

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

In the Matter of Missouri Gas Energy’s        )  
(Laclede) PGA Filing                                )        File No. GR-2016-0225

**RESPONSE TO STAFF’S RECOMMENDATION  
AND MEMORANDUM REGARDING MISSOURI GAS ENERGY’S  
2015-2016 ACTUAL COST ADJUSTMENT FILING**

COMES NOW Spire Missouri Inc., d/b/a Spire (“Spire Missouri” or “Company”), formerly known as Laclede Gas Company, and on behalf of its western Missouri operating unit (“Spire Missouri West”), formerly known as Missouri Gas Energy (“MGE”), submits this response to the Recommendations and Memorandum filed by Staff on December 18, 2017 (“Staff Recommendation”). In support thereof, Spire Missouri states as follow:

1. Staff reviewed Spire Missouri West’s billed revenue and gas costs for the July 1, 2015 to June 30, 2016 Actual Cost Adjustment (“ACA”) period. The Staff Recommendation addressed matters relating to Spire Missouri West’s gas planning, procurement and hedging activities during the ACA period, and recommended the ending ACA balances to use for the period. The Staff also recommends an adjustment to the ending ACA balances for the period. Finally, the Staff Recommendation requests that the Commission direct Spire Missouri West to submit a response addressing Staff recommendations on Reliability and Gas Supply Analysis, and on Hedging.

2. On December 18, 2017, the Commission issued its Order directing Spire Missouri West to provide a response to the matters raised by Staff. For the Commission’s convenience,

Spire Missouri West will respond to such matters in the same order they are presented in Staff's Recommendation.<sup>1</sup>

### **RELIABILITY AND GAS SUPPLY PLANNING**

3. While the Staff does not propose any financial adjustment relating to reliability and gas supply planning, it makes a number of recommendations regarding various aspects of those activities, which are addressed below.

#### **Peak Day**

4. Based on the recommendation from Staff, the Company will continue to use the most recent resource plan, dated August 2016, for the 2016-2017 ACA period.

#### **Storage Operations**

5. The Company will continue to monitor and evaluate storage balances. Traditionally, gas storage fields are filled during the summer months and reach near contractual capacity around October/November. November 2015 happened to be 22% warmer than normal, which caused some storage operations challenges. The Company will continue to review how abnormal weather will impact storage injection and withdrawal plans.

#### **Reserve Margins**

6. The Company will communicate with Staff on any changes made to address Staff's concerns about the reserve margin, including pipeline or storage changes.

### **ACTUAL GAS COSTS AND BILLED REVENUE**

7. Staff made adjustments to the Company's recorded gas costs, billed revenue, and off-system sales and capacity releases. These adjustments appear to reflect differences between

---

<sup>1</sup>While Spire MO West will attempt to address the material points raised by Staff in its Recommendations, the Company's failure to respond to a specific factual or policy assertion should not be construed as indicating that the Company necessarily concurs in that assertion.

the Staff's cash basis accounting and the Company's accrual accounting that it conducts consistent with GAAP. This is a change for Staff on the western side of the State, because MGE formerly reported gas transactions on a cash basis. However, on the eastern side of the State, Spire Missouri East has practiced accrual accounting for some time without incident.

8. This same issue was raised in the last ACA case. The Staff proposed a \$319,000 adjustment based entirely on a timing difference between cash and accrual accounting. The Company met with Staff and thought the issue was resolved, but it appeared again on page 2 of the December 2017 Staff Recommendation as a "Prior Period" proposed adjustment.

9. Staff recommended that the parties meet within 60 days of the filing of the Staff Recommendation to discuss the December 2017 adjustments. Spire Missouri agrees to Staff's recommendation and requests that the parties also address the prior period adjustment at this meeting. Spire Missouri and Staff have already arranged a meeting to be held on February 13. The Company looks forward to working with Staff to resolve this matter.

### **HEDGING**

10. On pages 5 and 6 of the Recommendation, the Staff discusses the Company's hedging strategy which is now being used in both the Spire Missouri East and West service territories. The Staff recommends that Company evaluate its hedging strategy and time and price driven hedging in response to changing market dynamics, including the level of hedging for its summer storage volumes, and that the Company assess the effectiveness of its hedges based on the outcomes.

11. In response, the Company first states that it agrees with Staff regarding the monitoring of market dynamics. The Company continually evaluates changes in market conditions, and its hedging strategy is inherently designed to take such changes into account in

order to balance the cost of hedging against the goal of price stabilization, and thus achieve a cost-effective hedging outcome.

12. The Company would also note it is constantly evaluating its hedging strategy and tracking its effectiveness, including the extent to which it hedges storage volumes. Spire Missouri 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, the Company requests that the Commission accept this response to the Staff Recommendation.

Respectfully submitted,

**/s/ Rick Zucker**

Rick E. Zucker #49211  
Associate General Counsel  
700 Market Street, 6<sup>th</sup> Floor  
St. Louis, MO 63101  
(314) 342-0533 (telephone)  
E-mail: rick.zucker@spireenergy.com

**/s/ Michael C. Pendergast**

Michael C. Pendergast #31763  
Fischer & Dority P.C.  
423 Main Street  
St. Charles, MO 63301  
(314) 288-8723 (telephone)  
E-mail: [mcp2015law@icloud.com](mailto:mcp2015law@icloud.com)

ATTORNEYS FOR SPIRE MISSOURI INC.

**CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing pleading was served on the Staff and the Office of the Public Counsel, on this 1st day of February, 2018 by hand-delivery, fax, electronic mail or by regular mail, postage prepaid.

**/s/ Rick Zucker**