

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

In the Matter of)	
Summit Natural Gas of Missouri's)	Case No. GR-2013-0257
Purchased Gas Adjustment)	

RESPONSE TO STAFF RECOMMENDATION AND MEMORANDUM

Comes now Summit Natural Gas of Missouri, Inc. ("SNG" or "Company"), formerly known as Missouri Gas Utility ("MGU"), and respectfully provides to the Missouri Public Service Commission ("Commission") the following response to the Commission Staff Recommendation and Memorandum:

1. On July 24, 2013, the Commission Staff ("Staff") filed its Recommendation Regarding the Summit Natural Gas of Missouri's 2011-2012 Actual Cost Adjustment (ACA) in this matter. This document set out the results of Staff's audit of the billed revenues and actual gas costs for the period September 1, 2011 through August 31, 2012, included in the Company's 2011-2012 Actual Cost Adjustment ("ACA") filing.

2. On July 25, 2013, the Commission issued its Order Directing Filing wherein it ordered SNG to file a response to Staff's Recommendation no later than August 26, 2013. SNG will respond to the various issues identified by Staff in the following paragraphs. SNG's response will reference the Memorandum by use of the same section titles utilized by the Staff.

Section II – BILLED REVENUE AND ACTUAL GAS COSTS

3. Compliance Adjustments (Revenue Recovery-Total Company, Gas Supply-Southern System, Imbalances-Northern System, and ACA Approach for Interest Calculation-Northern System). The Company agrees with all of the compliance adjustments recommended

by Staff. Many of the adjustments are a result of an accounting error made in the Company's filing as a result of calculating the balances on an accrual basis rather than a cash basis, as required by SNG tariffs. Most of the recommended compliance adjustments have already been corrected in the Company's books.

4. Bids. The Company agrees to begin providing complete written documentation to substantiate verbal communications for purchases of swing volumes.

SECTION III - RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

5. HDD selection for both systems. SNG agrees that the Company's selection of a peak HDD for the St. Joseph Rosecrans Airport does not correspond with Staff's review. In the planning process for the 2011-2012 ACA period, SNG relied on the expertise of the High Plains Regional Climate Center (HPRCC)¹ to determine the coldest day in thirty years at the St. Joseph Rosecrans Airport for its Northern System (**See Appendix 1**).² SNG used a peak of 79 HDD in its peak day requirements predictor model which occurred on December 22, 1989 (**See Appendix 2**). Staff's review of data for the St. Joseph Rosecrans Airport for the period of January 1981 through August 2012 shows a peak of 83 HDD occurring on December 25, 1983; however, data obtained by SNG shows 69 HDD for the date of December 25, 1983 (**See Appendix 3 and 4**).

In response to the Staff recommendation in this case, SNG has spent a great deal of time reviewing the HDD datasets used by Staff and the Company to understand the differences. After

¹ High Plains Regional Climate Center (HPRCC) is a Regional Center working with NOAA's National Climatic Data Center (NCDC) to provide real-time and historical climate data and products.

² The HPRCC obtained the requested data from NOAA's NCDC.

reviewing the Staff's source data³, SNG believes the peak of 79 HDD which occurred on December 22, 1989 used in its peak day requirements predictor model is in fact accurate because it corresponds to the raw data recorded at St. Joseph Rosecrans Airport on that date (See Appendix 4).⁴ SNG has since learned that the HDD dataset used by Staff has been adjusted or estimated in some manner.⁵ Therefore, SNG believes that the HDD data used in the 2011-2012 ACA period is in fact accurate and SNG believes it is desirable to continue its current practices in selecting a peak HDD.

SNG is agreeable to using the Sedalia weather station for the Warsaw area because of the lack of availability of data for the Lakeside station, beginning with the 2014-2015 planning period.

6. Southern System Peak Supply. The standard practice of SNG to fulfill peak day events on the Southern System is to solicit bids from reliable and competitive supply sources to meet peak day needs. While an option currently exists to deliver gas from the Southern Star storage in the former Southern Missouri Natural Gas service territory to the Southern System from time to time, the Company has decided not to allocate costs to customers as a normal course of business.

³ The Staff Recommendation in Case No. GR-2013-0257 states that the source data is from the National Oceanic and Atmospheric Administration (NOAA). However, Staff is unaware of which NOAA dataset was used (i.e. COOP, GHCN, ISD, and QCLCD).

⁴ The HDD in the Staff dataset differ from the raw data on other dates in December 1983 as well.

⁵ SNG has learned from the HPRCC that the HDD dataset used by Staff most likely has been adjusted or estimated in some manner because the minimum and maximum temperatures listed contain several decimals; however, these temperatures are always reported in whole numbers because the instruments used are not accurate to that degree. This led SNG to believe some calculation was performed on the data before it was entered into the spreadsheet. In addition, the presence of data in the dataset used by Staff at the St. Joseph Rosecrans Airport between the dates of July- September 19, 2011 also led SNG to believe that estimates are used in the dataset used by Staff. The dataset used by Staff includes minimum and maximum temperature data with decimals between these dates; however, no readings were able to be taken at this weather station during this time period due to flood conditions. Staff has since confirmed to SNG that the dataset used by Staff does in fact include estimates.

7. Northern Storage. SNG provided a 2013-2014 Gas Delivery Plan, including storage injections and withdrawals, to Staff and the Office of the Public Counsel on June 5, 2013. Therefore, the Company believes it has complied with this recommendation.

SECTION IV - HEDGING

8. Hedging Recommendations. The Company's responses to the Staff Hedging Recommendations below correspond to the lettered recommendations listed on page 7 of the Staff Recommendation.

a. Staff recommends that the Company establish and maintain a current and consistent hedging policy with stated objectives based on month-specific normal weather requirements while also considering the impacts of warmer and colder than normal weather scenarios. This information is provided in the overall Gas Supply Plan developed by the Company and is provided to Staff each May.

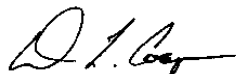
b. The Company considers all of the options recommended by Staff (including a combination of storage withdrawals, call options and other fixed price purchases for effective hedging during the winter months) as a normal course of business.

c. The Company will continue to outline a specific hedging strategy in its Gas Supply Plan. This plan is provided to Staff annually and will continue to document the reasoning for transaction decisions.

WHEREFORE, Summit Natural Gas of Missouri, Inc. respectfully requests that the Commission consider this response to the Staff Recommendation and issue such orders as it

believes to be reasonable and just.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail to the following counsel this 26th day of August, 2013:

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