

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

In the Matter of Laclede Gas Company's)
PGA Filing) File No. GR-2016-0224

**RESPONSE TO STAFF'S RECOMMENDATION
AND MEMORANDUM REGARDING LACLEDE GAS COMPANY'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, pursuant to the Commission's Order dated December 18, 2017, submits this response to the Recommendations and Memorandum filed by the Staff of the Missouri Public Service Commission ("Staff") in the above captioned matter on December 18, 2017. In support thereof, Spire Missouri states as follow:

1. On December 18, 2017, the Staff filed its Recommendation and Memorandum (hereinafter "Staff Recommendation") relating to its review of billed revenue and gas costs for Spire Missouri's eastern Missouri service territory ("Spire Missouri East") for the October 1, 2015 to September 30, 2016 Actual Cost Adjustment ("ACA") period. The Staff Recommendation addresses matters relating to the Company's gas planning, procurement and hedging activities during the ACA period. The Staff also recommends an adjustment to the ending ACA balances for the period. Finally, the Staff Recommendation requests that the Commission direct the Company 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 the Company to provide a response to the matters raised by Staff. For the Commission's convenience, the

Company will respond to such matters in the same order they are presented in Staff's Recommendation.¹

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.

Planning Documentation

4. The Company will continue to use the appropriate resource plan for relevant ACA planning timeframes. The Company previously used the 2013-2014 Reliability Report, and began using the August 2016 resource plan as soon as it was completed.

Peak Day Estimation

5. As Staff noted at the end of this section, Spire Missouri erred in providing a resource plan to Staff in response to DR 76. The Company apologizes to Staff for the inconvenience caused by this error. Spire Missouri has recently supplemented its DR response to correct this error by providing a resource plan that addressed Staff's concerns regarding statistical confidence intervals.

ACTUAL GAS COSTS: OFF-SYSTEM SALES ERROR

6. Staff believes there was an off-system sales error that had the effect of overstating gas costs during this ACA period. Staff proposes an adjustment to reduce gas costs in total by \$114,273. The Company reviewed this adjustment and believes it can account for the error in a manner that would result in no adjustment. In particular, in May 2016, the Company made a

¹While the Company 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.

revision to November 2014 off-system sales. The Company has provided initial workpapers to Staff on this issue and will continue to work with Staff on this adjustment.

HEDGING

7. On pages 4 and 5 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 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.

8. 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.

9. 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. The Company 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

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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/ Marcia Spangler