BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's	)	
Purchased Gas Adjustment Filing for the	)	File No. GR-2012-0262
2011-2012 Actual Cost Adjustment Period	)	

MISSOURI GAS ENERGY'S RESPONSE TO STAFF RECOMMENDATION

COMES NOW Laclede Gas Company, Missouri Gas Energy division ("MGE" or "Company"), and for its response to the Recommendation of the Staff of the Missouri Public Service Commission ("Staff"), respectfully states the following to the Missouri Public Service Commission ("Commission"):

1. On December 5, 2013, the Staff filed its Recommendation with the Commission in which it states that it has reviewed MGE's 2011-2012 Actual Cost Adjustment (ACA) filing covering the period of July 1, 2011 to June 30, 2012. By order dated December 9, 2013, the Commission directed MGE to respond to the Staff's Recommendation no later than January 23, 2014. This is MGE's filing in compliance with that order.

2. Staff's Recommendation does not propose an adjustment to the Company's 2011-2012 ACA account balance. Accordingly, MGE does not believe that there are any issues that require either a procedural schedule or resolution by the Commission.

3. Staff provides certain comments, concerns and recommendations in its Recommendation related to MGE's reliability analyses and gas supply planning. While MGE responds to those points below, the Company does not believe that the issues present the need for Commission resolution or a procedural schedule.

A. Capacity Planning

(1) Demand/Capacity Analysis Timing. Staff's first concern relates to the recency of the Demand/Capacity Analysis for this ACA period. In response, MGE states that it prepares a Demand/Capacity Analysis as necessary to reflect key changes in gas supply and transportation contracts or every two to three years. MGE prepared a new Demand/Capacity Analysis in December 2011 in connection with the Tallgrass (formerly Kinder Morgan) contract renewals and completed another study in January 2013 due to the Southern Star contract renewals.

(2) Demand/Capacity Analysis for MGE's Three Service Areas. Staff's concerns with MGE's methodology in calculating peak day requirements in its Demand/Capacity Analysis include MGE's use of July/August usage to compute baseload usage in the winter months, Staff's concern that too few data points were used in MGE's regression analysis computation, and MGE'S process for estimating growth.

a. Regarding the Staff's baseload usage concerns, MGE responds by stating that the current method it utilizes presumes that the July/August usage represents a load that would be in effect throughout the year; pilots, hot water, dryers, etc.; equipment that is not related to heat load in any way. MGE does include Trend in the analysis of Base load volumes in order to identify year over year changes. In addition, as demand and peaks are analyzed for winter months the y-intercept is included as a variable until analysis determines that it is not significant.

b. Regarding the Staff's concern with the number of data points, MGE responds by stating that it currently utilizes the three highest volume days selected from the ten coldest days each winter season for 10 years as the data set for Peak Day analysis. In addition, Trend is included as an independent variable during the analysis (if significant). MGE believes that the Trend variable will account for changing customer habits, but lowering the time frame to something less than 10 years, or adding additional points for more recent years may place too much emphasis on recent weather trends.

c. Regarding the Staff's concern regarding regression analysis computation, MGE responds by stating that it includes y-intercept as part of the analysis, and strikes it if results show it to be insignificant. With MGE's current method of utilizing a baseload (intercept, expected usage at 65 degrees or 0 HDD) for Demand and Peak coefficients MGE believes the risk of dropping the y-intercept coefficient to obtain a better R-square has not been detrimental.

d. With respect to Staff's concerns regarding growth – and each of the other concerns noted by Staff in this section, MGE responds by stating that it will continue to review its methodology, continues to welcome Staff's input on these points, and will refine its analysis and planning as appropriate.

(3) With regard to comments regarding Capacity Analysis, capacity available for the three service areas, and capacity changes for the Kansas City service area, MGE responds that it will consider Staff's recommendations when completing future studies and plans.

B. Supply Bid Analysis and Supply Selection.

With regard to comments regarding MGE's RFP process, MGE states that it will consider Staff's recommendations when conducting future RFP's.

C. Monthly Supply Plans.

(1) MGE Supply/Demand Summary. Staff recommends and MGE agrees that MGE should review its planning to ensure that it uses the correct estimates from its Demand/Capacity Analyses.

(2) Supply Planning for Warm Weather and Cold Weather. Staff recommends that the estimates for "Average Ultimate Warm" and "Average Ultimate Cold" should be updated routinely and the MGE calculation should be re-evaluated. MGE responds by stating that it will review the methodology used to calculate Average Ultimate Warm and Cold and at a minimum update its estimates as needed.

D. School Aggregation Capacity Release.

In MGE's 2010-2011 ACA proceeding, Staff expressed concerns about the clarity of the tariff requirements for capacity release to schools that are LGS or SGS customers. In that case, Staff has recommended and MGE agreed that MGE would work with Staff to amend certain tariff sheets no later than the MGE's next general rate case. MGE currently has a rate case on file, GR-2014-0007. MGE plans to work with Staff to develop mutually agreeable modifications, if possible, to its School Aggregation tariffs in order to address Staff's concerns. If agreement on those tariff provisions can be reached, MGE will endeavor to settle that issue as part of a partial or overall stipulation and agreement in that case.

E. Hedging.

Regarding the recommendations under Section IV, "Hedging," Staff encourages the Company to evaluate its hedging strategy in response to changing market circumstances, its use of swaps, and its use of call options. Staff also asks that MGE continue to assess and document the effectiveness of its hedges. In response, the Company states that it is constantly evaluating its hedging strategy, supplementing its own evaluation with the market expertise of Gelber & Associates. The Company continually evaluates changing market dynamics in order to balance the cost of hedging against the goal of price stabilization, and thus to achieve a cost-effective hedging outcome. As Staff notes, the Company updated its price risk management and procurement program (PRIMAP) in order to reflect the current market, incorporating a call option in its hedging program to supplement the use of swap instruments. MGE will continue its annual formal presentations to Staff and OPC in advance of the winter period, outlining its gas supply strategies including current hedging strategies.

WHEREAS, with these responses to Staff's comments, concerns and recommendations, MGE believes that there are no issues presented that require either a procedural schedule or resolution by the Commission.

Respectfully Submitted,

T. J. J

Todd J. Jacobs #52366
Senior Director, Legal
Laclede Gas Company,
Missouri Gas Energy division
3420 Broadway
Kansas City, Missouri 64111
(816) 360-5976 (tel)
(816) 360-5903 (fax)
Email: todd.jacobs@thelacledegroup.com

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic transmission to all counsel of record on this 23rd day of January, 2014.

T. J. Jh

Todd J. Jacobs