

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 28th
day of June, 1995.

In the matter of Missouri Gas Energy's Purchased Gas)
Adjustment tariff revisions to be reviewed in its) Case No. GR-95-82
1994-1995 Actual Cost Adjustment.)
)

In re Missouri Gas Energy tariffs designed to recover)
transition costs.) Case No. GR-95-33 *
)

In the matter of the application of Missouri Gas Energy,)
a division of Southern Union Company, for a waiver from)
the application of certain tariff language regarding) Case No. GO-95-224 *
refunds.)
)

ORDER REJECTING TARIFF SHEETS

On June 15, 1995, Missouri Gas Energy, a division of Southern Union Company (MGE) of Kansas City, Missouri, filed eight (8) tariff sheets each bearing an effective date of July 5, 1995. The tariff sheets were filed to reflect changes in MGE's Purchased Gas Adjustment (PGA) factors caused by increases in the spot market cost of gas, to implement a refund for which a one-time waiver was granted by the Commission in Case No. GO-95-224, and to incorporate language in the tariff which implements transition cost (TC) factors in compliance with the Commission's order in Case No. GR-95-33, issued May 26, 1995.

On June 27, 1995, the Commission's Staff (Staff) filed a memorandum to the official case file in Case Nos. GR-95-82 and GR-95-33, and Tariff File No. 9500843. In its memorandum, Staff states as follows. On June 26, 1995, Staff became aware of a June 16, 1995 Federal Energy Regulatory Commission (FERC) order in FERC docket RP-94-296. In this order, FERC ordered Williams Natural Gas

Company (WNG) to file revised tariff sheets reflecting the removal of \$5.9 million of transportation and exchange (T&E) imbalance costs, in addition to other costs in that filing. MGE did not include its share of the \$5.7 million in T&E charges in its calculation of TC Factor 2. However, MGE did not remove its share of that amount from the expected total billing from WNG. If WNG has decided it is not allowed to bill the T&E charges, MGE's share should be removed from the expected total billing from WNG. If WNG has decided it is authorized to pass through these costs, MGE's portion of the \$5.7 million should be included as TC Factor 2 costs.

Furthermore, Staff asserts the Company expects to be billed approximately \$17 million of costs relating to the Delaware I settlement, which costs do not meet the definition of TC Factor 1 costs as defined by this Commission in GR-95-33. The Staff suggests that the Delaware I costs should have been included in MGE's calculation of TC Factor 2, and were not so included.

In addition, the Staff asserts that MGE did not calculate the TC Factors 1 and 2 in accordance with its proposed tariff sheets 23.5, 23.6, and 23.7. Staff suggests that MGE inappropriately calculated a sales rate it called TC Factor 1 which consisted of both TC 1 costs and TC 2 costs, and divided by the total sales volumes. Staff states that although MGE's method appears to produce a correct sales factor and a correct transportation factor, the nomenclature used is confusing and not in accordance with its proposed tariff sheets.

Finally, Staff alleges that certain language contained in proposed tariff sheet No. 23.7 is inconsistent with the Commission's order in Case No. GR-95-33. Staff suggests that the proposed tariff language would allow customers to avoid transition costs while the Commission's order does not so provide.

Staff states that it has not successfully resolved certain outstanding issues. Staff states that it intends to continue working toward a

satisfactory resolution of these issues but time constraints require it to file its recommendation. Staff states that it has determined that the TC factors have been improperly calculated and that the proposed tariff sheets contain unacceptable language and factors. Staff recommends that MGE's tariff sheets be denied, and the company ordered to refile tariff sheets consistent with the Commission's order in Case No. GR-95-33 dated May 26, 1995.

The Commission has reviewed the proposed tariff sheets filed by MGE on June 15, 1995, and the Staff's memorandum filed on June 27, 1995. The Commission finds that the proposed tariff sheets filed by MGE on June 15, 1995, are not in compliance with the Commission's order in Case No. GR-95-33. Thus, the Commission will reject each of the eight (8) tariff sheets filed by MGE on June 15, 1995.

IT IS THEREFORE ORDERED:

1. That the following tariff sheets filed by Missouri Gas Energy, a division of Southern Union Company, on June 15, 1995 be, and are hereby, rejected.

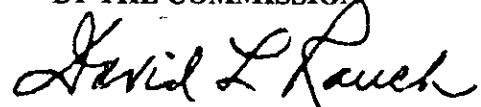
P.S.C.MO. No. 1

First Revised Sheet No. 15, Canceling Original Sheet No. 15
First Revised Sheet No. 16, Canceling Original Sheet No. 16
First Revised Sheet No. 17, Canceling Original Sheet No. 17
Fourteenth Revised Sheet No. 18, Canceling Thirteenth Revised Sheet No. 18
First Revised Sheet No. 19, Canceling Original Sheet No. 19
First Revised Sheet No. 23.5, Canceling Original Sheet No. 23.5
First Revised Sheet No. 23.6, Canceling Original Sheet No. 23.6
Original Sheet No. 23.7

2. That this order shall become effective on the 5th day of July, 1995.

(SEAL)

BY THE COMMISSION



David L. Rauch
Executive Secretary

Mueller, Chm., McClure and
Crumpton, CC., concur.
Kincheloe, C., absent.