

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

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

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

COMES NOW the Staff of the Missouri Public Service Commission in the above-captioned matter and submits the attached Staff Memorandum as its Reply to the Response filed herein by Missouri Gas Energy (“MGE” or “Company”), an operating unit of Laclede Gas Company, to the Recommendation filed by Staff concerning MGE’s 2013-2014 Actual Cost Adjustment (“ACA”) filing. In support thereof, Staff further states as follows:

1. Staff filed its ACA Recommendation in this case concerning MGE’s 2013-2014 ACA filing on December 8, 2015.
2. MGE filed its Response to the Staff Recommendation on February 8, 2016.
3. As reflected in the attached Staff Memorandum which is incorporated herein by reference, there is no disagreement between MGE and Staff regarding the ACA account balance. Therefore, Staff recommends that the Commission issue an order establishing the ACA account balance shown in the table in the attached Staff Memorandum to reflect the under-recovery balance as of June 30, 2014.
4. As also reflected in the attached Staff Memorandum, Staff has concerns with certain aspects of MGE’s responses related to Reliability Analysis and Gas Supply Planning, and School Transportation Program (“STP”) Balancing and Cash Outs.

These items are discussed in greater detail in the attached Staff Memorandum. Staff recommends the Commission issue an order concerning these items as set forth in the attached Staff Memorandum.

WHEREFORE Staff respectfully submits the attached Reply to MGE's Response to Staff's ACA Recommendation and further requests that the Commission issue an order (1) establishing the ACA account balance shown in the table in the attached Staff Memorandum to reflect the under-recovery balance as of June 30, 2014; (2) directing MGE to file a variance/waiver request for the documentation requirements discussed in the attached Staff Memorandum and any other non-compliance with Commission orders, which includes the reason or good cause for the Company's non-compliance with the documentation requirements and shows that the Company has adequate controls in place to provide reasonable assurance that it will comply with Commission orders; and (3) directing interested parties to meet to attempt to resolve the STP balancing and cash out issue and file a status report explaining the results of the meeting and a recommendation on how to proceed with the STP issue, all as set forth in detail in the attached.

Respectfully submitted,

/s/ Jeffrey A. Keevil

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record this 18th day of February, 2016.

/s/ Jeffrey A. Keevil

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2014-0324 - Missouri Gas Energy

FROM: Anne M. Crowe, Regulatory Auditor - Procurement Analysis
Lesa A. Jenkins, PE, Regulatory Engineer - Procurement Analysis

/s/ David M. Sommerer 2/18/16
Project Coordinator/ Date

/s/ Jeffrey A. Keevil 2/18/16
Staff Counsel's Office/ Date

/s/ Lesa A. Jenkins, PE, 2/18/16
Utility Regulatory Engineer II/ Date

SUBJECT: Staff's Reply in Case GR-2014-0324, Missouri Gas Energy's 2013-2014 Actual Cost Adjustment Filing

DATE: February 18, 2016

Procurement Analysis Staff ("Staff") has reviewed Missouri Gas Energy ("MGE" or "Company") Response to Staff Recommendation in Case No. GR-2014-0324 for the 2013-2014 Actual Cost Adjustment (ACA) filing. MGE filed its response February 8, 2016.

Staff has disagreements/ concerns with certain aspects of MGE's responses related to Reliability Analysis and Gas Supply Planning, sections III.A., B., and D. of the Staff Recommendation. Some of these disagreements/ concerns and the actions requested of the Commission are discussed further in the Reliability Analysis and Gas Supply Planning section below. Lack of Staff comments to other areas of the MGE response should not be taken as agreement with MGE's response.

There was no disagreement on the ACA account balance. Staff recommends the Commission issue an order establishing the ACA account balance shown in the table below to reflect the under-recovery balance as of June 30, 2014. An under-recovery is an amount that is owed to the Company by its customers and is shown in the table below as a positive number. An over-recovery reflects an amount that is owed to the customer by the Company and would be shown as a negative number. MGE has an under-recovery.

Account	6-30-14 Ending Balance per MGE Filing	Current ACA Period Staff Proposed Adjustment	6-30-14 Staff Recommended Ending Balance
ACA Balance	\$ 18,354,407.66	\$ 0	\$ 18,354,407.66

RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

Capacity Planning

The Staff ACA Recommendation expressed concerns with the MGE methodology in calculating peak day requirements (also referred to as design day requirements). Staff referred to the requirements of the Commission Order Approving Stipulation and Agreement and Authorizing Merger in GM-2011-0412 that requires MGE to formally conduct a comprehensive evaluation of interstate and intrastate transportation and storage capacity and costs as deemed necessary by MGE but no less frequently than every three years. Because the last Demand/Capacity Analysis was for January 2013 and was received January 31, 2013, Staff anticipated receiving the next MGE Demand/Capacity Analysis no later than January 2016.

MGE's response indicated it intends to do a comprehensive evaluation and develop a new methodology that can be applied to both Laclede and MGE Division. MGE believes this analysis is due by September 1, 2016. The difference in the January 2016 versus September 2016 due date is not a major concern for Staff. However, the Stipulation and Agreement ("S&A") states the comprehensive analysis shall be conducted no less frequently than every three years. It does not require the Company to wait three years to update its analysis. Each winter month of 2013/2014 was colder than normal and analysis of that cold winter data would have provided the Company with critical information about any changes in capacity it would need for a peak day for each MGE service area. Reasonable Company planning would have recognized the need to analyze the cold weather usage data from 2013/2014 so that the analysis results would be available for its planning for the 2014/2015 winter and would not have waited over three years to update its January 2013 Demand/Capacity Analysis.

Documentation of Gas Supply Awarded

Staff made comments in the recommendation that MGE is not documenting refusals of unsolicited requests per the requirements of the Order Approving Stipulation and Agreement, Granting Waiver, and Approving Cost Allocation Manual in various Laclede Gas Company cases (complaint case, GC-2011-0098, and seven ACA cases with the most recent being GR-2012-0133). The Order was issued August 14, 2013 and effective August 24, 2013. Effective July 31, 2013 the Commission authorized the sale of MGE to Laclede Gas Company in GM-2013-0254. The closing date of the sale was September 1, 2013.

The S&A in GM-2013-0254 refers to the document entitled Gas Supply and Transportation Standards of Conduct in the GC-2011-0098 S&A which contains, among other things, the Company's MGE Division and Laclede Division dealings with natural gas suppliers, including its dealings with affiliated suppliers. The requirement for documentation of unsolicited requests is as follows:

- F. Purchase of unsolicited gas supply — Laclede shall only consider accommodating unsolicited requests for short-term purchase of gas supply where the Company can operationally take such supplies without incurring any known

penalty or detriment. Laclede shall maintain a contemporaneous log of all instances identifying where it has accommodated and/or refused such requests, including: the identity of the requesting supplier; the date the request was made; the pricing and quantity of the gas supply offered; the awarded pricing, quantity, receipt/delivery point(s); and any other terms.
(Emphasis added.)

Page 4 of the referenced GC-2011-0098 S&A includes the following:

Laclede indicates that it has already implemented some of the provisions of the Standards of Conduct set forth in Appendix 2, and Laclede hereby agrees that it shall implement all provisions of the Standards of Conduct contained in Appendix 2 to this Unanimous Partial Stipulation and Agreement within no later than 10 days after the effective date of the Commission's Order approving this Unanimous Partial Stipulation and Agreement...

MGE's February 8, 2016 response to the 2013/2014 Staff ACA Recommendation states:

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.
(Emphasis added)

Staff does not know what the Company meant by its qualifier "under special circumstances".

Based on MGE's February 8, 2016 response to the 2013/2014 Staff ACA Recommendation, it is not clear whether the Company has done anything to document refusals of unsolicited requests for short-term purchase of gas supply as required in the Commission Order. Staff's concern was for the 2013/2014 ACA, but the MGE response makes it unclear whether the Company is complying with the Order in the current winter of 2015/2016 when the Commission Order was issued August 14, 2013 and effective August 24, 2013.

The Company did not provide any advanced notice that it would not comply with the Commission Order Approving Stipulation and Agreement and Authorizing Merger in GM-2013-0254 or the Order Approving Stipulation and Agreement in GC-2011-0098 nor did the Company file for a variance or a waiver from the Commission's Order. Staff has no authority to grant waivers or variances from Commission Orders. Until a waiver is approved, the Company must comply with the Commission Orders.

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

Staff recommended that MGE develop and maintain documentation to show compliance with its OSS and capacity release processes and procedures as per the requirements of the S&A. In the 2013/2014 ACA period the Company has no written documentation addressing OSS or capacity release processes and procedures, as per the MGE response to Data Request No. 0109(b).

In its response MGE agrees with such recommendation. However MGE does not state when it will develop and maintain OSS and capacity release processes and procedures and documentation showing compliance.

Page 4 of the referenced GC-2011-0098 S&A includes the following:

Laclede indicates that it has already implemented some of the provisions of the Standards of Conduct set forth in Appendix 2, and Laclede hereby agrees that it shall implement all provisions of the Standards of Conduct contained in Appendix 2 to this Unanimous Partial Stipulation and Agreement within no later than 10 days after the effective date of the Commission's Order approving this Unanimous Partial Stipulation and Agreement...

Staff's concern was for the 2013/2014 ACA, but the Company response makes it unclear whether the Company has yet developed and maintained OSS and capacity release processes and procedures and documentation showing compliance.

The Company did not provide any advanced notice that it would not comply with the Commission Order Approving Stipulation and Agreement and Authorizing Merger in GM-2013-0254 or the Order Approving Stipulation and Agreement in GC-2011-0098 nor did the Company file for a variance or a waiver from the Commission's Order. Staff has no authority to grant waivers or variances from Commission Orders. Until a waiver is approved, the Company must comply with the Commission Orders.

SCHOOL TRANSPORTATION PROGRAM (STP) BALANCING AND CASH OUTS

MGE's response indicated it provided a proposed solution to the STP balancing and cash outs and indicates Staff is considering it. Staff opposes the current MGE draft proposed tariff.

Staff recommended the Commission require the interested parties hold a meeting to attempt to resolve the STP balancing and cash out issue and file a status report to the Commission which explains the results of the meeting and a recommendation on how to proceed with this issue. MGE does not object to Staff's recommendation and requests the Commission issue its order directing interested parties to meet on the STP issue.

CONCLUSION

The Staff recommends that the Commission issue an order establishing the ACA account balance shown in the table above to reflect the under-recovery balance as of June 30, 2014.

Staff recommends that the Commission issue an order to the Company to file a variance/waiver request for the documentation requirements discussed above and any other non-compliance with Commission Orders. Each request should include the reason or good cause for the Company's non-compliance. The processing of the variance/waiver requests case(s) must show that the Company has adequate controls in place to provide reasonable assurance that it will comply with Commission Orders. Staff will then evaluate whether the Company's non-compliance with the past Commission Orders warrants the filing of a complaint case.

Staff recommends the Commission issue an order directing interested parties to meet to attempt to resolve the STP balancing and cash out issue and file a status report explaining the results of the meeting and a recommendation on how to proceed with this issue.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of)
Laclede Gas Company, Missouri Gas Energy) Case No. GR-2014-0324
for a PGA Tariff Revision)

AFFIDAVIT OF ANNE M. CROWE

STATE OF MISSOURI)
)) ss.
COUNTY OF COLE)

COMES NOW Anne M. Crowe and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

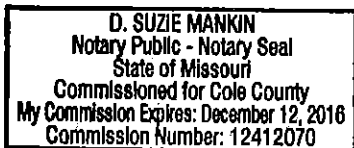
Further the Affiant sayeth not.

Anne M. Crowe

ANNE M. CROWE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 18th day of February, 2016.



D. Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of)	
Laclede Gas Company, Missouri Gas Energy)	Case No. GR-2014-0324
for a PGA Tariff Revision)	

AFFIDAVIT OF LESA A. JENKINS, PE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW Lesa A. Jenkins, PE and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

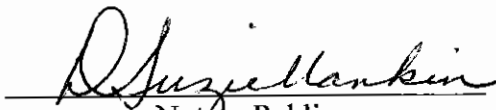


LESA A. JENKINS, PE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 18th day of February, 2016.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070



Notary Public