

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

In the Matter of Spire Missouri, Inc.) File No.: GR-2019-0120
d/b/a Spire West Annual PGA Filing)

**RESPONSE TO STAFF’S RECOMMENDATION
AND MEMORANDUM REGARDING SPIRE WEST’S
2017-2018 ACTUAL COST ADJUSTMENT FILING**

COMES NOW Spire Missouri Inc., d/b/a Spire West (“Spire West” or “Company”) and, pursuant to the Commission’s Order dated December 17, 2019, 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, 2019. In support thereof, Spire West states as follow:

1. On December 17, 2019, 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 July 1, 2017 to September 30, 2018 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 17, 2019, 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.

Gas Procurement Procedures

4. At page 3 of its Memorandum, the Staff notes that Company and Staff personnel met on October 17, 2019 to discuss, among other things, certain recommendations made by the Staff in the Company's last ACA proceeding relating to the preparation and use of written procedures for various gas procurement activities. As the Staff states, the Company indicated at that meeting that it had certain internal documents related to gas procurement that may address the issues that were raised by Staff. The Staff recommends that the Company provide these internal documents to Staff in response to data requests submitted as part of the Staff's ACA reviews. The Company will review the request in GR-2017-0300, which we understand relates to best practices in the following categories: selecting suppliers to include in the request for proposals (RFP) process, follow-up with nonresponsive RFP recipients, and procedures for procurement outside of the RFP process. The Company will review its procedures relating to these items and communicate further with Staff. A follow up conversation or email will probably be needed to clarify the request of these procedures.

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.

Reliability Report

5. At page 4 of its Memorandum, the Staff notes that the Company is undertaking significant revisions to its reliability report, including refinements to its model for forecasting demand, and that such changes were discussed at a meeting between the Staff and Company on October 17, 2019. The Staff recommends that the Company submit its revised reliability report as soon as possible and that it provide its new demand model to Staff before using it to forecast its gas supply requirements.

6. The Company agrees with these recommendations. It anticipates that its revised reliability report and demand model will be finalized no later than June, 2020, and it agrees to provide these items to Staff before utilizing them for gas supply planning purposes.

GAS COSTS

Invoices

7. At pages 4 to 5 of its Memorandum, the Staff notes that there have been instances where gas supplies have been purchased from the same supplier for both Spire East and Spire West. Staff states that on occasion it has not always been clear from the invoice how much of the volumes were purchased for Spire East versus Spire West and recommends that the Company either note on the invoice or provide other documentation that clearly delineate which volume of gas is flowing to which operating unit. Although the Company believes that these circumstances are relatively rare, it agrees to implement steps to avoid and confusion on this matter in the future.

Cash Outs

8. At page 5 of its Memorandum, the Staff proposes an adjustment to reduce the Cash Out amount reflected in the Company ACA filing by \$177,957.92 so that such amount, in Staff's

view, will reconcile with the Cash Out amounts shown in the Company's transportation customer balance reports. The Company has been working with Staff to verify the Cash Outs amounts in dispute. The Company has already provided information showing that \$147,204.20 of the \$177,957.92 proposed adjustment is, in fact, justifiable, and should not be made part of the proposed adjustment. The remaining amount is still being reviewed and evaluated. The Company hopes to complete this analysis and present its conclusions to Staff at the end of February.

HEDGING

9. At pages 5-7 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 timing of its financial hedging purchases and the level of hedging procured for its summer storage volumes. Staff also recommends 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 as part of its gas procurement process. Moreover, its hedging strategy is inherently designed to take such market-driven 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, as it has in the past, that it is constantly evaluating its hedging strategy and tracking its effectiveness, including the timing of its hedging purchases, the extent to which it hedges storage volumes, and use of the lower of First Of Month Index or Daily Index pricing for its swing supplies. The Company will continue to perform such evaluations

in the future. The Company will also continue to make its annual formal presentations to Staff and OPC in advance of the winter period, outlining its gas supply strategies including current hedging strategies.

ACA ACCOUNT BALANCES RECOMMENDATIONS

12. At page 7 its Memorandum, the Staff provides its ACA account balance recommendations. The Company disagrees with the Staff's recommended ACA account balance, as discussed above in the "Cash Out" section. The Company will continue to work with Staff on the proposed adjustment and provide information as needed. The Company is working to have this resolved by February.

WHEREFORE, the Company requests that the Commission accept this Response to the Staff Recommendation.

Respectfully Submitted,

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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 31st day of January, 2020 by hand-delivery, fax, electronic mail or by regular mail, postage prepaid.

/s/ Michael C. Pendergast