

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

In the Matter of the Application of Missouri Gas Energy,)
a Division of Laclede Gas Company, for a Certificate)
of Public Convenience and Necessity Authorizing It to)
Construct, Install, Own, Operate, Control, Manage and) **File No. GA-2014-0232**
Maintain a Natural Gas Distribution System to Provide)
Gas Service in Lawrence County, Missouri, as an)
Expansion of Its Existing Certified Area)

STAFF RECOMMENDATION TO APPROVE APPLICATION

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its recommendation to approve the application of Missouri Gas Energy (“MGE”), a division of Laclede Gas Company, in this matter hereby respectfully states:

1. On February 19, 2014, MGE filed an Application requesting the Commission grant MGE a certificate of public convenience and necessity (CCN) authorizing it to construct, install, own, operate, control, manage and maintain a natural gas distribution system as an expansion of its existing certified service area in Lawrence County, Missouri.

2. On February 21, the Commission ordered motions for intervention filed by March 13, 2014, and ordered Staff to file its recommendation no later than April 3, 2014. No party intervened.

3. Section 393.170 RSMo. authorizes the Commission to grant CCNs for the provision of natural gas service, and Commission Rule 4 CSR 240-3.205 outlines the filing requirements. Generally, the specific criteria for evaluating a certificate case are: (1) there must be a need for the service, (2) the applicant must be qualified to provide the service, (3) the applicant must have the financial ability to provide the service,

(4) the applicant's proposal must be economically feasible, and (5) the service must promote the public interest.¹

4. As explained in Staff's *Memorandum*, attached hereto as Appendix A and incorporated by reference, MGE's Application in this matter meets these criteria and Staff recommends that MGE be granted the certificate, provided that the Company records the actual cost of the main line extension that exceeds the customer contribution as plant held for future use in Account 105. Staff also recommends the Company file revised tariff sheets reflecting the CCN within thirty (30) days of the Commission order approving this application.

5. The total estimated cost of the project is \$204,719.74. MGE will collect a customer contribution of \$120,698.

6. Procurement Analysis Staff reviewed the proposed expansion for any impacts on the Company's existing customers as it pertains to adequacy of transportation capacity for peak day planning. MGE provided information indicating the projected use for the expansion is small and will be served by existing capacity. Staff found no reason to expect the expansion will create gas supply reliability issues. Staff will review the prudence of MGE's interstate pipeline capacity during the relevant Actual Cost Adjustment review.

7. Audit Staff does not expect the requested expansion to result in any financial detriment to MGE's existing customers, provided that MGE records the actual cost of the main line extension that exceeds the customer contribution as plant held for future use in Account 105.

¹ GA-2012-0111, *Order Granting Certificate of Convenience and Necessity*, issued December 7, 2011.

8. The requested expansion will not require any franchises or permits from municipalities, counties or other authorities, other than usual highway, railroad and county road permits that MGE states it will obtain prior to construction.

WHEREFORE, Staff recommends the Commission issue an order:

- 1) Granting the Company a certificate of convenience and necessity to construct, install, own, operate, control, manage, and maintain a system for the provision of natural gas service to the public pursuant to its approved rates, rules and regulations, in Section 9, Township 26 North, Range 28 West in Lawrence County, Missouri;
- 2) Instructing the Company to record the actual cost of the main line extension that exceeds the customer contribution as Plant Held for Future Use in Account 105; and
- 3) Instructing the Company to file revised tariffs reflecting the approved CCN in this case within 30 days of the Commission's order approving this application.

Respectfully submitted,

/s/ John D. Borgmeyer

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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 31st day of March, 2014.

/s/ John D. Borgmeyer

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GA-2014-0232, Missouri Gas Energy, a division of Laclede Gas Company

FROM: Kim Cox, Tariff, Rate Design Section
Lesia Jenkins, P.E., Procurement Analysis
V. William Harris, Auditing

/s/ Thomas M. Imhoff 3/31/14
Tariff, Rate Design Section/Date

/s/ John D. Borgmeyer 3/31/14
Staff Counsel's Office/Date

SUBJECT: Staff Recommendation To Approve Missouri Gas Energy's Application For A Certificate
Of Public Convenience And Necessity

DATE: March 31, 2014

On February 19, 2014, Missouri Gas Energy (MGE or Company), a division of Laclede Gas Company, filed an APPLICATION (Application) with the Missouri Public Service Commission (Commission). The Application requests that the Commission grant MGE a certificate of public 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 Lawrence County, Missouri as an expansion of its existing certificated area.

On February 21, 2014, the Commission issued an ORDER DIRECTING NOTICE, SETTING DEADLINE FOR INTERVENTION REQUEST, AND DIRECTING FILING OF STAFF RECOMMENDATION. The order allowed any interveners to file by March 13, 2014, and directed Staff to file a recommendation, no later than April 3, 2014. No parties intervened.

MGE is requesting a CCN for an expansion of its current service area in Lawrence County (Section 9, Township 26 North, Range 28West). A chicken farm has requested service from MGE. The requested sections are adjacent to the Company's existing certificated area.

The Company's requested expansion will not require any franchises or permits from municipalities, counties, or other authorities other than the usual and customary state highway, railroad, and county road permits, which will be obtained prior to construction.

MGE provided the feasibility study, description of the plans and specifications for the project. The total estimated cost of the project is \$204,719.74. A customer contribution of \$120,698 will be collected. Pursuant to MGE's tariff, no customer deposit will be required. MGE requests to use its existing rates and regulations for natural gas service contained in its tariff.

The Procurement Analysis Staff reviewed the proposed expansion for any impacts, positive or negative, on the Company's existing customers as it pertains to the adequacy of transportation capacity for peak

day planning. MGE provided information indicating the projected usage for the expansion is small and will be served by existing capacity. MGE does not anticipate any gas supply reliability issues from this expansion. Staff review of the prudence of the underlying interstate pipeline capacity will be part of the Actual Cost Adjustment review for the relevant time period.

The Audit Staff reviewed MGE's application to expand its service into Lawrence County to determine whether the expansion would result in any financial detriment to the Company's existing customers. MGE provided information indicating the proposed load for the customer requesting new service would require a line extension using 4-inch pipe, but that 4-inch pipe would not support any additional load. Since the Company intends to use the extension to provide load to future customers in addition to the customer requiring service in this application, the Company elected to install 6-inch pipe and only charge the customer currently requesting service a contribution in aid of construction for the estimated cost of 4-inch pipe. The additional cost of the 6-inch pipe should be charged to the future customers benefitting from the extra capacity provided by the larger pipe, and not charged to the Company's current customers. Accordingly, Staff will recommend that the Commission approve the proposed expansion, provided that the Company records the actual cost of the main line extension that exceeds the customer contribution as plant held for future use in Account 105.

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 for the following reasons:

1. MGE is willing and able to provide the requested service under existing tariff provisions;
2. Extending gas service would not jeopardize natural gas service to the Company's currently existing customers;
3. No interveners have objected to this certificate request;
4. MGE anticipates using the customary state highway, railroad, and county rights of way;
5. The requested service area is expected to develop a new customer; and
6. No new franchises are required.

Therefore, Staff recommends that MGE be granted a certificate to serve the requested area in Lawrence County, 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. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

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

In the Matter of the Application of Missouri)
Gas Energy, a Division of Laclede Gas)
Company for a Certificate of Public)
Convenience and Necessity Authorizing it to)
Construct, Install, Own, Operate, Control,) Case No. GA-2014-0232
Manage and Maintain a Natural Gas)
Distribution System to Provide Gas Service)
in Lawrence County, Missouri, as an)
Expansion of its Existing Certified Area)

AFFIDAVIT OF KIM COX

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Kim Cox of lawful age, on oath states: that she 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 provided to 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.



Kim Cox

Subscribed and sworn to before me this 31st day of March, 2014.

LAURA BLOCH
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 21, 2015
Commission Number: 11203914



Notary Public