

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

In the Matter of the Application of Summit )  
Natural Gas of Missouri Inc. for Approval of a ) File No. GT-2022-\_\_\_\_\_  
Tariff Revision Related to Its PGA Clause to ) (JG-2022-0065)  
Allow Flexibility as to Recovery. )

**APPLICATION FOR APPROVAL OF TARIFF REVISION  
RELATED TO THE PGA CLAUSE,  
MOTION FOR EXPEDITED TREATMENT,  
AND REQUEST FOR WAIVER**

**COMES NOW** Summit Natural Gas of Missouri, Inc. (“SNGMO” or the “Company”), and, as its *Application for Approval of Tariff Revision Related to the PGA Clause, Motion for Expedited Treatment, and Request for Waiver* (“Application”), states as follows:

**APPLICANT**

1. SNGMO is an indirect, wholly owned subsidiary of Summit Utilities, Inc., through an intermediate holding company, (Summit LDC Holdings, Inc. (“MidCo”), and is a corporation duly incorporated under the laws of the State of Colorado with its principal offices located at 10825 E. Geddes Avenue, Suite 410, Centennial, Colorado 80112. A copy of a certificate from the Missouri Secretary of State that SNGMO is authorized to do business in Missouri as a foreign corporation is attached hereto as **Appendix A**. Other than cases that have been docketed at the Commission, SNGMO has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court within the past three years that involve customer service or rates. SNGMO has no annual report or assessment fees that are overdue.

2. SNGMO conducts business as a “gas corporation” and a “public utility” as those terms are defined in Section 386.020, RSMo and provides natural gas service in the Missouri counties of Harrison, Daviess, Caldwell, Pettis, Benton, Morgan, Camden, Miller, Greene,

Webster, Laclede, Wright, Douglas, Texas, Howell, Lawrence, Barry, Stone, and Taney, subject to the jurisdiction of the Commission as provided by law.

3. All correspondence, communications, notices, orders and decisions of the Commission with respect to this matter should be sent to the undersigned counsel and:

Brooke South Parsons  
Corporate Counsel  
Summit Utilities Inc.  
10825 E. Geddes Ave., Ste. 410  
Centennial, CO 80112  
Telephone: 479-462-1178  
Email: [bsouth@corp.summitutilities.com](mailto:bsouth@corp.summitutilities.com)

### **BACKGROUND**

4. SNGMO's tariff includes its Purchased Gas Adjustment (PGA) Clause (Sheets Nos. 50-58). The purpose of the PGA Clause is to provide a mechanism for the recovery of the cost of gas and includes both: (1) The Regular Gas Adjustment factor; and, (2) The Actual Cost Adjustment (ACA) factors. (*See* Sheet No. 50).

5. Among other things, the PGA Clause requires that the ACA factors be set by addressing the cumulative balance of over-recoveries or under-recoveries during a twelve-month period. (*See* Sheet No. 54). The PGA clause further requires that interest is credited to the customers or Company, as appropriate, at a simple rate equal to the prime bank leading rate (as published in *The Wall Street Journal* on the first business day of the following month), minus two (2) percentage points.

### **PROPOSED TARIFF REVISION**

6. As explained in detail below, because of the impact of the storm URI, SNGMO's cost of gas for the September 1, 2020, to August 31, 2021 season is significantly greater than in any prior year. SNGMO believes that recovery of these amounts over multiple years is necessary

to mitigate the impact on customers. Additionally, because SNGMO has been required to finance these gas costs through equity and expects to ultimately finance the cost of gas through a combination of equity and debt, the interest rate otherwise provided by the PGA Clause will not adequately address SNGMO's actual costs associated with these gas costs.

7. Accordingly, concurrent with the filing of this Application, SNGMo has filed P.S.C. MO No. 3, 1<sup>st</sup> Revised Sheet No. 55, Cancelling Original Sheet No. 55. The referenced tariff sheet contains an issue date of September 30, 2021, and a proposed effective date of October 30, 2021, has been assigned Tracking No. JG-2022-0065, and is provided with this Application.

8. The subject tariff sheet includes the following new provision:

In the event of an Act of God or weather circumstance that has an extraordinary impact on the natural gas market, the Company may apply to the Commission to seek to extend the ACA recovery period beyond 12 months, and may also apply for the recovery of carrying costs associated with such deferred recovery at a rate different from that identified in Sheet No. 52.

9. SNGMO requests that the Commission approve the proposed tariff sheet.

### URI

10. As the Commission is well aware, during mid-February 2021 extreme winter weather severely impacted customers in SNGMO's service area and the surrounding region. This weather event brought record-breaking cold temperatures, disruptions of gas supply, and extreme volatility in natural gas markets over a period of several days. The Company experienced gas supply shortages and extremely high market prices in connection with the storm.

11. The extreme cold temperatures, extended period of those temperatures, and precipitation contributed to what some have described as an "85 year event".<sup>1</sup> According to the National Weather Service, the western side of the state experienced the coldest temperatures, while

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<sup>1</sup> In regard to the weather information contained herein, see Staff Report, File Np. AO-2021-0264 (April 30, 2021).

the St. Louis and Springfield areas experienced larger snowfall amounts.

12. Kansas City saw temperatures from -13 degrees to 23 degrees during this period, with February 15 having a high temperature of -1 degree and a low temperature of -10 degrees. Snow depths were about 1 to 3 inches during this period.

13. Springfield saw temperatures from -15 degrees to 19 degrees during this period, with February 15, 2021, having a high temperature of 0 degrees and a low temperature of -9 degrees. Snow depth on February 17, 2021, was about 7 inches.

14. While the daytime highs on February 16, 2021, were generally in the double digits, each area saw its lowest temperatures on that day, with Kansas City and Springfield hitting lows of -13 degrees and -15 degrees, respectively.

#### **GAS MARKETS**

15. SNGMO manages its natural gas supply through a combination of fixed price contracts and gas purchased at index pricing. These procurement practices, which are provided annually to the Staff of the Commission, are designed to balance the risks and opportunities of the commodity market, allowing gas prices to stay relatively low and relatively stable for SNGMO customers. In a wide range of weather and market conditions, SNGMO's procurement practices have, in the past, mitigated upward natural gas spikes and helped keep the Company's cost of gas stable.

16. The historic spike in natural gas prices during the period of February 13-17 fell well outside the typical range of forecastable market conditions or anything previously experienced. In this instance, market prices increased from approximately \$2.50/mmbtu to over \$620/mmbtu by the end of the cold weather event. To provide an idea of the order of magnitude represented by this event, SNGMO spent \$6,896,392 to purchase natural gas for the entire 2020 calendar year.

By comparison, SNGMO spent \$34,338,147 to purchase the necessary natural gas to keep gas flowing to its customers in February 2021 only.

17. To keep supply and service secure during this extraordinary event, while trying to mitigate the price impact on customers, SNGMO implemented additional measures including: reaching out through multiple channels to encourage customers to conserve energy; kept in communication with the Staff of the Commission; made daily nomination adjustments throughout the long weekend; ordered our non-human needs transport customers in the Rogersville district to reduce process load and use heat only; and operated its compressed natural gas facility to support system needs.

### **IMPACTS ON CUSTOMERS**

18. If the Company were to use its typical, and Commission approved, means for recovering the approximately \$30.7 million of winter storm gas supply costs from Missouri customers through a single winter cost of gas adjustment, it would be necessary to increase gas supply charges to customers by 40% - 141%, depending on rate area and customer class.

### **RECOVERY PERIOD**

19. SNGMO's sales customers are facing a significant increase in their gas supply bills through no fault of their own or of SNGMO. Extending recovery over a period of years and including appropriate carrying costs would help mitigate rate shock and hardships on customers without unduly burdening SNGMO. Because of the impact described above, SNGMO believes that its PGA Clause should be amended to provide the possibility of a recovery period longer than the twelve months currently provided.

### **FINANCING OF COSTS**

20. Typically, SNGMO funds its gas supply costs through short-term working capital.

This is appropriate given that forecasted gas supply costs are generally recovered during the current gas year and the difference between the forecasted and actual costs being refunded to or recovered from customers in the subsequent gas year as appropriate. The funding matches the recovery period

21. Given the magnitude of the gas supply costs incurred by the Company in February 2021, the typical means of funding were grossly insufficient. As an initial matter, SNGMO obtained equity to cover the extraordinary gas supply costs that were incurred on behalf of customers. Ultimately, MidCo will likely pursue and obtain debt financing for a portion of these gas supply costs and other capital needs of SNGMO and MidCo's other operating companies. MidCo is the holding company where the debt financing is held for Arkansas Oklahoma Gas Corporation, Summit Natural Gas of Missouri, and Colorado Natural Gas.

22. The magnitude of the February 2021 gas supply costs also rules out funding those costs solely through debt. Relying only on debt financing would cause Summit LDC Holdings, Inc.'s credit worthiness to decrease with a higher leverage level. This would result in the credit markets viewing MidCo as a riskier borrower, and lenders would require higher interest rates on debt. Depending on the degree of over leveraging, debt covenants under existing and future credit facilities could be triggered. Also, over leveraging the capital structure with debt would make the Company riskier to equity holders also, who in turn would require a higher return on their equity investment.

23. Accordingly, the long-term financing of the February 2021 extraordinary gas supply costs is planned to be provided through a combination of debt and equity and SNGMO believes that it is appropriate to amend its PGA Clause to provide for the opportunity for interest at a rate greater than that currently reflected in the tariff.

## **MOTION FOR EXPEDITED TREATMENT**

24. SNGMO moves for expedited treatment of this *Application* in accordance with 20 CSR 4240-2.080(14) and a decision on this application be effective by October 31, 2021, or that the subject tariff sheet be allowed to go into effect by October 31, 2021.

25. An effective decision on this Application is needed by October 31, 2021, so that the annual Winter PGA filing (which must be filed between October 15 and November 4) may reflect the rates mitigation measure of extending the ACA recovery period beyond twelve months, which benefits customers. Therefore, good cause exists to approve this *Application* on an expedited basis. Moreover, because of this potential benefit for customers, there will be no negative impact on customers or the general public if the Commission grants such relief on an expedited basis.

## **REQUEST FOR WAIVER**

26. SNGMO has not filed a 60 day notice pursuant to 20 CSR 4240-4.017(1), and to the extent required, requests a waiver of this requirement. Rule 20 CSR 4240-4.017(1)(D) provides that a waiver may be granted for good cause. Good cause exists in this case. SNGMO declares (as verified below) that it has had no communication with the office of the Commission (as defined by Commission Rule 20 CSR 4240-4.015(10)) within the prior 150 days regarding any substantive issue likely to be in this case, other than in docketed cases. Accordingly, to the extent that the Commission may find it to be applicable, and for good cause shown, SNGMO moves for a waiver of the 60-day notice requirement of Rule 20 CSR 4240-4.017(1) and acceptance of this Application.

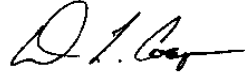
**WHEREFORE**, SNGMO respectfully requests that the Commission issue an order

granting the requests identified herein.

Respectfully submitted,

**BRYDON, SWEARENGEN & ENGLAND P.C.**

By:



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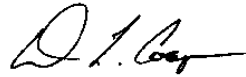
**ATTORNEYS FOR SUMMIT NATURAL GAS  
OF MISSOURI INC.**

**CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 30<sup>th</sup> day of September, 2021, to:

General Counsel's Office  
[staffcounservice@psc.mo.gov](mailto:staffcounservice@psc.mo.gov)

Office of the Public Counsel  
[opcservice@opc.mo.gov](mailto:opcservice@opc.mo.gov)






VERIFICATION

State of COLORADO            )  
  ) ss  
County of JEFFERSON        )

I, Brooke South Parsons, having been duly sworn upon my oath, state that I am Brooke South Parsons of Summit Utilities, Inc., that I am duly authorized to make this affidavit on behalf of Summit Natural Gas of Missouri, Inc. (SNGMO), that I have knowledge of the matters stated herein, and that said matters are true and correct to be best of my knowledge and belief. Additionally, no representative of SNGMO has had any communication with the office of the Missouri Public Service Commission as defined in Commission Rule 20 CSR 4240-4.015(10) within the immediately preceding 150 days regarding the subject matter of this Application.

*Brooke South Parsons*            09/30/2021  
08:41 AM MDT

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Subscribed and sworn before me this 30th day of September, 2021.



Online Notary Public. This notarial act involved the use of online audio/video communication technology.

        
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Notary Public