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## Missouri Public Service Commission

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January 22, 2001

**BRIAN D. KINKADE**  
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**ROBERT SCHALLENBERG**  
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**DALE HARDY ROBERTS**  
Secretary/Chief Regulatory Law Judge

**DANA K. JOYCE**  
General Counsel

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

**RE: Case No. GR-2001-382**

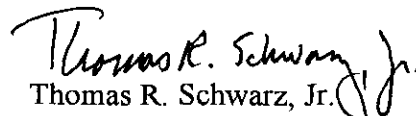
Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF RECOMMENDATION**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

  
Thomas R. Schwarz, Jr.  
Deputy General Counsel  
(573) 751-5239  
(573) 751-9285 (Fax)

TRS:sw  
Enclosure  
cc: Counsel of Record

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

**FILED<sup>2</sup>**  
JAN 22 2001  
Missouri Public  
Service Commission

In the matter of Missouri Gas Energy's )  
Purchased Gas Adjustment tariff )  
Revisions to be reviewed in its 2000 - )  
2001 Actual Cost Adjustment. )  
)

Case No. GR-2001-382

**STAFF RECOMMENDATION**

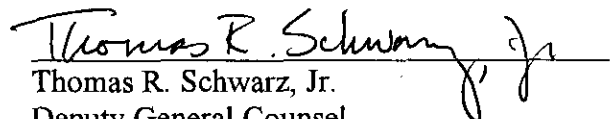
COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission") and for its recommendation in the above-captioned matter states as follows:

1. Missouri Gas Energy ("MGE") filed a tariff on January 9, 2001, proposing to increase its Purchased Gas Adjustment ("PGA") factor for service provided on and after January 24, 2001.
- 2 Staff has reviewed the tariff and has found that the filing complies with the provisions of MGE's tariffs for unscheduled winter PGA filings. Staff finds that good cause has been shown for making the tariff effective on less than thirty days notice, as reflected by the provision for a ten day effective date in MGE's tariff. See the Staff Memorandum attached as Attachment A.
3. Staff emphasizes that it has not audited the books and records of MGE, and that it will conduct a thorough review of MGE's gas purchases during the Actual Cost Adjustment audit.

WHEREFORE, Staff recommends that the rates proposed by MGE be approved, effective for service on and after January 24, 2001, and that these rates remain interim, subject to refund.

Respectfully submitted,

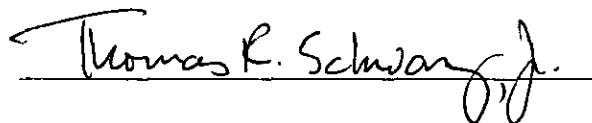
DANA K. JOYCE  
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Attorney for the Staff of the  
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### Certificate of Service

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 22nd day of January 2001.



M E M O R A N D U M

TO: Missouri Public Service Commission Official Case File,  
Case No. GR-2001-382, File No. 200100717, Missouri Gas Energy

FROM: Daniel I. Beck, Gas Department - Tariffs/Rate Design

*Wes Handecker 1-22-01*      *Thomas R. Schwan Jr 1/22/01*  
Utility Operations Division/Date      General Counsel's Office/Date

SUBJECT: Staff Recommendation on Missouri Gas Energy's Unscheduled Winter  
Season PGA Filing Effective January 24, 2001

DATE: January 21, 2001

On January 9, 2001, Missouri Gas Energy (MGE or Company), a division of Southern Union Company, of Kansas City, Missouri filed a tariff sheet proposed to become effective January 24, 2001. On January 11, 2001, MGE filed a letter which corrected a typographical error in the letter of transmittal and confirmed the January 24, 2001 effective date. The tariff sheet was filed to reflect unscheduled changes in MGE's Purchased Gas Adjustment (PGA) factors as the result of current high gas costs that are greater than MGE filed in its scheduled winter filing.

The net effect of these changes will increase the firm PGA factor for the rest of 2000-2001 winter season to \$0.98161 per Ccf from the current firm PGA factor of \$0.68056 per Ccf. The firm PGA factor would increase by 44% under this proposal. The effect of the proposed increase on a typical residential customer's bill for February and March is a 36% increase when compared to the rates that are currently in effect. When compared to last winter's rates, the effect of the proposed increase on a typical residential customer's bill for February and March is a 125% increase. A typical residential customer's usage is assumed to be based on a year with normal weather. Deviations from normal weather could lessen or exacerbate the impact of this increase.

MGE's Deferred Carrying Cost (DCCB) Balance is currently increasing at over one million dollars per day due to the difference between the current rates and the market price for gas. This DCCB balance plus interest will be included in the rate calculations used to compute the Company's next ACA factor and could significantly increase next year's PGA rate if the DCCB balance continues to grow. In addition, this DCCB balance, if it grows large enough, could negatively impact the Company's ability to borrow money and procure supply. Staff has not weighed the impact of the increase on either rate payers or the Company when determining if these tariffs should be approved. Staff's recommendation is based solely whether this filing is in compliance with the existing tariffs.

In its letter of transmittal accompanying the tariffs, the Company stated that even with this increase, it expects a PGA revenue shortfall of \$18 million which will be included in the ACA factor that will go into effect next winter.

This \$18 million ACA balance would result in an ACA factor of approximately \$0.026 per Ccf which is relatively small. However, the \$18 million ACA

estimate assumes that the current rates stay in effect through June 30, 2001. At first, this assumption appears to be in violation of MGE's tariffs which require a summer filing to be made between March 15 and April 4. However, MGE's tariffs only require that the summer PGA filing shall be made by these dates, it does not require that the effective date shall be prior to June 30, 2001. The Company is also considering the possibility that the June 30, 2001 effective date for the summer PGA filing could be moved closer to the first of April if MGE's current expectations for the market price proves to be high and the expected DCCB balance could be reduced. Staff will address this issue at the time of MGE's scheduled summer filing.

Case No. GR-2001-382, under which this PGA change was filed, was established to address MGE's PGA factors in its 2000-2001 ACA filings. Case No. GR-2000-425 was established to address MGE's PGA factors to be reviewed in its 1999-2000 filings. Case No. GR-99-304 was established to address MGE's PGA factors to be reviewed in its 1998-99 filings. Case No. GR-98-167 was established to address MGE's PGA factors to be reviewed in its 1997-98 filings. Interim subject to refund status should be maintained pending final Commission decisions in Case Nos. GR-96-450, GR-98-167, GR-99-304, GR-2000-425, and GR-2001-382.

The Commission's Gas Department - Tariffs/Rate Design Staff (Staff) has reviewed the filing of January 9, 2001 and has determined it was calculated in conformance with MGE's Commission approved PGA Clause. Staff is of the opinion that good cause for approval of this tariff sheet on less than thirty (30) days notice is demonstrated by MGE's Commission approved PGA Clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends that the following tariff sheet filed on January 9, 2001, be approved, interim subject to refund:

P.S.C. MO. No.1  
Second Revised SHEET No. 24.32 Canceling First SHEET No. 24.32

Copies:

- Director - Utility Operations Division
- Director - Advisory and Public Affairs Division
- Director - Utility Services Division
- General Counsel
- Manager - Financial Analysis Department
- Manager - Procurement Analysis Department
- Manager - Gas Department
- Peter H. Kelley - President & C.O.O. (Southern Union Company)
- Steven W. Cattron - President & Chief Operating Officer (MGE)
- Robert J. Hack - Vice President of Pricing & Regulatory Affairs (MGE)
- Dennis Morgan - Attorney (Southern Union Company)
- Gary W. Duffy - Attorney with Brydon, Swearingen & England P.C.
- Chris Kaitson - General Counsel (Kansas Pipeline Company)
- Jeffrey A. Keevil - Attorney with Stewart & Keevil, L.L.C.  
(Kansas Pipeline Company)
- Lou Marinos - President (Kansas Pipeline Company)
- Office of the Public Counsel

**Service List for  
Case No. GR-2001-382  
Revised: January 22, 2001 (SW)**

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