

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 3rd day of
May, 2005.

In the Matter of the Application of Missouri Gas)	
Energy, a Division of Southern Union Company,)	<u>Case No. GO-2005-0273</u>
for Approval to Establish an Infrastructure System)	Tariff No. YG-2005-0615
Replacement Surcharge.)	

ORDER APPROVING
AN INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE
BUT REJECTING SUBMITTED TARIFF

Background

On February 14, 2005, Missouri Gas Energy, a division of Southern Union Company, filed an Application and Petition for Establishment of an Infrastructure System Replacement Surcharge (ISRS). MGE's request to establish an ISRS was accompanied by an implementing tariff with an effective date of March 14, 2005. The Commission has suspended the tariff until June 14, 2005.

Having directed that notification of the application be sent to the County Commissions and members of the General Assembly of those counties being served by MGE, the Commission received no requests to intervene.

The Application

MGE filed its application, seeking to recover costs for infrastructure system replacements that are eligible for ISRS recognition under Sections 393.1009, 393.1012, and 393.1015, RSMo Cum. Supp. 2004. Generally, MGE seeks the following:

Total Revenue Requirement on Capital	\$751,854 ¹
Under-recovery of previous ISRS	\$121,474
Cost of Removal	\$199,884
Depreciation Expense	\$197,974
<u>Property Taxes</u>	<u>\$ 93,425</u>
Total ISRS Revenues	\$1,364,611 ²

The specific infrastructure system replacements for which MGE seeks ISRS recognition are set forth in Appendix A to the company's Application.

Staff's Memorandum

Staff filed its memorandum on April 13, 2005, recommending that the Commission approve ISRS rates designed to recover annual revenues of \$1,164,726. Staff stated that this amount is equal to the \$1,364,610 requested by MGE, less the "Cost of Removal" of \$199,884. In support of this position, Staff stated that Section 393.1009(7) defines ISRS costs as depreciation expense and property taxes and that cost of removal is not included in this definition.

Based on a spot check of the project work orders included for recovery in MGE's proposed ISRS, Staff stated that the specified projects meet the requirements of the statute for inclusion in the ISRS. Staff recommends that the Commission issue an order that:

- (1) Rejects the tariff sheet filed by MGE on February 14, 2005.
- (2) Authorizes MGE to file a tariff to impose an ISRS that is sufficient to recover appropriate annual pre-tax revenues in the amount of \$1,164,726.
- (3) Authorizes MGE to file an ISRS rate for each customer class that is reflected in Attachment B to Staff's Memorandum.

¹ Staff calculated this amount to be \$751,853.

² In its Application, MGE incorrectly totaled these figures to be \$1,364,610.

MGE's response to Staff's Memorandum

On April 18, 2005, MGE filed a Notice of Agreement with Staff's Recommendation. MGE states that because the parties are in agreement, there no longer appears to be a reason for the original suspension period and requests that the Commission issue an order as described by Staff as soon as possible.

Discussion

Based on MGE's application and Staff's report regarding the application, the Commission concludes that MGE should be permitted to establish an ISRS sufficient to recover appropriate annual pre-tax revenues of \$1,164,726. MGE will be authorized to file an ISRS rate for each customer class consistent with the rates set out in Attachment B to Staff's Memorandum. Because the authorized revenues and rates differ from those contained in the tariff initially submitted by MGE, that tariff will be rejected. However, MGE will be authorized to file, in this case, a new tariff consistent with this order.

IT IS THEREFORE ORDERED:

1. That Missouri Gas Energy, a division of Southern Union Company, is authorized to establish an Infrastructure System Replacement Surcharge sufficient to recover appropriate annual pre-tax revenue of \$1,164,726.
2. That Missouri Gas Energy, a division of Southern Union Company, is authorized to establish and Infrastructure System Replacement Surcharge rate for each of its customer classes as indicated in Attachment B to Staff's Report.
3. That the tariff sheet filed by Missouri Gas Energy, a division of Southern Union Company, and assigned tariff number YG-2005-0615, is rejected. The tariff sheet rejected is:

P.S.C MO No. 1

Third Revised Sheet No. 10, Canceling Second Revised Sheet No. 10

4. That Missouri Gas Energy, a division of Southern Union Company, is authorized to file a new tariff recovering the revenue, and implementing the rates, authorized in this order.

5. That this order shall become effective on May 13, 2005.

BY THE COMMISSION

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Murray, Gaw, Clayton, and Appling, CC., concur.
Davis, Chm., concurs, with separate concurring
opinion to follow.

Jones, Regulatory Law Judge