

<sup>2</sup> The Gas Supply and Transportation Standards of Conduct ("SOC") were approved in the August 14, 2013, Commission *Order Approving Stipulation and Agreement, Granting Waiver, and Approving Cost Allocation Manual* ("CAM") in GC-2011-0098 and seven ACA cases: GR-2005-0203, GR-2006-0288, GR-2008-0140, GR-2008-0387, GR-2010-0138, GR-2011-0055, and GR-2012-0133. The Order was effective August 24, 2013. The SOC is Appendix 2 of the Unanimous Partial Stipulation and Agreement and Waiver Request and Request for Approval of Cost Allocation Manual for GC-2011-0098.

the Commission intends to include a rewrite of the SOC, as necessary, which is to be determined.<sup>3</sup> In support of Staff's filing, Staff states as follows:

1. On February 22, 2017, the Commission issued its *Order Opening An Investigation* in File No. GO-2017-0223. The Commission noted that Staff in filings regarding two ACA cases<sup>4</sup> requested an investigation into the Company's compliance with its CAM and SOC, in particular. Laclede's CAM and SOC apply to gas supply transactions involving MGE also, and the SOC pertains to natural gas supply transactions 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 Staff to conduct such an investigation, but the creation of an investigative case would assist Staff in working with the Company. The Commission directed Staff to file a progress report regarding its investigation no later than August 22, 2017.

2. On August 22, 2017, instead of filing a progress report, Staff filed its Report finding that the Company is only partially in compliance with its SOC and CAM. Staff made Recommendations in its Report that the Company should take on a prospective basis to bring itself into compliance with its SOC and CAM.

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<sup>3</sup> The Company at various times in the progress of the investigation said it wanted to discuss with Staff and Public Counsel amending the SOC [page 10, Company's October 16, 2017, Response To Staff's August 22, 2017 Report, File No. GO-2017-0223]:

Upon the conclusion of this investigation, the Company looks forward to working with the Staff to develop and propose revisions or additions to the SOC to better ensure that compliance with its goals is undertaken in a sensible, effective and efficient manner. . . .

<sup>4</sup> 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).

3. On October 16, 2017, the Company filed its Response to the August 22, 2017, Staff Report in which it agreed to a number of the Staff's Recommendations. It was Staff's evaluation that based on the Company's October 16, 2017, indication of Recommendations accepted or partially agreed to, the Company would still only be in partial conformance with its SOC and CAM.

4. On November 21, 2017, after efforts to meet with the Company were not productive, Staff sent a very detailed e-mail to the Company regarding issues still outstanding after the Company's October 16, 2017, Response. Ultimately, the Company replied on April 24, 2018, but the reply was nonresponsive to the questions Staff posed on November 21, 2017.

5. The Company on December 13, 2017 during the evidentiary hearings in its most recent rate cases referenced to agreeing to a number of Staff's Recommendations in Staff's August 22, 2017 Report. However, Staff indicated in the hearings that follow-up was necessary because it was not clear to Staff to what the Company had agreed. (File Nos. GR-2017-0215 and GR-2017-0216, Tr. Vol. 19, pg. 1894, Ins. 2-11; Tr. Vol. 19, pg. 1790, ln. 15 - pg. 179, ln. 1).

6. On January 2, 2018, the Commission issued an *Order Directing Response* in which it stated: "No later than January 16, 2018, Staff shall indicate whether it is satisfied with Spire Missouri[, ] Inc.'s compliance with the gas supply documentation requirements of its Cost Allocation Manual and its Gas Supply and Transportation Standards of Conduct. Staff shall also indicate whether it believes this file should remain open." On January 16, 2018, Staff filed a response requesting that the file be

kept open. Staff set out in its January 16, 2018, filing, the limited communication Staff received from the Company after the Company's October 16, 2017, responsive filing.

7. The Commission kept the investigatory case, File No. GO-2017-0223, open, and the lack of communication continued from the Company regarding the instant case. Staff counsel e-mailed Spire counsel again on February 16, and April 17, 2018, requesting a response to Staff's November 21, 2017, e-mail to Spire counsel. On April 24, 2018, Staff heard back from the Company in-person and by e-mail; Spire counsel indicated that the Company meant no disrespect to Staff, but the Company had been preoccupied with its previously pending rate cases, File Nos. GR-2017-0215 and GR-2017-0216, and now was able to re-establish contact. On that same date, Staff received a succinct e-mail response from Spire counsel that provided some additional information regarding the Company's response to Staff's Recommendations in its August 22, 2017 Report.

8. The April 24, 2018 e-mail provided two attachments: (1) a process for handling exceptions to the Request for Proposals process for multi-month purchases of gas supply and (2) a document that addresses the Company's process for short-term purchases. Also the Company reiterated that it wanted to meet with Staff to discuss short-term purchases. The e-mail related that Spire counsel would be back in contact to set up a meeting to discuss the preceding and other Staff Recommendations. On May 25, 2018, a month later, Staff technical personnel received an e-mail from Company technical personnel indicating that the Company was open to meeting with Staff to discuss the gas supply investigation case.

9. It is Staff's opinion that since the opening of the instant investigatory case, the Company has made progress in moving closer to compliance with the Commission's approved CAM and SOC for the Company. However, Staff believes the Company still is not compliant with these documents and the Commission's Gas and Gas Marketing Affiliate Transactions Rules. Under other circumstances, Staff would request that the Commission keep this proceeding open and Staff would take the position that the Company needs to request variances from the Commission's Gas and Gas Marketing Affiliate Transactions Rules to continue to operate in the manner it is so doing.

10. However, the Commission has offered another approach. The Commission stated in its March 7, 2018, *Amended Report and Order* in File Nos. GR-2017-0215 and GR-2017-0216, at pages 59, 60 and 63:

The Commission finds that Spire Missouri's CAM should be rewritten, and the best way to accomplish that rewrite is to authorize a working group, comprised of Spire Missouri, Staff, Public Counsel, and any other interested stakeholders, to draft a proposed CAM for the Commission's approval. That working group will be established by the Commission in a separate order. [page 59] . . .

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. . . the technical details of the revised CAM should be addressed by the interested stakeholders through the working group that will be authorized.[page 60] . . .

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The Commission determines it is not necessary or appropriate to order Spire Missouri to hire an outside auditor to examine the company's affiliate transactions and allocations. [page 63]

The Company's SOC are part of the of the Company's CAM. As previously noted, it is difficult to think of an in-depth look at the Company's CAM not also looking at the Company's SOC, which is part of its CAM.

11. Concurrent with the filing of this *Staff Status Report And Request To Close Case*, Staff is filing a *Staff Motion To Establish Working Group And Working Case* for purposes of having the Commission open the proceeding it refers to at pages 59 and 60 of its March 7, 2018, *Amended Report and Order* in File Nos. GR-2017-0215 and GR-2017-0216.

**WHEREFORE** Staff in response to the Missouri Public Service Commission's May 23, 2018, *Order Directing Status Report* respecting the status of Staff's Investigation submits the instant Status Report and requests that the Commission close File No. GO-2017-0223 concurrently with the opening of the working group and working case the Commission stated it would establish as a result of its March 7, 2018, *Amended Report and Order* in File Nos. GR-2017-0215 and GR-2017-0216.

Respectfully submitted,

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### **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 6th day of June, 2018.

**/s/ Steven Dottheim**