



MISSOURI GAS ENERGY

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CHARLES B. HERNANDEZ

DIRECTOR, PRICING AND REGULATORY AFFAIRS

March 16, 1998

FILED

MAR 17 1998

MISSOURI
PUBLIC SERVICE COMMISSION

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

Re: Case No.: GR-98-167, Missouri Gas Energy

Dear Mr. Roberts:

Enclosed for filing are an original and three copies of P.S.C. MO. No. 1, Sixth Revised Sheet No. 24.7, canceling Fifth Revised Sheet No. 24.7. This tariff sheet bears an issue date of March 17, 1998, and a proposed effective date of April 1, 1998.

By this filing, MGE proposes to make its scheduled summer adjustment to the Purchased Gas Adjustment (PGA) rate as permitted under the provisions of the PGA tariff that were revised and approved as a result of the Commission's Order approving the Stipulation and Agreement in Case No. GO-97-409. MGE is proposing to adjust the Current Cost of Gas Factor (C.C.G) and the Refund Factor, both of which are components of the PGA rate.

The new PGA rate proposed in this filing is \$3.4465; the PGA rate currently in effect is \$3.8777. The change in the PGA rate reflects a decrease in the Current Cost of Gas factor (C.C.G.) of \$0.3426 from the current amount of \$3.7260 to the proposed amount \$3.3834.

The proposed PGA rate also reflects a change to the Refund factor in the amount of (\$0.0886), from the current (\$0.1415) to the proposed (\$0.2337). MGE proposes this change for two reasons: 1) Kansas Ad Valorem Tax Refunds received by MGE from Williams Natural Gas (WNG) on February 2, 1998, as a result of FERC action in its Docket Nos. GT95-11, RP97-369 and RP98-52; and 2) the full repayment, as of March 31, 1998, of amounts advanced to effect the initial lump sum refund (including interest and transaction costs) of Tight Sands settlement proceeds.

Kansas Ad Valorem Tax Refunds

On February 2, 1998, MGE received refunds from WNG in the amount of \$6,293,972.34 as a result of FERC action in various dockets regarding Kansas Ad Valorem Tax Refunds. Of this amount, \$312,604.67 (prior to MGE's application of interest) is attributable to Docket No.

5800748

2.

GT95-11 for the period January 1988 through December 1991. The remaining amount, \$5,981,907.67 (prior to MGE's application of interest), is attributable to Docket Nos. RP97-369 and RP98-52 for the period January 1983 through December 1987. In accordance with Sheet Nos. 21, 22 and 23 of our tariff, MGE has calculated the amount of such refunds from GT95-11 applicable to Residential, Small General Service, Large General Service and Unmetered Gaslight Customers, on the one hand, and Large Volume, Intrastate Transportation Service and Whiteman Air Force Base Customers on the other.

The amount attributable to Docket Nos. RP97-369 and RP98-52 applies to a refund period that began in January 1983 and concluded in December 1987. Because this refund period began and ended so long ago, it is taking a substantial amount of time to gather the usage data needed to allocate the refunds between customer classes. In order to return these refunds to customers as quickly as possible, MGE has used the percentages developed for the Wyoming Tight Sands refunds approved by the Commission in Case No. GR-91-286. These percentage allocations (65.115% for Residential, Small General Service, Large General Service and Unmetered Gaslight Customers and 34.885% for Large Volume, Intrastate Transportation Service and Whiteman Air Force Base Customers) were derived from the period November 1980 through December 1988 and, therefore, should be reasonably close to the allocation percentages that will result from the period January 1983 through December 1987, once that data is obtained. Any necessary corrections can be made at a later date.

MGE is also in the process of gathering the individual customer data needed to process these refund dollars from Docket Nos. RP97-369 and RP98-52 for Large Volume, Intrastate Transportation Service and Whiteman Air Force Base customers, but due to the length of time that has passed since both the beginning and the end of that refund period, we have doubts about our ability to process these refund dollars for these customers within the time provided on Sheet No. 22. It therefore may be necessary to seek additional time on these refunds.

Tight Sands Refunds

Pursuant to Sheet No. 23.1 "... upon full repayment of amounts advanced to effect the initial lump sum refund (including interest and transaction costs) . . ." of the proceeds of the settlement of the Tight Sands anti-trust case, "... all cash stream payments received by the Company for gas purchased after . . . full repayment shall be immediately credited to the appropriate customer refund account and distributed in accordance with gas cost refunding provisions then in effect."

MGE estimates that cash stream payments to be received by MGE between the time of full repayment, which will occur no later than March 31, 1998, and the effectiveness of MGE's next scheduled PGA filing, on or about November 1, 1998, will amount to approximately \$2,600,000 (prior to MGE's application of interest).

In accordance with Sheet No. 23.1, MGE has allocated this \$2,600,000 to the customer classes "based on the same Donkin Low method used to allocate the initial lump sum refunds." These percentages were 65.115%, or approximately \$1,700,000, for the Residential and General customer classes (equivalent to the current Residential, Small General Service, Large General Service and Unmetered Gaslight Customers) and 34.885%, or approximately \$900,000, for the Large Commercial and Large Industrial customer classes (equivalent to the current Large Volume, Intrastate Transportation Service and Whiteman Air Force Base Customers). The portion allocated to the Residential, Small General Service, Large General Service and

Unmetered Gaslight customers has been incorporated in the Refund factor adjustment included in this filing. The portion allocated to the Large Volume, Intrastate Transportation Service and Whiteman Air Force Base customers will be further allocated to individual customers in those classes, in accordance with Sheet No. 23.1, based upon those customers' actual purchase volumes from the Company for the period of November 1980 through December 1988.

The total proposed change in the PGA rate reflects a decrease of \$0.4312. The proposed adjustments have the net effect of decreasing revenues in MGE's service area by \$28,568,044.37 annually. This represents an overall 11.12% decrease in revenues.

Work papers supporting the calculations performed in developing the proposed Current Cost of Gas factor (C.C.G.) and the Refund factor have been provided this date under separate cover letter to the Commission's Staff and The Office of Public Counsel.

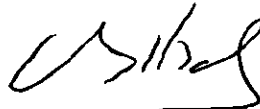
Please bring this filing to the attention of the appropriate Commission personnel and the Commission for approval. In addition, please forward copies of any Commission order or notice associated with this filing to:

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Thank you for your attention to this matter.

Sincerely,



cc: The Office of Public Counsel
Robert J. Hack
Mike Langston
Jay Cummings
Gary W. Duffy
Jeff Keevil

Missouri Gas Energy,
a Division of Southern Union Company
Name of Issuing Corporation

For: All Missouri Service Areas
Community, Town or City

PURCHASED GAS COST ADJUSTMENT
PGA

XI ADJUSTMENT STATEMENT

For billings on and after August 15, 1997, any increase or decrease in the PGA/EGCIM rate shall be applied to customers' bills for service rendered on and after the effective date of the change. The PGA/EGCIM rate effective immediately prior to August 15, 1997, shall be applied to customers' bills for service rendered prior to August 15, 1997. Bills computed which contain multiple PGA/EGCIM rate changes during a customer's billing cycle shall be prorated between the old and new rates in proportion to the number of days in the customer's billing cycle that such rates were in effect.

Customer Class	C.C.G.	A.C.A	Refund	T.O.P.	T.C.	P.G.A. Rate
Residential	\$3.3834	\$0.1803	(\$0.2337)	\$0.0622	\$0.0543	\$3.4465
Small General Service	\$3.3834	\$0.1803	(\$0.2337)	\$0.0622	\$0.0543	\$3.4465
Large General Service	\$3.3834	\$0.1803	(\$0.2337)	\$0.0622	\$0.0543	\$3.4465
Unmetered Gas Light (1)	\$3.3834	\$0.1803	(\$0.2337)	\$0.0622	\$0.0543	\$3.4465
Large Volume Sales (3)	\$3.3834	\$0.1803	\$0.0000	\$0.0622	\$0.0543	\$3.6802
Large Volume Trans. (2)(4)				\$0.0622	\$0.0363	\$0.0985

- Each Unmetered Gaslight Unit is equal to 1.5 Mcf.
- Demand related purchase gas costs of \$6.6255 per Mcf of contract demand and \$0.2179 per Mcf of daily demand for authorized sales in excess of the contract demand are directly chargeable to customers on this rate.
- Applies to Sales Service only.
- Applies to Transportation Service, Intrastate Transportation Service and Whiteman Air Force Base.

DATE OF ISSUE: March 17, 1998
month day year

DATE EFFECTIVE: April 1, 1998
month day year

ISSUED BY: Charles B. Hernandez Director, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, Missouri 64111