

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

In The Matter of Southern Missouri Gas Company,)
L.P. d/b/a Southern Missouri Natural Gas (SMNG))
Winter PGA Filing)

File No. GR-2012-0123

**MOTION FOR LEAVE AND
RESPONSE TO STAFF RECOMMENDATION AND MEMORANDUM**

Comes now Summit Natural Gas of Misosuri, Inc. (SNGMO or Company) (survivor of Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas (SMNG)), and respectfully states as follows to the Missouri Public Service Commission (Commission) as its motion for Leave and Response to the Staff Recommendation and Memorandum:

1. On May 30, 2012, the Commission Staff (Staff) filed its Recommendation and Memorandum in this matter. This document set out the results of Staff's audit of the billed revenues and actual gas costs for the period September 1, 2010 through August 31, 2011, included in SMNG's 2010-2011 Actual Cost Adjustment (ACA) filing.

2. On June 12, 2012, the Commission issued its Order Directing Filing wherein it ordered SMNG to respond to the Staff Recommendation and Memorandum no later than June 29, 2012

3. Because of personnel availability issues associated with the press of matters in Misosuri and other states where SNGMO's parent operates, along with the intervening holiday, SNGMO was unable to complete and file its response to the Staff Recommendation and Memorandum by June 29, 2012. SNGMO accordingly asks for leave to late-file its response.

4. In the following paragraphs, SNGMO provides that response. SNGMO does not believe that any party will be prejudiced by a grant of its motion for leave as no procedural schedule has yet been established.

5. 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 Costs

6. **Branson Line Pack** - As identified in Staff's recommendation, SNGMO will reclassify the Branson line pack as a capital asset and will reduce its PGA expense by \$5,988.

7. **Unbilled Revenue** – SNGMO agrees with Staff that the accounting for unbilled revenues was not performed in accordance with the tariff provisions. The methodology used is consistent with the Company's practice in matching gas revenues to gas costs in its financial statements, but that process differs from the tariff provisions. SNGMO will adjust the SMNG ACA balance by \$139,246.

8. **Missouri School Pilot Program, Transportation Service, Capacity Release Adjustment** – As a settlement for the 2009/2010 ACA period, a calculation of capacity released in accordance with the contract signed in 2011 was done. The 2011 contract identified monthly capacity releases and has been followed throughout the 2011-2012 winter, as seen in Appendix 1, attached hereto. The Company believes this has addressed this issue going forward. The Company is proposing an alternative adjustment, similar to the settlement agreed to in the 2009/2010 ACA (GR 2010-0218) for purposes of this case. This adjustment applies the capacity release values identified in the contract signed in 2011. If the signed contract were used as the basis for the adjustment in this ACA period, the adjustment would be \$9,275.80, as seen in Appendix 2, attached hereto, which is an edited version of Amended Attachment DR0080 provided in the case.

SECTION III RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

9. **Capacity Planning** – SNGMO will provide documentation to address the Staff concerns regarding 1) Peak Day Estimates and 2) Consideration of Transportation Customer in Peak Day Estimates and Reserve Calculation by September 15, 2012.

10. **Support for Monthly Normal, Warm and Cold Weather Estimates** - The Company agrees to provide supporting workpapers and documentation for monthly estimates for normal, warm, and cold weather estimates, as well as estimated requirements for each take point for the 2012/2013 period by September 15, 2012.

11. **Supply Agreements** - SNGMO believes that the Special Provisions in Section 3.5 of the BPA agreement are fair in that the provisions are bi-lateral and protect each party in the event of a force majeure claim by the other party. A fixed price contract obligates the Seller to deliver and sell a specified volume at an agreed to price, and obligates the Buyer to receive and purchase a specified volume at an agreed to price. To further clarify, in a force majeure event, Seller and Buyer are relieved of any contractual obligations to deliver and/or receive such volumes of committed gas supplies. However, Special Provision, Section 3.5 defines each party's financial obligation to the other party given a variance in the FOM index price and the contracted fixed price. For all volumes affected by a force majeure event, this provision allows the Company to collect from the fixed-price contract supplier the difference between the FOM price and the contract price if the FOM price is greater than the contract price. As such, this allows the company to procure alternative supply without penalty to its customers. Conversely, the Company would pay the pricing difference to the Supplier in the event the FOM price is less than the contract price. SNGMO strives in all contract provisions to maintain a bi-lateral symmetry in the provisions.

Prior to the merger with SNGMO, SMNG had only one (1) gas supplier, BP. The verbal agreement was made in order to provide peaking gas at a known price in the absence of a competitive environment. However, SNGMO does not intend to renew this verbal agreement since it may now competitively bid peaking gas requirements between seven (7) natural gas suppliers. As such, SNGMO believes there is no need to have a separate peaking contract at this time.

12. **Missouri School Pilot Program, Transportation Service** - The Company amended its contract with the schools going into the 2011/2012 winter, and does not expect this issue to exist past the 2010/2011 ACA period.

SECTION IV HEDGING


13. SNGMO agrees with Staff's recommendations in regard to hedging practices and the potential need to adjust those practices in an environment that includes the current oversupply of gas on a national basis. SNGMO is currently evaluating whether its past hedging levels are adequate or even excessive when daily spot prices are relatively stable between heating season periods and the remainder of the year.

WHEREFORE, SNGMO respectfully requests that the Commission grant its motion for leave and, thereafter, consider this Response to the Staff Memorandum and Recommendations and issue such orders as it believes to be reasonable and just.

Respectf

ully submitted,

Dean
BRYDON,
312
P.
Jefferson
(573)



L. Cooper MBE#36592
SWEARENGEN & ENGLAND P.C.
E. Capitol Avenue
O. Box 456
City, MO 65102
635-7166

(573)
dcooper@brydonlaw.com

635-3847 facsimile

ATTORNEYS FOR
SUMMIT NATURAL GAS OF MISSOURI, INC.

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail on July 9, 2012, to the following:

Lera Shemwell Marc
Office of the General Counsel
lera.shemwell@psc.mo.gov

Poston
Office of the Public Counsel
marc.poston@ded.mo.gov

