

FILED

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Missouri Public  
Service Commission

MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
Case No. GR-98-167, Missouri Gas Energy, a Division of Southern Union  
Company

FROM: Mike Wallis *mw D.S.*  
Procurement Analysis Department

*RE: J. L. H. 8-10-99 Thomas L. Schwanz Jr. 8/11/99*  
Utility Services Division/Date General Counsel's Office/Date

SUBJECT: Staff's recommendation in Case No. GR-98-167, Missouri Gas Energy's 1997-  
1998 Actual Cost Adjustment Filing

DATE: August 10, 1999

The Staff has reviewed the 1997-1998 Actual Cost Adjustment (ACA) filing (docketed as Case No. GR-98-167) for Missouri Gas Energy (MGE or Company). The Staff's review consisted of an analysis of the billed revenues and actual gas costs, for the period of July 1997 to June 1998. A comparison of billed revenue recovery with actual gas costs will yield either an over-recovery or under-recovery of the ACA, Refund, Take-or-Pay (TOP), and Transition Cost balances. An examination of MGE's gas purchasing practices was also performed to determine the prudence of the Company's purchasing decisions. MGE transports its gas supply over Panhandle Eastern Pipeline (PEPL), Williams Natural Gas (WNG), Mid-Kansas Partnership/Riverside Pipeline Company (MKP/RPC), and KN Interstate Pipeline (KNIP). The Staff has reviewed MGE's KNIP pipeline capacity and has no adjustments at this time.

**MKP/RPC PIPELINE ADJUSTMENT**

The Staff, in ACA Case No. GR-96-450 (MGE's 1996-1997 ACA period), proposed an adjustment to reduce MGE's gas costs by \$4,532,449.60 (Staff's will revise its original adjustment, in its surrebuttal testimony, to \$3,490,082.81). The Staff proposes this adjustment because it believes that MGE incurred natural gas costs (fixed and variable transportation charges and gas supply costs), with respect to its gas supply and transportation contract with MKP/RPC, that are substantially greater than market. Case No. GR-96-450 is currently pending before the Commission.

The Staff, in the current ACA case (Case No. GR-98-167) will propose (pending a Commission Order in Case No. GR-96-450) an adjustment to reduce MGE's gas costs by \$4,330,731.88. The Staff believes this adjustment is necessary for the same reasons as the Staff expressed in its direct and rebuttal testimony filed in Case No. GR-96-450.

If the Commission agrees with the Staff's proposed adjustment in Case No. GR-96-450 and in this ACA case, the Staff recommends that the Commission order MGE to (1) adjust its ACA recovery balance by \$7,553,015.38  $[(\$3,490,082.81 + \$4,330,731.88) - \$267,799.31]$  from a \$4,424,119.03 under-recovery to a \$3,128,896.35 over-recovery; (2) establish the Take-or-Pay Account balance, as filed, at a \$1,096,552.27 under-recovery; (3) establish the Transition Cost Account balance, as filed, at a \$934,374.40 under-recovery; (4) establish the Refund Account balance, as filed, for the Residential Service, Small General Service, Large General Service, and Unmetered Gaslight Service customer classes at \$10,284,104.11; and (5) establish the Refund Account balance, as filed, for the Large Volume Service customer class at \$2,550,255.75.

### **DEFERRED CARRYING COST BALANCE ADJUSTMENT**

The Staff, during its audit of MGE's Deferred Carrying Cost Balance (DCCB), discovered that MGE had applied the interest calculation to the entire amount of monthly under-collections rather than the amount of monthly under-collections in excess of the 5% trigger level (as specified in MGE's ACA/PGA tariffs). As a result, Staff proposes an adjustment of \$267,799.31 to MGE's ACA balance. This adjustment will have the effect of increasing any final Commission approved under-collected ACA balance and/or decreasing any final Commission approved over-collected ACA balance.

### **SUMMARY**

- The Staff, in the current ACA case (Case No. GR-98-167) will propose (pending a Commission Order in Case No. GR-96-450) an adjustment of \$4,330,731.88 to reduce MGE's gas costs.
- Staff proposes an adjustment of \$267,799.31 to MGE's ACA balance. This adjustment will correct the DCCB balance and will have the effect of increasing any final Commission approved under-collected ACA balance and/or decreasing any Commission approved over-collected ACA balance.

### **RECOMMENDATIONS**

The Staff recommends that this ACA case remain open pending an Order from the Commission in Case No. GR-96-450.

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cc: Director - Utility Operations Division  
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