

FILED

OCT 27 1998

MEMORANDUM

Missouri Public
Service Commission

TO: Missouri Public Service Commission Official Case File,
Case No. GR-98-167, File No. 9900307, Missouri Gas Energy

FROM: ^{XEL} Henry E. Warren, Gas Department - Tariffs/Rate Design ^{mm}

W. Henderson 10-27-98 Thomas R. Schwany Jr. 10/27/98
Utility Operations Division/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation on Missouri Gas Energy's Scheduled Winter
Season PGA Filing.

DATE: October 26, 1998

On October 16, 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 November 2, 1998. The tariff sheet was filed to reflect scheduled changes in MGE's Purchased Gas Adjustment (PGA) factors as the result of estimated changes in the gas cost of natural gas for the upcoming winter season. Additionally, this tariff filing reflects changes in the Actual Cost Adjustment (ACA), Refund, Take-or-Pay (TOP) and Transition Cost (TC) factors.

The net effect of these changes will increase the firm PGA factor for the 1998-1999 winter season to \$0.39490 per Ccf from a summer season firm PGA factor of \$0.34465 per Ccf. This represents an approximate 15% increase in gas costs to consumers.

Case No. GR-98-167, under which this PGA change was filed, was established to track MGE's 1997-1998 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.

Because of the short time available to review the documentation supporting the ACA factor represented in this filing, the Procurement Analysis Department (PAD) has requested permission to submit its results and recommendation regarding information included in this ACA filing to the Commission on or before September 1, 1999.

The Commission's Gas Department - Tariffs/Rate Design Staff (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

Copies:

- Director - Utility Operations Division
- Director - Research 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)
- Steven W. Cattron - 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, Swearngen & 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