

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

In the Matter of Missouri Gas Energy's)
Tariffs Increasing Rates for Gas Service)
Provided to Customers in the Company's)
Missouri Service Area.)

Case No. GR-2006-0422

**PUBLIC COUNSEL'S RESPONSE REGARDING
NOTICE AND LOCAL PUBLIC HEARINGS**

COMES NOW the Office of the Public Counsel and for its Response Regarding Notice and Local Public Hearings states:

1. On July 25, 2006, the parties filed separate recommendations to the Commission regarding local public hearings and the customer notice. Public Counsel offers the following responses to the recommendations and response of MGE.

Local Public Hearings

2. Public Counsel explained in its July 25, 2006 recommendation that it selected seven (7) local public hearings in an effort to allow any MGE customer to participate in a local public hearing by traveling no more than fifty (50) miles. Public Counsel selected Blue Springs, Joplin, Kansas City, Marshall, Republic, St. Joseph and Stockton based upon the Maps of Certificated Areas contained in MGE's tariff. *See Attachment A.*¹ MGE responded that it serves Saline County but does not serve Marshall. Public Counsel intended to select a city in Saline County that was served by MGE and agrees that a local public hearing should not be held in Marshall. Public Counsel recommends that an alternative location in Saline County, such as Slater, may also provide a more convenient location for local hearings for MGE customers in

¹ Attachment A maps were copied from Missouri Gas Energy, P.S.C. MO. No. 1, First Revised Sheets Nos. 7 and 8.

Saline, Howard, Pettis and Cooper counties. This would provide an equal opportunity for all MGE customers to comment on a rate increase that will impact all residential customers, not just customers living in large metropolitan areas. Public Counsel agrees with MGE that a purpose of local public hearings in general rate increase cases is “to obtain testimony that will aid it in reaching its final determination,” but Public Counsel contends there is an additional purpose - to give all customers an opportunity to be heard.

Notice

3. Public Counsel, Staff, and MGE each proposed a separate notice, and each separate proposal was different than the notice contained in the Commission’s May 12, 2006 *Suspension Order and Notice*, wherein the Commission directed the notice to be substantially similar to the following:

Missouri Gas Energy has filed revised gas service tariff sheets with the Missouri Public Service Commission (PSC) which would increase the Company’s Missouri jurisdictional annual gross revenues by approximately 6.8%. For the average residential customer the proposed increase would be approximately \$6.52 per month.

A local public hearing (or evidentiary hearing) has been set before the PSC at _____ o’clock __m., ____, at _____ Street, _____, Missouri. If you wish to comment or secure information, you may contact the Office of the Public Counsel, Post Office Box 2300, Jefferson City, Missouri 65102, telephone (573) 751-4857.

This building meets accessibility standards required by the American with Disabilities Act. If a customer needs additional accommodations to participate in these hearings, please call the Public Service Commission’s Hotline at 1-800-392-4221 (voice) or Relay Missouri at 711 prior to the hearing.

The notice proposed by Public Counsel was based upon earlier draft proposals considered by the parties. MGE suggests the parties should follow the above notice more closely. Public Counsel believes that the notice the Commission directed the parties to follow (herein referred to as “Commission Notice”) is appropriate provided the notice is changed as described below.

4. The Commission Notice states that the proposed gas service tariff sheets would increase annual gross revenues by approximately 6.8%. This may be misleading to MGE customers because the percentage includes gas revenues that are simply passed through to the customer, and does not reflect the increase requested *for the services provided by MGE*. A better notice would explain that MGE is requesting a twenty-six percent (26%) increase in non-gas revenues.² Gas revenues are not included in the requested rate increase and should not be included to describe the impact to the company. Gas revenues are included in MGE's Purchased Gas Adjustment (PGA). MGE recently quantified the PGA in a press release as a twenty percent (20%) reduction in the price the customer pays for gas, rather than a reduction based upon the company's annual gross revenues.³

5. The purpose of the first paragraph of the Commission Notice is to advise the customer of two things: the impact of the rate increase to the *company*; and the impact of the rate increase to the *customer*. Including the \$6.52 approximate impact explains the impact of the rate increase to the *customer* (although a better explanation would include a range of increases since many customers could face increases greater than the \$6.52 "approximation" if their usage is above the average). For the *company* impact, describing the impact as a percentage of gross revenues only obfuscates the real impact to MGE. An alternative to including the non-gas revenue increase percentage is to include the total dollar revenue increase of \$41.7 million as proposed by Staff. Public Counsel recommends, however, that the Commission include both the twenty-six percent (26%) figure and the dollar amount of \$41.7 million since these figures

² MGE's requested \$41,651,345 rate increase would represent a twenty-six percent (26%) increase to MGE's test year revenue of \$160,001,395 from MGE Schedule RJA-3, page 5.

³ Missouri Gas Energy Press Release, January 10, 2006, "Public Service Commission approves Missouri Gas Energy cost of gas rate reduction."

combined provide the customer with the best information on the impact of the rate increase to the company.

6. The other changes Public Counsel recommends to the Commission Notice are to correct the Commission's Consumer Service Hotline number, and to add Public Counsel's email address, mopco@ded.mo.gov, to the Public Counsel contact information.

WHEREFORE, Public Counsel respectfully offers this response.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 2nd day of August 2006:

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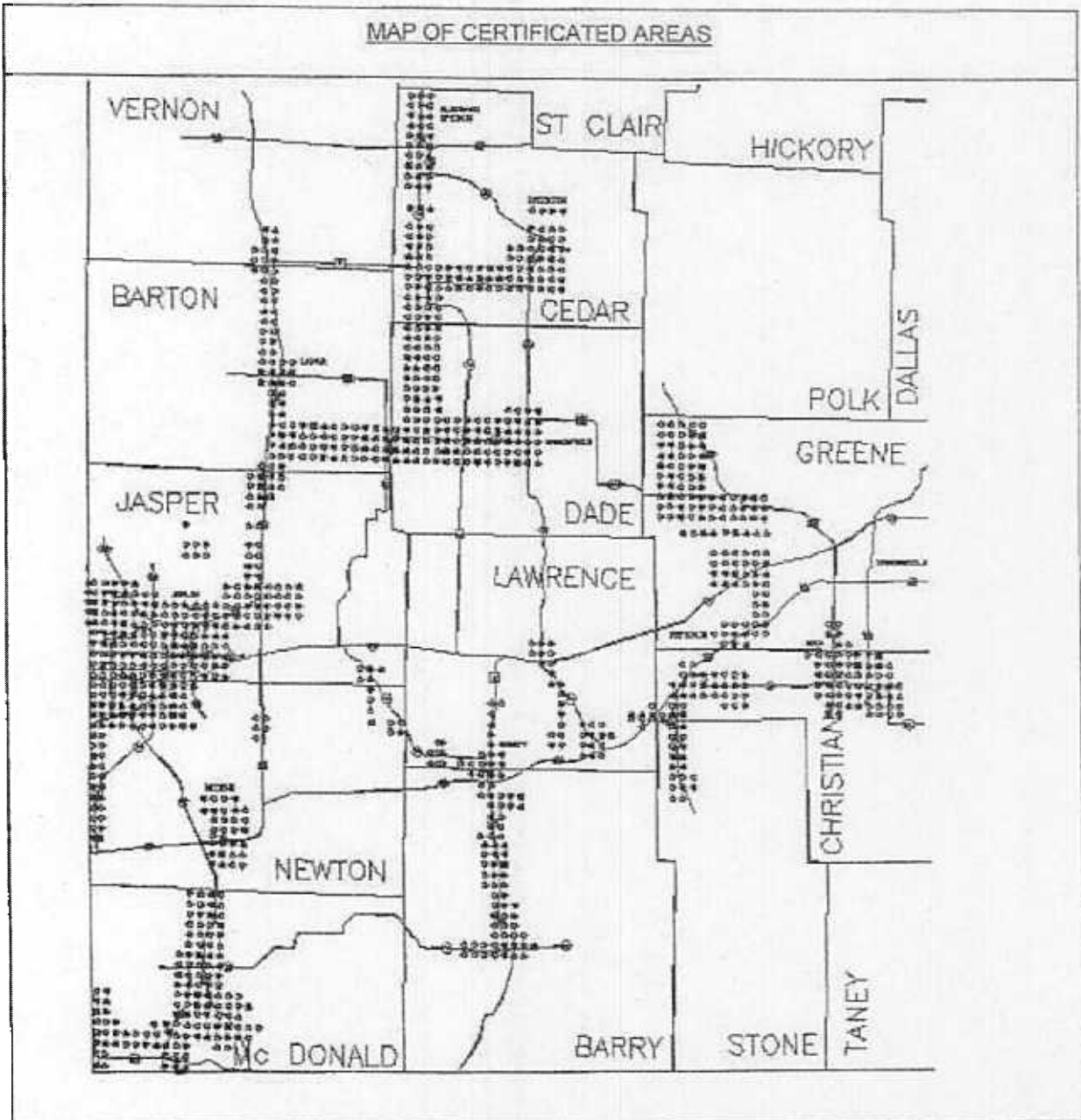
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Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas



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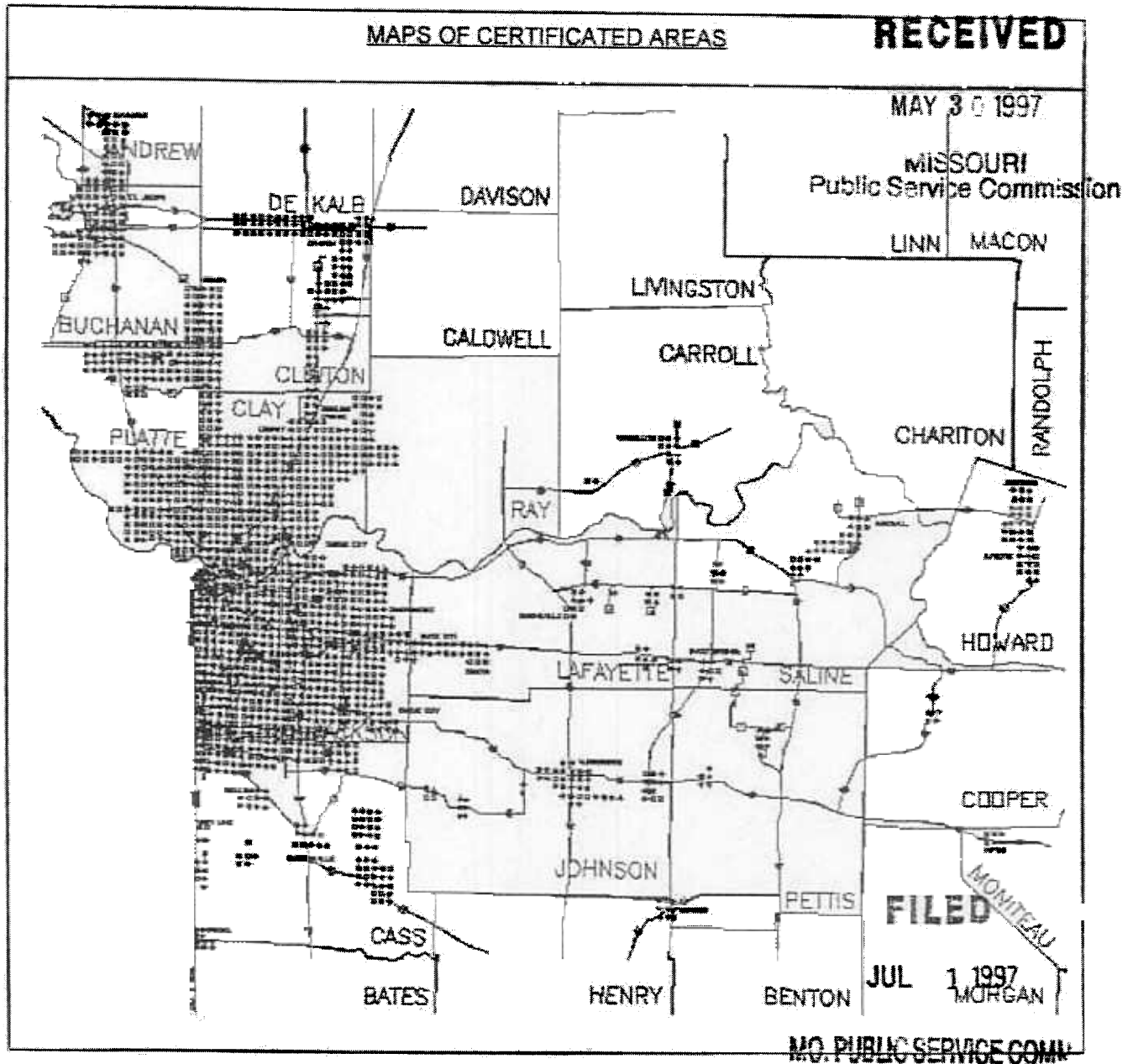
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