

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

In the Matter of Laclede Gas Company,)
Missouri Gas Energy’s Purchased Gas) File No. GR-2014-0324
Adjustment Tariff Filing)

MISSOURI GAS ENERGY’S RESPONSE TO STAFF RECOMMENDATION

COMES NOW Missouri Gas Energy ("MGE" or “Company”), an operating unit of Laclede Gas Company (“Laclede”), and for its response to the Staff Recommendation in this case respectfully states the following:

1. On December 8, 2015, the Staff filed its Recommendation, stating that it had reviewed and evaluated MGE’s billed revenues and actual gas costs for the ACA period of July 1, 2013 to June 30, 2014. Staff proposed no adjustment to MGE’s ACA balances, but sought responses to Staff’s comments, concerns and recommendations and asked the Commission to order parties interested in the School Transportation Program (STP) to meet and attempt to resolve the STP balancing and cash out issues raised by Staff.

2. On December 9, 2015, the Commission ordered MGE to respond to Staff’s recommendation by February 8, 2015. This is MGE's filing in compliance with that order.

Peak Day/Design Day Estimates

3. On pages 4-5 of the Staff Recommendation, Staff questions a number of practices used by MGE in calculating its peak day (or design day) requirements. Staff recommends that MGE continue to evaluate whether its peak day methodology is reasonable and revise its planning as necessary to adequately prepare for peak day requirements.

4. In response, MGE states while it has to date continued the current MGE

methodology for the reasons given in MGE's response to Staff's 2012-13 Recommendation in Case No. GR-2013-0422, it will continue to evaluate its methodology for arriving at a peak day, as suggested by the Staff.

5. In fact, MGE, along with Laclede, intends to do a comprehensive evaluation and develop a new methodology that can be applied to both Laclede and MGE. In doing so, MGE will certainly take Staff's comments and suggestions into account. Laclede Gas and MGE are required to perform a pipeline capacity analysis every three years, so that analysis, along with the peak day methodology should be prepared by September 1, 2016. As a result, the new peak day methodology should be in place by the upcoming winter.

Capacity and Reserve Margin

6. Staff suggests that MGE examine system or contractual constraints that impact its ability to flow gas, and ensure that it has appropriate MDQ capacity for each pipeline for severe weather scenarios. Staff's concern is whether there is enough capacity to serve each of the three major service areas.

7. MGE responds that it will consider Staff's suggestions in performing the upcoming analysis referenced above. MGE believes this analysis is due by September 1, 2016, and intends to have it completed by that date. This analysis will also review the demands of each of three major service territories.

Baseload and Call Agreements Awarded in response to RFP

8. Staff asks that MGE indicate which bids result in supply contracts, so Staff does not have to open each dealsheet. In response, MGE agrees to revise the excel spreadsheet it submits to Staff on RFP responses as necessary for Staff to more easily determine winning

bidders, commencing with its next ACA period.

Document Terms of Supply Agreements

9. Staff recommends that MGE review transaction confirmations to ensure correct designation of primary and secondary delivery. In response, MGE agrees that all transaction confirmations should contain provisions that are applicable and appropriate.

10. Staff also recommends that when a transaction is done by instant message (IM), MGE follow up with a more formal, executed transaction confirmation. In response, MGE notes that in most supply agreements the selling party is designated as the “Confirming Party,” so it would expect a transaction confirmation to be sent by the seller. Regardless, MGE will look into this matter and take the Staff’s recommendation under consideration.

Documentation of Unsolicited Requests

11. On page 8 of its Recommendation, Staff reminds MGE of its obligation under the Laclede Standards of Conduct to keep a log of unsolicited requests. MGE acknowledges the obligation, but as a practical matter continues to struggle with devising a fully workable and effective mechanism for tracking such requests given the extremely voluminous number of unsolicited requests MGE receives from other parties as a routine practice on a day-to-day basis. Based on the intent behind this obligation, which is to ensure that the utility is not discriminating in the treatment of marketers under special circumstances, MGE believes that in the future, it can maintain a log in a way that will provide Staff with meaningful information.

Source of Peak Day Estimate

12. On page 9 of its Recommendation, Staff identifies an error by MGE in its peak day estimate, and recommends that MGE review its planning to assure that it is using the

correct data inputs. In response, MGE states that it agrees with this Recommendation.

Supply Planning for Warm Weather

13. Staff recommends that MGE review its methodology for estimating warm weather usage for its Supply/Demand summaries. In response, MGE agrees and states that it will include the warm weather estimate in the comprehensive analysis that it will complete prior to September of this year.

Documentation of Off-System Sales (OSS) and Capacity Release Procedures

14. Staff recommends that MGE develop and maintain documentation to show compliance with OSS and capacity release processes and procedures as provided in the Laclede Standards of Conduct. In response, MGE agrees with such recommendation.

School Transportation Program (STP) Balancing and Cash Outs

15. On pages 10-12 of its Recommendation, Staff repeats an issue it raised last year in its recommendation in GR-2013-0422 regarding the STP balancing. Staff seeks a Commission order requiring interested parties to hold a meeting and provide status reports.

16. In response, MGE notes that it investigated this matter last year, met with the main STP marketer, developed a proposed solution that was agreed to by the marketer and delivered that proposal to Staff. Staff is still considering it. MGE is eager to meet with the parties to dispose of this issue. MGE anticipates the cooperation of the STP marketers in attending such a meeting. Accordingly, MGE has no objection to an order requiring a meeting and status reports.

Hedging

17. On page 13 of the Recommendation, Staff recommends that the Company

should evaluate its hedging strategy in response to changing market dynamics. Staff further suggests that MGE evaluate both its strategy of hedging summer storage injections, and its practice of using swaps rather than financial instruments to hedge. Finally, Staff recommends the Company assess the effectiveness of its hedges based on the outcomes.

18. In response, MGE first states that it agrees with Staff regarding the monitoring of market dynamics. The Company continually evaluates market circumstances in order to balance the cost of hedging against the goal of price stabilization, and thus achieve a cost-effective hedging outcome.

19. MGE adds that MGE's hedging strategy has now been changed to match Laclede's so that both companies are taking a consistent approach. The Laclede-MGE hedging strategy utilizes financial instruments, as suggested by Staff, rather than swaps, which involve more counterparty risk. In addition, Laclede and MGE are constantly evaluating their hedging strategy and tracking its effectiveness. MGE will continue its annual formal presentations to Staff and OPC in advance of the winter period, outlining its gas supply strategies including current hedging strategies.

WHEREFORE, MGE respectfully submits that, based on these responses to Staff's comments, concerns and recommendations, there are no issues presented that require either a procedural schedule or resolution by the Commission. Accordingly, Laclede requests that the Commission issue its Order directing interested parties to meet on the STP issue addressed in paragraphs 15 and 16 of this Response and adopting the ACA balances recommended by Staff in its Recommendation.

Respectfully Submitted,

/s/ Rick Zucker

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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing pleading was served on the Staff of the Missouri Public Service Commission, and the Office of Public Counsel on this 8th day of February, 2016 by United States mail, hand-delivery, email, or facsimile.

/s/ Rick Zucker