

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
May 25, 2001**

CASE NO: GO-2000-705

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Robert J. Hack
Missouri Gas Energy
3420 Broadway
Kansas City, MO 64111

General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,

A handwritten signature in black ink that reads "Dale Hardy Roberts". The signature is written in a cursive, slightly slanted style.

**Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge**

instruments, as well as the cost of the financial instruments themselves, would be recoverable through the PGA clause of MGE's tariff. These costs, and the gains and losses, would be subject to a prudence review and adjustments.

On April 19, 2001, the Staff recommended that the Commission reject both of MGE's proposals. The Staff stated in its memorandum that by approving one of the two proposals, the Commission would be preapproving the expenditures and thereby deeming them to be made in a prudent manner. Staff further indicated that by approving one of these proposals the Commission would be assuming the decision-making role that should be performed by MGE's management team. Staff further stated that in its opinion, MGE did not need Commission approval to participate in whichever gas purchasing plan MGE believed to be prudent.

Staff recommended that MGE use a gas purchasing strategy that "favors a mix of fixed price volumes, financially hedged volumes, storage volumes, and index priced volumes with variations of each of these components." Staff indicated that MGE's current tariff would not preclude MGE from using any of the methods MGE or Staff suggested for purchasing gas.

On April 27, 2001, MGE filed a response to Staff's recommendation. In its response, MGE indicated that it disagrees with Staff's objections. MGE stated that it had had further discussions with Staff and the Office of the Public Counsel regarding the elimination from its tariff of the current trigger price mechanism. MGE stated that having this mechanism in its tariff was no longer necessary since the mechanism did not take effect. Also on April 27, 2001, MGE filed proposed tariff sheets that would eliminate the trigger price mechanism. An amendment to the tariff sheets was filed on May 15, 2001. The tariff sheets have a proposed effective date of May 27, 2001.

MGE indicated in its response that if the trigger mechanism is eliminated, then no decision by the Commission is necessary regarding the two alternatives set out in MGE's March 30, 2001, pleading. However, MGE did not go so far as to withdraw its request for approval of its alternatives.

On May 18, 2001, the Staff filed a recommendation regarding MGE's April 27 2001, tariff. Staff recommended that the tariff sheets as amended be approved, and that the alternative proposals be rejected for the reasons it stated in its April 19, 2001, recommendation.

The Commission has reviewed MGE's proposed tariff, Staff's recommendation, and MGE's further response. The Commission finds that the elimination of the trigger price mechanism from the tariff is reasonable and the proposed tariff as amended should be approved.

The Commission notes that although MGE did not withdraw its request for approval of its two alternatives when it filed its proposed tariff, the Commission will treat the tariff filing as if it also withdrew the two alternative proposals. MGE itself admits that with the elimination of the trigger price, no further action by the Commission is necessary. Thus, there is no need for the Commission to address the two alternative proposals. As Staff suggests, MGE may make gas purchasing plans that it views to be prudent and effective, subject to prudence reviews and adjustments by the Commission.

IT IS THEREFORE ORDERED:

1. That the tariff filed by Missouri Gas Energy, on April 27, 2001, Tariff No. 200101090, is approved as amended to become effective on May 27, 2000. The tariff approved is:

P.S.C. MO. No. 1

**Third Revised SHEET No. 24.8, Canceling Second Revised SHEET No. 24.8
Third Revised SHEET No. 24.10, Canceling Second Revised SHEET No. 24.10
Third Revised SHEET No. 24.11, Canceling Second Revised SHEET No. 24.11
Third Revised SHEET No. 24.12, Canceling Second Revised SHEET No. 24.12
Fourteenth Revised SHEET No. 24.13, Canceling Thirteenth Revised SHEET No. 24.13
First Revised SHEET No. 24.14, Canceling Original SHEET No. 24.14
First Revised SHEET No. 24.15, Canceling Original SHEET No. 24.15
First Revised SHEET No. 24.16, Canceling Original SHEET No. 24.16
First Revised SHEET No. 24.18, Canceling Original SHEET No. 24.18
First Revised SHEET No. 24.31, Canceling Original SHEET No. 24.31**

2. That this order shall become effective on May 27, 2001.

3. That this case may be closed on May 29, 2001.

BY THE COMMISSION

A handwritten signature in black ink, reading "Dale Hardy Roberts". The signature is written in a cursive, slightly slanted style.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(SEAL)

Nancy Dippell, Senior Regulatory Law
Judge, by delegation of authority pursuant
to Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 25th day of May, 2001.

FYI: To Be Issued By Delegation

ALJ/Secretary:

Dippell/lope

Date Circulated 5-23

Return by 3 p.m. 5-25
10am

FD-2000-705
CASE NO.

HL
Lumpe, Chair

HL
Brainer, Vice Chair

HL
Murray, Commissioner

HL
Simmons, Commissioner

HL
Gaw, Commissioner

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 25th day of May 2001.

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

