

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of the application of Arkansas Western Gas Company, d/b/a Associated Natural Gas Company, for a certificate of convenience and necessity authorizing it to construct, install, own, operate, control, manage and maintain a certain natural gas pipeline in New Madrid County, Missouri.

APPEARANCES: Jeffrey L. Dangeau, Attorney, Arkansas Western Gas Company, Post Office Box 1408, Fayetteville, Arkansas 72702-1408,
and
James C. Swearingen, Hawkins, Brydon, Swearingen & England P.C., Post Office Box 456, Jefferson City, Missouri 65102,
for
Arkansas Western Gas Company, d/b/a Associated Natural Gas Company.

William M. Shansey, Assistant General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for
the staff of the Missouri Public Service Commission.

HEARING
EXAMINER: Cecil I. Wright.

REPORT AND ORDER

On August 17, 1989, Arkansas Western Gas Company, d/b/a Associated Natural Gas Company, (Applicant) filed an application seeking authority and a certificate of convenience and necessity to construct and operate a natural gas pipeline in New Madrid County, Missouri. Notice of the application was given by order of the Commission. The Commission stated that if no person intervened and a hearing was not requested, Applicant would be allowed to file its evidence by affidavit.

No person sought intervention. Commission Staff requested a hearing and the Commission established a schedule of proceedings.

On December 4, 1989, Applicant sought a modification of the procedural schedule. Staff opposed the modification proposed by Applicant and proposed to extend the proceedings to June 1990. The Commission issued an order December 13, 1989 maintaining the established hearing schedule.

On January 24, 1990, Staff again proposed a modification of the procedural schedule or, in the alternative, to grant the certificate but refrain from any rate-making decision on the costs. Applicant filed a pleading supporting Staff's alternative.

On February 2, 1990, the Commission issued an order adopting Staff's alternative. Public Counsel filed a motion for clarification but later indicated a hearing was not being requested. The Commission canceled the hearing and has considered Applicant's evidence filed under affidavit in this case.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact.

Applicant is a public gas utility engaged in the transmission and distribution of natural gas at retail in Dunklin, Pemiscot, New Madrid, Wayne, Ripley, Scott, Mississippi, Cape Girardeau, Schuyler, Adair, Cass and Bates counties in Missouri. Applicant filed, under affidavit, the testimony of Ted F. Knight, Manager, Gas Supply and Development; Charles V. Stevens, Vice President of Construction and Maintenance; and Stanley D. Green, Vice President and Treasurer, in support of the application. Applicant proposes to construct a natural gas pipeline consisting of approximately 47,500 feet of 10-3/4 inch wrapped pipe connecting preexisting pipelines at points near the town of Portageville which will extend generally northwestward to a point near the southern corporate limits of the city of Marston. The estimated cost of the system is \$1,187,500.

The proposed 10-3/4 inch pipeline will begin at a point of interconnection with Applicant's existing facilities just south of Portageville, approximately 50 feet east of the west line and 2,390 feet south of the north line of Section 31, T 21 N, R 13 E, and will extend generally northeastward to a point of interconnection near the southern limits of the city of Marston approximately 780 feet west of the east line and 45 feet south of the north line of Section 26, T 22 N, R 13 E, all in

New Madrid County, Missouri. The route of the proposed line is identified on the maps which are attached as Schedules 3 and 4 to the testimony of Applicant witness Stevens.

Applicant's evidence indicates there are three primary purposes for the proposed construction. These are: (1) to decrease the risk of service interruption; (2) to provide greater deliverability; and (3) to provide greater flexibility in supply planning. Applicant witness Stevens testified that the towns of Portageville and Marston and surrounding areas are presently served through one transmission line with no alternative supply. Because these areas are only supplied by a single line they are at greater risk of service interruptions. The interconnection proposed would reduce the risk since the area would then have an alternative line. Stevens testified that the line will provide greater peak deliverability on Applicant's system serving Portageville and Marston by alleviating line drop at the ends of the system serving those towns.

Applicant witness Knight testified that the proposed construction would provide greater flexibility in supply planning by giving Applicant improved access to Arkoma Basin reserves. Access to these reserves should result in the lowest rates to Applicant's customers due to security of supply.

Staff in its motions raised various questions concerning the benefits Applicant avers will result from the construction of the interconnection. Staff questions Applicant's reduction of firm gas supply from Texas Eastern before Applicant had obtained a certificate from this Commission. Staff has also contended that the interconnection might not be economical and might be detrimental to Applicant's ratepayers. Staff indicated further that it was without sufficient resources to do the necessary analysis of the proposed interconnection which would be required to determine if it was economical and beneficial to ratepayers. Once Staff determined that it could not perform the necessary analysis to meet the established procedural schedule, Staff sought modification of the schedule. As an alternative, Staff recommended the Commission grant the certificate and approve the construction if the

approval is not extended to recovery of any costs associated with the interconnection or the recovery of any of the purported gas costs associated with new contractual levels. Applicant supported Staff's alternative.

The Commission adopted Staff's alternative and this order is issued on that basis. The evidence presented by Applicant supports the granting of the certificate and a finding that the interconnection is necessary for the public interest. If, as Applicant's evidence indicates, there are benefits through supply security and access to less expensive reserves, Applicant's customers should benefit. The Commission will therefore grant the authority requested.

The Commission, though, by granting Applicant authority and a certificate of convenience and necessity to build the interconnection, is making no decision concerning the recovery of any costs associated with the interconnection or any new contractual levels which result from the interconnection. Whether these costs were prudently incurred shall be decided in a general rate case where recovery is requested.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

The Commission has jurisdiction over the subject matter of this case pursuant to Section 393.170, R.S.Mo. 1986. Applicant is a public utility subject to Commission jurisdiction pursuant to the provisions of Chapters 386 and 393, R.S.Mo. 1986.

Since an agreement was reached among the parties pursuant to which the request for a hearing was withdrawn, the Commission allowed Applicant to file its evidence by affidavit. Where no party requests a hearing, the Commission may base its order on evidence submitted by affidavit. *State ex rel. Rex Deffenderfer Enterprises, Inc. v. PSC*, 776 S.W.2d 494, 496, (Mo. App. 1989).

Based upon the evidence presented and Applicant's agreement to Staff's alternative, the Commission has concluded that the certificate of convenience and

necessity will be granted. The Commission will reserve all ratemaking treatment until a rate proceeding where the costs are sought to be recovered.


- It is, therefore,

ORDERED: 1. That Arkansas Western Gas Company, d/b/a Associated Natural Gas Company, is hereby granted authority and a certificate of convenience and necessity to construct and operate a natural gas pipeline as described in this order between the cities of Portageville and Marston, Missouri.

ORDERED: 2. That nothing in this order shall be considered a finding by the Commission of the reasonableness of any expenditures made, nor of the value for ratemaking purposes of any properties constructed, nor as an acquiescence in the value placed upon any properties by Arkansas Western Gas Company, d/b/a Associated Natural Gas Company.

ORDERED: 3. That this Report And Order shall become effective on the 20th day of March, 1990.

BY THE COMMISSION



Harvey G. Hubbs
Secretary.

(S E A L)

Steinmeier, Chm., Mueller, Rauch,
McClure and Letsch, CC., Concur.

Dated at Jefferson City, Missouri,
on this 7th day of March, 1990.