## MEMORANDUM

TO:

MISSOURI Public Service Commission Official Case F1008 Case No. GR-98-167, File No. 9800748, Missouri Gas Energy

FROM:

Thomas M. Imhoff, Natural Gas Department - Rates M

Utility Operations Division/Date General Counsel's Off

Staff Recommendation On Missouri Gas Energy's Scheduled Summer

Season PGA Filing Effective April 1, 1998

DATE:

March 23, 1998

On March 17, 1998, Missouri Gas Energy (MGE or Company), a division of Southern Union Company, of Kansas City, Missouri filed a tariff sheet proposed to become effective April 1, 1998. The tariff sheet was filed to reflect scheduled changes in MGE's Purchased Gas Adjustment (PGA) factors as the result of changes in gas costs for the upcoming summer season. Additionally the Refund factor will change to adjust the balance of an existing refund and reflect the initiation of two new refunds received from one of its suppliers, plus interest to be paid by MGE.

The two new refunds contained within this filing will provide for the return of Kansas Ad Valorem Tax Refunds in the amount of \$6.3 million and the Tight Sands Refunds totaling approximately \$2.6 million. The Kansas Ad Valorem . Tax Refunds were a result of three FERC Dockets, Docket Nos. GT95-11, RP97-369 and RP98-52.

Although these changes (PGA and Refund) will have the effect of decreasing current PGA factors, the net effect of these changes will increase MGE's 1998 summer season revenues by approximately \$8.2 million as compared to the 1997 summer season revenues. The summer season includes the months of April through October. The impact of this change on a typical residential space heating customer using 31.2 Mcf in the summer season would be an increase of approximately \$16.25. This represents an approximate increase of 9.0% in this customer's summer season bills when compared to the 1997 summer

Case No. GR-98-167, under which this PGA change was filed, was established to track MGE's 1997-1998 Actual Cost Adjustment (ACA) activity. A final Commission decision in MGE's ACA Case No. GR-96-450 for the 1996-1997 ACA period is still pending. Interim subject to refund status should be maintained pending final Commission decisions in ACA Case Nos. GR-96-450 and GR-98-167.

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Staff has reviewed this filing and has determined it was calculated in conformance with MGE's Commission approved PGA Clause. Staff is of the opinion that good cause for approval of this tariff sheet on less than thirty (30) days notice is demonstrated by MGE's Commission approved PGA Clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends that the following tariff sheet be approved, interim subject to refund:

P.S.C. MO. No.1

Sixth Revised SHEET No. 24.7 Canceling Fifth Revised SHEET No. 24.7

Copies:

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Director - Advisory and Public Affairs Division

Director - Utility Services Division

General Counsel

Manager - Financial Analysis Department Manager - Procurement Analysis Department

Manager - Natural Gas Department

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