

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 7th
day of October, 1997.

In the Matter of Missouri Gas Energy's)	
Purchased Gas Adjustment Tariff Revisions)	<u>Case No. GR-96-78</u>
to be Reviewed in its 1995-1996 Actual)	
Cost Adjustment.)	

ORDER APPROVING STIPULATION AND AGREEMENT

This case was established to audit the billed revenues and actual gas costs of Missouri Gas Energy (MGE or Company) for the period from July 1, 1995 through June 30, 1996, as part of the Actual Cost Adjustment (ACA) procedure contained in MGE's tariffs. On May 30, 1997, the Staff of the Commission (Staff) filed a memorandum in the official case which indicated it reviewed the 1995-1996 ACA filing for MGE and the prudence of the Company's gas purchasing decisions. Staff stated that MGE transports its gas supply over Panhandle Eastern Pipeline (PEPL), Williams Natural Gas (WNG), and Mid-Kansas Partnership/Riverside Pipeline Company (MKP/RPC).

Staff reported that during the period of January 31, 1996, to February 6, 1996, MGE purchased gas supply on a daily spot price basis primarily because WNG was experiencing major pressure problems on its pipeline. Staff believed that: (1) MGE paid excessive prices for this gas supply; (2) this gas supply was purchased primarily at the request of WNG, and not as part of MGE's normal gas supply planning process; and (3) MGE used this gas supply to serve its customers. Therefore, Staff proposed an adjustment to reduce MGE's gas costs for its customers by the amount

of \$2,541,298.62 which would be offset by any refunds or credits which WNG provides to MGE and to the customers of MGE.

Staff proposed an additional adjustment to reduce MGE's gas costs by \$12,787.60 for demand charges incorrectly billed by RPC. Staff also asked that the Commission order MGE to evaluate methods to reduce the impacts which volatile swings in natural gas prices can have on MGE's customers. Staff recommends that the Commission order MGE to: (1) adjust its ACA recovery balance from a \$8,181,422.61 over-recovery to a \$10,735,508.83 over-recovery; (2) establish the Take-or-Pay Account balance at a \$331,490.93 under-recovery; (3) establish the Transition Cost Account balance at a \$8,943,771.74 under-recovery; (4) establish the Refund Account balance for the Residential Service, Small General Service, Large General Service, and Unmetered Gaslight Service customer classes at \$255,745.90; and (5) establish the Refund Account balance for the Large Volume Service customer class at \$34,873.97.

On July 25, 1997, the parties filed a unanimous Stipulation and Agreement (Agreement). The Agreement is attached to this order as Attachment A and incorporated herein by reference. The parties request that the Commission approve the Agreement. The agreement provides that Staff withdraw its proposed disallowance of \$2,541,298.62 in "WNG Gas Supply Costs" incurred during the period from January 31, 1996, to February 6, 1996, because MGE received refunds from WNG in the amount of \$2,015,758.00 and may be entitled to approximately an additional \$100,000.00. During this period, MGE collected penalty amounts exceeding \$1,400,000.00 from transportation customers who took gas purchased for system use. These penalty amounts have been credited to the ACA account for the benefit of system sales customers. The Agreement states that based on detailed daily volume information provided by MGE and based on weather

forecasts available, Staff agreed that spot market purchases were needed to meet system requirements.

The Agreement provides that Staff withdraws its recommended adjustment of \$12,787.60 for RPC demand charges for this ACA period only. The Agreement states that the disputed amount between MGE and RPC will be resolved voluntarily between MGE and Riverside, by the FERC or by a court of competent jurisdiction, and MGE will include any amounts recovered or paid in a future ACA. The Agreement provides that the specifics of Staff's recommendation regarding hedging has been dealt with in the settlement of Case No. GO-97-409 and that no further action on this topic is appropriate in this docket.

In summary, the Agreement states as follows: (1) the ACA recovery balance shall be an over-recovery of \$8,181,422.61; (2) the Take-or-Pay Account balance shall be under-recovery of \$331,490.93; (3) the Transition Cost Account balance shall be an under-recovery of \$8,943,771.74; (4) the Refund Account balance for the Residential Service, Small General Service, Large General Service, and Unmetered Gaslight Service customer classes shall be \$255,745.90; and (5) the Refund Account balance for the Large Volume Service customer class shall be \$34,873.97.

The Commission has reviewed the Agreement of the parties and the Staff's memorandum. The Commission finds that the Agreement of the parties is a reasonable resolution of the issues and should be approved. The Commission finds that the account balances set forth in the Agreement should be established.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed by Missouri Gas Energy on July 25, 1997, and attached to this order as Attachment A, is hereby approved.

2. That Missouri Gas Energy's ACA recovery balance shall be an over-recovery of \$8,181,422.61.

3. That Missouri Gas Energy's Take-or-Pay Account balance shall be an under-recovery of \$331,490.93.

4. That Missouri Gas Energy's Transition Cost Account balance shall be an under-recovery of \$8,943,771.74.

5. That Missouri Gas Energy's Refund Account balance for the Residential Service, Small General Service, Large General Service, and Unmetered Gaslight Service customer classes shall be \$255,745.90.

6. That Missouri Gas Energy's the Refund Account balance for the Large Volume Service customer class shall be \$34,873.97.

7. That this order shall become effective on October 17, 1997.

BY THE COMMISSION



**Cecil I. Wright
Executive Secretary**

(S E A L)

Lumpe, Ch., Crumpton, Murray,
and Drainer, CC., concur.

George, Regulatory Law Judge