

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

In the Matter of the Application of )  
Missouri Gas Energy for the )  
Issuance of an Accounting Authority ) Case No. \_\_\_\_\_  
Order Relating to its Natural Gas )  
Operations and for a Contingent )  
Waiver of the Notice Requirement )  
of 4 CSR 240-4.020(2). )

**APPLICATION**

**COMES NOW** Southern Union Company d/b/a Missouri Gas Energy (“MGE” or “Company”), by and through counsel, and, for its application pursuant to §§386.250, 393.140, RSMo and 4 CSR 240-2.060 for the issuance of an Accounting Authority Order (“AAO”) authorizing MGE to make certain accounting entries relating to its natural gas operations and for a contingent waiver of the notice requirement of 4 CSR 240-4.020(2), respectfully states as follows to the Missouri Public Service Commission (“Commission”):

**MGE**

1. MGE is a division of Southern Union Company, which is duly incorporated under the laws of the State of Delaware and conducts business in Missouri under the fictitious name of “Missouri Gas Energy.” MGE’s principal office and place of business is located at 3420 Broadway, Kansas City, Missouri 64111. MGE currently conducts business as a “gas corporation” and provides natural gas service to approximately 500,000 customers in the Missouri counties of Andrew, Barry, Barton, Bates, Buchanan, Carroll, Cass, Cedar, Christian, Clay, Clinton, Dade, Dekalb, Greene, Henry, Howard, Jackson, Jasper, Johnson,

Lafayette, Lawrence, McDonald, Moniteau, Pettis, Platte, Ray, Saline, Stone, and Vernon, subject to the jurisdiction of the Missouri Public Service Commission as provided by law.

2. Other than cases that have been docketed at the Commission, MGE has no pending action or final unsatisfied judgments against it from any state or federal agency or court within the past three years that involve customer service. MGE has no annual report or assessment fees that are overdue.

3. A copy of a certificate from the Missouri Secretary of State indicating that Southern Union Company is authorized to do business in Missouri as a foreign corporation was submitted in Case No. GU-2010-0015. A copy of a certificate from the Missouri Secretary of State indicating that Missouri Gas Energy is a registered fictitious name of Southern Union Company was submitted in Case No. GU-2010-0015. Both documents are incorporated herein by reference and made a part hereof for all purposes in accordance with 4 CSR 240-060(1)(G).

4. All communications, notices, orders and decisions respecting this application and proceeding should be addressed to:

Michael R. Noack  
Director, Pricing and Regulatory Affairs  
Missouri Gas Energy  
3420 Broadway  
Kansas City, Missouri 64111  
816-360-5560  
E-mail: [mike.noack@sug.com](mailto:mike.noack@sug.com)

5. By this application, MGE seeks an AAO from the Commission authorizing the Company to undertake certain accounting procedures in connection with its natural gas distribution operations and a waiver of the notice provisions of 4 CSR 240-4.020(2), if necessary, all as more specifically described herein.

### **The May 22, 2011 Tornado and the Joplin Community**

6. On Sunday, May 22, 2011, at approximately 5:40 p.m., what has been described as the worst tornado in the United States in the last 60 years and one of the deadliest in American history, struck Joplin, Missouri, a city served by MGE. The tornado followed a six mile long path through the middle of Joplin destroying much of the city's central and south side. Thousands of homes and businesses as well as schools and churches were destroyed by winds reported to have exceeded 200 mph. The tornado was designated by the National Weather Service as an EF-5, the strongest category on the Enhanced Fujita Scale. As of the date of this filing, the resulting death toll is over 151 people according to recent media reports. More than 900 people are estimated to have been injured. The Joplin Chamber of Commerce reports that at least 300 businesses and 4,000 jobs have been affected by the tornado. A map showing the path of the tornado is marked Appendix 1 attached hereto and made a part hereof for all purposes.

### **MGE's Circumstances and Actions**

7. Customers in Joplin as well as other communities served by MGE lost gas service due to the tornado and related severe weather. In addition to MGE's Southern Division work force of 35 outside plant personnel, approximately 125 additional employees from other parts of MGE's service territory and 20 contract employees traveled to Joplin to assist in making sure that there are no gas leaks in the tornado-affected area and that the system is safe. At the present time MGE has shut down over ten miles of gas mains and retrieved approximately 2,500 gas meters due to the fact that no structure remains at the service address. Hundreds of other customers are also without gas service because of the extensive damage done to their property. MGE estimates the

cost of rebuilding and repairing the damage to its gas system resulting from the tornado and severe weather to be in the range of \$5 to \$10 million. Additional expenditures will be necessary to replace the infrastructure within the destroyed area. The amount of these additional costs will necessarily depend on what is rebuilt and when the rebuilding occurs. Other costs will include depreciation and carrying costs associated with the capital expenditures related to the replacement facilities, and other related operation and maintenance expense. In addition to these costs, MGE's margin revenues have been, and will continue to be, significantly reduced due to the number of customers impacted by the tornado. In this regard it should be noted that MGE's margin revenues (i.e., its distribution rates as opposed to its PGA rates) recover the fixed cost of providing distribution service. In the Report and Order in Case No. GR-2009-0355, included in the findings of fact was the statement that "SFV rates are intended to recover fixed costs through fixed charges and variable costs (i.e., the cost of the gas commodity) through variable charges."<sup>1</sup> The Company estimates that approximately 6,000 to 8,000 residential, commercial and industrial customers in Joplin have damaged or destroyed structures and approximately 70% - 80% of those customers will not be ready for service in the foreseeable future. These include St. John's Hospital, one of MGE's top ten customers, as well as other large commercial customers. The loss of the fixed cost recovery provided by the Company's distribution rates resulting from these lost customers will adversely affect the Company's financial condition.

8. The above-described expenditures and losses of fixed cost recovery are unusual, extraordinary and material. The Commission has a history of approving deferral

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<sup>1</sup> See Report and Order, In the Matter of Missouri Gas Energy and its Tariff Filing to Implement a General Rate Increase for Natural Gas Service, GR-2009-0355, p. 42.

and subsequent amortization and recovery through rates of incremental expenses associated with extraordinary casualty losses such as fires, floods, ice and windstorm damage. The magnitude of the damage caused by the May 22, 2011, tornado and related severe weather is an extraordinary and unusual event and is comparable, if not greater in magnitude and effect, to other catastrophic events for which deferrals have been previously authorized.

**Accounting Authority Order**

9. In view of the foregoing, MGE seeks an order from the Commission authorizing the Company to defer and record to the Uniform System of Accounts Account 182.3, Other Regulatory Assets, the incremental costs (net of any insurance proceeds) and loss of the fixed cost recovery provided by the Company's distribution rates incurred by MGE and related to the events surrounding the May 22, 2011 tornado and severe weather, all as described herein. In regard to the loss of fixed cost recovery provided by MGE's distribution rates, MGE will establish a baseline of lost customers within the affected area and thereafter monitor and track, on a monthly basis, the return of customers to its system as Joplin is rebuilt, and thereby be in a position to true-up and adjust as appropriate over the deferral period the deferred amounts representing the lost fixed cost recovery from its distribution rates. In addition, MGE requests that it be authorized to begin amortization of and recover the involved expenses and losses, which are deferred and recorded in Account 182.3, over a five-year period, commencing with the effective date of rates approved by the Commission in the first rate case following Case No. GR-2009-0355. The first rate case following Case No. GR-2009-0355 must be filed by MGE no later than 2013.

10. Because the incremental expenses and losses resulting from the tornado and related severe weather are extraordinary and unusual in terms of MGE's overall gas service operations and would have a significant and material impact on the Company's financial results for 2011, the accounting procedures requested are essential to enable MGE to maintain its financial condition and to continue to attract capital for its operations at reasonable rates. Absent the authority sought hereby, MGE will be deprived of a reasonable opportunity to fully recover these incremental costs and losses through rates.

**Contingent Request For Waiver**

11. In the past, AAO applications have often been processed based on a company filing and a Commission Staff and/or The Office of the Public Counsel written recommendation. Other such applications have resulted in a hearing. MGE does not know the direction this filing will take or whether it is likely to become a contested case subject to the notice of filing requirement of 4 CSR 240-4.020(2). In any case, this application has been filed as soon as possible after the unforeseeable events of May 22, 2011 described herein and it would serve no purpose to wait additional time before filing the application for Commission approval. Accordingly, should the Commission conclude that the filing of this application is likely to be a contested case and subject to the notice of filing requirement of 4 CSR 240-4.020(2), MGE requests a waiver of the sixty (60) day notice requirement for good cause shown pursuant to 4 CSR 240-4.020(2)(B).

WHEREFORE, MGE respectfully requests that the Commission issue an Accounting Authority Order on an expedited basis, but in no event later than January 31, 2012, authorizing MGE to account for and record on its books as a regulatory asset the

incremental May 22, 2011 tornado and severe weather related expenses and the lost fixed cost components of its rates, all as more specifically described in paragraph 9, supra; waiving the notice requirement of 4 CSR 240-4.020(2), if necessary; and, granting such other and further relief as the Commission deems necessary or appropriate,

Respectfully submitted,

/S/

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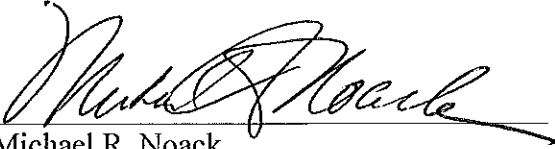
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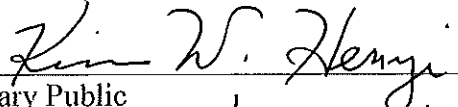
Attorneys for Missouri Gas Energy

STATE OF MISSOURI )  
 )  
 ) SS  
COUNTY OF JACKSON )

Michael R. Noack, having been duly sworn upon his oath, states that he is Director of Pricing and Regulatory Affairs for Missouri Gas Energy and that the matters and things stated in the foregoing application and appendices thereto are true and correct to the best of his information, knowledge and belief.

  
Michael R. Noack

Subscribed and sworn to before me, a notary public, on this 10<sup>th</sup> day of  
JUNE, 2011.

  
Notary Public  
Kim W. Henzi

My Commission expires: Feb. 22, 2015

KIM W. HENZI  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Jackson County  
My Commission Expires: February 22, 2015  
Commission Number: 11424654



**Certificate of Service**

I hereby certify that a true and correct copy of the above and foregoing document was sent via electronic mail on this 10th day of June 2011, to:

General Counsel  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, Missouri 65102

Lewis R. Mills, Jr.  
Office of the Public Counsel  
P.O. Box 7800  
Jefferson City, Missouri 65102

/S/

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James C. Swearengen Mo. Bar #21510

## List of Appendices

Appendix 1 – Map

