

**MISSOURI GAS ENERGY**  
A division of Southern Union Company

**Office of Public Counsel - Missouri**  
**DATA INFORMATION REQUEST RESPONSE**

**Case Number: GR-2009-0355**

Data Request No 1206

**Requested From:** Mike Noack

**Date Requested:** 8/6/2009

**Information Requested:**

Please provide the journal entries by month to record the amortization of the \$1,161,771 of ECWR costs from GR-2006-0422 referenced in Mr. Noack's response to parts A and B of the OPC data request 0037.

**Requested By:** Trippensee

**Information Provided:**

Attached is a .pdf showing the journal entries creating the deferral allowed in rates and the first amortization entry, since the amount is the same every month. Also attached is a schedule showing by month the journal entry number and the account numbers used through the last amortization entry that will be booked.

*The information provided in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to promptly notify the requesting party if, during the pendency of Case No. GR-2009-0355 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.*

**Date Response Received:** \_\_\_\_\_

**Prepared By:** John Lassman

**Approved by:** 

Director, Pricing and Regulatory Affairs

**Date:** 8/12/09

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Unposted Journals  
For APR-2007

Report Date: 03-MAY-2007 11:05  
Page: 1 of 1

Posting Status: Unposted Journals  
Currency: USD  
Source: Recurring

Batch Name: 230-02800-JDLASSMAN: 03-MAY-07 10:58:58

Batch Effective Date: 30-APR-07 Balance: Actual Posted Date:

Journal Entry Name: 230-02800-JDLASSMAN: 03-MAY-07 10:58:58  
Journal Reference:

Category: GL  
Currency: USD

Line Accounting Flexfield	Trans Date Description	Debits	Credits	Units
10 230.0000.230999.90400002.69001.00000000000000000000.230999.000.000000.0000.000000 30-APR-07		32,271.00		0.00
20 230.0000.000000.18230030.00000.00000000000000000000.000000.000.000000.0000.000000 30-APR-07			32,271.00	0.00
Header Total:		32,271.00	32,271.00	0.00
Batch Total:		32,271.00	32,271.00	0.00
Recurring Total:		32,271.00	32,271.00	0.00
Grand Total:		32,271.00	32,271.00	0.00

*John O. Lassman*  
5/03/07

**Missouri Gas Energy**  
**Amortization of Cold Weather Rule Bad Debt Deferral - GR-2006-0422**  
**As of March, 2007**

	Deferred	Write-off	Amortization	Net Activity	Balance
Calendar Year 2006	1,161,769.00	0.00	0.00	1,161,769.00	1,161,769.00
Calendar Year 2007	0.00	0.00	(290,439.00)	(290,439.00)	871,330.00
Calendar Year 2008	0.00	0.00	(387,252.00)	(387,252.00)	484,078.00
Calendar Year 2009	0.00	0.00	(387,252.00)	(387,252.00)	96,826.00
Calendar Year 2010	0.00	0.00	(96,826.00)	(96,826.00)	0.00

	Deferred	Write-off	Amortization	Net Activity	Balance
September 2006	900,000.00			900,000.00	900,000.00
October 2006	0.00			0.00	900,000.00
November 2006	0.00			0.00	900,000.00
December 2006	261,769.00			261,769.00	1,161,769.00
January 2007	0.00			0.00	1,161,769.00
February 2007	0.00			0.00	1,161,769.00
March 2007	0.00			0.00	1,161,769.00
April 2007			(32,271.00)	(32,271.00)	1,129,498.00
May 2007			(32,271.00)	(32,271.00)	1,097,227.00
June 2007			(32,271.00)	(32,271.00)	1,064,956.00
July 2007			(32,271.00)	(32,271.00)	1,032,685.00
August 2007			(32,271.00)	(32,271.00)	1,000,414.00
September 2007			(32,271.00)	(32,271.00)	968,143.00
October 2007			(32,271.00)	(32,271.00)	935,872.00
November 2007			(32,271.00)	(32,271.00)	903,601.00
December 2007			(32,271.00)	(32,271.00)	871,330.00
January 2008			(32,271.00)	(32,271.00)	839,059.00
February 2008			(32,271.00)	(32,271.00)	806,788.00
March 2008			(32,271.00)	(32,271.00)	774,517.00
April 2008			(32,271.00)	(32,271.00)	742,246.00
May 2008			(32,271.00)	(32,271.00)	709,975.00
June 2008			(32,271.00)	(32,271.00)	677,704.00
July 2008			(32,271.00)	(32,271.00)	645,433.00
August 2008			(32,271.00)	(32,271.00)	613,162.00
September 2008			(32,271.00)	(32,271.00)	580,891.00
October 2008			(32,271.00)	(32,271.00)	548,620.00
November 2008			(32,271.00)	(32,271.00)	516,349.00
December 2008			(32,271.00)	(32,271.00)	484,078.00
January 2009			(32,271.00)	(32,271.00)	451,807.00
February 2009			(32,271.00)	(32,271.00)	419,536.00
March 2009			(32,271.00)	(32,271.00)	387,265.00
April 2009			(32,271.00)	(32,271.00)	354,994.00
May 2009			(32,271.00)	(32,271.00)	322,723.00
June 2009			(32,271.00)	(32,271.00)	290,452.00
July 2009			(32,271.00)	(32,271.00)	258,181.00
August 2009			(32,271.00)	(32,271.00)	225,910.00
September 2009			(32,271.00)	(32,271.00)	193,639.00
October 2009			(32,271.00)	(32,271.00)	161,368.00
November 2009			(32,271.00)	(32,271.00)	129,097.00
December 2009			(32,271.00)	(32,271.00)	96,826.00
January 2010			(32,271.00)	(32,271.00)	64,555.00
February 2010			(32,271.00)	(32,271.00)	32,284.00
March 2010			(32,284.00)	(32,284.00)	0.00

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Unposted Journals  
For APR-2007

Report Date: 02-MAY-2007 13:19

Posting Status: Unposted Journals  
Currency: USD  
Source: Spreadsheet

Page: 1 of 1

Batch Name: 230-20900-JDLASSMAN Spreadsheet 2385888: A

Batch Effective Date: 01-APR-07 Balance: Actual Posted Date:

Journal Entry Name: 230-20900-JDLASSMAN GL USD  
Journal Reference: Journal Import CreatedCategory: GL  
Currency: USD

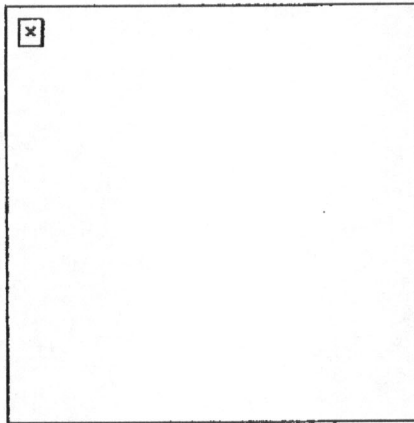
Line Accounting Flexfield	Trans Date Description	Debits	Credits	Units
1 230.0000.000000.10100002.00000.000000000000000000.000000.000.000000.0000.000000	01-APR-07 Set-up Infinium Software		6,774,072.64	0.00
2 230.0000.000000.11100002.00000.000000000000000000.000000.000.000000.0000.000000	01-APR-07 Set-up Infinium Software	6,005,799.38		0.00
3 230.0000.000000.18230024.00000.000000000000000000.000000.000.000000.0000.000000	01-APR-07 Write-off Cost of Removal		110,734.16	0.00
4 230.0000.000000.18230028.00000.000000000000000000.000000.000.000000.0000.000000	01-APR-07 Set-up Rate Case Deferral	943,850.55		0.00
5 230.0000.000000.18230029.00000.000000000000000000.000000.000.000000.0000.000000	01-APR-07 Set-up Infinium Software	999,955.00		0.00
6 230.0000.000000.18230030.00000.000000000000000000.000000.000.000000.0000.000000	01-APR-07 Set-up Cold Weather Rule	1,161,769.00		0.00
7 230.0000.000000.18600001.00000.000000000000000000.000000.000.000000.0000.000000	01-APR-07 Set-up Cold Weather Rule		1,161,769.00	0.00
8 230.0000.000000.18600002.00000.000000000000000000.000000.000.000000.0000.000000	01-APR-07 Set-up Rate Case Deferral		148,970.55	0.00
9 230.0000.000000.22820002.00000.000000000000000000.000000.000.000000.0000.000000	01-APR-07 I&D True-up		201,054.00	0.00
10 230.0000.230999.40300001.71001.000000000000000000.230999.000.000000.0000.000000	01-APR-07 Write-off Cost of Removal	110,734.16		0.00
11 230.0000.230999.40500001.71001.000000000000000000.230999.000.000000.0000.000000	01-APR-07 Set-up Infinium Software		231,681.74	0.00
12 230.0000.230999.92300007.43608.29230900000.230999.000.2R0053.0000.00000	01-APR-07 Set-up Rate Case Deferral		314,007.01	0.00
13 230.0000.230130.92500001.32801.000000000000000000.230130.000.000000.0000.000000	01-APR-07 I&D True-up	201,054.00		0.00
14 230.0000.230120.92800001.43608.29280000000.230120.000.2R0053.0000.00000	01-APR-07 Set-up Rate Case Deferral		139,745.20	0.00
15 230.0000.230130.92800001.43303.29280000000.230130.000.2R0053.0000.00000	01-APR-07 Set-up Rate Case Deferral		149,238.84	0.00
16 230.0000.230999.92800001.43303.29280000000.230999.000.2R0053.0000.00000	01-APR-07 Set-up Rate Case Deferral		82,426.10	0.00
17 230.0000.230999.92800001.43608.29280000000.230999.000.2R0053.0000.00000	01-APR-07 Set-up Rate Case Deferral		109,462.85	0.00
Header Total:		9,423,162.09	9,423,162.09	0.00
Batch Total:		9,423,162.09	9,423,162.09	0.00
Spreadsheet Total:		9,423,162.09	9,423,162.09	0.00
Grand Total:		9,423,162.09	9,423,162.09	0.00

Potential Missouri Gas Energy March 2007 Entries

Infinium Software				
	MGE	Corp	Consolidated B/S	Consolidated I/S
10100002	(6,774,072.64)	6,774,072.64	0.00	
11100002	6,005,799.38	(6,005,799.38)	0.00	
18230029	999,955.00		999,955.00	
40500001	(231,681.74)			(231,681.74)
4xx		(768,273.26)		(768,273.26)
	0.00	0.00	999,955.00	(999,955.00)
Rate Case Deferral				
	MGE	Corp	Consolidated B/S	Consolidated I/S
9xx	(794,880.00)			(794,880.00)
18600002	(148,970.55)		(148,970.55)	
18230028	943,850.55		943,850.55	
	0.00	0.00	794,880.00	(794,880.00)
Cold Weather Rule Deferral				
	MGE	Corp	Consolidated B/S	Consolidated I/S
18600001	(1,161,769.00)		(1,161,769.00)	
18230030	1,161,769.00		1,161,769.00	
	0.00	0.00	0.00	0.00
Cost of Removal				
	MGE	Corp	Consolidated B/S	Consolidated I/S
40300001	110,734.16			110,734.16
18230024	(110,734.16)		(110,734.16)	
	0.00	0.00	(110,734.16)	110,734.16
Net Impact				
Balance Sheet	915,827.58	768,273.26	1,684,100.84	
Income Stmt	(915,827.58)	(768,273.26)		(1,684,100.84)



**BEFORE THE PUBLIC SERVICE COMMISSION**



**OF THE STATE OF MISSOURI**

In the Matter of Missouri Gas Energy's Tariffs )  
Increasing Rates for Gas Service Provided to )  
Customers in the Company's Missouri Service )  
Area )

Case No. GR-2006-0422  
Tariff File No. YG-2006-0845

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**REPORT AND ORDER**

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**Issue Date:** March 22, 2007

**Effective Date:** March 30, 2007

**BEFORE THE PUBLIC SERVICE COMMISSION**

manufactured gas by heating coal or oil and collecting the gas that was driven off in the process. The primary byproduct that came from this process is tar, which contains hazardous carcinogens. This is what primarily drives investigation and remediation of the sites.<sup>62</sup> MGE agrees that it is not possible to ascertain the costs of investigation and remediation.<sup>63</sup> That the magnitude of the costs associated with this effort is impossible to know is again noted by MGE.<sup>64</sup> Further, to date, MGE has not paid any costs associated with the environmental clean up.<sup>65</sup>

That these costs are not known and measurable precludes their inclusion in rates. Furthermore, the creation of a pre-funded source for the payment of these cleanup costs would remove much of Southern Union's incentive to ensure that only prudently incurred and necessary costs are paid. If the money has already been recovered from ratepayers and is being held in the Fund, Southern Union would have little incentive to not pay it out to settle claims brought against it. Although the Fund would be subject to audit by Staff and Public Counsel and they could seek a prudence adjustment, the need for a prudence adjustment is difficult to prove and is not a good substitute for the company's own desire to prudently minimize its costs to improve its bottom line. For these reasons, the Commission finds that MGE's proposal to create an Environmental Response Fund shall be rejected.

#### **9. Infinium Software**

***Issue Description:*** *Should the Unrecovered cost associated with MGE's Infinium Software be included in rates through an amortization and, if so, over what period of time?*

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<sup>62</sup> Transcript, Page 895, Lines 2-9.

<sup>63</sup> Transcript, Page 896, Line 23 – Page 897, Line 6.

<sup>64</sup> Transcript, Page 899, Lines 8-13.

<sup>65</sup> Transcript, Page 908, Lines 12-17.

MGE purchased the Infinium Software in 1995 and the estimated life was 10 years. The company switched to different software, Oracle, in 2005.<sup>66</sup> Although the original investment was almost fully amortized, each year after 1995, until 2001, enhancements and modifications were made to the Infinium system. Each enhancement was given a new 10-year life rather than being amortized for the remaining life of the Infinium system.<sup>67</sup> MGE is now requesting amortization of the remaining balance of the entire system,<sup>68</sup> which is approximately \$1.23 million.<sup>69</sup>

The enhancements to the system were included in rate base in MGE's last rate case in 2004.<sup>70</sup> MGE is currently earning a return on those enhancements until they come out of rate base.<sup>71</sup> MGE points out that it continues to use the Infinium Software for a time entry system, which it intends to do until March of 2007 if it converts the payroll system over to Oracle.<sup>72</sup>

OPC argues that the system is not used and useful and opposes MGE's proposal.<sup>73</sup> In this regard, OPC refers to *State ex rel. Union Electric v. P.S.C.*, 765 S.W.2d 618 (Mo. App. 1988) in its post hearing brief. That case states that:

The property upon which a rate of return can be earned must be utilized to provide service to its customers. That is, it must be used and useful. This used and useful concept provides a well-defined standard for determining what properties of a utility can be included in rate base.

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<sup>66</sup> Transcript, Page 1264, Lines 2-8.

<sup>67</sup> Transcript, Page 1264, Lines 11-21.

<sup>68</sup> Transcript, Page 1260, Lines 14-16.

<sup>69</sup> Transcript, Page 1035, Line 12-13.

<sup>70</sup> Transcript, Page 1266, Line 23 – Page 1267, Lines 2.

<sup>71</sup> Transcript, Page 1267, Lines 21-24.

<sup>72</sup> Transcript, Page 1257, Lines 9-18.

<sup>73</sup> Transcript, Pages 1284 -1285.



However, MGE made an adjustment to remove the plant investment in the software out of its rate base, which means MGE will not earn a return on the plant.<sup>74</sup> With the concept of "use and useful" being the premise of OPC's opposition, its argument must be rejected. Both Staff and MGE point out that the plant is not included in rate base. Therefore, the company will not earn a return on the property. The concept of "used and useful" thus becomes irrelevant. The Commission finds that the property shall be amortized over 5 years as proposed by Staff and MGE.

#### 10. Rate Case Expense

***Issue Description:*** *What is the appropriate amount and treatment of rate case expense, including amortization of prior rate case expense, in this case?*

From MGE's last rate case in 2004, the Commission authorized the company to amortize its rate case expense over three years. A balance of \$148,971 remains to be amortized as of March 2007.<sup>75</sup> MGE proposes to amortize the current rate case expense with the remaining \$148,971 over a three-year period.<sup>76</sup> Although in its pre and post hearing briefs Staff argues that to allow MGE to amortize the remaining rate case expense would constitute retroactive ratemaking, there is no mention of this argument during the hearing. In fact, Staff's position is that the rate case expense be normalized.<sup>77</sup> The Commission will therefore disregard Staff's argument that recovery of this expense would constitute retroactive ratemaking.

The Commission resolved this issue in MGE's last rate case to allow the company to recover, what was determined to be prudent costs, through amortization over three years.

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<sup>74</sup> Transcript, Page 1266, Lines 15-20 and Page 1267, Lines 6-9.

<sup>75</sup> Transcript, Page 1040, Lines 1-3.

<sup>76</sup> Transcript, Page 1044, Lines 10 -13.

<sup>77</sup> Transcript, Page 1045, Lines 21-24.

The Commission will not vacate its order in that regard. Staff and MGE propose to amortize the remaining rate case expense with that incurred in this case. The Commission will grant that request and allow MGE to amortize the combined amounts over a three-year period.

#### **11. Emergency Cold Weather Rule AAO Recovery**

***Issue Description:** What is the proper rate treatment for costs deferred under the Emergency Cold Weather Rule AAO Recovery Mechanism?*

MGE is requesting about \$900,000 through an AAO as a result of complying with the Emergency Cold Weather Rule.<sup>78</sup> On September 21, 2006, the Commission issued an order granting authority for an AAO for cost incurred under the cold-weather rule. In that order, the Commission directed the parties to brief and present testimony on this issue.

Staff testified that \$901,331 represents the difference between the amount that the company could have collected under the old cold weather rule and the amount that MGE actually collected.<sup>79</sup> Staff recommends that this amount be amortized over three years.<sup>80</sup> Consistent with the Commission's order of September 21, 2006, the Commission will grant MGE's request to amortize the deferred cost through an AAO and finds that \$901,331 shall be amortized over a three-year period.

#### **12. Seasonal Disconnects**

***Issue Description:** Should the seasonal disconnect tariff language proposed by MGE be approved?*

Of its 450,000 customers, MGE has about 1,275 customers who voluntarily disconnect their service for period of up to seven months. MGE seeks approval to include

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<sup>78</sup> Transcript, Page 1074, Line 11.

<sup>79</sup> Harrison Direct, Page 17, Lines 7-9.

<sup>80</sup> Harrison Direct, Page 17, Lines 20-21.