

07/2

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 12th
day of January, 1999.

In the Matter of Southern Missouri Gas)
Company's Purchased Gas Adjustment Factors)
to be Audited in its 1996-1997 Actual Cost)
Adjustment.)
Case No. GR-97-234

ORDER APPROVING STIPULATION AND AGREEMENT

On November 4, 1997, Southern Missouri Gas Company, L.P. (SMGC or Company) filed its actual cost adjustment (ACA) rates. On July 31, 1998, the Staff of the Commission (Staff) filed its recommendations following the completion of the audit of SMGC's ACA rates. Staff recommended that the Commission issue an order requiring SMGC to:

- 1) adjust the firm sales ACA balance by \$219,357 from the filed under-recovery balance of \$360,090 to the Staff adjusted under-recovery balance of \$579,447. The total adjustment should be included as a separate line item adjustment applied to the beginning 1997-98 ACA balance; and,
- 2) file a written response to Staff's recommendations within 30 days.

On September 22, the Commission issued its Order Directing Response requiring SMGC to file a response to Staff's recommendation no later than October 22. On October 22, SMGC filed its Motion for Extension of Time to File Its Response to Staff Recommendation requesting an extension of the filing date to November 5. SMGC indicated that the parties were engaged in negotiations regarding a possible settlement of the matter. On November 2, the Commission

issued its Order Granting Motion for Extension of Time to Respond extending the deadline for response to the Staff's recommendations to November 5.

On November 6, a Nonunanimous Stipulation and Agreement (Stipulation) was filed by Staff and SMCG. The Stipulation noted that the Office of the Public Counsel did not support but would not oppose the Stipulation. No party requested a hearing, so the Commission will treat the Stipulation as unanimous pursuant to 4 CSR 240-2.115.

The Stipulation reflects a request for approval of the adjustment of the firm sales ACA balance by \$219,357 from the filed under-recovery balance of \$360,090 to the adjusted under-recovery balance of \$579,447. The parties have agreed that the total adjustment should be included as a separate line item adjustment applied to the beginning 1997-98 ACA balance. SMGC's filing indicated transportation costs of \$274,506. Based upon its audit, Staff determined the appropriate level of transportation cost was \$515,693. The difference of \$241,187, less -\$21,830 in adjustments in other areas, resulted in a total difference of \$219,357. The parties agreed that the total difference of \$219,357 should be recovered over a three-year period with \$73,119 being recovered in each year. In the first year, all of the -\$21,830 and \$94,949 of the transportation cost should be applied to the ACA balance in the first year. Thereafter, in year two and year three, \$73,119 of the transportation cost should be applied to the ACA balance. As a result of these modifications, the total amount to be recovered in 1998-99 ACA period will be \$435,607 (which includes the 1996-97 balances of -\$21,830 and \$94,949) or \$0.0242 per Ccf.

Since no proper party filed an application to intervene and there are no outstanding requests for hearing, the Commission determines that an oral hearing is not necessary and the Applicant may submit evidence in support of its Application by verified statement. State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989).

The Commission finds that requiring SMGC to adjust the firm sales ACA balance by \$219,357 increasing the filed under-recovery balance of \$360,090 to the adjusted under-recovery balance of \$579,447 according to the terms of the Stipulation is not detrimental to the public interest. Pursuant to Section 536.060 RSMo 1994, the Commission may accept the Stipulation and Agreement as a resolution of the issues in this case. The Commission has reviewed the Stipulation and Agreement and verified application and finds the Stipulation to be reasonable and in the public interest and will, therefore, approve it.

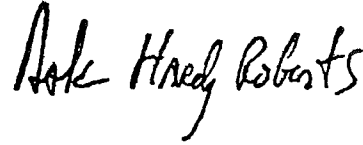
IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed on November 6, 1998, by Southern Missouri Gas Company, L.P. and the Staff of the Public Service Commission, Attachment A to this order, is approved.

2. That Southern Missouri Gas Company, L.P. shall adjust the firm sales ACA balance by \$291,357 increasing the under-recovery balance from the filed amount of \$360,090 to the adjusted amount of \$579,447. The total adjustment shall be included as a separate line item adjustment applied to the beginning 1997-98 ACA balance. The total difference of \$219,357 shall be recovered over a three-year period with \$73,119 being recovered in each year.

3. That this order shall become effective on January 22, 1999.

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,
Schemenauer, and Drainer, CC., concur

Register, Regulatory Law Judge

Missouri Public
Service Commission

Missouri Public
Service Commission

Missouri Public
Service Commission

Missouri Public
Service Commission

Missouri Public
Service Commission

Missouri Public
Service Commission

Missouri Public
Service Commission

- Missouri Public
Service Commission

Missouri Public
Service Commission

Missouri Public
Service Commission

Missouri Public
Service Commission

1. The Staff recommendations filed on July 22, 1998, should be adopted as modified herein.

2. SMGC filed transportation costs of \$274,506 in this ACA filing. Based upon Staff's audit, the Staff recommended inclusion of \$515,693 as the appropriate level of transportation, resulting in a difference of \$241,187. Staff's recommendation also included -\$21,830 in adjustments in other areas. SMGC and Staff recommend that the total difference of \$219,357 should be recovered over a three year period with \$73,119 being recovered in each year. Specifically, all of the -\$21,830 and \$94,949 of the transportation costs should be applied to the ACA balance in the first year, \$73,119 of the transportation costs should be applied to the ACA balance in the second year, and the remaining transportation costs of \$73,119 should be applied to the ACA balance in the third year.

3. As a result of the modification discussed in paragraph 2 above, the total amount to be recovered in the 1998-1999 ACA period will be \$435,607 (which includes the 1996-1997 balances of -\$21,830 and \$94,949) or \$0.0242 per Ccf.

4. This agreement addresses the recovery of differences between Staff's recommendation and SMGC's filed costs in Case No. GR-97-234, the 1996-1997 ACA. This agreement does not assume or authorize any other expense deferrals.

5. During the three year recovery period, SMGC will provide Staff with workpapers at least one month prior to the November 1 effective date of the scheduled Winter PGA filings. The format of these workpapers will be similar to the workpapers provided in tariff filing no. 9800300, SMGC's PGA filing which was effective November 5, 1997.

None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, any method of cost determination or cost

allocation, or any service or payment standard; and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2), RSMo 1994,² to present testimony, and to cross-examine witnesses; their respective rights pursuant to Section 536.080(1) to present oral argument and written briefs; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080(2); and their respective rights to judicial review pursuant to Section 386.510.

The Staff shall have the right to file a public memorandum that sets forth Staff's reasons for entering into this Stipulation and Agreement. The other parties shall be served a copy and shall be allowed five (5) days from the date of filing to respond to the Staff's memorandum. A memorandum filed pursuant to this paragraph shall not bind the Staff in this proceeding if the Commission does not approve the Stipulation and Agreement and shall not bind the Staff in any future proceeding.

If requested by the Commission, the Staff shall have the right to submit to the Commission a confidential memorandum explaining its rationale for entering into this Stipulation and Agreement. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit

²All statutory references are to Revised Statutes of Missouri 1994, unless otherwise noted.

to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules; shall be maintained on a confidential basis by all Parties; and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding, whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

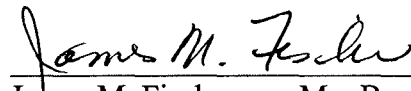
The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, promptly provide other Parties with advance notice of when the Staff shall respond to the Commission's request from Staff (and afford all such parties, to the maximum extent practicable, the right to be present at such oral explanation). Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters which are privileged or protected from disclosure pursuant to any protective order issued in this case.

WHEREFORE, SMGC and Staff respectfully request that the Commission:

- (1) approve this Stipulation and Agreement in its entirety;

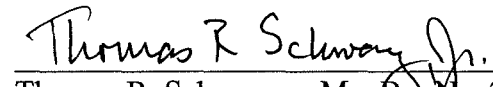
(2) issue an order requiring SMGC to adjust the Firm sales ACA balance by \$219,357 from the filed under-recovery balance of \$360,090 to the adjusted under-recovery balance of \$579,447. The total adjustment should be included as a separate line item adjustment applied to the beginning 1997-98 ACA balance.

Respectfully submitted,


James M. Fischer Mo. Bar No. 27543
Attorney at Law
101 West McCarty Street, Suite 215
Jefferson City, Missouri 65101

Telephone: (573) 636-6758
Fax: (573) 636-0383

Attorney for
Southern Missouri Gas Company, L.P.

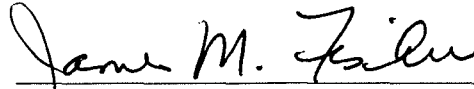

Thomas R. Schwarz Mo. Bar No. 29645
Deputy General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102
Telephone: (573) 751-7510
Fax: (573) 751-9285

Attorney for the Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered or mailed, postage prepaid, this 6th day of November, 1998 to:

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



James M. Fischer

RECEIVED
JUN 12 1999
COMMISSIONER OF
PUBLIC SERVICE COMMISSION