



Commissioners

SHEILA LUMPE
Chair

CONNIE MURRAY

KELVIN L. SIMMONS

STEVE GAW

Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
<http://www.psc.state.mo.us>

June 12, 2001

WESS A. HENDERSON
Director, Utility Operations

ROBERT SCHALLENBERG
Director, Utility Services

DONNA M. KOLILIS
Director, Administration

DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

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

RE: Case No. GR-2001-292

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **FIRST REVISED 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,

Lera L. Shemwell
Associate General Counsel
(573) 751-7431
(573) 751-9285 (Fax)

LLS:sw
Enclosure
cc: Counsel of Record

FILED²

JUN 12 2001

Missouri Public
Service Commission

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the matter of Missouri Gas Energy's)
tariff sheets designed to increase rates for)
gas service in the Company's Missouri)
service area.)

Case No. GR-2001-292

FIRST REVISED STIPULATION AND AGREEMENT

Come now the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("Public Counsel") and Missouri Gas Energy ("MGE" or "Company") and stipulate and agree as follows:

1. As a result of discussions held during the prehearing conference of May 7-11, 2001, as well as communications that occurred thereafter, the Staff, Public Counsel and MGE agree that a revenue increase shall be authorized in the amount of \$9,900,000 exclusive of gross receipts taxes or taxes or fees of a similar nature.

2. The resolution of issues as among the Staff, Public Counsel and MGE for quantification of overall revenue increase purposes does not purport, and is not intended, to control the allocation of the dollars associated with any such issues for purposes of determining class revenue responsibility. The Staff, Public Counsel and MGE expressly intend that this First Revised Stipulation and Agreement not resolve, control or determine how amounts attributable to any such issues for purposes of overall revenue increase quantification are to be allocated as between or among customer classes for purposes of determining class revenue responsibility, nor the manner in which the issues settled for overall revenue requirement quantification purposes are to be tried by any party for other purposes in this case. This First Revised Stipulation and Agreement is intended to reserve the ability of all parties to fully litigate all issues pertaining to the responsibility of

cel

customer classes for the incurrence of any cost as well as the proper assignment of any cost to the customer classes and the proper manner in which the amounts of any cost should be recovered in rates applicable to particular customer classes. In particular, the Staff, Public Counsel and MGE understand that the Midwest Gas Users' Association ("MGUA"), and Jackson County and the City of Riverside ("Jacom/Riverside") may desire to inquire into the distribution of costs to the various customer classes, as opposed to the overall level of costs, associated with certain items. The Staff, Public Counsel and MGE expressly intend by entering into this First Revised Stipulation and Agreement that any party, including MGUA and Jacomo/Riverside, be permitted to exercise such right of inquiry.

3. The Staff, Public Counsel and MGE agree that, commencing during the fiscal year which began July 1, 1998, and continuing at least through the effective date of the new rates resulting from MGE's next general rate proceeding, MGE will use a five-year average (when five years of information is available; prior to that time the average of the number of years of available information will be used) for determining the unrecognized net gain/loss to be amortized over five years in calculating MGE's direct FAS 87 and FAS 106 costs for financial reporting purposes. This paragraph concerns costs associated with post-retirement benefits, including pension and non-pension benefits (FAS 87 and FAS 106), and reflects MGE's continued willingness to agree to the recommendation made by Staff witness Williams at page 28, line 17 through page 29, line 4 of his direct testimony in Case No. GR-98-140, et al., regarding the financial reporting of unrecognized net gains/losses. The Staff, Public Counsel and MGE also agree that in the event that in any given year the amount of the amortization of the

unrecognized net gain/loss determined under the agreed-to methodology described above is less than the minimum amortization required under FAS 87 or FAS 106, then the amortization for such year shall be the minimum amortization required under FAS 87 and/or FAS 106.

4. The Staff, Public Counsel and MGE also agree to the following miscellaneous tariff changes:

- Include a provision, consistent with 4 CSR 240-10.040(4) that, for commercial and industrial customers, the rate of interest on a customer cash deposit shall be three percent (3%) per annum if the cash deposit is kept in a separate and distinct trust fund and deposited as such in some bank or trust company and is not used by the Company in the conduct of its business;
- Increase, or implement, miscellaneous service charges as follows—a) increase the standard re-connect fee from \$29 to \$35; b) increase the re-connect-at-the-curb fee from \$50 to \$56; c) increase the re-connect-at-the-main fee from \$100 to \$106; d) implement a new transfer-of-service fee of \$5; and e) implement a new connect fee of \$20;
- Codify the insufficient-funds-check charge of \$15 as proposed by MGE in the tariff filing which initiated this case; and
- Modify MGE's PGA ("Purchased Gas Adjustment") tariff language as necessary to ensure that costs associated with the performance bond required in MGE's gas supply contract with Duke Energy is recoverable through the PGA rate.

5. The Staff, Public Counsel and MGE further agree that, in response to the direct testimony of Public Counsel witness Hong Hu (pages 20-22) and in consideration

for the withdrawal of that issue from this case, MGE will conduct a special, detailed study to enable, in MGE's next general rate proceeding, identification and quantification of the elements of the required revenue shift associated with Public Counsel's proposal to change the definition of "residential" service as currently found in MGE's tariff. MGE agrees to work with Public Counsel and the Staff to determine the appropriate data to utilize in conducting the study and agree to discuss the appropriate methodology for conducting the study. In so agreeing to this paragraph 5, MGE makes no commitment to agree with the changed definition proposed by Public Counsel and hereby reserves all rights with respect thereto, as do all other signatories to this First Revised Stipulation and Agreement.

6. The Staff, Public Counsel and MGE further to agree to resolve the rate design issue of customer charge levels as follows: a) the residential customer charge shall be increased from \$9.05 to \$10.05; b) the small general service customer charge shall be increased from \$11.05 to \$13.55; c) the large general service customer charge shall be increased from \$65.80 to \$83.25; and d) the large volume service ("LVS") customer charge shall remain at \$409.30 and current LVS multi-meter customers shall be grandfathered under the current LVS multi-meter provisions as proposed by MGE in the tariff sheets which initiated this proceeding. Residual class revenue changes shall be reflected in the volumetric charges of each customer class. So long as this paragraph 6 of this First Revised Stipulation and Agreement is approved by the Commission, MGE agrees to withdraw its "minimum bill" proposal from consideration in this case.

7. The Staff, Public Counsel and MGE further agree that the following depreciation rates (which exclude net salvage cost) shall be authorized:

	<u>Rate</u>	<u>Life</u>
Distribution Plant		
Account 374.2—Land Rights	2.09%	47.8
Account 375.1—Structures	1.65%	60.5
Account 376—Mains & Mains-Cast Iron	2.27%	44.0
Account 378—Meas. & Reg. Station-General	2.86%	35.0
Account 379—Meas. & Reg. Station-City Gate	2.13%	47.0
Account 380—Services	2.27%	44.0
Account 381—Meters	2.86%	35.0
Account 382—Meter Installations	2.86%	35.0
Account 383—House Regulators	2.44%	41.0
Account 385—Electronic Gas Metering	3.33%	30.0
Account 387—Other Equipment	4.60%	21.7
(Note: Currently there is no equipment in this account. Any equipment put into this account would need to be evaluated in the next rate case.)		
General Plant-Direct		
Account 390.1—Structures	2.00%	50.0
Account 391—Furniture & Fixtures	8.06%	12.4
Account 392—Transportation Equipment	8.70%	11.5
Account 393—Stores Equipment	2.70%	37.0
Account 394—Tools	2.38%	42.0
Account 395—Laboratory Equipment	6.00%	16.7
Account 396—Power Operated Equipment	8.33%	12.0
Account 397.1—Communication Equipment-AMR	5.00%	20.0
Account 397.0—Communication Equipment-Other	6.25%	16.0
Account 398—Miscellaneous Equipment	3.85%	26.0
General Plant-Corporate		
Account 390—Structures	2.00%	50.0
Account 391.0—Furniture & Equipment	3.22%	31.0
Account 391.1—Computer Equipment	10.00%	10.0
Account 392—Transportation Equipment	10.00%	10.0
Account 397—Communication Equipment	6.25%	16.0
Account 398—Miscellaneous Equipment	3.85%	26.0

8. The Staff, Public Counsel and MGE further agree that MGE's weatherization program shall be expanded throughout MGE's service territory as proposed by Staff witness Warren, with an additional \$90,000 per year targeted to areas other than the Kansas City metropolitan area (where the weatherization program is

currently offered), subject to the availability, capability and willingness of agencies to administer such funds in such other areas of MGE's service territory.

9. The Staff, Public Counsel and MGE agree to recognize in revenue requirement a total of \$1,200,000 in revenues for off-system sales and capacity release, subject to the following conditions:

- a. The current provisions regarding off-system sales and capacity release shall be removed from MGE's tariff, including removal from the Purchased Gas Adjustment ("PGA") clause, and there shall be no further review and/or adjustment with respect to off-system sales and/or capacity release activities in any of the Company's Actual Cost Adjustment ("ACA") or PGA-related dockets for ACA years beginning after June 30, 2001;
- b. The level of off-system sales and capacity release revenues recognized in revenue requirement in this case shall not be re-based until after October 6, 2003, except that such re-basing may be proposed in any general rate case filed by MGE prior to October 6, 2003; and
- c. With respect to the off-system sales portion of this paragraph 9 of this First Revised Stipulation and Agreement, MGE asserts that its off-system sales, and associated revenues, are wholly beyond the Commission's jurisdiction and authority and has agreed to this paragraph 9, with respect to off-system sales revenues, for settlement purposes only. As such, MGE's agreement to this paragraph 9 in this

First Revised Stipulation and Agreement shall not be construed as acquiescence *to* or agreement by MGE that the Commission possesses any jurisdiction or authority whatsoever with respect to MGE's off-system sales and associated revenues. Further, this paragraph 9 of this First Revised Stipulation and Agreement shall not be offered as evidence, or cited as indicating, that MGE acquiesces to Commission jurisdiction or authority with respect to MGE's off-system sales and associated revenues.

10. The Staff, Public Counsel and MGE further agree that MGE shall withdraw the proposed Customer Service Effectiveness/Gas Safety Incentive Plan from consideration in this case.

11. The Staff, Public Counsel and MGE further agree that an Accounting Authority Order ("AAO") shall be granted for MGE's Safety Line Replacement Program costs (e.g., carrying costs, depreciation expense and property taxes) beginning on July 1, 2001 (e.g., the day after the conclusion of the immediately preceding AAO). In the event that MGE does not file a general rate case by December 31, 2003, MGE will commence amortization of these deferrals beginning January 1, 2004, over a ten-year period, and will cease further deferrals unless the Commission grants a new AAO. The fact that MGE would commence amortization of the deferrals on January 1, 2004, if MGE has not filed a general rate case by December 31, 2003, in no way indicates acquiescence on the part of the Staff or Public Counsel as to the deferred costs to be amortized. Whether or not amortization of the deferrals begins on January 1, 2004, the Staff and Public Counsel reserve the right to review and recommend alternative regulatory ratemaking treatment of

any and all costs deferred pursuant to the AAO authorized by the Commission's approval of this First Revised Stipulation and Agreement in any future general rate proceeding.

12. The Staff, Public Counsel and MGE further agree that MGE shall be considered to have fulfilled certain provisions of the Unanimous Stipulation and Agreement in Case No. GM-2000-43 (*In the matter of the application of Southern Union Company for authority to acquire and merge with Pennsylvania Enterprises Inc., and in connection therewith, certain other related transactions.*) and shall be released therefrom. In particular, this release applies to certain provisions of paragraph 2.b.) of that Unanimous Stipulation and Agreement, which read as follows: "The Company will credit to customers a like amount (annual revenue requirement) during the subsequent year for the year in which the indicator was exceeded. The credit may be booked to a deferred liability account, if the Company, Staff and OPC agree, until a sufficient amount is accumulated to warrant a credit to customers." The reporting requirements of the Unanimous Stipulation and Agreement in Case No. GM-2000-43 are unaffected by this release.

13. The Staff, Public Counsel and MGE agree that MGE shall treat any and all revenues received after the effective date of the Commission order approving this First Revised Stipulation and Agreement from the licensing or sale of the Land-based Digitized Mapping System as a direct reduction to its original cost until such time as the cost of the LDMS is fully recovered. After the recovery of the original cost of the LDMS, any and all further revenues shall be treated above the line for ratemaking purposes.

14. The Staff, Public Counsel and MGE further agree that this First Revised Stipulation and Agreement is intended to supersede and replace the Stipulation and Agreement filed by the Staff, Public Counsel and MGE herein on or about May 29, 2001.

15. The Staff, Public Counsel and MGE further agree that none of them, as a result of entering into this document, shall have been 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 First Revised Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified in paragraphs 3, 9, and 13 herein upon the Commission's approval of this First Revised Stipulation and Agreement.

16. The Staff, Public Counsel and MGE further agree that this First Revised Stipulation and Agreement has resulted from extensive negotiations. The terms of this First Revised Stipulation and Agreement are interdependent. In the event the Commission does not approve and adopt the entirety of this First Revised Stipulation and Agreement, then this First Revised Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

17. The Staff, Public Counsel and MGE have reached the agreements above, in part, to avoid the time and expense of litigating the issues. The Staff, Public Counsel and MGE have not prepared or filed surrebuttal testimony on issues that existed after the filing of rebuttal testimony but which are proposed to be resolved by the terms of this First Revised Stipulation and Agreement. The signatories respectfully request the Commission to issue an order adopting this First Revised Stipulation and Agreement in

total as soon as possible so the parties and the Commission have the certainty of knowing that the matters as set forth herein have been finally resolved. The Commission may, of course, defer a ruling on the First Revised Stipulation and Agreement; however, if the Commission does not accept the terms of this First Revised Stipulation and Agreement in total, the signatories expressly reserve the right to litigate these issues and therefore request that they be informed of such action by the Commission sufficiently in advance for the signatories to draft any necessary rebuttal and/or surrebuttal testimony on such issues and for the issues to be litigated during the scheduled hearings in this case, or at such later dates in this proceeding as the Commission may schedule. The Staff, Public Counsel and MGE estimate that it would take at least six (6) days of hearings to litigate the issues settled by this document. Should the Commission reject the proposed First Revised Stipulation and Agreement, or any portion thereof, the Staff, Public Counsel and MGE expressly reserve the right to file rebuttal and surrebuttal testimony on issues subject to this First Revised Stipulation and Agreement. Neither the Staff, nor Public Counsel nor MGE shall oppose the filing of such rebuttal and/or surrebuttal testimony.

18. The Staff shall, and Public Counsel and MGE may, submit to the Commission a written memorandum stating its rationale for entering into this First Revised Stipulation and Agreement. Each party of record shall be served with any such memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of such memorandum, responsive material which shall also be served on all parties. Such memorandum or response thereto regarding the First Revised Stipulation and Agreement shall not bind or prejudice the party submitting such memorandum or

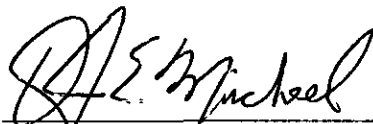
response, or any other party, in this or any future proceeding, whether or not the Commission approves this First Revised Stipulation and Agreement.

19. The Staff, Public Counsel and MGE also agree that the Staff shall also have the right to provide, at any agenda meeting at which this First Revised 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 once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosure pursuant to the Protective Order issued in this case.

20. To assist the Commission in its review of this First Revised Stipulation and Agreement, the Staff, Public Counsel and MGE also request that the Commission advise them of any additional information that the Commission may desire from them relating to matters addressed in the First Revised Stipulation and Agreement, including any procedures for furnishing such information to the Commission.

Wherefore, the Staff, Public Counsel and MGE respectfully request that the

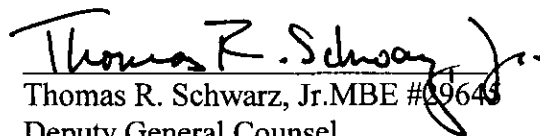
Commission issue an order approving this First Revised Stipulation and Agreement at its earliest opportunity.



Douglas E. Micheel MBE #38371
Senior Public Counsel
Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102
573/751-5560
FAX: 573/751-5562
e-mail: dmicheel@mail.state.mo.us

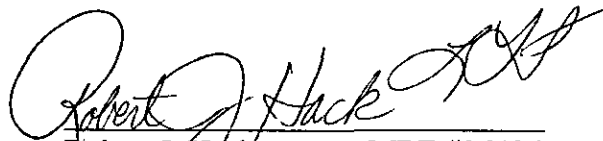
ATTORNEY FOR THE OFFICE
OF THE PUBLIC COUNSEL

Respectfully submitted,



Thomas R. Schwarz, Jr. MBE #09643
Deputy General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
573/751-7434
FAX: 573/751-9285
e-mail: tschwarz@mail.state.mo.us

ATTORNEY FOR THE STAFF
OF THE MISSOURI
PUBLIC SERVICE COMMISSION




Robert J. Hack MBE #36496
3420 Broadway
Kansas City, MO 64111
(816)360-5755
FAX: (816)360-5536
e-mail: rob.hack@southernunionco.com

Gary W. Duffy MBE #24905
P.O. Box 456
Jefferson City, MO 65102
(573)635-7166
FAX: (573)635-3847
e-mail: duffy@brydonlaw.com

ATTORNEYS FOR MISSOURI
GAS ENERGY

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record this 12th day of June, 2001.



Service List for
Case No. GR-2001-292
Revised: June 12, 2001 (SW)

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

Gary W. Duffy
Brydon, Swearengen & England P.C.
P.O. Box 456
Jefferson City, MO 65102-0456

Stuart W. Conrad
Finnegan, Conrad & Peterson, L.C.
3100 Broadway, Suite 1209
Kansas City, MO 64111

Mark W. Comley
Newman, Comley & Ruth P.C.
601 Monroe Street, Suite 301
Jefferson City, MO 65101

Larry W. Dority, Esq.
Fischer & Dority, P.C.
101 Madison Street, Suite 400
Jefferson City, MO 65101

Jeremiah D. Finnegan
Finnegan, Conrad & Peterson, L.C.
3100 Broadway, Suite 1209
Kansas City, MO 64111