

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the General Rate Increase for Natural) **Case No. GR-2008-0060**
Gas Service Provided by Missouri Gas Utility, Inc.) Tariff No. JG-2008-0138

ORDER ADOPTING PROCEDURAL SCHEDULE AND TEST YEAR

Issue Date: October 23, 2007

Effective Date: November 2, 2007

Background

On August 29, 2007, Missouri Gas Utility, Inc. ("MGU"), submitted to the Missouri Public Service Commission certain proposed tariff sheets, Tariff File No. JG-2008-0138. The purpose of the filing, according to MGU, is to implement a general rate increase for natural gas service to customers in its Missouri service area. On September 6, 2007, the Commission suspended the tariff until July 26, 2008. In its order suspending MGU's tariff, the Commission ordered the parties to prepare a proposed procedural schedule. On October 17, 2007, the parties filed a pleading with a proposed procedural schedule that also addressed some ancillary procedural matters.

Test Year and True-Up

The test year is a central component in the ratemaking process. Rates are usually established based upon a historical test year which focuses on four factors: (1) the rate of return the utility has an opportunity to earn; (2) the rate base upon which a return may be earned; (3) the depreciation costs of plant and equipment; and (4) allowable operating

expenses.¹ From these four factors is calculated the “revenue requirement,” which, in the context of rate setting, is the amount of revenue ratepayers must generate to pay the costs of producing the utility service they receive while yielding a reasonable rate of return to the investors.² A historical test year is used because the past expenses of a utility can be used as a basis for determining what rate is reasonable to be charged in the future.³

The parties have agreed to a test year consisting of the 12 months ended March 31, 2007, and further agree to update this test year to include known and measurable changes through September 30, 2007. The parties do not believe that true-up will be necessary, however, the Commission’s Staff and the Office of the Public Counsel (“OPC”) have reserved the right to alter their position regarding true-up should a need arise.

The proposed test year recommended by parties is suitable and no party has objected to it. The Commission will therefore adopt the test year recommended by the parties. The Commission will also adopt the adjustment or update period through September 30, 2007. Because the parties have not solidified their positions regarding true-up, the Commission will reserve dates for a true-up hearing should it be required.

Hearing Dates and Procedural Schedule

The Commission reserved dates for an evidentiary hearing and true-up hearing in its Suspension Order and Notice of September 6, 2007. This practice is necessary to ensure that sufficient hearing dates will be available. The order noted that to allow the Commission adequate time to issue its Report and Order, the hearing should end no later than

¹ *State ex rel. Union Electric Company v. Public Service Commission*, 765 S.W.2d 618, 622 (Mo. App. 1988).

² *State ex rel. Capital City Water Co. v. Public Service Commission*, 850 S.W.2d 903, 916 n. 1 (Mo. App. 1993).

³ See *State ex rel. Utility Consumers’ Council of Missouri, Inc. v. Public Service Commission*, 585 S.W.2d 41, 59 (Mo. banc 1979).

March 28, 2008. The parties, however, propose reserving five days for the evidentiary hearing later than the dates reserved by the Commission, *i.e.* April 7-11, 2008. The Commission has reservations about allowing the hearing to be conducted this late into the process. In spite of its concerns, the Commission will accommodate the parties' request that the hearing begin in early April. However, the Commission emphasizes that because the deadline for completion of the hearing process is fixed by law, the Commission is unwilling to continue the scheduled hearing beyond the dates fixed in this order.

The Commission finds that the remainder of the dates in the proposed procedural schedule are appropriate with four modifications. First, the proposed procedural schedule calls for the parties to file position statements on April 2, 2008. The Commission finds prehearing briefs to be more helpful in preparing for an evidentiary hearing. Accordingly, the Commission will order the parties to file prehearing briefs instead of filing position statements. The Commission will require prehearing briefs be filed on or before March 31, 2008, to allow the Commission sufficient time review to them prior to the start of the hearing on April 7, 2008. No page limit will be placed upon prehearing briefs. Second, while the parties have not proposed the filing of reply briefs, for clarity, there will only be a single round of post-hearing briefs. No page limit will be placed upon post-hearing briefs. Third, the parties will be required to submit proposed findings of fact and conclusions of law, to be filed concurrently with post-hearing briefs. Fourth, Staff will be required to submit a reconciliation as part of the procedural schedule.

Local Public Hearing

The parties jointly recommend that the Commission hold one public hearing in Gallatin, Missouri. The parties suggest that the public hearing be held on February 11,

2008, or in the event a hearing cannot be scheduled for that date the hearing be held on February 7, 2008. The Commission finds that the parties' suggestion is reasonable, and will tentatively schedule the local public hearing on the suggested date of February 11, 2008, pending final arrangements. The final scheduling of the public hearing shall follow in a separate order.

Conditions

The Commission will apply the following conditions to the procedural schedule:

(A) The Commission will require that testimony be prefiled as defined in Commission Rule 4 CSR 240-2.130. All parties must comply with this rule, including the requirement that testimony be filed on line-numbered pages.

(B) The parties shall agree upon and Staff shall file a list of the issues to be heard, the witnesses to appear on each day of the hearing, the order in which they will be called, and the order of cross-examination for each witness. Any issue not contained in this list of issues will be viewed as uncontested and not requiring resolution by the Commission.

(C) Each party shall file a prehearing brief, which shall include a simple and concise statement summarizing its position on each disputed issue.

(D) All pleadings and briefs shall be filed in accordance with Commission Rule 4 CSR 240-2.080. Briefs shall follow the same list of issues as filed in the case and must set forth and cite the proper portions of the record concerning the remaining unresolved issues that are to be decided by the Commission.

(E) All parties are required to bring an adequate number of copies of exhibits that they intend to offer into evidence at the hearing. If an exhibit has not been prefiled, the

party offering it should bring, in addition to the copy for the court reporter, copies for the five Commissioners, the Presiding Judge, and all counsel.

(F) All parties must file proposed findings of fact and conclusions of law, including citations to prefiled testimony, transcripts and other relevant evidence.

(G) A settlement shall not be grounds for continuing the hearing unless a written settlement agreement resolving all issues is filed with the Commission prior to, or concurrent with, the request for continuance.

(H) The Commission's general policy provides for the filing of the transcript within two weeks after the hearing. However, due to the timing of the hearing, the Commission will shorten this deadline in order to provide adequate time for the Commission's deliberations. The Commission will direct that the transcript be filed no later than April 18, 2008. If any party seeks to further expedite the filing of the transcript, such request shall be tendered in writing to the Presiding Judge at least five days prior to the date of the hearing.

IT IS ORDERED THAT:

1. The following procedural schedule is established:

Direct Testimony (Revenue Requirement) All parties except Company	-	January 18, 2008, by 5:00 p.m.
Direct Testimony (Rate Design) All parties except Company	-	February 1, 2008 by 5:00 p.m.
Local Public Hearing Gallatin, Missouri	-	February 11, 2008 beginning 6:00 p.m.
Settlement Conference	-	February 13-15, 2008
Rebuttal Testimony All parties	-	February 29, 2008 by 5:00 p.m.
Surrebuttal Testimony All parties	-	March 21, 2008 by 5:00 p.m.

Reconciliation Filed	-	March 28, 2008 by 5:00 p.m.
List of Issues, List of Witnesses, and Order of Cross-Examination	-	March 28, 2008 by 5:00 p.m.
Prehearing Briefs	-	March 31, 2008 by 5:00 p.m.
Evidentiary Hearing	-	April 7-11, 2008 beginning 8:30 a.m.
True-up hearing, if necessary	-	April 17-18, 2008 beginning 8:30 a.m.
Transcript	-	April 18, 2008
Post-hearing Briefs	-	May 16, 2008 by 5:00 p.m.
Proposed Findings of Fact, and Conclusions of Law	-	May 16, 2008 by 5:00 p.m.

2. The settlement conference will be held at the Commission's office at the Governor Office Building, Room 305, 200 Madison Street, Jefferson City, Missouri. This building meets accessibility standards required by the Americans with Disabilities Act. If you need additional accommodations to participate in this conference, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 before the conference.

3. The hearing will be held at the Commission's office at the Governor Office Building, Room 310, 200 Madison Street, Jefferson City, Missouri. This building meets accessibility standards required by the Americans with Disabilities Act. If you need additional accommodations to participate in this hearing, please call the Public Service

Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 before the hearing.

4. The test year for purposes of this case shall be the year ending March 31, 2007, updated for material known and measurable changes through September 30, 2007.

5. Transcripts of the evidentiary hearings will be expedited and shall be filed no later than April 18, 2008.

6. This order shall become effective on November 2, 2007.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Harold Stearley, Regulatory Law Judge,
by delegation of authority pursuant to
Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 23rd day of October, 2007.