

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

In the Matter of Laclede Gas Company’s     )  
Purchased Gas Adjustment (PGA) Factors    )     File No. GR-2017-0300  
To be Reviewed in Its 2016-2017 Actual     )  
Cost Adjustment                                 )

**RESPONSE TO STAFF’S RECOMMENDATION  
AND MEMORANDUM REGARDING MISSOURI GAS ENERGY’S  
2016-2017 ACTUAL COST ADJUSTMENT FILING**

COMES NOW Spire Missouri Inc., d/b/a Spire (“Spire Missouri West” or “Company”), formerly known as Laclede Gas Company, d/b/a Missouri Gas Energy and, pursuant to the Commission’s Order dated December 20, 2018, 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 17, 2017. In support thereof, Spire Missouri East states as follow:

1. On December 17, 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 western Missouri service territory (“Spire Missouri West”) for the October 1, 2016 to September 30, 2017 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 20, 2018, 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.<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.

### **Gas Procurement Procedures**

4. At pages 3-4 of its Memorandum, the Staff expresses concerns regarding the sufficiency of documentation and written procedures governing the procurement activities of Spire Missouri West. The Staff also notes that the Company is in the process of revising its Cost Allocation Manual ("CAM") in Case No. GW-2018-0367 and that this could be an opportune time for it to produce written procedures in keeping with its Gas Supply Standards of Conduct. Although the Company does not necessarily agree with all of the Staff's findings in this area, it does agree that the finalization of a CAM in Case No. GW-2018-0367 would be ideal vehicle for addressing these concerns and commits to working with Staff to do. This would include addressing the specific recommendations that the Staff has outlined on page 4 of its Memorandum for potential enhancement to these documentation requirements

### **Reliability Report Enhancements**

5. At page 5 of its Memorandum, the Staff notes that the Company presented slides to the Board of Directors outlining certain potential enhancements to its Reliability Report for Spire Missouri East. The Staff notes that some of these enhancements have already been incorporated

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<sup>1</sup>While 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.

in the Company's Reliability Report and recommends that several enhancements be more fully implemented by in the Company's next capacity analysis for Spire Missouri West which is due to be submitted by August 31, 2019. The Company agrees to meet with Staff within 45 days to discuss the three enhancements Staff is wanting implemented in the reliability study.

#### **GAS SUPPLY AND TRANSPORTATION STANDARDS OF CONDUCT**

6. At pages 5- 6 of its Memorandum the Staff discusses the recommendations it made in Case No. GO-2017-0223 regarding the Company's compliance with documentation requirements under the Company Gas Supply and Transportation Standards of Conduct and recommends that the Company achieve full compliance by December 31, 2017. In response, the Company states that it has previously implemented many of Staff's recommendations while suggesting alternative for others. The Company intends to continue to cooperate with Staff in addressing this issue in a constructive and an effective manner.

#### **ACTUAL GAS COSTS AND BEGINNING ACA BALANCE**

7. At page 6 of its Memorandum, the Staff notes that the Company changed its method of accounting for recording gas costs in the ACA filing due to Laclede Gas Company's acquisition of MGE and that this change continues to be an issue in this ACA case. That Staff goes on to state that it found documentation issues with both the Company's gas costs and billed revenue amounts. Specifically, the Staff states that the Company's ACA filing included gas costs that were \$214,054.46 less than the invoices provided supporting its ACA filing. In addition, the billed revenue recorded in the ACA filing was, according to Staff \$(539,020.11) less than the underlying source documents provided. As a result, Staff recommends a single adjustment of \$(324,965.65) which is the sum of the two adjustments discussed above. Staff's proposed adjustment has the effect of decreasing the Company's under-recovery for the period.

8. As the Staff notes in its Memorandum, the Company has made a number of attempts to resolve this difference in discussions with the Staff and has indicated a willingness to work with Staff going forward to revise and/or otherwise explain its ACA balance in a mutually acceptable manner. To that end, the Company agrees with Staff's recommendation to meet within 60 days from the filing date of Staff's ACA recommendation in an effort to resolve the discrepancies Staff has noted and work towards a fully transparent audit trail of documentation to support the Company's ACA balances. The Company requests that no final ACA balances be established until this process is completed.

### **HEDGING**

9. At pages 6-8 of its 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.

10. 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.

11. 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/ Michael C. Pendergast**

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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 and the Office of the Public Counsel, on this 4th day of February, 2019 by hand-delivery, fax, electronic mail or by regular mail, postage prepaid.

**/s/ Michael C. Pendergast**