

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2012-0133, Laclede Gas Company

FROM: David Sommerer, Manager - Procurement Analysis
Anne Crowe, Regulatory Auditor - Procurement Analysis
Lesia Jenkins, P.E., Regulatory Engineer - Procurement Analysis

/s/ David M. Sommerer 3/11/13
Project Coordinator / Date

/s/ Jeffrey A. Keevil 3/11/13
Staff Counsel / Date

SUBJECT: Staff’s Reply to Laclede Response to Staff Recommendation in Case No.
GR-2012-0133, Laclede Gas Company’s 2010-2011 Actual Cost
Adjustment Filing

DATE: March 11, 2013

Procurement Analysis (Staff) has reviewed Laclede Gas Company’s (Company or Laclede or LGC) February 11, 2013 Response to Staff’s Recommendation in the 2010-2011 Actual Cost Adjustment (ACA) filing, GR-2012-0133. This Reply primarily addresses those areas where the parties disagree to the extent comments are necessary or where clarification is required. Comments are provided for: Reliability and Gas Supply Analysis, Natural Gas Supply Request for Proposal (RFP) Process, Lange Underground Storage Non-Recoverable Gas, Missouri Pipeline Company Overcharges, and Discovery Issues. It should be noted that Staff does not necessarily agree with, or acquiesce in, other comments in the Laclede Response not specifically addressed in this Reply.

Reliability and Gas Supply Analysis, Natural Gas Supply Request for Proposal (RFP) Process

1. ** _____ **
(Section II.B.4. of the Staff Recommendation)

Staff recommended:

** _____

_____ **

Laclede responded that it will develop a process to formally document such decisions when they occur, but Laclede does not commit to a date for such change.

A similar issue was raised in the 2009/2010 ACA, GR-2011-0055, Staff Recommendation, Section II.A.3. In that case, Laclede agreed to implement Staff’s recommendation prior

to Laclede's RFP process in 2013 for gas supply for the 2013/2014 period, as noted in the 2/15/2013 Order Clarifying Order Granting Request to Cancel Prehearing Conference and Procedural Schedule Filing Date.

2. ** _____ **
(Section II.B.5. of the Staff Recommendation)

Staff recommended:

** _____

_____ **

** _____

_____ **

Notwithstanding the difference of opinion on this particular matter, Laclede notes that it is working with Staff to resolve affiliate issues in a separate forum (Case No. GC-2011-0098). Laclede states it believes the best solution is for it to continue working with Staff in that forum. Staff concurs.

3. Gas Supply Reservation (Supply Demand) Charges
(Section II.B.6. of the Staff Recommendation)

Staff recommended:

** _____

_____ **

** _____

_____ **

Laclede does not commit to a date for the review or when such review will be provided to Staff.

** _____

_____ **

Lange Underground Storage Non-Recoverable Gas

Staff proposes an ACA disallowance of \$932,635.71 for Laclede’s accounting treatment of estimates of non-recoverable storage gas. This remains an issue in this case. Furthermore, as Laclede’s Response indicates, Laclede has historically recovered storage losses through its non-gas rates in a general rate case proceeding rather than in ACA cases and it is Staff’s position that Laclede should continue to do so; therefore, Staff anticipates this may be an issue in Laclede’s current rate case, Case No. GR-2013-0171.

Refund of Missouri Pipeline Company Overcharges

Staff recommended that this case be held open in order to monitor Laclede’s actions with regard to its pursuit of refunds.

In its Response Laclede disagrees with Staff’s recommendation and seeks clarification from the Staff of the purpose of keeping the ACA case open. Due to the cumulative nature of the ACA balance, this period’s ACA balance is impacted by the lack of recognition of past overcharges from MPC. These past overcharges impact this period’s ACA balance by overstating the cumulative amount of gas costs needed to be recovered from Laclede’s customers. Thus, a final ACA balance recommendation for this ACA period cannot be determined until the ACA balances from these prior periods are finalized.

Discovery Issues

Staff recommended for future ACA reviews, the Company provide complete board minutes including all presentations and handouts for The Laclede Group. Laclede's Response states it does not believe it is necessary for Staff to access such a broad scope of unregulated activity, especially in the context of an audit of purchased gas costs.

Laclede Gas Company matters are discussed at The Laclede Group Board of Directors' meetings. As an example, in this case ** _____
_____ **. However, Laclede Gas' planning shows that ** _____ **. Therefore Staff needs access to The Laclede Group Board minutes to review decisions affecting Laclede Gas Company.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Laclede Gas Company's)
Purchased Gas Adjustment Tariff Filing) Case No. GR-2012-0133
)

AFFIDAVIT OF DAVID M. SOMMERER

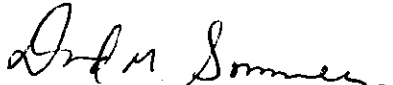
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David M. Sommerer, being of lawful age, on his oath states: that as a Utility Regulatory Manager in the Procurement Analysis Unit, Utility Services Department, Regulatory Review Division, he has participated in the preparation of the foregoing report, in memorandum form, consisting of 4 pages to be presented in the above case; that he has verified that the foregoing Staff Memorandum was prepared by himself and Staff of the Commission that have knowledge of the matters set forth as described below; that he has verified with each of the Staff members listed below that the matters set forth in the Staff Memorandum are true and correct to the best of his knowledge and belief,

Lesa A. Jenkins, P.E., Regulatory Engineer:
Reliability and Gas Supply Analysis; Lange Underground Storage Non-Recoverable Gas

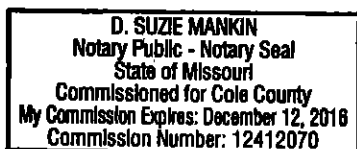
Anne Crowe, Utility Regulatory Auditor IV:
Lange Underground Storage Non-Recoverable Gas;
Refund of MPC Overcharges; Discovery Issues

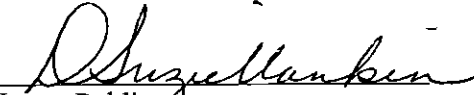
that he has knowledge of the matters set forth in such report and that such matters are true to the best of his knowledge and belief.



David M. Sommerer

Subscribed and sworn to before me this 11th day of March, 2013.





Notary Public