

FILED

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

SEP 05 1997

MISSOURI
PUBLIC SERVICE COMMISSION

In the matter of the operation)
of Southern Missouri Gas)
Company, L.P.'s Purchased Gas)
Adjustment Clause.

Case No. GO-97-407

Stipulation and Agreement

I. Procedural History

On April 1, 1997, the Staff of the Missouri Public Service Commission (Staff) and Southern Missouri Gas Company, L.P. ("SMGC or Company") filed a Joint Motion to Open Docket and a Joint Motion to Establish Procedural Schedule. In the Joint Motion, Staff stated that events during the last heating season had raised general questions regarding the frequency of Purchased Gas Adjustment ("PGA") filings and the extent to which changes in various PGA factors should be prorated for billing purposes. Staff and SMGC accordingly requested that the Commission open this docket for the purpose of examining these two issues, and these two issues alone, in advance of the next winter heating season.

On April 10, 1997, the Commission issued an Order in Case No. GO-97-407 in which it opened this docket, established the procedural schedule recommended by Staff and SMGC, and directed that notice of this proceeding be provided. The Commission also

issued Orders opening similar dockets applicable to the other local distribution companies which operate in Missouri.

Subsequent to the issuance of these Orders, representatives of the Staff, SMGC and other gas utilities met in an effort to discuss the issues raised in each docket and determine whether agreements resolving the issues could be reached. As a result of those discussions, Staff and SMGC have reached the following stipulations and agreements:

II. Frequency of PGA Filings

For purposes of resolving the issue relating to the frequency of PGA filings, SMGC and Staff have agreed to certain significant revisions to SMGC's PGA tariff which, if approved by the Commission, would substantially limit the number of PGA filings made by SMGC each year. These proposed PGA tariff revisions are set forth in Attachment A to this Stipulation and Agreement (the "Proposed PGA Tariff") and include the following modifications:

A. Number and Timing of PGA Filings -- Under its existing tariffs, SMGC may make a PGA filing whenever changes in gas costs would result in an aggregate annual increase or decrease of more than \$100,000 in monthly firms sales revenues. Under the Proposed PGA tariff, SMGC shall be permitted to make no more than two

scheduled PGA filings each calendar year and one unscheduled PGA filing each winter period pursuant to the following terms:

1. Scheduled PGA Filings -- The first scheduled PGA filing (hereinafter the "Winter PGA Filing") shall be filed between October 15 and November 4, 1997 and between October 15 and November 4 of each succeeding calendar year thereafter. The second scheduled PGA filing (hereinafter the "Summer PGA Filing") shall be filed between March 15 and April 4, 1998 and between March 15 and April 4 of each succeeding calendar year thereafter.

2. Unscheduled Winter PGA Filing -- In addition to these two scheduled PGA filings, SMGC shall also be permitted to make one unscheduled winter PGA filing on an annual basis (hereinafter the "Unscheduled Winter PGA Filing") in the period between the effective date of the Winter PGA Filing and the next Summer PGA Filing, provided that at the time of such Unscheduled Winter PGA Filing, there is: (a) a projected under-recovery in SMGC's Deferred Carrying Cost Balance ("DCCB"), as defined in paragraph II. D.1 herein, equal to or greater than fifteen percent of SMGC's Annual Gas Cost Level or (b) a projected over-recovery equal to or greater than ten percent of SMGC's Annual Gas Cost Level. The projected under- or over-recovery shall be determined by adding: (1) the actual net over- or under-recovery amount in the

DCCB at the time the Unscheduled Winter PGA Filing is made, and
(2) the estimated over- or under-recovery amount which, based on
the LDC's actual gas commodity costs at the time of the Unscheduled
Winter PGA Filing, would otherwise occur in the ensuing monthly
period absent the filing.

3. Notice Period -- Each PGA filing shall be filed with
the Commission no less than ten business days prior to the proposed
effective date.

B. Contents of PGA Filings

1. The scheduled Winter and Summer PGA Filings shall
contain rates reflecting: (a) refunds relating to or arising
during the prior period, and (b) DCCB-related adjustments, and
(c) SMGC's estimate of annualized gas cost revenue requirements for
the period between the date of such filing and the next scheduled
PGA Filing.

2. In addition:

(a) In the Winter PGA Filing, SMGC shall file
revised ACA factors relating to the immediately preceding twelve
months ending August (prior ACA period).

(b) In any Unscheduled Winter PGA Filing, SMGC may
file a rate change not to exceed five cents (\$.05) per Ccf,
(hereinafter the "Unscheduled Winter PGA Filing Adjustment Factor")

which is designed to return to, or receive from, ratepayers any DCCB-related over- or under-recoveries of gas costs that have been deferred by SMGC since its Winter PGA Filing. The Unscheduled Winter PGA Filing Adjustment Factor shall remain in effect only until the next scheduled Summer PGA Filing. Additionally SMGC shall file a current estimate of annualized gas costs revenue requirements between the date of such filing and the next scheduled PGA Filing.

C. Estimate of Annualized Gas Costs -- The level of annualized gas costs to be reflected in each PGA filing shall be subject to the following conditions:

1. Fixed Gas Costs -- The gas cost revenue requirement relating to fixed pipeline transportation and storage charges, fixed gas supply charges, and other FERC authorized charges, shall be determined in the same manner as under SMGC's now existing PGA procedures.

2. Commodity Gas Cost Cap -- The level of gas costs relating to gas supply commodity costs, variable transportation charges, and other FERC-authorized variable charges shall be determined by SMGC for purposes of estimating this component in each PGA filing, provided that:

(a) for any scheduled PGA filing, such estimate shall not exceed a per Ccf cost equal to the higher of:

(1) SMGC's actual commodity gas cost per Ccf for currently purchased gas supplies in the month in which the PGA filing is made; or

(2) The average of (i) the single highest weighted average commodity gas cost per Ccf and (ii) the overall weighted average commodity gas cost per Ccf actually incurred by SMGC, for currently purchased gas supplies in the applicable winter or summer period during the then three most recent ACA periods.

(b) for any Unscheduled Winter PGA Filing, such estimate shall not exceed a per Ccf cost equal to SMGC's actual per Ccf commodity cost of gas, for currently purchased gas supplies in the month in which such Unscheduled Winter PGA Filing is made.

(c) SMGC will provide Staff and the Office of the Public Counsel (OPC) information necessary to show how the factor was developed.

D. Carrying Costs -- Carrying costs shall be applied to certain deferred gas cost balances in the following manner:

1. No carrying costs shall be applied until such time as the net DCCB exceeds an amount equal to ten percent of SMGC's average annual level of gas costs for the then most three recent

ACA periods, beginning with the three ACA periods immediately preceding the 1997/98 winter period (hereinafter "Annual Gas Cost Level"), which shall initially (until the 1998 winter PGA filing) be based on the three ACA periods immediately preceding the 1997/98 winter period. The DCCB shall include the cumulative under- or over-recoveries of gas costs at the end of each month for each annual ACA period. The under- and over-recoveries of gas costs to be included in the DCCB shall be defined as the product of: (a) the difference between SMGC's actual annualized unit cost of gas (blended with storage) and the estimated annualized unit cost of gas factor included in SMGC's then most recent PGA filing, times (b) the total volumes of gas sold during such month.

2. In the event the DCCB (whether over- or under-recovered) exceeds ten percent of SMGC's Annual Gas Cost Level, a carrying cost equal to simple interest at the prime rate as noted in the Wall Street Journal on the first business day of the following month, minus one percentage point shall be applied to such portion of the balance amounts as exceeds ten percent for the period such excess balance amounts exist.

III. Proration

A. Currently, SMGC does not prorate its PGA charges. In attachment B the Company sets out its position that prorating the PGA is impractical. If the Company persuades the Commission that proration of customer bills is impractical, SMGC may use an administrative procedure to obviate the need to prorate, provided that no customer shall be charged a rate for gas which was not in effect on the date the customer took service.

B. If the Commission orders SMGC to prorate its PGA, the undersigned parties agree that any increase or decrease in any PGA factor, including ACA and refund factors, shall be applied prorata to customers' bills for service rendered on and after the effective date of the change. The parties further agree that bills which contain multiple PGA rate changes during a customer's billing cycle shall be prorated between the old and new rates in proportion to the number of days in the customer's billing cycle that such rates were in effect.

IV. Ancillary Matters

A. Variance from PGA Provisions -- Nothing in this Stipulation and Agreement shall expand or limit whatever authority SMGC may have to seek a variance or waiver from any SMGC tariff provisions or Commission rules. This Stipulation and Agreement

shall not be construed as affecting in any way SMGC's right to seek emergency or permanent rate relief or to propose any changes in the manner in which it bills its customers.

B. Reevaluation of PGA Clause -- The parties agree that the PGA Clause revisions proposed herein address the immediate concerns raised in Case No. GO-97-407 as such concerns relate to SMGC. SMGC agrees to cooperate with the Staff, OPC and other interested parties in examining the desirability and feasibility of implementing further changes to its tariffs in advance of the 1998/99 winter heating season, based on a review of how well the PGA Clause, as modified herein, will have operated during the 1997/98 winter heating season. The parties also acknowledge that the PGA structure provided for herein would need to be significantly altered in the event any further, significant unbundling of SMGC's services were to be implemented by the Commission.

C. Data Requests -- All data requests previously submitted by Staff to SMGC in these dockets shall be withdrawn. Staff may resubmit Data Request No. 5001 and SMGC will provide its response to such data request within 20 days, provided that such response will be furnished without any prejudice to SMGC's right to object.

subsequently to the relevancy or admissibility of the information provided.

V. General Matters

A. None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, any method of cost determination or cost allocation, or any service or payment standard; and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

B. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

C. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.080.1 (RSMo. 1994) to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; their respective rights to the reading of the transcript by

the Commission pursuant to Section 536.080.2 (RSMo. 1994); and their respective rights to judicial review pursuant to Section 386.510 (RSMo. 1994).

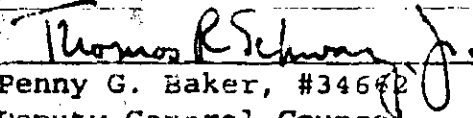
D. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each Party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all Parties. All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules; shall be maintained on a confidential basis by all Parties; and shall not become a part of the record of this proceeding or bind or prejudice the Party submitting such memorandum in any future proceeding or in this proceeding, whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests; provided that the Staff shall, to the extent reasonably practicable, promptly provide other Parties with advance notice of when the Staff shall respond to the Commission's request from Staff, (and afford all such parties, to the maximum extent practicable, the right to be present at such oral explanation). Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

E. In order for SMGC to have adequate time to implement all aspects of this Stipulation and Agreement prior to the Winter PGA Filing, the parties urge the Commission to issue an Order Adopting the Stipulation and Agreement with an effective date of no later than October 1, 1997.

WHEREFORE, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Stipulation and Agreement to be effective October 1, 1997.

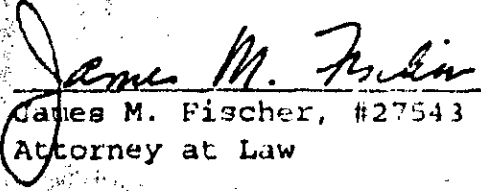
Respectfully Submitted,


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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 5th day of September, 1997.

