

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

In the Matter of Spire Missouri, Inc.) File No.: GR-2019-0119
d/b/a Spire East Annual PGA Filing)

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

COMES NOW Spire Missouri Inc., d/b/a Spire East (“Spire East” or “Company”) and, pursuant to the Commission’s Order dated December 18, 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 East 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 October 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 18, 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.

Spire STL Pipeline LLC

4. At pages 2-3 of its Memorandum, the Staff notes that pursuant to a certificate received Spire from the Federal Energy Regulatory Commission ("FERC"), Spire STL Pipeline LLC ("STL Pipeline"), began transporting natural gas to Spire East in mid-November of 2019. Because those deliveries commenced after the conclusion of the ACA period under review in this proceeding, Staff states that the new transportation agreement will be addressed in the Company's next ACA proceeding. In the meantime, Staff recommends that ". . . Spire East continue to keep it informed about changes in the gas supply and transmission portfolio related to the connection to the Spire STL Pipeline."

5. The Company agrees with Staff's recommendation that the new transportation arrangement between Spire East and STL Pipeline should be addressed in the Company's next ACA proceeding. Spire East also agrees to continue keeping Staff informed regarding changes in its gas supply and transportation portfolio relating to STL Pipeline. To that end, the Company has made several informal presentations to the Commission and Staff over the past several years regarding the status of the Spire STL Pipeline. As the Staff notes in its recommendation, the

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.

Company also provided, on a timely basis, the notice required by the Stipulation and Agreement in Case No. GM-2013-0254 when it reduced its capacity on Enable MRT to accommodate the new transportation arrangement. In addition, Spire East prepared and submitted to the Staff a report explaining various aspects of the new transportation arrangement at the time the STL Pipeline became operational in mid-November. The Company will continue to update the Staff and OPC on changes in the operational and other features of the transportation agreement with STL Pipeline as they occur.

Reliability Report Enhancements

5. At page 3 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.

Transportation Customers and School Aggregation

7. At pages 4 to 5 of its Memorandum, the Staff identifies instances where the gas supply imbalances experienced by pools operating under the Company's school aggregation program have exceeded the imbalances experienced by other transportation customers. The Staff recommends that Spire East review the greater variance in imbalances being experienced by the schools and consider making revisions to its policies or tariffs that would bring the balancing

performance of the school transportation pools more in line with that of other transportation customers.

8. The Company agrees with Staff's recommendation and will conduct a further review of these imbalances to determine what modifications might be appropriate to its tariffs and policies relating to school aggregation customers. The Company also believes other revisions to those policies and tariffs may be appropriate in light of its new transportation arrangement with STL Pipeline and will address those potential revisions as well.

GAS COSTS

9. At page 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. From a transaction, legal, and contract perspective, there is only one purchasing entity, Spire Missouri Inc. The Company has limited input or influence on how gas marketers and producers set up, manage, and bill their customers. The Company will evaluate practical steps to help avoid confusion on this matter in the future.

HEDGING

10. 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 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.

11. 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.

12. 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

13. At pages 6 and 7 its Memorandum, the Staff provides its preliminary ACA account balance recommendations for the various sales groups served by the Company. The Staff notes that the over and under-recoveries presented in its Memorandum are preliminary because there are some outstanding documentation issues with the prior ACA period that the Company and Staff have been working to resolve. The Company believes that these discussions have been constructive and that they could ultimately result in modest changes to the ACA balances identified by Staff. For this reason, the Company agrees with Staff that this case should be held open pending

the completion of these discussions and reserves the right to respond more specifically to Staff's ACA balance recommendations at such time.

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