

**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            )  
Convenience and Necessity Authorizing it to    )  
Construct, Install, Own, Operate, Control,       )  
Manage and Maintain a Natural Gas             )  
Distribution System to Provide Gas Service in    )  
Pettis and Benton Counties, Missouri, as a      )  
New Certificated Area.

**Case No. GA-2010-0289**

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff) and recommends that the Missouri Public Service Commission (Commission) grant Missouri Gas Utility Inc.'s (MGU) application for a Certificate of Convenience and Necessity (CCN) subject to certain conditions detailed in this recommendation. In support of its recommendation, Staff states:

1. On April 19, 2010, MGU filed three separate applications for CCNs in Case Nos. GA-2010-0289, GA-2010-0290, and GA-2010-0291. MGU filed a Motion to Consolidate the three CCN applications once the intervention period had lapsed. The Commission granted MGU's request and consolidated these three cases into Case No. GA-2010-0289 on June 1, 2010

2. Section 393.170 RSMo requires the Commission to address the question of approving the service territory of public utilities and whether the provision of that service is necessary or convenient. Commission Rule 4 CSR 240-3.205(1)(E) requires applicants to state "The facts showing that the granting of the application is required by the public convenience and necessity." The term "necessity" means the additional service would be an improvement

justifying its costs.<sup>1</sup> Furthermore, the Commission's allocation of service territory must be done on the basis of public interest.<sup>2</sup>

3. The Staff, including its Procurement Analysis Department and Auditing Department, has reviewed the applications, feasibility studies, and materials submitted by MGU and determined that the charges used in the calculations are the same rates approved by the Commission for the area certificated in Case No. GA-2010-0264 and that the service to these areas is both reasonable and economically feasible.

4. For reasons further detailed in Appendix A, attached hereto, Staff is of the opinion that granting this Application would be in the public interest if certain conditions are attached: (1) MGU has the operational capacity to provide gas service in its in its requested service area; and (2) the requested CCN area for gas service would not jeopardize natural gas service to the Company's current existing customers.

5. The Staff recommends the Commission's order include the following conditions:

- a. MGU's shareholders accept full financial responsibility for the success of this project, with no liability or responsibility falling on customers.
- b. MGU shall use the depreciation rates currently on file with the Commission.
- c. As ordered in Case No. GA-2009-0264, MGU shall submit to a rate review within 36 months after the effective date in Case No. GA-2009-0264. This review should also include these newly certificated areas granted in this case; and

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<sup>1</sup> *State ex rel. Intercon Gas, Inc. v. PSC*, 848 S.W.2d 593 (Mo. Ct. App. W.D. 1993).

<sup>2</sup> *State ex rel. Consumers Public Service Co. v. PSC*, 180 S.W.2d 40 (Mo. Ct. App. W.D. 1994).

- d. MGU shall obtain adequate capacity on the pipeline to reliably serve all customers in this area, including capacity necessary to serve any future growth.

**WHEREFORE**, for the above stated reasons, Staff respectfully recommends that the Missouri Public Service Commission grant Missouri Gas Utility Inc.'s application subject to certain conditions detailed in this recommendation.

Respectfully submitted,

**/s/ Samuel D. Ritchie**

Samuel D. Ritchie  
Legal Counsel  
Missouri Bar No. 61167

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered or transmitted by facsimile or electronic mail to all counsel of record this 21st day of June 2010.

**/s/ Samuel D. Ritchie**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File,  
Case No. GA-2010-0289, Missouri Gas Utility, Inc.

FROM: Kim Cox, Energy Department - Tariffs/Rate Design  
Kim Bolin, Auditing Department  
Derick Miles, Procurement Analysis Department

/s/ Thomas M. Imhoff 06/18/10  
Energy Department/Date

/s/ Samuel D. Ritchie 06/18/10  
General Counsel's Office/Date

SUBJECT: Staff Recommendation On Missouri Gas Utility, Inc.'s Application for a Certificate of Convenience and Necessity

DATE: June 18, 2010

On April 19, 2010, Missouri Gas Utility, Inc. (MGU or Company) filed an APPLICATION (Application) with the Missouri Public Service Commission (Commission). The Application requests that the Commission grant MGU a certificate of convenience and necessity (CCN) authorizing it to construct, install, own, operate, control, manage and maintain a natural gas distribution system to provide gas service in Pettis and Benton Counties in Missouri, as a new certificated area. Case No. GA-2010-0289.

On April 19, 2010, Missouri Gas Utility, Inc. (MGU or Company) filed an APPLICATION (Application) with the Missouri Public Service Commission (Commission). The Application requests that the Commission grant MGU a certificate of convenience and necessity (CCN) authorizing it to construct, install, own, operate, control, manage and maintain a natural gas distribution system to provide gas service in Pettis and Benton Counties in Missouri, as a new certificated area. Case No. GA-2010-0290.

On April 19, 2010, Missouri Gas Utility, Inc. (MGU or Company) filed an APPLICATION (Application) with the Missouri Public Service Commission (Commission). The Application requests that the Commission grant MGU a certificate of convenience and necessity (CCN) authorizing it to construct, install, own, operate, control, manage and maintain a natural gas distribution system to provide gas service in Pettis County in Missouri, as a new certificated area. Case No. GA-2010-0291.

On April 20, 2010, the Commission issued an ORDER AND NOTICE. The order stated that any motion to intervene was due no later than May 10, 2010. No parties intervened.

On May 13, 2010, MGU filed a MOTION TO CONSOLIDATE Case Nos. GA-2010-0289, GA-2010-0290 and GA-2010-0291. On June 1, 2010, the Commission issued an ORDER GRANTING MOTION TO CONSOLIDATE. The order stated GR-2010-0289 would be the lead case.

The Staff reviewed the applications, feasibility studies, and materials submitted by MGU. MGU's projected customer count at the end of year five is a total of 36 customers, 24 Residential or General Service Customers and 12 Commercial Services Customers. MGU provided a projected average usage, monthly customer charges and commodity charges for each customer class. The charges used in the calculation are the same rates approved by the Commission for the area certificated in Case No. GA-2009-0264.

The Procurement Analysis Department (PAD) Staff reviewed the proposed expansions for any impacts, positive or negative, on other customers regarding reliability for transportation capacity for peak day planning. The Company provided information to support that its current contracted capacity for its Southern Service Area is sufficient to serve these additional areas.

The Auditing Department Staff reviewed the feasibility study and found the results of the study to be reasonable. MGU's feasibility study presented a five-year projection of revenue and the cost of providing utility services for the proposed service area. All estimated operation and maintenance expenses, labor and administrative costs including corporate overhead costs included in the feasibility study were examined and compared to previous feasibility studies performed by MGU that were included in Case Nos. GR-2009-0264 and GR-2010-0012.

MGU will not require any additional franchises. The lines in all sections follow utility right-of ways or county or MODOT roads. No other easements are necessary. The requested CCN area is related to MGU's Warsaw expansion. MGU already has a certificate to currently serve areas adjacent to all requested areas in Pettis and Benton Counties.

In Staff's opinion, the Feasibility Study filed by MGU to provide natural gas in the requested service area shows MGU's proposal to be economically feasible. Staff is also of the opinion that the proposal contains risks, and the Feasibility Study alone is not enough to make the project feasible. In Staff's opinion, the proven ability of MGU to attract and secure acceptable financing is the best indicator for success of the project.

The Staff has reviewed this Application and, for the following reasons, is of the opinion that granting this Application would be in the public interest if certain conditions are attached:

1. MGU has the operational capability to provide gas service in its requested service area; and
2. The requested CCN area for gas service would not jeopardize natural gas service to the Company's current existing customers.

Staff recommends the Commission's order include the following conditions:

1. MGU's shareholders are totally responsible for the success of this project, with no liability or responsibility put on customers;
2. MGU shall use the depreciation rates currently on file with the Commission;
3. As ordered in Case No. GA-2009-0264, MGU shall submit to a rate review in 36 months after the effective date in Case No. GA-2009-0264. This review should also include these newly certificated areas granted in this case; and
4. MGU shall obtain adequate capacity on the pipeline to reliably serve all customers in this area, including capacity necessary to serve any future growth.

Therefore, Staff recommends that MGU be granted a CCN to serve the requested areas in Pettis and Benton Counties, in the State of Missouri. Staff also recommends the Company file revised tariff sheets reflecting this proposed CCN in this case within thirty (30) days of the Commission's Order approving this Application.

The Staff has verified that this company has filed its annual report and is not delinquent on any assessment.

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OF THE STATE OF MISSOURI**

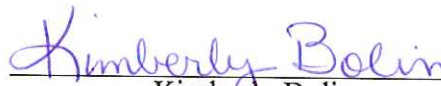
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Case No. GA-2010-0289

**AFFIDAVIT OF KIMBERLY BOLIN**

STATE OF MISSOURI     )  
                                  ) ss  
COUNTY OF COLE     )

Kimberly Bolin, of lawful age, on oath states: that she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was given by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.

  
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Kimberly Bolin

Subscribed and sworn to before me this 18<sup>th</sup> day of June, 2010.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

  
\_\_\_\_\_  
Notary Public

*Susan L. Sundermeyer*  
Notary Public



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Case No. GA-2010-0289

**AFFIDAVIT OF DERICK MILES**

STATE OF MISSOURI     )  
                                  ) ss  
COUNTY OF COLE     )

Derick Miles, of lawful age, on oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was given by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.

  
\_\_\_\_\_  
Derick Miles

Subscribed and sworn to before me this 18<sup>th</sup> day of June, 2010.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

  
\_\_\_\_\_  
Notary Public