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January 19, 2001

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

FILED³

JAN 19 2001

**RE: Missouri Gas Energy,
Case No. GR-2001-382**

Missouri Public
Service Commission

Dear Mr. Roberts:

Enclosed for filing in the above referenced case, please find the original and 8 copies of **Office of the Public Counsel's Request for an Emergency Actual Cost Adjustment (ACA) Review of Missouri Gas Energy's Purchasing Practices for the Winter 2000-2001.** Please "file stamp" the extra enclosed copy and return it to this office. I have on this date mailed, faxed, or hand-delivered the appropriate number of copies to all counsel of record.

Thank you for your attention to this matter.

Sincerely,

Douglas E. Micheel
Senior Public Counsel

DEM:kh

cc: Counsel of Record

Enclosure

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

FILED³
JAN 19 2001

Missouri Public
Service Commission

In the matter of Missouri Gas Energy's Purchased)
Gas Adjustment factors to be reviewed in its) Case No. GR-2001-382
2000 – 2001 Actual Cost Adjustment)

**OFFICE OF THE PUBLIC COUNSEL'S REQUEST FOR
AN EMERGENCY ACTUAL COST ADJUSTMENT (ACA)
REVIEW OF MISSOURI GAS ENERGY'S GAS PURCHASING
PRACTICES FOR THE WINTER 2000-2001 AND
MOTION FOR EXPEDITED TREATMENT**

COMES NOW the Office of the Public Counsel ("Public Counsel") and requests that the Commission order an emergency Actual Cost Adjustment review of Missouri Gas Energy's gas procurement practices relating to the winter of 2000-2001. In support of this request Public Counsel states as follows:

1. On October 17, 2000 MGE filed tariffs reflecting changes in MGE's Purchase Gas Adjustment ("PGA") factors as the result of estimated changes in the cost of gas for the upcoming 2000-2001 winter heating season. For residential customers these proposed tariff sheets contained a PGA rate of \$0.68056 per hundred cubic feet ("Ccf").
2. On October 31, 2000 the Commission in GR-2000-245 entered its Order Approving Interim Rates authorizing MGE to charge residential customers a PGA rate of \$0.68056 per Ccf for natural gas usage on or after November 1, 2000. This increase represented an approximate 27% increase.
3. On January 9, 2001 MGE pursuant to provisions of Sheet No. 24.10 of MGE's tariff filed a request with the Commission to make an unscheduled winter adjustment to the PGA rate. The new PGA rate proposed was \$0.98161 per Ccf. MGE requested this rate be effective January

25, 2001. This proposed rate reflects a 44% increase in residential rates from the PGA rate approved in GR-2000-245.

4. Due to the magnitude of the increases in the PGA rate during the winter heating season, November 1, 2000 to April 1, 2001, Public Counsel requests the Commission order an emergency actual cost adjustment ("ACA") review of MGE's gas procurement practices related to the winter heating season November 1, 2000 to April 1, 2001.

5. Under traditional Commission practice, the gas procurement practices of MGE during the winter of 2000-2001 would be reviewed in an ACA period from July 2000 through June 2001. However, the review of this ACA period would not begin until MGE places its ACA rate into effect in November 2001. After MGE's ACA rate is approved the Staff procurement analysis department takes seven to ten months to audit the July 2000 through June 2001 ACA period. Under traditional practice, Staff's recommendation regarding MGE's procurement practices during the winter of 2000-2001 would not be made until June 2002. Only after Staff's recommendation is made regarding the ACA period from July 2000 through June 2001 will the Commission begin the open-ended hearing process.¹ Thus under traditional practice MGE's gas procurement processes for the winter of 2000-2001 will not be reviewed by the Commission until 2003.

6. Public Counsel believes this Commission should order an emergency ACA review of MGE's gas procurement practices relating to the winter PGA period November 1, 2000 through April 1, 2001, for the following reasons: 1) the extraordinary increases in MGE's PGA rate; 2) the impact these increases have had on MGE's customers and 3) the substantial regulatory lag engendered by the traditional ACA review process.

¹ Currently, at least four ACA dockets remain open and unresolved for MGE: GR-96-450, GR-98-167, GR-99-304 and GR-2000-425. These dockets stretch back to the 1996-1997 ACA period.

7. This emergency ACA review would allow the Commission to expeditiously review MGE's gas procurement practices to determine whether or not MGE acted prudently in procuring its natural gas supplies for the winter of 2000-2001. In light of the hardships experienced by MGE's customers as a result of the extraordinarily high natural gas prices customers should not be made to wait nearly three years for a determination regarding the reasonableness of MGE's purchase gas adjustment rates.

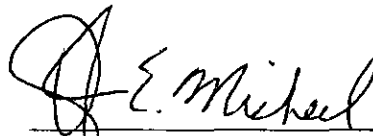
8. Public Counsel requests that the Commission order a procedural schedule to be established so that the Commission's order reviewing MGE's gas procurement practices related to the winter of 2000-2001 is effective no later than October 1, 2001.

WHEREFORE, Public Counsel requests the Commission order an emergency actual cost adjustment review relating to Missouri Gas Energy's gas purchasing practices related to the winter heating season November 1, 2000 to April 1, 2001. Public Counsel requests the Commission order a procedural schedule established so the Commission can resolve this matter no later than October 1, 2001.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

BY:



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been faxed, mailed or hand-delivered to the following counsel of record on this 19th day of January, 2001:

Thomas Schwarz
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

Robert J. Hack
Missouri Gas Energy
3420 Broadway
Kansas City, MO 64111

