Exhibit No.:

Issues: Class Cost of Service

Witness: Joel McNutt

Sponsoring Party: MO PSC Staff

Type of Exhibit: Surrebuttal Testimony

Case No.: GR-2014-0086

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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION Tariff, Safety, Economic & Engineering Analysis

OF

SURREBUTTAL TESTIMONY

JOEL MCNUTT

SUMMIT NATURAL GAS OF MISSOURI, INC.

CASE NO. GR-2014-0086

Jefferson City, Missouri August 2014

Statt Exhibit No 129

Date 8-19-14 Reporter 45

File No 69-2014-0086

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 JOEL MCNUTT			
STATE OF MISSOURI)) ss COUNTY OF COLE)			
preparation of the following Surrebuttal consisting of 2 pages of Surrebuttal T that the answers in the following Surrebutta	oath states: that he has participated in the Testimony in question and answer form, restimony to be presented in the above case, al Testimony were given by him; that he has answers; and that such matters are true to the		
	Joel McNutt		
Subscribed and sworn to before me this	day of August, 2014.		
LAURA BLOCH Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 21, 2015 Commission Number: 11203914	Notary Public		

1		SURREBUTTAL TESTIMONY
2		\mathbf{OF}
3		JOEL MCNUTT
4		SUMMIT NATURAL GAS OF MISSOURI, INC.
5		CASE NO. GR-2014-0086
6	Q.	Please state your name, title, and business address.
7	A.	Joel McNutt, Regulatory Economist, MO Public Service Commission, P.O.
8	Box 360, Jes	fferson City, MO 65102
9	Q.	Are you the same Joel McNutt that contributed as a witness to the Missouri
0	Public Commission's Staff's Class-Cost-of-Service ("CCOS") and Rate Design Report filed	
11	on June 13,	2014?
2	A.	Yes.
3	Q.	Please summarize your surrebuttal testimony.
14	A.	The purpose of my surrebuttal testimony is to address concerns by Summit
5	Natural Gas of Missouri ("SNG" or "Company") witness Kent Taylor regarding Staff's prior	
16	request that	SNG file a Class Cost-of-Service Study ("CCOS") for each of its divisions in this
17	rate case.	
.8	Q.	In what case was SNG instructed to file a complete CCOS Study for each
19	district in G	R-2014-0086?
20	A.	Per Staff's recommendation and the Commission's order in case No. GA-
21	2013-0404,	SNG was ordered to perform a separate class cost of service study for each of its
2	districts duri	ing its next filed rate case, which is this case.
23	Q.	Will SNG have to perform a CCOS study in their next rate case?

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Surrebuttal Testimony of Joel McNutt

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- A. No. Staff recommended a CCOS study be done in this rate case because, in several of the Company's districts, a CCOS had not been conducted before. The Company conducted a CCOS study in this case to ensure that rates in the respective districts were appropriate and fair given the differences in district size, geography, and cost to serve.
- Q. Does Staff recommend applying the results of either the Company's CCOS study or Staff's CCOS study directly to rate design for the purposes of this rate case?
- A. No. Staff treats the results of any CCOS study as a guide for rate making and not necessarily an exact rate design to be followed. A CCOS study attempts to capture, functionalize and allocate costs among customer classes as efficiently as possible, but there will always be disagreements about the analysis and therefore a CCOS cannot be seen as establishing a perfect rate design. Because rate design always involves subjective judgments about matters of public policy, no CCOS can completely resolve all differences in opinion about the "best" way to allocate costs as a reflection of the "true" cost of service for the utility and its customer classes.
 - Q. Does that conclude your surrebuttal testimony?
 - A. Yes.