BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's Tariff Sheets Designed to Increase Rates for Gas Service in the Company's Missouri Service Area.	))))	**CASE NO. GR-98-140**
In the Matter of Missouri Gas Energy's Proposed Modifications to its Facilities Extension Policy.	)))	**CASE NO. GT-98-237**

CONCURRING OPINION OF COMMISSIONER ROBERT SCHEMENAUER

I wholeheartedly concur with the decision of the majority on all issues of this case. I specifically concur with the decision to disallow the inclusion of the unamortized balance of the Safety Line Replacement Program (SLRP) deferrals in MGE's (Company) rate base.

The arguments presented by the Company and Staff in support of the inclusion of the SLRP deferrals in rate base rely upon the premise that this Commission's decision regarding this issue must not only be consistent with prior Commissions decisions in Case Nos. GR-96-285 and ER-93-37 but it must mirror those decisions. This argument is weak at best, and suffers from many defects. The most damaging being that future Commissions be bound to render decisions in perpetuity based on the illogical premise that consistency requires it. Rather, Commissions are required to conduct their deliberations and base their decisions upon the facts and evidence presented to them in the context of the case under consideration. If the majority had based its decisions in this case solely upon this "consistency premise" without consideration of the facts, evidence and arguments presented, an illogical conclusion would have been reached.

The decisions in GR-96-285 and ER-93-37 were rendered by different Commissions based upon their examination and evaluation of the facts, evidence and arguments presented. Both of the

cited cases were evaluated and decided in an entirely different context. The situations presented to the Commissions then and the urgency, expense and unknown complexities were much different from the situation presented in this case. After five years MGE should be well versed in its understanding of regulatory lag. Regulatory lag is not an economic phenomenon. It is not an unusual, significant, or unaccountable occurrence that suddenly appears for no explainable reason. Management is responsible for planning and operating the activities of the Company. If the Company is unable to or chooses not to implement processes and procedures which would limit the effect of regulatory lag upon its finances, it should not expect the Commission to protect it from any resulting economic detriment if any occur. To do so would unfairly foist costs upon its customers of $2 million in additional annual rate increases.

Utility customers served by a monopoly provider, by and large, have no choice regarding the price they must pay for a commodity or from whom they may purchase it. Neither are they able to purchase reasonable substitutes or to forego purchasing the commodity. The deferral amounts being amortized over ten years allow the Company to recover all of its costs (interest, taxes and depreciation) from its customers. The planning, timing and execution of decisions regarding those costs were made solely by the Company with no input from its customers.

Lastly, the majority correctly based its decision to allow a 10-year recovery period for the deferrals upon sound accounting principles. The principle of matching an expense with revenues related to the recovery of that expense was applied. The SLRP deferrals are expenses related to previous periods when the rates were not sufficiently tariffed to provide revenue recovery. The Commission in a previous case granted an Accounting Authority Order (AAO) to the Company which allowed it to suspend normal accounting requirements and to defer the SLRP costs until the next rate case was filed.

Those deferrals included the expenses of depreciation, interest and taxes from the prior periods and were considered for treatment in this case. Here, the majority granted relief by allowing full recovery of these deferred costs over 10 years rather than 20 years. It was rightfully concluded that a 10-year amortization period more closely matched revenues with the expenses deferred from the prior period. No injustice was done to the Company by disallowing the inclusion of these deferrals into its rate base.

For all of the foregoing reasons I reiterate my concurrence.

Respectfully submitted,

Commissioner Robert G. Schemenauer

Dated at Jefferson City, Missouri,
on this 24th day of August, 1998.