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June 30, 2009

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: MoGas Pipeline LLC
Docket No. RP09-___-

Dear Ms. Bose:

Pursuant to Section 4 of the Natural Gas Act ("NGA"), 15 U.S.C. § 717c (2006), and Part 154 of the Commission's Rules and Regulations, 18 C.F.R. Part 154 (2008), and as ordered by the Commission in *Missouri Interstate Gas, LLC*, 119 FERC ¶ 61,074 (Apr. 20, 2007), MoGas Pipeline LLC ("MoGas") hereby submits for filing an original and twelve (12) copies of its Section 4 rate case to change its base rates and institute a fuel charge. MoGas proposes an effective date of August 1, 2009. If suspended for five months, these rates will take effect on January 1, 2010.

## Background and Summary of the Filing

*Background*

MoGas was created in 2008 by the combination of three affiliated pipeline systems, Missouri Interstate Gas, LLC ("MIG"), Missouri Gas Company, LLC ("MGC"), and Missouri Pipeline Company, LLC ("MPC"). MGC and MPC had operated as Hinshaw pipelines, exempt from Commission jurisdiction under section 1(c) of the NGA. As intrastate pipelines in Missouri, their rates were subject to regulation by the Missouri Public Service Commission ("MoPSC"). MIG, which operated an interstate pipeline between Missouri and Illinois, traversing the Mississippi River, was a FERC jurisdictional pipeline subject to Part 284 of the Commission's regulations. As a single interstate system, the pipelines provide numerous benefits to shippers, including more efficient and cost-effective operation, flexible receipt and delivery point rights and capacity release.[1] The combined system commenced interstate service on June 1, 2008.

[1] *Missouri Gas Co., LLC, Missouri Pipeline Co, LLC, and Missouri Interstate Gas, LLC*, 119 FERC ¶ 61,074, at P 51 (2007), *order on reh'g*, 122 FERC ¶ 61,136, at PP 77-81 (2008).

As a combined system, MoGas includes the former MPC and MGC facilities, which extend generally in a southerly direction approximately 208 miles from an interconnection with Panhandle Eastern Pipe Line Company ("Panhandle") in Pike County, Missouri, to a terminus at Fort Leonard Wood, in Pulaski County, Missouri. The system also includes the former MIG facilities, 6.6 miles of 12-inch diameter pipeline extending from an interconnection with CenterPoint Energy-Mississippi River Transmission Corporation ("MRT") in Madison County, Illinois, to an interconnection with the eastern end of a lateral line of the former MPC facilities in the northern suburbs of St. Louis, Missouri.

The system also now includes the Curryville Compressor Station, certificated in Docket No. CP07-450. The station is located at MoGas's interconnection with Panhandle, and was placed in service on March 1, 2009.

Today, MoGas provides firm and interruptible transportation service with receipt points at MRT on the east and Panhandle on the west ends of the system. The system is divided into two zones with separate rates. Zone 1 encompasses the former MPC and MIG systems while Zone 2 includes the former MGC system. MoGas's primary deliveries are to local distribution companies ("LDCs").

*Summary of Filing*

The test period used in this filing consists of the twelve-month base period of actual operations for the period ending March 31, 2009, adjusted for known and measurable changes anticipated to occur during the nine-month period ending December 31, 2009. The filing reflects an increase in revenue for services rendered from the base period of $11,196,337 to a projected $16,526,255 and an increase in net plant investment of $13 million.

MoGas's tariff sheets reflect proposed changes to MoGas's FERC Gas Tariff and initial rates authorized by the Commission in Docket No. CP06-407 *et seq*. The proposed rates are divided into reservation, commodity, and interruptible transportation ("IT") for each of MoGas's two zones. For Zone 1, MoGas proposes a new monthly reservation rate of $12.713/Dth, a commodity rate of $0.022/Dth, and an IT rate of $0.440/Dth. For Zone 2, MoGas proposes a new monthly reservation rate of $25.463/Dth and an IT rate of $0.837/Dth. There is no commodity rate for Zone 2. MoGas is proposing to recover fuel and lost and unaccounted for gas. The proposed combined rate for fuel and lost and unaccounted for gas is 0.99%.

<u>Statement of Nature, Reasons, and Basis for the Filing</u>

Pursuant to the Commission's order directing MoGas to file a section 4 rate case to establish just and reasonable rates, NGA Section 4, and Part 154 of the Commission's regulations, MoGas submits for filing:

Second Revised Sheet No. 5[2]

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[2] FERC Gas Tariff First Revised Volume No. 1, Second Revised Sheet No. 5.

The tariff sheet included herein replaces the initial recourse rates accepted by the Commission during MoGas's Section 7 certificate proceeding. When it submitted its application to become a jurisdictional interstate pipeline, MoGas pledged to file a rate case within 18 months of commencing service. MoGas commenced service as a jurisdictional pipeline system on June 1, 2008. This filing fulfills MoGas's commitment and the Commission's directive.

*Cost of Service*

MoGas has based its cost of service on the twelve months of actual operations ending March 31, 2009, adjusted for known and measurable changes anticipated to occur during the nine-month period ending December 31, 2009.

This filing justifies an overall annual cost-of-service of $18,613,964 as shown on Statement A (Exhibit No. MGP-3), included herein. The $13,848,197 amount shown on that statement is net of a discount adjustment of $4,765,766 and, by adding back the discount, the overall cost of service increases to $18,613,964. The projected revenues actually will result in an undercollection of $2,087,716 when compared to the total cost-of-service. As the MoGas system is divided into two zones, Zone 1 and Zone 2, Statement A also provides the net cost of service for the respective zones, $9,471,086 and $4,377,111. The filing reflects an increase in annual jurisdictional revenue of $5,320,409 compared to the rates currently in effect. MoGas's existing rates were established by the Commission as initial rates pursuant to Section 7 of the NGA, in MoGas's certificate proceeding in Docket No. CP06-407, *et seq.*

*Return on Equity*

The cost of service reflects a return on equity ("ROE") of 14.34%. The ROE requested by MoGas is supported in the Prepared Direct Testimony of Franklin Knight, included in Statement P as Exhibit No. MGP-57. Mr. Knight used the Commission's DCF Methodology and developed a proxy group of nine comparable companies to calculate a DCF return for MoGas. Although Mr. Knight testifies that MoGas deserves an ROE at the upper limit of the zone of reasonableness to account for the high risk it faces as a smaller, new pipeline, the proposed ROE represents the median of the proxy group.

*Cost of Debt*

MoGas proposes a cost of debt of 7.24%. The cost of debt is supported on Schedule F-3 (Exhibit No. MGP-15) of this submission, and in the Prepared Direct Testimony of Alan Lovinger, included as part of Statement P as Exhibit No. MGP-1.

*Capital Structure*

MoGas proposes to utilize a capital structure of 46.6% debt and 53.4% equity. The capital structure was derived directly from MoGas's financial statements. The Prepared Direct Testimony of Mr. Alan Lovinger supports this structure.

*Depreciation and Net Salvage*

MoGas proposes to increase its current depreciation/negative salvage accrual rates. The proposed depreciation rate is 2.9%, an increase from the rate of 2.5% that was accepted by the Commission in Docket No. CP06-407 *et. seq.* This rate is supported in the Prepared Direct Testimony of Mr. Edward H. Feinstein, Exhibit No. MGP-59, and on Statement H-2 (Exhibit No. MGP-36) of the rate filing. MoGas also proposes a 0.87% negative salvage rate. This figure is also supported in the Prepared Direct Testimony of Mr. Edward H. Feinstein, and on Statement H-2 of the rate filing.

*Discount Adjustment*

MoGas is seeking a discount adjustment to account for its contract with Laclede Gas Company ("Laclede"), an unaffiliated LDC and MoGas's largest customer. The transportation contract with Laclede Gas Company has a discounted maximum monthly reservation rate of $6.324 for the Zone 1, which triggers the need to reflect a discount adjustment. The Prepared Direct Testimony of Mr. Alan Lovinger, Exhibit No. MGP-1, supports MoGas's proposed discount adjustment.

*Rate Base*

MoGas's plant investment has increased by 13% since commencing interstate service. MoGas now has rate base of $64 million. The Prepared Direct Testimony of Mr. Alan Lovinger, attached herein at Exhibit No. MGP-1 provides support for this amount.

The increase in rate base includes, among other things, the new Curryville Compressor Station which provides compression at MoGas's interconnection with Panhandle. The Commission granted a presumption favoring rolled-in rate treatment for the costs of the compression. The testimony of Mr. Lovinger, attached herein at Exhibit No. MGP-1, demonstrates that there is no basis to change that presumption.

*Accumulated Deferred Income Tax*

In MoGas's certificate proceedings in Docket No. CP06-407 *et seq.*, the Commission deferred the issue of ADIT and what the proper level should be. The computation of the amount of ADIT in the instant filing was prepared in accordance with the Commission's policy of full normalization and the provision for ADIT represents full recognition of book/tax timing differences and IRS regulations.

In February 2007, before the combination of MPC, MGC, and MIG, a change in ownership occurred at the parent level of MoGas which was deemed an asset purchase. EIF Gateway, Inc., a Delaware C Corp. purchased 100% of the stock of DES Energy, LTD, a Kansas S Corp. DES Energy, LTD owned 83.5% of the partnerships interest in D&D Energy, LLC. D&D Energy, LLC owned 100% of the partnership interest in MoGas Energy, LLC, a Delaware limited liability company, which owned 100% of the partnership interest in United Pipeline Systems, LLC and in the three predecessors to MoGas Pipeline LLC. Since more than 50% of the partnership interest in the above named limited liability companies were transferred in 2007, a technical termination occurred giving rise to a taxable event, pursuant to Internal Revenue Code ("IRC"), § 708(1)(B). Accordingly, MPC, MGC, and MIG made an election pursuant to IRC § 754 with the filing of their tax returns in 2007 that resulted in a step-up depreciable basis for MPC, MGC, and MIG. As a result of the change in ownership, the ADIT balances of the pipeline companies reverted to zero on the date of the sale, as required by the IRS. The Commission has approved this treatment in prior orders.[3]

The calculation of ADIT for MoGas is supported by the Prepared Direct Testimony of Mr. Alan R. Lovinger and Schedule B-1 (Exhibit No. MGP-5) of the attached filing. Schedule B-1 begins the computation of ADIT on April of 2008, computed for each month of the test period and projected through December 2009.

*Fuel and Lost and Unaccounted for Gas Rates*

MoGas is proposing a 0.47% gas loss percentage and a 0.52% fuel cost percentage. The fuel percentage is necessary to recover the fuel that will be burned at the Curryville Compressor Station. The level of fuel recovery is supported by the Prepared Direct Testimony of Mr. Edward Feinstein, Exhibit No. MGP-59.

*Cost Classification, Allocation, and Rate Design*

MoGas will continue use of the straight-fixed variable ("SFV") method as required in Commission Order No. 636.[4] MoGas also will maintain its two rate zone structure. Zone 1 continues to include the former MPC and MIG systems while Zone 2 continues to include the former MGC system.

For purposes of cost allocation, MoGas proposes a Zone Gate Method whereby costs are directly assigned to each zone based upon actual cost of service data for operations and maintenance incurred by the facilities located in each of those zones. Rates are additive for this methodology. In addition, MoGas intends to allocate some of the costs associated with the former MIG facilities to Zone 2 to the extent that they benefit all shippers. In addition, the compressors associated with the Curryville Compressor Station are located in Zone 1, but MoGas will allocate some of those costs to Zone 2 because they benefit all shippers in Zone 2. The methodology for both allocations is supported by the Prepared Direct Testimony of Mr. Alan Lovinger.

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[3] *ITC Holdings Corp.*, 121 FERC ¶ 61229, P 63 (2007); *Enbridge Pipelines (KPC)*, 100 FERC ¶ 61,260, at PP 151-172 (2002), *order on reh'g*, 102 FERC ¶ 61,310, at P 5 (2003); *Koch Gateway Pipeline Co. (Koch),* 74 FERC ¶ 61,088 (1999), *reh'g denied in pertinent part*, 75 FERC ¶ 61,132 (1996).

[4] *Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation Under Part 284 of the Commission's Regulations, and Regulation of Natural Gas Pipelines After Partial Wellhead Decontrol*, Order No. 636, FERC Stats. & Regs. ¶ 30,939 (1992), *order on reh'g*, Order No. 636-A, FERC Stats. & Regs. ¶ 30,950 (1992), *order on reh'g*, Order No. 636-B, 61 FERC ¶ 61,272 (1992), *aff'd in part, rev'd in part sub nom.*, United Distribution Cos. v. FERC, 88 F.3d 1105 (D.C. Cir. 1996), *cert. denied sub nom.*, Associated Gas Distributors v. FERC, 520 U.S. 1224 (1997), *on remand*, Order No. 636-C, 78 FERC P 61,186 (1997), *order on reh'g*, Order No. 636-D, 83 FERC ¶ 61,210 (1998).

MoGas has designed its rates using billing determinants based upon contractual volumes, which are 114,146 Dth/day for Zone I and 18,119 Dth/day for Zone 2. These figures include the billing determinants projected to be in effect at the end of the test period on account of the expansion service related to the added compression. The total expansion billing determinants in Zone I are 22,364 Dth/day and 1,364 for Zone II. These throughput figures are discussed at length in the Prepared Direct Testimonies of Alan Lovinger and Edward Feinstein.

*Basis for Proposed Change*

The bases for MoGas's proposed changes are set forth in Statements A through J, L, M, O and P, which are submitted as part of this filing.

Components of Filing

In accordance with Part 154 of the Commission's regulations, MoGas states that the following material is submitted herewith:

1. Second Revised Sheet No. 5, also included in electronic format pursuant to 18 C.F.R. § 154.4;

2. Redline sheet reflecting the changes made on the revised tariff sheet in conformance with 18 C.F.R. § 154.201(a);

3. Statement of MoGas's chief accounting officer, in compliance with 18 C.F.R. § 154.308;

4. Statements A-J, L, M and O and related statements and schedules pursuant to 18 C.F.R. § 154.312 of the Commission's regulations;

5. Statement P, pursuant to 18 C.F.R. § 154.312, which includes the Prepared Direct Testimony of (a) Mr. Alan R. Lovinger; (b) Mr. Franklin D. Knight; (c) Mr. Edward H. Feinstein; (d) and Mr. James S. Taylor;

6. Documentation to support the proposed changes here, in accordance with 18 C.F.R. §§ 154.201(b) and 154.204(e);

7. A statement herein that all the affected customers and state regulatory commissions have received an abbreviated electronic version of this rate filing, in compliance with 18 C.F.R. § 154.208; and

8. A CD-ROM labeled "MoGas Pipeline LLC, June 30, 2009, Notice of Rate Change, Docket No. RP09-___," containing electronic versions as required by 18 C.F.R. § 154.4.

## Waiver

MoGas requests that the tariff sheet submitted herein become effective on August 1, 2009. MoGas requests that the Commission grant any and all waivers as may be necessary to accept this filing and for the tariff sheets to become effective on that date.

## Motion to Place Tariff Sheets into Effect

The revised tariff sheet submitted herein is proposed to be effective August 1, 2009. Accordingly, MoGas hereby moves pursuant to Section 154.7(a)(9) of the Commission regulations, 18 C.F.R. § 154.7(a)(9), to place the proposed rates and revised tariff sheet into effect on August 1, 2009, or at the end of any suspension period imposed by the Commission. In the event the Commission modifies the proposed rates and revised tariff sheet submitted herein, MoGas reserves the right to file a separate motion in accordance with the provisions of 18 C.F.R. § 154.206 to comply with the directives in the suspension order.

## Service and Communications

It is requested that all Commission orders and correspondence, as well as pleadings and correspondence from other persons, concerning this filing be served upon each of the following:

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MoGas requests waiver of 18 C.F.R. § 385.203(b)(3) of the Commission's Rules of Practice and Procedure to permit the three individuals noted above to be designated for service on the Commission's official service list. Questions regarding this filing may also be addressed to the above persons, pursuant to 18 C.F.R. § 154.7(a)(2).

An original and twelve copies of this filing are being provided to the Commission. Pursuant to 18 C.F.R. § 154.208, abbreviated copies of this filing have been served upon MoGas's customers and upon affected state regulatory commissions pursuant to 18 C.F.R. § 154.7(b).

Certification

Pursuant to 18 C.F.R. § 154.4(b) and § 385.2011(c)(5), the signature on this filing constitutes a certification that the undersigned hereby certifies that he has read this filing and knows (1) the contents of the paper copies and electronic media' (ii) that the paper copies contain the same information as contained on the electronic media; (iii) that the contents as stated in the copies and on the electronic media are true to the best of his knowledge and belief; and (iv) that he possesses full power and authority to sign this filing.

Respectfully submitted,

Paul Korman
Attorney for MoGas Pipeline LLC

Enclosures