

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 19th day of
January, 2006.

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| In the Matter of the Application of Missouri Gas |) | |
| Energy, a Division of Southern Union Company, |) | <u>Case No. GO-2006-0201</u> |
| for Approval to Change Its Infrastructure System |) | Tariff No. YG-2006-0348 |
| Replacement Surcharge |) | |

ORDER APPROVING
AN INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE BUT
REJECTING SUBMITTED TARIFF

Issue Date: January 19, 2006

Effective Date: January 29, 2006

On November 1, 2005, Missouri Gas Energy, a division of Southern Union Company, filed an Application and Petition for Establishment of an Infrastructure System Replacement Surcharge. MGE's request to change its Infrastructure System Replacement Surcharge – an ISRS – was accompanied by an implementing tariff. The Commission has suspended that tariff until March 7, 2006. MGE seeks to increase its ISRS rates in order to recover costs for infrastructure system replacements and relocations that are eligible for ISRS recognition under sections 393.1009, 393.1012, and 393.1015, RSMo Cum. Supp. 2005.

MGE's current ISRS rates became effective May 13, 2005, and cover investments made for the period of May 1, 2004 through December 31, 2004. MGE's current ISRS rates generate \$1,164,726 in revenues annually. The pending application represents investments made from January 1, 2005, through October 31, 2005, and

would generate an additional \$1,223,622 in annual revenues. The specific infrastructure system replacements for which MGE seeks ISRS recognition are set forth in Appendices A, B, C, and D to MGE's application.

Section 393.1015.1(2) requires that the Commission publish notice of MGE's ISRS filing. Therefore, on November 10, 2005, the Commission directed that notice of the filing be mailed to the county commission of the counties served by MGE. It also directed that notice be given to the media serving those counties, and to the members of the General Assembly representing those counties. In that same order, the Commission directed that any person wishing to intervene in this matter shall file an application to intervene no later than December 9, 2005. The Commission did not receive any applications to intervene.

Staff filed its report on January 4, 2006, indicating that its auditing and energy departments have examined MGE's ISRS application. Based on the results of its examination, Staff recommended that MGE's ISRS rates should be designed to recover annual revenues totaling \$2,388,348 (\$1,223,622 in new revenues, and \$1,164,726 from its current rates as determined in Case No. GO-2005-0273). Staff arrived at that figure using a slightly different computation of ISRS rates for each customer class than MGE proposed in its application. Based on the statutory requirement that "the monthly ISRS for each customer class maintains a proportional relationship equivalent to the proportional relationship of the monthly customer charge for each customer class,"¹ Staff calculated the ISRS rate for each customer class as follows:

¹ Section 393.1015.5(1), RSMo Cum Supp. 2005.

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| Residential | \$.36 |
| Small General Service | \$.48 |
| Large General Service | \$ 2.86 |
| Large Volume Service | \$14.74 |

On January 5, 2006, MGE filed a response accepting the recommendations contained in Staff's report. Although a party to the case, the Office of the Public Counsel did not file a response.

Based on MGE's application and Staff's report regarding that application, the Commission concludes that MGE shall be permitted to establish an ISRS sufficient to recover appropriate annual pre-tax revenues of \$1,223,622 from its current application, combined with \$1,164,726 previously approved in Case No. GO-2005-0273. MGE shall be authorized to file an ISRS rate for each customer class consistent with the rates set out in Staff's report. Because the rates differ slightly from those contained in the tariff previously submitted by MGE, that tariff shall be rejected. MGE shall, however, be authorized to file a new tariff consistent with this order. The date reserved for a potential hearing or presentation will not be necessary and shall be canceled.

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 \$2,388,348, including \$1,164,726 previously authorized in Case No. GO-2005-0273 and \$1,223,622 of additional revenues.

2. That Missouri Gas Energy, a division of Southern Union Company, is authorized to establish an Infrastructure System Replacement Surcharge rate for each of its customer classes as indicated in the Staff Memorandum filed January 4, 2006.

3. That the tariff sheet filed by Missouri Gas Energy, a division of Southern Union Company, on November 7, 2005, and assigned tariff number YG-2006-0348, is rejected. The tariff sheet rejected is:

P.S.C MO. No. 1
Fourth Revised Sheet No. 10, Canceling Third 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 the reservation of February 1, 2006, as a potential date for a hearing or presentation is canceled.

6. That this order shall become effective on January 29, 2006.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Gaw, Clayton and Appling, CC., concur
Murray, C., absent

Dippell, Deputy Chief Regulatory Law Judge