

*Exhibit No.:*  
*Issue(s):* *PGA Carrying Cost*  
*Witness:* *David M. Sommerer*  
*Type of Exhibit:* *Direct Testimony*  
*Case Nos.:* *GR-2022-0122*  
*Date Testimony Prepared:* *June 8, 2022*

**MISSOURI PUBLIC SERVICE COMMISSION**  
**FINANCIAL AND BUSINESS ANALYSIS DIVISION**  
**PROCUREMENT ANALYSIS DEPARTMENT**

**REBUTTAL TESTIMONY**

**OF**

**DAVID M. SOMMERER**

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

**Case No. GR-2022-0122**

*Jefferson City, Missouri*  
*2022*

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**DAVID M. SOMMERER**  
**SUMMIT NATURAL GAS OF MISSOURI, INC.**  
**CASE NO. GR-2022-0122**

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **DAVID M. SOMMERER**

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

5 **CASE NO. GR-2022-0122**

6 Q. Please state your name and business address.

7 A. David M. Sommerer, 200 Madison Street, Jefferson City, MO. 65101.

8 Q. Are you the same David M. Sommerer who filed Direct Testimony in this case?

9 A. Yes.

10 **EXECUTIVE SUMMARY**

11 Q. What is the purpose of your rebuttal testimony?

12 A. My rebuttal testimony will address Summit Natural Gas of Missouri, Inc.'s  
13 ("SNGMO" or "Company") direct testimony of Walt McCarter and Craig Root.

14 **REBUTTAL TO WALT MCCARTER TESTIMONY**

15 Q. Please discuss your disagreement with Mr. McCarter's direct in general.

16 A. My issue with Mr. McCarter's direct testimony is more to address the need for  
17 context and provide clarifications rather than a specific disagreement. On page 5 of his testimony,  
18 Mr. McCarter provides a broad overview of SNGMO's gas supply plan. On page 5, line 7, he  
19 suggests the plan addresses how "forecasted supply needs will be optimally met". However, it  
20 should not be assumed that this supply plan has been pre-approved or somehow shows that the  
21 Company's burden of proof regarding prudence has been addressed.

22 Q. Hasn't Mr. McCarter made the point on page 8, lines 15 through 21 of his  
23 testimony that the "prudence of SNGMO's purchases during the Winter Storm Uri will be  
24 addressed separately"?

1           A.     Yes, but I believe at this point it needs to be clarified why this ACA proceeding has  
2 been bifurcated into two separate proceedings and why no other Missouri LDCs are taking  
3 this approach.

4           Q.     Please explain.

5           A.     SNGMO has no storage on the parts of its system served by Southern Star Central  
6 Gas Pipeline (SSC). This is problematical in terms of addressing exposure to daily spot market  
7 pricing. The price of daily supplies flowing on SSC during Storm URI drove much of the increased  
8 costs referenced on page 7, lines 15 through 18 of Mr. McCarter's testimony.

9           Q.     How do you believe the lack of storage impacted SNGMO's during Storm Uri?

10          A.     It is my initial assessment that the lack of storage on the SNGMO's systems that  
11 are served by SSC, may have resulted in the Company being at the highest end of the pricing  
12 impacts from Storm Uri for Missouri LDCs.

13          Q.     Has the Company ever had storage on SSC for its distribution systems?

14          A     Although this will be reviewed in the context of the second phase of this case, with  
15 a recommendation due December 15, 2022, it should be noted for clarification, that the Company  
16 turned back its SSC storage related to the Rogersville system effective April of 2016.

17          Q.     Did the Staff note this is the relevant ACA recommendation?

18          A     Yes, in Case No. GR-2017-0126, and some subsequent ACA cases, the Staff noted,  
19 "In light of the April 2016 expiration of the SNGMO area storage contract, the Company should  
20 review the effects on hedging from this expiration."

21          A.     Yes.

1           **REBUTTAL TO CRAIG ROOT TESTIMONY**

2           Q.     Do you agree with Mr. Root’s summary of the SNGMO structure summarized on  
3 page 6, lines 13 through 15?

4           A.     No, not entirely. By not mentioning JP Morgan’s Infrastructure Investment Fund  
5 (IIF) as the private equity fund that \*\* [REDACTED] \*\*, he has failed to mention  
6 the “elephant in the room”. This matter is entirely relevant, \*\* [REDACTED]  
7 [REDACTED] \*\*. \*\*

8           Q.     Please explain.

9           A.     The Company is essentially requesting carrying costs as if it had invested in plant  
10 assets, requiring a rate base return at a pre-tax rate of return (ROR) or what it is characterizing as  
11 its weighted average cost of capital (WACC). The Company’s form of ownership is not the  
12 traditional structure, and therefore tools such as affiliated “money pools” and commercial paper  
13 programs do not appear to be available to SNGMO. The Company’s owners appear to be requiring  
14 a rate of return consistent with rate base treatment on what is actually a deferred natural gas  
15 expense. It is certainly reasonable to assume that \*\* [REDACTED]  
16 [REDACTED] \*\*. \*\* This assumption is because IIF has recently, and  
17 continues, to be on a multibillion-dollar program of acquiring electric and gas properties across  
18 the United States. See for example the ongoing acquisition of South Jersey Industries, Inc. by IIF  
19 reflecting an enterprise value of approximately \$8.1 billion.<sup>1</sup>

20           Q.     Doesn’t the five-year recovery period described on page 8 of Mr. Root’s testimony  
21 support a carrying cost reflective of a rate base investment?

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<sup>1</sup><https://www.sjindustries.com/investors/news-events/newsroom/south-jersey-industries/2022/south-jersey-industries,-inc-enters-into-agreement>

Rebuttal Testimony of  
David M. Sommerer

1           A.     No.  Although the 5-year recovery period benefits customers, it also benefits  
2 the Company.

3           Q.     Please explain.

4           A.     Mr. Root fails to mention that the Company is impacted by propane competition  
5 in its service areas.  Passing through the excess gas costs to customers in time periods less than  
6 five years would negatively impact the Company's competitive position against propane.  The fact  
7 that a five-year time period was necessary reflects the Company's significant exposure to daily  
8 spot prices as compared to other Missouri LDCs that had requested shorter  
9 recovery periods.

10          Q.     On page 10 of Mr. Root's testimony he states, "Summit Holdings is the holding  
11 company where debt financing is held for SNGMO, Arkansas Oklahoma Gas Corporation and  
12 Colorado Natural Gas, all of which were impacted in varying degrees by the 2021 Winter Storm."  
13 What was the impact to the Company's other jurisdictions?

14          A.     Please see a portion of SNGMO's response to Staff Data Request No. 115 attached  
15 as Schedule DMS-r1 for a breakdown of the impact to the Company's other jurisdictions.

16          Q.     Does this conclude your rebuttal testimony?

17          A.     Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Summit Natural Gas of )  
Missouri, Inc.'s Purchased Gas Adjustment ) **Case No. GR-2022-0122**  
Tariff Filing )

**AFFIDAVIT OF DAVID M. SOMMERER**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

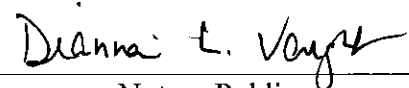
**COMES NOW** David M. Sommerer, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of David M. Sommerer*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

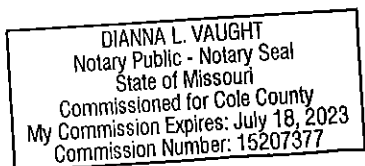
Further the Affiant sayeth not.

  
\_\_\_\_\_  
David M. Sommerer

**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 8<sup>th</sup> day of June, 2022.

  
\_\_\_\_\_  
Notary Public



State	Case Number	Authorized Carrying Cost
Arkansas Oklahoma Gas Corp ("AOG")-AR	07-046-U	Pending
Colorado Natural Gas ("CNG")	21A-0188G	No carrying costs
Arkansas Oklahoma Gas Corp ("AOG")-OK	Anticipate filing early summer 2022	-
Summit Natural Gas of Arkansas ("SUA")	07-044-U	Pending
Summit Natural Gas of Oklahoma ("SUO")	PUD202100087	Based on actual effective costs of the credit facilities, loan agreements, loan commitments, or other debt financing used to finance the Extreme Purchase Costs and/or Extraordinary Costs.
Summit Natural Gas of Missouri ("SNGMO")	GR-2022-0122	Pending



SNGMO GR-2022-0122  
Data Request 115

	February Gas Costs based on Normal Conditions	Total February 2021 Gas Costs	Winter Storm Uri February 2021 Gas Costs
Arkansas	\$ 3,151,273	\$ 78,187,737	\$ 75,036,464

SNGMO GR-2022-0122  
Data Request 115

	February Gas Costs based on Normal Conditions	Total February 2021 Gas Costs	Winter Storm Uri February 2021 Gas Costs
Oklahoma	\$ 890,933	\$ 19,254,607	\$ 18,363,674

SNGMO GR-2022-0122  
 Data Request 115

	February Gas Costs based on Normal Conditions	Total February 2021 Gas Costs	Winter Storm Uri February 2021 Gas Costs
Cripple Creek	\$ 158,952	\$ 664,948	\$ 505,996
Bailey/South Park	\$ 511,714	\$ 2,620,211	\$ 2,108,497
Pueblo West	\$ 243,424	\$ 1,424,797	\$ 1,181,373
Eastern	\$ 204,415	\$ 3,485,454	\$ 3,281,039
<b>Total</b>	<b>\$ 1,118,505</b>	<b>\$ 8,195,411</b>	<b>\$ 7,076,906</b>

SNGMO GR-2022-0122  
 Data Request 115

	February Gas Costs based on Normal Conditions	Total February 2021 Gas Costs	Winter Storm Uri February 2021 Gas Costs
Gallatin	\$ 106,770	\$ 690,838	\$ 584,068
Warsaw/Lake	\$ 239,278	\$ 8,168,440	\$ 7,929,162
Rogersville/Branson	\$ 810,286	\$ 23,347,436	\$ 22,537,150
<b>Total</b>	<b>\$ 1,156,334</b>	<b>\$ 32,206,714</b>	<b>\$ 31,050,380</b>

SNGMO GR-2022-0122  
Data Request 115

	February Gas Costs based on Normal Conditions	Total February 2021 Gas Costs	Winter Storm Uri February 2021 Gas Costs
Arkansas	\$ 34,350,488		\$342,890,136*

\*please note the methology to calculate that total Winter Storm Uri Costs are different as this time period was under CenterPoint ownership

SNGMO GR-2022-0122  
Data Request 115

	February Gas Costs based on Normal Conditions	Total February 2021 Gas Costs	Winter Storm Uri February 2021 Gas Costs
Oklahoma	\$ 6,526,886		\$75,678,535*

\*please note the methology to calculate that total Winter Storm Uri Costs are different as this time period was under CenterPoint ownership