

MEMORANDUM

To: Missouri Public Service Commission Official Case File
Case No. GE-2006-0301; Missouri Gas Energy, a Division of Southern Union Company

From: Janis E. Fischer - Auditing Department
Chuck Hyneman - Auditing Department
Steve Traxler - Auditing Department

/s/ Janis E. Fischer 02/17/06
Auditing Department/Date

/s/ Lera Shemwell 02/17/06
General Counsel's/Date

Re: Staff Recommendation on Missouri Gas Energy's Application for Variance from
Provisions of the Affiliate Transactions Rule

Date: February 16, 2006

On January 17, 2006, Missouri Gas Energy, a Division of Southern Union Company (MGE or Company), a Division of Southern Union Company, of Kansas City, Missouri filed an Application with the Missouri Public Service Commission (Commission) for a variance from provisions of the Affiliated Transaction Rule (Application).

MGE's application for variance pertains to a Field Repair Services Program (Program) pertaining to non Heating and Ventilating Air Conditioning (HVAC) type services. This program is designed to give MGE the ability to perform the repair and/or the installation of minor in-home services to the existing gas-lines and/or gas appliances at the same time a regulated service order is performed.

The Application filed by MGE does not meet the definition of an affiliate as defined in the Commission's affiliated transactions rule 4 CSR 240-40.015. The Program described in the application does not create an affiliate nor does it involve an existing affiliate of MGE.

The proposed booking of certain costs and revenues related to the Program below the line merely creates nonregulated costs and revenues. Other nonregulated costs and revenues are routinely booked within any regulated utility books.

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.

The Staff's recommendation is to request that MGE withdraw its Application. The Staff would recommend that if MGE desires to pursue the Program, then a tariff filing for an experimental

Program would be the more appropriate course of action. The type of Program services to be performed should be reflected within MGE's tariff. The Staff would expect MGE to maintain detailed records of all incremental costs and revenues associated with the Program. This would provide the Staff the opportunity to review the actual costs and revenues over the initial time period associated with the Program in order to determine the impact on MGE's customers.

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


In the matter of the Application for Variance)
from Provisions of the Affiliated Transactions)
Rule filing of Missouri Gas Energy, a division of)
Southern Union Company)

Case No. GE-2006-0301

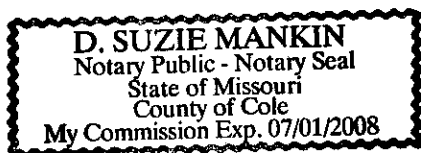
AFFIDAVIT OF JANIS E. FISCHER


STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Janis E. Fischer, of lawful age, on oath states: that she has participated in the preparation of the foregoing written memorandum, consisting of one page to be presented in the above case; that the information in the attached written memorandum was given by Missouri Gas Energy, a division of Southern Union Company; that she has knowledge of the matters set forth in such written memorandum; and that such matters are true to the best of her knowledge and belief.


Janis E. Fischer

Subscribed and sworn to before me this 17th day of February, 2006.




Notary Public