BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's PGA Filing

File No. GR-2014-0121

STAFF RECOMMENDATION TO ADJUST ACA BALANCES

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COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its recommendation in this matter hereby respectfully states:

1. On October 31, 2013, Laclede Gas Company ("Laclede" or "Company") filed tariff sheets to make changes to the PGA and ACA components of its customers' bills. Laclede's PGA represents the Company's best estimate of the cost of gas for the upcoming period; the ACA represents the Company's true-up of its previous PGA estimate.

2. On November 7, 2013, the Commission approved the PGA rate on an interim basis, subject to refund. Also, the Commission ordered Staff's Procurement Analysis Unit to submit its results and recommendations regarding Laclede's ACA filing on or before December 19, 2014.

3. Staff's adjustments are explained in Staff's *Memorandum*, attached hereto as Appendix A and incorporated by reference.

4. During its ACA review, Staff compares the Company's billed revenue with its actual gas cost, and evaluates the prudence of the Company's purchasing decisions during the ACA period. Staff also reviews the Company's ability to meet its peak demand requirements, and reviews the reasonableness of the Company's hedging programs.

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5. The Missouri Supreme Court explained that Staff evaluates whether the rates paid by consumers for natural gas sold during the ACA period are "just and reasonable" as required by Section 393.130.1 RSMo.¹ The Commission ultimately determines the proper ACA amount.² The burden is on the gas corporation to prove that the gas costs it proposes to pass along to customers are just and reasonable.³

6. "While the burden of proof rests on the gas corporation, the PSC's practice has been to apply a 'presumption of prudence' in determining whether a utility properly incurred its expenditures."⁴ The presumption does not survive "a showing of inefficiency or improvidence" that raises serious doubt as to the prudence of an expense.⁵ "If such a showing is made, the presumption drops out and the applicant has the burden of dispelling these doubts and proving the questioned expenditures to have been prudent."⁶

7. In this case, Staff recommends adjustments to Laclede's ACA balance as explained in Staff's Memorandum and summarized in a table on page 23. Staff also documents its concerns and makes recommendations regarding reliability and gas supply planning, and hedging practices.

Staff recommends the Commission order Laclede to respond to Staff's 8. adjustments and recommendations within 45 days.

² Id.

⁵ Id. ⁶ *Id.*

¹ Office of Public Counsel v. Missouri Public Service Commission, 409 S.W.3d 371, 373 (Mo. banc 2013).

³ *Id.* at 376, citing Section 393.150.2 RSMo.

⁴ Id.

WHEREFORE, Staff submits its recommendations attached here as Appendix A,

and recommends the Commission order Laclede to respond to the recommendations within 45 days.

Respectfully Submitted,

STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION

lsl John D. Borgmeyer

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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 19th day of December, 2014.

lsl John D. Borgmeyer