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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 5th
day of February, 1998.

In the Matter of the Application of)
Southern Missouri Gas Company, L.P.,)
for extension of time to file rate)
case.)

Case No. GO-98-220

ORDER REGARDING EXTENSION TO FILE RATE CASE

On November 25, 1997, Southern Missouri Gas Company, L.P. (SMGC or Company) filed an Application for Extension of Time to File Rate Case. SMGC stated that in Case No. GA-94-127, Tartan Energy Company, L.C. (Tartan), a predecessor company to SMGC, entered into a Stipulation and Agreement with the Staff of the Commission (Staff) and Office of the Public Counsel (Public Counsel) providing that the Company would file a rate case on before the two-year anniversary of the commencement of service in the municipality of West Plains. Because service commenced in West Plains on February 8, 1996, the Company is scheduled to file a rate case on or before February 8, 1998.

The Company asserted in its application that the Company's construction plan scheduled West Plains to be the last community in its service area to have its local distribution system completed. Therefore, the Company stated that the agreement to file a rate case two years after the commencement of service in West Plains was designed to ensure that the Company would have completed the construction of its local distribution system and would include actual costs in establishing new rates.

The Company stated that because of unforeseen difficulties in determining the future route of Highway 63 from Cabool to Houston and Licking and the appropriate location of gas lines running along the public right-of-way of Highway 63, the Company delayed the construction of the Houston and Licking local distribution systems. As a result, the local distribution systems of Houston and Licking have not been completed. The Company recently received notice from the Missouri Department of Transportation that the State would reimburse the Company over the next fifteen years for the cost of relocating any of its natural gas lines along Highway 63 even though the exact plans for the Highway 63 route have not been finalized. Therefore, the Company intends that the last spur of its distribution system will be completed in 1999.

The Company requests permission to extend the filing date of its rate case two years from February 8, 1998, to February 8, 2000. This extension, according to the Company, will allow it to include all construction costs in rate calculations and to develop a test year with actual operating costs.

The Company contends that the delay will not be detrimental to the ratepayers or other parties to the proceeding because the Company will continue to charge its present rates. The Company states it has not reached its estimated volumes (1,797,000 Mcf annually) upon which its current rates are based in part because of not serving all communities as originally anticipated. Therefore, the Company does not anticipate that rate reductions would result from a rate case filed at this time.

The Commission issued a notice on November 25 directing Staff and Public Counsel to file responses to the application no later than December 12. On December 12 Staff filed an Initial Response to Application and stated that Staff and other parties should have a reasonable period of

time to review SMGC's application. Staff stated it was in the process of investigating and analyzing the merits of SMGC's application, and Staff proposed to file its response to the merits of the application on or before January 30, 1998. Staff requested that the Commission establish a comment period for other interested parties to respond to the application and allow Staff to file its response on the merits of the application.

The Commission issued a notice on January 23 that any comments or responses to the application of SMGC should be filed no later than February 2. On February 2 Staff filed a Response in Opposition to the Application for Extension of Time to File Rate Case. Staff disagrees with the statement made by the Company that the agreement to file rate case two years after the commencement of service in West Plains was designed to ensure that the Company would have completed the construction of its local distribution system. Staff asserted that the agreement was designed to implement rates that would be more reflective of costs incurred based on a substantial level of historical experience.

Staff further contends that SMGC cannot state with certainty that the proposed delay in filing the rate case will not be detrimental to the ratepayers or other parties to the proceeding since the Company will continue to charge the present rates. According to Staff, the current base rates for SMGC customers may be over-recovering costs actually being incurred for the provision of local services. Staff argues that the failure of SMGC to extend its distribution system to two communities should not be used as a basis to modify the provision of the stipulation.

Staff requests that the Commission order SMGC to file its rate case no later than April 8, 1998, which will allow SMGC the time it lost during the review of its application. Staff states that only a rate proceeding will show if the Company is over-earning or under-earning.

Staff indicates that the Company appears to be deferring unrecovered gas costs although the Company does not have an accounting authority order authorizing it to do so and in spite of the fact that the Company stipulated in Case No. GA-94-127 that it may not defer costs associated with not achieving the stipulated volume. Public Counsel did not file a response to the application.

The Commission has reviewed the application filed by SMGC and the Staff's response. The Commission concludes that the application for extension filed by the Company on November 27, 1997, should be denied because the delay in extending the distribution system to two communities is not an appropriate basis for modification of the stipulation. The Commission concludes that the stipulation was designed to implement rates that would be more reflective of costs incurred based on a substantial level of historical experience. Therefore, the Commission will direct SMGC to file its rate case no later than April 8, 1998.

IT IS THEREFORE ORDERED:

1. That the Application for Extension to File Rate Case filed by Southern Missouri Gas Company, L.P. on November 25, 1997, is denied.
2. That Southern Missouri Gas Company, L.P. shall file its rate case no later than April 8, 1998.

3. That this order shall become effective on February 18, 1998.

BY THE COMMISSION

A handwritten signature in black ink, reading "Dale Hardy Roberts". The signature is written in a cursive, slightly slanted style.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Murray,
and Drainer, CC., concur.

G. George, Regulatory Law Judge