BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In re Missouri Gas Energy's Revised Transportation Tariff.	))	**File No. GT-2010-0261**

MGE'S STATEMENTS OF POSITION

Comes now Missouri Gas Energy, a division of Southern Union Company (MGE), and for its Statements of Position, states the following to the Missouri Public Service Commission (Commission) concerning the issues contained in the Joint List of Issues, List of Witnesses, Order of Cross-Examination and Order of Opening, filed on July 2, 2010:

SUMMARY OF MGE POSITIONS

MGE does not object to the expansion of the availability of its transportation service. However, MGE believes that this expansion must be undertaken in a way that will not impact MGE's ability to provide safe and adequate service to its customers or require firm sales customers or the existing transportation customers to subsidize those customers who elect to take the transportation service.

BACKGROUND

On February 10, 2010, the Commission issued its Report and Order in MGE's most recent general rate case - Case No. GR-2009-0355. Among other things, the Report and Order approved a Partial Stipulation and Agreement (filed in the case on November 5, 2009).

The Partial Stipulation and Agreement included the following language concerning the threshold for customers to qualify for natural gas transportation service -- "[n]o later than March 15, 2010, MGE will file a revised transportation tariff lowering the threshold for eligibility to include larger customers within the LGS rate class of MGE with a proposed effective date of September 1, 2010."

MGE filed the referenced tariff sheets on March 15, 2010. On March 23, 2010, the Commission issued a Notice of New Proceeding creating this case.

The purpose of this case is to examine and resolve issues attendant to lowering the transportation volume threshold on MGE's system, with the goal of implementing that service no later than November 1, 2010. Partial Stipulation and Agreement, Para. 17.c.

ISSUES/POSITIONS

1. Threshold issues

a. What minimum threshold should be established for being permitted to elect to take service as a transportation customer?

MGE Position: Transportation service should be made available to those customers whose annual usage exceeds 50,000 Ccf in the preceding calendar year. Using annual usage of 50,000 Ccf as the threshold would eventually make transportation service available to about 211 additional customers. Currently, approximately 375 customers transport under the Large Volume tariff. Thus, MGE's proposal would potentially increase the number of transportation customers by almost 60%.

Kirkland Supp. Dir., pp. 4-6.
Kirkland Supp. Reb., pp. 3-5.

b. If the threshold for MGE's transportation service is lowered, should the new usage threshold level and/or the number of qualifying customers be "phased-in"? If so, what phase-in should be used?

MGE Position: MGE has proposed that there be a phase-in period, with transportation service made available to those customers whose usage exceeds 100,000 Ccf in the preceding year in the first year (2010) and with service limited to the first fifty (50) customers that apply; those that exceed 70,000 Ccf in the second year (2011), with service limited to the first 100 customers that apply; and, 50,000 Ccf in the third year (2012).

MGE's proposal to phase-in the usage threshold was made to allow the largest customers qualify for transportation service the soonest. However, if that is not a concern for the parties or the Commission, the new usage threshold does not need to be phased-in.

However, the number of customers must be phased-in. MGE believes that it can accommodate an additional fifty (50) customer installations per year without adding personnel to its existing staff. Over the last 36 months, MGE has added 23 LV customers, or approximately 8 customers per year. MGE will need additional experience to quantify the additional resources which will be needed to connect the new customers and monitor these customers in its balancing system.

MGE's proposal represents a meaningful expansion that will test MGE's ability to convert customers and its system's ability to track those customers.

Kirkland Supp. Dir., pp. 4-6.
Kirkland Supp. Reb., pp. 5-7.

2. Telemetry/Electronic Gas Measurement (EGM) Issues

a. Should telemetric measuring equipment be required for all transport customers, except schools where a statute specifies the exemption?

MGE Position: Telemetry/EGM equipment must be required for all transportation service customers. This equipment provides daily usage information that is necessary for transportation customers to adjust daily nominations in kind with daily usage and for MGE to effectively manage its gas supply operations.

MGE's experience indicates that schools, which have a statutory exemption from telemetry equipment, have had significant difficulty in attempting to predict their usage. The consequence of that inability to predict usage is that these customers effectively balance using the resources of MGE and its firm customers. This circumstance should not be exacerbated as MGE expands the availability of its transportation service.

Kirkland Supp. Dir., pp. 8-10.
Kirkland Supp. Reb., pp. 8-13.

b. If telemetry is not mandatory for all transport customers, what are the appropriate criteria for determining which customers are exempt from the telemetry requirement?

MGE Position: As stated herein, MGE takes the position that for operational and rate design reasons telemetry/EGM equipment must be mandatory for all transportation customers. MGE has no position as to what criteria might be appropriate if these concerns are ignored.

c. If telemetry is not mandatory for all transport customers, what is the appropriate mechanism to determine and recover all appropriate costs?

MGE Position: A special balancing fee has been used by some local distribution companies to compensate firm customers for the costs to the firm customers associated with non-telemetered transportation customers. For example, The Empire District Gas Company has such a fee.

MGE has no such fee in its existing tariffs, nor is there evidence in this case indicating what a just and reasonable rate would be for such a fee on the MGE system.

Kirkland Supp. Reb., p. 13.

d. What is the appropriate cost to be paid by those customers that must have telemetry/EGM equipment?

MGE Position: New transportation customers should be required to reimburse MGE for the actual, installed cost of telemetry/EGM equipment. This approach assigns equipment costs in a way that firm sales customers and the existing transportation customers are not required to subsidize those customers who elect to take the transportation service.

The actual, installed cost will vary over time based on individual circumstances and technology developments. MGE's existing tariff requires that transportation customers "reimburse Company for the installed cost of EGM equipment." (MGE Tariff, Sheet 71). This tariff language is appropriate and does not need to be changed as a result of this case.

Kirkland Supp. Dir., pp. 8-10.
Kirkland Supp. Reb., pp. 13-16.
Spector Supp. Reb., pp. 2-5.

e. Should the installed cost of telemetry charged to a transport customer include a pressure/temperature corrector device?

MGE Position: Yes. Currently, the telemetry equipment/EGM installed by MGE for transportation customers (excluding non-LV schools) includes pressure/temperature correction. The metering equipment is necessary to transmit daily usage readings to MGE even if volumes do not need to be pressure corrected. Until such time as technology enhancements allow MGE to install metering equipment without pressure correction, MGE needs to install telemetry/EGM equipment being used currently. Precise measurement is important not only to these transportation customers, but to MGE's management of its gas supply.

Spector Supp. Reb., p. 3.

3. <u>**Capacity Release issues**</u>

How should capacity that is released to customers transferring to transportation service be addressed?

MGE Position: The expansion of the number of customers who qualify for transportation service creates a potential for "stranded" interstate transportation capacity. MGE has transportation and storage capacity contracts in order to serve its firm sales customers. Firm service customers who change to transportation service will no longer require service under MGE's interstate pipeline contracts. Under MGE's existing tariff provisions, MGE's remaining customers would pay for the cost of the interstate transportation capacity that was purchased for those customers who change to transportation service.

MGE has proposed that as a condition of a customer being able to transfer from sales service to transportation service, the customer or pool operator would agree to accept a pro-rata release of the Company's pro-rata share of the applicable interstate pipeline's firm capacity, excluding storage capacity. This pro-rata share would be based the customer's peak month demand volume in order to pay the pipeline for that released capacity. The interstate pipeline transportation capacity cost would be derived from an average of MGE's interstate pipeline transportation contracts.

Kirkland Supp. Dir., pp. 7-8.
Kirkland Supp. Reb., pp. 16-18.

WHEREFORE, MGE respectfully requests that the Commission consider these statements of position.

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ATTORNEYS FOR MISSOURI GAS ENERGY,

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 7th day of July, 2010, to:

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