

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 13th
day of September, 1995.

In the matter of the application of Tartan Energy)
Company, L.C., d/b/a Southern Missouri Gas)
Company, L.C., for certificate of convenience and)
necessity authorizing it to construct, install,)
own, operate, control, manage and maintain gas) CASE NO. GA-95-349
facilities and to render gas service in and to)
residents of certain areas of Greene, Wright and)
Webster Counties, including the incorporated mu-)
nicipalities of Rogersville, Fordland, Diggins,)
Norwood and Seymour, Missouri.)

ORDER GRANTING CERTIFICATE OF CONVENIENCE AND NECESSITY

On May 9, 1995, Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. (Tartan), filed an application pursuant to Section 393.170, RSMo 1986 and 4 CSR 240-2.060 for a certificate of convenience and necessity authorizing it to construct, install, own, operate, control, manage, and maintain gas facilities, and to render gas service in and to residents of certain areas of Greene, Wright and Webster Counties, including the incorporated municipalities of Rogersville, Fordland, Diggins, Norwood and Seymour, Missouri. The application included a number of exhibits designed to comply with 4 CSR 240-2.060, and indicated that other exhibits would be late-filed when they became available. On May 31, 1995, the Commission issued an Order and Notice, giving notice of Tartan's application and setting an intervention deadline of June 15, 1995. No applications for intervention were received by the Commission.

Tartan explains in its application that the incorporated cities of Rogersville, Fordland, Diggins, Norwood and Seymour, Missouri would be

served by city gate facilities and distribution systems connected to Tartan's trunkline, while the unincorporated portions of the proposed certificated areas would be served via farm taps and short segments of distribution pipeline connected to Tartan's trunkline. Tartan notes that the five municipalities for which a certificate of convenience and necessity is now sought were considered "probable additional cities" in the feasibility study previously submitted by Tartan in Case No. GA-95-127.¹ A new feasibility study was filed in this case as late-filed Exhibit 3. In addition, Tartan filed as Exhibit 4 the franchises and certified election results for the municipalities of Rogersville, Fordland, Norwood and Seymour, Missouri. The ratification election for the municipality of Diggins was late-filed as a supplement to Exhibit 4 on August 23, 1995.

Tartan states that no other public utility is currently providing natural gas service in the proposed service area, but similar unregulated utility service is available in the area through propane gas distributors. Tartan asserts that the granting of its application is required by the public convenience and necessity because it will make available to the residents of the proposed service area a new, efficient and economical form of energy, which will enhance the economic development of the area and thus aid in attracting new businesses to the area. Tartan

¹Tartan was previously granted a conditional certificate of convenience and necessity to construct a trunkline and provide service in various municipalities and unincorporated areas in the vicinity of the areas for which a new certificate of convenience and necessity is sought. See Tartan, Case No. GA-94-127, Report and Order, issued September 16, 1994. This conditional certificate was made effective as a certificate of convenience and necessity in an Order Approving Tariffs And Authorizing The Commencement Of Construction Of Gas Facilities, issued April 14, 1995. The Commission later issued an Order Granting Certificate Of Convenience And Necessity For Mountain View, Missouri, And Authorizing Construction And Distribution Facilities In Mountain View, Missouri, And In Texas And Wright Counties, issued May 19, 1995, which extended the certificate to include a municipality which had not yet ratified its franchise at the time of the original Report and Order.

maintains that the regulatory issues related to this project were thoroughly reviewed by the Commission in Case No. GA-94-127, including the public interest considerations, rate issues, financial and management issues, safety issues, and gas supply issues. The additional projected load for the five municipalities for which a certificate is currently sought is approximately 144,000 Mcfs per year, which represents approximately 8 percent of the projected load in the service area approved in Case No. GA-94-127. In addition, at least one industrial customer, with facilities in multiple locations through Tartan's existing service area, seeks to convert all of its facilities at or near the same time, including some facilities in a municipality which is the subject of this application. Furthermore, Tartan notes that its construction activity for the facilities approved in Case No. GA-94-127 will span the 1995 and 1996 construction seasons, and that the proposed facilities which would be built to service the areas for which a certificate is sought in the present case can be built most cost effectively by being integrated completely into the on-going construction activity that presently is surrounding and alongside the proposed additional service areas.

No party to this proceeding has requested a hearing, therefore pursuant to *State ex rel. Rex Deffendorfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App. 1989), the Commission determines that no hearing is necessary in this case. The Commission will base its decision on the verified application filed by Tartan, and the attachments thereto, including late-filed exhibits, and the recommendation of the Staff of the Commission (Staff).

Tartan is a limited liability company duly organized and existing under the laws of the State of Oklahoma, with its principal place of business located at 8801 South Yale, Suite 385, Tulsa, Oklahoma 74137,

and does business in the State of Missouri as Southern Missouri Gas Company, L.C. It also is a gas corporation and public utility as defined in Section 386.020, RSMo 1994, and is subject to the jurisdiction of the Commission pursuant to Chapters 386 and 393 of the Missouri Revised Statutes.

On August 2, 1995, Staff filed a memorandum containing its recommendation regarding Tartan's application. Staff states that each of the five cities involved in Tartan's application are adjacent to the planned route of the Company's trunkline, and are surrounded by the Company's currently approved service area. Overall voter approval in four of the five cities has been approximately 81 percent, with voter ratification pending in Diggins.² In addition, Staff states that in response to local interest, Tartan is seeking Commission approval to serve customers via farm taps in unincorporated areas located along approximately seven miles of its trunkline located in Greene County. Staff indicates that according to Tartan, no franchise is required from Greene County, but right-of-way petitions will be filed as needed for access to county right-of-ways. Additionally, Staff notes that the distribution systems for each of the five cities are to be designed, constructed, operated, and maintained to the same specifications and criteria as the systems in the other cities for which service has already been approved. Likewise, Tartan is proposing to serve customers in the requested service area at the same rates, terms, and conditions as were approved in Case No. GA-94-127, including the provision of up to \$200 per customer for conversion costs, one-half of which is to be included in rate base.

²As previously indicated, the result of the ratification election for the municipality of Diggins was late-filed as a supplement to Exhibit 4 on August 23, 1995.

Staff states that it recommends Commission approval of Tartan's application, even though it has some concerns regarding the financial feasibility of the natural gas certificate request. Staff's support is made in view of the current competition from propane and a local desire for natural gas service. However, Staff's support is contingent upon several factors specifically related to the Company's last certificate case in Case No. GA-94-127. Essentially Staff's recommendation is contingent upon the conditions previously contained in the Stipulation and Agreement approved in Case No. GA-94-127 being applied to the certificate in this case as well. These conditions include the continued use of the stipulated volumes and tariffed rate amounts, compliance with the equity financing and capital ratio provisions as originally approved, and the continued commitment of the Company to file a rate case within two years of commencement of service in West Plains, Missouri. Staff adds that the Company has requested expedited approval of the application so that the new construction projects can be efficiently integrated into the on-going construction activity presently surrounding the five cities, and that Staff has no objection to this. Staff therefore recommends the following:

- 1) That the Commission grant the requested certificate of convenience and necessity for the proposed service area, including, upon receipt of evidence of voter ratification, the municipality of Diggins, Missouri;
- 2) That the Commission order Tartan to comply with all the conditions previously outlined in the Stipulation and Agreement approved in Case No. GA-94-127;
- 3) That the Commission order Tartan to file tariff sheets to reflect the inclusion of the above incorporated and unincorporated service areas in its service area descriptions; and
- 4) That the Commission order that the certificate of convenience and necessity become effective simultaneously with the effective date of the tariffs required to be filed and approved.

The Commission has reviewed Tartan's application and the attachments thereto, as well as Staff's recommendation, and finds that Tartan's application to provide natural gas service in the proposed service area is necessary and convenient for the public service, and is in the public interest. Tartan has provided sufficient indication of the need for natural gas service in the proposed service area. In addition, Tartan's qualifications to provide the proposed service were adequately reviewed in Case No. GA-94-127. There are no new facts or unusual circumstances which would indicate a need for further review of Tartan's qualifications. Likewise, Tartan's financial ability to provide the proposed service and the economic feasibility of its original proposal were also addressed in Case No. GA-94-127. There the Commission found that Tartan's original proposal, as modified by the Nonunanimous Stipulation and Agreement entered into between Tartan, Staff, and the Office of the Public Counsel, represented a viable project. Similarly, the Commission finds that Tartan's current proposal represents a logical and an anticipated extension of its original proposal in Case No. GA-94-127. The Commission is of the opinion that the additional sales volume which may be anticipated from the provision of service to the five municipalities, the one industrial customer specifically referred to, and the anticipated farm taps will assist in the economic viability of the overall project. The Commission also finds that the introduction of natural gas into the proposed service area may assist in the economic expansion of the area. Furthermore the issuance of a certificate at this time which extends Tartan's current service area to contiguous areas will allow the gas facilities needed to provide service to the newly certificated area to be included in Tartan's overall construction plans, thus helping to minimize the construction cost for the new gas facilities.

Just as the Commission views Tartan's current proposed service area as an extension of its proposal in Case No. GA-94-127, so the Commission shares Staff's concern about the financial feasibility of this segment of the overall project. Under Section 393.170, RSMo 1994, the Commission has authority to impose such condition or conditions as it may deem reasonable and necessary in granting permission and approval for the construction of gas plant and the exercise of a franchise relating thereto. The Commission finds that the conditions suggested by Staff are reasonable and should be adopted in this case. Thus the Commission will grant the requested certificate of convenience and necessity subject to the conditions contained in the Nonunanimous Stipulation and Agreement entered into and approved in Case No. GA-94-127, including, but not limited to, the booking of one-half of the cost of Tartan's conversion incentive program below-the-line for ratemaking purposes, Tartan's continued use of the stipulated volumes and tariffed rate amounts, its continued compliance with the equity financing and capital ratio provisions, and its continued commitment to file a rate case within two years of the commencement of service in West Plains, Missouri.

IT IS THEREFORE ORDERED:

1. That Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C., be and is hereby granted a certificate of convenience and necessity authorizing it to construct, install, own, operate, control, manage, and maintain gas facilities and to render gas service in and to the residents of certain areas of Greene, Wright, and Webster Counties, including the incorporated municipalities of Rogersville, Fordland, Diggins, Norwood and Seymour, Missouri. Said certificate shall be in conformity with Attachment 1 attached hereto and incorporated herein by reference, which describes the service area by county, range, township, and

section, and Attachment 2, attached hereto and incorporated herein by reference, which is a map which generally depicts the service area.

2. That the variance from Commission's promotional practices rule previously granted to Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L. C., in the Commission's Report and Order issued on September 16, 1994 in Case No. GA-94-127, be and is hereby extended to the service area referenced in Ordered Paragraph 1 above.

3. That Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C., be and is hereby authorized to account for one-half of the allowed \$200 maximum per customer conversion incentive program costs above-the-line, and include those costs in rate base, as set forth in the Commission's Report and Order issued on September 16, 1994 in Case No. GA-94-127.

4. That the conditions contained in the Nonunanimous Stipulation and Agreement approved in the Commission's Report and Order issued on September 16, 1994 in Case No. GA-94-127 shall be applied to the certificate of convenience and necessity issued in this Order, including, but not limited to, the continued use by Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C., of the stipulated volumes and tariffed rate amounts, continued compliance with the equity financing and capital ratio provisions, and continued commitment to file a rate case within two (2) years of the commencement of service in West Plains, Missouri.

5. That Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. be and is hereby authorized to file tariff sheets to reflect the inclusion of the above incorporated and unincorporated certificated service areas in its service area description.

6. That the certificate of convenience and necessity referenced in Ordered Paragraph 1 above shall become effective

simultaneously with the effective date of the tariffs required to be filed and approved pursuant to Ordered Paragraph 5 above.

7. That the Commission makes no finding as to the prudence or ratemaking treatment to be given any costs or expenses incurred as the result of the granting of this certificate of convenience and necessity, except those costs and expenses dealt with specifically in the Nonunanimous Stipulation and Agreement approved in the Report and Order issued on September 16, 1994 in Case No. GA-94-127, and reserves the right to make any disposition of the remainder of those costs and expenses which it deems reasonable, in any future ratemaking proceeding.

8. That this Order shall become effective on September 26, 1995.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

McClure, Kincheloe, Drumpton,
and Drainer, CC., Concur.
Mueller, Chm., Absent.

NARRATIVE DESCRIPTION OF PROPOSED ADDITIONAL SERVICE AREA:**EXISTING GREENE COUNTY SERVICE AREA**

From an origin point alongside County Road 193 in the north 1/2 of Section 23, Township 28N, Range 21W, running north along (in) the County Road 193 right of way to an intersection with the U.S. Highway 60 right of way in that same section, thence east along (in) the Highway 60 right of way which lies along the section line boundary between Sections 14 and 23 T28N R21W, 13 and 24 T28N R21W, 18 and 19 T28N R20W, 17 and 20 T28N R20W, 16 and 21 T28N R20W, 15 and 22 T28N R20W, & 14 and 23 T28N R20W, to the westernmost boundary of a service area which encompasses, in Greene County, sections 13, 24 and 25 T28N R20W. (The portion of the corporate limits of Rogersville lying in Greene County is not included in the proposed service area).

PROPOSED ADDITIONAL GREENE COUNTY SERVICE AREA

T28N R21W Sections:

13,14,23,24,25,26

T28N R20W Sections:

13,14,15,16,17,18,19,20,21,22,23,24,25,26,27,28,29,30

Note: This proposed additional service area includes the previously existing service area of Sections 13,24 and 25 of ~~T28N~~ R20W and does not exclude any portion of the corporate limits of Rogersville lying in Greene County.

T28N

SOUTHEAST CORNER OF GREENE COUNTY, MISSOURI

SHOWING EXISTING AND PROPOSED ADDITIONAL SERVICE AREAS

NARRATIVE DESCRIPTION OF PROPOSED ADDITIONAL SERVICE AREAS:

EXISTING WEBSTER COUNTY SERVICE AREA

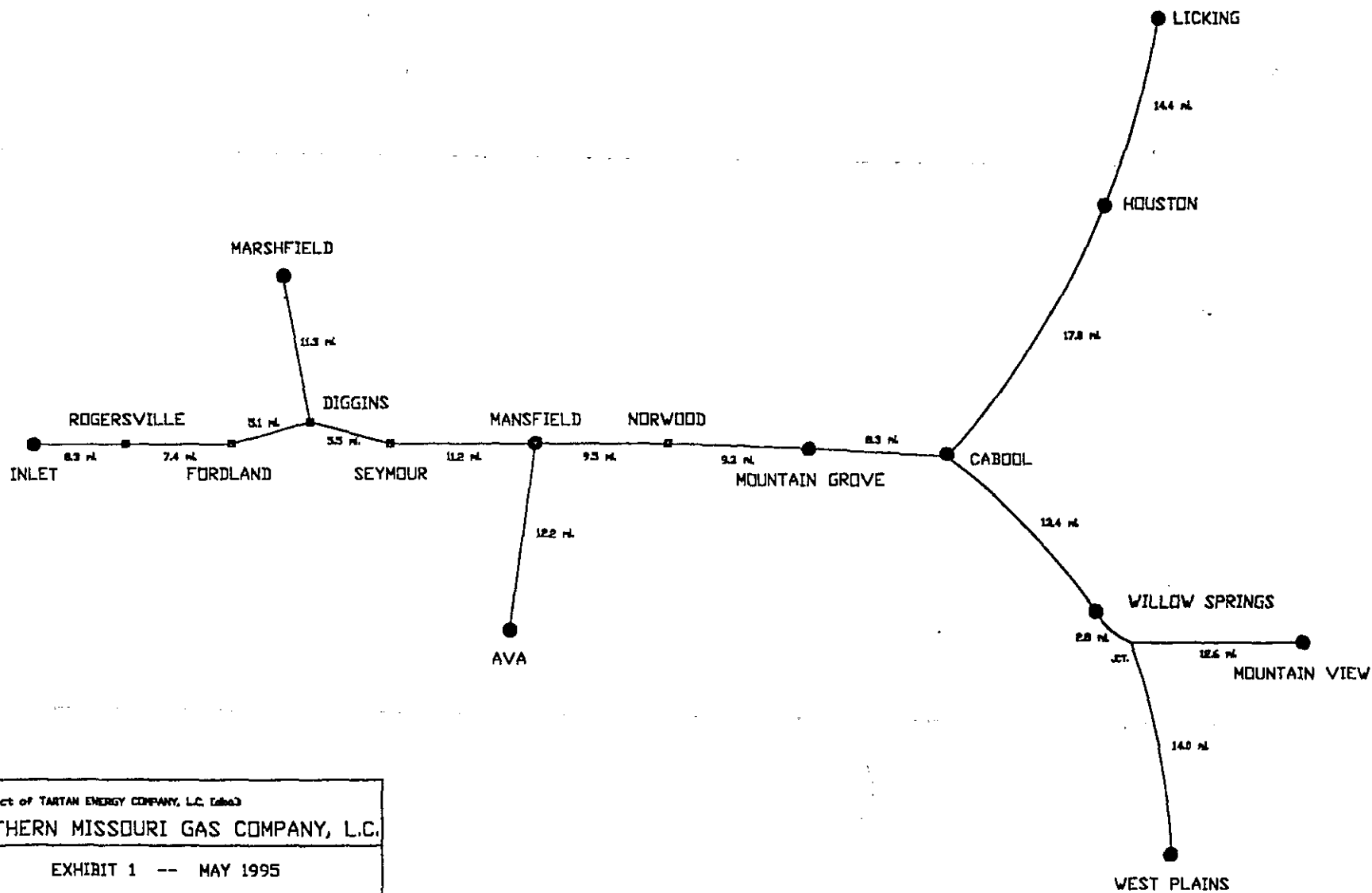
T28N R19W Sections: 1, 2, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 28, 29, 30
T29N R19W Section: 36
T28N R18W Sections: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 18
T29N R18W Sections: 1, 2, 3, 4, 9, 10, 11, 12, 13, 14, 15, 16, 22, 23, 24, 25, 26, 27, 28, 29, 31, 32, 33, 34, 35, 36
T30N R18W Sections: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 21, 22, 23, 25, 26, 27, 28, 33, 34, 35, 36
T31N R18W Sections: 31, 32, 33, 34, 35
T28N R17W Sections: 1, 2, 3, 4, 5, 6, 10, 11, 12, 13, 14
T29N R17W Sections: 18, 19, 20, 21, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36
T28N R16W Sections: 5, 6, 7, 8, 9, 16, 17, 18, 19, 20, 21

This service area does not include the corporate limits of: Rogersville, Fordland, Diggins, and Seymour that lie within Webster County.

PROPOSED ADDITIONAL WEBSTER COUNTY SERVICE AREA

SAME AS EXISTING WEBSTER COUNTY SERVICE AREA, EXCEPT THAT THE CORPORATE LIMITS OF ROGERSVILLE, FORDLAND, DIGGINS AND SEYMOUR THAT LIE WITHIN WEBSTER COUNTY ARE NOT EXCLUDED.

SOUTHERN MISSOURI GAS COMPANY, L.C.



a project of TARTAN ENERGY COMPANY, L.C. (dba)

SOUTHERN MISSOURI GAS COMPANY, L.C.

EXHIBIT 1 -- MAY 1995

● = MPSC APPROVED

□ = PROPOSED