

Exhibit No.:
Issues: Rate Design
Witness: Thomas M. Imhoff
Sponsoring Party: MO PSC Staff
Type of Exhibit: Direct Testimony
Case No.: GR-2014-0086
Date Testimony Prepared: June 13, 2014

MISSOURI PUBLIC SERVICE COMMISSION

**REGULATORY REVIEW DIVISION
UTILITY OPERATIONS**

DIRECT TESTIMONY

OF

THOMAS M. IMHOFF

SUMMIT NATURAL GAS OF MISSOURI, INC.

CASE NO. GR-2014-0086

*Jefferson City, Missouri
June 2014*

Staff Exhibit No. 107
Date 8-19-14 Reporter XF
File No. GR-2014-0086

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

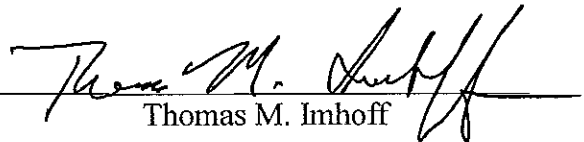
In the Matter of Summit Natural Gas of)
Missouri Inc.'s Filing of Revised Tariffs)
To Increase its Annual Revenues For)
Natural Gas Service)

Case No. GR-2014-0086

AFFIDAVIT OF THOMAS M. IMHOFF

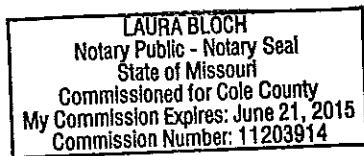
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Thomas M. Imhoff, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 5 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



Thomas M. Imhoff

Subscribed and sworn to before me this 13th day of June, 2014.





Notary Public

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DIRECT TESTIMONY

OF

THOMAS M. IMHOFF

SUMMIT NATURAL GAS OF MISSOURI, INC.

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DIRECT TESTIMONY

OF

THOMAS M. IMHOFF

SUMMIT NATURAL GAS OF MISSOURI, INC.

CASE NO. GR-2014-0086

Q. Please state your name and business address.

A. Thomas M. Imhoff, P.O. Box 360, Jefferson City, Missouri 65102.

Q. Are you the same Thomas Imhoff who previously filed direct testimony in the Staff's cost of service filing on May 30, 2014?

A. Yes.

Q. With reference to Case No. GR-2014-0086, have you participated in the Missouri Public Service Commission Staff's ("Staff") audit of Summit Natural Gas of Missouri, Inc. ("SNG" or "Company")?

A. Yes, I have.

A. EXECUTIVE SUMMARY

Q. What is the purpose of your Direct Testimony?

A. The purpose of my Direct Testimony is to provide an overview of Staff's position on SNG's class cost-of-service ("CCOS"), rate design, transportation service and the school transportation and aggregation program tariff language. A copy of Staff's CCOS is attached to the CCOS Report. The CCOS Report is being filed concurrently with this testimony. This report describes, in greater detail, Staff's position regarding these issues and was prepared by various Staff members under my direction. The "report" approach to the case filing is intended to minimize the number of Staff witnesses required to file individual

1 pieces of direct testimony and provides for a clearer presentation of the Staff's CCOS, rate
2 design, transportation service and the school transportation and aggregation program tariff
3 language.

4 **B. CLASS COST OF SERVICE**

5 Q. What is the purpose of Staff's CCOS testimony?

6 A. The purpose of Staff's CCOS recommendation is to provide the Commission
7 with a measure of relative class cost responsibility for the overall revenue requirements of
8 SNG.

9 Q. What is CCOS?

10 A. SNG's rates are based on the cost of providing service to its customers and the
11 opportunity to earn a return. Staff's CCOS study determines how SNG's cost of service
12 should be divided among its customers. For the purpose of setting a common rate for
13 individual classes of customer, those customers are grouped by similar characteristics such as
14 Residential, General Service (Commercial), Large General Service, Large Volume Service
15 and Transportation Service for the Rogersville and Branson Districts. For the Gallatin and
16 Warsaw Districts, the customer classes are General Service (Residential), Commercial
17 Service, Large Volume Service and Transportation Service. Staff then considered which class
18 is responsible for individual items of cost, and assigned that cost to the class by either direct
19 assignment or allocation using reasonable methods for determining the class responsibility for
20 that item.

21 Staff then summarized its results and compared those results to SNG's revenues being
22 collected from each class based on current rates. The difference between a particular
23 customer class' cost responsibility and the revenues generated by that customer class is the

1 amount that class is either subsidizing (revenues greater than costs) or is being subsidized
2 (revenues less than costs).

3 Q. What is Staff's recommendation on CCOS for the Gallatin, Warsaw,
4 Rogersville and Branson Districts?

5 A. Staff is recommending no revenue shifts in revenue responsibility between
6 SNG's rate classes for all districts.

7 **C. RATE DESIGN**

8 Q. What is rate design?

9 A. Rate design is the assignment of rates to each customer class and is based from
10 the Staff's CCOS and other relevant factors to this case.

11 Q. What is Staff's position regarding the rate design issue?

12 A. Staff is proposing the Straight Fixed Variable ("SFV") rate for the Residential,
13 General Service and Commercial classes. The SFV collects all non-gas costs in a flat, fixed
14 monthly/delivery charge. The charge is the same for all residential customers. Staff is
15 recommending conservation measures that are to be used in concert with the SFV rate design
16 proposal as outlined in the Staff's Cost of Service Report.

17 Staff recommends that each component of SNG's Large Volume Service and
18 Transportation Service non-gas tariff rates increase by the same percentage as SNG's non-gas
19 revenue requirement percentage increase. Staff is not proposing the SFV rate design for these
20 customer classes.

21 **D. TARIFF CHANGES TO THE TRANSPORTATION CLASS AND**
22 **SCHOOL AGGREGATION AND TRANSPORTATION**

23 Q. What is Staff's position regarding SNG's Transportation and School
24 Aggregation and Transportation tariff?

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1 A. Staff is proposing several changes to SNG's transportation and school
2 aggregation and transportation tariff. First, Staff is recommending tariff language to address
3 capacity release requirements for school transportation service in order to make the tariff
4 consistent with provisions in state statute. Second, SNG currently has a standard
5 transportation contract in its current tariff but none for a pool operator for the schools. Staff is
6 proposing a standard pool operator contract agreement in the tariff. Third, Staff is proposing
7 that SNG's school aggregation and transportation tariff be consistent with the current
8 transportation tariff relating to supply balancing on SNG's system. Staff also proposes
9 language to clarify that revenues collected from cash-out charges, imbalances, penalties and
10 overrun charges and other charges the pool aggregator created will be credited back to the
11 PGA/ACA account for the firm customers of SNG. Finally, Staff proposes that the School
12 Aggregation and Transportation tariff include language, consistent with state statute, that
13 telemetry will be required for all participants in the school aggregation program that exceed
14 one hundred thousand therms annually.

15 Q. Please identify the Staff witness responsible for addressing each area in the
16 CCOS Report.

17 A. The Staff witness for each listed issue is as follows:

| <u>Issue</u> | <u>Staff Witness</u> |
|---------------------------------------|----------------------|
| Class Cost of Service | Joel McNutt |
| Allocations | Daniel I. Beck |
| Rate Design | Henry E. Warren |
| School Aggregation and Transportation | Lesa Jenkins |
| School Aggregation and Transportation | Phil Lock |
| School Aggregation and Transportation | Kim Cox |

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1 Q. Does this conclude your Direct Testimony?

2 A. Yes it does.