

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2015-0201, Laclede Gas Company

FROM: Anne M. Crowe, Regulatory Auditor - Procurement Analysis
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/s/ David M. Sommerer 02/16/17 /s/ Jeffrey A. Keevil 02/16/17
Project Coordinator/ Date Staff Counsel's Office/ Date

/s/ Derick Miles, P.E., 02/16/17
Utility Regulatory Engineer II/ Date

SUBJECT: Staff's Reply in Case GR-2015-0201, Laclede Gas Company's 2014-2015 Actual
Cost Adjustment Filing

DATE: February 16, 2017

Procurement Analysis Staff ("Staff") has reviewed Laclede Gas Company's ("Company", "Laclede", or "LGC") Response to Staff Recommendations in Case No. GR-2015-0201 for the 2014-2015 Actual Cost Adjustment (ACA) filing. Laclede filed its response January 30, 2017.

Staff does not agree with all statements made in Laclede's response and has concerns with certain aspects of Laclede's responses related to Reliability and Gas Supply Analysis, Section II, of the Staff Recommendation. Lack of Staff comments pertaining to other areas of the Laclede response should not be taken as agreement with Laclede's response.

Staff recommends the case remain open pending resolution of items in the Staff ACA recommendation. Additionally, Staff recommends Laclede provide a supplemental response by 5/15/2017 with the information recommended herein for the following two issues: (1) ** _____ ** and (2) Laclede's evaluation of the requested information for the gsip excel files it provides to Staff per the Laclede GSIP report. Staff also continues to recommend an investigatory docket be opened to investigate Laclede's compliance with the gas supply documentation requirements of the CAM and Standards of Conduct for both the MGE GR-2014-0324 ACA case and the Laclede GR-2015-0201 ACA case.

RELIABILITY AND GAS SUPPLY ANALYSIS

Staff provides a reply to the following aspects of Laclede's responses related to Reliability and Gas Supply Analysis of the Staff Recommendation.

Gas Supply and Transportation Standards of Conduct

Staff referred to the documentation requirements for solicitation and awards of contracts contained in Laclede's Gas Supply and Transportation Standards of Conduct.¹

Pages six through eight of the Staff ACA recommendation included comments and recommendations regarding inconsistent application of RFP requirements for purchases of gas supplies for multi-month periods in the following two areas: ** _____
_____ ** Laclede's response (item 12) states it has removed the non-performance provisions in the RFP. Laclede's response (item 12) does not refer to the ** _____ ** by name, but states it will address the "remaining issue" with Staff. Laclede states such response should be deferred until after the winter heating season has concluded, but it does not provide a date certain for that response. Staff is agreeable to a delay in the Laclede response to the ** _____ ** issue. **Staff recommends Laclede supplement its response related to the ** _____
_____ ** issue no later than 5/15/2017.**

Pages nine through eleven of the Staff ACA recommendation included comments and recommendations regarding short term supply awards (purchases of gas supply for one month or less) in the following two areas: (a) Month-long supply awards, and (b) Daily or multiple day supply awards. Staff's ACA recommendation states the following:

Staff finds that the Company did not retain sufficient contemporaneous documentation, as required by the Commission approved Cost Allocation Manual (CAM) in GC-2011-0098 that includes the Standards of Conduct, for its purchases of short term supply awards for the 2014/2015 ACA for: (1) month-long supply awards and (2) daily or multiple day supply awards. The Affiliate Transactions Rule 4CSR 240-40.016 (3)(D) states, "The regulated gas corporation shall not participate in any affiliated transactions which are not in compliance with this rule, except as otherwise provided in section (11) of this rule." Section 11 of the rule pertains to variances, and Laclede did not request a variance nor has Laclede claimed that it did not comply with the noncompliance because of the "best interests of its regulated customers" which is also part of section (11) of this rule.

¹ The Gas Supply and Transportation Standards of Conduct is Appendix 2 of the Unanimous Stipulation and Agreement for GC-2011-0098 and the following ACA cases: GR-2005-0203, GR-2006-0288, GR-2008-0140, GR-2008-0387, GR-2010-0138, GR-2011-0055, and GR-2012-0133. Complaint case GC-2011-0098 was filed October 6, 2010 by Staff, asserting that Laclede had violated the Commission's affiliate transaction rules (4 CSR 240-10.015 and 4 CSR 240-40.016). The Gas Supply and Transportation Standards of Conduct were included as Appendix 2 to the Unanimous Partial Stipulation and Agreement to address Staff's and OPC's concerns regarding how the purchase and sale of gas and transportation capacity between Laclede and its affiliates should be conducted and priced. The Order approving the stipulation and agreement was effective 8/24/2013.

Staff had recommendations on page eleven of the Staff ACA recommendation:

Staff recommends such an Order be expanded so that the recommended docket includes both the MGE GR-2014-0324 ACA case and the Laclede GR-2015-0201 ACA case.²

Staff also recommends Laclede provide a summary to Staff no later than 2/14/2016 of the Laclede review and modifications to its procedures, process, and documentation to address these comments pertaining to short-term purchases of gas supply.

The Staff requested date of 2/14/2016 was in error and should have been 2/14/2017.

Laclede's response does not address Staff's recommendation for a docket to investigate Laclede's compliance with the gas supply documentation requirements of the CAM and Standards of Conduct for both the MGE GR-2014-0324 ACA case and the Laclede GR-2015-0201 ACA case. **Staff continues to recommend an investigation docket.**

Laclede's response (item 14) states its gas supply purchases "can be supported by the market conditions prevailing at the time." Staff does not accept this Laclede response. It is not sufficient for Laclede to simply state that market conditions support its purchases. Laclede must maintain contemporaneous documentations as per the requirements in the Gas Supply and Transportation Standards of Conduct.

Laclede's response (item 14) states:

It will therefore provide to Staff in February 2017 both a proposal to revise any existing documentation requirements as well as a summary of why it believes there is ample information to support the propriety of such purposes. After sending this information, the Company will follow up with Staff to arrange a meeting to discuss these items, exchange ideas, and answer questions, all with the view of reaching a mutually agreeable resolution of Staff's concerns.

Any Laclede proposal to revise the Gas Supply and Transportation Standards of Conduct would be considered on a going forward basis. Until the Commission grants approval of such revisions, variances or waivers, the Company must comply with the requirements of the existing Gas Supply and Transportation Standards of Conduct. Staff has no authority to grant waivers or variances from Commission orders. The Company has not filed for a variance or a waiver from the Commission's order pertaining to the Gas Supply and Transportation Standards of Conduct. Until a revision, variance or waiver is approved, the Company must comply with the Gas Supply and Transportation Standards of Conduct approved in Commission Orders.

² The referenced Order is a recommendation in the Missouri Gas Energy 2013/2014 ACA, GR-2014-0324, for an Order to open a docket for the purpose of investigating the Laclede Gas Company's compliance with the gas supply documentation requirements of the CAM and Standards of Conduct.

Gas Supply per Laclede GSIP Report

Pages twelve and thirteen of the Staff ACA recommendation included a recommendation for Laclede to modify its gsip excel files it provides to Staff. The Laclede response (item 16) states “it will evaluate Staff’s request and review potential modifications in light of practicalities and its current system capabilities.” Laclede does not provide a date certain for that evaluation and any modifications. **Staff recommends Laclede supplement its response to this issue to provide its evaluation of the requested information in this case no later than 5/15/2017.**

CONCLUSION

Staff recommends the case remain open pending resolution of items in the Staff ACA recommendation. Additionally, Staff recommends Laclede provide a supplemental response by 5/15/2017 with the information recommended herein for the following two issues: (1) ** _____
_____ ** and (2) Laclede’s evaluation of the requested information for the gsip excel files it provides to Staff per the Laclede GSIP report. Staff also continues to recommend an investigatory docket be opened to investigate Laclede’s compliance with the gas supply documentation requirements of the CAM and Standards of Conduct for both the MGE GR-2014-0324 ACA case and the Laclede GR-2015-0201 ACA case.

