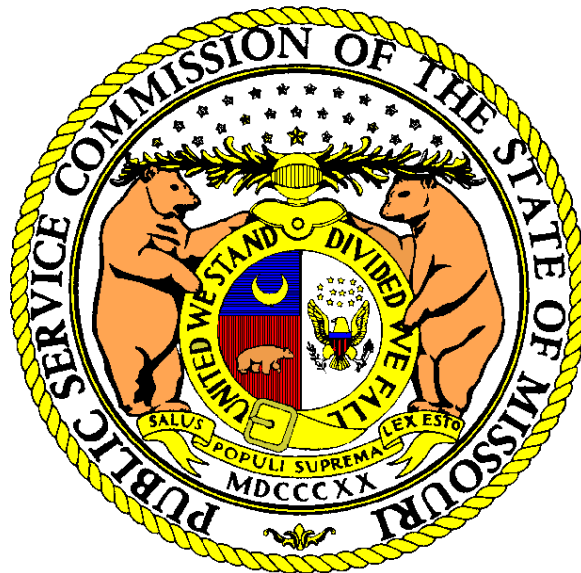


MISSOURI PUBLIC SERVICE COMMISSION

STAFF INVESTIGATION REPORT

Spire (Laclede and MGE divisions)

CASE NO. GO-2017-0223



PREPARED BY

THE MISSOURI PUBLIC SERVICE COMMISSION

PROCUREMENT ANALYSIS UNIT

August 22, 2017

****Denotes Highly Confidential Information****

NP

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STAFF INVESTIGATION REPORT

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STAFF INVESTIGATION REPORT

Spire (Laclede and MGE divisions)

CASE NO. GO-2017-0223

I. Executive Summary

The Commission in its February 22, 2017, Order Opening An Investigation directed the Staff to file a progress report by August 22, 2017. This is Staff's Report.

The Company¹ is only partially in compliance with the Gas Supply and Transportation Standards of Conduct ("SOC") that went into effect no later than September 3, 2013, as required in the Commission Orders approving Stipulation and Agreements in Case No. GC-2011-0098 and seven Actual Cost Adjustment ("ACA") cases² and in Case No. GM-2013-0254. The SOC pertains to natural gas supply with both non-affiliates and affiliates.

The Company has failed to fully comply with: (1) request for proposal ("RFP")/competitive bid evaluation and award process, and (2) properly maintaining documentation. The non-compliance pertains to both multi-month purchases and short-term purchases for both the Laclede and MGE divisions, and primarily pertains to the following:

- The Company lacks a documented process for its exceptions to the competitive bid and award process for multi-month purchases (purchases for longer than one month), as required in the SOC, section A.1.

The Company is not in compliance with the documented process requirement of the SOC and must develop and document its exception processes for multi-month purchases. It must have effective monitoring and controls as required in the SOC, sections A.1. and A.2.

¹ Spire, Laclede and MGE divisions, referred to herein as the "Company."

² GR-2005-0203, GR-2006-0288, GR-2008-0140, GR-2008-0387, GR-2010-0138, GR-2011-0055, and GR-2012-0133.

1 The Company must adequately train those associated with the process for natural
2 gas supply on the exceptions to the competitive bid and award process.

- 3 • The Company lacks documentation of its processes, policies, and procedures for
4 short-term supply (purchases for one month or less) to meet the requirements of
5 the SOC, sections B.1., B.2., and B.4.

6 **

16 **

17 The Company is not in compliance with the documented process requirement of
18 the SOC and must develop, document, appropriately implement and monitor and
19 control its processes for short-term purchases as required in the SOC, sections
20 B.1., B.2., and B.4. As stated in the SOC, section B.2.:

21 . . . The intent is **to gain the broadest practical participation by**
22 **eligible suppliers in submitting competitive supply bids for the**
23 **supply location(s) where Laclede purchases gas.** Once such a
24 process is reasonably developed and appropriately implemented
25 and effectively monitored and controlled, the results of that process
26 are intended to establish the fair market price for the purchase.

27 The Company must adequately train its gas supply personnel of all Company
28 processes, policies, and procedures for compliance with the SOC for its
29 competitive bidding process for short-term purchases.

- 30 • The Company has insufficient documentation for each and every gas supply
31 inquiry and/or award for short-term gas purchase as required in the SOC, sections
32 B.1., B.2., and B.4.

33 **

36 **

1 The Company is not in compliance with the documented process requirement of
2 the SOC for short-term purchases because it has been unable to produce all the
3 documentation to show compliance.

4 The Company must develop and document the processes for retention of each and
5 every short-term gas purchase, inquiry, and/or award as required by section B.4.
6 of the SOC.

7 The Company must adequately train those associated with the process for natural
8 gas supply on the documentation requirements. Other than a July 27, 2016, letter
9 of Laclede counsel to Staff counsel stating that training was provided and copies
10 of the CAM and SOC were distributed at the training, the Company can produce
11 no copies of any materials used in the training.

12 The Company must develop a system for assuring the required documents are
13 developed and maintained. Document retention for six years is required by the
14 SOC, section I. The Affiliate Transactions Rules have a record retention
15 requirement of not less than six years (4 CSR 240-40.015 Affiliate Transactions,
16 paragraph 7, and 4 CSR 240-40.016 Marketing Affiliate Transactions, paragraph
17 8). The Affiliate Transactions Rules have the following requirement at 4 CSR
18 240-40.015 (4) (C):

19 (C) In addition each regulated gas corporation shall
20 maintain the following information regarding affiliate
21 transactions on a calendar year basis:

22 1. Records identifying the basis used (e.g., fair market
23 price, FDC, etc.) to record all affiliate transactions; and

24 2. **Books of accounts and supporting records in**
25 **sufficient detail to permit verification of compliance**
26 **with this rule.** (Emphasis added.)

27 Whatever steps the Company took to implement the provisions of the SOC, which went into
28 effect no later than September 3, 2013, including the requirement to effectively monitor and
29 control, have not resulted in adequate compliance with the terms of the SOC.

30 Staff has made recommendations in this Report that the Company should take on a
31 moving forward basis to bring it into compliance with the SOC. Staff recommends the Company
32 no later than December 31, 2017: (1) implement the recommendations herein, as summarized in
33 the table below, and (2) provide to Staff the following:

- The Company's documentation of all changes to its purchase processes, policies, procedures or criteria related to a competitive bid and award process, exceptions process, and the documentation requirements for both its multi-month purchases and short-term purchases
- Verification that updated SOC training was conducted in response to this Report including (1) date(s) of each training, (2) name and job title of employees attending each training, and (3) copies of all materials provided to employees during the training with regard to compliance with the SOC

Other recommendations are offered in this Report, but no further action than filing this Report will occur in this case because the Commission Order Opening Investigation in GO-2017-0223 states, "Further, the Commission will not take any action regarding Laclede within the confines of this investigation. If the investigation reveals that any such action is appropriate, Staff may file a formal complaint or other appropriate pleading within a new file to institute contested case procedures."

Staff Implementation Recommendations for Compliance with SOC on a Moving Forward Basis	
Type of Supply	Recommendations
Multi-Month, Acquired as Exceptions to or Outside Company RFP Process	Staff recommends the Company: (1) develop and document processes for its exceptions to the competitive bid and award processes for multi-month purchases, (2) SOC training be revised to include a review of the documented exceptions processes, and (3) develop and document criteria for its processes and procedures to effectively monitor and control the implementation of the exceptions to the competitive bid and award process for multi-month purchases.
Short-Term	Staff recommends the Company revise the ** _____ _____ ** to require and provide all backup of all bids/responses/inquiries received during the month for compliance with the SOC, ** _____. **

Staff Implementation Recommendations for Compliance with SOC on a Moving Forward Basis	
Type of Supply	Recommendations
Short-Term	Staff recommends the Company develop and document criteria for what constitutes a competitive process for short-term purchases including an explanation of the “terms and conditions, location and time at which the purchase was made.” Staff recommends the criteria include a minimum number of contacts for each location for each purchase, and procedures for any exception/deviation to the criteria. Staff recommends the criteria explain when it is appropriate to reject any or all bids at a specific location and time.
Short-Term	Staff recommends the Company develop and document criteria for its processes and procedures to effectively monitor and control the implementation of the competitive bidding process for short-term purchases.
Short-Term	Staff recommends the Company (1) develop and document the processes for retention of each and every short-term gas purchase, inquiry, and/or award as required by section B.4. of the SOC, (2) revise the Company SOC training to include a review of these documented processes, and (3) establish monitoring and controls to assure compliance with the record retention requirements of the SOC, Section I, and the record retention requirements of the Affiliate Transactions Rules.
Multi-Month and Short-Term	Staff recommends the Company revise its training for compliance with the SOC and that the training incorporate standard practices, policies, and procedures as discussed in this Report. Staff recommends sample documents be utilized in the training of employees for compliance with the SOC documentation requirements. Examples should be included for each type of supply purchase or sale and for each method of documentation (email, instant message, phone call, Intercontinental Exchange (“ICE”) an electronic trading market, etc.)

II. Background

A. Investigation Background

Staff requested an investigation into the Company’s compliance with the Gas Supply and Transportation Standards of Conduct in two ACA cases, the MGE 2013/2014 ACA, GR-2014-0324, and in the Laclede 2014/2015 ACA, GR-2015-0201.

1 A Commission Order Opening Investigation was issued and effective February 22, 2017,
2 In the Matter of Staff's Investigation of Laclede's Compliance with the Gas Supply
3 Documentation Requirements of Its Cost Allocation Manual (CAM) and Gas Supply
4 and Transportation Standards of Conduct (Standards of Conduct or "SOC"), in Case No.
5 GO-2017-0223.

6 The Commission Order requires Staff to file a progress report regarding its investigation
7 no later than August 22, 2017.

8 **B. Stipulation & Agreement, Standards of Conduct, and Affiliate**
9 **Transactions Background**

10 The Gas Supply and Transportation Standards of Conduct ("SOC") were approved in the
11 August 14, 2013, Commission Order Approving Stipulation and Agreement, Granting Waiver,
12 and Approving Cost Allocation Manual ("CAM") in GC-2011-0098 and seven ACA cases:
13 GR-2005-0203, GR-2006-0288, GR-2008-0140, GR-2008-0387, GR-2010-0138,
14 GR-2011-0055, and GR-2012-0133. The Order was effective August 24, 2013. The SOC is
15 Appendix 2 of the Unanimous Partial Stipulation and Agreement and Waiver Request and
16 Request for Approval of Cost Allocation Manual for GC-2011-0098 and a copy is attached to
17 this Report.

18 Laclede comments about implementation of the SOC are found on page 4, paragraph 3 of
19 the Unanimous Partial Stipulation and Agreement filed July 16, 2013.

20 . . . Laclede indicates that it has already implemented some of the
21 provisions of the Standards of Conduct set forth in Appendix 2,
22 and Laclede hereby agrees that it shall implement all provisions of
23 the Standards of Conduct contained in Appendix 2 to this
24 Unanimous Partial Stipulation and Agreement within no later than
25 10 days after the effective date of the Commission's Order
26 approving this Unanimous Partial Stipulation and Agreement

27 That implementation date was not later than September 3, 2013.

1 The Staff notes that on page 2 of Laclede's CAM it states that,

2 Any changes to the Commission-approved CAM or the Services and
3 Facilities Agreement will be filed with the Commission for approval.

4 The Unanimous Partial Stipulation and Agreement in these cases did not seek to waive any
5 portion of the Affiliate Transactions Rule requirements that pertained to fair market price.

6 The Company only sought and obtained a waiver related to documentation of fully distributed
7 cost as it pertains to gas supply purchases. The Unanimous Partial Stipulation and Agreement on
8 pages 9 – 10, paragraph 7.(a) states in part:

9 . . . Subject to the foregoing, Laclede requests Commission
10 approval for a variance and/or waiver from the Affiliate
11 Transaction Rule documentation and demonstration requirements
12 pertaining to "fully distributed cost" in: 4 CSR 240-40.015 (3)(B),
13 (3)(C)1., (3)(C)2., and (3)(C)3. and 4 CSR 240-40.016 (4)(B),
14 (4)(C)1., (4)(C)2., and (4)(C)3 ...

15
16 The Parties believe that waiving these rules for the limited purpose
17 identified above is reasonable because the information, prices,
18 processes and supporting documentation resulting from
19 compliance with the CAM and Standards of Conduct should
20 ensure that the transaction is priced consistently with the pricing
21 standard of the rules. Laclede does not seek to waive any portions
22 of the rules identified above that pertain to the fair market price
23 documentation and demonstration requirements of the rules.

24 The SOC pertains to natural gas supply transactions with non-affiliates and affiliates. Page 3 of
25 the Commission's August 14, 2013, Order states, "The stipulation and agreement addresses
26 an issue pending in the seven ACA cases by setting forth and asking the Commission to approve
27 a document entitled Gas Supply and Transportation Standards of Conduct. That document
28 would control Laclede's dealings with natural gas suppliers, including its dealings with
29 affiliated suppliers."

1 The SOC pertains to both the Laclede and MGE divisions. Effective July 31, 2013, the
2 Commission authorized the sale of MGE to Laclede Gas Company in GM-2013-0254. The
3 closing date of the sale was September 1, 2013. As part of the Stipulation and Agreement
4 approving Laclede Gas Company's acquisition of MGE, the Laclede Gas Company agreed that
5 the Laclede and MGE divisions shall comply with the Commission's Affiliated Transactions and
6 Marketing Affiliate Transactions Rules, 4 CSR 240-40.015 and 4 CSR 240-40.016, and any
7 variances or waivers granted by the Commission thereto. The Company agreed it would apply
8 Laclede's CAM and Standards of Conduct to gas supply transactions involving MGE.

9 Both rules for affiliate transactions have similar provisions for a variance from the
10 standards of the rule in 4 CSR 240-40.015 Affiliate Transactions, paragraph 10, and 4 CSR 240-
11 40.016 Marketing Affiliate Transactions, paragraph 11, and the provisions for the latter are in the
12 table below. Other than the CAM and SOC in GC-2011-0098 and seven ACA cases and in
13 GM-2013-0254, the Company has filed no request for variance from the Affiliate Transactions
14 Rules.

<p>(11) Variances.</p> <p>(A) A variance from the standards in this rule may be obtained by compliance with paragraphs (11)(A)1. or (11)(A)2. The granting of a variance to one regulated gas corporation does not constitute a waiver respecting or otherwise affect the required compliance of any other regulated gas corporation to comply with the standards. The scope of a variance will be determined based on the facts and circumstances found in support of the application—</p> <p>1. The regulated gas corporation shall request a variance upon written application in accordance with commission procedures set out in 4 CSR 240-2.060(11); or</p> <p>2. A regulated gas corporation may engage in an affiliate transaction not in compliance with the standards set out in subsection (2)(A) of this rule, when to its best knowledge and belief, compliance with the standards would not be in the best interests of its regulated customers and it complies with the procedures required by subparagraphs (11)(A)2.A. and (11)(A)2.B. of this rule—</p> <p>A. All reports and record retention requirements for each affiliate transaction must be complied with; and</p>	<p>B. Notice of the noncomplying affiliate transaction shall be filed with the secretary of the commission and the Office of the Public Counsel within ten (10) days of the occurrence of the noncomplying affiliate transaction. The notice shall provide a detailed explanation of why the affiliate transaction should be exempted from the requirements of subsection (2)(A), and shall provide a detailed explanation of how the affiliate transaction was in the best interests of the regulated customers. Within thirty (30) days of the notice of the noncomplying affiliate transaction, any party shall have the right to request a hearing regarding the noncomplying affiliate transaction. The commission may grant or deny the request for hearing at that time. If the commission denies a request for hearing, the denial shall not in any way prejudice a party's ability to challenge the affiliate transaction at the time of the annual CAM filing. At the time of the filing of the regulated gas corporation's annual CAM filing the regulated gas corporation shall provide to the secretary of the commission a listing of all noncomplying affiliate transactions which occurred between the period of the last filing and the current filing. Any affiliate transaction submitted pursuant to this section shall remain interim, subject to disallowance, pending final commission determination on whether the noncomplying affiliate transaction resulted in the best interests of the regulated customers.</p>
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1 The Affiliate Transactions Rules allow for affiliate transactions not in compliance with
2 the standards, but the Company must comply with the procedures in the rule regarding
3 noncompliance. All reports and record retention requirements for each affiliate transaction must
4 be complied with. As noted in this Report, the Company has not maintained all the required
5 documentation of its (1) exceptions to its multi-month process, (2) process, policies, and
6 procedures for its short-term purchases, and (3) short-term gas purchases, inquiries, and/or
7 awards.

8 The rule allows for affiliate transactions not in compliance with the standards, but notice
9 of the noncomplying affiliate transaction shall be filed with the Secretary of the Commission and
10 the Office of the Public Counsel (“OPC”) within ten (10) days of the occurrence of the
11 noncomplying affiliate transaction providing a detailed explanation how the affiliate transaction
12 was in the best interest of the regulated customers and why it should be exempted. Staff is aware
13 of no such filing.

14 **C. Competitive Bid/Process and Documentation Requirements of SOC**

15 **1. SOC Competitive Bidding Process**

16 For both the multi-month and the short-term supply the SOC refers to a competitive bid
17 process with:

- 18 • Contemporaneous documentation
- 19 • Eligible suppliers receive notice of the natural gas requested by the
20 Company
- 21 • The intent is to gain the broadest practical participation by eligible
22 suppliers in submitting competitive supply bids for the supply location(s)
23 where Laclede purchases natural gas

24 This last bullet presumes the Company has notified the suppliers of where it needs to purchase
25 natural gas.

Multiple sections in the SOC specify a competitive bidding process and other process requirements. The SOC sections related to competitive bid or process requirements are summarized in the table below.

Competitive Bid or Process Requirement in Following Sections of Gas Supply and Transportation Standards of Conduct			
Type of Supply	Requirement	Exceptions	Additional Requirements
Multi-month Purchases (longer than 1-month)	A.1.	A.1.	A.2., A.4.
Short-Term Purchases (one month or less)	B.1., B.2.		B.4.
Unsolicited short-term			
Emergency short-term		B.3.	
Off-System Sales (OSS)			H.
Unsolicited OSS			

2. SOC Documentation Requirements

Multiple sections in the SOC specify documentation requirements. The SOC sections related to documentation are summarized in the table below.

Documentation Requirement in Following Sections of Gas Supply and Transportation Standards of Conduct			
Type of Supply	Requirement	Exceptions	Additional Requirements pertaining to Affiliate
All (for document retention)	I.		
Multi-month (longer than 1-month)	A.4.	A.1.	A.5., A.6., A.7.
Short-Term (one month or less)	B.1., B.2., B.4.		
Unsolicited short-term	F.		
Emergency short-term	B.3.		
Off-System Sales (OSS)	C.1., C.2.		
Unsolicited OSS	C.3., H.		

D. Annual Purchase Volumes

To put the volumes and cost of purchased natural gas in perspective, the Company reports the following for the Laclede and MGE divisions:³

From Annual Report Calendar Year	Laclede Gas Company		Missouri Gas Energy		MGE & Laclede Divisions	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	2016	2015	2016	2015	2016	2015
Natural gas sold to ultimate Consumers for Missouri jurisdictional, Mcf	82,292,117	83,553,170	69,360,709	69,187,542	151,652,826	152,740,712
From Annual Report year end 9/30	Laclede Gas Company		Missouri Gas Energy		MGE & Laclede Divisions	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Total Purchased Gas	\$ 272,716,036	\$ 441,681,443	\$ 194,324,452	\$ 317,818,355	\$ 467,040,488	\$ 759,499,798

**

** A summary table of historical data for purchases and affiliate transactions is as follows:

continued on next page

³ Laclede Gas Company, 2016 Annual Report, pages 10 and 111 of pdf file in EFIS, tracking number BMAR-2017-1593, and Missouri Gas Energy, 2016 Annual Report pages 10 and 107 of pdf file in EFIS, tracking number BMAR-2017-1594.

Fiscal Year ended Sept 30	Laclede Division Purchases from Affiliate, LER (also known as Spire Marketing) ⁴ (MMBtu)	Laclede Division Total Purchases (MMBtu) ⁵	Affiliate Purchases as % of Reported Purchases
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The same data presented graphically is shown below:

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⁴ Company responses to Staff Data Requests: GR-2008-0140, DR No. 95; GR-2008-0387, DR No. 71; GR-2010-0138, DR No. 80; GR-2011-0055, DR No. 90; GR-2012-0133, DR No. 83; GR-2013-0253, DR66; GR-2014-0121, DR No. 44; GR-2014-0231, DR No. 46; GR-2015-0201, DR No. 48; GR-2016-0224, DR No. 47.

⁵ Source for total purchases is from the Company Gas Supply Incentive Plan (GSIP) Quarterly Monitoring Reports

1 The gas Affiliate Transactions Rule has a statement in the Purpose section which states:⁶

2 . . . The rule and its effective enforcement will provide the public the
3 assurance that their rates are not adversely impacted by the utilities'
4 nonregulated activities.

5 **III. Analysis for Compliance with SOC**

6 The Staff had the impression that Laclede had already taken steps to implement some of
7 the provision of the SOC because of Laclede comments about implementation of the SOC found
8 on page 4, paragraph 3 of the Unanimous Partial Stipulation and Agreement filed July 16, 2013
9 for GC-2011-0098.

10 . . . Laclede indicates that it has already implemented some of the
11 provisions of the Standards of Conduct set forth in Appendix 2, and
12 Laclede hereby agrees that it shall implement all provisions of the
13 Standards of Conduct contained in Appendix 2 to this Unanimous Partial
14 Stipulation and Agreement **within no later than 10 days after the**
15 **effective date of the Commission's Order** approving this Unanimous
16 Partial Stipulation and Agreement(Emphasis added.)

17 However, the Staff could not substantiate that the Company had actually implemented all
18 provisions of the SOC based upon its investigation and as cited through this report.

19 **A. Multi-Month Purchases Acquired in Company RFP process**

20 **

21 _____
22 _____
23 _____
24 _____
25 _____ **

⁶ 4 CSR 240-40.015 Affiliate Transactions.

1 For the Staff ACA reviews completed to-date that occurred after the SOC effective date,
2 much of the required documentation and competitive bid/process requirements are met, but there
3 are some non-compliance issues for (1) RFP/competitive bid evaluation and award process, and
4 (2) documentation not properly maintained as described below for each division.

5 1. Laclede Division, Multi-Month Supply in RFP Process

6 Laclede's 2014/2015 ACA, GR-2015-0201, began in October 2014, and the SOC went
7 into effect no later than September 3, 2013, about 1-year earlier. ** _____

8 _____ **

9 Concerns were noted in Staff's ACA recommendation and comments were made in
10 Laclede's responses to Staff's Recommendation and in Staff replies to those responses. One
11 ACA issue pertained to multi-month supply regarding application of the ** _____

12 _____ **

13 The June 15, 2017 Staff Reply in the ACA case regarding this issue states as follows:

14 ** _____

15 _____
16 _____
17 _____
18 _____
19 _____
20 _____
21 _____
22 _____
23 _____
24 _____
25 _____ **

26 Laclede's 2015/2016 ACA, GR-2016-0224, is currently under review by Staff.

2. MGE Division, Multi-Month Supply in RFP Process

MGE's 2014/2015 ACA, GR-2015-0203, began in July 2014 and the SOC went into effect no later than September 3, 2013, about 10-months earlier. ** _____

_____ ** Concerns were noted in Staff's ACA recommendation along with comments from MGE and are summarized below.

- The MGE RFP response evaluation does not indicate which bids were awarded. Staff commented that it would expect MGE to include in its evaluation a listing of the awarded contracts for each RFP process and a list of contracts awarded outside the RFP processes, including the justification. In the prior 2013/2014 ACA, GR-2014-0324, Staff had similar comments and MGE agreed to revise the Excel spreadsheet on RFP responses commencing with its next ACA period for Staff to more easily determine winning bidders. Staff commented that that this should also allow the Company's internal auditors to review the MGE supply bid and award process. MGE's response to the 2013/2014 ACA was filed in February 2016, and the next MGE ACA period following that response is the MGE 2016/2017 ACA for the months of July 2016 through June 2017.
- The MGE summer 2015 RFP evaluation did not include all of the bid responses. MGE's response to Staff Data Request 45.2 in GR-2015-0203 explains that "Company left the responses off the summer 2015 RFP evaluation report in error." MGE should review its process for documenting the bids received.

SOC, section A.4., contains contemporaneous documentation requirements for multi-month purchases including but not limited to the requirement to maintain documents related to (1) a description of the process used to transmit the supply requests to all eligible suppliers, evaluate bids, and negotiate final prices and terms, and (2) a complete summary of all bids received and all prices accepted.

MGE's 2015/2016 ACA, GR-2016-0225, is currently under review by Staff.

1 **B. Multi-Month Purchases Acquired as Exceptions to or Outside Company RFP**
2 **Process for MGE and Laclede divisions**

3 Staff's investigation for multi-month purchases focused on gas purchasing practices
4 outside the Company's annual or seasonal RFP process for acquiring multi-month purchases,
5 including exceptions to the competitive bid and award process and purchases acquired through
6 another competitive process outside of its RFP process. The information sought was for fiscal
7 years 2014 through 2016. The Company's fiscal year begins in October and its fiscal year
8 ending September 2017 had not concluded when the case was initiated. The Laclede
9 division ACA period is the same as its fiscal year. The MGE division ACA period is for
10 July through June.

11 ** _____
12 _____

13 _____ ** The Company has no documented process for its exceptions
14 to the competitive bid and award process as required in the SOC, section A.1. ** _____
15 _____

16 _____ **⁷ The Company is not in compliance with this
17 documented process requirement of the SOC and must document its processes.

18 The Company is not in compliance with the documented process requirement of the SOC
19 and must develop and document its exceptions processes for multi-month purchases. It must
20 also have effective monitoring and controls as required in the SOC, sections A.1. and A.2. The
21 Company must adequately train those associated with the process for natural gas supply on the
22 exceptions to the competitive bid and award process.

⁷ GO-2017-0223, Staff Data Request No. 1, part 1.a., Company response.

Staff recommends the Company: (1) develop and document processes for its exceptions to the competitive bid and award processes for multi-month purchases, (2) SOC training be revised to include a review of the documented exceptions processes, and (3) develop and document criteria for its processes and procedures to effectively monitor and control the implementation of the exceptions to the competitive bid and award process for multi-month purchases.

** _____ **⁸

- ** _____ **

- ** _____

_____ **⁹ **

_____ - **

The Company must develop a system for assuring the required documents are developed and maintained. Document retention for six years is required by the SOC, section I. The Affiliate Transactions Rules have a record retention requirement of not less than six years (4 CSR 240-40.015 Affiliate Transactions, paragraph 7, and 4 CSR 240-40.016 Marketing Affiliate Transactions, paragraph 8).

⁸ Ibid.

⁹ GO-2017-0223, Staff Data Request No. 6, Company response.

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1. Findings Summary for Short-Term Supply

The Company does not reasonably document its processes, policies, and procedures for short-term supply as required in the SOC, sections B.1., B.2., and B.4.

For its short-term purchases documentation requirements the data provided by the Company does not support that it is meeting the documentation requirements for its short-term purchases as required in the SOC, sections B.1., B.2., and B.4.

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¹⁰ GO-2017-0223, Staff Data Request No. 1, part 4, Company response.

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[illegible]

For each and every gas supply inquiry and/or award, Laclede shall maintain the following contemporaneous documentation: (a) any diversity, credit, or reliability-related volume limitations placed on the maximum volumes Laclede will purchase from an individual supplier or from any one supplier on a specific pipeline; (b) an explanation of the diversity, credit, and/or reliability-related reasons for imposing such limitations; (c) a description of the process used to transmit and/or receive supply notifications to eligible suppliers, evaluate bids/responses, and negotiate final prices and terms; (d) copies of all written communications and descriptions of all unwritten communications that solicit bids from suppliers; (e) a list of all suppliers that were notified of Laclede's gas supply needs; (f) copies of all bids/responses/ inquiries received and all prices accepted, together with copies of all underlying documents, contracts and communications; (g) a list of all suppliers disqualified for credit, performance or other criteria along with an explanation of the basis for each disqualification; and (h) a copy of the policy or procedure employed by Laclede for awarding contracts in instances where an affiliate and an unaffiliated supplier have offered identical pricing terms. For phone calls or texts, Laclede shall maintain contemporaneous logs documenting the inquiries, discussions and decisions.

The Company must develop and document the processes for retention of each and every short-term gas purchase, inquiry, and/or award as required by section B.4. of the SOC.

¹ GO-2017-0223, Staff Data Request No. 1.4, Company response.

1 Staff recommends the Company revise the ** _____ ** to
2 require and provide all backup of all bids/responses/inquiries received during the month for
3 compliance with the SOC, ** _____ . **

4 2. Short-Term Supply, Competitive Process, Policies, and Procedures

5 Staff requested the Company's documentation of the processes related to the SOC
6 requirements for short-term purchases of gas supply. ** _____
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10 Staff clarified its request for a copy of all documentation including written direction,
11 policies, and procedures for complying with the SOC, including all revisions (not drafts) and
12 date of revisions. The Company response states: "There is no additional information to
13 provide."¹³

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16 _____ ** An index reports an average and a range of the prices paid. The Federal Energy
17 Regulatory Commission (FERC) has a glossary that defines the "Daily (or next-Day) Indexes"
18 as follows:

19 Published (Platts, NGI, Dow Jones, SNL, ICE, NGW) price indices for
20 commodities (gas or electricity) to be delivered the next day based on
21 transactions occurring between certain hours during the current day. Some
22 market participants choose not to transact at a fixed price during the day
23 for next-day delivery because prices can vary throughout the day. Instead,
24 they choose to buy or sell at an index compiled by a publisher (usually a

¹² GO-2017-0223, Staff Data Request No. 1, part 4, Company response.

¹³ GO-2017-0223, Staff Data Request No. 4, Company response.

1 volume-weighted average of all transactions within specified hours),
2 capturing a representative market price.

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¹⁴ GO-2017-0223, Staff Data Request No. 1.8 Company response.

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4 ** The SOC, section B.1., states:

5 The Company shall maintain contemporaneous documentation sufficient
6 to establish that its short-term purchases of gas supply are acquired in
7 accordance with a competitive bidding process, taking into account the
8 terms and conditions, location and time at which the purchase was made.

9 The Company must develop, document, appropriately implement, and monitor and control its
10 processes for short-term purchases as required in the SOC, sections B.1., B.2., and B.4.

11 Staff recommends the Company develop and document criteria for what constitutes a
12 competitive process for short-term purchases including an explanation of the “terms and
13 conditions, location and time at which the purchase was made.” Staff recommends the criteria
14 include a minimum number of contacts for each location for each purchase, and procedures for
15 any exception/deviation to the criteria. Staff recommends the criteria explain when it is
16 appropriate to reject any or all bids at a specific location and time.

17 Staff recommends the Company develop and document criteria for its processes and
18 procedures to effectively monitor and control the implementation of the competitive bidding
19 process for short-term purchases.

20 Because the Company has no documentation of its process, policy, and/or procedures for
21 short-term supply as required in the SOC, sections B.1., B.2., and B.4., Staff’s evaluation was
22 limited to a review of whether the Company had more than one award and/or bid for each
23 location for the reported short-term awards. More than one bid or award at each location does

¹⁵ GO-2017-0223, Staff Data Request No. 1.2, part a response, attached ** _____, **
pages 13-14.

1	not necessarily define a competitive process. **	
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7 4. MGE Division, Short-Term Purchases
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¹⁶ GO-2017-0223, Staff Data Request No. 7. e., f., and i.1., Company response.

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¹⁷ GO-2017-0223, Staff Data Request No. 1.2, b, Company response attachment ** _____
** pp. 46-48.

¹⁸ GO-2017-0223, Staff Data Request No. 7.c., Company response.

**** Per SOC,**

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8 The Company must develop a system for assuring the required documents are developed and

9 maintained, including monitoring and controls to assure compliance. Document retention of six

10 years is required by the SOC, section I. The Affiliate Transactions Rules have a record retention

11 requirement of not less than six years (4 CSR 240-40.015 Affiliate Transactions, paragraph 7,

12 and 4 CSR 240-40.016 Marketing Affiliate Transactions, paragraph 8).

13 Staff recommends the Company (1) develop and document the processes for retention of

14 each and every short-term gas purchase, inquiry, and/or award as required by section B.4. of the

15 SOC, (2) revise the Company SOC training to include a review of these documented processes,

16 and (3) establish monitoring and controls to assure compliance with the record retention

17 requirements of the SOC, Section I, and the record retention requirements of the Affiliate

18 Transactions Rules.

19 **D. Unsolicited Short-Term Supply**

20 1. Documentation Non-Compliance

21 The Company admits it did not retain the required documentation for unsolicited

22 short-term supplies. The Company proposes changes to require maintenance of the

23 documentation beginning with the 2016/2017 ACA period which is July 2016-June 2017 for the

1 MGE division and October 2016 - September 2017 for the Laclede division. The Company's
2 proposed changes to document its compliance for the MGE and Laclede divisions are
3 respectively, 2-years and 10-months and 3-years and 1-month after the SOC requirements that
4 went into effect no later than September 3, 2013. ** _____
5 _____

6 _____ **¹⁹

7 MGE's 2013/2014 ACA, GR-2014-0324, is for the period July 1, 2013 through June 30,
8 2014. The SOC went into effect no later than September 3, 2013, and includes the last
9 10-months of the ACA period. Section F of the SOC, regarding unsolicited gas supply, requires
10 Laclede to maintain a contemporaneous log of all instances identifying where it has
11 accommodated and/or refused such requests, including: the identity of the requesting supplier;
12 the date the request was made; the pricing and quantity of the gas supply offered; the awarded
13 pricing, quantity, receipt/delivery point(s); and any other terms. As noted in the Staff's
14 December 8, 2015, ACA Recommendation in GR-2014-0324 at pages 8-9, MGE states in
15 response to a Staff data request: "There is not a log maintained for refused unsolicited requests
16 for short-term purchase of gas supply during this ACA period. Considering the extreme cold
17 weather and storage inventories at that time it is unlikely that there were many refused
18 unsolicited requests to purchase supply."²⁰ Staff's Recommendation states at page 9,
19 "The documentation of refusals of unsolicited requests is not dependent on the number of
20 requests the Company refuses. If the Company refuses one request or multiple requests, each
21 one must be documented."

¹⁹ GO-2017-0223, Staff Data Request No. 1, part 7a, Company response.

²⁰ GR-2014-0324, MGE response to Staff Data Request No. 47.7.

1 MGE's February 8, 2016 Response to Staff's Recommendations states at page 3:

2 . . . Staff reminds MGE of its obligation under the Laclede
3 Standards of Conduct to keep a log of unsolicited requests. MGE
4 acknowledges the obligation, but as a practical matter continues to
5 struggle with devising a fully workable and effective mechanism
6 for tracking such requests given the extremely voluminous number
7 of unsolicited requests MGE receives from other parties as a
8 routine practice on a day-to-day basis. Based on the intent behind
9 this obligation, which is to ensure that the utility is not
10 discriminating in the treatment of marketers under special
11 circumstances, MGE believes that in the future, it can maintain a
12 log in a way that will provide Staff with meaningful information.

13 MGE's May 27, 2016 Response to Order Directing Filing of Status Report and Request for
14 Waiver/Variance in GR-2014-0324 adds at page 2 a new definition of what the Company
15 considers unsolicited requests from gas suppliers, stating they are only those requests from
16 suppliers for the Company to purchase gas outside of what it says are its normal gas trading
17 hours of between 7 am and 1 pm. MGE's response states at page 3:

18 . . . MGE has developed a system under which every unsolicited
19 request to sell gas to the Company outside of normal trading hours
20 (whether accepted or refused) will be fully logged and preserved
21 through a combination of instant messaging and deal sheets.

22 7. MGE intends to demonstrate this process to the
23 Commission Staff before it is implemented beginning with the start
24 of MGE's next ACA period. . . .

25 Based on the Laclede Gas Company MGE filing date of May 27, 2016, and assuming it
26 implements the required documentation for unsolicited requests as it states, the documentation
27 would not be in place until the 2016/2017 ACA period, which is July 2016-June 2017 for the
28 MGE division and October 2016- September 2017 for the Laclede division.

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E. Off-System Sales

Staff's investigation requested information regarding off-system-sales process and documentation. **

²¹ GO-2017-0223, Staff Data Request No. 1, part 7a, Company response.

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10 **F. Company Training**

11 In the MGE 2013/2014 ACA, GR-2014-0324, Staff recommended and the Company
12 agreed to conduct additional training of its gas supply personnel regarding the documentation
13 requirements of the CAM and SOC.

14 MGE in its June 27, 2016 Response to Staff Recommendation at page 2 in MGE
15 2013/2014 ACA, GR-2014-0324 states that it “takes no issue with Staff’s recommendation that it
16 conduct additional training of its gas supply personnel regarding the documentation requirements
17 of the CAM and Standards of Conduct and provide Staff with a description of those efforts
18 within 30 days of the date of this response.” MGE also relates at pages 2-3 of its filing that takes
19 no issue with Staff’s recommendation that it re-examine its internal controls respecting
20 documentation requirements. MGE in its July 18, 2016 Response to a subsequent Staff
21 Recommendation at page 1 in MGE 2013/2014 ACA, GR-2014-0324 states that it commits to
22 the additional training and to “provide Staff with documentation of its efforts to re-examine its

²² GO-2017-0223, Staff Data Request No. 1, part 9a, Company response.

²³ GO-2017-0223, Staff Data Request No. 1, part 9c, Company response.

1 internal controls for ensuring compliance with these documentation requirements and making
2 any adjustments that may be necessary.”

3 The Company provided a two-page letter dated July 27, 2016 from Laclede counsel to
4 Staff counsel related to the Staff requested training and to internal controls changes.

5 Other than the July 27, 2016 letter stating that the training was provided and copies of the
6 CAM and SOC were distributed, the Company can produce no copies of the agenda used in the
7 training, attendance lists, or training material distributed at the training. Staff requested all
8 training (dates, materials provided to employees, name of employees attending) related to the
9 SOC including training done: (1) upon and subsequent to the Commission approval of the SOC,
10 (2) training conducted upon acquisition of MGE, (3) training conducted for new employees or
11 employees new to the functions related to the Company’s purchase or sale of gas supplies,
12 and (4) refresher training. The Company response to Staff’s Data Request refers to the same
13 July 27, 2016 letter and states, “There are no additional training activities or documentation
14 to provide.”²⁴

15 The Company must adequately train gas supply personnel of all Company processes,
16 policies, and procedures for compliance with the SOC, including but not limited to the
17 exceptions to the competitive bid and award process for multi-month purchases, a complete
18 summary of all bids received and all prices accepted for multi-month purchases, its competitive
19 bidding process for short-term purchases, and documentation and retention requirements for all
20 bids/responses/ inquiries for short-term purchases.

21 Staff recommends the Company revise its training for compliance with the SOC and that
22 the training incorporate standard practices, policies, and procedures as discussed in this Report.

²⁴ GO-2017-0223, Staff Data Request No. 3, Company response.

1 Staff recommends sample documents be utilized in the training of employees for compliance
2 with the SOC documentation requirements. Examples should be included for each type of
3 supply purchase or sale and for each method of documentation (email, instant message,
4 phone call, ICE, etc.)

Gas Supply and Transportation Standards of Conduct

To assist in ensuring that energy-related transactions between Laclede Gas Company (“Laclede” or “Company”) and its affiliates are conducted in a manner fully consistent with the interests of the Company’s utility customers, including their interest in having such transactions priced and accounted for in a reasonable and appropriate manner, Laclede agrees to formalize and comply with the following standards of conduct and associated document requirements relating to such transactions:

A. Purchases of gas supplies for multi-month periods (purchases for longer than 1-month)

1. Laclede will acquire multi-month gas supplies in accordance with a competitive bidding process in which requests for proposals (RFP’s) are submitted by Laclede to a list of eligible suppliers at the various supply locations connected to the pipelines on which Laclede holds firm transportation or through another competitive bidding process. For any exceptions to the competitive bid and award process, Laclede will have a documented process for the supply approval and award process, including (a) justification requirements, (b) authorization process, (c) contemporaneous documentation requirements (for internal Company information and external communications with suppliers), and (d) effective monitoring and controls.
2. Such RFP process shall be open to all gas suppliers who wish to bid. The intent is **to gain the broadest practical participation by eligible suppliers in submitting competitive supply bids for the supply location(s) where Laclede purchases gas**. Once such a process is reasonably developed and appropriately implemented and effectively monitored and controlled, the results of that process are intended to establish the fair market price for the purchase. Laclede shall provide with its annual CAM report submission an explanation of any credit, performance or other criteria that Laclede takes into consideration in determining which suppliers are sent RFPs as part of the RFP process.
3. In the event a gas supply contract for firm gas supply is awarded to an affiliate as a result of the RFP or other competitive bidding process, the affiliate shall be held to the same performance requirements as non-affiliated suppliers.
4. In the event a gas supply contract is awarded, Laclede shall maintain the following contemporaneous documentation: (a) any diversity, credit, or reliability-related volume limitations placed on the maximum volumes Laclede will purchase from an individual supplier or from any one supplier on a specific pipeline (broken down by baseload, combo, and swing); (b) an explanation of the diversity, credit and/or reliability-related reasons for imposing such limitations; (c) a description of the process used to transmit the

supply request to all eligible suppliers, evaluate bids, and negotiate final prices and terms; (d) a list of all suppliers that were sent each RFP; (e) a complete summary of all bids received and all prices accepted, together with copies of all underlying documents, contracts and communications; (f) a summary and explanation of suppliers disqualified for credit, performance or other criteria, and (g) a copy of the policy or procedure employed by Laclede for awarding contracts in instances where an affiliate and an unaffiliated supplier have offered identical pricing terms. For phone calls or texts, Laclede shall maintain contemporaneous logs documenting the discussions and decisions.

5. In the event a gas supply contract is awarded to an affiliate at a location in which no other contracts were awarded, the Company shall maintain contemporaneous documentation showing that the affiliate's bid price was equal to or lower than the bids received from non-affiliated suppliers, and that any upward or downward adjustment in the final contract price was justified by changes in the market.
6. In the event a gas supply contract is awarded to an affiliate at a location at which Laclede also awarded gas supply contracts to non-affiliated suppliers, the Company shall maintain contemporaneous documentation showing that the price established under the contract awarded the affiliate was within or lower than the range of prices established under contracts awarded to entities other than the affiliate.
7. If the affiliate's bid price or contract price does not meet the criteria in paragraphs 5 or 6, Laclede may not award the gas supply contract to the affiliate, unless the Company can demonstrate and contemporaneously document that a more favorable bid was rejected for legitimate reasons relating to the rejected bidder or bidders' creditworthiness, performance history (or lack thereof), or other consideration bearing on the fitness and reliability of the bidder to provide the requested service.
8. In the interests of optimizing the competitive benefits of the RFP process, the RFP will permit suppliers to propose alternative ways of satisfying the basic quantity, reliability, delivery and pricing terms of the RFP in addition to those specifically contemplated by the RFP, provided that the RFP shall explicitly advise suppliers that proposing such alternatives is permissible. The RFP may also utilize ranges for such quantity, reliability, delivery and pricing terms. In the event any such alternative produces a supply arrangement that is at least as favorable in its basic terms as other initial bids received by the Company during the RFP process then there shall be no need to rebid the proposed supply arrangement. In the event the Company itself makes a material change in the basic quantity, reliability, delivery or pricing terms of the RFP, or changes the range applicable to such terms, after initial bids have been received then the proposed supply arrangement shall be rebid.

B. Short term purchases of gas supply (one month or less)

Appendix 2 - Gas Supply and Transportation Standards of Conduct

1. The Company shall maintain contemporaneous documentation sufficient to establish that its short-term purchases of gas supply are acquired in accordance with a competitive bidding process, taking into account the terms and conditions, location and time at which the purchase was made.
2. The Company shall, within the next six months, develop a documented information exchange process where eligible suppliers will be notified of gas supplies that the Company may wish to purchase on a given day(s), and/or suppliers notify Laclede of supply and prices each is willing to offer. Such process may rely on instant messaging, emails, telephone calls, postings on a Company-developed website, awards made on an electronic trading platform (not just price discovery), or some other mechanism to notify bidders and/or Laclede. The intent is **to gain the broadest practical participation by eligible suppliers in submitting competitive supply bids for the supply location(s) where Laclede purchases gas**. Once such a process is reasonably developed and appropriately implemented and effectively monitored and controlled, the results of that process are intended to establish the fair market price for the purchase.
3. Emergency short term purchases of gas supply may also be made without following the competitive bidding procedure if necessitated by supply reliability considerations, provided that such purchases and the emergency circumstances are documented. Emergency conditions will include, but not be limited to, natural disasters, extreme weather events, well freeze-offs, curtailment of pipeline transportation or storage services, failure of supply, damage to or breakdown of Company facilities, changes in deliveries to the Company's take points that are beyond the Company's control, and other similar or unforeseen events affecting the availability of gas supplies. In the event short term purchases of gas supply are made on an emergency basis, nothing shall be construed as precluding Staff or OPC from raising an issue regarding the reasonableness of the emergency circumstances claimed by the Company and their effect on the propriety of the transaction.
4. For each and every gas supply inquiry and/or award, Laclede shall maintain the following contemporaneous documentation: (a) any diversity, credit, or reliability-related volume limitations placed on the maximum volumes Laclede will purchase from an individual supplier or from any one supplier on a specific pipeline; (b) an explanation of the diversity, credit, and/or reliability-related reasons for imposing such limitations; (c) a description of the process used to transmit and/or receive supply notifications to eligible suppliers, evaluate bids/responses, and negotiate final prices and terms; (d) copies of all written communications and descriptions of all unwritten communications that solicit bids from suppliers; (e) a list of all suppliers that were notified of Laclede's gas supply needs; (f) copies of all bids/responses/inquiries received and all prices accepted, together with copies of all underlying

documents, contracts and communications; (g) a list of all suppliers disqualified for credit, performance or other criteria along with an explanation of the basis for each disqualification; and (h) a copy of the policy or procedure employed by Laclede for awarding contracts in instances where an affiliate and an unaffiliated supplier have offered identical pricing terms. For phone calls or texts, Laclede shall maintain contemporaneous logs documenting the inquiries, discussions and decisions.

C. Sales of gas supply also referred to as Off-System-Sales (OSS)

1. The Company shall maintain contemporaneous documentation sufficient to establish that its sales of gas were made at the fair market price for comparable sales, taking into account the terms and conditions, location and time at which the sale was made. The fair market price shall be determined pursuant to the process described below and any amount received for gas must be sufficient to cover: (i) the highest Cost of Gas Supply (CGS) on the pipeline on which the sale is made, as determined by the CGS schedule referenced in Laclede Gas Company's OSS tariff and as adjusted for any documented exceptions as permitted by such tariff; plus (ii) make some positive contribution to Laclede Gas Company's fixed gas supply costs.
2. The Company shall, within the next six months, develop a documented information exchange process where eligible bidders/buyers will be notified of gas supplies that the Company may have for sale on a given day(s). Such process may rely on instant messaging, emails, telephone calls, postings on a Company-developed website, awards made on an electronic trading platform (not just price discovery) or some other mechanism to notify bidders/potential gas buyers. The intent is **to gain the greatest reduction in gas costs for Laclede's customers consistent with maintaining a reliable supply of gas**. Once such a process is reasonably developed and appropriately implemented and effectively monitored and controlled, the results of that process are intended to establish the fair market price for the sale. For phone calls or texts, Laclede shall maintain contemporaneous logs documenting the inquiries, discussions and decisions.
3. **Unsolicited OSS Requests**— Laclede shall only accommodate unsolicited OSS requests where the Company can operationally provide such supplies without incurring any known penalty or detriment. Laclede shall maintain contemporaneous logs of all instances identifying where it has accommodated and/or refused such requests, including: the identity of the requesting counter-party; the date the request was made; the pricing and quantity of the gas supply requested; the awarded pricing, quantity, receipt/deliver point(s); and any other terms.

D. Releases of transportation or storage capacity by Laclede

1. All Laclede releases of pipeline transportation or storage capacity to an affiliate, including prearranged releases, must be effectuated by posting the release as biddable on the applicable pipeline's Electronic Bulletin Board ("EBB"). The Company shall maintain contemporaneous documentation sufficient to show that such release was made to an affiliate at the highest bid price (the posted release price is considered a bid price), on the pipeline's EBB for that release and that the amount received by the Company was at least sufficient to make a contribution to the Company's fixed pipeline reservation costs.
2. For pre-arranged releases to an affiliate of greater than a month and less than a year, the pre-arranged transaction shall be posted for two consecutive daily posting periods.

E. Purchases of transportation and storage capacity from the capacity release market by Laclede – All Laclede purchases of pipeline transportation or storage capacity from an affiliate must be effectuated by releasing and bidding for the capacity on the applicable pipeline's EBB. Laclede shall maintain contemporaneous documentation sufficient to show that the purchase price paid for such capacity was equal to or lower than the price of other comparable transportation alternatives available to the Company to meet the same resource needs. Laclede shall maintain contemporaneous documentation sufficient to show that the affiliate was given no preferential treatment over non-affiliates. Resource needs will be fully documented by the Company and subject to review.

F. Purchase of unsolicited gas supply — Laclede shall only consider accommodating unsolicited requests for short-term purchase of gas supply where the Company can operationally take such supplies without incurring any known penalty or detriment. Laclede shall maintain a contemporaneous log of all instances identifying where it has accommodated and/or refused such requests, including: the identity of the requesting supplier; the date the request was made; the pricing and quantity of the gas supply offered; the awarded pricing, quantity, receipt/delivery point(s); and any other terms.

G. Negotiations with suppliers – Laclede shall conduct all negotiations with its gas commodity and pipeline suppliers independently and shall at no time seek to tie the terms of any arrangement to any action on the part of the other party that would favor a Laclede affiliate. Nothing herein shall prevent either Laclede or an affiliate from jointly attending customer meetings, events or other functions where multiple customers or suppliers are also present.

H. Off-System Sales (OSS) and Capacity Release Protocols

In recognition that markets for OSS and capacity releases can vary depending on weather and availability of supply and capacity options, and in recognition that Laclede holds firm capacity in areas not used to serve its native load and the reservation costs of that firm

Appendix 2 - Gas Supply and Transportation Standards of Conduct

capacity is charged to Laclede's customers, Laclede will routinely evaluate its processes for soliciting potential buyers to maximize net revenues for OSS and capacity releases.

Laclede will take necessary actions to assure reasonable participation by buyers of its OSS and capacity releases. Laclede will take necessary actions to assure documentation is developed and maintained to show compliance with its processes and procedures.

- I. Document Retention** – All documentation and records that must be maintained in accordance with the provisions of these Standards of Conduct shall be maintained for a minimum of six years.
- J. Future Revisions** – It is expressly understood that Laclede, the Staff, and the Office of the Public Counsel reserve the right to propose at any time prospective changes to these Standards of Conduct to reflect changing market conditions, the potential implementation of new regulatory or operational models for managing gas supply assets, or other developments that cannot be fully anticipated at this time. Any such change must be approved by the Commission before being implemented. See also Sections I. and V.C. of CAM.
- K. Asset Management Arrangements/Agreements** – The CAM and referenced Standards of Conduct do not pertain to Asset Management Arrangements/Agreements (AMAs). Accordingly, if Laclede Gas chooses to use one or more AMAs, Laclede Gas shall document fair market price and fully distributed cost as set forth in 4 CSR 240-40.015 and 40.016, unless and until changes to the CAM and these Standards of Conduct addressing AMAs are approved by the Commission.