

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

In the Matter of MGE's Application and Petition	)	
To Change its Infrastructure System Replacement	)	<b><u>File No. GO-2012-0144</u></b>
Surcharge and Request for Waivers	)	Tariff File No. JG-2012-0207

**STAFF RESPONSE TO ORDER  
DIRECTING FILING OF STAFF REPORT**

1. On November 8, 2011, Southern Union Company d/b/a Missouri Gas Energy (MGE) filed an Application and Petition with the Commission requesting authorization to establish an Infrastructure System Replacement Surcharge (ISRS) for several gas utility plant projects in Missouri as allowed by Missouri Statute Sections 393.1009393.1012 and 393.1015, (RSMo 2000 as currently supplemented). MGE also requested a waiver of the 60-day Notice of Filing required under 4 CSR 240-4.020(2).

2. Attached is Staff's Report, which recommends MGE's proposed ISRS filing be approved only as discussed below.

3. In this proceeding, MGE filed to recover ISRS-qualifying infrastructure replacement costs incurred during the period February 1, 2011 through September 30, 2011.

4. Staff's Recommendation is also consistent with Staff's view that the calculation of an ISRS surcharge should closely reflect the Company's revenue requirement that will exist on the effective date of the ISRS rates.

5. The Auditing and Energy Department Staff have reviewed MGE's ISRS application, including all supporting workpapers and calculations and an audit sample of work orders and invoices, and have coordinated with MGE personnel for additional

information when necessary. Based on this review, Staff had made a minor adjustment to MGE's proposed rates of \$26,276.

6. Staff's adjustment is based on the timing of deferred taxes and depreciation reserve. While MGE calculated the deferred taxes and depreciation reserve through December 31, 2011, Staff calculated the same through February 29, 2012, per Commission Rule 4 CSR 240-3.265 (12), which allows the commission to issue its Order with an effective date as late as March 8, 2012. This methodology is consistent with Staff's approach in other ISRS cases, including MGE's two most recent ISRS filings.

7. Based on an ISRS net investment date of February 29, 2012, Staff recommends the Commission approve a revenue requirement of \$1,393,096. The difference between this recommended amount and MGE's proposed amount of \$1,419,372 is \$26,276.

8. Finally, Staff's proposed ISRS Rate Schedules differ from MGE's in two respects:

- A. First, MGE calculated its Small and Large General Service customer level numbers by averaging the numbers between May and December of 2010, reflecting all customers who changed classes after MGE's most recent rate case. Staff, on the other hand, used customer counts from MGE's most recent annual report filing, along with historical class weightings. This methodology is consistent with Staff's usual approach in ISRS cases.

B. Second, MGE requested an increase in annual revenue of \$1,419,372.

Based on Staff's revenue requirement adjustment described above, Staff recommends an increase in annual revenue of \$1,393,096.

9. Staff's proposed rates are consistent with the methodology used to establish MGE's past ISRS rates and consistent with the overall methodology used to establish ISRS rates for other utilities. Staff is recommending a cumulative revenue requirement for MGE's ISRS surcharge of \$4,701,158 annually. The incremental amount for this case is \$1,393,096.

10. Staff does not oppose MGE's request for waiver pursuant to Commission Rule 4 CSR 240-4.020(2).

11. Based upon its analysis of MGE's Application and other information obtained during Staff's review, Staff recommends the Commission issue an order in this case that:

- A. Rejects MGE's ISRS tariff sheet Revised Tariff Sheet P.S.C MO No. 1 Thirteenth Revised Sheet No. 10 filed November 8, 2011;
- B. Approves Staff's recommended ISRS surcharge revenues in the incremental amount of annual pre-tax revenues of \$1,393,096; and
- C. Authorizes MGE to file an ISRS rate for each customer class as reflected in Appendix B to Staff's Recommendation, which generates \$4,701,158 annually.

Respectfully submitted,

**/s/ Amy E. Moore**

Amy E. Moore

Legal Counsel

Missouri Bar No. 61759

Attorney for the Staff of the

Missouri Public Service Commission

P. O. Box 360

Jefferson City, MO 65102

(573) 751-4140 (Telephone)

(573) 751-9285 (Fax)

amy.moore@psc.mo.gov

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 6th day of January, 2012

**/s/ Amy E. Moore**