

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

In the Matter of Staff's Investigation of Laclede's)
Compliance with the Gas Supply Documentation) **File No. GO-2017-0223**
Requirements of Its CAM and Standards of Conduct)

**STAFF RESPONSE TO ORDER DIRECTING RESPONSE
AND REQUEST TO KEEP INSTANT FILE OPEN**

COMES NOW the Staff of the Missouri Public Service Commission, by and through Staff Counsel's Office, and files this Staff response to *Order Directing Response* issued on January 2, 2018. The Staff requests that the Commission keep File No. GO-2017-0223 open for the reasons set out below. In support of the Staff's filing, the Staff states as follows:

1. On February 22, 2017, the Commission issued in File No. GO-2017-0223 an *Order Opening An Investigation*. The Commission noted that the Staff in filings regarding two ACA cases¹ requested an investigation into the Company's compliance with its Cost Allocation Manual ("CAM") and Gas Supply and Transportation Standards of Conduct ("SOC"), in particular. Laclede's CAM and SOC also apply to gas supply transactions involving MGE, and the SOC pertains to natural gas supply with both affiliates and non-affiliates. The Commission in its February 22, 2017, *Order Opening An Investigation* noted that it does not need to open a formal case for the Staff to conduct such an investigation, but the creation of an investigative case would assist the

¹ MGE 2013/2014 ACA, File No. GR-2014-0324 (*Re Laclede Gas Co.*, GR-2014-0324, Order Closing File, May 11, 2017); and Laclede 2014/2015 ACA, File No. GR-2015-0201 (*Re Laclede Gas Co.*, GR-2015-0201, Staff Response To Order Directing Filing, Sept. 21, 2017).

Staff in working with the Company.² The Commission directed the Staff to file a progress report regarding its investigation no later than August 22, 2017. Instead of filing a progress report on August 22, 2017, the Staff filed its Report.

2. The Staff's investigation found that the Company is only partially in compliance with the SOC and CAM. The Staff made Recommendations in the Report that the Company should take on a moving forward basis to bring itself into compliance with the SOC and CAM. The Staff's investigation found that the Company had failed to fully comply with: (1) the request for proposal ("RFP")/competitive bid evaluation and award process, and (2) the properly maintaining documentation process. Among other things, the Report states the Company lacks documentation, and must adequately train those associated with the process for natural gas supply, on documenting the competitive bid process, pursuant to COS requirements. The non-compliance pertains to both multi-month purchases and short-term purchases for both divisions of Spire, the Laclede division (now Spire Missouri East) and the MGE division (now Spire Missouri West).

3. On August 23, 2017, the Commission issued an *Order Establishing Time To Respond To Staff's Report*, setting October 16, 2017, as the date no later than which, anyone wishing to respond to the Staff's Report should do so. On October 16, 2017, the Company filed its Response to the August 22, 2017, Staff Report. As the Staff read the Company's Response, the Company appeared to have accepted Staff Recommendations 1 and 6 without conditions, which does not mean the Staff does not have questions for the Company regarding its response concerning these

² Spire Missouri Inc. (f/k/a Laclede Gas Company("Laclede")) and its operating units Spire Missouri East (f/k/a Laclede Gas Company) and Spire Missouri West (f/k/a Missouri Gas Energy ("MGE")), referred to herein as the "Company."

two Recommendations. The Company appeared not to have fully accepted Staff Recommendations 2 and 4. The Staff is not clear on where the Company is respecting Staff Recommendation 3. Regarding Staff Recommendation 5, the Company stated that it would discuss this Recommendation with the Staff within 15 days of the October 16, 2017 filing.

4. Even though the indication was that the Company would schedule a meeting with the Staff regarding Staff Recommendation 5, the Staff made the initial contact to schedule a meeting. The Company late in the day on October 24 belatedly tried to schedule the Recommendation 5 meeting as an add-on to a previously scheduled annual hedging meeting, scheduled for the next day, October 25. On November 14, 2017, Spire did follow-up on one item in Staff's Recommendation 6.

5. Not otherwise having heard or received anything from Spire, on November 21, 2017, Staff counsel sent counsel for the Company an e-mail setting out in detail Staff's questions as a result of the Company's Response on October 16, 2017.

6. The Staff has yet to receive a reply from the Company other than references that Company counsel made to File No. GO-2017-0223 in the evidentiary hearings in its rate cases (File Nos. GR-2017-0215 and GR-2017-0216) on December 13, 2017:

MR. PENDERGAST: . . . As you may recall, the Staff had raised some concerns about the documentation sufficiency of certain transactions performed by the Company under subparts of those standards of conduct.

They conducted an investigation. The Company cooperated. They provided some recommendations for how we might improve the process. And I think the Company responded with constructively with some comments that basically agreed with most of the Staff recommendations.

I recognize that matter hasn't been completely resolved and we still perhaps have some additional discussions . . .

(Tr. Vol. 19, pg. 1790, ln.15 – pg. 1791, ln. 1).

[MR. PENDERGAST] Q. And do you recall, did the Company agree to most of the recommendations, if not all, that Staff had made?

[ANNE CROWE] A. They agreed to some. I think there was some follow-up necessary to make sure that what we think has been agreed to has actually been agreed; so clarification.

[MR. PENDERGAST] Q. I'm not suggesting it's been completely finalized. . . .

(Tr. Vol. 19, pg. 1894, Ins. 2-11). Mr. Pendergast also indicated that the Spire rate case intruded in the follow-up process. (*Id.* Ins. 10-11). Thus, the Staff is still waiting for Spire to respond to the Staff's November 21, 2017 e-mail containing detailed questions.

7. In a number of instances in its October 16, 2017 Response, the Company states that it agrees to the Staff's proposal and will implement it within 90 days. Ninety (90) days from October 16, 2017, is January 14, 2018. There has been no opportunity for the Staff to verify the actions taken by Spire to address the Staff's particular Recommendations that the Company agreed to implement within 90 days of October 16, 2017, or other implementations it has agreed to within some unexpressed timeframe.

8. Leaving this file open should assist the Staff in following-up, and reporting to the Commission, respecting those Staff Recommendations or portions of Staff Recommendations that Spire has agreed it will implement and if implementation has occurred and in what manner, and those Staff Recommendations Spire has not agreed to implement.

WHEREFORE the Staff files its response to *Order Directing Response* and requests that the Commission keep the instant file open.

Respectfully submitted,

/s/ Mark Johnson

Mark Johnson, #64940
Senior Counsel
P. O. Box 360
Jefferson City, MO 65102
(573) 751-7431 (Telephone)
(573) 751-9285 (Fax)
mark.johnson@psc.mo.gov

/s/ Steven Dottheim

Steven Dottheim, #29149
Chief Deputy Staff Counsel
PO Box 360
Jefferson City, MO 65102
(573) 751-7489 (Telephone)
(573) 751-9285 (Fax)
steve.dottheim@psc.mo.gov

**Attorneys for the Staff of the
Missouri Public Service Commission**

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 16th day of January, 2018.

/s/ Steven Dottheim