

**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 REPORT CONCERNING ITS INVESTIGATION OF LACLEDE'S AND
MGE'S COMPLIANCE WITH THE GAS SUPPLY DOCUMENTATION
REQUIREMENTS OF ITS CAM AND STANDARDS OF CONDUCT**

COMES NOW Staff of the Missouri Public Service Commission, by and through Staff Counsel's Office, and files the Staff's Report in the instant investigation. 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 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 Staff in working with the Company.¹ 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, the Staff is filing its full Report.

2. The Commission noted that the Staff in filings regarding two ACA cases, the MGE 2013/2014 ACA, File No. GR-2014-0324, and in the Laclede 2014/2015 ACA, File No. GR-2015-0201, requested an investigation into the Company's compliance with its Cost Allocation Manual ("CAM") and Gas Supply and Transportation Standards of Conduct ("SOC").

3. The CAM and the SOC were approved in the August 14, 2013, Commission *Order Approving Stipulation and Agreement, Granting Waiver, and*

¹ Spire, Laclede and MGE divisions, referred to herein as the "Company."

Approving Cost Allocation Manual ("Order") in File No. 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 Commission approved SOC is Appendix 2 of the *Unanimous Partial Stipulation and Agreement and Waiver Request and Request for Approval of Cost Allocation Manual ("Unanimous Partial Stipulation and Agreement")* in GC-2011-0098, and the Commission approved CAM is Appendix 1 in the *Unanimous Partial Stipulation and Agreement*. The Commission's Order approving the SOC and CAM was effective August 24, 2013, and the SOC and the CAM went into effect no later than September 3, 2013,² as required in the Commission Orders approving the Stipulation and Agreements in Case No. GC-2011-0098, the seven ACA cases, and Case No. GM-2013-0254.

4. On the closing of the transactions that entailed the resolution of Case No. GM-2013-0254, the sale, transfer, and assignment of certain assets and liabilities from Southern Union Company to Laclede Gas Company, the CAM and the SOC applied to the new MGE division of Laclede Gas Company, in addition to the Laclede division. September 1, 2013, was the closing date of the transactions. The Company agreed that on said date Laclede's CAM and SOC would apply to gas supply transactions involving MGE.

5. The Staff's investigation finds that the Company is only partially in compliance with the SOC and CAM. Whatever steps the Company took in particular to implement the provisions of the SOC, including the requirement to effectively monitor and control, have not resulted in adequate compliance with the terms of the SOC. The SOC pertains to natural gas supply with both affiliates and non-affiliates. The Company

² See *Unanimous Partial Stipulation and Agreement*, paragraph 3, page 4.

has failed to fully comply with: (1) request for proposal (“RFP”)/competitive bid evaluation and award process, and (2) properly maintaining documentation. Among other things, the Company lacks documentation processes and must adequately train those associated with the process for natural gas supply on the documentation requirements. The non-compliance pertains to both multi-month purchases and short-term purchases for both the Laclede division and the MGE division.

6. As far as recommendations in the Staff’s Report, the Staff states:

Staff has made recommendations in this Report that the Company should take on a moving forward basis to bring it into compliance with the SOC. Staff recommends the Company no later than December 31, 2017: (1) implement the recommendations of this Report, as summarized in the table below, and (2) provide to Staff the following:

- The Company’s documentation of all changes to its purchase processes, policies, procedures or criteria related to a competitive bid and award process, exceptions process, and the documentation requirements for both its multi-month purchases and short-term purchases
- Verification that updated SOC training was conducted in response to this Report including (1) date(s) of each training, (2) name and job title of employees attending each training, and (3) copies of all materials provided to employees during the training with regard to compliance with the SOC

Other recommendations are offered in this Report, but no further action than filing this Report will occur in this case because the Commission Order Opening Investigation in GO-2017-0223 states, “Further the Commission will not take any action regarding Laclede within the confines of this investigation. If the investigation reveals that any such action is appropriate, Staff may file a formal complaint or other appropriate pleading within a new file to institute contested case procedures.”

7. As indicated by the Commission in its February 22, 2017, *Order Opening An Investigation*, the Staff will take further action as it deems appropriate to bring the Company into compliance with the Company’s SOC and CAM.

8. The Staff notes that the Commission's new rule on the treatment of information designated as confidential by a party went into effect on July 30, 2017. See 4 CSR 240-2.135. The Company has designated as "Highly Confidential" a great amount of the information that it has provided to the Staff in response to Staff Data Requests which the Staff uses in the Staff Report. The Staff has marked that information as "Highly Confidential" both pursuant to the Commission's prior rule on confidential information and under the new rule 4 CSR 240-2.135(4):

(4) The commission may order greater protection than that provided by a confidential designation upon a motion explaining what information must be protected, the harm to the disclosing entity or the public that might result from disclosure of the information, and an explanation of how the information may be disclosed while protecting the interest of the disclosing entity and the public.

(A) While such a motion is pending, the disclosing party requesting greater protection will be afforded the protection sought. However, in all circumstances, the disclosing party must, at a minimum, provide a detailed summary of the information at issue.

(B) Any document that contains such information shall bear the designation "Highly Confidential," rather than "Confidential," but shall otherwise follow the formatting delineated in section (10) of this rule.

Pages containing "Highly Confidential" information have "HC" in the bottom right-hand corner of the page. In the public version of the Report, "NP" is used to designate that this is the non-proprietary/public version of the Staff document. The Staff requests that the Commission indicate how the Staff and the Company should proceed respecting the treatment of confidential information in this case given it originated prior to the effective date of the revision of the instant rule.

WHEREFORE the Staff files its Report in the instant investigation finding that the Company has failed to adequately comply with the requirements of its SOC and CAM and that the Company should bring itself into compliance no later than December 31, 2017.

Respectfully submitted,

/s/ Steven Dottheim

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**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 22nd day of August, 2017.

/s/ Steven Dottheim