

**SUMMIT NATURAL GAS OF MISSOURI**  
Natural Gas Procurement & Supply Hedging Plan 2012-2013

This provides Summit Natural Gas of Missouri's (SNGM) Natural Gas Procurement and Supply Hedging Plan for the 2012-2013 heating season.

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 Data Center  
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**GENERAL**

For the 2012-2013 heating season (Nov12-Mar13), SNGM expects to provide natural gas distribution service to approximately 14,526 customers as follows:

Gallatin Division:	1,529
Warsaw Division:	1,018
Rogersville Division:	11,236
Branson Division:	743

Additionally, SNGM expects to initiate service to Lake of the Ozarks during this period; however, at this point, SNGM does not have definitive customer count data to include this new service area in this Natural Gas Procurement & Supply Hedging Plan.

SNGM serves primarily residential and small commercial customers. SNGM operates under what it terms a "Best Cost" natural gas supply portfolio approach; whereby, a combination of factors such as price, reliability, stability of price and flexibility of delivery terms are all considered. In this regard, SNGM is sensitive to the impact that widely fluctuating natural gas prices can have on its predominantly residential customer base. SNGM's Natural Gas Procurement & Supply Hedging Plan focuses on securing reliable natural gas supplies and protecting SNGM's Customers from excessive price swings.

SNGM has prepared specific procurement and hedging plans for its operating Divisions to support divisional cost accounting (i.e., separate Purchased Gas Adjustments (PGA) and Actual Cost Adjustments (ACA)).

**GOALS**

SNGM's plans are designed to achieve the following goals:

- 1) Secure Peak Day Reliability
- 2) Avoid Propane Pricing Pressure
- 3) Capture Lowest Price Consistent with Reliability Requirements
- 4) Ensure Price Stability for Customers
- 5) Support Regulatory Reporting Requirements

## APPROACH

SNGM employed a sequential approach to planning natural gas procurement for the upcoming winter season. First, it determined seasonal natural gas requirements (peak day and monthly retail demand), then it confirmed and secured pipeline transportation pathways and storage services necessary to support supply requirements. SNGM then prepared its Supply Hedging Plan to secure known pricing for the heating season.

## REQUIREMENTS - PEAK DAY

SNGM examined its current retail sales customer count and anticipated growth in all Divisions, and, using statistical analysis where possible, projected peak day demand for winter 2012-2013.

2012-2013 Peak Day projections are based on a statistical analysis of usage during December 2011 through February 2012 regressed over the heating degree days (HDD) for that period, with the resultant usage determinants (fixed usage and usage/customer/degree-day) applied to the projected customer count and the highest HDD measured at applicable weather stations over 30 years. Results are shown below:

<b>Division</b>	<b>2012-13 Peak Day Demand (Mcf)</b>	<b>Weather Station</b>
Gallatin	1,861	Saint Joseph Rosecrans Airport
Warsaw	1,767	Springfield Regional Airport
Rogersville	13,008	Springfield Regional Airport
Branson	1,227	Springfield Regional Airport
<b>Total</b>	<b>17,863</b>	

## REQUIREMENTS - THROUGHPUT

The majority of SNGM's throughput occurs during the heating season of Nov-Mar and summer throughput is minimal. Therefore, SNGM focused its forecasting effort on the Nov12-Mar13 delivery period.

SNGM analyzed the HDD and projected usage data for the five month winter period and determined the 30-year normal average winter monthly throughput for each Division. It then developed sensitivity analyses to determine (1) a cold winter, defined as one in which the HDDs are two standard deviation above the 30-year normal average, and (2) a warm winter, defined as one in which the HDDs are two standard deviation below the 30-year average. Results for are shown below:

**2012-2013 Winter Season (Nov-Mar) Requirements (Mcf)**

<b>Division</b>	<b>(-2 Std Deviations) Warmer</b>	<b>(30 Year Normal) Normal</b>	<b>(-2 Std Deviations) Colder</b>
Gallatin	80,965	117,160	153,355
Warsaw	64,617	86,342	108,068
Rogersville	553,723	794,472	1,035,220
Branson	101,171	124,952	148,734
<b>Total</b>	<b>800,476</b>	<b>1,122,926</b>	<b>1,445,377</b>

**CONTRACTS & STRATEGIES - SUPPLY**

SNGM maintains natural gas supply contracts with a network of supply companies that include Anadarko Energy Services, BP, CenterPoint Energy, Concord Energy, Enbridge Marketing, and Seminole Energy. This supply diversity provides sufficient reliability and competition in natural gas supply contracting. SNGM's supply strategy is to purchase natural gas according to its Supply Hedging Plan and to competitively bid its natural gas supply contracts.

**CONTRACTS & STRATEGIES - TRANSPORTATION & STORAGE**

SNGM has sufficient transportation and storage contracts to ensure peak day delivery in each of its Divisions.

Gallatin Division (ANR): SNGM maintains the following contracts with ANR Pipeline for service to Gallatin:

- 1) STS Contract with (i) a Maximum Daily Transport Quantity of 900 dths from a primary receipt point at ANR SW Headstation, (ii) a Maximum Daily Withdrawal/Injection Quantity from/to storage of 1,100 dths, and a Maximum Storage Quantity of 55,000 dths. ANR requires storage inventory to be 11,000 dth or less by April 1 each year.
- 2) FTS-1 Contract with a Maximum Daily Transport Quantity of 600 dths from a primary receipt point at ANR REX.

The total daily delivery capacity from these contracts is 2,600 dths. This is sufficient to meet approximately 140% of the forecasted Peak Day requirement of 1,861 Mcf.

Warsaw Division (Southern Star): SNGM is contracted for 2,400 dths of Market Zone primary firm daily transport capacity on Southern Star. This is sufficient to meet approximately 136% of the forecasted Peak Day requirement of 1,767 Mcf.

Rogersville Division (Southern Star): SNGM is contracted for 15,100 dths of Market Zone primary firm daily transport capacity on Southern Star. This is sufficient to meet approximately 116% of the forecasted Peak Day requirement of 13,003 Mcf.

Branson Division (Southern Star): SNGM is contracted for 5,000 dths of Market Zone primary firm daily transport capacity on Southern Star. This is sufficient to meet approximately 408% of the forecasted Peak Day requirement of 1,227 Mcf.

Additionally, to support the Warsaw, Branson, and Rogersville Divisions in the aggregate, SNGM is contracted for 10,000 dth of Production Zone primary firm daily transport capacity on Southern Star, and Southern Star Storage Inventory Capacity of 300,000 dth with a Maximum Daily Withdrawal capacity of 3,000 dth.

### **SUPPLY HEDGING PLAN**

The primary goals of SNGM's Supply Hedging Plan are to secure reliable supply and to protect its customers against price spikes. To achieve these goals, SNGM's plan establishes firm natural gas supply contracts at known prices for the majority of its heating season throughput. A small portion of heating season throughput is purchased at daily index prices to provide load flexibility and to facilitate balancing. SNGM purchases its summer season requirements mostly at Index prices. SNGM has established the following natural gas supply plans for this upcoming winter season.

#### **GALLATIN DIVISION**

##### ***Winter Season (Nov12-Mar13)***

<b>Pricing Structure</b>	<b>Quantity (Dth)</b>	<b>Price (\$/Dth)</b>	<b>Hedge Percent</b>
Fixed Price	39,000	\$3.845	33%
Storage Inventory	39,893 15,107	\$4.238 (10/1/12) TBD	47%
Index Prices	23,160	TBD	20%

This Plan establishes known prices for 80% of SNGM's Gallatin Division heating season throughput.

#### **WARSAW DIVISION**

##### ***Winter Season (Nov12-Mar13)***

<b>Pricing Structure</b>	<b>Quantity (Dth)</b>	<b>Price (\$/Dth)</b>	<b>Hedge Percent</b>
Fixed Price	34,965 15,600	\$3.33 \$3.98	40% 20%
Index Prices	35,777	TBD	40%

This Plan establishes known prices for 60% of SNGM's heating season throughput for the Warsaw Division.

**ROGERSVILLE, BRANSON DIVISIONS**

***Winter Season (Nov12-Mar13)***

<b>Pricing Structure</b>	<b>Quantity (Dth)</b>	<b>Price (\$/Dth)</b>	<b>Hedge Percent</b>
Fixed Price	275,161	\$3.02	30%
	129,000	\$3.925	14%
Storage Inventory	146,400	\$5.90	16%
Index Prices	368,863	TBD	40%

This Plan establishes known prices for 60% of SNGM's heating season throughput for the Rogersville, and Branson Divisions.