

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

In the Matter of Summit Natural Gas of Missouri) File No. GR-2022-0122
Inc.'s Purchased Gas Adjustment Tariff Filing.) (JG-2022-0146)

**APPLICATION TO EXTEND THE ACA RECOVERY PERIOD AND FOR CARRYING
COSTS AND MOTION FOR EXPEDITED TREATMENT AND, IN THE
ALTERNATIVE, MOTION FOR LEAVE**

COMES NOW Summit Natural Gas of Missouri, Inc. (“SNGMO” or the “Company”), and, as its *Application to Extend the ACA Recovery Period and for Carrying Costs and Motion for Expedited Treatment and, in the Alternative, Motion for Leave* (“Application”), states as follows:

APPLICANT

1. SNGMO is an indirect, wholly owned subsidiary of Summit Utilities, Inc., through an intermediate holding company, Summit LDC Holdings, LLC (“MidCo”), and is a corporation duly incorporated under the laws of the State of Colorado with its principal offices located at 10825 E. Geddes Avenue, Suite 410, Centennial, Colorado 80112. A copy of a certificate from the Missouri Secretary of State that SNGMO is authorized to do business in Missouri as a foreign corporation is attached hereto as **Appendix A**. Other than cases that have been docketed at the Commission, SNGMO has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court within the past three years that involve customer service or rates. SNGMO has no annual report or assessment fees that are overdue.

2. SNGMO conducts business as a “gas corporation” and a “public utility” as those terms are defined in Section 386.020, RSMo and provides natural gas service in the Missouri counties of Harrison, Daviess, Caldwell, Pettis, Benton, Morgan, Camden, Miller, Greene, Webster, Laclede, Wright, Douglas, Texas, Howell, Lawrence, Barry, Stone, and Taney, subject to the jurisdiction of the Commission as provided by law.

3. All correspondence, communications, notices, orders and decisions of the Commission with respect to this matter should be sent to the undersigned counsel and:

Brooke South Parsons
Corporate Counsel
Summit Utilities Inc.
10825 E. Geddes Ave., Ste. 410
Centennial, CO 80112
Telephone: 479-462-1178
Email: bsouth@corp.summitutilities.com

BACKGROUND

4. SNGMO's tariff includes its Purchased Gas Adjustment (PGA) Clause (Sheets Nos. 50-58). The purpose of the PGA Clause is to provide a mechanism for the recovery of the cost of gas and includes both: (1) The Regular Gas Adjustment factor; and, (2) The Actual Cost Adjustment (ACA) factors. (See Sheet No. 50).

5. Among other things, the PGA Clause requires that the ACA factors be set by addressing the cumulative balance of over-recoveries or under-recoveries during a twelve-month period. (See Sheet No. 54). The PGA clause further requires that interest is credited to the customers or Company, as appropriate, at a simple rate equal to the prime bank leading rate (as published in The Wall Street Journal on the first business day of the following month), minus two (2) percentage points.

6. In Case No. GT-2022-0093, as a result of winter storm Uri, SNGMO sought modification of its PGA tariff. This modification allows SNGMO to seek extended cost recovery and carrying costs in the event to of an Act of God or weather circumstance that has an extraordinary impact upon customers. This revision was approved by the Commission on October 20, 2021 and became effective on October 30, 2021.

7. Sheet No. 55, among other things, provides as follows:

In the event of an Act of God or weather circumstance that has an extraordinary impact on the natural gas market, the Company, Staff, or OPC may apply, supported by an affidavit, to the Commission to seek to extend the ACA recovery period beyond 12 months, not to exceed 5 years. If the Commission allows the extended ACA recovery period not to exceed 5 years, the Company may also apply for the recovery of carrying costs associated with such deferred recovery at a different rate, from the effective date of this tariff Sheet No. 55 on a going forward basis, from that identified in Sheet No. 52.

8. As explained in detail below, because of the impact of the winter storm Uri, SNGMO's cost of gas for the September 1, 2020, to August 31, 2021 season is significantly greater than in any prior year. SNGMO believes that recovery of these extraordinary amounts over multiple years is necessary to mitigate the impact on customers. Additionally, because SNGMO has been required to finance these gas costs through equity and expects to ultimately finance the cost of gas through a combination of equity and debt, the interest rate otherwise provided by the PGA Clause will not adequately address SNGMO's actual costs associated with these extraordinary gas costs.

9. Accordingly, SNGMO seeks by this Application to extend the ACA recovery period for the extraordinary gas costs associated with winter storm Uri beyond 12 months, to 5 years, and to apply for the recovery of carrying costs associated with such deferred recovery at a different rate from that identified in Sheet No. 52.

URI

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

11. The extreme cold temperatures, extended period of those temperatures, and

precipitation contributed to what some have described as an “85-year event”.¹ According to the National Weather Service, the western side of the state experienced the coldest temperatures, while the St. Louis and Springfield areas experienced larger snowfall amounts.

12. Kansas City saw temperatures from -13 degrees to 23 degrees during this period, with February 15 having a high temperature of -1 degree and a low temperature of -10 degrees. Snow depths were about 1 to 3 inches during this period.

13. Springfield saw temperatures from -15 degrees to 19 degrees during this period, with February 15, 2021, having a high temperature of 0 degrees and a low temperature of -9 degrees. Snow depth on February 17, 2021, was about 7 inches.

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

GAS MARKETS

15. SNGMO manages its natural gas supply through a combination of fixed price contracts and gas purchased at index pricing. These procurement practices, which are provided annually to the Staff of the Commission, are designed to balance the risks and opportunities of the commodity market, allowing gas prices to stay relatively low and relatively stable for SNGMO customers. In a wide range of weather and market conditions, SNGMO’s procurement practices have, in the past, mitigated upward natural gas spikes and helped keep the Company’s cost of gas stable.

16. The historic spike in natural gas prices during the period of February 13-17 fell well outside the typical range of forecastable market conditions or anything previously experienced. In

¹ In regard to the weather information contained herein, see Staff Report, File No. AO-2021-0264 (April 30, 2021).

this instance, market prices increased from approximately \$2.50/mmbtu to over \$620/mmbtu by the end of the cold weather event. To provide an idea of the order of magnitude represented by this event, SNGMO spent \$6,896,392 to purchase natural gas for the entire 2020 calendar year. By comparison, SNGMO spent \$34,338,147 to purchase the necessary natural gas to serve its customers in February 2021 only.

17. To maintain safe and reliable service during this extraordinary event, while trying to mitigate the price impact on customers, SNGMO implemented additional measures including: reaching out through multiple channels to encourage customers to conserve energy; maintaining communication with the Staff of the Commission throughout the winter storm event; making daily nomination adjustments throughout the long weekend; ordering our non-human needs transport customers in the Rogersville district to reduce process load and use heat only; and operating its compressed natural gas facility to support system needs.

IMPACTS ON CUSTOMERS

18. If the Company were to use its typical means for recovering the approximately \$30.7 million of winter storm gas supply costs from Missouri customers through a single winter cost of gas adjustment, it would be necessary to increase gas supply charges to customers by 40% - 141%, depending on rate area and customer class.

RECOVERY PERIOD

19. SNGMO's sales customers are facing a significant increase in their gas supply bills through no fault of their own or of SNGMO. Extending recovery over a period of years and including appropriate carrying costs would help mitigate rate shock and hardships on customers without unduly burdening SNGMO. Because of the impact described above, SNGMO believes that its ACA recovery period should be extended to 5 years for the winter storm Uri gas costs that

are the subject of this filing.

FINANCING OF COSTS

20. Typically, SNGMO funds its gas supply costs through short-term working capital. This is appropriate given that forecasted gas supply costs are generally recovered during the current gas year and the difference between the forecasted and actual costs being refunded to or recovered from customers in the subsequent gas year as appropriate. The funding matches the recovery period.

21. Given the magnitude of the gas supply costs incurred by the Company in February 2021, the typical means of funding were grossly insufficient. As an initial matter, SNGMO obtained equity to cover the extraordinary gas supply costs that were incurred on behalf of customers. Ultimately, MidCo will likely pursue and obtain debt financing for a portion of these gas supply costs and other capital needs of SNGMO and MidCo's other operating companies. MidCo is the holding company where the debt financing is held for Arkansas Oklahoma Gas Corporation, Summit Natural Gas of Missouri, and Colorado Natural Gas.

22. The magnitude of the February 2021 gas supply costs also rules out funding those costs solely through debt. Relying only on debt financing would cause MidCo's credit worthiness to decrease with a higher leverage level. This would result in the credit markets viewing MidCo as a riskier borrower, and lenders would require higher interest rates on debt. Depending on the degree of over leveraging, debt covenants under existing and future credit facilities could be triggered. Also, over leveraging the capital structure with debt would make the Company riskier to equity holders also, who in turn would require a higher return on their equity investment.

23. Accordingly, the long-term financing of the February 2021 extraordinary gas supply costs is planned to be provided through a combination of debt and equity and SNGMO

believes that it is appropriate to provide carrying costs at a rate greater than that currently reflected in the tariff.

24. As a result of the financing for the extraordinary gas supply cost, SNGMO is seeking to recover carrying costs for the cost associated with February winter storm Uri at SNGMO's last Commission approved pre-tax rate of return, 9.64%, as ordered in Case No. GR-2014-0086.

25. An affidavit supporting this Application is attached hereto as **Appendix B**.

MOTION FOR EXPEDITED TREATMENT

26. SNGMO moves for expedited treatment of this Application in accordance with 20 CSR 4240-2.080(14) and a decision on this application be effective by November 19, 2021, so that the tariff filed on November 4, 2021, may reflect the rate mitigation measure of extending the recovery period, which benefits customers. This Application was filed as quickly as possible given that its tariff sheet concerning this matter became effective on October 30, 2021. Moreover, because of this potential benefit for customers, there will be no negative impact on customers or the general public if the Commission grants such relief on an expedited basis. Therefore, good cause exists to approve this Application on an expedited basis.

IN THE ALTERNATIVE, MOTION FOR LEAVE

27. On November 4, 2021, SNGMO filed the tariff sheet representing its winter PGA/ACA filing, along with associated workpapers. SNGMO's tariff sheet governing the extension and request for carrying costs requested herein does not specify a time period for the filing of this Application. However, to the extent that a party might take a position that for other reasons the Application should have been filed on November 4, 2021, SNGMO requests leave to file this application and associated affidavit on November 5, 2021. Good cause for such leave

exists as stated in the Motion for Expedited Treatment above.

WHEREFORE, SNGMO respectfully requests that the Commission issue an order granting the requests identified herein.

Respectfully submitted,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:

 //S// dlc
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SUMMIT NATURAL GAS OF MISSOURI, INC.

 /s/ Brooke South Parsons
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**ATTORNEYS FOR SUMMIT NATURAL GAS
OF MISSOURI INC.**

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 5th day of November, 2021, to:

General Counsel's Office
staffcounservice@psc.mo.gov

Office of the Public Counsel
opcservice@opc.mo.gov

/s/Brooke South Parsons
Brooke South Parsons

VERIFICATION

State of Arkansas)
) ss
County of Washington)

I, Brooke South Parsons, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am Corporate Counsel of Summit Utilities, Inc., that I am duly authorized to make this affidavit on behalf of Summit Natural Gas of Missouri, Inc. (SNGMO), that I have knowledge of the matters stated herein, and that said matters are true and correct to be best of my knowledge and belief. Additionally, no representative of SNGMO has had any communication with the office of the Missouri Public Service Commission as defined in Commission Rule 20 CSR 4240-4.015(10) within the immediately preceding 150 days regarding the subject matter of this Application.

/s/Brooke South Parsons

This 5th day of November, 2021.

APPENDIX B

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

In the Matter of Summit Natural Gas of Missouri) File No. GR-2022-0122
Inc.'s Purchased Gas Adjustment Tariff Filing.) (JG-2022-0146)

AFFIDAVIT OF STEVEN E. BIRCHFIELD

STATE OF COLORADO)
) **ss**
COUNTY OF JEFFERSON)

Steven E. Birchfield deposes and states:

1. My name is Steven E. Birchfield. I am the Executive Vice President and Chief Financial Officer of Summit Utilities, Inc.
2. I have read the attached Application, and I hereby swear and affirm that statements contained in the attached Application are true and correct to the best of my knowledge and belief.
3. During mid-February 2021 extreme winter weather (winter storm Uri) severely impacted customers in SNGMO's service area and the surrounding region. This weather event brought record-breaking cold temperatures, disruptions of gas supply, and extreme volatility in natural gas markets over a period of several days.
4. During winter storm Uri, SNGMO experienced gas supply shortages and extremely high market prices in connection with the storm. In this instance, market prices increased from approximately \$2.50/mmbtu to over \$620/mmbtu by the end of the cold weather event.
5. SNGMO spent \$34,338,147 to purchase the necessary natural gas to keep gas flowing to its customers in February 2021 only.

6. If SNGMO were to use its typical means for recovering the gas supply costs in excess of forecasted amounts, approximately \$30.7 million, from Missouri customers through a single winter cost of gas adjustment, it would be necessary to increase gas supply charges to customers by 40% - 141%, depending on rate area and customer class.
7. Moreover, the \$34,338,147 spent in February of 2021 greatly exceeds the amount SNGMO spent in the entire year of 2020 (\$6,896,392). This is not an amount that could be supported through SNGMO's normal financing options. Further, the magnitude of the February 2021 gas supply costs also rules out funding those costs solely through debt. Accordingly, the long-term financing of the February 2021 extraordinary gas supply costs is planned to be provided through a combination of debt and equity and SNGMO believes that it is appropriate to provide carrying costs at a rate greater than that otherwise reflected in the tariff.
8. Good cause exists for the Commission to allow deferred recovery of the ACA costs with carrying costs as requested in accordance with the process described in SNGMO's revised gas Tariff Sheet No. 55.

I, Steven Birchfield, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am Vice President and CFO for Summit Utilities, Inc. and that the statements made herein are true and correct to the best of my knowledge and belief.

/s/ Steven Birchfield
Steven Birchfield
Executive Vice President and
Chief Financial Officer

This 5th day of November, 2021.