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May 18, 2001

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

**RE: Case No. GO-2000-705**

**FILED<sup>2</sup>**  
MAY 18 2001  
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,

*Thomas R. Schwarz, Jr.*  
Thomas R. Schwarz, Jr.  
Deputy General Counsel  
(573) 751-5239  
(573) 751-9285 (Fax)

TRS:sw  
Enclosure  
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED<sup>3</sup>

MAY 18 2001

Missouri Public  
Service Commission

In the matter of Missouri Gas Energy's )  
fixed commodity price PGA and )  
transportation discount incentive )  
mechanism. )

Case No. GO-2000-705

STAFF RECOMMENDATION

COMES NOW the Staff of the Public Service Commission of Missouri and for its recommendation in this case states:

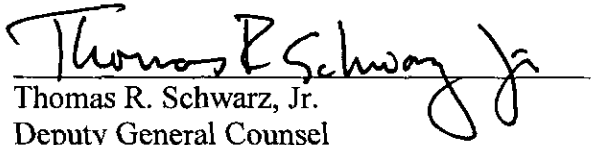
1. On April 27, 2001, Missouri Gas Energy filed tariff sheets (File No. 200101090) to remove the \$2.25 trigger mechanism from its current tariff provisions. On May 15, 2001, MGE filed an additional tariff sheet (File No 200101116) to remove an additional reference to the trigger price mechanism.

2. Staff concurs with MGE that removal of these provisions is warranted at the present time. See the Staff Memorandum attached as Attachment A.

3. Staff continues to recommend that the Commission reject the alternative incentive proposals filed by MGE on March 30, 2001, in this case.

Respectfully submitted,

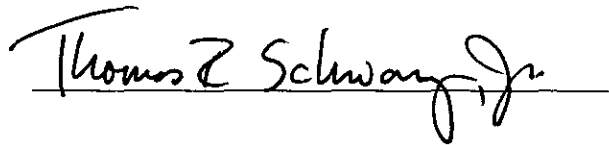
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### **Certificate of Service**

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 18th day of May, 2001.



MEMORANDUM

TO: Missouri Public Service Commission Official Case File,  
Case No. GO-2000-705, File Nos. 200101090 and 200101116, Missouri Gas Energy

FROM: <sup>DB</sup>  
Daniel I. Beck, Gas – Tariffs/Rate Design

Wes Anderson 5-18-01  
Utility Operations Division/Date

Thomas R. Schwanz Jr. 5/18/01  
General Counsel's Office/Date

SUBJECT: Staff Recommendation on Tariff Sheets Filed to Modify Missouri Gas Energy's Fixed Price Commodity Price PGA Effective May 27, 2001.

DATE: May 18, 2001

On March 30, 2001, Missouri Gas Energy, a division of Southern Union Company (MGE or Company) of Kansas City, Missouri, filed Missouri Gas Energy's Alternative Proposal Regarding Commodity Cost Recovery requesting the Missouri Public Service Commission (Commission) issue an Order adopting one of two alternative proposals regarding commodity cost recovery. On April 19, 2001, the Missouri Public Service Commission Staff (Staff) filed its Staff Recommendation outlining the reasons for recommending that the Commission reject both of alternative proposals recommended by MGE. On April 27, 2001, MGE filed Missouri Gas Energy's Response to Staff Recommendation; Request for Expedited Consideration to eliminate the \$2.25 trigger price mechanism that current exists in the Fixed Commodity Price (FCP) Purchased Gas Adjustment (PGA) Section of the Company's tariff. In addition, on April 27, 2001, MGE filed tariff sheets with the Commission, assigned File No. 200101090, that would eliminate the \$2.25 trigger price mechanism as proposed in its Response and Request filed on that same date. On May 15, 2001, MGE filed an additional tariff sheet at the request of the Staff, assigned File No. 200101116, to eliminate one additional phrase relating to the \$2.25 trigger that was inadvertently not filed as part of the original tariff filing. Both tariff sheet filings provide for the required 30 days notice. However, in its Response and Request and its letter accompanying the May 15, 2001 tariff filing, MGE is requesting expedited approval of these tariff sheets, but the Company did not request a specific date. The Company is requesting expedited approval of the tariff sheets because "the presence of the \$2.25 trigger price mechanism unduly complicates gas supply purchasing decisions". In addition, the Company states that the elimination of this trigger "will clarify matters and the sooner it is eliminated and matters are clarified the better."

This filing constitutes Staff's recommendation that the Commission approve the tariff filings of April 27, 2001 and May 15, 2001 and reject Missouri Gas Energy's Alternative Proposal Regarding Commodity Cost Recovery filing of March 30, 2001. Staff does not necessarily agree or disagree with the planned gas procurement actions alluded to in MGE's pleadings but continues to urge MGE to evaluate all hedging alternatives as part of its gas procurement responsibilities.

The Staff has reviewed the Company's tariff sheets filed April 27, 2001 and the tariff sheet filed May 15, 2001, and is of the opinion that good cause for approval of the elimination of the \$2.25 Trigger

*SLR*

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Attachment A

OFFICIAL CASE FILE MEMORANDUM

PAGE 2 OF 2

Price Mechanism from MGE's Fixed Price Commodity Price PGA. In addition, Staff recommends that MGE's Alternative Proposal Regarding Commodity Cost Recovery on March 30, 2001 be rejected. Staff is unaware of any other issue currently pending before the Commission that affects or is affected by this filing. Staff has no objection to the Company's request for expedited approval. Therefore, Staff recommends that the following tariff sheets filed on April 27, 2001 and May 15, 2001, be approved:

P.S.C. MO. No. 1

Third Revised SHEET No. 24.8, Canceling Second Revised SHEET No. 24.8  
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 Revised SHEET No. 24.14  
First Revised SHEET No. 24.15, Canceling Original Revised SHEET No. 24.15  
First Revised SHEET No. 24.16, Canceling Original Revised SHEET No. 24.16  
First Revised SHEET No. 24.18, Canceling Original Revised SHEET No. 24.18  
First Revised SHEET No. 24.31, Canceling Original Revised SHEET No. 24.31  
Third Revised SHEET No. 24.10, Canceling Second Revised SHEET No. 24.10

Copies:        Director - Utility Operations Division  
                 Director - Utility Services Division  
                 General Counsel  
                 Manager - Procurement Analysis Department  
                 Manager - Gas Department  
                 Robert J. Hack – Vice President of Pricing & Regulatory Affairs (MGE)  
                 Office of the Public Counsel

**Service List for**  
**Case No. GO-2000-705**  
**Revised: May 18, 2001 (SW)**

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