

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

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| In the Matter of Missouri Gas Energy and |) | |
| Its Tariff Filing to Implement a General Rate |) | <u>File No. GR-2009-0355</u> |
| Increase for Natural Gas Service |) | Tariff No. YG-2009-0714 |

SUSPENSION ORDER AND NOTICE

Issue Date April 6, 2009

Effective Date: April 6, 2009

On April 2, 2009, Missouri Gas Energy, a division of Southern Union Company (hereafter "MGE"), submitted to the Commission proposed tariff sheets intended to implement a general rate increase for natural gas service. The proposed tariff sheets bear a requested effective date of May 2, 2009.

According to MGE, the proposed natural gas service tariff sheets are designed to produce an annual increase of approximately \$32.4 million in MGE's revenues, excluding gross receipts and sales taxes, which would be a 4.7 percent increase. Together with its proposed tariff sheets and other minimum filing requirements, MGE also filed prepared direct testimony in support of its requested rate increase.

In order to allow sufficient time to study the effect of the proposed tariffs and to determine if they are just, reasonable, and in the public interest, the proposed tariffs shall be suspended for a period of 120 days beyond the requested effective date. Furthermore, because a hearing on the proposed tariffs cannot be concluded within the period of suspension above stated, the proposed tariffs shall be suspended for an additional six months beyond the 120th day following the requested effective date.

Inasmuch as the Commission is required by law to give rate increase cases preference over all other questions pending before it and to decide such cases as quickly as possible, and since the burden of proof that the proposed rates are just and reasonable is upon the company proposing the rates, MGE shall file both its recommendation concerning the proper test year to be used in these proceedings and any request for a true-up no later than two weeks after the date of this order. Any true-up request must include a proposed date to which MGE's financial data is to be brought forward.

The Commission has reserved dates for a true-up hearing. MGE's proposal should also specify a complete list of accounts or items of expense, revenues, and rate base designed to prevent any mismatch in those areas. The Commission will not consider a true-up of isolated adjustments, but will examine only a "package" of adjustments designed to maintain the proper revenue-expense-rate base match at a proper point in time. *See In re Kansas City Power & Light Company*, 26 Mo. P.S.C. (N.S.) 104, 110 (1983).

The Commission will schedule the hearing dates in this order. By establishing the hearing dates now, the Commission will ensure that this matter is heard as expeditiously as possible. Additionally, the early establishment of the hearing dates will allow ample time for notice to be sent to customers. MGE shall give notice to customers as directed in a subsequent order.

The Commission will also set an early prehearing conference and require the parties to file a proposed procedural schedule with additional filing dates for testimony, a second prehearing conference, local public hearings, the statement of issues and position papers of the parties, and the reconciliation. The Staff of the Missouri Public Service Commission shall have primary responsibility for the proposed procedural schedule. Staff should

coordinate the proposed schedule with MGE, the Office of the Public Counsel, and any intervenors, where possible.

The Staff, the Public Counsel, and all intervenors shall state their positions regarding MGE's true-up and test year proposals as hereinafter ordered. The test year is the 12-month period used to audit a company's books to determine the proper amounts of rate base, expenses and revenues to use in calculating a revenue requirement for a company. A resolution of the test year issue must be made early in the proceedings so that the parties' testimony can be reconciled to the same period. The test year involves an audit of all books and records of a company so that a total revenue requirement can be calculated.

All test year proposals shall include a specific 12-month period as a test year and should include any additional period for which a party has updated significant items from the test year. The test year with the additional period will be called a "test year as updated," or "updated test year."

In addition to a proposed test year or a proposed updated test year, a party may request isolated changes, such as those imposed by governmental bodies, as part of its case and the Commission will consider whether those isolated changes are known and measurable and whether they should be included in Company's revenue requirement. An issue to be considered in this determination is whether the proposed adjustment affects the matching of rate base, expenses, and revenue.

The Commission finds that proper persons should be allowed 20 days from the issuance of this order to file a motion for leave to intervene. The Commission's Data Center shall serve a copy of this order upon the county commission of each county in MGE's service area. In addition, the Commission's Public Information Office shall make

notice of this order available to the media serving MGE's service area and to the members of the General Assembly representing the residents of MGE's service area.

The Commission will authorize Staff to file a complaint seeking a reduction in the Company's revenues if its audit reflects that MGE's earnings are excessive.

THE COMMISSION ORDERS THAT:

1. The proposed natural gas service tariff sheets submitted on April 2, 2009, by Missouri Gas Energy, a division of Southern Union Company, designated as Tariff No. YG-2009-0714, for the purpose of increasing rates for natural gas service, are hereby suspended for a period of 120 days plus six months, from May 2, 2009, to February 28, 2010. The specific sheets suspended are:

PSC Mo. No. 1

**Fifth Revised Sheet No. 2, Canceling Fourth Revised Sheet No. 2
Ninth Revised Sheet No. 10, Canceling Eight Revised Sheet No. 10
Sixth Revised Sheet No. 17, Canceling Fifth Revised Sheet No. 17
Original Sheet No. 17.1
Fifth Revised Sheet No. 24, Canceling Fourth Revised Sheet No. 24
Sixth Revised Sheet No. 24.1, Canceling Fifth Revised Sheet No. 24.1
Eighth Revised Sheet No. 25, Canceling Seventh Revised Sheet No. 25
Second Revised Sheet No. 27, Canceling First Revised Sheet No. 27
Eighth Revised Sheet No. 28, Canceling Seventh Revised Sheet No. 28
Third Revised Sheet No. 20, Canceling Second Revised Sheet No. 30
Eighth Revised Sheet No. 31, Canceling Seventh Revised Sheet No. 31
Third Revised Sheet No. 38, Canceling Second Revised Sheet No. 38
Fifth Revised Sheet No. 40, Canceling Fourth Revised Sheet No. 40
Eighth Revised Sheet No. 42, Canceling Seventh Revised Sheet No. 42
Fourth Revised Sheet No. 54, Canceling Third Revised Sheet No. 54
Third Revised Sheet No. 55, Canceling Second Revised Sheet No. 55
Fourth Revised Sheet No. 56, Canceling Third Revised Sheet No. 56
Third Revised Sheet No. 57, Canceling Second Revised Sheet No. 57
Fourth Revised Sheet No. 58, Canceling Third Revised Sheet No. 58
First Revised Sheet No. 58.1, Canceling Original Sheet No. 58.1
First Revised Sheet No. 58.2, Canceling Original Sheet No. 58.2
First Revised Sheet No. 58.3, Canceling Original Sheet No. 58.3
First Revised Sheet No. 58.4, Canceling Original Sheet No. 58.4**

**Third Revised Sheet No. 59, Canceling Second Revised Sheet No. 59
Second Revised Sheet No. 59.1, Canceling First Revised Sheet No. 59.1
Fifth Revised Sheet No. 60, Canceling Fourth Revised Sheet No. 60
Second Revised Sheet No. 60a, Canceling First Revised Sheet No. 60a
Third Revised Sheet No. 61, Canceling Second Revised Sheet No. 61
Second Revised Sheet No. 61.1, Canceling First Revised Sheet No. 61.1
Third Revised Sheet No. 61.2, Canceling Second Revised Sheet No. 61.2
Second Revised Sheet No. 61.3, Canceling First Revised Sheet No. 61.3
Second Revised Sheet No. 61.4, Canceling First Revised Sheet No. 61.4
Third Revised Sheet No. 62, Canceling Second Revised Sheet No. 62
Second Revised Sheet No. 63, Canceling First Revised Sheet No. 63
Second Revised Sheet No. 64, Canceling First Revised Sheet No. 64
Third Revised Sheet No. 65, Canceling Second Revised Sheet No. 65
Third Revised Sheet No. 66, Canceling Second Revised Sheet No. 66
Third Revised Sheet No. 67, Canceling Second Revised Sheet No. 67
Ninth Revised Sheet No. 76, Canceling Eighth Revised Sheet No. 76
Seventh Revised Sheet No. 77, Canceling Sixth Revised Sheet No. 77
Fifth Revised Sheet No. 83, Canceling Fourth Revised Sheet No. 83
Eighth Revised Sheet No. 94, Canceling Seventh Revised Sheet No. 94
Seventh Revised Sheet No. 98, Canceling Sixth Revised Sheet No. 98
Seventh Revised Sheet No. 100, Canceling Sixth Revised Sheet No. 100
First Revised Sheet No. 103, Canceling Original Sheet No. 103
First Revised Sheet No. 103.1, Canceling Original Sheet No. 103.1
First Revised Sheet No. 103.2, Canceling Original Sheet No. 103.2
First Revised Sheet No. 103.3, Canceling Original Sheet No. 103.3
Fourth Revised Sheet No. R-87, Canceling Third Revised Sheet No. R-87**

2. Any person or entity desiring to intervene in this matter shall file an application
no later than April 27, 2009, with:

Colleen Dale, Secretary
Missouri Public Service Commission
Post Office Box 360
Jefferson City, Missouri 65102

and send copies to:

James C. Swearengen, Esq.
Brydon, Swearengen & England, P.C.
312 East Capitol Avenue
Post Office Box 456
Jefferson City, Missouri 65102

and:

Office of the Public Counsel
Post Office Box 2230
Jefferson City, Missouri 65102

3. Missouri Gas Energy, a division of Southern Union Company, shall file, on or before April 20, 2009, a pleading stating its recommendation concerning the proper test year for use in this case.

4. Missouri Gas Energy, a division of Southern Union Company, shall file any request for a true-up audit and hearing in a separate pleading concurrent with its test year recommendation.

5. The Staff of the Missouri Public Service Commission, the Office of the Public Counsel, and any persons or entities requesting intervention shall file, on or before April 30, 2009, a pleading either indicating concurrence in the recommended test year or recommending alternatives to the recommended test year.

6. The Staff of the Missouri Public Service Commission, the Office of the Public Counsel, and any intervenors shall file, on or before April 30, 2009, a pleading stating their recommendation concerning a true-up.

7. An early prehearing conference is hereby scheduled for this case on May 20, 2009, at 10:00 a.m. The early prehearing conference shall be held in Room 305 of the Governor Office Building, 200 Madison Street, Jefferson City, Missouri. The Governor Office Building meets accessibility standards required by the Americans with Disabilities Act. Any person who needs additional accommodations to participate in the hearing should call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 prior to the hearing.

8. The parties shall file a proposed procedural schedule as described in this order on or before May 27, 2009. The Commission Staff shall have primary responsibility for preparing and filing the proposed procedural schedule.

9. The Commission shall conduct local public hearings on the proposed rate increase and shall set the times, dates and locations of these local public hearings in a subsequent order. The parties and intervenors, if any, shall file recommendations as to the dates and locations for local public hearings in this case on or before June 4, 2009.

10. The Office of the Public Counsel shall file a proposed customer notice no later than June 4, 2009. Any party may object to that proposed notice no later than June 11, 2009.

11. An evidentiary hearing is hereby scheduled for this case as follows: October 19, 2009, through October 23, 2009; October 26, 2009 through October 30, 2009; and November 2, 2009, through November 6, 2009. The hearing shall commence at 8:30 a.m. on October 19, 2009. The evidentiary hearing shall be held in Room 310 of the Governor Office Building, 200 Madison Street, Jefferson City, Missouri. The Governor Office Building meets accessibility standards required by the Americans with Disabilities Act. If any person needs additional accommodations to participate in the hearing, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 prior to the hearing.

12. December 1-2, 2009, is reserved for a true-up hearing in this case, in the event that such a hearing is requested and the Commission grants the request. The true-up hearing shall be held in Room 310 of the Governor Office Building, 200 Madison Street, Jefferson City, Missouri. The Governor Office Building meets accessibility standards

required by the Americans with Disabilities Act. If any person needs additional accommodations to participate in the hearing, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 prior to the hearing.

13. The Data Center of the Missouri Public Service Commission shall serve a copy of this order upon the county commission of each county affected by the tariff filing as pled by Missouri Gas Energy, a division of Southern Union Company.

14. The Commission's Public Information Office shall make notice of this order available to the members of the General Assembly representing the residents of the service area affected by the tariff filing as pled by Missouri Gas Energy, a division of Southern Union Company, and to the news media serving the residents of the counties affected by the tariff filing as pled by Missouri Gas Energy, a division of Southern Union Company.

15. The Staff of the Missouri Public Service Commission is hereby authorized to file a complaint seeking a reduction in the revenues of Missouri Gas Energy, a division of Southern Union Company, if its audit reflects that the earnings are excessive. Any such complaint shall be filed in this case.

16. This order shall become effective on April 6, 2009.

(S E A L)

Ronald D. Pridgin, Senior Regulatory
Law Judge, by delegation of authority
pursuant to Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 6th day of April, 2009.

BY THE COMMISSION

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

Colleen M. Dale
Secretary