

MEMORANDUM

FILED²
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TO: Missouri Public Service Commission Official Case No. GR-2000-425, File No. 200100042, Missouri Gas Energy Commission

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

[Signature] 7/24/00 Utility Operations Division/Date
[Signature] 7-25-00 General Counsel's Office/Date

SUBJECT: Staff Recommendation on Missouri Gas Energy's Request for a One-Time Waiver and an Unscheduled Summer Season PGA Filing Effective August 1, 2000.

DATE: July 24, 2000

On July 14, 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 August 1, 2000. The tariff sheet was filed to reflect unscheduled changes in MGE's Purchased Gas Adjustment (PGA) factors as the result of estimated changes in the cost of gas for the remaining summer season. The summer season includes the months of April through October.

In conjunction with the filing of the Company's tariff sheet, it filed MISSOURI GAS ENERGY'S MOTION FOR WAIVER TO MAKE AN UNSCHEDULED SUMMER PURCHASED GAS ADJUSTMENT FILING (Motion). This Motion requests a one-time waiver from the PGA Clause of MGE's tariff due to escalations in the market price of gas since its scheduled summer filing. In addition, MGE cites the following three reasons for approval of this one-time waiver:

1. Send the correct price signal to its customers that will more closely reflect current gas costs;
2. Raise consumer awareness of the possible increases in gas prices this winter; and
3. Mitigate the under-recovery of gas costs this summer which would reduce the possibility of a higher Actual Cost Adjustment (ACA) for the next ACA period.

The net effect of this change will increase the firm PGA factor for the remainder of the 1999-2000 summer season to \$0.53599 per Ccf from a scheduled summer season firm PGA factor of \$0.39038 per Ccf.

Case No. GR-2000-425, under which this PGA change was filed, was established to track MGE's 1999-2000 ACA activity. A final Commission decision in MGE's ACA Case Nos. GR-96-450, GR-98-167 and GR-99-304 for 1996-1997, 1997-1998 and 1998-1999 ACA periods, respectively, are still pending. Interim subject to refund status should be maintained pending final Commission decisions in Case Nos. GR-96-450, GR-98-167, GR-99-304, and GR-2000-425.

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The Commission's Gas Department - Tariffs/Rate Design Staff (Staff) has reviewed the Motion and agrees that the one-time waiver request be granted. Staff has also reviewed the PGA filings and has determined that, with the exception of the one-time waiver request to file an unscheduled summer PGA, this filing 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 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 the Commission grant the one-time waiver as requested by the Company on July 14, 2000, and approve the following tariff sheet to become effective August 1, 2000, interim subject to refund:

P.S.C. MO. No.1

Fifteenth Revised SHEET No. 24.7 Canceling Fourteenth Revised SHEET No. 24.7

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Gary W. Duffy - Attorney with Brydon, Swearengen & England P.C.
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Jeffrey A. Keevil - Attorney with Stewart & Keevil
(Riverside Pipeline Company, L.P.)
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