

1 BEFORE THE PUBLIC SERVICE COMMISSION
2 STATE OF MISSOURI
3 _____
4 TRANSCRIPT OF PROCEEDINGS
5 ON-THE-RECORD PRESENTATION
6 NOVEMBER 3, 2003
7 Jefferson City, Missouri
8 Volume 1
9 _____
10
11 Staff of the Public Service)
 Commission of Missouri,)Case No. GC-2003-0314
12)
 Complainant,)
13)
 vs.)
14)
 Southern Missouri Gas)
15 Company, L.P.,)
)
16 Respondent.)
17
18 BEFORE: _____
19 MORRIS L. WOODRUFF, Presiding,
 SENIOR REGULATORY LAW JUDGE.
20 CONNIE MURRAY,
 STEVE GAW,
21 BRYAN FORBIS,
 COMMISSIONERS.
22 _____
23
24 REPORTED BY:
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A P P E A R A N C E S

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1 JUDGE WOODRUFF: We're here today for an
2 on-the-record presentation in Case No. GC-2003-0314, which
3 is a complaint by the Staff against Southern Missouri Gas
4 Company. And we scheduled the on-the-record presentation to
5 discuss some issues that came up regarding the Unanimous
6 Stipulation and Agreement.

7 To begin, let's take entries of appearance
8 beginning with Staff.

9 MR. FRANSON: Robert Franson, attorney
10 appearing on behalf of Staff, PO Box 360, Jefferson City,
11 Missouri 65102.

12 JUDGE WOODRUFF: And for Southern Missouri
13 Gas?

14 MR. FISCHER: James M. Fischer, Fischer and
15 Dority, PC, 101 Madison, Suite 400, Jefferson City, Missouri
16 65101 appearing on behalf of Southern Missouri Gas Company,
17 LP.

18 JUDGE WOODRUFF: All right. And for Public
19 Counsel?

20 MR. MICHEEL: Douglas E. Micheel appearing on
21 behalf of the Office of Public Counsel and the public, PO
22 Box 2200, Jefferson City, Missouri 65102-2200.

23 JUDGE WOODRUFF: Thank you very much.

24 Well, the Commission asked for this conference
25 today to have some questions addressed. I don't anticipate

1 having to take any opening statements from you all. What
2 I'm going to do is turn this over to the Commissioners so
3 they can ask the questions they want to ask. And we'll
4 begin with Commissioner Murray.

5 COMMISSIONER MURRAY: Thank you, Judge.

6 Good morning. I think the part of the stip
7 and agreement that we are questioning the meaning of is --
8 well, and right now I'm reading from Staff's Suggestions in
9 Support.

10 On page 5 of Staff's suggestions it says,
11 Paragraph 6 of the unanimous Stipulation and Agreement
12 provides that neither Staff nor OPC shall propose any
13 disallowance, revenue imputation or other adjustment in any
14 ACA case involving SMGC related to the provision of
15 transportation service internal of the type rejected by the
16 Commission in its Report and Order in GR-2001-388. This is
17 a clear and incontrovertible reference to the limited ruling
18 in GR-2001-388.

19 And I'm not sure that we find it that clear
20 and would like explanation from the parties as to what it is
21 exactly that you are saying will not be challenged in the
22 future.

23 MR. FRANSON: If that question is to me,
24 Commissioner Murray, I believe the answer is, in
25 GR-2001-388, there was a very specific proposal by Staff for

1 an adjustment to the firm ACA -- firm sales ACA balance
2 ultimately of 99,999 That was rejected by the Commission.
3 That is what -- that is the only thing that is foreclosed
4 for the time period that Southern Missouri Gas has
5 transportation service internal.

6 What the intent is, and Staff's understanding
7 is, that if there was some other type of adjustment, for
8 instance, imprudence regarding, for instance, if these
9 customers -- if Southern Missouri Gas was doing no hedging
10 and the transportation service internal customers were
11 getting the cheapest gas and there was no rhyme or reason
12 for that, no justification, that might be an example of
13 something that we might be looking at.

14 I would point out that GR-2002-440, which is
15 the 2001/2002 ACA for Southern Missouri Gas is already
16 closed. And as part of that case, Staff had a two-pronged
17 Staff rec. And it was dependent on the Commission's ruling
18 in GR-2001-388 regarding transportation service internal.

19 The idea being that there's a specific thing
20 of imputing revenue on the way that was set up. And when
21 the Commission ruled in 388, Staff went the other way and
22 that was quickly agreed to by the parties and the Commission
23 found that acceptable and closed that case and set account
24 balances.

25 So there is just a very specific thing that

1 is -- regarding transportation service internal that is
2 closed, but not any other things that might come up
3 regarding prudence. Staff and OPC would be allowed to
4 propose those if any such thing came up.

5 COMMISSIONER MURRAY: Let me just follow up on
6 that because -- with you, Mr. Franson. In GR-2001-388, the
7 second prong of the Staff's proposed adjustment, which was
8 rejected by the Commission, was that the two industrial
9 customers would -- the assumption that the two industrial
10 customers would have remained on the system as gas customers
11 and would have purchased the same volume of gas at the
12 substantially higher purchased gas adjustment rate if
13 Southern Missouri had not entered into gas supply agreements
14 and transportation service agreements with them. And that
15 was specifically rejected.

16 And that is the portion that you are saying --
17 that imputation of -- or that assumption that customers
18 could have remained in the system but for --

19 MR. FRANSON: Commissioner, if I may, I can
20 hear you, but I'm not sure your microphone is working.

21 COMMISSIONER MURRAY: You're right. I'm
22 sorry. I turned it off so you wouldn't hear my papers.

23 MR. FRANSON: I don't know that it's so much
24 the second prong, because we looked at the adjustment as an
25 overall all or nothing. And this Stipulation and Agreement

1 says that is closed.

2 Even if some -- if right here in front of us
3 the definitive piece of evidence appeared that those
4 customers would stay on as those customers no matter what
5 and everyone in this room was convinced beyond anything,
6 even if that happened, it's still closed.

7 The parties are agreeing this is what we are
8 saying and we can't go back for transportation service
9 internal as far as imputing to the sales that they would
10 have stayed on as sales customers. So I think we're trying
11 to close out the whole thing

12 COMMISSIONER MURRAY: Let me ask Mr. Fischer
13 for an explanation.

14 MR. FISCHER: Yes, your Honor. We're in
15 agreement with Staff and Public Counsel on this. What we
16 see as being foreclosed by this is a revenue imputation
17 adjustment specifically like the one that was rejected by
18 the Commission in the last ACA case, 2001-388.

19 To the extent some other prudence issue came
20 up regarding purchases of gas, for example, that related to
21 these two customers, that would be fair game. But as
22 Mr. Franson has pointed out, as a practical matter, it's of
23 limited application because the subsequent ACA period has
24 already been settled and closed.

25 There may be a few months in 2003 where there

1 will continue to be internal transportation contracts in
2 existence. However, as a part of this stipulation in this
3 complaint case, we are agreeing that we will allow those to
4 expire within 30 days after the Commission approves the
5 settlement of this case.

6 And so there could be a few months where there
7 will be some even transportation internal in existence. And
8 to the extent those months were there, it would be my view
9 that they -- the Staff or Public Counsel could not propose
10 another revenue imputation adjustment like the one that was
11 rejected, but otherwise, other issues could be reviewed and
12 we wouldn't have an objection.

13 And I think we interpret the stipulation the
14 same way that at least Mr. Franson has explained it.

15 COMMISSIONER MURRAY: Okay. So that that
16 limitation is just purely a short term, very limited --

17 MR. FISCHER: As a practical matter, it will
18 be because these contracts are going to expire within
19 30 days after -- assuming that you settle -- that you
20 approve the settlement in this case, after that period.
21 Now, there may be other things that will replace it down the
22 road and those would be subject to review and adjustment.

23 COMMISSIONER MURRAY: Okay. Thank you.

24 Mr. Micheel, do you have anything to add?

25 MR. MICHEEL: I don't really, your Honor. The

1 only thing I would say is, you know, this transportation
2 internal is going to go away. So to the extent that it goes
3 away, the meaning of six just says for that tail period that
4 Mr. Fischer was talking about, we're not going to do the
5 revenue imputation, but there is going to be no
6 transportation internal as it was operated in the case -- in
7 the PGA case that we talked about. I mean, that's going
8 away.

9 There may be something that we're talking with
10 replacing it, so I -- I mean, I agree with Mr. Fischer and
11 Mr. Franson that it's not a big deal and that that's all
12 we're talking about, just that tail end. We're not going to
13 make the revenue imputation.

14 COMMISSIONER MURRAY: Thank you. That's all I
15 have, Judge.

16 JUDGE WOODRUFF: Commissioner Gaw?

17 COMMISSIONER GAW: Thank you. And I think
18 Commissioner Murray has gotten to the heart of what my
19 questions were, but if I could ask -- that's me. I don't
20 know what that is.

21 Can you give me a specific time frame when the
22 last of this transportation internal is in existence? Is
23 it -- I'm looking for whether or not there's a cut-off on
24 time that we could put in the order and acknowledge in the
25 order because that's what's lacking in it right now.

1 MR. FISCHER: Judge, the Stipulation and
2 Agreement that's before you in this case says that we
3 were -- we will agree to terminate those within 30 days of
4 the effective date of the order approving the Stipulation
5 and Agreement. So whatever that date is, 30 days beyond
6 that will be the date that these transportation internal
7 contracts will expire.

8 Now, I would say that, just for clarity, there
9 is a tariff that is pending relating to what we call gas
10 supply coordination service. And we're attempting to work
11 with Staff and Public Counsel to come up with some
12 satisfactory language that would, in effect, replace the
13 arrangement here for these two customers.

14 COMMISSIONER GAW: But that will not interfere
15 with this stipulation though or what your intent is with it.
16 Right?

17 MR. FISCHER: No. They're separate and apart
18 on separate tracks. And we're just hoping to get them both
19 resolved on a concurrent basis.

20 COMMISSIONER GAW: Would it be objectionable
21 to the parties if there was something in the orders that
22 closed this issue and tied it to the 30-day provision after
23 the order was entered? Would that cause a problem for
24 anyone? So that it's clear that we're -- that when we're
25 talking about what Staff has agreed to here and everybody

1 else has agreed to, that it only applies up through that
2 period of time that that agreement -- that portion of the
3 agreement does?

4 MR. FRANSON: Commissioner Gaw, I don't think
5 Staff has any objection to that. I would point out -- I'm
6 sorry, I don't have the case number in front of us, but the
7 case regarding Southern Missouri Gas ACA for the 2002/2003
8 ACA period and then this one up to the 30 days after the
9 effective date of the Commission order would probably
10 encompass everything that Staff is aware of.

11 COMMISSIONER GAW: What was the second one
12 that you just said?

13 MR. FRANSON: The first one is the 2002/2003
14 ACA period. Then the second one would be since we're now
15 into the 2003/2004, it would encompass up to 30 days after
16 the effective date of the Commission order approving the
17 Stipulation and Agreement in this case.

18 COMMISSIONER GAW: Does that track with --
19 Mr. Fischer, with what you believe?

20 MR. FISCHER: Yes, your Honor. We wouldn't
21 have any objection if you want to specify that date. That
22 would be fine with us.

23 COMMISSIONER GAW: Okay. That helps clarify
24 it in my mind about what we were talking about specifically.
25 What you all are referencing is something that we -- I don't

1 think we currently have in the order. And it helps -- for
2 me, it helps me to clarify exactly what you're meaning with
3 the other statements that you have already in this step.
4 Mr. Micheel, any problem from Public Counsel?
5 MR. MICHEEL: No, your Honor.
6 COMMISSIONER GAW: Judge, I think that's all I
7 have.
8 JUDGE WOODRUFF: Commissioner Forbis?
9 COMMISSIONER FORBIS: No additional questions.
10 JUDGE WOODRUFF: All right. Thank you.
11 Any final statements anyone wants to make?
12 Hearing none, then this on-the-record
13 presentation is adjourned. Thank you all very much.
14 WHEREUPON, the on-the-record presentation was
15 adjourned.
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