

AMENDED MEMORANDUM

TO: Missouri Public Service Commission Official Case File, GR-2019-0125,
Summit Natural Gas of Missouri, Inc.

FROM: David M. Sommerer, Regulatory Manager – Procurement Analysis
Kwang Y. Choe, PhD, Regulatory Economist – Procurement Analysis
Jacob R. Robinett, Utility Engineering Specialist III – Procurement Analysis
Catherine F. Lucia, Utility Regulatory Auditor IV – Procurement Analysis

/s/ David M. Sommerer 04/02/20 /s/ Karen Bretz 04/02/20
Project Coordinator / Date Staff Counsel’s Office / Date

/s/ Keenan B. Patterson PE 04/02/20
Utility Regulatory Engineer II / Date

SUBJECT: Amended Staff Recommendation in Case No. GR-2019-0125, Summit
Natural Gas of Missouri, Inc. 2017-2018 Actual Cost Adjustment Filing

DATE: April 2, 2020

EXECUTIVE SUMMARY

On November 2, 2018, Summit Natural Gas of Missouri, Inc. (SNGMO¹) filed Case No. GR-2019-0125, its Actual Cost Adjustment (ACA) for the 2017-2018 annual period, for rates to become effective November 19, 2018. This filing revised the ACA rates based upon the Company’s calculations of the ACA balance for the 2017-2018 period. Summit Natural Gas of Missouri, Inc. is the current name of the company formerly known as Missouri Gas Utility, Inc. (MGU). The Commission authorized the merger of MGU and Southern Missouri Natural Gas (SMNG), in Case No. GM-2011-0354 on September 28, 2011. MGU was the surviving entity.

The Procurement Analysis Department (“Staff”) of the Missouri Public Service Commission reviewed the Company’s ACA filing. A comparison of billed revenue recovery with actual gas costs will yield either an over-recovery or under-recovery of the ACA balance. An over-recovery by the Company is shown as a negative ACA balance that must be returned to customers; an under-recovery is shown as a positive ACA balance that must be collected from customers.

On December 17, 2019 Staff filed a memorandum containing Staff’s recommendations regarding SNGMO’s 2017-2018 ACA filing. The Commission ordered SNGMO to respond to Staff’s

¹ Staff refers to SNGMO as the “Company” or “Summit” throughout this Memorandum, except when referencing the SMNG Service Area.

recommendation within 45 days. On January 31, 2020, SNGMO filed a Motion for Extension to respond to Staff's recommendation based on SNGMO's position that additional discussions with Staff would be beneficial. An extension was granted with a response date no later than March 4, 2020. On February 28, 2020 SNGMO filed a Second Motion for Extension to respond to Staff's recommendation to allow further discussions and exchange of information between SNGMO and Staff. An extension was granted with a response date no later than April 6, 2020.

Based on additional discussions and documentation SNGMO provided, Staff amends the December 17, 2019 ACA Memorandum. The changes to Staff's recommendations affect the Billed Revenue and Actual Gas Costs section of this memorandum. There are no changes to the Reliability Analysis and Gas Supply Planning and Hedging sections of the memorandum; however Staff's concerns/comments addressed in the Hedging section of the original filing remain.

Staff conducted the following analyses:

1. A review of billed revenue compared with actual gas costs. Based on additional information SNGMO provided and discussions between Staff and SNGMO during the two extension periods, Staff performed additional review of Commodity Costs, Cash Out, and Interest;
2. A reliability analysis, including a review of estimated peak-day requirements and the capacity levels needed to meet these requirements and a review of supply plans for various weather conditions;
3. A review of the Company's gas purchasing practices to evaluate the prudence of the Company's purchasing decisions for this ACA period; and,
4. A hedging review to evaluate the reasonableness of the Company's hedging practices for this ACA period.

In its original filing, Staff recommended one adjustment of (\$75,530)² to the Company's 2017-2018 (over)/under-recovery ACA balances for the former SMNG Service Area (Rogersville and Branson Districts).

² Identified as Adjustment "A" in the table provided for the SMNG Service Area.

After additional review and exchange of information with SNGMO, Staff recommends an additional four adjustments³ to the Company’s 2017-2018 (over)/under-recovery ACA balances for the former SMNG Service Area (Rogersville and Branson Districts):

SMNG Service Area⁴ Description (+) Under-recovery (-) Over-recovery	Ending Balances Per Filing	Staff Adjustments for 2017-2018 ACA	Staff Recommended Ending Balances
Prior ACA Balance 8-31-17	\$332,398	\$0	\$332,398
Cost of Gas/Storage	\$4,425,740	(A) (\$75,530) (B) (\$31,655)	\$4,318,555
Cost of Transportation	\$2,369,936	\$0	\$2,369,936
Revenues - PGA billed	(\$6,520,813)	\$0	(\$6,520,813)
ACA Approach for Interest Calculation	\$3,545	(C) \$5,265	\$8,810
Cash Outs	(\$356,448)	(D) (\$39,208) (E) \$1,160	(\$394,496)
Total ACA Balance 8-31-18	\$254,358	(\$139,968)	\$114,390

- (A) Invoice #433431 dated April 26, 2018 from ** _____ ** was erroneously entered into the Company’s reconciliation of (over)/under collections in the amount of \$184,555. The correct amount of the invoice is \$109,025. As a consequence, Staff recommends an adjustment of (\$75,530) resulting in a reduction to the total under recovery of Cost of Gas/Storage costs.
- (B) During review of Staff’s report and recommendations, SNGMO uncovered a refund check in the amount of \$31,655 from ** _____ ** which had not been properly accounted for nor recorded in the information provided to Staff. Staff recommends an adjustment of (\$31,655), resulting in a decrease to the total under recovery of Cost of Gas/Storage.
- (C) Based on additional review of Staff’s report and recommendations, SNGMO made an adjustment to interest in the amount of \$5,265. Staff supports and recommends an adjustment of \$5,265, resulting in an increase to the under recovery of Interest.

³ Identified as Adjustments “B” through “E” in the table provided for the SMNG Service Area.

⁴ The SMNG Service Area includes the former SMNG districts of Branson and Rogersville. This service area encompasses the Missouri counties of Greene, Webster, Wright, Howell, Texas, Douglas, Laclede, Stone and Taney.

- (D) Based on additional review of Staff’s report and recommendations, SNGMO made an adjustment to Cash Outs in the amount of (\$39,208). Staff supports and recommends an adjustment of (\$39,208), resulting in an increase to the total (over) recovery of Cash Outs.
- (E) Based on review of additional information provided by SNGMO, Staff recommends an adjustment to Cash Outs of \$1,160, which will decrease the total (over) recovery of Cash Outs in the amount of \$1,160.

In its original filing, Staff recommended two adjustments of (\$1,992) and (\$736)⁵ to the Company’s filed 2017-2018 (over)/under-recovery ACA balances for Summit’s Northern Service Area (Gallatin Division).

After additional review and exchange of information with SNGMO, Staff recommends an additional two adjustments⁶ to the Company’s 2017-2018 (over)/under-recovery ACA balances for the former Summit’s Northern Service Area (Gallatin District):

Northern Service Area⁷ Description (+) Under-recovery (-) Over-recovery	Ending Balances Per Filing	Staff Adjustments for 2017-2018 ACA	Staff Recommended Ending Balances
Prior ACA Balance 8-31-17	\$77,679	\$0	\$77,679
Cost of Gas/Storage	\$559,951	\$0	\$559,951
Cost of Transportation	\$202,932	(F) (\$1,992)	\$200,940
Revenues - PGA billed	(\$818,351)	\$0	(\$818,351)
ACA Approach for Interest Calculation	\$0 ⁸	(G) (\$736) (H) \$1,199	\$463
Cash Outs	(\$35,931)	(I) \$8,026	(\$27,905)
Total ACA Balance 8-31-18	(\$13,720)	\$6,497	(\$7,223)

⁵ Identified as Adjustment “F” and “G” in the table provided for the Northern Service Area.

⁶ Identified as Adjustments “H” and “I” in the table provided for the Northern Service Area.

⁷ The Northern Service Area includes the Gallatin District, which is part of the former MGU. This service area encompasses the Missouri counties of Caldwell, Daviess, and Harrison.

⁸ The Company’s filing did list the Ending Balance amount of (\$736) for the interest calculation on the (over) collection in the Total ACA Balance 8-31-18 of (\$13,720). Due to a formula error, the (\$736) was not included in the total of (\$13,720). Therefore, Staff entered a zero so the individual balances in this column would correctly add up to the ending balance of (\$13,720).

- (F) Invoice No. 354338 and 354337, both dated October 13, 2017 from ** _____ ** and ** _____ **, in the amounts of \$4,654.64 and \$3,303.50, respectively, were erroneously entered into the Company’s reconciliation of (over)/under collections in the amount of \$9,949.62. The correct total for these two invoices was \$7,958.14. Staff recommends an adjustment for an (over) recovery of Cost of Transportation in the amount of (\$1,992), resulting in a decrease to the total under recovery of Cost of Transportation.
- (G) Per the Company, the ending Balance in the reconciliation of (over)/under collections was (\$13,720); not included in this balance was the interest on the (over) collection in the amount of (\$736). Staff recommends an adjustment in the amount of (\$736) for interest on the (over) collection to allow its inclusion in the Total ACA Balance as of August 31, 2018.
- (H) Based on additional review of Staff’s report and recommendations, SNGMO made an adjustment to Interest in the amount of \$1,199. Staff recommends an adjustment resulting in an under recovery to Interest in the amount of \$1,199.
- (I) Based on additional review of Staff’s report and recommendations, SNGMO made an adjustment to Cash Outs in the amount of \$8,026. Staff recommends an adjustment resulting in an under recovery to Cash Outs in the amount of \$8,026.

In its original filing Staff recommended five adjustments of (\$871), \$980, \$2,987, \$7,680, and (\$254)⁹ to the Company’s 2017-2018 (over)/under recovery ACA balances for Summit’s Southern Service Area (Warsaw and Lake of the Ozarks Districts).

After additional review and exchange of information with SNGMO, Staff recommends an additional two adjustments¹⁰ to Company’s 2017-2018 (over)/under-recovery ACA balances for Summit’s Southern Service Area (Warsaw and Lake of the Ozarks Districts):

⁹ Identified as adjustments “J” through “N” in the table provided for the Southern Service Area.

¹⁰ Identified as adjustments “O” and “P” in the table provided for the Southern Service Area.

Southern Service Area ¹¹ Description (+) Under-recovery (-) Over-recovery	Ending Balances Per Filing	Staff Adjustments for 2017-2018 ACA	Staff Recommended Ending Balances
Prior ACA Balance 8-31-17	\$(94,477)	\$0	(\$94,477)
Cost of Gas/Storage	\$1,215,045	(J) (\$871) (K) \$980 (L) \$2,987 (M) \$7,680	1,225,821
Cost of Transportation	\$681,214	\$0	\$681,214
Revenues – PGA billed	(\$1,881,777)	\$0	(\$1,881,777)
ACA Approach for Interest Calculation	\$(2,330)	(N) (\$254) (O) \$618	(\$1,966)
Cash Outs	(\$10,640)	(P) (\$17,853)	(\$28,493)
Total ACA Balance 8-31-17	(\$92,965)	(\$6,713)	(\$99,678)

- (J) A ** _____ ** Invoice, #1460234, dated February 15, 2018, was incorrectly recorded in the Company’s reconciliation of (over)/under collections in the amount of \$225,376.53. The correct amount of the invoice was \$224,505.94. Staff recommends an adjustment in the amount of (\$871), resulting in a decrease to the under recovery of the Cost of Gas/Storage.
- (K) A ** _____ ** Invoice, #1462658, dated March 15, 2018, was incorrectly recorded in the Company’s reconciliation of (over)/under collections in the amount of \$188,401.76. The correct amount of the invoice was \$189,381.76. Staff recommends an adjustment in the amount of \$980, resulting in an increase to the under recovery of the Cost of Gas/Storage.
- (L) A ** _____ ** invoice #83095-201806, dated July 6, 2018, was not included in the Total Commodity Costs for the month of June 2018. Staff recommends an adjustment in the amount of \$2,986.50, as an increase to the under recovery of the Cost of Gas/Storage.
- (M) A ** _____ ** invoice #83092-201807, dated August 6, 2018, was not included in the Total Commodity Costs for the month of July 2018. Staff recommends an adjustment in the amount of \$7,680.00 as an increase to the under recovery of the Cost of Gas/Storage.

¹¹ The Southern Service Area includes two districts – the Warsaw and Lake of the Ozarks Districts. The Warsaw District is part of the former MGU. The Southern Service Area encompasses the Missouri counties of Benton, Camden, Greene, Miller, Morgan, and Pettis.

- (N) Due to a formula error, the amount of interest on under-collected gas costs provided in the Company's reconciliation of (over)/under collections was (\$2,330). The correct amount of interest on over collected gas costs should be (\$2,584). Staff recommends an adjustment in the amount of (\$254) as an increase to the (over) recovery of Interest.
- (O) Based on additional review of Staff's report and recommendations, SNGMO recommends an adjustment to interest in the amount of \$618. Staff recommends an adjustment resulting in an under recovery to Interest in the amount of \$618.
- (P) Based on additional review of Staff's report and recommendations, SNGMO recommends an adjustment to Cash Outs in the amount of (\$17,853). Staff recommends an adjustment resulting in an (over) recovery to Cash Outs in the amount of (\$17,853).

Staff has no adjustments related to hedging. However, Staff's concerns/comments are addressed in the Hedging section of the memorandum.

Staff recommends the Commission order the Company to respond to Staff's concerns and recommendations within 45 days.

STAFF'S TECHNICAL DISCUSSION AND ANALYSIS

Staff's discussion of its findings is organized into the following five sections, which include Staff's concerns and recommendations:

- I. Overview
- II. Billed Revenue and Actual Gas Cost
- III. Reliability Analysis and Gas Supply Planning
- IV. Hedging
- V. Recommendations

I. OVERVIEW

Summit separates its Missouri gas operations into three service areas encompassing five districts. The service areas are the SMNG Service Area, the Northern Service Area, and, the Southern Service Area.

Summit's SMNG Service Area covers the south and south-central areas of Missouri and is made up of the former SMNG districts of Branson and Rogersville. During this 2017-2018 ACA period,

Summit served an average of 12,192 customers in the SMNG Service Area. Southern Star Central Gas Pipeline (SSCGP) serves all these customers.

The Northern Service Area covers the northwest area of Missouri and contains the Gallatin District, which is part of the former MGU. During this 2017-2018 ACA period, Summit served an average of 1,627 customers in the Northern Service Area. ANR Pipeline Company (ANR) serves all these customers.

The Southern Service Area covers the south and west-central areas of Missouri and includes the districts of Warsaw and Lake of the Ozarks. The Warsaw District is part of the former MGU. During this 2017-2018 ACA period, Summit served an average of 4,595 sales customers in the Southern Service Area. SSCGP serves all these customers.

II. BILLED REVENUE AND ACTUAL GAS COST

Gas Procurement Practices

Staff reviewed Summit's purchasing practices during this period and recommends no adjustments based upon that review.

However, Staff determined during its review of the Reconciliation of (Over)Under Collection for the SMNG Service Area an invoice dated April 26, 2018 was entered into the Company's reconciliation of (over)/under collections in the amount of \$184,555. The correct amount of the invoice was \$109,025. As a consequence, Staff recommends an adjustment of (\$75,530) resulting in a reduction to the Cost of Gas/Storage costs.

Based on the extension requests and the additional review and exchange of information between SNGMO and Staff the following three adjustments are recommended. A refund check in the amount of \$31,655 was not recorded by SNGMO resulting in the Cost of Gas/Storage was overstated in the amount of \$31,655; therefore Staff recommends an adjustment in the amount of (\$31,655), resulting in the reduction of total Cost of Gas/Storage by this amount. The Interest is understated in the amount of \$5,265; therefore Staff recommends an adjustment in the amount of \$5,265, resulting in an increase of total Interest by this amount. The Cash Outs were understated in the amount of (\$39,208); therefore Staff recommends an adjustment in the amount of (\$39,208), resulting in an increase to total (over) recovery of Cash Outs in the amount of (\$39,208). Also, Staff recommends an adjustment to Cash Outs resulting in an under recovery in the amount of \$1,160, which reduces the total (over) recovery of Cash outs in the amount of \$1,160.

Further, Staff determined during its review of the Reconciliation of (Over)Under Collection for the Northern Service Area two invoices both dated October 13, 2017 in the amounts of \$4,654.64 and \$3,303.50 were entered into the Company's reconciliation of (over)/under collections in the amount of \$9,949.62. The correct total for these two invoices was \$7,958.14 resulting in a reduction of (\$1,992) to the Cost of Transportation. Also, Staff determined that Summit miscalculated the Ending ACA Balance as of August 31, 2018 to be (\$13,720). The Company did not include interest of (\$736). Therefore, Staff recommends an adjustment in the amount of (\$736), which will increase the Ending Balance for the interest calculation by (\$736).

Based on SNGMO's additional review and the additional exchange of information between SNGMO and Staff the following two adjustments are recommended for the Northern Service Area. The Interest is understated in the amount of \$1,199; therefore Staff recommends an adjustment in the amount of \$1,199, resulting in the total under recovery of Interest in the amount of \$463. The Cash Outs were understated in the amount of \$8,026; therefore Staff recommends an adjustment in the amount of \$8,026, resulting in total (over) recovery of Cash Outs in the amount of (\$27,905).

Finally, Staff's review of the Reconciliation of (Over)Under Collection for the Southern Service Area resulted in the recommendation of five adjustments. The first recommended adjustment by Staff is an invoice that was entered in the amount of \$225,376.53 and should have been entered as \$224,505.94. Therefore, Staff recommends an adjustment to reduce the cost of gas/storage by the amount of (\$871). Staff's second recommended adjustment relates to an invoice that was entered as \$188,401.76 and should have been entered in the amount of \$189,381.76. Therefore, Staff recommends an adjustment to increase the cost of gas/storage by the amount of \$980. Staff's third recommended adjustment relates to an invoice in the amount of \$2,986.50 that was not included in total commodity costs for the month of June 2018. Therefore, Staff recommends an adjustment to increase total commodity costs by the amount of \$2,986.50. Staff's fourth recommended adjustment relates to an invoice in the amount of \$7,680.00 that was not included in total commodity costs for the month of July 2018. Therefore, Staff recommends an adjustment to increase total commodity costs by the amount of \$7,680.00. Staff's fifth recommended adjustment is due to a formula error in the calculation of interest on over collected gas costs which was recorded as (\$2,330) and should have been recorded as (\$2,584). Therefore, Staff recommends an adjustment to increase interest by the amount of (\$254).

Based on SNGMO's additional review and the additional exchange of information between SNGMO and Staff, the following two adjustments are recommended for the Southern Service Area. The Interest is understated in the amount of \$618; therefore Staff recommends an adjustment in the amount of \$618, resulting in total (over) recovery of Interest in the amount of (\$1,966). The Cash Outs were overstated in the amount of (\$17,853); therefore Staff recommends an adjustment

in the amount of (\$17,853), resulting in total (over) recovery of Cash Outs in the amount of (\$28,493).

III. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

As a regulated gas corporation providing natural gas service to Missouri customers, the Local Distribution Company (“LDC”) is responsible for: 1) conducting reasonable long-range supply planning, and 2) the decisions resulting from that planning. One purpose of the ACA process is to review Summit’s planning for gas supply, transportation, and storage to meet its customers’ needs. For this analysis, Staff reviewed the LDC’s plans and decisions regarding estimated peak day requirements and the capacity levels to meet those requirements, peak day reserve margin and the rationale for this reserve margin, and natural gas supply plans for various weather conditions.

Staff’s review of Summit’s service areas produced the following comments and concerns:

Storage Planning

In the 2016-2017 ACA review period (the previous ACA review period), Staff noted that the Company’s storage did not allow flexibility for warmer fall and winter weather. For example, the storage actuals for the North Service Area (served by ANR Pipeline Company) were at 93.6% and 98.9% capacity for the end of September and October 2016, respectively. However, the Company made adjustments from the 2016 storage actuals, and the storage actuals for September and October 2017 were 84.2% and 87.4%, respectively. Staff recommends that the Company continue to monitor its storage balances to accommodate potential warmer fall and winter.

Between March 29, 2018 and April 23, 2018, the Company’s storage balance was a negative value. After consulting with the Company, it was found that this storage amount is contractual, and did not represent the actual quantity of gas in the storage field. In accordance with the Company’s supply plan, the Company draws the balance down over the course of the winter and begins to build it back up beginning in April. During this time the demand increased due to cold temperatures in the Gallatin District, which caused the Company to carry a negative contractual storage balance for a number of days, because the demand outweighed the storage injection. This was within allowable parameters and corrected once demand subsided.

Reserve Margins

The reserve margin for the Branson and Rogersville Districts are 112% and 13.9%, respectively, when considering the upper 95% confidence interval. The reserve margin for the Northern Service Area is 0.8%, and the reserve margin for the Southern Service Area is 94.7% when considering

the upper 95% confidence interval. Staff encourages the Company to continue to monitor its pipeline contracts and maintain an appropriate reserve margin for each service area.

The Branson District and the Southern Service Area are relatively new and are experiencing variable growth. They are small systems, and interstate pipelines do not readily accommodate the levels of capacity or capacity adjustment that a small, growing system might prefer. Staff finds that the high reserve margins in the Branson District and the Southern Service Area are reasonable in light of these circumstances. If growth in these areas begins to slow in the next few years, the Company should seek to more closely match pipeline capacity to peak demand by renegotiating its transportation contract or long-term capacity release.

There were two curtailments in the SMNG Service Area. The first was January 3-4, 2018, and the second was January 16-18, 2018. In addition, Staff discovered through its investigation that residential customers lost pressure. As a result, the Company installed a larger compressor at the Diggins Compressor station, located south of Lebanon. A new Liquefied Natural Gas (LNG) facility was installed in the fall of 2018 to increase the reliability of the Lebanon system. The LNG facility's impact on peak day capability and associated gas costs will be reviewed during Staff's 2018-2019 ACA review.

IV. HEDGING

Summit's winter hedging plans are primarily designed to achieve a reliable natural gas supply and to protect its customers against price spikes. The hedging plan establishes known prices for ** ____ ** of normal winter (November – March) weather requirements for each of the Company's three service areas.

The Northern Service Area's hedging plan calls for the Company to fill storage, typically between April and October, as close to its maximum capacity as possible by November 1, the beginning of the winter heating season. Additionally, fixed price purchases are a part of this hedging plan.

For the Southern Service Area, the hedging plan calls for Summit to utilize fixed price purchases. There is no storage capacity contracted for the Southern service area.

The hedging plan for the former SMNG Service Area also requires Summit to utilize fixed price purchases for this ACA period.¹²

¹² Staff notes that Summit's storage associated with the SMNG Service Area expired April 2016.

Summit's maximum storage quantity (MSQ) for the Northern Service Area represents about ** ____ ** of the area's normal winter (November – March) weather requirements. Summit's actual storage injection by November 1, 2017 was about ** ____ ** of MSQ.¹³ Summit also purchased fixed price volumes in May 2017 for delivery between November 2017 and March 2018. These fixed price volumes, which represent about ** ____ ** of normal winter weather requirements, combined with actual storage at the beginning of the winter season, represent about ** ____ ** of normal winter weather requirements for the Northern service area.

For the Southern Service Area, Summit purchased fixed price volumes in May 2017 for delivery between November 2017 and March 2018. Summit purchased additional fixed price volumes in July 2017 for delivery in the same periods, November 2017 through March 2018. The fixed price volumes represent about ** ____ ** of normal winter weather requirements for the Southern service area.

For the former SMNG Service Area, Summit purchased fixed price volumes in May 2017 and also in July and August 2017 for delivery during the winter periods, November 2017 through March 2018. These fixed price volumes represent about ** ____ ** of normal winter weather requirements for the former SMNG service area.

Conclusion

Staff has the following comments about the Company's hedging practice for this ACA's winter period:

1. It is important for the Company to evaluate the expected level of the customers' natural gas requirements that are reasonably protected (hedged) under warmer than normal, normal, and colder than normal weather scenarios.
2. Additionally, the Company should evaluate its hedging strategy in response to the changing market dynamics as to how much the existing hedging strategy actually benefits its customers while achieving the goal of stable price level.
3. A part of Summit's hedging goals is to capture the lowest price. However, this market timing approach can lead to a situation where Summit waits too long for natural gas prices to go down until it perceives them to be favorable while running the risk of higher prices.

¹³ The Company states in its response to Data Request No. 0089, "It appears that [Summit] was unable to reach the targeted injection in October, most likely due to cold weather and an increase in demand. Heating degree day data for October 2017 shows that the weather was colder towards the end of the month."

4. In light of the April 2016 expiration of the SMNG area storage contract, the Company should continue to review the effects on hedging from this expiration.
5. A part of Summit's hedging strategy utilizing storage in the Company's Northern service area is typically based on its plan of filling storage to its MSQ by November 1. However, when the Company does not fill storage at a level close to the MSQ its hedging plan utilizing storage could potentially overestimate how much hedging is needed.

Hedging Recommendations

Staff recommends, for the 2018-2019 ACA period and beyond, that the Company:

1. 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.
2. Consider a combination of various alternatives such as storage withdrawals, call options, and other fixed price purchases for effective hedging during the winter months.
3. Establish a realistic amount of MSQ that the Company plans to inject into storage by November 1 and to withdraw by March 31. Thus, determine a realistic amount of storage that can be utilized toward hedging and calculate the hedging percent utilizing storage and the overall hedging percent accordingly.
4. Continue to monitor the market movements diligently and with regard to timing of hedge placements employ disciplined (time-driven) as well as discretionary (price-driven) approaches in its hedging practices. Continue to document its reasoning for executing any hedging transactions or decisions, whether by means of storage, fixed price contracting or other financial hedging instruments.

V. RECOMMENDATIONS

Staff recommends the Company implement additional internal controls or procedures to ensure the accuracy of formulas and hard coded information incorporated into the "Reconciliation of (Over)/Under Collections" and the supporting worksheets. This will also ensure the timely submission of appropriate documentation.

Staff recommends that the Commission issue an order requiring Summit to:

1. Adjust the balances in its next ACA filing to reflect Staff's recommended ending (over)/under recovery ACA balances as set out in the following tables:

SMNG Service Area Description (+) Under-recovery (-) Over-recovery	Ending Balances Per Filing	Staff Adjustments for 2017-2018 ACA	Staff Recommended Ending Balances
Prior ACA Balance 8-31-17	\$332,398	\$0	\$332,398
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Cash Outs	(\$35,931)	\$8,026	(\$27,905)
Total ACA Balance 8-31-18	(\$13,720)	\$6,497	(\$7,223)

Southern Service Area Description (+) Under-recovery (-) Over-recovery	Ending Balances Per Filing	Staff Adjustments for 2017-2018 ACA	Staff Recommended Ending Balances
Prior ACA Balance 8-31-17	\$ (94,477)	\$0	\$ (94,477)
Cost of Gas/Storage	\$1,215,045	(\$871) \$980 \$2,987 \$7,680	\$1,225,821
Cost of Transportation	\$681,214	\$0	\$681,214
Revenues – PGA billed	\$ (1,881,777)	\$0	\$ (1,881,777)
ACA Approach for Interest Calculation	\$ (2,330)	(\$254) \$618	\$ (1,966)
Cash Outs	\$ (10,640)	\$ (17,853)	\$ (28,493)
Total ACA Balance 8-31-17	\$ (92,965)	\$ (6,713)	\$ (99,678)

2. Respond to all recommendations and concerns included herein within 45 days.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Summit Natural Gas of)
Missouri, Inc., Changes to Company's) Case No. GR-2019-0125
Purchase Gas Adjustment "PGA" Clause)

**AFFIDAVIT OF DAVID M. SOMMERER, KWANG Y. CHOE, PhD,
JACOB R. ROBINETT, CATHERINE F. LUCIA**

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COME NOW David M. Sommerer, Kwang Y. Choe, PhD, Jacob R. Robinett, Catherine F. Lucia and on their oath declares that they are of sound mind and lawful age; that they contributed to the foregoing Memorandum; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ David M. Sommerer
David M. Sommerer

/s/ Kwang Y. Choe, PhD
Kwang Choe, PhD

/s/ Jacob R. Robinett
Jacob Robinett

/s/ Catherine F. Lucia
Catherine Lucia