

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's Proposed)	<u>Case No. GT-2008-0393</u>
Modifications to Its Transportation Tariff.)	Tariff No. JG-2008-0680

ORDER SUSPENDING TARIFF

Issue Date: June 19, 2008

Effective Date: June 22, 2008

Missouri Gas Energy filed a proposed revision to its transportation tariff on May 15, 2008. That revision was intended "to eliminate an unintended incentive for large volume customers or their agents to clear market positions at the expense of MGE commodity sales customers."¹

The Staff of the Missouri Public Service Commission reviewed the tariff filing and submitted a recommendation to the Commission dated June 9, 2008, in which it recommended that the tariff be allowed to become effective on its proposed effective date, June 15, 2008. The Commission discussed the tariff filing on its regularly scheduled agenda on June 12, 2008. No action was taken by the Commission at that time.

On June 12, 2008, the Midwest Gas Users' Association filed a motion requesting that the tariff be suspended for a period of 45 days. Midwest alleged in its motion that the tariff revision would create an imbalance for transportation customers in the way MGE treats over nominations by its transportation customers. Midwest argues that:

[I]n the circumstance when "nominations" (which may differ from actual deliveries) are less than actual takes. . . . [a] reconciliation of

¹ MGE Cover letter, submitted in Tracking Number JG-2008-0680, dated May 20, 2008.

any outstanding imbalances would occur (depending on their size) by cashing out the imbalance in favor of MGE. Currently this would be without taking into account the cost of transportation from the interstate pipeline necessary to get the natural gas to MGE's city gate. Currently this mechanism is symmetrical in that no corresponding adjustment is made when nominations or actual deliveries exceed actual takes. MGE's proposal would seek to change this, but on only one side of the balancing sheet. No corresponding adjustment however, is proposed when "nominations" or actual deliveries exceed actual takes and in that circumstance, there is a windfall to MGE in that gas is taken or retained without consideration of the cost of delivery.²

In addition, Midwest complains that it did not receive notice directly from MGE of this tariff filing. Because Midwest did not learn of the tariff revision until the Commission discussed it in its open meeting on June 12, 2008, Midwest also filed a motion for expedited treatment.

On June 13, 2008, the Commission suspended the tariff for seven days beyond its effective date in order to receive responses to the motions.

Staff filed a response on June 17, 2008 in which it did not address the merits of Midwest's allegations but continued to recommend that the tariff be approved. Staff indicated that the tariff filing was made in accordance with Commission rules. Staff states in its recommendation:

When MGE's transportation customers over-nominate (undertakes) natural gas, MGE cashes-out the monthly imbalances at the current monthly price. The current tariff requires MGE to pay the transportation customer the commodity cost of the over-nominations plus MGE's firm transportation charges. MGE proposes to eliminate the requirement to pay the transportation customers the firm transportation charge on the over nominations.

Staff agrees with MGE's proposal to eliminate this provision in its tariffs because it requires MGE to pay for firm transportation that it doesn't need to serve its customers. MGE has already contracted for

² Objection and Request for Suspension of Proposed Tariff Sheet, (filed June 12, 2008).

all of the firm transportation it needs to meet the demands of its customers. Leaving this provision in place would unnecessarily increase costs to MGE's customers.³

MGE also filed a response. In its response, MGE states that it made the tariff filing in compliance with Commission rules and that the tariff sheet contained an effective date that was thirty days after the filing date. MGE also states that:

9. Further, this the [sic] transportation cost associated with the over nominated gas does not represent an avoided cost for MGE. As pointed out by the Staff Recommendation, MGE has already contracted for all the firm transportation it needs to serve its customers. Leaving the subject provision in place would require MGE to pay for transportation that it does not need in order to serve its customers. Accordingly, MGE has proposed to eliminate the payment of transportation costs where a transport customer has over nominated. MGE believes that this change will provide an additional incentive for customers to balance their nomination and usage as closely as possible.

10. The proposed change does not create a “windfall to MGE” as alleged by Midwest. The consequences of the payment for this gas is borne by MGE’s purchased gas adjustment (PGA) account – the more MGE pays the transporters for this gas, the higher the PGA for sales customers and the less MGE pays transporters for this gas, the lower the PGA for sales customers.

Midwest filed a reply to Staff’s and MGE’s responses on June 18, 2008. In its reply, Midwest reiterates its complaint about a lack of notice and states that representatives from the two companies have had some discussions of the issues.

The Commission has reviewed the pleadings and the tariff filing. The tariff filing has been made with the required thirty-day notice period. In addition, Staff has reviewed its provisions and found the filing to be in compliance with Commission rules. However, the Commission encourages communication between the state’s utilities and their customers,

³ Staff Response to Motion and Recommendation, (filed June 18, 2008), Appendix A.

and will allow additional time for such communication. Therefore, the Commission will suspend this tariff until June 27, 2008.

IT IS ORDERED THAT:

1. The Objection and Request for Suspension of Proposed Tariff Sheet filed on June 12, 2008 by Midwest Gas Users' Association is granted in part, in that the tariff will be suspended until June 27, 2008, to allow additional communication between Missouri Gas Energy and the Midwest Gas Users' Association.
2. The tariff sheets issued on May 25, 2008, by Missouri Gas Energy and assigned Tariff No. JG-2008-0680 are further suspended for a period of five days beyond June 22, 2008, to June 27, 2008, or until otherwise ordered by this Commission.
3. This order shall become effective on June 22, 2008.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Colleen M. Dale, Chief Regulatory
Law Judge, by delegation of authority
pursuant to Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 19th day of June, 2008.