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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 1st
day of July, 1999.

In the Matter of the Investigation of the)
Regulatory Treatment of Missouri Gas Energy's) Case No. GO-99-591
Gas Costs.) Tariff File No. 9900959

ORDER DENYING REQUEST OF MISSOURI GAS ENERGY TO EXTEND EXPERIMENTAL
GAS COST INCENTIVE MECHANISM, DENYING MOTION FOR APPROVAL OF TARIFF
SHEET ON LESS THAN THIRTY DAYS NOTICE, DENYING APPLICATION FOR
INTERVENTION AND REJECTING TARIFF

On June 9, 1999, Missouri Gas Energy (MGE) filed a pleading entitled Request of Missouri Gas Energy to Extend Experimental Gas Cost Incentive Mechanism and Motion for Approval of Tariff Sheet on Less Than Thirty Days Notice. On the same date MGE also filed a proposed tariff that was assigned tariff number 9900959. The request asks that the Commission approve the extension of the Experimental Gas Cost Incentive Mechanism (EGCIM) that was approved in Case No. GO-94-318. The proposed tariff would put such an extension into effect. The EGCIM is scheduled to expire by its terms on June 30, 1999. MGE proposes that it be extended until October 31, 1999.

MGE's request indicates that it has been involved in negotiations with the Staff of the Commission (Staff) and with the Office of the Public Counsel (Public Counsel) regarding possible revisions to the EGCIM. MGE represents that these negotiations are ongoing but are

unlikely to be completed before June 30. MGE requests that the EGCIM be extended to allow more time for negotiations without requiring MGE to revert to the traditional purchased gas adjustment (PGA) mechanism until a new EGCIM can be negotiated.

On June 16, Public Counsel filed its response to MGE's request and accompanying tariff. Public Counsel opposes MGE's request for an extension of the EGCIM and urges the Commission to either reject MGE's proposed tariff or to suspend the tariff, order MGE to file its proposed new EGCIM and order a reasonable procedural schedule. Staff filed its suggestions in opposition to MGE's request on June 21. Staff also suggests that the Commission reject MGE's proposed tariff.

On June 23, Kansas Pipeline Company (KCP), a supplier of natural gas transportation service to MGE, filed an Application for Intervention. The application indicates that KCP is concerned about the regulatory treatment afforded to MGE's purchase of natural gas.

The Commission has considered MGE's request to extend the existing EGCIM by four months. The Commission has also considered the opposition to such an extension expressed by Public Counsel and Staff. The Commission is not willing to extend the EGCIM over the objection of Public Counsel and Staff. The Commission orders MGE to submit a proposed new EGCIM and establish a procedural schedule for its consideration. Suspension or rejection of the proposed tariff would have the same effect, the EGCIM would not remain in effect after its expiration on June 30. The Commission concludes that MGE's request and accompanying tariff should be rejected. This decision will not preclude MGE from

developing and presenting a proposed new EGCIM when it is prepared to do so. When such a proposal is presented to the Commission it will be given due consideration.

IT IS THEREFORE ORDERED:

1. That the Request of Missouri Gas Energy to Extend Experimental Gas Cost Incentive Mechanism is denied.

2. That Missouri Gas Energy's Motion for Approval of Tariff Sheet on Less than Thirty Days Notice is denied.

3. That the tariff submitted by Missouri Gas Energy and assigned tariff number 9900959 and denominated as:

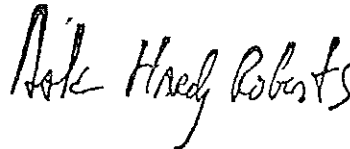
P.S.C. MO. No. 1, Third Revised, Sheet No. 24.2
Canceling P.S.C. MO. No. 1, Second Revised, Sheet No. 24.2

is rejected.

4. That the Application for Intervention filed by Kansas Pipeline Company is denied.

5. That this order shall become effective on July 13, 1999.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Schemenauer,
and Drainer, CC., concur
Murray, C., absent

Woodruff, Regulatory Law Judge

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GRAND JURORS

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