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August 1, 2000

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Director, Administration

DALE HARDY ROBERTS  
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE  
General Counsel

Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

**RE: Case No. GR-99-304**

**FILED<sup>2</sup>**  
AUG 1 2000  
Missouri Public  
Service Commission

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF RECOMMENDATION**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

David J. Stueven  
Assistant General Counsel  
(573) 751-6726  
(573) 751-9285 (Fax)

Enclosure  
cc: Counsel of Record

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

**FILED<sup>2</sup>**

**AUG 1 2000**

*Missouri Public  
Service Commission*

In the Matter of Missouri Gas Energy's )  
PGA Tariff to be Reviewed in its 1998- )  
1999 Actual Cost Adjustment )

Case No. GR-99-304

**STAFF RECOMMENDATION**

**COMES NOW** the Staff ("Staff") of the Missouri Public Service Commission ("Commission") and for its Recommendation in the above-captioned case, respectfully states as follows:

1. On January 15, 2000, Missouri Gas Energy filed its ("MGE") filed its 1998 - 1999 Actual Cost Adjustment ("ACA") with the Commission. Pursuant to Section 393.140.7, RSMo (1994), the Staff conducted an audit of and has reviewed MGE's ACA filing.

2. The Staff proposed significant adjustments in MGE's ACA Recovery Balance in Case No. GR-96-450 and Case No. GR-98-167. These cases are currently pending before the Commission. Staff is proposing adjustments in the present case that are consistent with Case No. GR-96-450 and Case No. GR-98-167.

3. In the attached Memorandum, which is labeled Appendix A, the Staff recommends that the Commission, if it agrees with the Staff's proposed adjustments in Case No. GR-96-450 and Case No. GR-98-167, issue an Order requiring MGE to 1) adjust its ACA recovery balance by \$13,699,225.28, from a \$7,296,499.47 over-recovery to a \$20,995,724.75 over-recovery; 2) establish the Take-or-Pay Account balance, as filed, at zero; 3) establish the Transition Cost Account balance, as filed, at a \$3,509,627.73 under-recovery; 4) establish the Refund Account balance for the Residential Service, Small General Service, Large General

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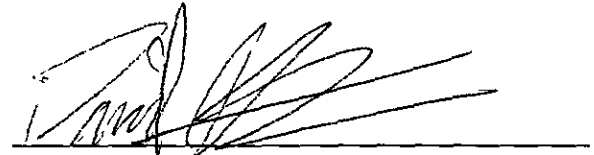
Service, and Unmetered Gaslight Service customer classes, as filed, at \$10,167,501.26; and 5) establish the Refund Account balance for the Large Volume Service customer class, as filed, at \$715,531.70.

4. Staff also recommends that MGE continue to provide an updated annual Reliability Report and that this case remain open pending an Order from the Commission in Case No. GR-96-450 and Case No. GR-98-167.

**WHEREFORE**, Staff respectfully requests that the Commission issue its Order in accordance with the Staff's Memorandum attached hereto.

Respectfully submitted,

DANA K. JOYCE  
General Counsel

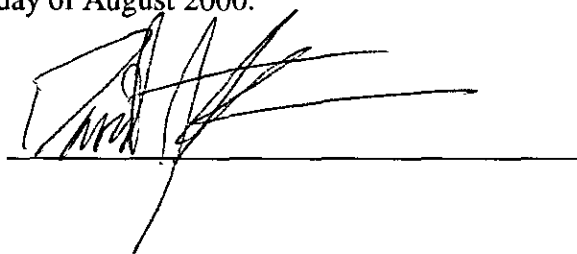


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## Certificate of Service


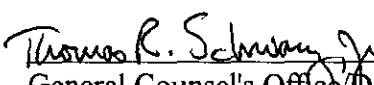
I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 1st day of August 2000.

A handwritten signature in black ink, consisting of several overlapping, stylized strokes, is written over a horizontal line.

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File,  
Case No. GR-99-304, Missouri Gas Energy, a Division of Southern Union  
Company

FROM: Dave Sommerer, Manager-Procurement Analysis Department  
Mike Wallis, Regulatory Auditor IV-Procurement Analysis Department  
Lesa A. Jenkins, P.E., Regulatory Engineer, Procurement Analysis Department

 Project Coordinator/Date  
 General Counsel's Office/Date

2/3-00  
7/31/00

SUBJECT: Staff's Recommendation in Missouri Gas Energy's 1998-1999 Actual Cost  
Adjustment Filing

DATE: August 1, 2000

The Staff has reviewed the 1998-1999 Actual Cost Adjustment (ACA) filing (docketed as Case No. GR-99-304) for Missouri Gas Energy (MGE or Company). The Staff's review consisted of an analysis of the billed revenues and actual gas costs, for the period of July 1998 to June 1999. A comparison of billed revenue recovery with actual gas costs will yield either an over-recovery or under-recovery of the ACA, Refund, Take-or-Pay (TOP), and Transition Cost balances. MGE transports its gas supply over Panhandle Eastern Pipeline (PEPL), Williams Natural Gas (WNG), Mid-Kansas Partnership/Riverside Pipeline Company (MKP/RPC), and KN Interstate Pipeline (KNIP). The Staff has reviewed MGE's KNIP pipeline capacity and has no adjustments at this time.

In addition, Staff conducted a reliability analysis for the MGE distribution system including a review of MGE information regarding a) estimated peak day requirements and the capacity levels to meet those requirements, b) peak day reserve margin and the rationale for this reserve margin, and c) annual estimated demand. No concerns were noted at this time.

### **MKP/RPC PIPELINE ADJUSTMENT**

The Staff, in ACA Case No. GR-96-450 (MGE's 1996-1997 ACA filing), proposed an adjustment to reduce MGE's gas costs by \$4,532,449.60 (Staff will revise its original adjustment,

same reasons as the Staff expressed in its direct and rebuttal testimony filed in Case No. GR-96-450 and in its recommendation in Case No. GR-98-167.

- Staff proposes an adjustment of \$35,789 to MGE's ACA balance. This adjustment will correct the DCCB balance and will have the effect of increasing any final Commission approved under-collected ACA balance and/or decreasing any Commission approved over-collected ACA balance.

### **RECOMMENDATIONS**

- In order to assure that sufficient capacity, but not excess capacity, is available to meet peak day requirements, Staff recommends that the Company continue to provide an updated annual Reliability Report. Details of the Reliability Report requirements are contained in the Amended Stipulation and Agreement, Case Number GO-2000-705, which was filed May 15, 2000.
- The Staff recommends that this ACA case remain open pending an Order from the Commission in Case No. GR-96-450 and Case No. GR-98-167.

Service List for  
Case No. GR-99-304  
August 1, 2000

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