

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

In the Matter of the Application of)	
Missouri Gas Energy for the Issuance of an)	
Accounting Authority Order Relating to its)	Case No. GU-2011-0392
Natural Gas Operations and for a)	
Contingent Waiver of the Notice)	
Requirement of 4 CSR 240-4.020(2))	

**STAFF’S RECOMMENDATION TO APPROVE MGE’S
APPLICATION IN PART AND DENY IN PART**

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

1. On June 6, 2011, Missouri Gas Energy, a division of Southern Union Company, (MGE) filed an *Application* in which it requested the Commission grant it, *inter alia*, an Account Authority Order (AAO) permitting MGE to defer recording to its books the following items related to the May 22, 2011, Joplin area tornado:

- Incremental O&M costs incurred and to be incurred
- Incremental Capital-related costs incurred and to be incurred
- Possible financial impact of the tornado on sales (lost fixed cost recovery or “lost revenues”)

2. In the attached Staff Recommendation, subject to the conditions described in the Recommendation, Staff recommends the Commission authorize MGE to defer, for a period of ten years commencing January 1, 2012, (1) tornado-related incremental O&M costs and (2) capital-related incremental costs.

3. Also in the attached Recommendation, Staff recommends the Commission deny Empire’s request to defer any loss of the fixed cost components of Empire’s rates resulting from sales allegedly lost as a consequence of the tornado.

WHEREFORE Staff recommends the Commission enter an order that:

1. MGE be authorized to defer actual incremental O&M expenses associated with repair and restoration activities associated with the May 22, 2011, tornado, and depreciation and carrying charges equal to its ongoing AFUDC rates associated with tornado-related capital expenditures, to Account 182.3, Other Regulatory Assets.
2. Nothing in the Commission's order shall be considered a finding by the Commission of the reasonableness of the costs and/or expenditures deferred, and the Commission reserves the right to consider the ratemaking treatment to be afforded all deferred costs and/or expenditures.
3. Any and all offsets including but not limited to insurance claim proceeds or government payments or credits applicable to incremental operation and maintenance expense or capital expenditures shall be used to offset the total amount of costs to be deferred.
4. MGE shall begin, as of January 1, 2012, ratably amortizing to expense, over a ten-year (120-month) period, the appropriate amount of all costs it is authorized to defer, which are directly related to the May 2011 tornado so that the ten-year amortization period shall conclude on December 31, 2021.
5. MGE shall maintain detailed supporting records, work papers, invoices and other documents to support the amount of costs deferred under this AAO, including any related deferred taxes recorded as a result of the cost deferral. Such records shall be made available for review by the Commission Staff, The Office of the Public Counsel and other intervenors, pursuant to 4 CSR 240-2.085 and Section 386.480.
6. MGE's request for authority to defer the fixed cost components of the Company's rates resulting from sales lost due to the tornado be denied.

Respectfully submitted,

/s/ Lera L. Shemwell

Lera L. Shemwell

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 19h day of August, 2011.

/s/ Lera Shemwell