

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 8th day of
September, 2010.

In the Matter of the Application of Missouri Gas
Energy, a Division of Southern Union Company,
for Approval to Change its Infrastructure System
Replacement Surcharge

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File No. GO-2011-0003
Tariff No. YG-2011-0011

**ORDER APPROVING INFRASTRUCTURE SYSTEM REPLACEMENT
SURCHARGE AND REJECTING TARIFF**

Issue Date: September 8, 2010

Effective Date: September 18, 2010

Background

On July 2, 2010, Missouri Gas Energy, a division of Southern Union Company, filed an application with the Missouri Public Service Commission to adjust its infrastructure system replacement surcharge (ISRS). With its application, MGE filed a tariff sheet reflecting total ISRS revenues of \$1,479,929. The tariff sheet bore an effective date of August 1. On July 6, because it is required¹ to act on the petition within 120 days, the Commission suspended the tariff sheet until October 30 and set a deadline for applications to intervene. There were no requests to intervene.

MGE also requested a waiver of Commission rule 4 CSR 240-3.265 (14), which requires that “the monthly ISRS shall vary according to customer class and shall be calculated based on the customer numbers reported in the company’s most recent annual report. . . .” MGE explains that its customer class designations were recently changed

¹ Section 393.1015.2 (3), RSMo.

through Commission File No. GR-2009-0355. As a result, the customer numbers reported in the most recent annual report are incorrect. MGE requests that the numbers reflected in GR-2009-0355 be used instead.

On August 31, the Staff of the Commission filed its recommendation suggesting that the ISRS surcharge revenue should be \$1,379,866, rather than \$1,479,929 as pled by MGE. Staff also recommends that the Commission approve the company's request for a waiver. Also, on August 31, MGE filed a notice, informing the Commission that it agrees with Staff's determination and requests that the Commission issue an order consistent with Staff's recommendation.

Set out more specifically in Staff's Memorandum, Staff adjustments were made to MGE's calculations of depreciation and deferred tax reserve, depreciation for plant retirements, property taxes and adjustments to MGE use of the annual revenue requirement amounts from the last ISRS case.

Discussion

Missouri law² affords MGE the ability to recover certain infrastructure system replacement costs without the need to file a formal rate case. If the Commission finds that MGE's petition complies with 393.1009 to 393.1015, then the Commission must enter an order authorizing MGE to impose an ISRS that is sufficient to recover appropriate pretax revenue.³

The law⁴ prohibits the Commission from approving an ISRS to the extent it would produce total annualized ISRS revenues below the lesser of \$1,000,000 or ½% of the

² Sections 393.1009, 393.1012 and 393.1015 RSMo.

³ Section 393.1015 (4).

⁴ Section 393.1012.1

company's base revenue level approved by the Commission in the company's most recent rate case. The base revenue level approved by the Commission in MGE's last rate case is \$16,204,005. One-half of one percent of this figure is \$81,020. The ISRS amount suggested by Staff and agreed to by MGE is \$1,379,866. The lesser of \$1,000,000 or ½% of the company's Commission approved base revenue is ½%, or \$81,020. The Commission finds that ISRS amount of \$1,379,866 is not less than \$81,020

Under the same statute, the Commission is prohibited from approving an ISRS amount that is greater than 10% of the base revenue in MGE's last rate case. This amount is \$1,620,400.5. The Commission finds that the ISRS amount of \$1,379,866 is not greater than \$1,620,400.5.

Further, the Commission shall not approve an ISRS for any gas corporation that has not had a general rate case decided with the past three years.⁵ The Commission decided MGE's last rate case this year. This statutory requirement is therefore met.

Finally, the company is required⁶ to serve its petition, proposed ISRS rate schedule and supporting documentation upon the Office of the Public Counsel. The Commission finds that the Office of the Public Counsel has been appropriately served.

Based on MGE's application and Staff's Memorandum and Recommendation, the Commission finds that MGE's petition is in compliance Sections 393.1009 through 393.1015. Hence, the company should be permitted to establish an ISRS sufficient to recover annual revenues of \$1,379,866. Because the authorized revenues and rates differ from those submitted by MGE, the Commission will reject the company's proposed tariff sheet and will allow MGE to file a tariff sheet consistent with this order.

⁵ Section 393.1012.2, RSMo.

⁶ Section 393.1015.1(1), RSMo.

Also, at the company's request and with Staff's recommendation the Commission finds that there is good cause to waive rule 4 CSR 240-3.265 (14).

THE COMMISSION ORDERS THAT:

1. The tariff sheet, Tariff File No. YG-2011-0011, is rejected.
2. Missouri Gas Energy, a division of Southern Union Company is authorized to establish an Infrastructure System Replacement Surcharge to recover annual revenues of \$1,379,866.
3. Missouri Gas Energy, a division of Southern Union Company, is authorized to file an ISRS rate for each customer class as reflected in Appendix B to the company's application.
4. Missouri Gas Energy, a division of Southern Union Company request for a waiver of Commission rule 4 CSR 240-3.265 (14) is granted and the rule is waived.
5. This order shall become effective on September 18, 2010.

BY THE COMMISSION



Steven C. Reed
Secretary

(S E A L)

Clayton, Chm., Davis, Jarrett,
Gunn, and Kenney, CC., concur.

Jones, Senior Regulatory Law Judge