



MISSOURI GAS ENERGY

3420 Broadway • Kansas City, MO • 64111-2404 • (816) 360-5755

ROBERT J. HACK

Vice President, Pricing & Regulatory Affairs

August 1, 2002

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street, Suite 100
P.O. Box 360
Jefferson City, Missouri 65102-0360

FILED⁴
AUG 01 2002
Missouri Public
Service Commission

RE: Case No. G_-2003-___, Missouri Gas Energy

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter, please find an original and eight (8) conformed copies of **Missouri Gas Energy's Application For Extension Of Transportation And Storage Cost Incentive Mechanism; Motion For Expedited Treatment.**

A copy of this filing has been mailed or hand-delivered this date to counsel of record.

Thank you for bringing this matter to the attention of the Commission. Please call me if you have any questions regarding this matter.

Sincerely,

C: Thomas R. Schwarz, Jr.
Douglas E. Micheel
Stuart W. Conrad
Jan Marcason

Enclosures

FILED⁴

AUG 01 2002

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Missouri Gas Energy's)
Application for extension of transportation)
Cost incentive mechanism.)

Missouri Public
Service Commission
Case No. G ___-2003-_____

**MISSOURI GAS ENERGY'S APPLICATION FOR EXTENSION OF
TRANSPORTATION AND STORAGE COST INCENTIVE MECHANISM;
MOTION FOR EXPEDITED TREATMENT**

Comes now Missouri Gas Energy ("MGE" or "Applicant"), a division of Southern Union Company, by and through counsel, and for its application for extension of transportation and storage cost incentive mechanism, pursuant to the authority of section 393.150 RSMo., and motion for expedited treatment pursuant to 4 CSR 240-2.080(17), respectfully states the following:

I. General Matters

1. The name and address of Applicant are: Missouri Gas Energy, 3420 Broadway, Kansas City, Missouri, 64111.

2. MGE is an operating division of Southern Union Company which is duly incorporated under the laws of the State of Delaware, and conducts business in Missouri under the name of Missouri Gas Energy. The articles of incorporation of Southern Union Company have previously been provided to the Commission in Case No. GM-94-40.

3. MGE is a gas corporation and a public utility engaged in the distribution of natural gas at retail to approximately 500,000 customers in Andrew, Barry, Barton, Bates, Buchanan, Carroll, Cass, Cedar, Christian, Clay, Clinton, Cooper, Dade, Dekalb, Greene, Henry, Howard, Jackson, Jasper, Johnson, Lafayette, Lawrence, McDonald, Moniteau, Newton, Pettis, Platte, Ray, Saline, Stone and Vernon counties in Missouri, subject to the jurisdiction of the Missouri Public Service Commission ("Commission").

4. Although uncertain precisely what information the Commission seeks by 4 CSR 240-2.060(1)(K), MGE provides the following in an attempt to comply therewith. MGE is unaware of any pending action or final unsatisfied judgments or decision against MGE from any state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred since three (3) years prior to the date of this filing. Nevertheless, since that time MGE has been involved in a number of judicial review proceedings, filed against the Commission, involving MGE's rates. The Commission itself should be aware of all such cases.

5. No annual report or assessment fees pertaining to MGE are overdue.

6. All correspondence, communications, notices, orders and decisions of the Commission with respect to this matter should be sent to:

Robert J. Hack
Missouri Gas Energy
3420 Broadway
Kansas City, MO 64111
816/360-5755
816/360-5536
e-mail: rhack@mgemail.com

II. Specific Relief Requested

7. In Case No. GO-2000-705, the Commission approved, among other things, an incentive mechanism regarding transportation and storage costs. (See, Sheet No. 24.14 of MGE's tariff). This transportation and storage cost incentive mechanism (along with the balance of the tariff sheets approved by the Commission in Case No. GO-2002-705) is scheduled to expire on August 31, 2002. (See, Sheet No. 24.8 of MGE's tariff). MGE seeks to extend this transportation and storage cost incentive mechanism with one proposed modification—the addition of a commitment by MGE to contribute a

significant percentage of achieved transportation cost savings to the benefit of lower income customers on MGE's system. The provisions of the transportation and storage cost incentive mechanism which MGE seeks to extend for a two-year period beyond August 31, 2002, are as follows¹:

A. Underlying Principles

1. Reliability shall not be reduced to achieve savings².
2. Savings shall not be claimed when a new or incremental service is not a direct substitute for a more costly historical service³.
3. Savings shall not be claimed when other cost components of the delivered cost of gas are increased for the sake of some level of decrease in transportation costs⁴.
4. Savings shall not be claimed when achieved rates are not below the lesser of final FERC rates or currently effective discounted rates,

¹ MGE has filed concurrently herewith under separate cover a proposed revised tariff sheet (Sheet No. 18) designed to effectuate Commission approval of this Application.

² Examples of reliability reductions include, but are not limited to: reductions in Maximum Daily Quantity ("MDQ") below prudent levels, use of bundled service agreements that replace needed firm supplies and/or transportation capacity with less reliable deliveries, reduction in priority of receipt and/or delivery points, replacement of firm transportation service with recallable capacity, and reductions in priority of service.

³ Examples of services not directly substituted for more costly historical service include, but are not limited to: new short-term transportation service, seasonal winter-only service, and/or new back-haul services that 1) are not direct substitutes for comparable historical forward-haul service and 2) do not carry the same reliability standards.

⁴ Examples of increasing a cost component of the delivered cost of gas for the sake of obtaining transportation savings include, but are not limited to: an increase in the commodity (well-head) cost of gas to achieve lesser transportation charges than historically occurred, and an increase in the variable transportation charge (or other miscellaneous charge) while reducing the pipeline reservation charge.

as such discounted rates are in effect through the current term of the agreements existing as of April 28, 2000 .

5. Savings shall not be claimed for discounts that are generally available by tariff or rule to other customers as a part of FERC proceedings.

B. Maximum Daily Quantities (“MDQs”)

Sales customers and MGE shall share savings from any reduction in the level of contract MDQs in agreements in effect as of April 28, 2000, with 70% of such savings credited to customers and 30% of such savings credited to MGE. MGE shall provide two-thirds (2/3) of its share of such savings to the Mid America Assistance Coalition (“MAAC”), for the specific purpose of assisting customers in MGE’s service territory who have difficulty paying their gas bills.⁵ See Attachment 1 for a DRAFT version of details regarding the proposed administration of this assistance. Sales customers shall pay for increased levels of contract MDQs, subject to prudence review.

C. Transportation Rate Discounts

1. The benchmark calculation of the amount recovered from customers shall be based on existing contracted MDQ capacity, in agreements in effect as of April 28, 2000, on all pipelines for transportation capacity and storage capacity. This benchmark calculation shall include rates that are the lesser of discounts effective as of April 28, 2000, or the final FERC rates for each pipeline

⁵ MGE has made such arrangements with MAAC on prior occasions and has briefly discussed this filing with a MAAC representative, but such discussions have been preliminary and no agreement between MGE and MAAC has yet been reached. MGE remains optimistic that such an agreement can quickly be reached and will advise the Commission as soon as possible regarding further progress of those discussions.

as modified below for specific pipelines. If, after April 28, 2000, MGE secures a new transportation discount that produces savings which exceed savings produced by any currently achieved levels of discounts, customers shall be credited with 70% of such savings and MGE shall be credited with 30% of such savings. MGE shall provide two-thirds (2/3) of its share of such savings to the Mid America Assistance Coalition ("MAAC"), for the specific purpose of assisting customers in MGE's service territory who have difficulty paying their gas bills.⁶ See Attachment 1 for a DRAFT version of details regarding the proposed administration of this assistance. Savings shall be computed as follows:

- a. If MGE negotiates a discount or fixed rate, which is below Williams Pipeline Central RP95-136 rates, then customers shall be credited with 70% of the savings, and MGE shall be credited with 30% of the savings. The Kansas Pipeline cost shall be recovered at the levels ultimately resulting from the existing ACA cases (Case Nos. GR-96-450 and GR-98-167). If the rates for Kansas Pipeline Company are determined by adjustments in Missouri ACA cases, then any refunds shall be credited 100% to customers. If the Kansas Pipeline Company rates are determined by FERC tariffs, then customers shall be credited with 85%, and MGE with 15% of the amount by which the rates in Docket GP99-485 are lower than the rates determined in Docket

⁶ See, footnote 5 on page 4 of this Application.

CP96-152. If MGE can negotiate rates which are lower than those specified in the two above circumstances, MGE shall retain 30% of such additional savings.

- b. The existing PEPL, and KN (now known as Kinder Morgan Pony Express Interstate Pipeline), contract discounts in agreements in effect as of April 28, 2000 shall be credited 100% to customers through the existing term of those contracts. Any ultimately renegotiated discounts that are below discounted rates in effect as of April 28, 2000, and less than maximum filed FERC tariff rates, shall be shared, with 70% being credited to customers and 30% being credited to MGE.
- c. An additional transportation cost shall be added to the total cost above before savings calculations to recover incremental transportation costs incurred in moving gas in the field zone associated with PEPL Contract No. 12622 (the existing Haven to market area agreement), in the amount of \$300,000 per year. This will be trued-up to actual in the ACA. No incentive savings shall be claimed as a result of this transaction. However, to the extent new agreements are negotiated that provide this transportation service, at net costs below \$300,000 per year, such

reduction shall be considered savings subject to the sharing mechanism herein.

- d. If a pipeline receives authority to increase its rates from the FERC, any such increase in allowed rates shall be recovered from customers, either in filed PGA cost filings or in the next annual ACA cost recovery true-up, assuming that MGE's contracts are subject to such FERC-authorized increases. Discount-related savings shall be calculated from a comparison of the rate MGE is actually incurring to the allowed final FERC tariff rates. Pipeline refunds of amounts paid interim, subject to refund shall be credited 100% to customers.

D. Mix of Transportation Services

To the extent that MGE achieves transportation savings by use of alternate transportation services (e.g., back-hauls, seasonal transportation, short-term transportation), and assuming such savings are not at the expense of reliability reductions as noted in paragraph 7. A. of this Application, 70% of such savings shall be credited to customers and 30% of such savings shall be credited to MGE. MGE shall provide two-thirds (2/3) of its share of such savings to the Mid America Assistance Coalition ("MAAC"), for the specific purpose of assisting customers in MGE's service territory who have difficulty paying their gas bills.⁷ See Attachment 1 for a DRAFT version of details regarding the proposed administration of this assistance. Savings achieved by

⁷ See, footnote 5 on page 4 of this Application.

way of mix of transportation services shall be calculated by comparing all costs actually avoided to all costs actually incurred. No savings sharing shall be authorized unless the new transaction produces real savings in comparison to otherwise applicable historical contract costs.

III. Motion for Expedited Treatment

8. MGE's current transportation and storage cost incentive mechanism is scheduled to terminate on August 31, 2002. Approving an extension of the transportation and storage cost incentive mechanism according to the terms requested in paragraph 7 herein would produce a minimum of \$150,000 per year as MGE's contribution to MAAC for the specific purpose of assisting customers in MGE's service territory who have difficulty paying their gas bills. If this Application is approved no later than August 31, 2002, MGE will make certain that \$150,000 is available to MAAC for such purposes as of September 15, 2002, and again as of September 15, 2003 (any additional savings to be contributed to MAAC according to the sharing percentages in Paragraph 7. herein would be made available to MAAC as soon as such amounts are known following the conclusion of each of the two twelve-month periods of the requested extension). Each month's delay in approval beyond August 31, 2002, would reduce the available funding for MAAC by approximately \$12,500 ($\$150,000/12$ months), and produce a corresponding reduction in the amount of funding available to assist customers in MGE's service territory who have difficulty paying their gas bills. This is the harm that MGE seeks to avoid by this motion for expedited treatment. MGE does not believe that there will be any negative effect on its customers or the general public if the Commission acts by August 31, 2002. MGE regrets that it has not filed this Application with the

Commission sooner, but its efforts to timely file revised tariff sheets for the implementation of an Experimental School Transportation Program (filed concurrently herewith under separate cover) in accordance with the provisions of section 393.310 passed during the 2002 legislative session prevented it from doing so.

Wherefore, MGE respectfully requests that the Commission grant, as expeditiously as possible and preferably no later than August 31, 2002, the extension of the transportation and storage cost incentive mechanism as requested in paragraph 7 of this Application.

Respectfully submitted,



Robert J. Hack MBE #36496
3420 Broadway
Kansas City, MO 64111
(816)360-5755
FAX: (816)360-5536
e-mail: rhack@mgemail.com

ATTORNEY FOR MISSOURI
GAS ENERGY

VERIFICATION

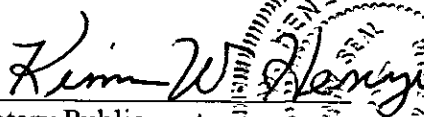
STATE OF MISSOURI)
)
) ss
COUNTY OF JACKSON)

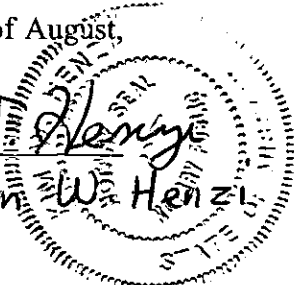
On this 1st day of ~~January, 2001~~ August, 2002, before me appeared Robert J. Hack, Vice President of Pricing and Regulatory Affairs for Missouri Gas Energy, a licensed attorney in the State of Missouri, to me personally known, who being by me first duly sworn, states that he is duly authorized to execute Missouri Gas Energy's Application for Extension of Transportation and Storage Cost Incentive Mechanism; Motion for Expedited Treatment and that he has read the above and foregoing Application and believes that the allegations therein are true and correct to the best of his information, knowledge and belief.



Robert J. Hack

Subscribed and sworn to before me, a notary public, on this 1st of August, 2002.



Notary Public 

KIM W. HENZI
Notary Public - Notary Seal
State of Missouri
Jackson County
My Commission Expires: Feb. 3, 2003

CERTIFICATE OF SERVICE

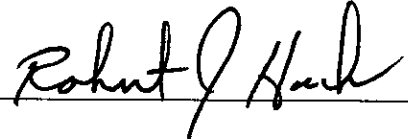
I hereby certify that copies of the foregoing have been mailed or hand-delivered this 1st day of August, 2002, to:

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

Stuart W. Conrad
Finnegan, Conrad and Peterson
1209 Penntower Office Building
3100 Broadway
Kansas City, MO 64111

Jan Marcason
Executive Director
Mid America Assistance Coalition
1 West Armour, Ste. 20
Kansas City, MO 64111



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Plan for Distribution of Funds through Charitable or Social Service Agencies

MGE and the Mid America Assistance Coalition ("MAAC") have discussed the method by which to distribute monies subject to the Application for Extension of Transportation and Storage Cost Incentive Mechanism for the benefit of eligible MGE customers in need of assistance. MGE proposes to engage the services of MAAC to administer and oversee the distribution of the funds, at the direction of MGE.

MAAC is a not-for-profit corporation base in Kansas City, Missouri. Its mission is "to strengthen the social service community through information systems, training and advocacy." The organization serves three distinct constituencies: individuals in need; service agencies; and policy makers.

MGE proposes to use the expertise that MAAC has developed in assisting service agencies. MAAC has developed a standard intake form ("SIF") now used by more than 140 agencies, and has built a state-of-the-art information network that has brought the greater Kansas City metropolitan area the capability of a seamless service delivery system. In so doing, it works with public, civic, and charitable organizations to plan the allocation and prioritization of the community's emergency assistance resources.

MAAC programs are performed by ten full-time staff, led by Executive Director Jan Marcason. MAAC is governed by a 17-member board of directors representative of the entire Kansas City area. MAAC's 2000 operating budget was \$582,000. Particularly useful to the purposes of the Application for Extension of Transportation and Storage Cost Incentive Mechanism are three of MAAC's core programs, the Information and Referral Hotline, MAACLink/Data Collection, and Utility Fund Management.

Through the Information and Referral Hotline MAAC serves as one of the first places that persons in crisis seek help. Last year MAAC referred more than 9,000 individuals to local agencies who could provide emergency food, utility assistance, shelter, transportation, medicine or other basic services. Agencies call MAAC for referral information when they have exhausted their own resources, or when they do not provide the type of assistance a client need. MGE appreciates that MAAC is a line agency, as well as an administrator.

MAACLink is an on-line computer/telecommunications system which connects participating agencies with MAAC's database of social service recipients. Today, 114 local agencies have on-line connections to MAACLink, which permits those agencies' staffs to search and add to a database containing records of more than 124,000 individuals and 1,121,464 assists. Agencies use Project Link to determine if other organizations are currently aiding their clients, to reduce service duplication, to respond appropriately for families becoming dependent on emergency assistance, and to improve efficiency by replacing paper record keeping with electronic data entry. This program will permit MAAC to distribute the funds subject to the Application for Extension of Transportation and Storage Cost Incentive Mechanism in a timely, efficient and effective manner, at the direction of MGE.

Attachment 1

MAAC currently oversees disbursement of nearly \$450,000 Annually in privately donated utility assistance funds. An independent Allocations Committee, chaired by a MAAC board member, identifies needs throughout MAAC's service area and proportionally allocates utility aid funds for distribution through social service agencies. MAACLink offers participating agencies on-line account information and client eligibility verification. These functions streamline the utility assistance process and allow agencies to maintain current resource information. These funds are audited annually by an outside, independent auditor. MAAC thus has available the resources, controls, and accountability required for distribution of the funds subject to the Application for Extension of Transportation and Storage Cost Incentive Mechanism.

If approved by the Commission, the terms of the distribution arrangements shall be:

1. MAAC shall be the clearing house agency which administers the distribution of the funds.
2. The contract between MGE and MAAC (a draft of which is attached hereto as Exhibit 1) shall be consistent with the purposes of the Application for Extension of Transportation and Storage Cost Incentive Mechanism and shall become effective on the effective date of the Commission order approving the Application for Extension of Transportation and Storage Cost Incentive Mechanism.
3. MAAC shall employ its allocation formula in distributing funds to participating agencies a draft of which is shown in Exhibit 2, attached hereto.
4. The funds will be used to assist eligible MGE customers with payment of natural gas bills.
5. In order to be eligible for assistance from the funds, an agency client must:
 - Have an active MGE account, or be seeking to activate an MGE account;
 - Have an income at or below 200% of the federal poverty level;
 - Either 1) be ineligible for LIHEAP and/or ECIP funds or 2) have exhausted eligibility for receipt of further LIHEAP and/or ECIP funds;
 - Not receive assistance from these funds totaling more than \$1,000;
 - Enter into a payment agreement with MGE;
 - Not have diversion of service charges in arrears;
 - Have made a co-payment on an MGE account within 90 days of the date of application for these funds;
 - Have a name and address on the SIF which matches utility records;
 - Establish the amount owed for service by a bill within 30 days of the date on the SIF, or a billing history provided by MGE;
 - Submit the SIF to MAAC for approval within 45 days of completing the form.
6. MAAC will advise each of the participating agencies of the client eligibility criteria for assistance from the funds, and will monitor and supervise

participating agencies to insure that all funds are disbursed in accord with the conditions set forth herein. MAAC will advise participating agencies that the funds may be used in conjunction with other resources to assist clients, but that client needs should first be met with LIHEAP and/or ECIP funds, if available. MAAC will also advise agencies that \$50 is the minimum assistance level, with a maximum level of \$1,000. MAAC will also advise participating agencies that assistance (in the aggregate) between \$600 and \$1,000 shall be approved only after direct consultation with, and authorization by, MAAC.

7. MGE shall provide the monies subject to the Application for Extension of Transportation and Storage Cost Incentive Mechanism to MAAC as provided in, and consistent with the purposes of, the Application for Extension of Transportation and Storage Cost Incentive Mechanism approved by the Commission. MAAC shall maintain this money in its trust account, and shall account for this money separately from any other such monies it may maintain in its trust account.

8. Within two (2) business days of receipt by MAAC, MAAC will allocate 50% of the funds received, less the MAAC administrative reimbursement fee, to the participating agencies servicing MGE customers using the geographic formula of need approved by MAAC's Independent Allocations Committee. The other 50% will be retained in the trust account and allocated as needed by participating agencies that have depleted their original allocation. This will assure that the money is distributed based on the pre-determined geographic needs formula, while still giving some flexibility to those sites that experience unusually high levels of need during this period of time. After a reasonable period of time in MAAC's discretion and consistent with the purpose of the Application for Extension of Transportation and Storage Cost Incentive Mechanism, any of the initial allocation which remains unspent will be returned to the equal access pool to be used by any of the participating agencies until the entire fund balance is distributed.

9. As conditions for receiving payment for eligible customers under this program, MGE agrees:

- To restore and/or continue service to any customer for whom MGE has agreed to accept payment, pursuant to Commission rules and MGE's tariff;
- To waive, during the Cold Weather Rule period, deposits for customers whom MGE agrees to accept payment from the fund; and
- To provide service on the same terms or conditions of sale as it does to its other residential customers.

10. On a bi-monthly basis, MAAC will provide MGE with its reports that state the assistance provided by each participating agency. These reports shall provide the individual client assisted, the amount pledged from the fund, the client's MGE account number, and the client's service address. MAAC will tender MGE a check for the total amount of all participating agency authorized commitments shown on the report.

11. All client/customer information contained in any records or reports shall be considered confidential pursuant to section 386.480 RSMo. The Commission's Staff

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and the Office of the Public Counsel shall have access to such records in possession of MGE for purposes of monitoring and enforcing the Order Approving Application for Extension of Transportation and Storage Cost Incentive Mechanism.

12. MAAC shall receive a fee of ___% of the monies distributed to MAAC pursuant to the Commission's approval of the Application for Extension of Transportation and Storage Cost Incentive Mechanism, to be paid from the fund, for providing its service in disbursement of the funds. The funds available for distribution shall be reduced by this amount. MAAC shall make available to MGE, the Commission's Staff and the Office of the Public Counsel a copy of the report of its outside auditor on all monies received and disbursed.

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AGREEMENT between MID-AMERICA ASSISTANCE COALITION and
MISSOURI GAS ENERGY

This Agreement sets forth the obligations, duties and understandings of the Mid America Assistance Coalition (hereinafter "MAAC") and Missouri Gas Energy, a division of Southern Union Company (hereinafter "MGE"), in the funding and administration of the MGE Extra Help program, described more fully herein, in the service area of MGE. MAAC will administer the MGE Extra Help program through cooperating agencies in Missouri.

1. MGE Extra Help is a program of gas energy assistance, supplemental to other traditional existing programs such as LIHEAP and ECIP, made possible by the Missouri Public Service Commission's (hereinafter "Commission") approval of the Application for Extension of Transportation and Storage Cost Incentive Mechanism filed with the Commission in August 2002. This contract shall become effective on the effective date of the Commission's order approving the Application for Extension of Transportation and Storage Cost Incentive Mechanism.

2. Customers eligible to receive assistance from the MGE Extra Help program are households lacking sufficient financial resources for gas energy expenses. Recipients must demonstrate that they have no other obvious resources for gas energy assistance. Eligibility will be determined and verified solely by MAAC or its agent consistent with the criteria set out in the Plan for Distribution of Funds through Charitable and Social Service Agencies appended hereto.

3. Assistance rendered by the MGE Extra Help program is funded entirely through monies provided by MGE pursuant to, and within the time frames provided by, the Application for Extension of Transportation and Storage Incentive Mechanism approved by the Commission. Such monies are intended only for gas energy purposes of MGE customers. Customers of MGE otherwise meeting program criteria are eligible in the following counties:

Andrew	Christian	Jackson	Pettis
	Clay	Jasper	Platte
Barry	Clinton	Johnson	Ray
Barton	Cooper	Lafayette	Saline
Bates	Dade	Lawrence	Stone
Buchanan	DeKalb	McDonald	Vernon
Carroll	Greene		
Cass	Henry	Moniteau	
Cedar	Howard	Newton	

4. All households eligible for MGE Extra Help program funds should have equal access to grants. MAAC will allocate 50% of the funds received, less the MAAC administrative reimbursement fee, to the participating agencies servicing MGE customers

*Exhibit 1
B Attachment 1*

using the geographic formula of need approved by MAAC's Independent Allocations Committee. The other 50% will be retained in the trust account and allocated as needed by participating agencies that have depleted their original allocation. This will assure that the money is distributed based on the pre-determined geographic needs formula, while still giving some flexibility to those sites that experience unusually high levels of need during this period of time. After a reasonable period of time in MAAC's discretion, any of the initial allocation that remains unspent may be re-allocated among the participating agencies until the entire fund balance is distributed.

5. Oversight responsibilities for the MGE Extra Help program are vested in MAAC; the Mid America Assistance Coalition's Allocations Committee and Board of Directors will establish working policies concerning the allocation of funds, the amount of monetary reserves, limits on receipt of aid and other matters, all of which shall be consistent with the plan description set out in Attachment 1 appended to the Application for Extension of Transportation and Storage Cost Incentive Mechanism filed by MGE with the Commission in August 2002.

6. This Agreement shall become effective on the effective date of the Commission order approving the Application for Extension of Transportation and Storage Cost Incentive Mechanism and shall remain in effect until termination by either party hereto, for any reason whatsoever, by providing sixty (60) days' written notice to the other party. Termination shall be effective only upon approval by the Missouri Public Service Commission. In the event this Agreement is terminated, MAAC will continue its obligation under this Agreement until the remaining funds held in the bank account are promptly refunded to MGE for redistribution consistent with the purpose set out in the Application for Extension of Transportation and Storage Cost Incentive Mechanism approved by the Commission.

7. Any changes to this Agreement must be in writing and approved by the Mid America Assistance Coalition Board of Directors and Missouri Gas Energy and shall not be inconsistent with the purpose of the Application for Extension of Transportation and Storage Cost Incentive Mechanism approved by the Commission.

8. Administrative costs of the program shall be ___% of the monies subject to the Application for Extension of Transportation and Storage Cost Incentive Mechanism remitted by MGE to MAAC and may be drawn by MAAC from the bank account funded pursuant to the Commission's approval of the Application for Extension of Transportation and Storage Cost Incentive Mechanism.

9. MAAC will provide a summary of the bank statements and MGE Extra Help program letters of direction, which shows total funds allocated, contributions funded by MGE and number of grants made from the MGE Extra Help program on a monthly basis. MAAC's responsibility for making monthly reports will survive termination of this Agreement and will continue until all remaining funds held in the bank account or

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contributed during the term of this Agreement have been disbursed to eligible recipients, and accounted for in a final monthly report.

Executed this ____ day of _____, 2002

Mid-America Assistance Coalition, Inc.

By: _____

Executed this ____ day of _____, 2002

Missouri Gas Energy, a division of Southern Union Company

By: _____

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Mid America Assistance Coalition		
Proposed Allocation of MGE Application for Variance Funds		
Winter, 2001		
1/18/01 10:51		Proposed
		Allocation
Agency	Location of Agency	%
Bishop Sullivan Center	6435 Truman Rd	6.6%
Community Assistance Council	10901 Blue Ridge Blvd	3.6%
Community Services League	Independence	5.0%
Della C. Lamb	500 Woodland	3.0%
Don Bosco	531 Garfield	3.0%
Economic Opportunity of St. Joe	St. Joseph, Mo	6.5%
Economic Security Corp of SW	Springfield, Mo	6.5%
East Meyer Community Association	6639 Wabash	3.0%
Good Samaritan Center of Excelsior Springs	Excelsior Springs	2.4%
Grandview Assistance Program	Grandview	1.0%
Green Hills Community Action	Trenton, Mo	1.0%
Guadalupe Center	2641 Belleview Ave	2.4%
Housing Information Center	3810 Paseo	3.0%
Howard County Human Resources	Fayette, Mo	1.0%
Lee's Summit Social Services	Lee's Summit	2.4%
Lutheran Mission of the Good Shepherd	1755 Jefferson St	2.4%
Metropolitan Lutheran Ministry-East	4545 Benton	4.0%
Metropolitan Lutheran Ministry-Northland	KC North	2.8%
Metropolitan Lutheran Ministry-Central	3031 Holmes	6.0%
Missouri Valley Human Resources	Marshall, Mo	4.7%
Ozarks Area CAC	Joplin, Mo	2.0%
Raytown Emergency Assistance Program	Raytown	2.4%
Redemptorist Center	209 W. Linwood	2.4%
Salvation Army-Bellefontaine	3013 E. 9th St	3.0%
Salvation Army-Blue Springs	Blue Springs	0.8%
Salvation Army-Blue Valley	6618 Truman Rd	2.0%
Salvation Army-Grandview	Grandview	1.6%
Salvation Army-Independence	Independence/eastern Ja Co	1.6%
Salvation Army-Northland	KC North	2.0%
Salvation Army-Westport	500 W. 39th St	1.0%
Seton Center	2816 E. 23rd St	4.8%
Southside Activity and Service Center	7309 Troost	1.0%
St. Therese Catholic Church	5814 Euclid	1.8%
West Central Mo. CAA	Appleton City, Mo	3.3%
TOTALS		100.0%
% to KC Metro Area		75.0%
% to Outside Metro Area		25.0%

Exhibit 2
Attachment 1