LAW OFFICES
BRYDON, SWEARENGEN & ENGLAND
PROFESSIONAL CORPORATION
312 EAST CAPITOL AVENUE
P.O. BOX 456
JEFFERSON CITY, MISSOURI 65102-0456
TELEPHONE (573) 635-7166
FACSIMILE (573) 635-3847
E-MAIL: DCOOPER@BRYDONLAW.COM

DAVID V.G. BRYDON
JAMES C. SWEARENGEN
WILLIAM R. ENGLAND, III
JOHNNY K. RICHARDSON
GARY W. DUFFY
PAUL A. BOUDREAU
SONDRA B. MORGAN
CHARLES E. SMARR

DEAN L. COOPER
MARK G. ANDERSON
GREGORY C. MITCHELL
BRIAN T. MCCARTNEY
DIANA C. FARR
JANET E. WHEELER

OF COUNSEL
RICHARD T. CIOTTONE

October 11, 2002

FILED[3]
OCT 11 2002
Missouri Public
Service Commission

Secretary
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. GT-2003-0033

Dear Sir:

Enclosed for filing in the above-referenced proceeding please find an original and eight copies of the Missouri Gas Energy's Response to Preliminary Order. Please stamp the enclosed extra copy "filed" and return same to me.

If you have any questions concerning this matter, then please do not hesitate to contact me. Thank you very much for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By: Dean L. Cooper

DLC/tli
Enclosures
cc: Thomas R. Schwarz, Jr.
Douglas E. Micheel
Richard S. Brownlee

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the tariff filing of Missouri Gas Energy to implement an Experimental school transportation Program.	))))	Case No. GT-2003-0033 Tariff No. JG-2003-0049

MISSOURI GAS ENERGY'S RESPONSE TO PRELIMINARY ORDER

Comes now Missouri Gas Energy ("MGE" or "Applicant"), a division of Southern Union Company, by and through counsel, and for its response to preliminary order, respectfully states the following:

1. On October 10, 2002, the Commission issued its notice of preliminary order and agenda discussion inviting written responses thereto no later than 8:30 a.m. on October 15, 2002.

2. Based on the Commission's discussion of this matter during its October 10, 2002, agenda session, MGE understands that there may be questions regarding the operation of the $0.04 per Ccf aggregation and balancing fee/rate cap during the first year of the experiment, the true-up contemplated prior to the second and third years of the experiment, and the statutory requirements that the experiment not have any negative financial impact on the gas corporation and that the aggregation charge be sufficient to generate revenue at least equal to all costs caused by the experiment.

3. MGE executed the Unanimous Stipulation and Agreement filed herein with the intent and understanding that: the additional costs associated with the experiment during year 1 would be compared to the additional revenues generated by the aggregation and balancing fees during year 1; any adjustment necessary for year 2 to better match the revenues generated by the aggregation and balancing fees to the costs associated with the

experiment would be made for year 2 of the experiment; revenues generated by the aggregation and balancing fees during year 1 in excess of costs associated with the experiment in year 1 would be credited to customers in year 2 of the experiment or amounts by which costs associated with the experiment in year 1 exceeded revenues generated by the aggregation and balancing fees in year 1 would be recovered from customers in year 2 of the experiment; and the process would be repeated for year 3 of the experiment.

4. The foregoing understanding is consistent with the direct testimony of MGE witness Noack (pp. 3-4) and the direct testimony of Staff witness Russo (pp. 4-5). Providing a true-up procedure as described in paragraph 3 is also the only way that MGE has been able to conceive of for the Commission to reasonably conclude that the experiment will not have any negative impact on the gas corporation or its other customers and that the aggregation charge is sufficient to generate revenue at least equal to the costs caused by the experiment, as required by the statute. Absent the foregoing understanding MGE would not have executed the Unanimous Stipulation and Agreement.

Respectfully submitted,

Robert J. Hack MBE #36496 dlc

Robert J. Hack
3420 Broadway
Kansas City, MO 64111
(816)360-5755
FAX: (816)360-5536
e-mail: rhack@mgemail.com

ATTORNEY FOR MISSOURI
GAS ENERGY

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered this 11th day of ~~August,~~ October 2002, to:

Thomas R. Schwarz, Jr.
Deputy General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Douglas E. Micheel
Senior Public Counsel
Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Richard S. Brownlee
Hendren & Andrae
Riverview Office Center
221 Bolivar, Suite 300
P.O. Box 1069
Jefferson City, Missouri 65102