

**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-2017-0299  
To be Reviewed in Its 2016-2017 Actual     )  
Cost Adjustment     )

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

COMES NOW Spire Missouri Inc., d/b/a Spire (“Spire Missouri East” or “Company”), formerly known as Laclede Gas Company, 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 eastern Missouri service territory (“Spire Missouri East”) 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 12, 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.

#### **Spire STL Pipeline LLC**

4. At pages 2-3 of its Memorandum, the Staff notes that Spire STL Pipeline LLC has received a certificate from the Federal Energy Regulatory Commission ("FERC") allowing it to construct a pipeline that will connect the Rocky Mountains Express Pipeline to Spire Missouri East and the Enable Mississippi River Transmission Pipeline. Staff goes on to state that changes in pipeline capacity may trigger documentation and reporting requirements specified in stipulations in Case No. GM-2013-0254 and GR-2014-0121. In response, Spire Missouri East acknowledges the documentation and reporting requirements specified in the stipulations referenced by Staff and intends to comply with all applicable obligations.

#### **Reliability Report Enhancements**

5. At page 3 of its Memorandum, the Staff notes that the Company presented slides to its 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 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 East which is due to

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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.

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 3- 4 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 4 of its Memorandum, the Staff notes that the Company revised its ACA balance supporting spreadsheets. In Staff's view, the spreadsheets provided by the Company did not contain sufficient detail to verify the ACA balances to the underlying supporting gas cost invoices. Therefore, Staff recommends an adjustment to reduce the Company's gas cost by \$(1,167,915). Staff notes that the ACA balance is cumulative so that the ending balance of one period becomes the beginning balance of the next period. In this period, the Staff recommends an adjustment of \$600,460 to the ACA balance due what it perceives as an inaccurate beginning balance. The total of the two proposed adjustments is \$(567,455) (negative \$1,167,915 plus positive \$600,460).

8. As the Staff notes in its Memorandum, the Company has indicated a willingness to work with Staff going forward to revise and/or otherwise explain its ACA balance documentation to support its ACA balances. 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 5-6 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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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 4th day of February, 2019 by hand-delivery, fax, electronic mail or by regular mail, postage prepaid.

**/s/ Michael C. Pendergast**