Direct Testimony focuses on MSBA nomination
8 reductions, I will describe the Interconnecting Party's allocation process
9 resulting in such. As a foundation for understanding, it is important to note that
10 the Interconnecting Party allocates volumes based on the metered volumes at
11 the Delivery Point. This is to say that the Interconnecting Party's allocated
12 volume is equal to the metered volume. On any given day when total
13 nominations to the Delivery Point (Shippers' and Company's) are greater than
14 the actual metered volume at the Delivery Point, the pipeline reduces volumes
15 of parties nominating to the Delivery Point which are subject to Company's PDA
16 submittals; therefore, if Company's nomination to the Delivery Point is not
17 enough to absorb the entire volume reduction, then Company's Shippers,
18 including MSBA, may experience volumetric reductions on a pro rata basis.
19 Consequently, the reduction is not a result of the Company making a
20 nomination reduction, but rather a result of volume reductions which exceed the
21 Company's own nomination to the Delivery Point.

22 **Q. CAN YOU PROVIDE AN EXAMPLE?**

1 A. If the Interconnecting Party must reduce nominations by 1,000 dths to equal the
2 metered volume and Company's nominations (lowest priority) are 700 dths, the
3 Company is allocated 0 (zero) dth (or a full reduction of its 700 dth nomination)
4 and the remaining volume of 300 dths to be reduced will then be applied pro
5 rata to the other parties nominated to the Delivery Point, subject to the
6 Company's submitted PDA.

7 **Q. PLEASE SUMMARIZE.**

8 A. The Company does not make nomination reductions to the Delivery Point nor
9 does it prioritize its own natural gas supply over MSBA's.

10 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

11 A. Yes.

