

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Missouri Gas Energy and)	
Its Tariff Filing to Implement a General Rate)	Case No. GR-2009-0355
Increase for Natural Gas Service)	

MGE’S MOTION FOR CLARIFICATION

Comes now Southern Union Company (Southern Union”), d/b/a Missouri Gas Energy (“MGE” or “Company”), a division of Southern Union Company, and, for its Motion for Clarification, respectfully states as follows to the Missouri Public Service Commission (“Commission”):

SUMMARY

MGE requests clarification as to the carrying cost rate applicable to the regulatory asset associated with energy efficiency (EE) programs funded by the Company.

MOTION

1. On February 10, 2010, the Commission issued a Report and Order in this case deciding certain contested issues. MGE requests clarification of certain matters described herein.

2. In addressing the issue of Energy Efficiency (EE) programs, the Commission made the following finding at page 60 of the Report and Order regarding MGE’s proposal that the same short term interest rate determined in the case should be applied to any unspent amounts previously collected in rates on a going-forward basis¹:

152. Ratepayers should be properly compensated when they supply monies to the utility via the regulatory process. The overall cost of capital is the appropriate rate to use when calculating interest on the energy efficiency funds so that all

¹ See findings numbers 127 and 153.

ratepayer supplied funds are treated consistently with all other monies supplied by ratepayers in the regulatory process.

3. It is apparent that the Commission has drawn an equivalency between the unexpended EE funding authorized in the 2006 rate case, and included as an expense item in rates, with the up to \$1.5 million of additional annual EE funding to be supplied by MGE that has been ordered by the Commission in this case² by referring to “all other monies supplied by ratepayers” in the context of addressing an overall return on invested capital.

4. It is logical and fair to apply the same carrying cost to unexpended funds currently on hand and future company-funding accounted for as a regulatory asset. Consequently, MGE requests that the Report and Order be clarified to state that the weighted cost of capital should be applied symmetrically, that is, the overall cost of capital as determined in this case also should be used to calculate interest on the \$1.5 million per year of EE funding to be supplied by MGE (as well as any additional funding as recommended by the EEC and approved by the Commission) and to be deferred as a regulatory asset for ratemaking purposes.³

5. Application of a carrying cost to the EE funding supplied by the Company would be consistent with a recent situation where a regulatory asset has been used to address the funding of energy efficiency and demand side management programs. The

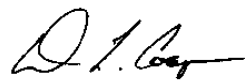
² See Report and Order pp. 62-63. “The Commission orders that MGE’s annual funding amount shall not be included as an ongoing expense in rates.”

³ As the Commission may recall, MGE took the position that the appropriate carrying cost rate to be applied to unexpended funds provided by ratepayers is the short-term debt rate determined by the Commission in this proceeding. To the extent that the Commission determines that symmetry is appropriate in this instance (i.e., the carrying cost rate applicable to ratepayer-provided funds should be equal to the carrying cost rate applicable to shareholder-provided funds), but that the more appropriate carrying cost rate to be applied to both ratepayer and shareholder provided funds is the cost of short-term debt adopted by the Commission in this proceeding (i.e., 5.92%), MGE hereby indicates its concurrence in that result.

regulatory asset maintained by Laclede Gas Company provides, in part, that “[a]ny monies advanced in rates by customers or by Laclede prior to rate base inclusion for such programs shall accumulate interest at Laclede’s short term debt cost as of March 31, 2007.” *In Re Laclede Gas Company*, Case No. GR-2007-0208, Unanimous Stipulation and Agreement, p. 15-16 (approved by Commission Order issued on July 19, 2007).

WHEREFORE, MGE asks that the Commission issue an order granting clarification as requested herein.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 19th day of February, 2010, to:

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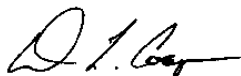
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