

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Missouri)
Gas Utility, Inc., for a Certificate of Public)
Convenience and Necessity Authorizing It to)
Construct, Install, Own, Operate, Control,)
Manage and Maintain a Natural Gas)
Distribution System to Provide Gas Service in)
Daviess County, Missouri, as a Further)
Expansion of Its Existing Certificated Area)

Case No. GA-2007-0421

CONCURRING OPINION OF COMMISSIONERS
ROBERT M. CLAYTON III AND STEVE GAW

We concur in the Order Granting a Certificate of Convenience and Necessity to the utility for expansion of its service territory. The parties have argued with success that the added firm capacity and load on the system bring benefits to the current customers, the utility and the new customers joining the system. The utility operates a small Local Distribution Company in its current service territory and has limitations on the extent of its gas purchasing and hedging activities. The Commission generally supports expansion of utility services when the public as a whole will benefit, including satisfying economic development goals.

In this case, a number of concerns have arisen to suggest a need for clarification in the Order regarding future ratemaking treatment. The parties have suggested that the added benefits of new customers will protect today's existing ratepayers from increased rates. However, Staff

has not done an analysis of the costs of the line extension against the benefits of adding an industrial customer and a handful of additional customers along the way. No one can estimate or predict when a future rate case may be filed. A majority of Commissioners is comfortable with ordered paragraphs five and six affording protection of sufficient protection of ratepayers. These paragraphs reflect standard language designed to defer decisions of prudence and ratemaking to future cases. Paragraphs five and six may be broad enough to address needed protections in future cases.

If a future rate case is filed beyond four or five years, a new Commission will address questions of prudence and the allocation of costs and benefits. Therefore, it is worth noting that the Commission believes at the time of this opinion that any issues as to the allocation of costs of the extension of the utilities service territory and the prudence of the company's decision to extend its distribution line to serve an industrial customer, are deferred to the next rate case.


It is incumbent on the current Commission to suggest to future Commissioners and Staff that upon the filing of a future rate case, a full analysis should be conducted on the costs and benefits of this expansion. In addition, future Commissions should be advised of the impact on the rates of existing customers and the customers added by this Order. The Commission regularly grapples with concerns of "district specific pricing" versus "single tariff pricing." It is unclear today how the added expense

and rate base issues related to the proposed expansion will be allocated. Further, if benefits are recognized by the added load, it is unclear how those benefits will be addressed and distributed.

This concurrence does not suggest specific treatment today, but rather, future Commissioners should take note of these concerns and decide the case accordingly. The Commission needs to be mindful of the equitable treatment of risk to be borne by the utility, its current customers and its future customers. Only through that analysis can rates be considered just and reasonable.

For the foregoing, we concur in the Order.

Respectfully submitted,


Robert M. Clayton II
Commissioner


Steve Gaw
Commissioner

Dated at Jefferson City, Missouri,
on this 27th day of June, 2007.