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## Missouri Public Service Commission

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April 2, 2002

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Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

**FILED<sup>3</sup>**  
**APR 02 2002**

RE: Case No. GR-2000-425

Missouri Public  
Service Commission

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **RESPONSE TO MGE'S MOTION TO DISMISS OR STRIKE**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

*Thomas R. Schwarz, Jr.*  
Thomas R. Schwarz, Jr.  
Deputy General Counsel  
(573) 751-5239  
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TRS:sw  
Enclosure  
cc: Counsel of Record

FILED<sup>3</sup>

APR 02 2002

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Missouri Public  
Service Commission

In the Matter of Missouri Gas Energy's )  
Purchased Gas Adjustment Factors to be )  
Reviewed in Its 1999-2000 Actual Cost ) Case No. GR-2000-425  
Adjustment. )

**RESPONSE TO MGE'S MOTION TO DISMISS OR STRIKE**

COMES NOW Staff of the Missouri Public Service Commission, and in response to the Motion to Dismiss or Strike filed by Missouri Gas Energy on December 27, 2001 states:

1. In Missouri Gas Energy's (MGE) December 26, 2001 response to the Staff 1999/2000 ACA recommendation in case number GR-2000-425, MGE asserts that the Staff's peak day requirements study recommendation is not a proper topic for consideration in the ACA proceeding. Staff asserts that reliability studies are necessary to its audit of Local Distribution Companies' (LDCs') gas costs, and that the ACA/PGA audit is an appropriate setting to do so.

2. Transportation costs comprise 25% to 40% of an LDC's total gas costs, a substantial cost to the consumer. In turn, reservation costs – charges for reserving firm capacity on the pipeline – constitute a substantial portion of total transportation cost. To assure sufficient capacity is available to meet firm customer peak day capacity and natural gas supply requirements, but that customers are not charged for unnecessary excess capacity, Staff reviews the peak day and reliability information and the Company's rationale for its reserve margin. Staff must obtain information from the Company to understand and evaluate the Company's rationale for the capacity under contract. If Staff believes that customers are paying for excess natural gas capacity, Staff evaluates the cost of the excess to make a determination as whether to recommend a refund to customers.

21

3. The Company submitted a 2000/2001 Reliability Report that shows peak day estimates for the eleven years of 2000/2001 – 2010/2011. The Company states that it performed a series of regression analyses on the historic daily firm sales to determine the base load and weather sensitive heat load factors. However, the information provided to date does not support that regression analyses are used to develop these estimates. Staff is simply recommending that the input and output sheets of the regression analyses be submitted to support the Company's method of estimating peak day demand.

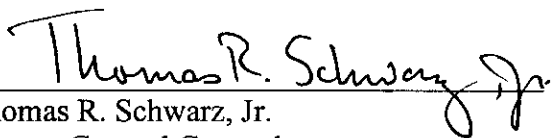
4. MGE also states that it believes that the information it has provided in the Reliability Report is much more extensive than is required of any other local distribution company. Staff evaluates the reliability of all ten local distribution companies in Missouri. Although each company does not use the same methodologies, the companies do evaluate and provide to Staff the usage in their service areas; assumptions that affect estimates of capacity required to meet a potential peak cold day; copies of regression or other methodology inputs and outputs; and comparison of actual usage to the usage estimated by the company's forecasting model. Failure of MGE to submit this reliability information hinders Staff's ability to conduct a reasonable review of capacity requirements, and the cost associated with those capacity requirements in the ACA period under audit.

5. Staff believes that the August 1, 2002 recommended submittal date for the reliability information provides adequate time for the Company to respond to Staff's request for information.

WHEREFORE, Staff respectfully requests that the Commission issue an Order adopting Staff's reliability recommendations, as set forth in its Memorandum filed November 27, 2001.

Respectfully submitted,

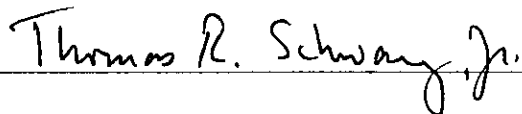
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#### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 2<sup>nd</sup> day of April, 2002.



**Service List for  
Case No. GR-2000-425  
Revised: April 2, 2002 (SW)**

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