

Exhibit No.: \_\_\_\_\_  
Issue: Rate Design  
Witness: Kent D. Taylor  
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**

**KENT D. TAYLOR**

**ON BEHALF OF**

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

**Jefferson City, Missouri  
July 2014**

**TABLE OF CONTENTS**

**REBUTTAL TESTIMONY  
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KENT D. TAYLOR**

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

**CASE NO. GR-2014-0086**

**INTRODUCTION ..... 1**

**PURPOSE OF TESTIMONY ..... 1**

**MPSC STAFF COST-OF-SERVICE STUDY ..... 2**

**CLASS COST-OF-SERVICE STUDY vs PERCENTAGE  
REVENUE SHARING ..... 4**

**MSBA WITNESS ERVIN REBUTTAL ..... 5**

**REBUTTAL TESTIMONY**

**KENT D. TAYLOR**

**SUMMIT NATURAL GAS OF MISSOURI, INC**

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

2 A. Kent D. Taylor, 777 29<sup>th</sup> Street, Suite 200, Boulder, Colorado, 80303.

3 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY AND SCHEDULES IN**  
4 **THIS CASE?**

5 A. Yes, I filed direct testimony and sponsored Summit Natural Gas of Missouri, Inc.'s  
6 ("SNGMO") Class Cost-of-Service Study ("CCOSS") and the Proposed Rate  
7 Design.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**  
9 **PROCEEDING?**

10 A. I will: (1) discuss the difficulty of reviewing the Missouri Public Service Commission  
11 Staff's ("Staff") direct case, (2) stress the need for a CCOSS as the basis for  
12 customer class cost assignment, and (3) respond to Staff's and Missouri School  
13 Boards' Association's ("MSBA") direct testimonies as they relate to SNGMO's  
14 School Aggregation Program.

15 **Q. ARE YOU SPONSORING EXHIBITS?**

16 A. Yes, I am co-sponsoring Rebuttal Schedule KDT-1, Report on Staff and MSBA  
17 Direct Testimony.

1 **MPSC STAFF CLASS COST OF SERVICE STUDY**

2 **Q. PLEASE DESCRIBE THE DIFFICULTIES ENCOUNTERED IN EVALUATING**  
3 **STAFF'S DIRECT TESTIMONY AND EXHIBITS.**

4 A. Staff has adequately described the rate making principles it used in order to  
5 develop its CCOSS. However, the conversion from rate making principles to  
6 analysis resulted in numerous errors; so much so that Staff's CCOSS is not  
7 currently useful as a foundation for SNGMO's evaluation.

8 **Q. PLEASE DESCRIBE THE NATURE OF THE ERRORS TO WHICH YOU**  
9 **REFER.**

10 A. SNGMO witness Tyson Porter details the mistakes SNGMO has discovered.  
11 For the most part, they are calculation and data interpretation errors and not  
12 differences of opinion concerning rate making principles.

13 **Q. HAS SNGMO COMMUNICATED THESE ERRORS TO STAFF?**

14 A. Yes.

15 **Q. HAS STAFF BEEN RECEPTIVE TO DEALING WITH ERRORS IN ITS**  
16 **CCOSS?**

17 A. Yes. However, at this writing, the information on the record does not yet allow  
18 SNGMO to analyze what changes Staff will make.

19 **Q. ARE THERE OTHER COMPLICATING ISSUES?**

20 A. Yes. Staff's CCOSS was performed using an updated test period. SNGMO's  
21 test period was the twelve month period ended September 30, 2013. Staff's test

1 period was the twelve month period ended December 31, 2013. Consequently,  
2 a straight comparison of Staff's study and SNGMO's study is not feasible.

3 **Q. DO YOU TAKE ISSUE WITH STAFF'S UPDATED TEST PERIOD?**

4 A. No, as a general statement, an updated test period reduces regulatory lag and  
5 is, by definition, preferable.

6 **Q. DIDN'T STAFF FILE CORRECTIONS TO ITS CCOSS EXHIBITS AND, IF SO,  
7 DID THE FILED REVISIONS CORRECT THE MISTAKES TO WHICH YOU  
8 REFER?**

9 A. Staff filed its Rate Design testimony on June 13, 2014, and, after being alerted  
10 to errors in the CCOSS Summary Schedules, filed corrections on June 16,  
11 2014. However, the underlying analytical errors in billing determinants and  
12 revenue requirements have not yet been corrected.

13 **Q. HAVE YOU OR OTHER SNGMO REPRESENTATIVES PERFORMED AN  
14 EXHAUSTIVE EVALUATION OF STAFF'S CCOSS IN ORDER TO  
15 DISCOVER AND CORRECT THE ERRORS?**

16 A. We have performed an exhaustive review of Staff's billing determinants, as  
17 indicated in Mr. Porter's testimony. The flaws in billing determinants then flow  
18 to Staff's allocation factors and rate design. Resource and time constraints  
19 limited our effort to evaluate this additional step. However, the work we have  
20 accomplished as to billing determinants indicates that Staff's CCOSS is not  
21 reliable in its current form.

1 **Q. DO YOU PROPOSE A REMEDY FOR THE FLAWS YOU HAVE**  
2 **DESCRIBED?**

3 A. Yes. SNGMO prefers to use Staff's analysis, corrected for errors, as the  
4 foundation for ultimate rate setting. In addition, we hope to convince the  
5 Commission that SNGMO's application of rate making principles is preferable  
6 to Staff's.

7

8 **CLASS COST OF SERVICE STUDY VS PERCENTAGE REVENUE SHARING**

9 **Q. HOW HAS STAFF PROPOSED TO ALLOCATE COSTS TO CUSTOMER**  
10 **CLASSES IN ITS DIRECT CASE?**

11 A. Staff has proposed a customer class cost assignment which assigns to each  
12 customer class a portion of the calculated revenue deficiency equal to the  
13 percentage each customer class's pro forma revenue bears to the total pro  
14 forma revenue and adds that additional revenue requirement to the existing pro  
15 forma revenue.

16 **Q. PLEASE EXPLAIN THE PROPRIETY OF SUCH A COST ALLOCATION**  
17 **METHOD.**

18 A. If current rates had been set based upon a recent fully allocated CCOSS, the  
19 use of such an expedient might make sense. However, none of the discrete  
20 divisions in this rate case has ever been subjected to a rigorous class cost of  
21 service study. To the extent that cross-customer-class inequities exist in

1 current rates, applying increases in an equal percentage without correcting  
2 those inequities will simply compound the problem.

3 **Q. HAVE PREVIOUS COMMISSION ORDERS SUGGESTED A PREFERENCE**  
4 **FOR ONE OR THE OTHER?**

5 A. Yes. The Commission has explicitly required SNGMO to file a CCOSS in its  
6 rate cases. One must presume that the Commission prefers the analytical rigor  
7 that accompanies such a requirement.

8 **Q. PLEASE SUMMARIZE SNGMO'S POSITION WITH RESPECT TO THE USE**  
9 **OF A CCOSS TO SET RATES.**

10 A. The use of a CCOSS as the basis upon which cost responsibility is calculated  
11 provides a method by which to establish an equitable distribution of cost  
12 responsibility among customer classes. It is especially important in this case  
13 because a CCOSS has never been used as a mechanism for setting base  
14 rates. Staff's proposed use of equal percentages will merely compound any  
15 existing inequities.

16

17 **MSBA WITNESS ERVIN REBUTTAL**

18 **Q. DOES YOUR REBUTTAL INCLUDE COMMENTS ON SNGMO'S SCHOOL**  
19 **AGGREGATION PROGRAM?**

20 A. Yes. Staff and the MSBA sponsored testimony and I will respond to the specific  
21 issues raised by those parties utilizing a report identified as Rebuttal Schedule  
22 KDT-1. SNGMO witness Mr. Renato Nitura has also filed rebuttal testimony

1 providing additional support for SNGMO's response.

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

3 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 KENT D. TAYLOR**

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

Kent D. Taylor, being first duly sworn on his oath, states:

1. My name is Kent D. Taylor. I work in Boulder, Colorado and I am employed by KTM, Inc. as Chairman.

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 6 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.

Kent D. Taylor  
Kent D. Taylor

Subscribed and sworn to before me this 9th day of July, 2014.

Erin Campbell  
Notary Public

My commission expires: 6/7/2016

