

*Exhibit No.:*  
*Issue:* Cash-out Complaint  
*Witness:* David M. Sommerer  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Rebuttal Testimony  
*Case No.:* GC-2022-0158  
*Date Testimony Prepared:* March 30, 2022

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL AND BUSINESS ANALYSIS DIVISION**

**PROCUREMENT ANALYSIS**

**REBUTTAL TESTIMONY**

**OF**

**DAVID M. SOMMERER**

**OZARKS MEDICAL CENTER, d/b/a Ozarks Healthcare**

**VS.**

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

**CASE NO. GC-2022-0158**

*Jefferson City, Missouri*  
*March 2022*

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1 **REBUTTAL TESTIMONY**

2 **OF**

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

7 **CASE NO. GC-2022-0158**

8 Q. Please state your name and business address.

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

10 Q. By whom are you employed and in what capacity?

11 A. I am employed by the Missouri Public Service Commission (“Commission”) as  
12 the Manager of the Procurement Analysis Department.

13 Q. Have you provided your educational background and work experience in this file?

14 A. Yes. My education background and work experience is included as  
15 Schedule DMS-r1.

16 **EXECUTIVE SUMMARY**

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

18 A. My rebuttal testimony will address the Direct Testimony of Ozarks Medical  
19 Center d/b/a Ozarks Healthcare (“OMC”) Witness Josh Reeves. This will include providing  
20 how the Purchased Gas Adjustment (“PGA”) and Actual Cost Adjustment (“ACA”) are  
21 impacted by cash-outs.

22 **PGA/ACA BACKGROUND FOR CASH-OUTS**

23 Q Please describe the term “cash-out”

24 A. It is a common practice for pipelines, both federally regulated and state  
25 regulated, to have mechanisms to address instances where a transportation customer

1 (known as “shipper” on interstate systems) is not in balance in terms of natural gas receipts  
2 and deliveries. In the case of local distribution companies such as Summit Natural Gas of  
3 Missouri (“SNGMO”), a natural gas marketer often represents the transportation customer.  
4 Unlike PGA sales customers, transportation customers are responsible for acquiring their own  
5 supplies and must balance receipts ordered (nominated) at the interstate pipeline interconnect  
6 with deliveries as the customer’s premise. When the transportation customer uses more gas than  
7 its marketer/agent nominates, an imbalance occurs. This imbalance is “cashed out” by charging  
8 the customer gas that it borrowed from SNGMO. The cash-out rate varies depending on the  
9 degree to which receipts vary with actual metered usage (deliveries). In times of extensive  
10 natural gas price volatility and wholesale price increases, the cash-out rates can become high,  
11 reflecting the underlying gas market prices. This situation occurred during February 2021, as  
12 Storm URI impacted the Midwest natural gas markets.

13 Q. Please explain how cash-outs impact SNGMO and its customers.

14 A. Natural gas Sheet 30 of SNGMO’s tariffs requires it to credit the ACA for  
15 cash-out revenues collected from transportation customers.

16 Q. Please provide an overview of how Storm URI-related gas costs affected the  
17 PGA/ACA.

18 A. As described in my response to OMC’s Data Request No. 1 in this case, “... This  
19 response is limited to information known from Summit’s mandatory PGA/ACA filing in  
20 Summit Natural Gas Case No. GR-2022-0122. These filings were made by SNGMO on  
21 November 4, 2021, and November 22, 2021. Staff’s ACA review of the ACA balance filed in  
22 Case No. GR-2022-0122 is due December 15, 2022. On November 4, 2021, SNGMO filed a  
23 request to reflect changes in its PGA and ACA factors. SNGMO’s request included an additional

1 request to extend the ACA recovery period beyond the traditional 12 months, to an extended  
2 recovery period not to exceed 5 years. The Company proposed a recovery period of 5 years due  
3 to the impact of Storm Uri. This request to extend the recovery period of ACA under-recoveries  
4 was made pursuant to relatively recent PGA tariff changes in SNGMO Case No. GT-2022-0093.  
5 The Company further requested a higher carrying cost rate than is available from its traditional  
6 PGA tariff. The PGA tariff generally provided for a rate of Prime minus 2%. The request for a  
7 higher carrying cost rate was made pursuant to the same recent PGA tariff changes authorized in  
8 SNGMO Case No. GT-2022-0093.

9         The Staff's recommendation as filed on November 12, 2021, ultimately recommended  
10 rejection of the Summit PGA/ACA filing based upon a disagreement regarding the Company's  
11 incorporation of a higher carrying cost rate. The Commission rejected the Company's tariff but  
12 authorized SNGMO to refile PGA tariff sheets without the disputed carrying costs and required  
13 Staff and SNGMO to file a proposed procedural schedule to resolve the carrying cost issue. That  
14 proposed procedural schedule was subsequently filed by the parties and approved by the  
15 Commission with Direct Testimony due May 13, 2022 (See Case No. GR-2022-0122).

16         On November 22, 2021, the Company filed new tariff sheets that were ultimately  
17 approved on an interim basis, subject to refund. It is the Staff's understanding that the  
18 Company has reflected the gas cost impacts of Storm Uri in the November 22, 2021,  
19 ACA filing. This basic ACA calculation compares actual gas costs with billed PGA revenues to  
20 derive an "under-recovery" or "over-recovery." Due to the magnitude of the incremental  
21 natural gas costs related to Storm Uri, the Company experienced a significant "under-recovery"  
22 of natural gas costs. The normal process would have collected those costs from PGA sales  
23 customers over approximately one year. SNGMO request deferral of the costs, in effect

1 spreading the under-recovery over 5 years.

2 Q. Please elaborate on how cash-outs due from transportation customers affects the  
3 PGA/ACA process.

4 A. As noted in my response to OMC Data Request No. 2 in this case, the PGA tariffs  
5 require revenues received from “cash outs” to be credited back to PGA sales customers. Pursuant  
6 to Tariff Sheet No. 30, any penalties or other charges incurred by the Company related to the  
7 transportation of a customer's natural gas before its delivery to the Company's City gate will be  
8 charged to the individual customer who causes such penalties or other charges. The Company  
9 shall credit any revenues collected from Transportation customers (including schools) for any  
10 cash outs, imbalances, penalties, overrun charges and other similar charges to be used in the  
11 development of the ACA factor of the Company’s PGA Clause and will not be recoverable from  
12 sales customers. Thus, as transportation customers pay their respective cash-out bills (debt), the  
13 PGA mechanism is credited. If a transportation customer does not pay a bill by the end of the  
14 ACA period, there would be no offset to gas costs, and the additional gas costs would be borne  
15 by the PGA sales customers. With respect to the specific Storm Uri situation, the PGA sales  
16 customers received a deferral for up to 5 years for the incremental Storm Uri gas costs. From a  
17 calculation standpoint, that would mean that an unpaid “cash-out” bill that was not credited back  
18 to the PGA/ACA would, in effect, be carried with the unreduced (by the unpaid cash-out)  
19 incremental gas costs from Storm URI.

20 Q. Does this conclude your rebuttal testimony?

21 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

Ozarks Medical Center d/b/a Ozarks Healthcare,	)	
	)	
Complainant,	)	
	)	
v.	)	Case No. GC-2022-0158
	)	
Summit Natural Gas of Missouri, Inc.,	)	
	)	
Respondent.	)	

**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.

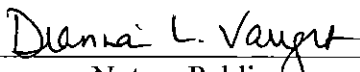
Further the Affiant sayeth not.

  
\_\_\_\_\_  
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 30th day of March, 2022.

DIANNA L. VAUGHT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: July 18, 2023  
Commission Number: 15207377

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

## **David M. Sommerer**

### **Educational Background and Work Experience**

In May 1983, I received a Bachelor of Science degree in Business and Administration with a major in Accounting from Southern Illinois University at Carbondale, Illinois. In May 1984, I received a Master of Accountancy degree from the same university. Also, in May 1984, I sat for and passed the Uniform Certified Public Accountants examination. I am currently a licensed CPA in Missouri. Upon graduation, I accepted employment with the Commission.

From 1984 to 1990 I assisted with audits and examinations of the books and records of public utilities operating within the state of Missouri. In 1988, the responsibility for conducting the Actual Cost Adjustment (ACA) audits of natural gas utilities was given to the Accounting Department. I assumed responsibility for planning and implementing these audits and trained available Staff on the requirements and conduct of the audits. I participated in most of the ACA audits from early 1988 to early 1990. On November 1, 1990, I transferred to the Commission's Energy Department. Until November of 1993, my duties consisted of reviews of various tariff proposals by electric and gas utilities, Purchased Gas Adjustment (PGA) reviews, and tariff reviews as part of a rate case. In November of 1993, I assumed my present duties of managing a newly created department called the Procurement Analysis Department. This Department was created to more fully address the emerging changes in the gas industry especially as they impacted the utilities' recovery of gas costs. My duties have included managing the Procurement Analysis staff, reviewing ACA audits and recommendations, participating in the gas integrated resource planning project, serving on the gas project team, serving on the natural gas commodity price task force, and participating in matters relating to natural gas service in the state of Missouri. In July of 2006, the Federal Issues/Policy Analysis Section was transferred to the Procurement Analysis Department. That group analyzes filings made before the Federal Energy Regulatory Commission (FERC). During the reorganization in August 2011, the Federal Issues/Policy Analysis Section was transferred to the Secretary/ General Counsel Division. In 2015, I assumed the responsibility for the rate design aspects of the Gas Infrastructure System Replacement Surcharge (ISRS) process. The Gas ISRS allows for a more expedited process of including eligible pipeline replacements in rates prior to general rate cases. In April of 2021, I participated in the development of Staff's Report in the Cold Weather Event Investigation Case No. AO-2021-0264.



**CASES WHERE TESTIMONY**

**WAS FILED**

**DAVID M. SOMMERER**

<b>COMPANY</b>	<b>CASE NO.</b>	<b>ISSUES</b>
Spire East/West	GR-2021-0108	PGA/ACA Consolidation, Seasonal PGA
Spire East	GO-2019-0356	ISRS rates
Spire West	GO-2019-0357	ISRS rates
Spire East	GO-2019-0115	ISRS rates
Spire West	GO-2019-0116	ISRS rates
Spire East	GO-2018-0309	ISRS rates
Spire West	GO-2018-0310	ISRS rates
Missouri Gas Energy	GO-2017-0201	ISRS rates
Laclede Gas Company	GO-2017-0202	ISRS rates
Missouri Gas Energy	GR-2017-0216	Gas Inventory Carrying Cost and Service Agreements
Laclede Gas Company	GR-2017-0215	Gas Inventory Carrying Cost and Service Agreements
Laclede Gas Company	GO-2016-0333	ISRS rates
Missouri Gas Energy	GO-2016-0332	ISRS rates
Laclede Gas Company (MGE)	GO-2016-0197	ISRS rates
Laclede Gas Company	GO-2016-0196	ISRS rates
Liberty Utilities (Midstates Natural Gas) Corp., d/b/a Liberty Utilities	GR-2014-0152	Special Contact Customers Gas Contract

COMPANY	CASE NO.	ISSUES
Missouri Gas Energy	GR-2014-0007	Gas Supply Incentive Plan Property Tax PGA Recovery
Laclede Gas Company	GR-2010-0171	Bad Debt in PGA, CAM
Atmos Energy Corporation	GR-2009-0417	Affiliated Transactions
Atmos Energy Corporation	GR-2008-0364	Affiliated Transactions
Missouri Gas Energy	GR-2009-0355	PGA tariff
Laclede Gas Company	GT-2009-0026	Tariff Proposal, ACA Process
Missouri Gas Utility	GR-2008-0060	Carrying Costs
Laclede Gas Company	GR-2007-0208	Gas Supply Incentive Plan, Off-system Sales, Capacity Release
Laclede Gas Company	GR-2005-0284	Off-System Sales/GSIP
Laclede Gas Company	GR-2004-0273	Demand Charges
AmerenUE	EO-2004-0108	Transfer of Gas Services
Aquila, Inc.	EF-2003-0465	PGA Process, Deferred Gas Cost
Missouri Gas Energy	GM-2003-0238	Pipeline Discounts, Gas Supply
Laclede Gas Company	GT-2003-0117	Low-Income Program
Laclede Gas Company	GR-2002-356	Inventory, Off-System Sales
Laclede Gas Company	GR-2001-629	Inventory, Off-System Sales
Laclede Gas Company	GR-2001-387	ACA Price Stabilization
Missouri Gas Energy	GR-2001-382	ACA Hedging/Capacity Release
Laclede Gas Company	GT-2001-329	Incentive Plan
Laclede Gas Company	GO-2000-394	Price Stabilization
Laclede Gas Company	GT-99-303	Incentive Plan
Laclede Gas Company	GC-99-121	Complaint PGA

COMPANY	CASE NO.	ISSUES
Laclede Gas Company	GR-98-297	ACA Gas Cost
Laclede Gas Company	GO-98-484	Price Stabilization
Laclede Gas Company	GR-98-374	PGA Clause
Missouri Gas Energy	GC-98-335	Complaint Gas Costs
United Cities Gas Company	GO-97-410	PGA Clause
Missouri Gas Energy	GO-97-409	PGA Clause
Missouri Gas Energy	GR-96-450	ACA Gas Costs
Missouri Public Service	GA-95-216	Cost of Gas
Missouri Gas Energy	GO-94-318	Incentive Plan
Western Resources Inc.	GR-93-240	PGA tariff, Billing Adjustments
Union Electric Company	GR-93-106	ACA Gas Costs
United Cities Gas Company	GR-93-47	PGA tariff, Billing Adjustments
Laclede Gas Company	GR-92-165	PGA tariff
United Cities Gas Company	GR-91-249	PGA tariff
United Cities Gas Company	GR-90-233	PGA tariff
Associated Natural Gas Company	GR-90-152	Payroll
KPL Gas Service Company	GR-90-50	Service Line Replacement
KPL Gas Service Company	GR-90-16	ACA Gas Costs
KPL Gas Service Company	GR-89-48	ACA Gas Costs
Great River Gas Company	GM-87-65	Lease Application
Grand River Mutual Tel. Company	TR-87-25	Plant, Revenues
Empire District Electric Company	WR-86-151	Revenues
Associated Natural Gas Company	GR-86-86	Revenues, Gas Cost
Grand River Mutual Telephone	TR-85-242	Cash Working Capital

**cont'd David M. Sommerer**

<b>COMPANY</b>	<b>CASE NO.</b>	<b>ISSUES</b>
Great River Gas Company	GR-85-136	Payroll, Working Capital
Missouri-American Water Company	WR-85-16	Payroll