BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the Matter of Summit Natural Gas of	)	
Missouri, Inc., Changes to Company's	)	**Case No. GR-2022-0122**
Purchased Gas Adjustment "PGA" Clause	)	

RESPONSE TO STAFF'S RECOMMENDATION AND MEMORANDUM

COMES NOW Summit Natural Gas of Missouri, Inc. ("SNGMO" or "Company"), and, as its *Response to Staff's Recommendation and Memorandum*, states as follows to the Missouri Public Service Commission ("Commission"):

On December 14, 2022, the Staff of the Commission ("Staff") filed its *Staff Recommendation* Regarding SNGMO's 2020-2021 Actual Cost Adjustment Filing. Thereafter, the Commission issued its *Order Directing Filing* wherein it directed SNGMO to respond to the Staff Recommendation by January 18, 2023. SNGMO will respond to the various issues identified by Staff in the following paragraphs. SNGMO's response will reference the Memorandum by use of the same section titles utilized by the Staff.

SECTION II - BILLED REVENUE AND ACTUAL GAS COST

1. **Natural Gas Costs**. As noted in Staff's Memorandum, Staff reviewed purchasing practices during this period and made a recommendation to the "Natural Gas Costs." The Company's response to Staff's recommendations are as follows:

a. **Natural Gas Purchase Adjustments - Commodity**: The Company agrees to Staff's reclassification adjustment of $2,445.06 to the ending ACA balances in the Rogersville/Branson Service Area and Warsaw/Lake of the Ozark Service Areas to reclassify commodity costs between the two rate areas. The total commodity purchases for ACA period for Rogersville/Branson and Warsaw/Lake of the Ozark Service Areas should be $27,909,764.10 and $9,526,455.14, respectively.

b. **Late Payment Fees**: The Company agrees with Staff's adjustment to remove late payment fees in the Rogersville/Branson and Warsaw/Lake of the Ozark Service Areas of $(68.52) and $(68.53), respectively.

c. **Imbalance/Cash Outs**:

i. The Company disagrees with Staff's adjustment of $(587,578.54) in the Rogersville/Branson Service Area. Most of this adjustment results from Staff's cashout calculation of $540,413 that Staff attributes to one of SNGMO's transportation customers. SNGMO disagrees with Staff's calculation because it significantly overstates the amount of gas consumed at the subject customer's meter for the month of February 2021 by incorrectly including March 2021 usage in its calculation. Staff's approach also disregards the fact that the customer's usage was curtailed during Winter Storm Uri. Per the Company's calculation, when imputing the correct amount of usage for February 2021, the correct cashout amount is instead $216,292. Even with the correct cashout calculation, the Company disagrees that an adjustment should be made for the imbalance since the Company is authorized, pursuant to its tariff, to enter into separate imbalance agreements. While the Company is seeking compensation from the transportation customer identified by Staff for the gas consumed during the 2018 through February 2021 time period, the Company is not billing the customer for any remaining imbalance penalty amounts given the special circumstances associated with the customer meter. SNGMO's tariff, P.S.C. MO No.3 Original Sheet No. 37, under Negative Imbalance Cashout Formula, allows the Company ". . . at its sole discretion, [to] enter into separate Imbalance Agreements with Shipper(s) that take into consideration special circumstances." The Company has acted in accordance with its tariff due to the meter issue in this circumstance and is in the process of working out an Imbalance Agreement with the transportation customer as a result of a meter reading error. Since the Company is operating in accordance with its tariff, an adjustment is not appropriate.

ii. The Company disagrees with additional adjustments Staff made for the Rogersville/Branson area as they include amounts that are either inaccurate or have already been reconciled in the Company's prior ACA filings.

iii. The Company agrees with the $(51.67) adjustment in the Warsaw/Lake of the Ozarks Service Area.

iv. The Company agrees with Staff's adjustment of $(23,618.17) in the Gallatin Service Area.

d. **Carrying (Interest) Cost**: The Company disagrees with Staff's proposed adjustments to carrying costs. While the Company agrees that adjustments need to be made to the carrying cost calculation in order to reflect the correct adjustments noted by the Company above, the amounts recommended by Staff assumes adjustments that are incorrect. Staff's carrying cost adjustments are therefore overstated.

e. **Best Practices**: The Company recognizes Staff's concerns and is willing to take steps to enhance its internal processes going forward. To that end, the Company is implementing a new system that will help alleviate many of these issues in 2023. Specifically, the Company is in the process of implementing Quorum Gas Supply Management software programs that will provide for automated calculations of cash-outs, automate the tracking of customer nominations and usage, capture all gas supply transaction details, track gas supply costs, and serve as an electronic bulletin board for transportation customers. As for Staff's recommendation that the Company conduct an internal audit of its active meters, the Company is open to discussing processes to ensure the billing of its active meters. However, the Company already has processes in place to ensure that all prior period billing adjustments are reflected in the Company's ending ACA balance.

SECTION III - RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

2. **Reserve Margins**. The Company will continue monitoring its pipeline contracts and reserve margin for each division. Specifically, in the Gallatin Service Area, the Company will continue to discuss procuring additional upstream capacity to alleviate the negative reserve margin. Staff also recommended that the Company explore the option of continuing to post excess firm capacity for release on SSCGP's electronic bulletin board, until SNGMO can negotiate a reasonable capacity adjustment. SNGMO agrees to explore this option as recommended by Staff.

SECTION IV – HEDGING

3. **Hedging Recommendations**. The Company's responses to the Staff Hedging Recommendations are as follows:

a. The Company agrees to establish and maintain a current and consistent hedging policy with stated objectives based on month-specific normal weather requirements while also considering the impacts of warmer and colder than normal weather scenarios.

b. The Company will continue to consider a combination of various alternatives such as storage withdrawals, call options, and other fixed price purchases for effective hedging during the winter months.

c. The Company agrees to establish a realistic amount of MSQ that the Company plans to inject into storage by November 1 and to withdraw by March 31, thus determining a realistic amount of storage that can be utilized toward hedging and calculate the hedging percent utilizing storage and the overall hedging percent accordingly.

d. The Company will continue to monitor the market movements with regard to timing of hedge placements and price-driven approaches in its hedging practices.

e. The Company will continue to document its reasoning for executing any hedging transactions and decisions.

f. The Company will continue to review the effects on hedging from the April 2016 expiration of the Rogersville Service Area Storage contract.

SECTION V. WINTER STORM URI

4. **Prudency Disallowance**. The Company disagrees with Staff's recommended disallowance of $5,735,864.31 in the Rogersville Service Area. Staff's recommended disallowance is based on the assumption that the Company's decision not to renew its storage contract in the Rogersville Service Area in 2016 was imprudent. Staff states the prudency standard on page 10 of its recommendation as follows:

> . . .natural gas utilities' actions and decisions are evaluated based on whether each action or decision was reasonable at the time, under all the circumstances, and based on the information that was or should have been known at that time; it is not an evaluation of those actions and decisions using the benefit of hindsight. Imprudence alone is not treated as a basis for disallowance. However, when imprudence is coupled with harm to a utility's ratepayers, then a prudence disallowance is appropriate.

The Company contends that the expiration of the storage contract for the Rogersville Service Area in 2016 was neither imprudent, nor did it result in harm to SNGMO's customers. Prior to the expiration of the storage contract, the Company hired a third-party consultant to conduct a cost-benefit analysis in which it was determined that the Company and its customers were paying too much for the storage given the value received. It was also determined that there were no reliability concerns from not having the storage contract in place.

While SNGMO allowed the contract to expire, the Company did utilize its analysis to bid on the storage contract at a cost deemed reasonable to its customers. However, the Company did not win the bid and since that time the storage has not been available. SNGMO has instead utilized firm fixed contract purchases to replace the amount previously hedged by the storage contract. Staff's analysis inappropriately imputes the storage contract on top of, or as an addition to, the Company's current hedge in order to create a fictitious lost benefit to customers. This imputation is inappropriate because the Company's fixed hedge during a peak day would have been the same regardless of whether the Company had storage or not. Staff's assessment ignores this fact. During Winter Storm Uri, nearly all of the Company's fixed price gas showed up on the system, meaning the hedge was successful. The Company's lack of storage had no negative impact on what customers paid. In addition, the Company determined that if the storage contract were still in place during Winter Storm Uri, given the supply constraints around that part of the system, there was no guarantee the gas would have been delivered. Furthermore, having the storage contract in place would have resulted in higher costs to customers.

The facts and circumstances support that the Company's decision regarding storage was not imprudent at the time it was made nor was there any harm to customers from the lack of storage. The Commission should therefore reject Staff's proposed disallowance as the Company's actions were prudent and have shown to be in the best interest of its customers.

WHEREFORE, Summit Natural Gas of Missouri, Inc. respectfully requests that the Commission consider this response to the *Staff Recommendation*, deny the adjustments as set forth in this response, and issue such orders as it believes to be reasonable and just.

Respectfully Submitted,

By: ______________________

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ATTORNEYS FOR SUMMIT NATURAL GAS OF MISSOURI, INC.

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail to the following counsel this 18th day of January, 2023:

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