

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

In the Matter of the Application of)
Missouri Gas Energy for a PGA)
Tariff Revision)

File No. GR-2013-0422

**STAFF REPLY TO MISSOURI GAS ENERGY’S RESPONSE
TO STAFF RECOMMENDATION**

COMES NOW the Staff of the Missouri Public Service Commission and for its Reply to *Missouri Gas Energy’s Response to Staff Recommendation* respectfully states as follows:

1. Laclede Gas Company d/b/a Missouri Gas Energy (“MGE” or “Company”) filed its Actual Cost Adjustment (“ACA”) for the 2012-2013 ACA period in this case on October 17, 2013. This filing contained MGE’s ACA account balance calculation.
2. On October 14, 2014, Staff filed its *Staff Recommendation Regarding Missouri Gas Energy’s 2012-2013 Actual Cost Adjustment Filing* (the “Recommendation”) in this case. Staff’s Recommendation contained a monetary adjustment in the amount of \$9,738 as well as several other non-monetary¹ comments/concerns/recommendations. One of these concerns was that, according to MGE’s tariff, MGE’s School Transportation Program (“STP”) customers are subject to Cash Out of their monthly imbalances; however, Staff found that during the ACA period at issue in this case MGE’s practice regarding the imbalances of its STP customers is not consistent with its tariff – rather than Cashing Out the imbalances of its STP

¹ As used in this Reply, “non-monetary” simply means that there was no recommended dollar adjustment to MGE’s ACA account balance *in this case* associated with these comments/concerns/recommendations. However, at least some of these comments/concerns/recommendations could, if not appropriately addressed, have an impact on gas costs and/or result in recommended dollar adjustments in future cases.

customers on a monthly basis as required by its tariff, MGE is carrying over the STP customers' imbalances from month-to-month.

3. As explained in Staff's Recommendation, the "Cash Out" provision reconciles a transportation customer's imbalance by requiring MGE to either "buy" or "sell" gas to the transportation customer equal to the customer's monthly imbalance. At the end of each month, if the transporter used more gas than it put into MGE's system, the transporter pays MGE for the additional gas supplies it used. If the transporter used less gas than it put into the system, MGE "purchases" this gas from the transportation customer through a credit on the customer's bill. The purchase or sale price is tied to a monthly index and either increases or decreases depending upon the magnitude of the transporter's imbalance. The greater the imbalance, the higher the price paid or the lesser the price received by the transporter for the gas.

4. On December 15, 2014, MGE filed *Missouri Gas Energy's Response to Staff Recommendation* (the "Response"). In its Response MGE agreed with the monetary adjustment of \$9,738 recommended by Staff and indicated that it has already made the correction to its 2013-2014 ACA account balance; therefore, that adjustment is no longer an issue.

5. In its Response MGE also addressed the non-monetary comments/concerns/recommendations contained in Staff's Recommendation. This Reply is necessitated due to MGE's Response to Staff's comments/concerns/recommendations concerning MGE's practice regarding the imbalances of its STP customers, *i.e.*, not Cashing Out the imbalances of its STP customers on a monthly basis as required by its tariff.

6. As stated above, Staff noted in its Recommendation that MGE's practice with regard to the imbalances of its STP customers is not consistent with its tariff. Staff also stated that, if necessary, MGE should seek to change its tariff going forward, while recognizing that the school aggregation program statute states that tariffs implementing the school aggregation program are not to have any negative financial impact on the gas corporation, its other customers or local taxing authorities.² However, unless and until MGE receives Commission approval to change the applicable tariff, **Staff's recommendation was that MGE follow its tariff by Cashing Out the STP customers' imbalances on a monthly basis.** Staff's Recommendation also noted that since it is not clear whether the schools realize their monthly imbalances are subject to Cash Out charges, MGE may want to notify its STP customers that monthly imbalances are subject to Cash Outs.

7. In its Response, MGE stated "that because the STP customers are billed on a cycle basis in a manner similar to sales customers, MGE is simply not able to monthly balance STP customers. MGE can monthly balance other transportation customers, because they are billed on a calendar month basis which coincides with the period for which pipeline deliveries are measured. It makes no sense for MGE's tariff to provide for STP cash out when it is not feasible to do so. Staff suggests that MGE should seek to change its tariff going forward to address this issue. MGE agrees to work with Staff on this matter." However, MGE's Response gives no explanation of *why* the STP customers are billed on a cycle basis or *why* the cycle cannot be changed. Furthermore, it must be remembered that MGE is carrying over the STP customers' imbalances from month-to-month, which obviously requires MGE to calculate the

² Section 393.310.5 RSMo.

imbalances; however, the Response seems to indicate that MGE is unable to calculate monthly imbalances. No explanation is given for this apparent contradiction.

8. In summary, MGE's Response admits that MGE's practice with regard to the imbalances of its STP customers is not consistent with its tariff yet fails to adequately explain why MGE believes such practice is justified.

WHEREFORE Staff respectfully requests the Commission issue an order which (1) establishes the ending ACA balance as set forth in Staff's Recommendation filed herein on October 14, 2014³, and (2) orders MGE to file a *complete explanation* of why it is not able to monthly balance STP customers as required by its tariffs, which explanation should include but not be limited to an explanation of the matters set forth in paragraph number 7 above; ***or in the alternative*** orders MGE to follow its tariff by cashing out its STP customers' imbalances on a monthly basis after notifying those customers that monthly imbalances are subject to Cash Outs.

Respectfully submitted,

/s/ Jeffrey A. Keevil

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³ As stated above, MGE agreed with the monetary adjustment of \$9,738 recommended by Staff.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 22nd day of December, 2014.

/s/ Jeffrey A. Keevil