

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

In the Matter of the Application of)	
Missouri Gas Energy, a division of)	
Southern Union Company, for an)	
Accounting Authority Order concerning)	Case No. GU-2005-0095
the Kansas Property Tax for Gas in)	
Storage.)	

STAFF’S PROPOSED FINDINGS OF FACT

Staff proposes that the Commission make the following findings of fact in this case:

1. The Commission finds that Missouri natural gas local distribution companies, such as MGE, must record their financial transactions pursuant to the Uniform System of Accounts (USOA) for regulatory purposes. (4 CSR 40-040; Ex. 7, Bolin Rebuttal, p. 3, 21-25).
2. The Commission finds that the USOA provides for deferral from current income and expense accounts of costs incurred for extraordinary events. (Ex. 7, Bolin Rebuttal, p. 9, 12-19; Ex. 16, p. 11)
3. The Commission finds that the Kansas property tax on natural gas stored underground was not an item included in the test year expense for MGE in Case No. GR-2004-0209 (Ex. 1, Noack Direct, p. 4, 15-16), nor were adjustments made to test year expense to include amounts for the Kansas property tax (Ex. 1, Noack Direct, p. 5, 7-11).
4. The Commission finds that Staff, in settling MGE’s rate case No. GR-2001-292, attributed \$400,000 to the prior Kansas property tax that was never actually paid by MGE. (Ex.

15, p. 6, 13-20; Tr. 34, 5-14). This settlement position does not make the Kansas property tax a normal, recurring item for either MGE's subsequent rate case No. GR-2004-0209, nor for this case.

5. The Commission finds that the Kansas legislature has twice before tried to impose a property tax on natural gas stored underground, but both attempts have been struck down by courts on review. (Ex. 10, Kansas S.Ct. Opinion).

6. The Commission finds that MGE has never actually paid property tax on its natural gas stored underground in Kansas prior to tax year 2004. (Tr. 34, 5-14).

7. The Commission finds that MGE has begun accruing the Kansas property tax in its financial records. (Tr. 31, 10-15).

8. The Commission finds that the initial imposition of this Kansas property tax is an extraordinary event, as that term is used in the USOA; and will remain an extraordinary event until the courts finally rule on its lawfulness.

Respectfully submitted,

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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 26th day of April, 2005.

/s/ Thomas R. Schwarz, Jr.
