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MAR 27 2000

M E M O R A N D U M

Missouri Public
Service Commission

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2000-425, File No. 200000845, Missouri Gas Energy

FROM: Henry E. Warren, Gas Department - Tariffs/Rate Design *pm*

John M. Mattingly 3/21/00 *John M. Mattingly* 3/21/00
Utility Operations Division/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation on Missouri Gas Energy's Scheduled Summer Season
PGA Filing Effective April 1, 2000.

DATE: March 24, 2000

On March 17, 2000, 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, 2000. The tariff sheet was filed to reflect scheduled changes in MGE's Purchased Gas Adjustment (PGA) factors as the result of an estimated change in the cost of natural for the upcoming summer season. Additionally, this tariff filing reflects the continuation of the Experimental Price Stabilization Charge as requested by the Company in Case No. GT-2000-582, File No. 200000849.

The net effect of this change will increase the firm PGA factor for the 2000 summer season to \$0.39038 per Ccf from a winter season firm PGA factor of \$0.34911 per Ccf. The increase for the summer season PGA factor is due to MGE's current under-recovery of gas costs. The current PGA factor became effective February 1, 2000, as a result of an unscheduled winter filing which reduced the scheduled winter PGA factor. However, MGE found that beginning in early February, and continuing to date, market prices for natural gas increased substantially beyond their expectations.

Case No. GR-2000-425, under which this change were filed, was established to track the Company's PGA factors to be reviewed in its 1999-2000 Actual Cost Adjustment (ACA) filing. Case Nos. GR-96-450, GR-98-167, and GR-99-304 were established to track the Company's PGA factors to be reviewed in its 1996-1997, 1997-1998, and 1998-1999 ACA filings, respectively. Interim subject to refund, status should be maintained pending final Commission decisions in ACA Case Nos. GR-96-450, GR-98-167, GR-99-304, and GR-2000-425.

The Commission's Gas Department - Tariffs/Rate Design Staff (Staff) has reviewed this filing and has determined that it was calculated in conformance with MGE's 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 at least 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

Fourteenth Revised SHEET No. 24.7, Canceling Thirteenth Revised SHEET No. 24.7

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 - 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)
- Robert J. Hack - Vice President of Pricing & Regulatory Affairs (MGE)
- Dennis Morgan - Attorney (Southern Union Company)
- 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