

**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)

File No. GR-2014-0324

**MISSOURI GAS ENERGY'S RESPONSE
TO STAFF RECOMMENDATION**

COMES NOW Missouri Gas Energy division ("MGE" or "Company"), an operating unit of Laclede Gas Company ("Laclede"), and submits its response to the Recommendation filed by the Commission Staff in this proceeding on June 15, 2016. In support thereof, MGE states as follows:

1. In its March 29, 2016, *Order Directing Filing of Status Report and Request for Waiver/Variance* in this proceeding, the Commission directed MGE to respond to Staff's request that MGE either seek a waiver or variance from a requirement in the Company's Standards of Conduct to document refusals of unsolicited requests for short-term purchases of gas supply or explain why it does not agree with Staff's request.

2. Pursuant to the Commission's Order, MGE submitted its Response on May 27, 2016 in which it stated that no variance was necessary because MGE did not customarily consider unsolicited requests for short term purchases of gas supply. In fact, nearly all of its short-term purchases were made during normal trading hours when requests to buy or sell gas are routinely expected. Nevertheless, MGE indicated that it had developed a procedure for tracking such requests which it hoped to share with the Staff for its input prior to implementation of the procedure beginning with its next ACA period.

3. In response, Staff filed a supplemental Recommendation on June 15, 2016 in this proceeding in which it stated that Laclede was not in compliance with its Standards of Conduct

regarding unsolicited requests, notwithstanding the immaterial nature of such transactions and the pending implementation of a new procedure to track the few unsolicited requests that may occur in the future. Staff also raised an entirely new concern regarding the quality of the documentation provided by MGE for gas supply transactions which took place *during* normal trading hours. Specifically, the Staff asserted that such documentation did not contain all of the information required by one out of the eight informational categories set forth in the Company's Standards of Conduct for short-term purchases of gas supplies. In light of these concerns, the Staff recommended that the Commission (a) order MGE to conduct additional training of its gas supply personnel to ensure compliance with the documentation requirements of Company's Cost Allocation Manual ("CAM") and Standards of Compliance; (b) order MGE and Laclede to establish and/or provide documentation of the internal controls necessary to ensure such compliance; and (c) open an investigation regarding compliance with the gas supply requirements of the CAM and Standards of Conduct.

4. For the reasons previously stated in its May 27th Response, MGE disagrees that it has failed in any material respect to comply with its obligations under the CAM and Standards of Conduct. Nevertheless, MGE takes no issue with Staff's recommendations that it conduct additional training of its gas supply personnel regarding the documentation requirements of the CAM and Standards of Conduct and provide Staff with a description of those efforts within 30 days of the date of this response. MGE takes its obligation to train employees in matters of regulatory compliance very seriously, whether those matters relate to safety requirements, billing practices or gas procurement activities and accordingly has no objection to refreshing its training in this area.

5. Nor does MGE take issue with re-examining its internal controls for ensuring

compliance with these documentation requirements and making any adjustments that may be necessary. Again, MGE has no objection to providing Staff with documentation of its efforts in this regard within 30 days of this response.

6. In terms of opening an investigation into such issues, MGE also believes it would be useful to address not only compliance with the gas supply documentation requirements of the CAM and Standards of Conduct but also whether revisions should be made to those requirements in light of the experience gained over the past several years. While many of the requirements are sensible and should be maintained, there are some that have proved impractical, overly burdensome and, in MGE's view, unnecessary. Accordingly, MGE concurs with Staff's recommendation, but believes it should be broadened to address this issue as well.

7. In terms of the vehicle that should be used to address these matters, MGE does not believe that creating a separate investigatory proceeding is necessary. This ACA proceeding remains open and can still serve to address these issues. Moreover, to the extent Staff wishes to address similar issues for the Laclede Division, its pending ACA proceeding, Case No. GR-2015-0201, can likewise be used for the same purpose. To facilitate such a process and make sure it stays on track, MGE recommends that the Commission schedule a joint technical conference in this ACA case and in Laclede's ACA Case No. GR-2015-0201 to be held within 30 days of the date MGE furnishes the documentation of the training and internal controls discussed above. The parties can then discuss the sufficiency of MGE's efforts on those two matters as well as any compliance and potential revision issues associated with the Standards of Conduct for both MGE and Laclede.

8. The Company believes that such an approach will be more expeditious, efficient and effective than opening a separate investigation. If that proves not to be the case, however,

Staff will still be free to recommend an alternative approach.

WHEREFORE, for all of the foregoing reasons, MGE respectfully requests that the Commission accept this response in resolution of the matters raised by Staff in its June 15, 2016 supplemental Recommendation. .

Respectfully Submitted,

/s/ Rick Zucker

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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing pleading was served on the Staff of the Missouri Public Service Commission, and the Office of Public Counsel on this 27th day of June, 2016 by United States mail, hand-delivery, email, or facsimile.

/s/ Marcia Spangler