

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Review of the Purchased Gas)
Adjustment Clauses in the Tariffs of Local Distribution) **Case No. GO-2002-452**
Companies.)

CONCURRING OPINION OF CHAIRMAN KELVIN L. SIMMONS

The Missouri Public Service Commission determined that the changes agreed upon by the parties to the current Purchased Gas Adjustment (PGA) process were acceptable, and this case should be closed. The Staff of the Commission, with the extensive involvement of the local distribution companies and the Office of the Public Counsel, can be praised for collaboratively working to refine the PGA process. I am convinced that if the PGA mechanism is to be used, that the changes recommended by the parties should be implemented and this case should be closed. Even though I concur with the decision, I remain seriously concerned about the PGA mechanism.

I continue to be somewhat skeptical of the PGA process because of the portion of the natural gas industry that is not regulated by this Commission. Even though the Missouri courts have recognized the PGA process,¹ the Missouri General Assembly has never addressed whether this is a good process for the citizens who purchase natural gas to heat their homes. Recent history has shown us that gas producers can manipulate the market. If the producers have manipulated the markets, the natural gas consumers suffer

¹ See, Midwest Gas Users Association v. Public Service Commission of the State of Missouri, 976 S.W.2d 485 (Mo.App. W.D.1998).

an immediate harm when they pay their gas bills. Under the current mechanism, however, the consumer cannot know at the time the bill is paid, if they are paying the correct amount and it may be months before any adjustments are made.

My concerns about the PGA mechanism are not new. During the 2000-2001 winter heating season, I dissented from the Commission decisions² that drastically, and almost automatically, raised the cost of natural gas to consumers in Missouri. In my dissents, I raised the issue that even though the Commission conducts a prudence review under the PGA mechanism, we could not be certain that the natural gas producers were not manipulating the gas markets.

As a result of that heating season, the Federal Energy Regulatory Commission (FERC) is currently investigating companies that could have contributed to the manipulation of the natural gas markets through questionable trading activity. In fact, the FERC has recently found that some producers did manipulate the market.

² See, Case Nos. GR-2001-382, GR-2001-387, GR-2001-388, GR-2001-394, GR-2001-396, and GR-2001-397.

I believe the Staff and the other parties did the best they could to revise the current PGA process. For that reason, I concur in the decision but with the foregoing reservations about the PGA mechanism.

Respectfully submitted,

Kelvin L. Simmons, Chairman

(S E A L)

Dated at Jefferson City, Missouri,
on this 6th day of June, 2003.