

Exhibit No.: _____
Issue: Revenue Requirement
Witness: Tyson D. Porter
Exhibit Type: Rebuttal
Sponsoring Party: Summit Natural Gas of Missouri, Inc.
Case No.: GR-2014-0086
Date: July 11, 2014

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GR-2014-0086

REBUTTAL TESTIMONY

OF

TYSON D. PORTER

ON BEHALF OF

SUMMIT NATURAL GAS OF MISSOURI, INC.

**Jefferson City, Missouri
July 2014**

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OF
TYSON D. PORTER**

SUMMIT NATURAL GAS OF MISSOURI, INC.

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REBUTTAL TESTIMONY

TYSON D. PORTER

SUMMIT NATURAL GAS OF MISSOURI, INC.

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

2 A. Tyson Porter, 7810 Shaffer Parkway, Suite 120, Littleton, CO 80127.

3 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY AND SCHEDULES IN**
4 **THIS CASE ON BEHALF OF SUMMIT NATURAL GAS OF MISSOURI, INC.**
5 **(“SUMMIT”)?**

6 A. Yes. I submitted direct testimony and schedules supporting Summit’s Revenue
7 Requirements.

8 **Q. ARE YOU SPONSORING ANY SCHEDULES IN SUPPORT OF YOUR**
9 **REBUTTAL TESTIMONY?**

10 A. Yes. I am sponsoring Highly Confidential Rebuttal Schedule TDP-1, “Outside
11 Services Invoices”, Rebuttal Schedules TDP-2, “Updated Weather Normalized
12 Average Usages as of 12-31-2013”, and TDP-3, “Updated Annualized
13 Customer Counts as of 12-31-2013”.

14 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

15 A. In my testimony I will address the Missouri Public Service Commission Staff’s
16 (“Staff”) “Cost of Service Report” and direct testimony as filed on May 30, 2014.
17 I will propose adjustments to Staff’s case for billing determinants, operation and
18 maintenance (“O&M”) expense, reserve for depreciation, and depreciation

1 expense.

2 **Q. HAVE YOU REVIEWED STAFF'S COST OF SERVICE REPORT AND**
3 **SUPPORTING SCHEDULES?**

4 A. Yes, I have reviewed Staff's Cost of Service Report, supporting schedules, and
5 direct testimony.

6 **Q. WHAT PERIOD OF TIME DID STAFF USE AS THE BASIS FOR ITS COST**
7 **OF SERVICE REPORT?**

8 A. Staff used a test period of the twelve months ended September 30, 2013,
9 updated through December 31, 2013.

10 **Q. DO YOU OPPOSE USING AN UPDATE PERIOD THROUGH DECEMBER 31,**
11 **2013?**

12 A. No. Summit is in favor of using an update period through December 31, 2013,
13 and recommends using Staff's filed case as the basis for the cost of service
14 and rate setting moving forward.

15 **Q. ASSUMING STAFF'S FILED CASE; DO YOU BELIEVE THE TOTAL COST**
16 **OF SERVICE AND REVENUE DEFICIENCY ARE ACCURATELY**
17 **ACCOUNTED FOR?**

18 A. No. In reviewing Staff's EMS run and supporting workpapers it was apparent
19 that numerous mistakes were made in the development of Staff's revenue
20 requirement as detailed in this testimony.

21 **Q. WHAT SPECIFIC AREAS OF THE COST OF SERVICE REPORT WERE**
22 **AFFECTED BY THE MISTAKES?**

- 1 A. Summit noted arithmetic errors, data interpretation errors and rate making
2 principle differences in the following areas:
- 3 1. Billing Determinants
- 4 a. Weather normalized average usage per customer as calculated in
5 workpaper "Bocklage – Summit Weather Normalization
6 Spreadsheet updated Bases Sales".
- 7 b. Customer counts as calculated in "Green SNGMO Res-Cust
8 Count- Annualized 12-31-2013", "Green SNGMO SGS-Cust
9 Count- Annualized 12-31-2013", and "Green SNGMO LGS-Cust
10 Count- Annualized 12-31-2013".
- 11 2. O&M Expense
- 12 a. Adjustment made to account 923 for outside services as
13 calculated in workpaper "Green – GR-2014-0086 – Outside
14 Services – HC".
- 15 b. Adjustments made to various accounts for corporate overhead
16 allocations as calculated in workpaper "McMellen GR-2014-0086
17 SNGMO Corporate Costs Alloc – HC".
- 18 3. Reserve for Depreciation and Depreciation Expense
- 19 a. Adjustment to reserve for depreciation and pro forma depreciation
20 expense for changing the depreciable lives at Gallatin and
21 Warsaw
- 22 b. Adjustment for shared assets at Warsaw does not include the

1 reserve for depreciation shift.

2 c. Staff did not include any amortization for account 302 –

3 Franchises which Summit amortizes over a twenty year life.

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BILLING DETERMINANT ADJUSTMENTS

6 **Q. COULD YOU GIVE EXAMPLES OF ERRORS IN THE WEATHER**
7 **NORMALIZED AVERAGE USAGE PER CUSTOMER IN THE “BOCKLAGE –**
8 **SUMMIT WEATHER NORMALIZATION SPREADSHEET UPDATED BASIS**
9 **SALES” WORKBOOK?**

10 A. There are numerous formula errors and data input mistakes. For instance, in
11 the Branson calculation, Staff uses heating value for some customer classes
12 and volume measurement for others. Staff also fails to correctly sum up
13 numerous twelve month data, instead, only capturing eleven month totals.

14 **Q. DO YOU PROPOSE DIFFERENT WEATHER NORMALIZED AVERAGE**
15 **USAGES?**

16 A. Yes, Summit proposes using the average usages as shown in Rebuttal
17 Schedule TDP-2. On the surface, Summit accepts Staff’s methodology behind
18 calculating the weather normalized average usage per customer and thus
19 corrected all the mistakes in Staff’s workpaper to come up with the values in
20 Rebuttal Schedule TDP-2.

21 **Q. HAS STAFF INDICATED THAT IT AGREES WITH ERRORS RELATED TO**
22 **AVERAGE USAGES?**

1 A. Yes. Summit communicated errors to Staff the week following submission of
2 Staff's direct case, and Staff verbally agreed with the mistakes. However, at the
3 time of this writing, Staff has not yet updated its filed case.

4 **Q. COULD YOU GIVE EXAMPLES OF ERRORS, BOTH ARITHMETIC AND**
5 **PRINCIPLE DIFFERENCES, STAFF MADE IN THE CALCULATION OF**
6 **CUSTOMER COUNTS?**

7 A. Yes. Staff made several significant formula errors in its customer count shaping
8 files as noted above. One formula error calculated the total annual customer
9 bills for the GS-Commercial Optional customer class at Rogersville to be
10 16,033, while the corrected version calculated 5,723 annual bills. The
11 difference of 10,310 bills has a material effect on Staff's revenue requirement.
12 Stepping aside from formula errors, Summit believes Staff's method of shaping
13 customers in certain districts, most notably Branson, inappropriately builds in a
14 growth factor that increases the annual number of customer bills for which there
15 is no corresponding investment. This violates the Regulatory Matching Principle
16 by including future customers with no corresponding investment. It is also
17 Summit's belief that Staff inappropriately shapes the GS - Commercial Optional
18 customer class and Large General Service ("LGS") classes by assuming these
19 customers are subject to seasonal attrition. GS- Commercial Optional
20 customers have no need to leave the system because they do not pay a
21 monthly customer charge and LGS customers only leave the system if they go
22 out of business. Summit proposes using December 31, 2013 customer counts

1 for the GS-Commercial Optional customer classes and the LGS classes.

2 **Q. HAS SUMMIT PROPOSED NEW CUSTOMER COUNTS FOR THE UPDATE**
3 **PERIOD ENDED DECEMBER 31, 2013?**

4 A. Yes, please see Rebuttal Schedule TDP-3, Updated Annualized Customer
5 Counts as of 12-31-2013.

6 **Q. WHAT IS THE BASIS FOR THESE CUSTOMER COUNTS?**

7 A. As noted in Rebuttal Schedule TDP-3, Summit used Staff's methodology,
8 corrected for errors, as the basis for the customer counts for everything except:

- 9 1. Warsaw's Commercial and Large Volume customer classes
- 10 2. Rogersville's GS Commercial- Optional, Large General Service, and
11 Large Volume customer classes
- 12 3. All Branson retail sales customer classes.

13 These customer counts were derived using Summit's shaping file and the
14 customer counts that existed as of December 31, 2013.

15 **Q. DID SUMMIT ADDRESS THE MSBA SCHOOLS IN SCHEDULE TDP-3?**

16 A. Yes. Summit agrees with Staff's approach of treating each metered facility
17 embraced by the School Program as a retail sales customer for billing
18 purposes. However, neither Staff nor Summit has included the schools billing
19 determinants in the applicable retail sales customer classes in its direct case.
20 Summit has performed the analysis and shows the inclusion of the meters in
21 the applicable retail sales customer classes in Rebuttal Schedule TDP-3.

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O&M EXPENSE ADJUSTMENTS

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Q. DID STAFF PROPOSE AN ADJUSTMENT TO ACCOUNT 923, OUTSIDE SERVICES, AS PART OF ITS FILED COST OF SERVICE REPORT?

A. Yes, Staff calculated an adjustment for account 923, Outside Services, as part of workpaper “Green-GR-2014-0086- Outside Services HD”. The adjustment was based on a claimed lack of evidence supporting certain invoices provided in a “list” to Staff. In Staff’s direct testimony on page 63 of the “Cost of Service Report”, Staff says it “requested invoices for the outside services expenses booked to Account 923 that exceeded \$500” as part of DR No.0045.1. This, however, is not true. Staff, as part of DR No. 0045.1 specifically asked for a “list” of invoices exceeding \$500, which Summit appropriately provided.

Q. DOES SUMMIT PROPOSE AN ADJUSTMENT TO STAFF’S ADJUSTMENT FOR OUTSIDE SERVICES?

A. Yes, Summit proposes to add back the following outside service expenses to account 923 in Staff’s “Cost of Service Report”:

Gallatin -	\$10,915
Warsaw -	\$7,594
Rogersville -	\$85,347
<u>Branson -</u>	<u>\$6,585</u>
Total -	\$110,441

Summit has also provided to Staff all of the appropriate invoices to support the total \$110,441 adjustment. These invoices are provided with my testimony as

1 Highly Confidential Rebuttal Schedule TDP-1.

2 **Q. DID STAFF PROPOSE AN ADJUSTMENT RELATED TO CORPORATE**
3 **OVERHEAD ALLOCATIONS?**

4 A. Yes, Staff calculated an adjustment as part of workpaper “McMellen GR-2014-
5 0086 SNGMO Corporate Costs Alloc – HC” in an attempt to gross up O&M
6 expense for accounts 874, 879, 903, 920, 921, 923, and 930.2 for a five month
7 average Distrigas percentage instead of a twelve month average.

8 **Q. WHAT O&M COSTS ARE RECORDED IN ACCOUNTS 874, 879, 903, 920,**
9 **921, 923, and 930.2?**

10 A. The Costs that are assigned to those accounts are as follows:

- 11 • 874 – Mains and Services Expenses
- 12 • 879 – Customer Installation Expenses
- 13 • 903 – Customer Records and Collection Expenses
- 14 • 920 – Administrative and General Salaries Expense
- 15 • 921 – Office Supplies and Expenses
- 16 • 923 – Outside Service Expenses
- 17 • 930.2 – Summit Overhead Expenses from Distrigas

18 **Q. DOES SUMMIT HAVE A PHILOSOPHICAL ISSUE WITH STAFF’S**
19 **APPROACH OF USING A FIVE MONTH AVERAGE DISTRIGAS**
20 **PERCENTAGE VERSUS A TWELVE MONTH AVERAGE?**

21 A. No. Summit accepts Staff’s gross-up using a five month average Distrigas

1 percentage as it probably yields a more accurate representation of the way
2 corporate overhead will be allocated going forward.

3 **Q. DOES SUMMIT HAVE A DATA INTERPRETATION ISSUE WITH THE WAY**
4 **STAFF HAS GROSSED-UP THE ALL OF THE AFOREMENTIONED O&M**
5 **ACCOUNTS?**

6 A. Yes, Staff made an error in applying the new Distrigas percentage to accounts
7 874, 879, 903, 920, and 923. None of these accounts are assigned corporate
8 overhead expenses that flow out of the Distrigas formula because these
9 accounts represent costs that are directly assigned at both the parent and
10 subsidiary level. The only account affected by the Distrigas formula is account
11 930.2, and thus it is the only account that should be subject to the gross up
12 using the new five month average distrigas percentage.

13 **Q. DOES SUMMIT PROPOSE ADDING BACK O&M EXPENSE FOR**
14 **ACCOUNTS 874, 879, 903, 920, AND 923?**

15 A. Yes, Summit proposes the addition of O&M expense totaling:

16	Gallatin -	\$75,049
17	Warsaw -	\$54,710
18	Rogersville -	\$521,083
19	<u>Branson -</u>	<u>\$41,094</u>
20	Total -	\$691,936

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1 **RESERVE FOR DEPRECIATION AND DEPRECIATION/AMORTIZATION**

2 **ADJUSTMENTS**

3 **Q. DOES SUMMIT HAVE ANY ISSUES WITH STAFF’S CALCULATED**
4 **RESERVE FOR DEPRECIATION OR DEPRECIATION/AMORTIZATION**
5 **EXPENSE?**

6 A. Summit accepts Staff’s reserve for depreciation balances and pro forma
7 depreciation/amortization expense by rate area as noted in Staff’s “Cost of
8 Service Report” with the following exceptions:

9 1. Summit noted that Staff failed to make an adjustment to the reserve for
10 depreciation in the “Cost of Service Report” for the shared assets
11 between Warsaw and the Lake of the Ozarks that they calculated on the
12 “Warsaw-LOO main line alloc-HC” tab of the workpaper “Foster GR-
13 2014-0086 Property Taxes – HC”. Staff appropriately calculated the
14 amount to be \$337,454 for account 376 and \$14,255 for account 378,
15 but never made the actual adjustment.

16 2. Summit noted that Staff did not amortize account 302, franchise
17 agreements, for any of the rate areas. Summit amortizes this account
18 using a twenty year life, the actual term of the franchise agreements.
19 The total adjustment to depreciation/amortization expense by rate area
20 is as follows:

21 Gallatin - \$1,608

22 Warsaw - \$738

1 Rogersville - \$410
2 Branson - \$50,989
3 **Total - \$53,745**
4

5 **CONCLUSION**

6 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

7 A. As previously stated, Summit has no objection to moving to Staff's updated
8 "Cost of Service Report" updated through December 31, 2013. In doing so,
9 Summit has proposed new billing determinants, both for weather normalized
10 average usage per customer and customer counts. Summit has also included
11 the MSBA Schools in the billing determinants of the applicable retail sales
12 customer classes. Next, Summit proposed adjustments to add back O&M
13 expense for outside services and corporate overhead allocations. Finally,
14 Summit proposed adjustments to reserve for depreciation and
15 depreciation/amortization expense related to the reserve for depreciation for
16 shared assets between Warsaw and the Lake of the Ozarks and the
17 amortization of franchise agreements.

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

19 A. Yes.

**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) Case No. GR-2014-0086
To Increase its Annual Revenues For)
Natural Gas Service)

AFFIDAVIT OF TYSON D. PORTER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Tyson D. Porter, being first duly sworn on his oath, states:

1. My name is Tyson D. Porter. I work in Littleton, Colorado and I am employed by Summit Utilities, Inc. as the Regulatory Accountant.

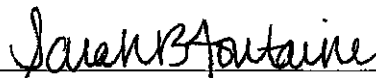
2. Attached hereto and made a part of hereof for all purposes is my Rebuttal Testimony on behalf of Summit Natural Gas of Missouri, Inc. consisting of 11 pages, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

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



Tyson D. Porter

Subscribed and sworn to before me this 11th day of July, 2014.



Notary Public

My commission expires: March 23, 2018



SARAH B. FONTAINE
My Commission Expires
March 23, 2018
Callaway County
Commission #14598390