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Issue: ISRS Rates  
Witness: David M. Sommerer  
Sponsoring Party: MoPSC Staff  
Type of Exhibit: Direct Testimony  
Case No.: GO-2016-0332,  
GO-2016-0333,  
GO-2017-0201 and  
GO-2017-0202  
Date Testimony Prepared: August 22, 2018

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**PROCUREMENT ANALYSIS**

**DIRECT TESTIMONY**

**OF**

**DAVID M. SOMMERER**

**SPIRE MISSOURI, INC.**

**CASE NOS. GO-2016-0332, GO-2016-0333,  
GO-2017-0201 and GO-2017-0202**

Jefferson City, Missouri  
August 2018

Staff Exhibit No. 106  
Date 8/27/18 Reporter *DMB*  
File No. *GO-2016-0332+0333*  
*GO-2017-0201*  
*0202*

1 DIRECT TESTIMONY

2 OF

3 DAVID M. SOMMERER

4 SPIRE MISSOURI, INC.

5 CASE NOS. GO-2016-0332, GO-2016-0333,  
6 GO-2017-0201 and GO-2017-0202

7 Q. Please state your name and business address.

8 A. David M. Sommerer, P.O. Box 360, Jefferson City, MO 65102.

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

10 A. I am employed by the Missouri Public Service Commission ("Commission")

11 as the Manager of the Procurement Analysis Department, which, among other duties, is  
12 responsible for part of the Staff's recommendation in natural gas ISRS cases.

13 Q. Please describe your educational background and work experience.

14 A. Please see Schedule DMS-d1, for my education, background, and work  
15 experience, attached to my testimony.

16 Q. Have you previously filed testimony before this Commission?

17 A. Yes. Please see Schedule DMS-d1, for a list of cases and the issues I have  
18 addressed in testimony, attached to my testimony.

19 **EXECUTIVE SUMMARY**

20 Q. Please summarize your testimony in this proceeding.

21 A. In this testimony I will discuss the importance of having a comprehensive and  
22 detailed plan that covers both before and after design of the distribution system. Without such

1 a planning document, a simplified approach is necessary for purposes of allocating the plastic  
2 mains and services in the context of the ISRS.

3 **Quantifying the Appropriate Adjustment**

4 Q. What is the purpose of this section of your testimony?

5 A. My testimony in this section is to support Staff witness Kimberly K. Bolin's  
6 percentage approach used to quantify Staff's adjustment related to the replacement of plastic.  
7 In summary, the Company has provided Staff with limited information when asked for  
8 detailed plans regarding the "systematic" approach to pipeline replacement. A more  
9 sophisticated approach to allocating plastic out of the ISRS calculation would require  
10 extensive "before and after" design information from Spire Missouri that might explain the  
11 differences in the old and new systems.

12 Q. Has Staff ever asked for master planning documents for Spire East?

13 A. Yes. I found at least two instances where Staff submitted data requests in  
14 ISRS cases related to Spire East's master planning documents. In Laclede Gas Company  
15 Case No. GO-2016-0196, Staff Data Request No. 0005, the Company provided a high level  
16 2012 slide presentation along with some additional summary material including a screen  
17 image depicting various pressure areas on the Company's system. The other instance  
18 where Staff requested master planning documents was in this case (GO-2018-0309)  
19 Data Request No. 0001. The Company's response was a one page map of proposed  
20 2018-2020 replacements.

21 Q. Has Staff ever asked for master planning documents for Spire West?

22 A. Yes. I found at least two instances where Staff submitted data requests in  
23 ISRS cases related to Spire West's master planning documents. In Missouri Gas Energy

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1 Case No. GO-2016-0197, Staff Data Request No. 0001 the Company provided a slide  
2 presentation from 2015 but in that case Spire West did in fact include additional summary  
3 material with the slide presentation. In the current case (GO-2018-0310) in Staff Data  
4 Request No. 0001, the Company provided a more detailed 2018 "summary" slide  
5 presentation, in addition to a one page map.

6 Q. Why is it critical for the Company to provide comprehensive and detailed  
7 planning documents with regard to its replacement strategy?

8 A. Detailed "before and after" design schematics and planning narratives could  
9 shed additional light on the complexity of a program that has so many facets. In light of the  
10 Court of Appeal's decision to re-examine ISRS eligibility based on the terms "worn out" and  
11 "deteriorated condition" as they relate to plastic mains and services, detailed plans might  
12 explain why the old low pressure system and the new intermediate pressure systems use  
13 different lengths of pipe.

14 Q. Do you believe the information provided in response to Staff Data Request  
15 No. 0001 in this case and the 2012 presentation are sufficient to explain important aspects of  
16 why the distribution system being replaced differs in design and function from the newly  
17 constructed distribution system?

18 A, No. The provided "plans" are high level overviews, essentially in a slide  
19 presentation format.

20 Q. Why wouldn't a high level overview be sufficient for achieving a  
21 detailed understanding of the design of the old cast iron system versus the new intermediate  
22 pressure system?

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1           A.     In attempting to understand all the reasons different locations and lengths of  
2 main might be used for a particular neighborhood project and the work order associated with  
3 that project, it is necessary to view the existing (old) system versus the newly constructed  
4 system. Detailed plans have the potential of explaining why there is a significant amount of  
5 plastic main being retired, and whether it is valid to compare the two systems for a particular  
6 project area.

7           Q.     Can you provide a few situations to illustrate why this case is complex from a  
8 technical or operational standpoint?

9           A.     Yes. For Spire East, prior to 2011, the Company's approach was more of a  
10 "piecemeal" approach to replacing cast iron. Around 7 or 8 miles of cast iron were "replaced"  
11 per year. Part of these "replacements" involved inserting lengths of plastic main into existing  
12 cast iron. So in these instances, the "lengths" of new plastic main were really not so much a  
13 short "patch" but new replacement main. This particular aspect is relevant to approaches on  
14 valuing the plastic main adjustment, because longer sections of main are not so much a  
15 "patch" as a replacement of the cast iron. If the Company replaces that relatively newer  
16 plastic insert, it is not really replacing ancient cast iron main, but relatively new plastic main  
17 that had already effectively replaced the original main.

18          Q.     Is it conceivable that the Company's "systematic" replacement approach has  
19 ended up replacing main that had already been replaced under its previous "piecemeal" or  
20 block by block approach?

21          A.     Yes. It is possible that the Company has previously requested ISRS  
22 recovery of the cost of inserting this relatively new plastic main under the "piecemeal"  
23 approach 10 years ago, while re-replacing it in its post-2012 entire cast iron system

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1 replacement approach. This is important to know to understand whether the replacement  
2 program is actually incorporating many incidental patches or what is being replaced includes  
3 much longer segments of previously "replaced" cast iron using plastic inserts.

4 Q. Are there further complicating factors that, absent the availability of detailed  
5 plans, make simple percentage allocations such as Staff's necessary?

6 A. Yes. It is not totally clear when new main is being added to facilitate new  
7 interstate pipeline take-points versus having some additional purpose of replacing part of the  
8 existing "worn out" system. The new regulator stations are drawing gas from the supply  
9 feeder system at different points than the old system. A redesign of the distribution system  
10 may impact how gas is taken from various interstate pipeline interconnects. A detailed plan,  
11 had it been provided, may have allowed a better comparison about the lengths of main retired  
12 with the old system as compared to the new plastic higher pressure system.

13 Q. Can you provide a situation related to Spire West that illustrates why this case  
14 is complex from a technical or operational standpoint?

15 A. Yes. Prior to 2015, the Company's approach was not the extensive redesign  
16 discussed in recently provided 2018 documentation.

17 It is not totally clear when new main is being added to facilitate new interstate  
18 pipeline take-points versus having some additional purpose of replacing part of the existing  
19 "worn out" system.

20 Q. Why did Staff's position change regarding the inclusion or exclusion of plastic  
21 mains and services?

22 A. Previously Staff took the approach that plastic replacements were indeed  
23 incidental to the replacement of the entire cast iron system. There was a general acceptance

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1 | that the plastic mains that were replaced were often short "patches." However, although I am  
2 | not an attorney, my understanding of the Court of Appeals' direction is to establish instances  
3 | where plastic mains and services were not worn out or deteriorated. Upon identifying those  
4 | situations, the ISRS would then need to be reduced by those replacement costs.

5 |       Q.     Does this conclude your direct testimony in this proceeding?

6 |       A.     Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of the Application of )  
Laclede Gas Company to Change its ) Case No. GO-2016-0332  
Infrastructure System Replacement Surcharge )  
in its Missouri Gas Energy Service Territory )

In the Matter of the Application of )  
Laclede Gas Company to Change its ) Case No. GO-2016-0333  
Infrastructure System Replacement Surcharge )  
in its Laclede Gas Service Territory )

In the Matter of the Application of )  
Laclede Gas Company to Change its ) Case No. GO-2017-0201  
Infrastructure System Replacement Surcharge )  
in its Missouri Gas Energy Service Territory )

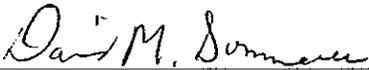
In the Matter of the Application of )  
Laclede Gas Company to Change its ) Case No. GO-2017-0202  
Infrastructure System Replacement Surcharge )  
in its Laclede Gas Service Territory )

**AFFIDAVIT OF DAVID M. SOMMERER**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

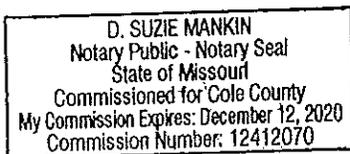
**COMES NOW DAVID M. SOMMERER** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Direct Testimony; and that the same is true and correct according to his best knowledge and belief.

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 22<sup>nd</sup> day of August, 2018.



  
\_\_\_\_\_  
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.

**CASES WHERE TESTIMONY**

**WAS FILED**

**DAVID M. SOMMERER**

COMPANY	CASE NO.	ISSUES
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
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

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COMPANY	CASE NO.	ISSUES
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
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

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COMPANY	CASE NO.	ISSUES
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