

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

In the Matter of)
Summit Natural Gas of Missouri, Inc. Changes to) Case No. GR-2016-0091
Company's Purchased Gas Adjustment Clause)

RESPONSE TO STAFF RECOMMENDATION AND MEMORANDUM

COMES NOW Summit Natural Gas of Missouri, Inc. ("SNG" or "Company"), formerly known as Missouri Gas Utility, Inc. and successor in interest to Southern Missouri Natural Gas Company, L.P., d/b/a Southern Missouri Natural Gas ("SMNG"), and respectfully provides to the Missouri Public Service Commission ("Commission") the following response to the Commission Staff Recommendation and Memorandum:

1. On December 13, 2016, the Commission Staff ("Staff") filed its recommendations regarding the Summit Natural Gas of Missouri, Inc. 2014-2015 Actual Cost Adjustment ("ACA") filings in this matter. These documents set out the results of Staff's audit of the billed revenues and actual gas costs for the period September 1, 2014, through August 31, 2015, included in the Company's 2014-2015 ACA filings.

2. On December 15, 2016, the Commission issued its Order Setting Deadline For Filing Response to Staff Recommendation, wherein it ordered SNG to file a response to Staff's Recommendation no later than January 30, 2017. 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 Staff.

SECTION II - BILLED REVENUE AND ACTUAL GAS COSTS

3. Gas Procurement Practices. The Company will continue to review its gas procurement practices and will continue to look at adding additional gas suppliers to its

supplier pool. SNG has identified several potential suppliers that could be added to the list of marketing companies and SNG will explore those potential relationships.

4. Transportation Customer Cash Outs. As noted in the Staff Recommendation, the Company found an error related to the recording of a transportation customer's cash out during a review of the Company's accounting for purchased gas costs. SNG alerted Staff to the mistake and thus has no issue with the proposed adjustment of \$6,406.

SECTION III - RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

5. Peak Day Forecasting and Reserve Margins. The Company will continue to refine both the Branson and Southern service areas' peak day demand models. The Company anticipates that as these systems mature, more accurate peak day estimates will be derived from the models. Also, the Company will take into consideration the use of a 95% upper confidence interval when calculating reserve margins and considering necessary capacity requirements.

6. Supply for Peak Day and Other Cold Weather Plans. Supply reliability to meet peak day demands is a significant determinant in the Company's annual supply planning. To date, the Company has not run into any supply issues on peak days. The Company will continue to review the reliability of its gas supply plans and consider Staff's recommendation to employ swing/call agreements.

7. Proposed Disallowance for Avoidable Capacity Over-run Charges. The Company has acknowledged it failed to schedule its Southern Star Central Gas Pipeline (SSCGP) capacity during November 2014–March 2015, in a manner to avoid/minimize Authorized Overrun Charges (ORA) from SSCGP.

The Company does not dispute its responsibility for "Avoidable" ORAs; however, it appears Staff did not adjust its calculated ORA of \$15,327 to back out the transportation

commodity charges imbedded in the ORA rates. These are unavoidable charges and total \$2,040 on the ORA quantities (177,447 MMBtu @ \$0.0115/MMBtu). Applying this adjustment to Staff's calculated Avoidable ORAs results in a net Avoidable ORA cost of \$13,287.

The Company accepts Staff's recommended disallowance in Avoidable ORA, if it is adjusted for unavoidable transportation commodity charges (total amount of \$13,287).

8. Northern Service Area: Supply-Storage Decisions. As part of its purchasing process, the Company continually reviews changing conditions and their impact on system requirements. As such, SNG attempts to be as responsive to changing conditions as possible. Also, the Company will continue to review and evaluate its storage balances weekly during the winter months and the non-winter months as necessary.

SECTION IV - HEDGING

9. Hedging Recommendations. The Company's responses to the Staff Hedging Recommendations as follows:

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. SNG believes that it has such a policy. Information concerning this policy is provided in the overall Gas Supply Plan developed by the Company and is provided to Staff each May.

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

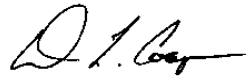
c. The Company will continue to evaluate plans for storage injections and withdrawals as part of the overall hedging strategy in its Gas Supply Plan.

d. 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.

e. The Company's criteria and reasoning for its hedging transactions are documented in its Gas Supply Plan provided to Staff each May and in the Company's Risk Management Committee minutes.

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

Respectfully submitted,



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ATTORNEYS FOR SUMMIT NATURAL
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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 27th day of January, 2017:

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