

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

In the Matter of the Application of Missouri     )  
Gas Utility, Inc., for a Certificate of             )  
Convenience and Necessity Authorizing it to     )  
Construct, Install, Own, Operate, Control,       )  
Manage and Maintain a Distribution System       )  
to Provide Gas Service in Benton, Morgan,       )  
Camden and Miller Counties in Missouri, as a     )  
New Certificated Area.

**Case No. GA-2010-0012**

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff) and for its Recommendation, states as follows:

1. On July 9, 2009, Missouri Gas Utility (MGU or Company) filed the above-captioned application seeking a certificate of convenience and necessity (CCN) authorizing it to construct, install, own, operate, control, manage and maintain a distribution system to provide gas service in Benton, Morgan, Camden and Miller Counties as a new certificated area.

2. On July 13, 2009, the Commission issued its *Corrected Notice Of Application, And Order Directing Staff To File Recommendation And Setting Deadline For Intervention* ordering Staff to file its recommendation in this matter no later than October 13, 2009.

3. On August 13, 2009, Union Electric Company d/b/a AmerenUE filed its application to intervene and the Commission granted intervention on August 14, 2009.

4. Section 393.170 RSMo requires the Commission to address the question of approving the service territory of public utilities and whether the provision of that service is necessary or convenient. Commission Rule 4 CSR 240-3.205(1)(E) requires applicants to state

“The facts showing that the granting of the application is required by the public convenience and necessity.” The term “necessity” means the additional service would be an improvement justifying its costs.<sup>1</sup> Furthermore, the Commission’s allocation of service territory must be done on the basis of public interest.<sup>2</sup>

5. Members of the Staff’s Tariff/Rate Design, Auditing, and Procurement Analysis Departments have reviewed MGU’s application. The Staff submits its verified Recommendation in Staff’s Memorandum attached hereto as Appendix A. For reasons more fully explained in Staff’s Memorandum, the Staff recommends the Commission approve MGU’s application, subject to the six conditions listed on page 3 of the Memorandum. Based on Staff’s review of MGU’s application, Staff believes approval is required by public convenience and necessity and is in the public interest. Therefore, Staff recommends the Commission grant MGU a certificate of convenience and necessity for the counties and service areas described in MGU’s application.

**WHEREFORE**, for the above stated reasons, Staff respectfully recommends the Commission grant Missouri Gas Utility, Inc. a certificate of convenience and necessity for the service areas described in the application, subject to the six conditions listed on page 3 of Staff’s Memorandum.

Respectfully submitted,

---

<sup>1</sup> *State ex rel. Intercon Gas, Inc. v. Public Service Com’n of Missouri*, (1993), 848 S.W.2d 593.

<sup>2</sup> *State ex rel. Consumers Public Service Co. v. Public Service Commission*, (1944), 180 S.W.2d 40, 352 Mo. 905.

**/s/ Robert S. Berlin**

Robert S. Berlin  
Senior Counsel  
Missouri Bar No. 51709

Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 526-7779 (Telephone)  
(573) 751-9285 (Fax)  
email: [bob.berlin@psc.mo.gov](mailto:bob.berlin@psc.mo.gov)

### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered or transmitted by facsimile or electronic mail to all counsel of record this 9th day of October 2009.

**/s/ Robert S. Berlin**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File,  
Case No. GA-2010-0012, Missouri Gas Utility, Inc.

FROM: Kim Cox, Energy Department - Tariffs/Rate Design  
Dana Eaves, Auditing Department  
Derick Miles, Procurement Analysis Department

/s/ Thomas M. Imhoff    10/09/09                      /s/ Robert S. Berlin    10/09/09  
Energy Department/Date                      General Counsel's Office/Date

SUBJECT: Staff Recommendation On Missouri Gas Utility, Inc.'s Application for a Certificate of Convenience and Necessity

DATE: October 9, 2009

On July 9, 2009, Missouri Gas Utility, Inc. (MGU or Company) filed an APPLICATION (Application) with the Missouri Public Service Commission (Commission). The Application requests that the Commission grant MGU a certificate of convenience and necessity (CCN) authorizing it to construct, install, own, operate, control, manage and maintain a distribution system to provide gas service in Benton, Morgan, Camden and Miller Counties in Missouri, as a new certificated area.

On July 13, 2009, the Commission issued a CORRECTED NOTICE OF APPLICATION, AND ORDER DIRECTING STAFF TO FILE RECOMMENDATION AND SETTING DEADLINE FOR INTERVENTION (Order). The order stated that any motion to intervene was due no later than August 13, 2009, and that the Commission Staff shall file its recommendation no later that October 13, 2009.

On August 13, 2009, Union Electric Company d/b/a AmerenUE ("AmerenUE") submitted an application to intervene which was granted by the Commission. AmerenUE sought intervention because its certificated service territory is in the vicinity of the area for which the CCN has been requested and wants to ensure that there will be no overlapping of service territories. No other party has requested intervention. The Commission should be aware that MGU will face competition from well-established propane dealers who are not regulated by the Commission

The Staff issued a number of Data Requests (DRs) addressing the feasibility study and reviewed the application, feasibility studies, materials submitted by MGU, and DR responses. MGU conducted a survey to establish total possible customer numbers within the proposed service area, and then applied a conversion rate (80.6%) to determine MGU's projected customer count. The estimated customer counts at the end of year five are as follows: Residential or General Service Customers - 4,737; Commercial Services Customers 365;

and Large Volume Service Customers 3, for a total of 5,105 customers. MGU also provided a projected average usage, monthly customer charges and commodity charges for each customer class. The charges used in the calculation are the same rates approved by the Commission for the area certificated in Cases No. GA-2009-0264 and GA-2009-0422.

Procurement Analysis Department (PAD) Staff reviewed the peak day estimations and reserve margins for the adequacy of MGU's capacity required to serve the Lake Ozark and Camdenton areas (Camden County). MGU will need to seek additional capacity on Southern Star Central Gas Pipeline (Southern Star), at the Sedalia Interconnect, as MGU incrementally expands into the Lake Ozark and Camdenton areas. MGU provided an estimation of peak day and reserve margins for a five year period, which considers estimated growth on the system. Southern Star currently has capacity available to meet MGU's requirements for this estimate. MGU **cannot** meet the pressure and flow requirements to serve this area during periods of colder winter weather without the aid of compression, or some other type of auxiliary supply for its distribution system. There is not enough pressure at the Sedalia interconnection to reliably serve this area in future years during periods of extreme colder weather. Although additional capacity on the MGU mainline will **not** be needed for the initial growth, MGU will monitor the need for additional capacity to serve this area during periods of colder weather. MGU has proposed a compressor station to provide additional capacity for the winter of 2013/2014. Although a compressor has been proposed, MGU is also considering a propane peaking plant for incremental capacity. MGU has stated that it will choose the most cost effective and reliable method for providing auxiliary supply for this area. MGU's evaluation for peak-day estimate requirements allows a positive reserve margin and the flexibility to serve any potential industrial customers for economic development in the Lake Ozark area. Staff will continue to monitor MGU's "South system" growth and plans for added capacity in the context of its annual ACA filings.

Auditing Department Staff reviewed all of the cost of service components comprising the revenue requirement for MGU's proposed service territory. MGU's feasibility study presented a five-year projection of revenue and the cost of providing utility services for the proposed service area. The Company is projected to be over-earning at the end of the five-year period in the amount of \$271,667, based upon MGU's proposed rate levels for its requested service territory. There is a risk that MGU's actual financial results may be significantly different from the estimated results calculated by the Staff. However, based upon the Staff's projection of MGU's earnings after five years, even significant variances would be unlikely to change the Staff's view of the overall feasibility of the proposed project.

MGU has twenty year franchise agreements with the cities of Camdenton, Osage Beach and Lake Ozark. The Line will begin on the existing MGU line in Section 20, Township 42 North, Range 22 West and end at a point along State Highway 54 approximately 1.5 miles east of Camdenton. The total length of the Line will be approximately 45.74 miles.

In Staff's opinion, the Feasibility Study filed by MGU to provide natural gas in the requested service area shows MGU's proposal to be economically feasible. Staff is also of the opinion that the proposal contains risks, and the Feasibility Study alone is not enough to make the project feasible. In Staff's opinion, the proven ability of MGU to attract and secure acceptable financing is the best indicator for success of the project.

Based on the results of Staff's analysis of all available information, Staff recommends the Commission order that MGU maintain separate records for the proposed certificated area and that in accordance with previous Commission orders granting each certificated area, MGU perform separate class cost of service studies and revenue requirements when MGU files its next rate case.

The Staff has reviewed this Application and, for the following reasons, is of the opinion that granting this Application would be in the public interest if certain conditions are attached:

1. MGU has the operational capability to provide gas service in its requested service area; and
2. The requested CCN area for gas service would not jeopardize natural gas service to the Company's current existing customers.

Staff recommends the Commission's order include the following conditions:

1. MGU's shareholders are totally responsible for the success of this project, with no liability or responsibility put on customers;
2. MGU shall keep separate books and records for the proposed service area;
3. MGU shall file separate class cost of service studies and revenue requirements for this new service area in its next rate case;
4. MGU shall use the depreciation rates currently on file with the Commission;
5. MGU shall submit to a rate review for this certified area 36 months after the effective date of the order in this case; and
6. MGU obtain adequate capacity on the pipeline to reliably serve all customers in this area, including capacity necessary to serve any future growth.

Therefore, Staff recommends that MGU be granted a CCN to serve the requested areas in Benton, Morgan, Camden and Miller Counties, in the State of Missouri. Staff also recommends the Company file revised tariff sheets reflecting this proposed CCN in this case within thirty (30) days of the Commission's Order approving this Application.

The Staff has verified that this company has filed its annual report and is not delinquent on any assessment.



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

In the Matter of the Application of )  
Missouri Gas Utility, Inc., for a )  
Certificate of Convenience and )  
Necessity Authorizing it to Construct, )  
Install, Own, Operate, Control, Manage )  
and Maintain a Distribution System to )  
Provide Gas Service in Benton, Morgan, )  
Camden and Miller Counties in )  
Missouri, as a New Certificated Area. )

Case No. GA-2010-0012

**AFFIDAVIT OF DANA E. EAVES**

**STATE OF MISSOURI** )  
                                  ) ss  
**COUNTY OF COLE** )

Dana E. Eaves, of lawful age, on oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was given by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.

  
Dana E. Eaves

Subscribed and sworn to before me this 9<sup>th</sup> day of October, 2009.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

  
Notary Public

In the Matter of the Application of  
Missouri Gas Utility, Inc., for a  
Certificate of Convenience and  
Necessity Authorizing it to Construct,  
Install, Own, Operate, Control, Manage  
and Maintain a Distribution System to  
Provide Gas Service in Benton, Morgan,  
Camden and Miller Counties in  
Missouri, as a New Certificated Area.

**STATE OF MISSOURI            )**  
                                       )**SS**  
**COUNTY OF COLE            )**

Derick Miles  
Derick Miles

A circular notary seal for the State of Missouri. The outer ring contains the text "NOTARY PUBLIC" at the top and "STATE OF MISSOURI" at the bottom, separated by two stars. The center of the seal contains the words "NOTARY" and "SEAL" stacked vertically, with three small dots between them.

  
Notary Public