MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2014-0324 - Missouri Gas Energy

FROM: Anne Crowe, Regulatory Auditor - Procurement Analysis
Lesa A. Jenkins, PE, Regulatory Engineer - Procurement Analysis
Kwang Choe, PhD, Regulatory Economist

/s/ David M. Sommerer 12/08/15 — Project Coordinator/ Date

/s/ Jeffrey A. Keevil 12/08/15 — Staff Counsel's Office/ Date

/s/ Lesa Jenkins P.E., 12/08/15 — Utility Regulatory Engineer II/ Date

SUBJECT: Staff's Recommendation in Missouri Gas Energy's 2013-2014 Actual Cost Adjustment Filing

DATE: December 8, 2015

I. EXECUTIVE SUMMARY

On October 17, 2014, Missouri Gas Energy ("MGE" or "Company"), a division of Laclede Gas Company, filed its Actual Cost Adjustment for the 2013-2014 period in case GR-2014-0324. This filing contains the Company's ACA account balance calculation.

Effective July 31, 2013 the Commission authorized the sale of MGE to Laclede Gas Company ("Laclede"). The closing date of the sale was September 1, 2013.

The Commission's Procurement Analysis Unit ("Staff") reviewed and evaluated MGE's billed revenues and actual gas costs for the period of July 1, 2013, to June 30, 2014. The Staff examined MGE's gas purchasing practices to determine the prudence of the Company's purchasing and operating decisions, including:

(1) A reliability analysis of estimated peak cold day requirements and the capacity levels needed to meet those requirements,

(2) The Company's rationale for its reserve margin for a peak cold day,

(3) A review of normal, warm and cold weather requirements and the gas supply plans for meeting these requirements, and

(4) A review of MGE's hedging for the period to determine the reasonableness of the Company's hedging plans.

Staff proposes no adjustment to MGE's ACA account balance for the 2013-2014 ACA period, however Staff recommends the Commission require the interested parties hold a meeting to attempt to resolve the school transportation program balancing and cash out issue. The parties should be required to file a status report to the Commission which explains the results of the meeting and with a recommendation on how to proceed with this issue. In addition, as a result of its review the Staff has provided its comments and recommendations regarding Reliability Analysis and Gas Supply Planning, and Hedging, within each of these sections of the memorandum.

Staff recommends the Commission establish the ACA account balance shown in the table below to reflect the under-recovery balance as of June 30, 2014. An under-recovery is an amount that is owed to the Company by its customers and is shown in the table below as a positive number. An over-recovery reflects an amount that is owed to the customer by the Company and would be shown as a negative number. MGE has an under-recovery.

Account	6-30-14 Ending Balance per MGE Filing	Current ACA Period Staff Proposed Adjustment	6-30-14 Staff Recommended Ending Balance
ACA Balance	$ 18,354,407.66	$ 0	$ 18,354,407.66

Additionally, Staff recommends the Commission order the Company to respond to this Staff Recommendation Memorandum within 60 days.

This ACA Memorandum is organized into the following sections:

Each section explains Staff's concerns and recommendations.

STAFF'S TECHNICAL DISCUSSION AND ANALYSIS

II. BACKGROUND

MGE served an average of 505,596 customers in the Kansas City, Joplin and St. Joseph areas during the 2013-2014 ACA period. MGE transports its gas supply over Panhandle Eastern Pipe Line (PEPL), Southern Star Central Gas Pipeline ("SSC"), Tallgrass Energy Partners (previously Kinder Morgan Interstate Gas Transmission, KM), and Rockies Express Pipeline ("REX").

III. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

As a regulated gas corporation providing natural gas service to Missouri customers, the Local Distribution Company (LDC) is responsible for: (1) conducting reasonable long-range supply planning, and (2) the decisions resulting from that planning. One purpose of the ACA process is to review the Company's planning for gas supply, transportation, and storage to meet its customers' needs. For this analysis, Staff reviewed the LDC's plans and decisions regarding estimated peak day requirements and the capacity levels to meet those requirements, peak day reserve margin and the rationale for this reserve margin, and natural gas supply plans for various weather conditions.

Staff has no proposed financial adjustments for the 2013/2014 ACA period related to Reliability Analysis and Gas Supply Planning.

MGE's primary service areas are: Kansas City, St. Joseph and Joplin. For the 2013/2014 ACA, MGE reports an average of 440,933 residential customers, 63,042 commercial customers, 293 industrial customers, and 1,328 transport customers, for an average total of 505,596 customers.

Although Staff has proposed no financial adjustments, Staff has the following comments, concerns, and recommendations regarding reliability analysis and gas supply planning:

A. <u>Capacity Planning</u>

For its short term and long-term monthly gas requirements and peak day requirements planning, the Company refers to its Demand/Capacity Analysis dated January 2013 (January 2013 Analysis) received by Utility Services 1/31/2013 and provided by MGE in Case No. GR-2013-0422, Data Request (DR) No. 0057.

The Demand/Capacity Analysis is developed by MGE to project natural gas demand and compare those projections to the Company's pipeline transportation capacity for the three areas of Kansas City, Joplin, and St. Joseph.

Staff's concerns with the MGE methodology in calculating peak day requirements (also referred to as design day requirements) are documented in prior ACA recommendations and in testimony in Case No. GR-2003-0330. Staff's comments for MGE's January 2013 Demand/Capacity Analysis are included in the 2012/2013 ACA recommendation, Case No. GR-2013-0422, and are repeated below:

1. MGE's Peak Day/ Design Day Estimates for the Three Service Areas

   Staff recommends MGE continue to evaluate whether its peak day methodology is reasonable and revise its planning as necessary to adequately prepare for peak day requirements.

   - MGE's methodology for subtracting a differing baseload each winter based on average July/August usage is not reasonably supported. MGE does not support why it would expect usage in July and August to represent baseload usage in the winter months. Customer habits could change for winter months. MGE subtracts the average July/August baseload, a different value each year, and then determines whether it believes another baseload amount (y-intercept) is significant. It treats the y-intercept like a variable, but does not include the variable in the data set considered in its regression analysis. It considers other factors as variables, such as heating degree days (HDD), Trend, and Weekday-Weekend, and each of these variables has a value in the data considered in the regression analysis.

   - MGE relies on a few data points over a 10 year period. MGE should consider additional data points for more recent years, excluding older data because customer habits and systems (appliances, insulation, etc.) may have changed. The more recent data could still be limited, such as by including only data with temperatures below a specified temperature. A chart of more recent data may assist MGE in determining a reasonable break point for the data to include in the analysis.

   - In its regression analysis MGE sets the y-intercept to zero and reports a high R-square. Literature on regression analysis notes problems with the R-Square calculation when the intercept is set to zero such as obtaining different outputs using different software and diminishing the model's fit to the data.[1]

[1] Eisenhauer, Joseph (2003) Regression through the Origin *Teaching Statistics*, Volume 25, Number 3.

The Adjusted R-Squared for the winter data is as follows:

Reliability Analysis and Gas Supply Planning, Table 1	
Adjusted R-Squared	Kansas City
January 2013 Demand/Capacity Analysis DR No. 0059	0.961
MGE Workpapers, GR-2013-0422 DR No. 0059 Same data as above, but other Excel output	0.267
Staff Regression of Same Data, but not setting y-intercept = 0	0.552

2. Capacity and Reserve Margin for MGE's Three Service Areas

For its determination of whether it has sufficient capacity for its design peak day requirements for each service area, the Company refers to its January 2013 Analysis. MGE is paying for firm market area capacity, but it is not all deliverable to each area for a peak day. MGE uses some of the pipeline capacity to transfer natural gas from one pipeline to another to get the natural gas to the appropriate delivery areas. For its analysis of required upstream capacity, MGE refers to its SSC Production Area and Market Area Requirements and its analysis in GR-2014-0324, DR No. 0075, which refers to the 2014/2015 winter, not the 2013/2014 winter. In the 2012/2013 ACA, MGE referred to a similar analysis in Case No. GR-2013-0422, DR No. 0073.

Both Company analyses of required upstream capacity, DR No. 0075 in GR-2014-0324 and DR No. 0073 in GR-2013-0422, ** ____________________

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__________ ** Because of the SSC requirement for its transportation and storage service contract that at least 1/3 but no more than ½ of the supply must come from flowing supply and at least 1/2 of but no more than 2/3 of the total deliveries of gas shall be from storage when the shipper, MGE, requires the maximum daily transportation quantity, ** _________________________________

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____________________ . **

To the extent MGE distribution system constraints or contractual constraints impact MGE's ability to receive its full contracted maximum daily quantity from any of its interstate pipelines, MGE should examine and address such constraints as they impact ability to flow natural gas to the appropriate points on its system. MGE should ensure that it has the appropriate contractual MDQ capacities for each and every pipeline interconnect to MGE's distribution system based upon flow study and other modeling of natural gas pressure and flow requirements for various severe weather scenarios.

Staff concerns are the same as expressed by Staff in the 2012/2013 ACA, GR-2013-0422, for MGE insufficiently documenting in its Demand/Capacity Analysis the capacity available for each area, Kansas City, St. Joseph, and Joplin, for the design peak day in each area. In summary, there were concerns with inconsistent reporting of available capacity for the St. Joseph and Kansas City areas and incorrect reporting of reserve margin for the Kansas City area. MGE's Demand/Capacity Analysis must not assume that the total contracted capacity is available for its design peak day. When making decisions regarding contract extensions and revisions, MGE should have updated peak day estimates and reserve margins that accurately reflect the capacity that is available to deliver natural gas to each area: Kansas City, St. Joseph, or Joplin. The capacity for each area must include any transfer of capacity from St. Joseph to Kansas City and reduction because some of the pipeline capacity is used to transfer gas from one pipeline to another such as when MGE is transferring natural gas because of the SSC TSS requirement that 1/3 to 1/2 of the gas must come from flowing supplies when MGE requires the maximum daily transportation quantity and the remaining may come from storage.

Per the requirements of the Commission Order Approving Stipulation and Agreement and Authorizing Merger in GM-2011-0412, MGE is to formally conduct a comprehensive evaluation of interstate and intrastate transportation and storage capacity and costs as deemed necessary by MGE but no less frequently than every three years. Because the last Demand/Capacity Analysis is for January 2013 and was received January 31, 2013, Staff anticipates receiving the next MGE Demand/Capacity Analysis no later than January 2016.

B. Documentation of Gas Supply Awarded

An LDC typically has natural gas supplies from various types of supply agreements including baseload/term, swing/call, or daily/spot agreements. An LDC may have storage contracts for injections and withdrawal of natural gas.

- Baseload (or term) supply agreements are for the same contracted quantity to flow each day of the month during the term of the agreement (one month or multiple months). Baseload/term supply agreements may be set up in the month prior to the date of flow or may be set up many months in advance of the flow month.

- Swing (or Call) supply agreements have a specified maximum daily quantity, but allow nominations of zero up to the maximum daily quantity. Swing supply agreements may be for one or multiple months and are generally set up prior to the beginning of the winter. Swing agreements provide the LDC with flexibility to increase or decrease nominations, daily if needed, in response to changing weather and customer requirements and for flexibility in managing storage balances, but without the necessity to be in the daily market trying to find natural gas supplies.

- Daily (or spot) agreements can be contracted for a term of one day or multiple days. Daily/spot gas can be set up one day or many days prior to the date of flow.

1. Baseload and Call Agreements Awarded in Response to Request For Proposal (RFP)

MGE's GR-2014-0324 DR No. 0045 response includes an Excel spreadsheet attachment summarizing the bids received for natural gas to flow in the 2013/2014 winter. The MGE RFP response summary does not indicate which bids were awarded. Staff must open each MGE dealsheet to determine which supply was awarded in response to the RFP process. For the month of February there are 231 dealsheets provided. Staff would expect the Company to have procedures in place for internal review of the natural gas supply RFP process, including the awarded contracts, and that such review would not require it to review thousands of documents to determine which supply agreements were awarded in the RFP process.

MGE should clearly indicate which bids are awarded supply contracts. This issue is similar to that in the 2012/2013 ACA, GR-2013-0422.

2. Terms of supply agreements insufficiently documented

MGE used both Transaction Confirmations and instant messages to document its baseload agreements.

The transaction confirmations document the supply agreement terms such as trade date, seller, buyer, delivery period, contract price, contract quantity, performance obligation, delivery point, and any special terms. The transaction confirmation is signed by the manager/director for MGE and the natural gas supplier.

MGE's summer and winter natural gas supply request for proposals allow supply to come from anywhere, or from secondary points, but requires delivery to primary points when constrained. When awards are made that contain these provisions for secondary and primary delivery for the ACA, MGE included the requirements in its internal documents which it calls dealsheets, but Staff found instances in the transaction confirmations for term supplies and one-month deals that do not contain the provision to deliver to primary points if constrained.

Staff recommends MGE review its transaction confirmations with natural gas suppliers to assure that MGE is documenting the necessary details regarding when secondary delivery is allowed and when primary delivery is expected.

The instant messages do not have the same level of detail as a transaction confirmation and only include initials or nicknames of the parties involved. MGE has an internal document, a dealsheet, that contains detailed information regarding each transaction, but the dealsheet is not signed by the natural gas supplier. Staff recommends MGE follow-up the instant messages with a detailed signed transaction confirmation.

3. Documentation of unsolicited requests that MGE purchase supply

MGE is not documenting refusals of unsolicited requests per the requirements of the Order Approving Stipulation and Agreement ("S&A"), Granting Waiver, and Approving Cost Allocation Manual in various Laclede cases (complaint case, GC-2011-0098, and seven ACA cases with the most recent being GR-2012-0133). The Order was issued 8/14/13 and effective 8/24/13. Effective July 31, 2013 the Commission authorized the sale of MGE to Laclede. The closing date of the sale was September 1, 2013.

The S&A includes a document entitled Gas Supply and Transportation Standards of Conduct which contains, among other things, Laclede's dealings with natural gas suppliers, including its dealings with affiliated suppliers. The requirement for documentation of unsolicited requests is as follows:

> F. Purchase of unsolicited gas supply — Laclede shall only consider accommodating unsolicited requests for short-term purchase of gas supply where the Company can operationally take such supplies without incurring any known penalty or detriment. <u>Laclede shall maintain a contemporaneous log of all instances identifying where it has accommodated and/or refused such requests, including: the identity of the requesting supplier; the date the request was made; the pricing and quantity of the gas supply offered; the awarded pricing, quantity, receipt/delivery point(s); and any other terms</u>. (Emphasis added.)

MGE states in its response to DR No. 0047.7:

> A log of accommodated requests was supplied in response to DR 0062. <u>There is not a log maintained for refused unsolicited requests for short-term purchase of gas supply during this ACA</u>

> period. Considering the extreme cold weather and storage inventories at that time it is unlikely that there were many refused unsolicited requests to purchase supply.

The documentation of refusals of unsolicited requests is not dependent on the number of requests the Company refuses. If the Company refuses one request or multiple requests, each one must be documented.

C. Monthly Supply / Demand Summary

One of the documents used by MGE for its monthly supply planning is its monthly Supply/Demand Summary.

1. Source of Peak Day Estimate

For 2013/2014, MGE's Monthly Supply/Demand Summary takes its peak day from the MGE January 2013 Demand/Capacity Analysis, Table F-4, but it uses the estimates for 2012/2013 instead of 2013/2014.

This is not a material issue for this ACA, but MGE should review its planning to assure it is using the correct estimates from its Demand/Capacity Analyses.

This issue is similar to that in the 2012/2013 ACA, GR-2013-0422.

2. Supply Planning for Warm Weather

MGE’s Monthly Supply/Demand Summaries contain daily estimates for “Average Ultimate Warm”. These estimates are different from the warm estimates in MGE’s January 2013 Demand/Capacity Analysis. Reviewing its daily supply plans for a warm day is appropriate because MGE could have much lower supply requirements for a warm day compared to that needed for a warm month.

MGE’s Supply/Demand Summaries warm estimates are developed from data in its peak day estimate that only considered high usage days that were also in the top ten coldest days for each winter season and modifies those results to obtain its estimates for “Average Ultimate Warm”. MGE reviews only cold weather data and makes no attempt to review warm weather usage in the winter months. The high usage analysis should not be used to estimate “Average Ultimate Warm”. Additionally, MGE’s estimates for “Average Ultimate Warm” are much different than actual warmest day usage for 15-years of MGE data.

MGE should review and update its methodology for estimating warm weather usage for its Supply/Demand Summaries. This issue is similar to that in the 2012/2013 ACA, GR-2013-0422.

D. Documentation of Off-System Sales (OSS) and Capacity Release Processes and Procedures

The Gas Supply and Transportation Standards of Conduct described above applies to both the Laclede and MGE Divisions of Laclede Gas Company. The requirement for documentation of OSS and capacity release processes and procedures is as follows:

> H. Off-System Sales (OSS) and Capacity Release Protocols
> In recognition that markets for OSS and capacity releases can vary depending on weather and availability of supply and capacity options, and in recognition that Laclede holds firm capacity in areas not used to serve its native load and the reservation costs of that firm capacity is charged to Laclede's customers, Laclede will routinely evaluate its processes for soliciting buyers to maximize net revenues for OSS and capacity releases.
>
> Laclede will take necessary actions to assure reasonable participation by buyers of its OSS and capacity releases. <u>Laclede will take necessary actions to assure documentation is developed and maintained to show compliance with its processes and procedures.</u> (Emphasis added.)

MGE stated in its response to DR No. 0109 (b):

> Company has no written documentation addressing off-system sales or capacity release policies and procedures.

Staff recommends MGE develop and maintain documentation to show compliance with its OSS and capacity release processes and procedures as per the requirements of the S&A.

IV. SCHOOL TRANSPORTATION PROGRAM BALANCING AND CASH OUTS

In accordance with Section 393.310 RSMo, MGE's tariff permits schools to participate in a School Transportation Program (STP). This program allows the schools to aggregate purchasing of their gas supplies and pipeline transportation. Schools choosing to participate in this program are responsible for obtaining their own natural gas supplies and interstate pipeline capacity to transport their gas to MGE's system. MGE then transports the schools' gas to their premises.

"Balancing" by a transportation customer or a pool of transportation customers means the amount of gas put into MGE's system (receipts) is equal to the amount used or taken out of MGE's system (deliveries). When a transportation customer puts more or less gas into MGE's system than they use, this is referred to as an "imbalance."

Transportation customers' imbalances may impact MGE's management of its gas supply which can have an effect on the gas costs of its firm sales customers. Transportation customers' imbalances could cause MGE to buy additional, higher-priced gas in the daily gas market for those imbalances; inject or withdraw natural gas in storage for those imbalances; and/or increase or decrease MGE's monthly gas supply purchases. All of these actions could cause the firm sales customers' gas costs to be higher than they otherwise would have been.

MGE's transportation tariffs contain a "Cash Out" provision which reconciles a transportation customer's imbalance by requiring MGE to either buy or sell gas to the transportation customer equal to the customer's monthly imbalance. At the end of each month, if the transporter used more gas than it put into MGE's system, then the transporter pays MGE for the additional gas supplies it used. If the transporter used less gas than it put into the system, MGE purchases this gas from the transportation customer through a credit on the customer's bill. The purchase or sale price of supply is tied to a monthly index and either increases or decreases depending upon the magnitude of a transporter's imbalance. The greater the imbalance, the higher price the transporter pays or the more discounted price it receives for its gas supply. The Cash Out provision is important because it provides an incentive for transportation customers to minimize their imbalances. The cost of the gas purchased or sold to transportation customers through the Cash Out process flows through the PGA/ACA account.

Because imbalances of transportation customers may impact the gas costs of firm sales customers and due to the volatility in gas prices during the 2013/2014winter, Staff's review for this ACA period included procedures focused on the STP. This included a detailed review of the STP tariff requirements, nominations, usage, imbalances, rates, and charges.

According to MGE's tariff, the STP customers are subject to the Cash Out of their monthly imbalances. Tariff Sheet No. 58 states:

> 8. General Transportation Provisions--The following Transportation Provisions ("TRPR") also apply to service under this schedule STP:
>
>   a. Responsibility for Transported Gas (Sheet No. 59);
>   b. Daily Quantity (Sheet No. 60);
>   c. Quality, Heat Content and Delivery Pressure for Transportation (Sheet Nos. 60a, 61 and 61.1);
>   d. **Cash Out (Sheet No. 61.2)**;
>   e. Priority of Service (Sheet Nos. 61.4, 62, 62.1 and 63); and,
>   f. Unauthorized Deliveries and Penalties (Sheet Nos. 64, 65 and 66). (Emphasis added)

Staff found in this ACA period, as in the prior ACA period, MGE's practice with regard to the imbalances of its STP customers are not consistent with its tariff. MGE is carrying over the STP customers' imbalances from month-to-month rather than Cashing Out the imbalances for these customers on a monthly basis. Schools in the MGE STP were on numerous billing cycles in this ACA. Tariff Sheet No. 57 states, “The usage of eligible school entities enrolled in the STP may be aggregated into pools for purposes of nominations, balancing, assessment of unauthorized use charges and billing. …All members of a pool shall be on the same billing cycle.”

Staff evaluated the impact of the STP imbalances based on the imbalance data provided by the Company for this ACA period. Staff calculated as best it could what the Cash Out amount would have been if MGE had Cashed Out its STP customers’ imbalances according to its tariff. Based on Staff’s calculation, Staff determined that there was no harm to the firm sales customers, therefore Staff proposes no overall adjustment to the ACA account for this ACA period related to STP Cash Outs. Although there was no harm to firm sales customers for this ACA period, there may be in future ACA periods.

Staff recommends the Commission require the interested parties hold a meeting to attempt to resolve the STP balancing and cash out issue. The parties should be required to file a status report to the Commission which explains the results of the meeting and with a recommendation on how to proceed with this issue. Staff suggests the meeting be held within three months of the filing of Staff's ACA Memorandum with a status report due within four months of the filing of Staff's ACA Memorandum.

V. HEDGING

In its review of MGE’s purchasing practices, the Staff reviewed the Company’s hedging transactions. The Staff also reviewed the Company’s natural gas hedging policy, natural gas trading procedures, and its 2013 – 2014 hedging strategy.

The Company executed the hedging transactions for the 2013-2014 ACA period based on a 24-month hedging plan. MGE combined storage and financial instruments to hedge portions of the volumes needed for the winter heating season, November 2013 through March 2014. Financial swaps are a type of financial instrument that allow the conversion of a floating or variable gas price arrangement into a fixed price arrangement. Since many of MGE’s supply contracts are tied to a floating or variable index price, a swap allows MGE to set a known price for a particular quantity of gas. MGE utilized swaps for most of its financial instruments. Additionally, MGE utilized call options for some of its financial instruments. Call options put a ceiling on prices while allowing participation in downward price movements albeit at the cost of a premium for the option. For example, out-of-the-money call options may have a strike price that still affords significant protection near current market prices but at a reduced premium cost. The Company purchased most of the financial hedges related to the winter of 2013-2014 from November 2011 through October 2013. MGE hedged 64% of normal winter requirements with storage and financial instruments. The Company employed both time-based as well as discretionary approaches to execute its financial hedging transactions. “Time-based” approaches typically involve the periodic or systematic purchase of hedges on a pre-existing plan in a type of dollar cost averaging, regardless of the current price environment. “Discretionary” approaches entail a judgment regarding the attractiveness of the current price levels. The discretionary purchases contained the larger portion of the financial hedging transactions.

Staff reviews the prudence of the Company's decision-making based on what the Company knew or reasonably could have known at the time it made its hedging decisions. The Company's hedging planning should be flexible enough to incorporate changing market circumstances. The Company should evaluate its hedging strategy in response to changing market dynamics in light of how much the existing hedging strategy actually benefits its customers while balancing market price risk. For example, the Company should continue to evaluate its current strategy of financially hedging summer storage injections regarding potentially less % coverage and using more cost-effective financial instruments under the current market where the market prices have become relatively less volatile. Additionally, the Company should continue to evaluate whether extensive reliance on swaps and the volumes associated with them are appropriate. A part of the Company's hedging strategy was based on price view (described as a discretionary approach above), that is, where the Company executed some of its hedging transactions when the Company viewed the prices were relatively low. The Company should be aware of any fundamental shifts in the market dynamics, while being cautious on the market views. Staff notes that the Company indicated during recent updates that it would modify the hedging strategy over time. Staff will continue to monitor.

Finally, the Staff recommends the Company continue to assess and document the effectiveness of its hedges for the 2014-2015 ACA period and beyond in a meaningful way. The analysis should include identifying the benefits/costs to customers based on the outcomes from the hedging strategy, and evaluating any potential improvements on the future hedging plan and its implementation. For example, a summary of how the Company's hedges have performed against market pricing, i.e., the impact of purchases without the hedges, helps inform hedging planning discussions moving forward. This hedge performance or mark-to-market summary over an extensive historical period is helpful in seeing the long term financial impact of the hedge program. The Staff recommends that MGE develop and update this summary at the end of each winter or ACA period.

VI. RECOMMENDATIONS

Staff recommends the Commission issue an order directing MGE to:

1. Establish the following ACA account balance shown in the table below to reflect the under-recovery balance as of June 30, 2014. An under-recovery is an amount that is owed to the Company by its customers and is shown in the table below as a positive number. An over-recovery reflects an amount that is owed to the customer by the Company and would be shown as a negative number. MGE has an under-recovery.

Account	6-30-14 Ending Balance per MGE Filing	Current ACA Period Staff Proposed Adjustment	6-30-14 Staff Recommended Ending Balance
ACA Balance	$ 18,354,407.66	$ 0	$ 18,354,407.66

2. Respond to the Staff comments, concerns, and recommendations in the Reliability Analysis and Gas Supply Planning section related to capacity planning, documentation of gas supply awarded, and monthly Supply/Demand summary.

3. Respond to the comments, concerns, and recommendations expressed by Staff in the Hedging Section.

4. Respond to the recommendation that the Commission require the interested parties hold a meeting to attempt to resolve the STP balancing and cash out issue. The parties should be required to file a status report to the Commission which explains the results of the meeting and with a recommendation on how to proceed with this issue. Staff suggests the meeting be held within three months of the filing of Staff's ACA Memorandum with a status report due within four months of the filing of Staff's ACA Memorandum.

5. File a written response to all comments, concerns and recommendations included in this Staff Recommendation Memorandum within 60 days.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Laclede Gas Company, Missouri Gas Energy for a PGA Tariff Revision	)))	Case No. GR-2014-0324

AFFIDAVIT OF ANNE M. CROWE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW Anne M. Crowe and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Anne M. Crowe

ANNE M. CROWE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 8th day of December, 2015.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070

D. Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Laclede Gas Company, Missouri Gas Energy for a PGA Tariff Revision	)))	Case No. GR-2014-0324

AFFIDAVIT OF LESA JENKINS

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

COMES NOW Lesa Jenkins and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Lesa A. Jenkins

LESA JENKINS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 8th day of December, 2015.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070

D Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Laclede Gas Company, Missouri Gas Energy for a PGA Tariff Revision	)))	Case No. GR-2014-0324

AFFIDAVIT OF KWANG Y. CHOE, PhD

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW Kwang Y. Choe, PhD and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Kwang Y. Choe

KWANG Y. CHOE, PhD

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 8th day of December, 2015.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070

D. Suzie Mankin

Notary Public