BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the Matter of Summit Natural Gas of	)	
Missouri, Inc., Changes to Company's	)	**Case No. GR-2022-0191**
Purchased Gas Adjustment "PGA" Clause	)	

RESPONSE TO STAFF'S RECOMMENDATION AND MEMORANDUM

COMES NOW Summit Natural Gas of Missouri, Inc. ("SNGMO" or "Company"), and, as its *Response to Staff's Recommendation and Memorandum*, states as follows to the Missouri Public Service Commission ("Commission"):

On December 12, 2023, the Staff of the Commission ("Staff") filed its *Staff Recommendation* Regarding SNGMO's 2021-2022 Actual Cost Adjustment Filing. Thereafter, the Commission issued its *Order Directing Filing* wherein it directed SNGMO to respond to the Staff Recommendation by January 12, 2024. In response to SNGMO's *Motion for Extension*, the Commission later allowed SNGMO until January 31, 2024, to respond to the Staff Recommendation. SNGMO will respond to the various issues identified by Staff in the following paragraphs. SNGMO's response will reference the Memorandum by use of the same section titles utilized by the Staff.

SECTION II - BILLED REVENUE AND ACTUAL GAS COST

As noted in Staff's Memorandum, Staff reviewed the beginning ACA balance for each service area and adjusted to agree with the ending ACA balance in accordance with the Commission's Order in Case No. GR-2021-0122.

This review concerned the period of September 1, 2021 to August 31, 2022. As to certain issues, it is important to note that the Staff Recommendation concerning the prior ACA period

(September 1, 2020 to August 31, 2021) was not filed until December 14, 2022. Thus, the period at issue in this case was completed before SNGMO had the benefit of Staff's prior recommendation.

The Company's response to Staff's recommendations are as follows:

a. **ACA Balances**:

SNGMO agrees with Staff's representation of the ACA Balance Summary as of August 31, 2021.

Staff further recommended an allocation of the beginning balances between regular and Storm Uri ACA balances. SNGMO does not object to Staff's beginning ACA allocated balances.

b. **Billed Revenues**:

(1) discrepancy in decimal places on the tariff versus the customer bills.

Staff correctly observed that SNGMO had in some instances utilized a billing rate containing five decimal places, rather than the identified four decimal place rate. Staff further observed that this resulted in an immaterial difference for customer rates. SNGMO discovered that this difference was due to a rounding error in its billing system and has since modified its processes such that only the four decimal place rate will be used to calculate future billings. Having said this, because of the timing of the ACA periods and the review processes, it is likely that this issue will appear in at least one more ACA review (September 1, 2022 to August 31, 2023).

(2) Reported revenues do not agree to source documents. Two variances were attributed to unreported prior period adjustments and the third variance was an understatement of revenues reported for Rogersville area.

SNGMO agrees with the $37,681.49 Rogersville/Branson adjustment recommended by Staff.

(3) Revenues allocated between RPGA, ACA and Uri ACA were recalculated using the approved rates and applied to volumes consumed with most adjustments a reclassification between the three categories of revenues.

SNGMO does not object to Staff's allocation of revenues.

c. **Natural Gas Costs:**

Staff proposed an adjustment between the Rogersville/Branson and Warsaw/LOO Service Areas. SNGMO agrees with this adjustment. However, it believes there is a typographical error in Staff's table for the Warsaw/LOO adjustment and it should be "(84,032.38)".

Staff also noted concerns regarding the Company's Request for Proposal (RFP) process as follows:

(1) Sharing bid pricing of winning awards with non-winning bidders.

SNGMO believes that providing feedback to suppliers is common practice in the industry. In fact, when it hosts its "virtual" request for proposal process, suppliers get immediate pricing feedback.

(2) Diversify supplier group.

(3) Selecting tying bid for ANR system to the single supplier of the majority instead of selecting for supply diversity.

(4) Decreasing bidders in RFP process.

In SNGMO's experience, the situations identified above were a direct fallout from Storm Uri. The Company believes most gas buyers have been in a similar position. For several months after Storm Uri, SNGMO's pool of suppliers (which previously numbered around a dozen) was whittled down to one or two suppliers. Some of this was due to the fact that several suppliers voluntarily exited the business after Storm Uri and others exited due to a lack of creditworthiness.

Given this, when there was a "tying bid," as mentioned above, the bid was awarded based on the dependability of the supplier.

d. **Imbalance/Cash Outs**:

(1) Missing weekly average price indices resulted in incorrect rates used in a cash out calculation. Repeat finding.

SNGMO is moving toward software programs that will assist in making these calculations on a going forward basis. Monthly meetings are held between Gas Supply, Accounting, and Billing to reconcile cashout billing and resolve discrepancies. This improved process should help reduce errors such as was identified by Staff.

(2) Cash outs did not agree with invoiced amounts to customers. In one case, 2 bills were switched.

Staff identified instances where cash outs and billed amounts were switched between customers. These billings are scheduled to be corrected in the January 2024 billing cycle.

(3) L&U factor in Gallatin was not supported by the L&U report initially filed.

(4) Reconciling supporting doc for line item "Monthly Cash Out Adjustment" showed an adjustment of $150.83 that was partially made twice resulting in a difference of $87.32.

SNGMO agrees with Staff's comments as to items (3) and (4), as well as the recalculated Transportation Cash Out table found in the Staff Recommendation.

e. **Carrying (Interest) Cost**:

The Company objects to Staff's calculation of interest for the Storm Uri balance. Staff's methodology for calculating the Storm Uri interest uses an average of the projected beginning and ending balance each month. The Company proposes to calculate the Storm Uri interest by applying the interest rate at each rate reset against the ending monthly Storm Uri balance each month, which more closely matches the Company's actual cost of debt associated with Winter Storm Uri. The Company will discuss its proposed methodology with Staff to determine whether a resolution of this issue can be reached.

SECTION III - RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

Reserve Margins

The Company will continue monitoring its pipeline contracts and reserve margin for each division. Specifically, in the Gallatin Service Area, the Company will continue to discuss procuring additional upstream capacity to alleviate the negative reserve margin. Staff also recommended that the Company explore the option of continuing to post excess firm capacity for release on SSCGP's electronic bulletin board, until SNGMO can negotiate a reasonable capacity adjustment. SNGMO agrees to explore this option as recommended by Staff.

SECTION IV – HEDGING

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

(1) Evaluate expected level of customers' natural gas requirements that are reasonably protected under warmer than normal, normal, and colder than normal scenarios.

The Company currently performs this evaluation and will continue to enhance this process.

(2) Evaluate hedging strategy in response to the changing market dynamics as to how much the existing hedging strategy actually benefits customers while achieving goal of stable price level.

The Company will continue to monitor the market movements with regards to timing of hedge placements and price-driven approaches in its hedging practices.

(3) Notes the risk to Summit's market timing approach which can lead to a situation that if Summit waits too long for prices to go down, it risks higher prices. Notes Summit took

advantage of lower prices by purchasing fixed price volumes in December for delivery during winter (Jan-March).

The Company plans to host winter baseload RFP's during the summer months.

(4) Notes utilizing storage, filling close to MSQ by Nov. 1st and using at least 90% through the heating season. Underfilling substantially below MSQ could potentially overestimate an actual storage hedging outcome.

The Company agrees to establish a reasonable amount of MSQ that the Company plans to inject into storage by November 1 and to withdraw by March 31, thus determining a reasonable amount of storage that can be utilized toward hedging and calculate the hedging percent utilizing storage and the overall hedging percent accordingly.

SECTION V - RECOMMENDATION

SNGMO believes the balances in its next ACA filing should be adjusted to reflect the adjustments proposed by Staff using the Company's methodology for calculating interest.

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,

/s/ Goldie T. Bockstruck

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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 31st day of January, 2024, to:

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