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Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
<http://www.psc.state.mo.us>

April 13, 2001

BRIAN D. KINKADE
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Director, Utility Operations

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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-2001-382

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,

Cliff E. Snodgrass
Senior Counsel
(573) 751-3966
(573) 751-9285 (Fax)

CES:sw
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²

APR 13 2001

Missouri Public
Service Commission

In the Matter of Missouri Gas Energy's)
Purchased Gas Adjustment to be)
Reviewed in its 2000-2001 Actual Cost)
Adjustment.)

Case No. GR-2001-382

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through one of its attorneys, and for its Recommendation in this case, states as follows:

1. On April 4, 2001, Missouri Gas Energy (MGE or Company) filed a tariff sheet seeking an effective date of May 1, 2001. The tariff sheet was filed to reflect scheduled changes in MGE's Purchased Gas Adjustment (PGA) as the result of an estimated change in the cost of natural gas for the summer season and the elimination of the current refund factor.

2. The Company also filed a Motion for Waiver Related To Its Summer Purchased Gas Adjustments Filing which requested a variance or waiver to allow for an Unscheduled Filing Adjustment Factor (UFA) of \$0.05 per Ccf to recover part of the deferred carrying cost balance (DCCB).

3. Staff has reviewed these filings mentioned above, and has summarized its conclusions in a Memorandum that is attached to this Recommendation, marked as Appendix A, and incorporated by reference herein.

4. Staff is of the opinion that "good cause" for approval of this tariff sheet on less than thirty (30) days notice is demonstrated by MGE's Commission approved PGA Clause, which allows for at least ten (10) business days notice for PGA change filings. In addition, Staff has determined that the proposed tariff sheet was calculated in conformance with the Company's PGA Clause as modified by the Waiver or Variance. Under § 393.140 (11) RSMo 2000, the Commission may for "good cause shown" allow for changes in rates and charges without requiring thirty days notice under conditions as the Commission may prescribe.

WHEREFORE, based upon the foregoing the Staff recommends the following:

A. That the Commission enter an Order finding that the Company has demonstrated "good cause" for the approval of this tariff sheet on less than thirty days notice.

B. That the Commission enter an Order granting the waiver and approving the subject tariff, which is identified as set out below, interim subject to refund, and to be effective May 1, 2001.

P.S.C. MO. No. 1

Fourth Revised SHEET No. 24.32, Canceling Third Revised SHEET No. 24.32

Respectfully submitted,

DANA K. JOYCE
General Counsel



Cliff Snodgrass
Senior Counsel
Missouri Bar No. 52302

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-3966 (Telephone)
(573) 751-9285 (Fax)
snodgra@mail.state.mo.us

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 13th day of April, 2001.



M E M O R A N D U M

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2001-382, File No. 200101023, Missouri Gas Energy

FROM: Daniel I. Beck, Gas Department - Tariffs/Rate Design

DBWW
Wes Headlee 4-11-01 Thomas L. Schwanz Jr. 4/13/01
Utility Operations Division/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation on Missouri Gas Energy's Scheduled Summer Season PGA Filing Effective May 1, 2001.

DATE: April 10, 2001

On April 4, 2001, Missouri Gas Energy (MGE or Company), a division of Southern Union Company, of Kansas City, Missouri filed a tariff sheet proposed to become effective May 1, 2001. The tariff sheet was filed to reflect scheduled changes in MGE's Purchased Gas Adjustment (PGA) factors as the result of an estimated change in the cost of natural for the upcoming summer season and the elimination of the current refund factor. This will be MGE's third PGA rate change this calendar year with the first two filings being unscheduled winter PGA filings.

On April 4, 2001, MGE also filed Missouri Gas Energy's Motion for Waiver Related To Its Summer Purchased Gas Adjustments Filing (Motion) which requested a variance or waiver to allow for an Unscheduled Filing Adjustment Factor (UFA) of \$0.05 per Ccf to recover part of the deferred carrying cost balance (DCCB). The DCCB is the difference between the cost of gas during the Actual Cost Adjustment (ACA) year and the revenues received for gas during the same period. This \$0.05 UFA factor is expected to reduce but not eliminate the current DCCB.

The net effect of this change will decrease the firm PGA factor for the 2001 summer season to \$0.76129 per Ccf from an unscheduled winter season firm PGA factor of \$0.79337 per Ccf. The decrease for the summer season PGA factor is due to MGE's current estimate of gas costs. The current PGA factor became effective March 1, 2001, as a result of an unscheduled winter filing which reduced the winter PGA factor. The PGA factor would decrease by 4% under this proposal. When compared to the current rates, the effect of the proposed decrease on a typical residential customer's natural gas bills for the summer season is a 2% decrease.

Case No. GR-2001-382, under which these changes were filed, was established to track the Company's PGA factors to be reviewed in its 2000-2001 ACA filing. Case Nos. GR-96-450, GR-98-167, GR-99-304, and GR-2000-425, were established to track the Company's PGA factors to be reviewed in its 1996-1997, 1997-1998,

1998-1999, and 1999-2000 ACA filings, respectively. Interim subject to refund, status should be maintained pending final Commission decisions in ACA Case Nos. GR-96-450, GR-98-167, GR-99-304, GR-2000-425, and GR-2001-382.

The Commission's Gas Department - Tariffs/Rate Design Staff (Staff) has reviewed this filing and the associated Motion. Staff is of the opinion that good cause for approval of the UFA factor waiver or variance is shown based on the projected DCCB and the current gas futures prices which are higher than MGE's estimated gas cost. Staff has determined that the tariff sheet was calculated in conformance with MGE's PGA Clause as modified by the Waiver or Variance. Staff is of the opinion that good cause for approval of this tariff sheet on less than thirty (30) days notice is demonstrated by MGE's Commission-approved PGA Clause allowing for at least ten (10) business days notice for PGA change filings. Therefore, Staff recommends that the following tariff sheet be approved, interim subject to refund:

P.S.C. MO. No.1

Fourth Revised SHEET No. 24.32, Cancelling Third Revised SHEET No. 24.32

Copies: Director - Utility Operations Division
Director - Research and Public Affairs Division
Director - Utility Services Division
General Counsel
Manager - Financial Analysis Department
Manager - Procurement Analysis Department
Manager - Gas Department
Peter H Kelley - President & C.O.O. (Southern Union Company)
Steven W. Cattron - President & Chief Operating Officer (MGE)
Charles B. Hernandez - Director of Pricing & Regulatory Affairs (MGE)
Robert J. Hack - Vice President of Pricing & Regulatory Affairs (MGE)
Dennis Morgan - Attorney (Southern Union Company)
Gary W. Duffy - Attorney with Brydon, Swearingen & England P.C.
James P. Zakoura - Attorney with Smithyman & Zakoura
(Riverside Pipeline Company, L.P.)
Jeffrey A. Keevil - Attorney with Stewart & Keevil
(Riverside Pipeline Company, L.P.)
Office of the Public Counsel

SUMMER SEASON
 Approximate Billing Impact Of 312 Ccf per Summer Season
 Missouri Gas Energy
 Residential Heating Customer

	Summer Season at Current Rates (Months)	Ccf Usage	Total Fuel Bill (\$)
+	April 2001	96	95.73
+	May	53	56.91
+	June	36	41.56
+	July	28	34.33
+	August	27	33.43
+	September	30	36.14
+	October	42	46.97
	5 Month Summer Season Total	312	\$345.07

	Summer Season at Proposed Rates (Months)	Ccf Usage	Total Fuel Bill (\$)
+	April 2001	96	95.73
*	May	53	55.21
*	June	36	40.40
*	July	28	33.43
*	August	27	32.56
*	September	30	35.18
*	October	42	45.63
	5 Month Summer Season Total	312	\$338.14

REMARKS

For a typical residential customer using approximately 312 Ccf's during the summer season (April-October), natural gas rates will decrease by \$6.93 or approximately 2% when comparing the fuel bills for the upcoming summer season at the proposed rates to the fuel bills for the upcoming summer season at the current rates.

Notes:

- (1) Total fuel bill does not include gross receipts or local sales taxes.
- (2) Monthly usage priced at the rates in effect during the appropriate time period.
- (3) Tariff Sheet No. 25: Customer Charge = \$9.05; Delivery Charge = \$.10956 per Ccf
- + (4) Tariff Sheet No. 24.32: PGA Charge = \$0.79337 per Ccf
- * (5) Tariff Sheet No. 24.32: PGA Charge = \$0.76129 per Ccf

Missouri Public Service Commission
 May 2001

Service List for
Case No. GR-2001-382
Revised: April 13, 2001 (SW)

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Robert J. Hack
Missouri Gas Energy
3420 Broadway
Kansas City, MO 64111

Gary W. Duffy
Brydon, Swearngen & England P.C.
P. O. Box 456
Jefferson City, MO 65102-0456

James B. Deutsch/Henry T. Herschel
Blitz, Bardgett & Deutsch, L.C.
308 East High Street, Suite 301
Jefferson City, MO 65101

Jeffrey A. Keevil
Stewart & Keevil Law Offices
1001 Cherry St., Ste. 302
Columbia, MO 65201

Chris Kaitson
Kansas Pipeline Company
1100 Louisiana, Suite 2900
Houston, TX 77002