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October 23, 2000

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

**FILED**

**OCT 23 2000**

**RE: Case No. GR-2000-485**

**Missouri Public  
Service Commission**

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of **STAFF'S SUGGESTIONS IN SUPPORT OF STIPULATION AND AGREEMENT**.

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,

Robert V. Franson  
Assistant General Counsel  
(573) 751-6651  
(573) 751-9285 (Fax)

RVF:sw  
Enclosure  
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED

OCT 23 2000

Missouri Public  
Service Commission

In the Matter of Southern Missouri Gas )  
Company, L.P. for Authority to File )  
Tariffs Increasing Rates for Gas Service )  
Provided to Customers in the Company's )  
Missouri Service Area. )

Case No. GR-2000-485

STAFF'S SUGGESTIONS IN SUPPORT OF STIPULATION AND AGREEMENT

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its recommendation states:

1. On February 8, 2000, Southern Missouri Gas Company L.P. (Company) submitted to the Missouri Public Service Commission (Commission) tariffs reflecting increased rates for natural gas service provided to customers in the Missouri service area of the Company. The proposed tariffs are designed to produce an annual increase of approximately six percent (\$390,000) in the Company's revenues.

2. The Commission issued a Suspension Order and Notice on February 24, 2000, suspending the tariffs until January 4, 2001 and setting a procedural schedule.

3. On February 29, 2000, the Company filed a Motion to Adopt Case Procedures Similar to the Small Rate Case Procedures authorized by 4 CSR 240-2.200 and a Motion for Expedited Partial Reconsideration of the Suspension Order (Motion).

4. Staff filed a pleading on March 9, 2000, concurring in the Company's proposal.

5. On March 10, 2000, the Office of the Public Counsel ("OPC") filed a Response indicating that OPC did not oppose adopting the Procedures set out in the Company's Motion and Staff's Recommendation.

6. On October 19, 2000, a Stipulation and Agreement was filed with the Commission. This was a Unanimous Stipulation and Agreement between the parties.

7. As part of the Stipulation and Agreement, Staff is required to file Suggestions in Support of the Agreement.

8. The Company has been serving customers in its Missouri Service Area for approximately 5 years. The current case is a result of Commission Orders in Case Nos. GA-94-127 and Case No. GO-98-220. Case No. GA-94-127 required the filing of a rate case within two years of the commencement of service in the municipality of West Plains, Missouri. Case No. GO-98-220 extended this required filing by an additional two years at the Company's request. Staff believes that the rate case requirement in Case No. GA-94-127 was intended to ensure that both the revenue requirement and the rate design (which was implemented prior to the Company serving a single customer) were fair and reasonable.

9. On March 21, 2000, the Commission issued its Order Granting Reconsideration and Modifying Suspension Order. This Order established a Procedural Schedule for this case and allowed for a procedure similar to the small company procedures in 4 CSR 240-2.200. Staff viewed this procedure as a way to minimize rate case expense for the Company, Staff and the Company's customers.

10. Staff's Accounting Department performed an analysis of the Company's requested revenue increase and determined that it was less than the amount determined by Staff. Staff is

unaware of any gas rate case in recent years wherein Staff's accounting analysis resulted in a higher revenue requirement than that sought by the Company.

11. A significant amount of the Company's revenues were imputed based on sales volumes that were determined in the application case, GA-94-127. The effect of the revenue imputation in the current case was that the revenue requirement was lowered. Without this imputation, a larger increase could have resulted.

12. The proposed settlement resulted in several rate design adjustments. For the Residential Class, these adjustments addressed the fact that a typical residential customer received a lower total bill under the Optional General Service rate than under the General Service rate. These rates were intended to result in the same total annual bill for a residential customer and simply give a customer the choice of paying a monthly customer charge or paying all of the charges in a commodity rate. However, the initial rate design was based on estimated annual sales that were much higher than the actual use of a typical customer on the Company's system. To correct this imbalance, the proposed rates were designed to increase the commodity rate of the Optional General Service rate so that the annual revenue for a typical Residential customer was equal, regardless of the customer charge option chosen. The additional revenue increase was then applied to Residential and General Service classes.

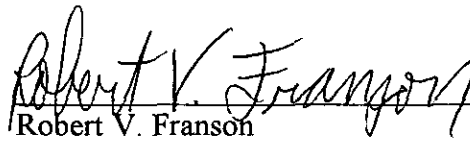
13. In another rate design change, a large general service class was created to reflect the fact that SMG was serving customers on the Large Volume rate that did not meet the minimum volume requirements of the class. This new class did not give any customer a rate that it wasn't already receiving, but it did reflect the current business practices of the Company.

WHEREFORE, for all of the foregoing reasons, the Staff believes that the Stipulation and Agreement has adequately addressed the relevant issues and should be approved by the

Commission. Staff thereby prays the Commission approve the request of Southern Missouri Gas Company for a general rate increase in the amount of \$390, 000 as well as all of the other provisions of the Stipulation and Agreement.

Respectfully submitted,

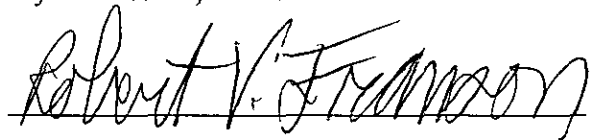
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### **Certificate of Service**

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 23<sup>rd</sup> day of October, 2000.



**Service List for**  
**Case No. GR-2000-485**  
**Revised: October 23, 2000 (SW)**

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