



Missouri Public Service Commission

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April 27, 1999

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FILED

APR 27 1999

Missouri Public
Service Commission

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

RE: GA-99-107 and GA-99-236 – AmerenUE/Laclede Gas Company

Dear Mr. Roberts:

Enclosed for filing in the above-captioned cases are an original and fourteen (14) conformed copies of **STAFF SUGGESTIONS IN SUPPORT OF STIPULATION AND AGREEMENT**.

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,

Lera L. Shemwell
Assistant General Counsel
(573) 751-7431
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LLS/wf
Enclosure
cc: Counsel of Record

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

In the matter of the application of Union)
Electric Company d/b/a AmerenUE for)
a certificate of public convenience and)
necessity authorizing it to construct,)
install, own, operate, control, manage)
and maintain natural gas pipeline)
facilities and a gas distribution system)
for the public in a portion of St. Charles)
County, Missouri, as an expansion of its)
presently certificated area.)

Case No. GA-99-107

FILED

APR 27 1999

Missouri Public
Service Commission

In the matter of the application of)
Laclede Gas Company for a certificate)
of public convenience and necessity)
authorizing it to construct, install, own,)
operate, control, manage, and maintain)
a gas distribution system for the public)
in portions of the city of Wentzville,)
Missouri as an extension of its presently)
certificated area.)

Case No. GA-99-236

**STAFF SUGGESTIONS IN SUPPORT OF
STIPULATION AND AGREEMENT**

Introduction

This consolidated case involves two regulated gas utilities that have both applied for certificates of public convenience and necessity (CCN) to serve an area south of Wentzville, Missouri. The area is roughly bounded by Interstate 70 (I-70) on the north, Highway 61 and Duello Road on the east, Highway N on the south and the Warren County line on the west.

This case is unusual in that there are two regulated utilities that have overlapping certificated territories. This situation creates a conflict as to which company should serve the area in question. Union Electric Company d/b/a AmerenUE (UE) is certificated to

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serve Wentzville and adjacent areas. Those "adjacent areas" are comprised of portions of unincorporated St. Charles County. Laclede Gas Company (Laclede) is also certificated to serve unincorporated St. Charles County. Both companies have county franchises. At the time of application, only UE had a city franchise from the City of Wentzville. In the April 6, 1999 election, Laclede won the right to a franchise for a portion of the City of Wentzville south of I-70.

Historically Staff has supported the policy of having one supplier of natural gas for a city. Even before this case, the City of Wentzville was served by two natural gas utilities. UE serves the majority of customers located throughout the city except where Laclede currently serves the General Motors Corporation Plant (GM Plant) and approximately eleven other customers located near the GM Plant.

Staff believes that both companies are able to provide safe and reliable service to customers in the area at rates that have been approved by the Commission. AmerenUE and Laclede have reached agreement and have drawn a service territory boundary line. Staff supports the terms of the Stipulation and Agreement (S&A) as being in the public interest.

Procedural History

On September 15, 1998, UE filed an application for a CCN to construct, install, own, operate, control, manage and maintain natural gas pipeline facilities in addition to its presently certificated area. On January 21, 1999, UE filed an Amendment to its application. The application was docketed as Case No. GA-99-107.

On October 19, 1998, Laclede filed an application to intervene in Case No. GA-99-107. On November 24, 1998, Laclede filed an application for a CCN to serve portions

of incorporated areas of Wentzville as an expansion of its presently certificated area. This application was docketed as Case No. GA-99-236.

On December 3, 1998, the Commission issued an Order to Consolidate Proceedings and Provide Notice, effective December 14, 1998. UE and Laclede filed Direct Testimony on January 5, 1999. On February 11, 1999, UE, Laclede, and the Staff filed Rebuttal Testimony. UE, Laclede, and the Staff filed Surrebuttal Testimony on March 3, 1999. The Hearing Memorandum was filed on March 8, 1999. On March 16, 1999, the Parties filed a Motion to Suspend Procedural Schedule stating that the Parties have generally reached an agreement as to the contested issues.

On March 16, 1999, the Commission issued an Order Canceling Hearing. On March 25, 1999, the Parties filed their S&A.

Service History

AmerenUE and Laclede have overlapping certificated areas. The Commission's Report and Order in Case No. 15,234, issued on April 24, 1964, granted St. Charles Gas Corporation, a predecessor of Laclede, a CCN to serve the entire unincorporated areas of St. Charles County.

The Commission's Report and Order in Case No. 15,759, issued on July 6, 1965, granted Missouri Edison Company, a predecessor to UE, a CCN to serve the City of Wentzville and adjacent areas. The exact area covered by the term "adjacent areas" was not described, nor was the term defined. The adjacent areas would include areas of unincorporated St. Charles County. UE's tariff describes its territory as including "surrounding areas outside the corporate limits" of Wentzville.

Laclede has been providing gas service to the GM Plant pursuant to authority granted by the Commission in an order issued on April 9, 1981. The GM Plant is located in the corporate limits of the City of Wentzville. Both Missouri Edison Company (UE's predecessor in Wentzville), and the City of Wentzville consented to Laclede's provision of service to the plant.

The City of Wentzville is growing rapidly and incorporating the requested service area, with plans to incorporate the entire area within ten (10) years. As UE's territory grows, Laclede's territory diminishes and the problem of overlapping certificated areas in unincorporated St. Charles County creates uncertainty for both the companies and their customers.

The companies were encouraged by Staff and the City of Wentzville to negotiate a territorial boundary, and they reached agreement as explained in the S&A. Staff continues to believe that it is best for cities to have a single gas provider; however, in this unique situation, Staff supports the agreement reached by the utilities even though two providers of natural gas will provide service in different areas of Wentzville. In Staff's opinion, this agreement provides more certainty to the companies so that they can expand their facilities in a more orderly and cost effective manner and helps to minimize duplication of facilities.

The Agreement

The S&A settled two major issues. The first was whether UE should be granted permission to construct a pipeline to reinforce its Wentzville service area and whether the proposed route is reasonable. On the issue of reinforcing UE's Wentzville Service Area, none of the Parties disputed the need for reinforcement. UE felt it needed reinforcement

to insure gas supply for the upcoming winter season, so UE requested approval as soon as possible to meet construction deadlines. They have indicated that Commission approval no later than July 1, 1999, will permit UE to construct the requested natural gas pipeline and reinforce its feeder system before the next heating season.

By this S&A, various geographical areas previously certificated to one or both utilities, are now the designated service areas of either UE or Laclede. The purpose of defining these territories is to allow the companies to use their existing facilities in a more efficient manner.

In testimony, the Staff supported UE's application to serve the entire territory because, among other things, they were the only gas utility with a franchise to operate in the City of Wentzville. On April 6, 1999, in the general election, Laclede was granted a non-exclusive franchise to provide service in the corporate limits of the City of Wentzville south of I-70. Both utilities now have a franchise from the City of Wentzville to serve the contested area south of I-70.

Staff does support granting Laclede a CCN to serve the GM Plant and the approximately eleven customers that Laclede has added on its line to the GM Plant. Staff notes however, that Laclede was granted only the right to serve the GM Plant and Laclede failed to obtain appropriate Commission approval to add these eleven customers. Staff is recommending that Laclede now receive Commission approval to serve these customers so as to avoid inconveniencing the customers.

Because it is economically efficient for Laclede to serve customers that can be served through the main line that serves the GM Plant, Staff agrees that it is in the public interest for Laclede to be granted a CCN to serve those customers.

Conclusion

It is the Staff's understanding that both companies will submit tariffs reflecting this agreement within 30 days of approval. The tariffs will reference these case numbers and Staff has requested that the tariffs briefly describe (graphically or in narrative form) the territorial agreement boundary line.

Staff continues to believe that it is in the public interest for cities to have a single provider of natural gas. There are a number of reasons that this is true, including public safety, reduction of consumer rate confusion, elimination of construction hazards and the planned and orderly construction of facilities. In this circumstance, the city already had two gas utility providers. In addition, this situation is unusual in that these two utilities have overlapping certificated territories in a fast growing area. Therefore, in Staff's opinion, it is in the public interest for these utilities to adopt a service territory boundary and for the Commission to accept the S&A and to issue the requested CCNs.

Respectfully submitted,

DANA K. JOYCE
General Counsel

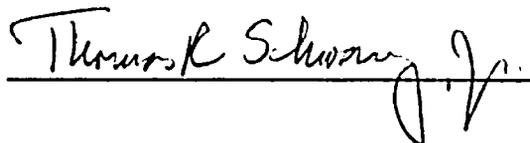
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand delivered to all counsel of record as shown on the service list below on this 27th day of April, 1999.



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April 27, 1999

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