

# Exhibit No. 122

*Exhibit No.:*  
*Issue:* *PGA/ACA consolidation;  
Seasonal PGA*  
*Witness:* *David M. Sommerer*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Rebuttal Testimony*  
*Case No.:* *GR-2021-0108*  
*Date Testimony Prepared:* *June 17, 2021*

**MISSOURI PUBLIC SERVICE COMMISSION**  
**FINANCIAL AND BUSINESS ANALYSIS DIVISION**  
**PROCUREMENT ANALYSIS**

**REBUTTAL TESTIMONY**  
**OF**  
**DAVID M. SOMMERER**

**SPIRE MISSOURI INC., d/b/a SPIRE**  
**SPIRE EAST and SPIRE WEST**  
**GENERAL RATE CASE**

**CASE NO. GR-2021-0108**

Jefferson City, Missouri  
*June 2021*

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **DAVID M. SOMMERER**

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5 **SPIRE EAST and SPIRE WEST**  
6 **GENERAL RATE CASE**

7 **CASE NO. GR-2021-0108**

8 Q. Please state your name and business address.

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

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

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

13 Q. Have you provided your education background and work experience in this file?

14 A. Yes. My education background and work experience is included in the attached  
15 Schedule DMS-r1.

16 **EXECUTIVE SUMMARY**

17 Q. What is the purpose of your rebuttal testimony?

18 A. My rebuttal testimony will rebut the Direct Testimony of Spire Missouri Inc.,  
19 d/b/a Spire (“Company”) witness Scott A. Weitzel with regard to the proposal to consolidate the  
20 Company’s Spire East and Spire West Purchased Gas Adjustment (PGA) clauses into one  
21 PGA clause. The Staff’s position is that the Company should continue to have two separate  
22 PGA clauses. In addition, I will be rebutting the Direct Testimony of Company witness  
23 Wesley E. Selinger with regard to its proposal to lower the PGA rate for a new seasonal class of  
24 customers. The Staff’s position is that a lower PGA rate for this proposed class is not justified.

1 **CONSOLIDATION OF PGA**

2 Q Do you agree with Mr. Weitzel's contention on page 14, lines 7-16, of his Direct  
3 Testimony that there are customer benefits to complete integration of tariffs?

4 A. Yes, but only in part. Mr. Weitzel argues that there are some streamlining and tariff  
5 administration benefits to consolidation. Although it is possible that certain recordkeeping and  
6 tariff filing efficiencies could be achieved with PGA consolidation, the detriments of consolidation  
7 for Spire East and Spire West at this time far outweigh the few perceived benefits. The gas  
8 portfolios of Spire West and Spire East are vastly different. There is no need to look any further  
9 than the recent experience from the cold weather event of February 2021, to find evidence that the  
10 two systems are not similar in many respects and, therefore, not a good candidate for integration  
11 into one PGA tariff. Spire West is served primarily by Southern Star Central (SSC) Gas Pipeline.  
12 The costs of the short-term supplies flowing on SSC during February 2021 far exceeded gas supply  
13 costs on other pipelines serving Spire East. In the cold weather event Case No. AO-2021-0264,  
14 the Company provided a presentation (filed on March 24, 2021 in Case No. AO-2021-0264) which  
15 contained a very informative chart. This chart (Electronic File Information System, Item 9 in Case  
16 No. AO-2021-0264) on slide 8 entitled *February daily natural gas prices*, illustrated spot prices  
17 on SSC as compared to other pipelines for most of February 2021. The SSC pricing point is simply  
18 not a material aspect of Spire East's portfolio. However, for Spire West, gas supply pricing on  
19 SSC, is extremely material since that pipeline serves significant parts of that system.

20 In addition to the pricing aspects of supply, there is a significant difference in the supply  
21 basins that serve Spire West versus Spire East. A significant source of supply for the Kansas City  
22 area continues to be the Mid-Continent production areas to the west. This is in stark contrast to  
23 the ever increasing access to the Marcellus supplies to the east that are trending upward on the  
24 St. Louis system. Again, taking a lesson from the recent February 2021 cold weather event, even

1 | though there were larger volumes of reported well-head freeze-offs impacting the Southern Star  
2 | system serving the Spire West system, the major pipeline serving the St. Louis area was not  
3 | impacted to nearly the same extent.

4 |         The major differences between the Spire East and Spire West portfolios continue.  
5 | Spire East has long had access to its own aquifer storage. This storage field is in no way connected  
6 | to the Spire West system. The two distribution systems are effectively separate Local Distribution  
7 | Companies (LDCs) with separate PGA portfolios.

8 |         Finally, and importantly, as was seen from the Company's presentation in the cold weather  
9 | event Case No. AO-2021-0264, pricing exposure and impacts could be greatly different between  
10 | Spire East and Spire West. The key issues with gas marketer deliveries and related Operational  
11 | Flow Orders (OFOs) were not even noted as issues on the Spire East system, while they continue  
12 | to be very relevant to the Spire West system. Ultimately, the February 2021 event illustrates that  
13 | it is not equitable to ask Spire East customers to bear a portion of the costs that were solely related  
14 | to events on the Spire West system. Generally speaking the 2013 merger of Missouri Gas Energy  
15 | and Laclede Gas Company should not result in detriments experienced by one company being  
16 | automatically passed on to or the other due to the merger. Here, if the Company's proposed rate  
17 | consolidation had been in effect in early 2021, it would have had the effect of asking customers on  
18 | the east side of the state to pay for the economic consequences of events solely related to the west  
19 | side of the state.

20 |         Q.     Do you agree with Mr. Weitzel's observations and conclusions on page 16 of his  
21 | Direct where he summarized the benefits of the Ameren PGA consolidation?

22 |         A.     No. The recent combination of Ameren's Rolla system with the other statewide  
23 | PGA is not comparable to the proposal to combine the PGAs of Spire East and Spire West. The  
24 | Ameren consolidation of Rolla was effectively the incorporation of one relatively small pipeline

1 incrementally serving a much larger, already existing system. What is important to note is that  
2 other Missouri LDCs have separate PGA rate areas which continue to serve customers of Empire  
3 District Gas, Liberty Midstates, and Summit Natural Gas.

4 Q. How do you answer Mr. Weitzel's argument on page 19, lines 19-23, to page 20,  
5 lines 1-6, that the impacts of price spikes can be leveled or made more stable?

6 A. The proposal to consolidate PGA rate areas would merely blend items that are  
7 unique to separate systems and require other customers to pay for costs they would not incur or  
8 otherwise be responsible for had the merger and blending of rates never happened. The proposed  
9 consolidation of PGA rate areas dilutes accountability and the ability to evaluate prudence because  
10 it spreads the effects of key gas decisions over a larger customer base that would not accurately  
11 reflect the customers served.

## 12 **SEASONAL PGA RATES**

13 Q. In his Direct Testimony, on page 27, lines 21-22 to page 28, lines 1-2, Mr. Selinger  
14 describes a proposal to develop Seasonal PGA rates for certain customers. Do you agree with this  
15 proposal?

16 A. No. The Company's proposed "Seasonal tariff would be available to any SGS or  
17 LGS customers who experience 50% or more of their load requirements in the summer period of  
18 May through October". Mr. Selinger goes on to say that for these customers, "Spire would  
19 calculate a separate PGA tariff excluding transportation/capacity costs, similar to the current  
20 Interruptible PGA rate". This limited explanation is nearly all the information provided to support  
21 the proposed availability of this new PGA class. Generally speaking, absent compelling and  
22 substantial evidence to the contrary, one customer's gas cost within a class should be assumed to  
23 be the same as another customer's gas cost. Even within the residential class, it is likely that

1 customers represent a diverse pattern of individual loads, with some customers experiencing more  
2 heating load at various points in the season, than other customers. There are no set of facts which  
3 show that the elimination of transportation/capacity costs for one group of customers to be  
4 equitable within the particular class.

5 Q. Why don't you see the proposed non-allocation of pipeline charges as reasonable?

6 A. In the majority of situations, interstate pipeline reservation charges (described here  
7 as transportation/capacity costs) are incurred for the entire year. Many segments of gas costs that  
8 are recoverable through the PGA may pertain more heavily to a certain group of customers based  
9 upon load factors, time of use, amount of use, etc. These gas costs are nonetheless allocated to all  
10 customer classes. Hedging costs would be a primary example. Hedging costs related to addressing  
11 price exposure in the coldest part of the winter might not be as applicable to a customer with higher  
12 loads in the shoulder months, yet the value (and costs) of the hedge instruments would be spread  
13 to all PGA customers.

14 Q. Is it true that a customer group with higher loads in the summer can have the effect  
15 of reducing the acquisition of pipeline capacity?

16 A. Not necessarily. Again, if pipeline reservation charges are paid year-round, the  
17 Company will not be able to shed capacity on its interstate pipeline suppliers for customers that  
18 may have a higher percentage of summer load.

19 Q. Does this conclude your rebuttal testimony?

20 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Spire Missouri Inc.'s d/b/a )  
Spire Request for Authority to Implement a ) Case No. GR-2021-0108  
General Rate Increase for Natural Gas )  
Service Provided in the Company's )  
Missouri Service Areas )

**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 *Rebuttal 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*  
\_\_\_\_\_  
**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 16<sup>th</sup> day of June 2021.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

*D. Suzie Mankin*  
\_\_\_\_\_  
Notary Public

## **David M. Sommerer**

### **Educational Background and Work Experience**

In May 1983, I received a Bachelor of Science degree in Business and Administration with a major in Accounting from Southern Illinois University at Carbondale, Illinois. In May 1984, I received a Master of Accountancy degree from the same university. Also, in May 1984, I sat for and passed the Uniform Certified Public Accountants examination. I am currently a licensed CPA in Missouri. Upon graduation, I accepted employment with the Commission.

From 1984 to 1990 I assisted with audits and examinations of the books and records of public utilities operating within the state of Missouri. In 1988, the responsibility for conducting the Actual Cost Adjustment (ACA) audits of natural gas utilities was given to the Accounting Department. I assumed responsibility for planning and implementing these audits and trained available Staff on the requirements and conduct of the audits. I participated in most of the ACA audits from early 1988 to early 1990. On November 1, 1990, I transferred to the Commission's Energy Department. Until November of 1993, my duties consisted of reviews of various tariff proposals by electric and gas utilities, Purchased Gas Adjustment (PGA) reviews, and tariff reviews as part of a rate case. In November of 1993, I assumed my present duties of managing a newly created department called the Procurement Analysis Department. This Department was created to more fully address the emerging changes in the gas industry especially as they impacted the utilities' recovery of gas costs. My duties have included managing the Procurement Analysis staff, reviewing ACA audits and recommendations, participating in the gas integrated resource planning project, serving on the gas project team, serving on the natural gas commodity price task force, and participating in matters relating to natural gas service in the state of Missouri. In July of 2006, the Federal Issues/Policy Analysis Section was transferred to the Procurement Analysis Department. That group analyzes filings made before the Federal Energy Regulatory Commission (FERC). During the reorganization in August 2011, the Federal Issues/Policy Analysis Section was transferred to the Secretary/ General Counsel Division. In 2015, I assumed the responsibility for the rate design aspects of the Gas Infrastructure System Replacement Surcharge (ISRS) process. The Gas ISRS allows for a more expedited process of including eligible pipeline replacements in rates prior to general rate cases. In April of 2021, I participated in the development of Staff's Report in the Cold Weather Event Investigation Case No. AO-2021-0264.

**CASES WHERE TESTIMONY  
WAS FILED  
DAVID M. SOMMERER**

<b>COMPANY</b>	<b>CASE NO.</b>	<b>ISSUES</b>
Spire East	GO-2019-0356	ISRS rates
Spire West	GO-2019-0357	ISRS rates
Spire East	GO-2019-0115	ISRS rates
Spire West	GO-2019-0116	ISRS rates
Spire East	GO-2018-0309	ISRS rates
Spire West	GO-2018-0310	ISRS rates
Missouri Gas Energy	GO-2017-0201	ISRS rates
Laclede Gas Company	GO-2017-0202	ISRS rates
Missouri Gas Energy	GR-2017-0216	Gas Inventory Carrying Cost and Service Agreements
Laclede Gas Company	GR-2017-0215	Gas Inventory Carrying Cost and Service Agreements
Laclede Gas Company	GO-2016-0333	ISRS rates
Missouri Gas Energy	GO-2016-0332	ISRS rates
Laclede Gas Company (MGE)	GO-2016-0197	ISRS rates
Laclede Gas Company	GO-2016-0196	ISRS rates
Liberty Utilities (Midstates Natural Gas) Corp., d/b/a Liberty Utilities	GR-2014-0152	Special Contact Customers Gas Contract
Missouri Gas Energy	GR-2014-0007	Gas Supply Incentive Plan Property Tax PGA Recovery

COMPANY	CASE NO.	ISSUES
Laclede Gas Company	GR-2010-0171	Bad Debt in PGA, CAM
Atmos Energy Corporation	GR-2009-0417	Affiliated Transactions
Atmos Energy Corporation	GR-2008-0364	Affiliated Transactions
Missouri Gas Energy	GR-2009-0355	PGA tariff
Laclede Gas Company	GT-2009-0026	Tariff Proposal, ACA Process
Missouri Gas Utility	GR-2008-0060	Carrying Costs
Laclede Gas Company	GR-2007-0208	Gas Supply Incentive Plan, Off-system Sales, Capacity Release
Laclede Gas Company	GR-2005-0284	Off-System Sales/GSIP
Laclede Gas Company	GR-2004-0273	Demand Charges
AmerenUE	EO-2004-0108	Transfer of Gas Services
Aquila, Inc.	EF-2003-0465	PGA Process, Deferred Gas Cost
Missouri Gas Energy	GM-2003-0238	Pipeline Discounts, Gas Supply
Laclede Gas Company	GT-2003-0117	Low-Income Program
Laclede Gas Company	GR-2002-356	Inventory, Off-System Sales
Laclede Gas Company	GR-2001-629	Inventory, Off-System Sales
Laclede Gas Company	GR-2001-387	ACA Price Stabilization
Missouri Gas Energy	GR-2001-382	ACA Hedging/Capacity Release
Laclede Gas Company	GT-2001-329	Incentive Plan
Laclede Gas Company	GO-2000-394	Price Stabilization
Laclede Gas Company	GT-99-303	Incentive Plan
Laclede Gas Company	GC-99-121	Complaint PGA
Laclede Gas Company	GR-98-297	ACA Gas Cost
Laclede Gas Company	GO-98-484	Price Stabilization

COMPANY	CASE NO.	ISSUES
Laclede Gas Company	GR-98-374	PGA Clause
Missouri Gas Energy	GC-98-335	Complaint Gas Costs
United Cities Gas Company	GO-97-410	PGA Clause
Missouri Gas Energy	GO-97-409	PGA Clause
Missouri Gas Energy	GR-96-450	ACA Gas Costs
Missouri Public Service	GA-95-216	Cost of Gas
Missouri Gas Energy	GO-94-318	Incentive Plan
Western Resources Inc.	GR-93-240	PGA tariff, Billing Adjustments
Union Electric Company	GR-93-106	ACA Gas Costs
United Cities Gas Company	GR-93-47	PGA tariff, Billing Adjustments
Laclede Gas Company	GR-92-165	PGA tariff
United Cities Gas Company	GR-91-249	PGA tariff
United Cities Gas Company	GR-90-233	PGA tariff
Associated Natural Gas Company	GR-90-152	Payroll
KPL Gas Service Company	GR-90-50	Service Line Replacement
KPL Gas Service Company	GR-90-16	ACA Gas Costs
KPL Gas Service Company	GR-89-48	ACA Gas Costs
Great River Gas Company	GM-87-65	Lease Application
Grand River Mutual Tel. Company	TR-87-25	Plant, Revenues
Empire District Electric Company	WR-86-151	Revenues
Associated Natural Gas Company	GR-86-86	Revenues, Gas Cost
Grand River Mutual Telephone	TR-85-242	Cash Working Capital
Great River Gas Company	GR-85-136	Payroll, Working Capital
Missouri-American Water Company	WR-85-16	Payroll