

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED
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MISSOURI
PUBLIC SERVICE COMMISSION

In the matter of Missouri Gas Energy's)
tariff sheets designed to increase rates for)
gas service in the Company's Missouri)
service area.)

Case No. GR-98-140

MOTION FOR TRUE-UP AUDIT AND HEARING

Comes now Missouri Gas Energy ("MGE"), by and through counsel, and in support of its motion for true-up audit and hearing respectfully states the following:

1. MGE requests that the Commission order a true-up audit and hearing in this proceeding for the purpose of recognizing in rates the extraordinary plant investment and related expenses associated with MGE's safety line replacement program ("SLRP") to comply with the Commission's gas safety rule (4 CSR 240-40.030) as well as MGE's implementation of automated meter reading ("AMR"). MGE requests rate recognition of this investment and the related expenses that MGE will make between the end of the test year as updated and June 30, 1998. This assumes that the Commission's Staff will be considering the investment and expenses related to SLRP and AMR plant which is placed in service as of the end of the updated test year approved by the Commission. Therefore, this true-up audit would pick up the additional investment and related expenses for SLRP and AMR plant which has become used and useful between the end of the test year and June 30, 1998.

2. The amounts to be considered in this true-up include those which are required as a part of the natural gas service line and main replacement program which the

Commission has approved for MGE and ordered it to perform. MGE is currently spending approximately \$20,000,000 per year on this program, so it is a significant investment by shareholders which needs to be timely recognized in rates. As the Commission is aware, this plant is simply a replacement of existing facilities which has been ordered by the Commission. This increased plant investment does not involve new customers or increased revenues, so there is no need to consider revenue projections in this true-up. The revenue from these facilities will already be considered for purposes of this true-up audit. Also to be considered in this true-up are amounts to be expended by MGE for the implementation of AMR. AMR is a project amounting to approximately \$27,000,000 which also has a significant impact on cost of service and needs timely rate recognition. Like SLRP investment, AMR will not produce additional revenues and therefore no revenue projections need to be made in the true-up on account of this item.

3. MGE suggests that the following items should be considered in the true-up audit and hearing:

Rate base:

- a. Plant in service.
- b. Automated Meter Reading.
- c. Service Line Replacement Program (SLRP) deferrals.
- d. Depreciation reserve.
- e. Deferred taxes.
- f. Unamortized Deferred Credit from GM-94-40.
- g. Related cash working capital effects.

Income statement:

- a. Revenue for customer growth.
- b. Payroll, employee levels and current wage levels.
- c. Updated gas prices.
- d. Rate Case Expense.
- e. Depreciation and amortization expense.
- f. Property taxes.
- g. Related income tax effects.

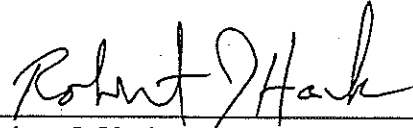
Consideration of the above items would maintain an appropriate synchronization of revenues, expense and rate base.

4. MGE believes that since substantial SLRP construction and AMR implementation will occur in the late winter and next spring, that it would be appropriate for the Staff to perform an audit on these matters as soon as the books for June are closed. That is scheduled for July 15, 1998. MGE believes that such an audit could take place on July 20 through 22, 1998. MGE does not expect that a hearing would be required on these matters, since they would not be expected to be controversial, but a true-up hearing can be scheduled for Wednesday, July 29, 1998. MGE would expect the additional items involved in this true-up to be stipulated to in time for the Commission to include that in its order to be issued in this proceeding on or about August 21, 1998.

Wherefore, MGE respectfully requests that the Commission order a true-up audit and hearing for the recognition in rates of AMR and SLRP plant and expenses, as well as

the other items addressed in paragraph 3, to cover the time between the end of the updated test year and June 30, 1998, as provided herein.

Respectfully submitted,



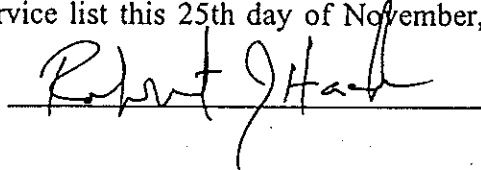
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 25th day of November, 1997.



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Case NO. GR-98-140

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