

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED
DEC 15 1997
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

STAFF'S RESPONSE TO MGE'S PROPOSED PROCEDURAL SCHEDULE

Missouri Gas Energy (MGE) filed a procedural schedule proposal on December 2, 1997.

The staff of the Missouri Public Service Commission (Staff) opposes the following aspects of the proposal.

I. MGE's "discovery management" proposal is unreasonable as it prevents the Staff from conducting a thorough audit and presenting its case.

1. MGE proposed a discovery moratorium which provides for a five week period in the middle of the case during which MGE would not have to respond to data requests.

2. MGE's proposal ignores the fact that the information the Staff needs to prepare its case is controlled by the Company. The quality of the Staff's case is directly affected by the access it has to information. When MGE needs information it merely has to access its own records. When the Staff needs information it must submit a data request to MGE and wait for its response. MGE's proposal unfairly limits Staff's access to the information it needs to prepare its case.

3. MGE's proposal ignores the reality of the discovery process. For example, the Staff will review other parties' direct testimony to learn of the parties rate design and class cost of service proposals. In order to respond to these proposals in its rebuttal testimony, Staff will need access to information which is in the control of MGE. The only way the Staff can access this information is through data requests submitted to the Company. However, under the discovery moratorium, MGE

would not be required to answer these data requests until after it files its rebuttal testimony. Thus, MGE's proposal prohibits the Staff from preparing its rebuttal testimony.

4. MGE's proposal invites abuse of the discovery process. Often, the Staff needs to follow up on discovery responses, sometimes because the initial answer is not responsive. The proposed discovery moratorium creates the incentive to delay responsive answers since during the moratorium, follow-up questions need not be answered by MGE.

5. MGE's proposal limits the Commission's authority. By statute, the Commission has access to a regulated utility's books and records at all times. The Commission should not relinquish its authority, especially since access to the books and records during all periods of a rate case is necessary for the Staff to present its case to the Commission.

II. The Commission should restrict the scope of MGE's January 30, 1997 direct case update.

1. The Staff and OPC as well as the Company have proposed that MGE update its direct case on January 30, 1998 to reflect the Commission ordered test year. The Commission's procedural schedule should restrict the scope of MGE's direct case update so that MGE cannot introduce new issues in its January 30 filing. MGE's original direct filing on November 26 was its opportunity to propose revenue requirement adjustments. The January 30 filing should update those adjustments to the Commission ordered test year. The Commission should order that MGE update its case using the same concept, methodology and philosophy of its November 26 direct filing.

III. The Staff's proposed procedural schedule is reasonable given the limited time available for its on-site audit.

1. Despite an unlimited amount of time to prepare its direct case, the Company's filing is not based upon the most recent information. The Company's direct case is based upon a twelve

months ending May 1997 test year. However, the Company has requested in its direct filing a twelve months ending September 30, 1997 test year, with an update for known and measurable charges through December 31, 1997. In addition, MGE wants to update its direct case on January 30, 1998 to reflect this new test year. The Company's direct testimony consists of four pieces of testimony which do not explain MGE's case in great detail. Thus, Staff is starting from scratch in developing its direct case and MGE's direct filing is of little value to Staff in developing its case and conducting its audit.

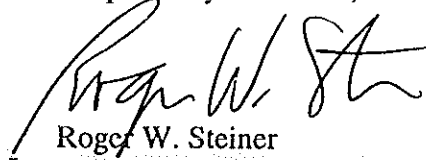
2. Due to its work on other cases and the holiday season, the Staff will not effectively begin its field audit of MGE until the beginning of 1998. This means the Staff basically has two months (January-February) to conduct its field audit and three weeks in March to wrap up the audit and prepare its direct testimony.

3. Because of its abbreviated work schedule, the Staff proposed a procedural schedule that gave it the most time possible to file its direct case while allowing MGE a reasonable time period to prepare for pre-hearing and the filing of rebuttal testimony. The Staff was forced to cut the amount of time it had to prepare for pre-hearing and the filing of its rebuttal testimony so that it could conduct a thorough on-site audit and prepare its direct filing. All of the parties to this case except MGE concurred with this schedule.

4. Under Staff's proposal, every party has the same 29 days to prepare its rebuttal testimony. Since MGE had unlimited time to prepare its direct case, it is reasonable to adopt the Staff's procedural schedule to give Staff (and other parties) as much time as possible to prepare their direct cases.

WHEREFORE, the Staff requests that (1) the Commission reject MGE's "discovery management" proposal; (2) specify the scope of MGE's January 30, 1997 direct case update; and (3) adopt Staff's proposed procedural schedule.

Respectfully submitted,

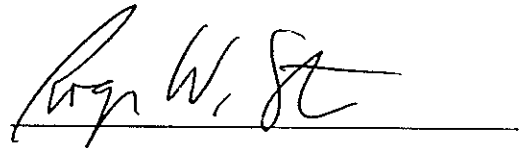


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CERTIFICATE OF SERVICE

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 12th day of December, 1997.



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