

PR-10-145 -- PSC Grants Rate Increase To Missouri Gas Energy

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JEFFERSON CITY---The Missouri Public Service Commission has voted to grant a natural gas rate increase of approximately \$16.2 million (2.35%) to Missouri Gas Energy (MGE). The rate increase reflects the company's investments in infrastructure and increased costs of providing natural gas service to its customers. The Commission's vote was unanimous.

In its decision, the Commission reduced MGE's authorized return on equity to 10% from 10.5% granted in 2007. It also conditioned continuing the monthly fixed delivery charge for MGE residential customers (called a straight fixed variable rate) upon a significantly increased commitment to energy efficiency and weatherization programs on behalf of MGE customers.

PSC Chairman Robert Clayton said, "Rate increases are never welcome, but with this unanimous vote of the Commission, MGE's customers can be assured that the costs approved for recovery are prudent and necessary to provide reliable service. Additionally, customers will benefit from a renewed commitment to energy efficiency and they should expect to see new, innovative programs to empower customers to reduce their energy usage."

The decision requires MGE to invest a minimum of \$1.5 million per year in new energy efficiency programs. This funding level will ramp up to a goal of .5% (approximately \$4 million) of the company's gross operating revenues to fund energy star programs, appliance rebates, weatherization and programmable thermostats that enable consumers to have more control over their energy usage. The Commission noted that the new rate design reduces costs during winter months and benefits a majority of customers during colder winters.

Based on the Commission's decision, the PSC staff estimates the average monthly bill for a residential customer of MGE will increase by approximately \$2.26. The rate change is expected to take effect in mid-March.

The order also requires MGE to work with the members of the Energy Efficiency Collaborative (EEC) to design EE programs as well as design programs to help low-usage customers. The rates that wholesale suppliers charge MGE for natural gas are not regulated by the Missouri Public Service Commission. The actual cost of natural gas makes up approximately 70 percent of a customer's total monthly bill.

When MGE filed its rate request with the Missouri Public Service Commission on April 2, 2009, it sought to increase annual natural gas operating revenues by approximately \$32.4 million (4.7%). MGE's rate request sought to increase the monthly natural gas bill for its residential customers by approximately \$5.21.

Missouri Gas Energy provides natural gas service to approximately 512,000 natural gas customers in western Missouri.

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Case No. GR-2009-0355

APPENDIX A