

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

In the Matter of Summit Natural Gas                    )  
of Missouri, Inc.'s Purchased Gas                    )  
Adjustment    )       Case No. GR-2015-0101

In the Matter of Summit Natural Gas                    )  
of Missouri, Inc.'s Purchased Gas                    )  
Adjustment    )       Case No. GR-2015-0102

**STAFF REPLY TO SUMMIT NATURAL GAS OF MISSOURI, INC.'S  
RESPONSE TO STAFF ACA RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission and respectfully replies as follows to the *Response to Staff Recommendation and Memorandum* filed herein by Summit Natural Gas of Missouri, Inc. (“Summit” or “Company”):

1. Staff filed its ACA Recommendation in this case concerning Summit’s 2013-2014 ACA filing on December 14, 2015. In its ACA Recommendation, Staff recommended certain adjustments to the Company’s filed ACA balances and also requested the Company respond to certain concerns and recommendations which had no associated monetary adjustments.

2. Summit filed its Response to the Staff Recommendation on January 29, 2016. Staff has disagreements / concerns with some of Summit’s responses to the Staff Recommendation which are briefly summarized below:

### **Staff Recommendation Section III – Reliability Analysis and Gas Supply Planning**

#### **Proposed Disallowance for Northern Service Area February 2014 Imprudent Supply Decisions (Company response paragraph 12)**

Staff and Company disagree on Staff's recommended disallowance related to the Company's February 2014 supply decisions. The recommended disallowance amounts to \$11,758 (about \$7.34 per customer) in the Company's Northern Service Area. Staff proposed the disallowance based on the Company purchasing February 2014 supply in excess of its customers' usage when gas prices were high. The excess gas was injected into storage. Rather than having net storage withdrawals as would be expected during a February 2014 that was colder than normal, the Company had net storage injections and more natural gas in storage than its plan for the end of February, with only one month remaining in the winter (March 2014). Furthermore, the Company did not use this gas later in winter (i.e., March) even though it would have been advantageous to do so. Staff is not persuaded by the Company's explanations and continues to recommend this disallowance.

#### **Proposed Disallowance for Avoidable Capacity Over-run Charges (Company response paragraph 11)**

In its Response, Summit recalculated Staff's proposed disallowance using a different methodology than utilized by Staff. Staff is willing to accept Summit's comments regarding a reduction in the disallowance for the imbedded transportation charges, but does not agree with other aspects of the Company's method of calculation. In addition, in Summit's Response, rather than providing a service area-specific disallowance amount for the Company's Southern Service Area and SMNG Service

Area, the Company merely provided a total amount which will need to be allocated between the Southern and SMNG Service Areas. Therefore, while Staff is willing to accept the Company's proposed total disallowance of \$7,174 for this item, an allocation between service areas will need to be made; Staff proposes that \$3,294 be allocated to the Southern service area and \$3,880 to the SMNG service area.

Northern Service Area: Gas Daily vs. First of Month Index Baseload (Company response paragraph 10)

In its Recommendation, Staff recommended that the Company consider the inclusion of First of Month (FOM) baseload supply during the winter months for its Northern Service Area. The Company responded that Staff did not consider the higher commodity costs on its STS contract, and provided several scenarios using this added cost. The Company also pointed out that market pricing can be volatile and the Company elects to exhibit control over absolute certainties such as the optimization of its FTS reservation charges. Finally, the Company noted that during the current winter it has been able to acquire natural gas supply deliveries at the REX West receipt point tied to FOM pricing (Staff would note that it will not be able to evaluate the details of the specific transactions for the 2015/2016 winter referenced by the Company until the ACA review is conducted which occurs after the conclusion of the 2015/2016 ACA period). Staff does not agree with all aspects of Summit's comments and will continue to review and evaluate this matter in future ACA filings.

## **Staff Recommendation Section II – Billed Revenue and Actual Gas Cost**

### ACA Factor – Northern Service Area (Company response paragraph 5)

As a result of the large under-recovery balance in the Company's Northern service area, in its ACA Recommendation Staff encouraged Summit to consider making additional (i.e., interim) PGA filing(s) during any ACA period when conditions could result in a significant change in the ACA balance, either positive or negative. In its Response, the Company indicated that by the time a deferred balance is identified as being out of line, there aren't enough remaining non-winter volumes to make a significant impact in the deferred balance. While it is true that an optional (interim) PGA filing would not cover all winter months, an interim PGA filing would help to reduce the ACA balance needed to be recovered in the future. The optional PGA's should be considered when the Company believes that elements (such as weather) have changed significantly from the current factor or when an existing ACA balance is significantly over or under-stated, as was the case for this ACA. Also in its response, Summit indicated that the volume issue is compounded by the lack of ACA factor changes during interim PGA filings. Interim PGA's are not intended to change the ACA factor (which was made to adjust for prior periods), but result in a change in only the PGA factor. In this case, an interim PGA factor change would have reduced the existing under-recovery ACA balance. Based on its Response, Staff continues to have concerns regarding the Company's failure to make interim PGA filings when conditions warrant such a filing.

3. Given that the issues discussed above remain unresolved, Staff recommends the Commission grant the parties additional time to discuss these issues and attempt to reach a resolution.

**WHEREFORE**, Staff respectfully requests the Commission issue an order directing the parties to file, within sixty (60) days, either a stipulation and agreement or a proposed procedural schedule or a status report in this case.

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 8th day of February, 2016.

**/s/ Jeffrey A. Keevil**