

FILED

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MISSOURI
PUBLIC SERVICE COMMISSION

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-98-167, File No. 9800594, Missouri Gas Energy

FROM: Michael W. Straub, Natural Gas Department - Rates *fm*

Wes Henderson 1-21-98 *Thomas R. Schwanz Jr. 1/23/98*
Utility Operations Division/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation On Missouri Gas Energy's Unscheduled Winter
Season PGA Filing Effective February 1, 1998

DATE: January 21, 1998

On January 15, 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 February 1, 1998. The tariff sheet was filed to reflect unscheduled changes in MGE's Purchased Gas Adjustment (PGA) factors as the result of over-recoveries in gas costs during the current winter season which are accruing in its Deferred Carrying Cost Balance (DCCB). Absent a reduction in its current PGA factor, MGE projects its DCCB will become ten percent (10%) over-recovered in February 1998. Additionally the Refund factor will change to adjust the balance of an existing refund and reflect the initiation of two additional refunds received from one of its suppliers, plus interest to be paid by MGE.

The net effect of these changes will decrease MGE's 1997-1998 winter season revenues by approximately \$23.8 million as compared to the 1996-1997 winter season revenues. The winter season includes the months of November through March. The impact of this change on a typical residential space heating customer using 88.8 Mcf in the winter season would be a decrease of approximately \$35.51. This represents an approximate decrease of 7.0% in this customer's winter season bills.

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.

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.

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Copies:

- Director - Utility Operations Division
- Director - Advisory and Public Affairs Division
- Director - Utility Services Division
- General Counsel
- Manager - Financial Analysis Department
- Manager - Procurement Analysis Department
- Manager - Natural Gas Department
- Peter H. Kelley - President & C.O.O. (Southern Union Company)
- C. Thomas Clowe - President & Chief Operating Officer (MGE)
- Charles B. Hernandez - Director of Pricing & Regulatory Affairs (MGE)
- Dennis Morgan - Attorney (Southern Union Company)
- F. Jay Cummings, Vice President, Rates & Regulatory Affairs (MGE)
- Gary W. Duffy - Attorney with Brydon, Swearingen & England P.C.
- James P. Zakoura - Attorney with Smithyman & Zakoura (Riverside Pipeline Company, L.P.)
- Jeffrey A. Keevil - Attorney with Stewart & Keevil (Riverside Pipeline Company, L.P.)
- Office of the Public Counsel