



February 10, 2010

Mr. Mike Straub
Missouri Public Service Commission
200 Madison Street
Jefferson City, MO 65102-0360

RE: GX-2010-0220 Rulemaking (PGA/ACA Process) - MEDA Comments

Dear Mr. Straub:

On behalf of the MEDA utilities, this letter is in response to the draft PGA/ACA rule (4 CSR 240-40.011) which Missouri Public Service Commission Staff (MoPSC Staff) and other interested parties discussed at a roundtable on January 25, 2010. Thank you for this opportunity to provide recommended changes to this draft rule.

As you know the PGA/ACA process has been the subject of several workshops and task forces since the natural gas market price spike of January 2000. As a result of these efforts the MoPSC promulgated its volatility mitigation rule (4 CSR 240-40.018) and changed the frequency of PGA filings to minimize how often PGA rates change while at the same time not making filings so infrequent that large swings in PGA rates are required to catch-up on over- or under-recovery balances. The current process is one that developed over several years as natural gas market rates have become increasingly more volatile.

MEDA notes that during the roundtable on January 25th MoPSC Staff on several occasions commented that this rulemaking is not designed to ‘change the process’. MEDA’s member utilities are hopeful that this rulemaking does not make the PGA/ACA process significantly more complicated or slow the ability of utilities to adjust their PGA rates when rapid increases or decreases in the market price of natural gas require that customer rates be adjusted quickly to avoid large over- or under-recoveries that will result in unnecessarily large changes in rates later. Also, inasmuch as MEDA can appreciate Staff’s need for individual LDCs to prepare a more useful summary of the major components of gas cost to enable the Staff to be able to better respond to Commissioners’ questions with respect to a particular LDC’s PGA change, to the extent the Staff’s additional information requirements are driven by Staff’s expectations that it should be able to explain to the Commission why one LDC’s PGA is higher or lower than that

of another LDC, MEDA suggests that individual PGA proceedings, which by their very nature necessitate expeditious and timely processing, are not the correct forum to perform such an analysis.

MoPSC Staff has not yet released a draft of 4 CSR 240-3.242 for comment. MEDA requests that after 4 CSR 240-3.242 is released for review a comment period will be kept open for comments to 4 CSR 240-40.011 to coordinate the requirements of these interrelated rules.

Thank you again for this opportunity to comment on rule 4 CSR 240-40.011 and please consider the following suggested changes, along with those marked on the draft rule, as you prepare for the next rulemaking workshop:

- 1) The draft rule refers to a ‘general rate case’ in several places where a rate case is not currently required and it would not be appropriate or necessary to require a general rate case for these actions in the future (sections (1)(E) and (2)).
- 2) Changes to the definition of PGA/ACA factor to better explain the bifurcated nature of the PGA estimates and the ACA reconciliation.
- 3) Definition (1)(L) is overly restrictive in that several current “gas costs” would not fit under the proposed definition. The language should be expanded as shown in the attached mark-up.
- 4) The definition of “Document” and “Documentation” made Sections 5(A) and 8(A)(5) unreasonable. Those sections both worked better with the commonly understood use of the term “documentation,” rather than the broad definition.
- 5) Sections (3) and (4) seemed to be duplicative of their respective definitions.
- 6) Section (5)(B) has been revised to focus on what information MoPSC Staff expressed an interest in receiving in future PGA filings. Sections (6) and (7) have also been revised to reflect the changes made to section (5)(B). While the utilities are happy to provide a contact person to assist Staff in explaining PGA filings, it does not make sense to add an unnecessary layer of bureaucracy through a signed affidavit, especially since PGA rates are interim subject to refund, and there has never been a problem with PGA filings.
- 7) Section (5)(D) as proposed changes the current 10 business day cycle for PGA adjustments to 30 days. Again, a tripling of the current approval process unnecessarily delays a change in PGA rates given the interim subject to refund nature of these adjustments. MEDA is unaware of any problems in the current process requiring this sort of an extension to review cycles which will serve to grow over- or under-recovery balances that these changes in PGA rates are designed to manage. Section (6) and 7(A) have also been revised to be consistent with the goal of avoiding unnecessary red tape and delay.

- 8) MEDA suggests, among other things, that section (8) be revised to detail specific timeframes for initiation and completion of the MoPSC Staff ACA audits. No specific recommendations are made in this letter but this should be a topic of discussion in the next rulemaking roundtable for this rule or 4 CSR 240-3.242.
- 9) Since the rules are not designed to change the process, but rather to provide general guidelines while the tariffs provide specifics, it doesn't seem necessary at this time to have provisions requiring the tariffs to hew to the rules. (9 and 10)

If you have any questions regarding this, please do not hesitate to e-mail me at Warren@missourienergy.org or call me at (573) 634-8678.

Sincerely,



Warren T. Wood, PE
President

DRAFT

4 CSR 240-40.011 Purchased Gas Adjustment / Actual Cost Adjustment Recovery Process.

PURPOSE: This rule sets forth the definitions, structure, operations, and procedures relevant to the filing and processing of changes to reflect gas costs through an interim Purchased Gas Adjustment, and the Actual Cost Adjustment process to audit and reconcile ~~for~~ prudently incurred gas costs.

- (1) Definitions. As used in this rule and in rule 4 CSR 240-3.242, the following terms mean as follows:
 - (A) Gas Corporation means every entity defined as a gas corporation in section 386.020.(18), RSMo, which is subject to commission regulation pursuant to Chapters 386 and 393, RSMo.
 - (B) Local Distribution Company (LDC or Company) means the regulated gas corporation defined in (A) above.
 - (C) Commission means the Missouri Public Service Commission (Commission).
 - (D) Staff means the staff of the Missouri Public Service Commission.
 - (E) Purchased Gas Adjustment/ Actual Cost Adjustment Clause (PGA/ACA) means **a two-phase process, which in the first phase (PGA) established in a general rate case that allows LDCs to make periodic rate adjustments outside of a general rate proceeding used for the to recovery its established Gas Costs, and which in the second phase (ACA) involves an audit and from consumers of prudently incurred gas costs and the true-up process to determine the actual prudently incurred gGas eCosts incurred and whether any of the Gas Costs were not incurred prudently.**
 - (F) Actual Cost Adjustment (ACA) means the process used for a true-up (reconciliation) of **Gas Costs billed or incurred, as the case may be, LDC revenues billed through the PGA Factor during the ACA Period to the actual prudently incurred cost of gas, including carrying costs.**
 - (G) PGA Factor means a customer charge expressed as either \$/Ccf, or \$/Therm to reflect the LDC's current estimate of **Gas Costs to be the cost of natural gas services incurred purchased by the eCompany.**
 - (H) ACA Factor means an adjustment to customers' bills expressed as \$/Ccf, or \$/Therm to reflect the LDC's reconciliation of **estimated Gas Costs to prudently incurred actual gGas eCosts.**
 - (I) True-up ACA Period or ACA Period mean the period under consideration for each PGA/ACA case, **and is generally one year in length.**

(J) General rate proceeding means a general rate increase or decrease proceeding or complaint proceeding before the commission in which all relevant factors that may affect the costs, or rates and charges of the gas utility other than those included in the ACA/PGA process are considered by the eCommission.

(K) FERC means the Federal Energy Regulatory Commission.

~~(K1)~~ Gas Costs means **gas-related costs, and include but are not limited to** gas supply commodity charges, pipeline transportation ~~costs, and~~ contract **and other** storage charges, **gas inventory carrying costs and other applicable carrying costs, property tax on stored inventory,** and financial instrument costs associated with mitigating price volatility in the Company's gas supply portfolio. The Company shall specify the account in which each of these gas costs is recorded and **shall request Commission approval before adding a Gas Cost that is not covered by its tariff.** ~~such recording shall be consistent with the Uniform System of Accounts as prescribed by the FERC consistent with 4 CSR 240-40.040. All costs which are not gas supply commodity, pipeline transportation and contract storage, or financial instrument price volatility mitigation for which the Company is requesting recovery through the PGA/ACA process shall be identified and recorded in its own separate subaccount with sufficient details to justify it as a gas cost.~~

~~(M) Document or Documentation means and includes, publications in any format, workpapers, exhibits, schedules, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, charts, maps, recordings, transcriptions and printed, typed, electronic or written materials of every kind in the LDC's possession, custody, or control or within the LDC's knowledge.~~

(2) The PGA/ACA Clause is **effective for each LDC available,** upon Commission approval of ~~the an~~ LDC's applicable tariff provisions ~~in a general rate case, to each LDC as defined above.~~ **Except for Gas Costs deemed not to be Only** prudently incurred, ~~gGas eCosts~~ **incurred by LDCs** are recoverable in customer rates through this process. No rate, factor, or charge shall be billed, changed or modified unless specifically approved and ordered by this Commission. Commission approval of the LDC's proposed factors does not represent pre-approval of costs recovered through these factors.

~~(3) The PGA/ACA process permits periodic rate adjustments during the ACA period outside a general rate proceeding.~~

~~(4) The PGA/ACA process requires a true up of billed revenues billed to an LDC's customers through the Company's PGA Factor which shall be reconciled with the actual prudently incurred costs of gas with adjustments made through the ACA Factor.~~

~~(35)~~ LDC Filing Procedures for PGA Factors

(A) In its PGA ~~Factor~~ filings the LDC shall estimate its gas costs for the current ACA period. The PGA Factor calculation shall be the LDC's best estimate of the LDC's gas costs and volumes to be purchased for resale to customers and shall include documentation to fully support the LDC's calculation for projected monthly demand levels, supply options, transportation options, storage options, and revenues that affect the PGA rate calculation.

(B) In its PGA ~~factor~~ filing each LDC shall include a **brief summary of the factors causing the proposed PGA rate to be different than the currently effective PGA rate. The PGA filing shall also include the name and contact information for the person(s) who prepared the filing.** ~~signed Affidavit attesting that the person signing has participated in the preparation of the information provided and has verified the information was prepared by 4 CSR 240-40.011 PGA/ACA Recovery Process person(s) with the knowledge of the matters set forth and the responses are accurate and complete, and contain no material misrepresentations or omissions to the best of his/her knowledge and belief.~~

(C) The LDCs may make up to four (4) PGA filings during each calendar year. One such filing shall be effective between October 1, and December 5 of each year, but no more than one PGA filing shall become effective in any two consecutive calendar months unless specifically ordered by the Commission.

(D) The LDC shall **be permitted to** make PGA/ACA filings **in as few as at least 10~~30~~ business** days prior to the proposed effective dates.

(E) Each LDC PGA filing shall include the information specified in 4 CSR 240-3.242.

~~(46)~~ Staff shall review the LDC's PGA Factor filing to determine that all information required in 4 CSR 240-3.242, ~~accompanied by the required Affidavit,~~ is included with the filing and that the information supports the proposed PGA factor change. ~~The Staff shall review the LDC's proposed factor for conformance with 4 CSR 240-40.011, 4 CSR 240-3.242 and the LDC's tariff. For a PGA filing in conformance with 4 CSR 240-3.242, 4 CSR 240-3.242 and the LDC's tariff the~~ Staff shall file its recommendation with the Commission within **five (5) business** ~~twenty (20)~~ days **of the Company's filing**. If the filing is not in conformance with the requirements, Staff shall notify the LDC of the deficiency **upon or prior to filing its recommendation** ~~and may recommend the Commission reject the filing.~~

~~(57)~~ Procedures for LDC Filing of the ACA Factor.

(A) In its ACA filing each LDC shall include **the name and contact information for the person(s) who prepared the information filed** ~~a signed Affidavit attesting that the person signing has participated in the preparation of the information provided and has verified the information was prepared by person(s) with the knowledge of the matters set forth and the responses are accurate and complete, and contain no material misrepresentations or omissions to the best of his/her knowledge and belief.~~

(B) Revised ACA factors shall be filed in the Commission's Electronic Filing and Information System by the LDC once per year and shall be filed with the PGA Factor filing to be effective between October 1, and December 5, of each year.

(C) Each LDC ACA filings shall include the information specified in 4 CSR 240-3.242.

~~(68)~~ The Staff shall conduct an ACA audit after the end of each ACA Period for each LDC.

This section should be revised to reflect timeframes for MoPSC Staff ACA audits.

(A) Staff's procedure may include, but is not limited to:

1. A review of the LDC's reconciliation of **its** actual gas costs ~~with what it charged customers (its billed PGA revenues);~~
- ~~2. An audit to determine if the LDC claimed gas purchase costs are properly attributed to the ACA Period under review;~~
3. An audit of the LDC's ~~review of the pipelines'~~ and natural gas suppliers' charges or invoices for the volumes nominated and received at the proper contract rates;
4. An examination of the reliability of the LDC's gas supply, transportation, and storage capabilities;
5. A review of the LDC's gas purchasing practices to determine ~~whether the LDC has submitted sufficient supporting documentation to demonstrate~~ the prudence of its natural gas purchasing and operating decisions.

(B) **Staff shall issue a recommendation based on its** Staff's audit findings. **Staff's recommendation** shall include any recommended ~~ation~~ for changes to the ACA balances in the form of an over-recovery or under-recovery of the ACA balances. **If Staff asserts in its recommendations a disallowance of any of the LDC's Gas Costs, the Company shall file a response thereto and, if applicable, the matter shall thereafter be treated as a contested case.**

~~(9)~~ PGA/ACA information to be contained in the LDCs' tariff. Each LDC utilizing this PGA/ACA process shall have Commission approved tariff sheets containing the necessary information to administer and operate its PGA/ACA process. However, the tariff shall be in full compliance with this rule.

~~(10)~~ Upon the effective date of this Rule each LDC has sixty (60) days in which to file tariff sheets, with a sixty (60) day effective date, containing the necessary information and language to administer and operate its PGA/ACA tariff process.