

Exhibit No.:
Issue: *PGA off-system sale*
Witness: *David M. Sommerer*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *GR-2022-0136*
Date Testimony Prepared: *March 29, 2024*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

PROCUREMENT ANALYSIS

SURREBUTTAL TESTIMONY

OF

DAVID M. SOMMERER

SPIRE MISSOURI, INC.

CASE NO. GR-2022-0136

Jefferson City, Missouri
March 2024

*** Denotes Highly Confidential Information ***

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**TABLE OF CONTENTS OF
SURREBUTTAL TESTIMONY OF
DAVID M. SOMMERER
SPIRE MISSOURI, INC.
CASE NO. GR-2022-0136**

EXECUTIVE SUMMARY 1
THE OSS TARIFF 2
OPERATIONAL FLOW ORDERS AND STORAGE WITHDRAWALS 4

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **DAVID M. SOMMERER**

4 **SPIRE MISSOURI, INC.**

5 **CASE NO. GR-2022-0136**

6 Q. Please state your name and business address.

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

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

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

11 Q. Are you the same David M. Sommerer that filed Direct and Rebuttal Testimony
12 in this case?

13 A. Yes.

14 **EXECUTIVE SUMMARY**

15 Q. What is the purpose of your Surrebuttal Testimony?

16 A. My Surrebuttal Testimony will address Spire Missouri, Inc.’s (“Company”)
17 Rebuttal Testimony as filed by Mr. David A. Yonce. Overall, the core issue in this case, and
18 where the fundamental disagreement exists, is the difference in opinion between the Staff and
19 Company as to what the relevant cost of gas should be with regard to the Off-System Sales
20 (OSS) transaction. In my view, the Company has not fully supported their replacement-cost
21 theory for the proposed allocation of costs to the OSS transaction. In essence, the Company
22 has assumed that the gas supply contained in storage, that was used to facilitate the sale, must
23 be replaced with a package of gas that, in the Company’s discretion, is designed to replace the

1 storage gas. This concept is not found in the tariff, and in this instance results in an assignment
2 of gas supply that grossly overstates the actual profit margin of the OSS.

3 The Missouri Public Service Commission Staff's ("Staff") allocation recognizes the
4 general default of using the "highest cost of gas supply" by assigning high-cost supplies actually
5 purchased by the Company for the days on and around the storage transaction. The unique
6 nature of selling gas out of storage to implement an off-system sale, and the nature of
7 storage itself, calls for a particular degree of careful acknowledgement that flowing supplies
8 were at extraordinarily high values around the time of the sale. The Staff's approach recognizes
9 this point.

10 **THE OSS TARIFF**

11 Q. On page 9, lines 9 through 11, of Mr. Yonce's Rebuttal Testimony, he
12 states "Staff's analysis seems to completely ignore the tariff and most certainly ignores the
13 "lower CGS¹" that has been "documented and supported in accordance with the provision of
14 Section 3 of this rule". Do you agree with his conclusion?

15 A. No. As previously explained, the Staff recognizes it is possible to document and
16 support a lower cost of gas to associate with an OSS. However, although the Company has
17 documented what it believes to be the replacement cost of gas, it has not provided an
18 adequate rationale (support) to ignore the higher cost of on-system supplies flowing during this
19 time period. For example, assuming that the prevailing cost of on-system supply purchased
20 over this time frame had been \$5.00 per MMBtu, then any allocable supply would have been
21 more in line with the lower cost replacement-gas the Company continues to support. However,

¹ Cost of Gas Supply.

1 on-system gas supply prices often exceeded the OSS sales price. In Staff’s view, the actual
2 OSS margin was effectively eliminated by these extremely high on-system costs.

3 Q. On page 7, lines 24 through 25, of his Rebuttal Testimony, Mr. Yonce notes,
4 “Lastly, this is not the first time that Spire Missouri has used storage gas for an OSS.” Do you
5 have a response to this assertion?

6 A. Yes. Mr. Yonce’s comment was made with regard to my Direct Testimony,
7 which had noted that storage transactions were never contemplated by the OSS tariff.
8 To follow-up with Mr. Yonce’s statement, the Staff issued a data request inquiring what
9 storage OSS Mr. Yonce was referring to. The Company responded in Data Request (DR)
10 No. 0145 that ** [REDACTED]

11 [REDACTED]
12 [REDACTED]
13 [REDACTED] **

14 So the Company went back approximately ** [REDACTED]

15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 [REDACTED] ** bears no resemblance
21 to the unprecedented storage transaction that is the subject of this case.

OPERATIONAL FLOW ORDERS AND STORAGE WITHDRAWALS

1
2 Q. Please address Mr. Yonce’s Rebuttal Testimony that took exception with your
3 assessment that the Company’s purchase of high-cost flowing supplies directly allowed greater
4 inventory balances which ultimately facilitated the OSS transaction.

5 A. On page 12, lines 23-32 and page 13, lines 1 through 8, Mr. Yonce appears to
6 address a different subject area rather than the one I was addressing. His point, is that given
7 the presence of Operational Flow Orders (OFOs) and a long holiday weekend, “The OSS
8 Transaction did not impact the decisions the Company made involving storage utilization or the
9 amount of flowing gas it was required to purchase headed into the long weekend.” At this point,
10 I do consider it helpful to provide an illustration of what I believe the Company is attempting
11 to address. Provided as Schedule DMS-s1 is a Highly Confidential Schedule LSA-27 to Direct
12 Testimony of Lesa S. Adair as filed in Case No. GC-2021-0316. This schedule is a visualization
13 of the SAW-D-6 schedule filed with Mr. Weitzel’s Direct Testimony in this case. This graph
14 added *** [REDACTED] *** and has also been modified by Staff to show
15 prevailing Southern Star Central Gas Pipeline (“SSC” or “Southern Star”) gas daily index prices
16 (source, Staff’s Report in Case No. AO-2021-0264, page 60) for specified days. It is a good
17 way to attempt to understand the Company’s arguments that the OSS transaction did not
18 influence or hamper the Company’s ability to withdraw its full storage rights during the
19 high-cost days of Storm Uri. As the Staff was reviewing whether it was possible to ascertain
20 whether or not the Company had maximized withdrawals of its Southern Star storage, its review
21 has been made more difficult by the Company’s varying arguments about which Southern Star
22 restrictions were contributing to the Company’s inability to use its Maximum Daily Withdrawal
23 Quantity. For example, on page 24 through 27 in Case No. GC-2021-0316, Company witness

Surrebuttal Testimony of
David M. Sommerer

1 George Godat cited Southern Star's 2/3 storage versus 1/3 flowing supply rule as impacting the
2 Company's ability to use its Maximum Daily Withdrawal Quantity. However, Mr. Yonce's
3 rebuttal testimony references Southern Star OFO's as limiting the ability to maximize storage
4 withdrawals on pages 10, 11, 12, and 13 of his Rebuttal Testimony. This inconsistency was not
5 made any easier to resolve when the Company responded to a Staff request for ** [REDACTED]

6 [REDACTED]
7 [REDACTED]
8 [REDACTED] **

9 Q. Do you have a specific example in the storage graph (Highly Confidential
10 Schedule DMS-s1) where the Company's general explanation does not address why storage use
11 was not near the maximum?

12 A. Yes, on February 17, 2021 the Company only achieved a ** [REDACTED]
13 [REDACTED]
14 [REDACTED] ** per MMBtu. Known as a Cost of Gas Supply Schedule in the Company's tariff, the
15 Schedule lists the gas supplies to the Company's city gate for all of the Company's gas supply
16 contracts. This day was beyond the extended holiday weekend. Please see Confidential
17 Schedule DMS-s2.

18 Q. Mr. Yonce provides a hypothetical example on page 13, lines 14 through 22, of
19 his Rebuttal Testimony. What is your response to this example?

20 A. The example provides a hypothetical OSS where even though the Company had
21 baseload supply at \$3.00/Dth, it assigned a lower cost incremental gas supply of \$2.50 to an
22 OSS that was sold at \$3.00/Dth. Mr. Yonce observes that Staff's approach would eliminate the
23 profit margin on this deal and goes on to state that this "...scenario is a simple example of

Surrebuttal Testimony of
David M. Sommerer

1 exactly what happened with the OSS Transaction, yet Staff is trying to assign gas costs from
2 before the transaction ever occurred.” I would note that this hypothetical transaction is not the
3 same situation being discussed in this case. The hypothetical is not an OSS that involves a
4 transfer from the Company’s storage inventory, and it does not indicate the presence of
5 high-cost spot supplies before, during, and after the sale.

6 Q. Does this conclude your Surrebuttal Testimony?

7 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Spire Missouri, Inc. d/b/a)
Spire (West) Purchased Gas Adjustment) Case No. GR-2022-0136
(PGA) 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 *Surrebuttal 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.

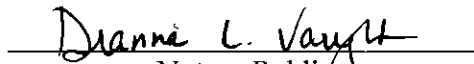


DAVID M. SOMMERER

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 28th day of March 2024.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377



Notary Public

Case No. GR-2022-0136

SCHEDULE DMS-s1

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY

Case No. GR-2022-0136

SCHEDULE DMS-s2

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY