

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File, Case No. GR-2007-0256,  
Missouri Gas Energy, a Division of Southern Union Company

FROM: David M. Sommerer, Manager - Procurement Analysis Department  
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/s/ David M. Sommerer 6/02/09

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Project Coordinator / Date

General Counsel's Office / Date

SUBJECT: Staff's Amendment to Recommendation in Missouri Gas Energy's 2006-2007  
Actual Cost Adjustment Filing

DATE: June 2, 2009

### I. BACKGROUND

On December 15, 2008, the Staff of the Commission filed a recommendation and memorandum indicating that Staff has reviewed the 2006-2007 Actual Cost Adjustment (ACA) filing of Missouri Gas Energy (MGE or Company). Following the filing of that recommendation, MGE brought to Staff's attention a billing error for a \*\* \_\_\_\_\_ \*\* MGE customer that began \*\* \_\_\_\_\_ \*\*. MGE has indicated its billing to this customer, \*\* \_\_\_\_\_ \*\*, contains the actual (correct) volumes used by the \*\* \_\_\_\_\_ \*\* customer.

The Procurement Analysis Department (Staff) reviewed MGE's information regarding the billing error to determine whether there were monetary damages to MGE's sales (residential and general service) customers because of the billing error. This is Staff's concern because the PGA sales customers paid for the unbilled natural gas used by the \*\* \_\_\_\_\_ \*\* MGE customer. Staff determined the error impacted PGA sales customers during the following ACA periods:

Case Number	ACA Period	Status
** _____	_____.	_____ **
** _____	_____.	_____ **
** _____	_____.	_____ **
** _____	_____.	_____ **
** _____	_____.	_____ **
** _____	_____.	_____ **

## II. BILLING ERROR

As part of the GR-2007-0256 ACA review, Staff reviews and evaluates MGE's billed revenues compared with its actual gas costs for the period of July 1, 2006, to June 30, 2007. The billing error affected both the billed revenues and the actual gas costs. The costs to PGA sales customers for this error includes: (1) the incorrect billed volumes for \*\* \_\_\_\_\_  
\_\_\_\_\_. \*\*: (2) interest lost, (3) retainage for fuel losses.

MGE's tariff (Sheet No. 17) states interest, at a rate of prime bank lending rate minus two percentage points, shall be computed on the average monthly ACA balance. In the months MGE was under-recovered, PGA customers paid interest on the cost of gas burned by the \*\* \_\_\_\_\_ \*\* customer. In months that MGE was over-recovered, PGA customers received less interest than it would have absent the billing error.

Staff grossed up the unbilled volumes each month for fuel (lost and unaccounted for gas) because the metered volumes would not have included fuel losses for transportation of the supply to the customer's meter.

Staff calculates the monetary damages to PGA sales customers because of the billing error of \*\* \_\_\_\_\_ \*\*

** _____	_____ **
** _____	_____ **
** _____	_____ **
** _____	_____ **
** _____	_____ **

\*\* \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ \*\*

Although this review pertains to the 2006/2007 ACA period, July 2006 through June 2007, a prudent utility would seek to recover the maximum amount allowed by tariff.  
\*\* \_\_\_\_\_

\_\_\_\_\_. \*\*: The tariff states:

Customers Other Than Residential:

In the event of an overcharge: An adjustment shall be made for the entire period that the overcharge existed not to exceed sixty consecutive billing periods, calculated from the date of discovery, inquiry or actual notification of the Company, whichever was first.

In the event of an undercharge: An adjustment shall be made for the entire period that the undercharge existed not to exceed sixty consecutive billing periods, calculated from the date of discovery, inquiry or actual notification of the Company, whichever was first.

Although PGA sales customers were impacted for the entire period of the billing error, \*\* \_\_\_\_\_ \*\*, Staff is limiting its recommended adjustment to \*\* \_\_\_\_\_ \*\*. ACA cases for the period of \*\* \_\_\_\_\_ \*\* are closed, but the MGE tariff allows an adjustment for five years of underbilling. The interest adjustment is calculated for the period of \*\* \_\_\_\_\_ \*\* are open and MGE's tariff (Sheet No. 17) states interest, at a rate of prime bank lending rate minus two percentage points, shall be computed on the average monthly ACA balance. Interest continues to accumulate by \*\* \_\_\_\_\_ \*\* per month until the Company adjusts its ACA balance for the impact of the error.

Staff recommends an adjustment of \*\* \_\_\_\_\_ \*\* which is \*\* \_\_\_\_\_ \*\* per customer or \*\* \_\_\_\_\_ \*\* on an annual basis per customer as of May 2009. The adjustment should be increased by interest in the amount of \*\* \_\_\_\_\_ \*\* for each month past May 2009 until the adjustment is made and the ACA balance is corrected.

### **III. RECOMMENDATIONS**

In addition to the Staff Recommendation in the December 15, 2008 filing, it is Staff's opinion that the Company should do the following:

1. Credit its ACA balance by \*\* \_\_\_\_\_ \*\* for this billing error and provide documentation of the adjustment to Staff. The Company should add interest in the amount of \*\* \_\_\_\_\_ \*\* for each month past May 2009 until the adjustment is made and the ACA balance is corrected.
2. Provide verification that Standard 3270, Electronic Gas Measurement Standard, and Standard 3271, Electronic Correctors, and any other procedures or standards are modified to include procedures to assure the Scaling Factor is appropriately adjusted and that the procedures document how MGE will review the billing volumes (after the scaling factor adjustment) and the meter volumes for possible problems. MGE indicated that it is in the process of updating several standards.

3. For all open ACA cases, MGE should identify all events or transactions the Company discovered which would affect the Company's ACA filing. MGE should describe in detail each and every such event, including the circumstances of each and the impact on the ACA filing and provide this information within 30 days.
4. Respond to recommendations included herein within 30 days.

Deziell Hankin  
Notary Public