

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2021-0128 – Spire Missouri, Inc., d/b/a Spire

FROM: Anne M. Crowe, Senior Utility Regulatory Auditor - Procurement Analysis
Keenan B. Patterson, PE, Senior Professional Engineer - Procurement Analysis
Kwang Y. Choe, PhD, Economics Analyst - Procurement Analysis

/s/ David M. Sommerer 12/15/2021 /s/ Jamie S. Myers 12/15/2021
Project Coordinator / Date Staff Counsel's Office / Date

SUBJECT: Staff's Recommendation for Spire Missouri, Inc., d/b/a/ Spire 2019-2020
Actual Cost Adjustment Filing

DATE: December 15, 2021

I. EXECUTIVE SUMMARY

On November 2, 2020, Spire Missouri Inc., d/b/a Spire (“Spire Missouri West” or “Company”) filed its Actual Cost Adjustment for the 2019-2020 period in Case No. GR-2021-0128 for its Spire Missouri West division.

The Commission's Procurement Analysis Department (“Staff”) reviewed and evaluated Spire Missouri West's billed revenues and actual gas costs for the period of October 1, 2019, to September 30, 2020. The Staff examined Spire Missouri West's gas purchasing practices to determine the prudence of the Company's purchasing and operating decisions, including:

- (1) A reliability analysis of estimated peak cold day requirements and the capacity levels needed to meet those requirements,
- (2) The Company's rationale for its reserve margin for a peak cold day,
- (3) A review of normal, warm and cold weather requirements and the gas supply plans for meeting these requirements, and
- (4) A review of Spire Missouri West's hedging for the period to determine the reasonableness of the Company's hedging plans.

At this time, Staff has proposed no dollar adjustments to the Company's September 30, 2020, ACA account balance as shown in the table below. Staff recommends the Commission issue an order directing the Company to establish the ACA account balances shown in the table below to reflect the under or (over)-recovery balances as of September 30, 2020.

Appendix A

** Denotes Confidential Information **

An under-recovery is an amount that is owed to the Company by its customers and is shown in the table below as a positive number. An over-recovery reflects an amount that is owed to the customer by the Company and would be shown as a negative number (in parentheses). Spire Missouri West has an over-recovery during this review period:

Account	9-30-20 Ending Balance per Spire Missouri West Filing	Current Period Proposed Adjustment	9-30-20 Staff Recommended Ending Balance
ACA Balance	\$ (30,548,451)	\$ 0	\$ (30,548,451)

Additionally, Staff recommends the Commission order the Company to respond to this Staff Recommendation Memorandum within 30 days.

This ACA Memorandum is organized into the following sections:

Section No.	Topic	Page
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II	Background	2
III	Reliability Analysis and Gas Supply Planning	3
IV	Billed Revenue and Actual Gas Costs	4
V	Hedging	4
VI	Recommendations	5

Each section explains Staff's concerns and recommendations.

STAFF'S TECHNICAL DISCUSSION AND ANALYSIS

II. BACKGROUND

Spire Missouri West's primary service areas are: Kansas City, St. Joseph and Joplin. For the 2019-2020 ACA period, the Company has approximately 496,000 residential customers, 34,000 commercial customers, 100 industrial customers, and 370 transport customers, for a total of 530,470 customers.

Spire Missouri West transports its gas supply over Panhandle Eastern Pipe Line (“PEPL”), Southern Star Central Gas Pipeline (“SSC”), Tallgrass Interstate Gas Transmission (“TIGT”), and Rockies Express Pipeline (“REX”).

III. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

As a regulated gas corporation providing natural gas services to Missouri customers, a local distribution company (LDC) is responsible for conducting reasonable long-range supply planning and the decisions resulting from that planning. A purpose of the ACA process is to review the LDC’s planning for gas supply, transportation and storage to meet its customers’ needs. For this analysis, Staff reviewed Spire Missouri West’s plans and decisions regarding estimated peak day requirements and the capacity levels to meet those requirements, and peak day reserve margin and the rationale for this margin and natural gas plans for various conditions.

Staff has no proposed financial adjustments for the 2019-2020 ACA period related to reliability analysis and gas supply planning. Staff’s other comments and recommendations are discussed in the rest of this section.

A. Resource Plan

Staff was provided Spire Missouri West’s revised Resource Plan in Case No. GR-2020-0122. The 2019-2020 ACA period is the first in which the revised plan is in effect. Staff and Spire discussed the revision both in advance of and subsequent to Spire’s finalization of the plan, with discussions occurring during of the period of October 2019 to November 2020. Staff will continue to monitor Spire’s resource planning and demand forecasting.

B. Reserve Margin

The reserve margin for the peak day is ** [REDACTED] **. Staff normally considers this to be low. In discussions with Staff related to its revised Resource Plan, Spire has expressed a high degree of confidence in its revised models for demand projection. ** [REDACTED]

[REDACTED] **. In light of this additional refinement, which addresses some of the uncertainty intended to be covered by a somewhat higher reserve margin, Staff makes no additional recommendations related to reserve

actually benefits its customers while balancing market price risk. For example, Spire Missouri West should routinely review and evaluate the adequacy of its hedge coverage regarding the appropriate volumes of financial instruments as well as the possible use of more cost-effective financial instruments to assess exposure to market prices under the current market where the market prices have become relatively less volatile.

Staff recommends the Company analyze the benefits/costs based on the outcomes from the hedging strategy, and evaluate any potential improvements on the future hedging plan and its implementation to achieve a cost effective hedging outcome as the Company reviews and develops its hedging program each year in the Company's Risk Management Strategy.¹ For example, the Company should continue to evaluate the performance of its hedge program in terms of the various types of financial instruments used, whether some level of over-the-counter instruments might help control margin calls as the Company's policy is to utilize various derivatives and whether the existing program should be modified under the current market.

VI. RECOMMENDATIONS

1. Staff recommends the Commission issue an order directing the Company to establish the ACA account balance as shown in the table below to reflect the under or (over)-recovery balance as of September 30, 2020.

An under-recovery is an amount that is owed to the Company by its customers and is shown in the table below as a positive number. An over-recovery reflects an amount that is owed to the customer by the Company and would be shown as a negative number (in parentheses). Spire Missouri West has an over-recovery:

Account	9-30-20 Ending Balance per Spire Missouri West Filing	Current Period Proposed Adjustment	9-30-20 Staff Recommended Ending Balance
ACA Balance	\$ (30,548,451)	\$ 0	\$ (30,548,451)

¹ The Company's Risk Management Strategy dated July 2015 was the most recent on available for the 2019-2020 ACA period. Staff notes that the Company indicated during recent updates that it would evaluate and consider a longer term hedging. Staff will continue to monitor the change in the Company's hedging strategy.

2. Staff recommends that the Commission issue an order requiring the Company to file a written response to all of the comments, concerns and recommendations included in this Staff Recommendation Memorandum within 30 days.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Spire Missouri, Inc. d/b/a Spire)
(West) Purchased Gas Adjustment (PGA) Tariff) **Case No. GR-2021-0128**

AFFIDAVIT OF ANNE M. CROWE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW Anne M. Crowe, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief, under penalty of perjury.

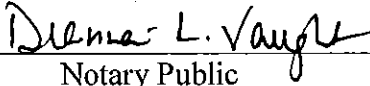
Further the Affiant sayeth not.



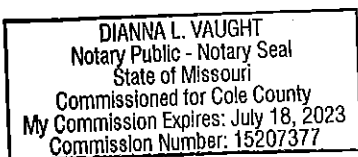
ANNE M. CROWE

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 15th day of December, 2021.



Notary Public



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Spire Missouri, Inc. d/b/a Spire) Case No. GR-2021-0128
(West) Purchased Gas Adjustment (PGA) Tariff)

AFFIDAVIT OF KEENAN B. PATTERSON, PE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW Keenan B. Patterson, PE, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

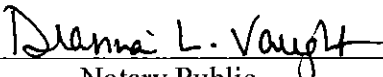
Further the Affiant sayeth not.



KEENAN B. PATTERSON, PE

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 15th day of December, 2021.



Notary Public

