

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

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

**MGE STATEMENT OF POSITION**

COMES NOW Missouri Gas Energy, a division of Southern Union Company (MGE or Company), and for its Statement of Position, states the following to the Missouri Public Service Commission (Commission) concerning the issues contained in the Issues List, Witness List and Order of Cross-Examination filed on February 14, 2005:

- a.     **Should the Commission grant an Accounting Authority Order (AAO) to MGE allowing it to defer property taxes assessed on gas stored underground on MGE's behalf in the state of Kansas?**

**MGE Position:** Yes. MGE should be allowed to defer for consideration in its next general rate case, property taxes assessed by Kansas tax authorities on inventories of gas held on MGE's account for resale and stored in underground formations (gas in storage) in the state of Kansas. These new taxes are extraordinary, unusual or unique in that taxes have never been assessed against the gas in storage held in Kansas and MGE has never before paid property taxes on storage gas in the state of Kansas.

MGE initially requested that these new Kansas taxes be included in the cost of service in Commission Case No. GR-2004-0209. The Commission denied such treatment because the potential tax liability was not "known or measurable." The unique circumstances that the Commission relied on in finding that the taxes were not known and measurable for purposes of the rate case, also indicate that the taxes are not normal and recurring expenses. Thus, it is appropriate

for the Commission to issue accounting authority order in this case.

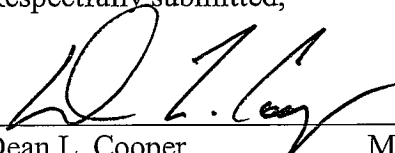
- b. **If the Commission grants such an AAO, when should MGE begin to amortize any resulting deferral?**

**MGE Position:** MGE believes that amortization should start with the effective date of the Report and Order in MGE's next general rate case. However, if the Commission believes that the deferral should be time limited in some way, then MGE would suggest the following language:

In the event that MGE does not file a general rate case by May 31, 2008, MGE will commence amortization of these deferrals beginning June 1, 2008, over a five-year period, and will cease further deferrals unless the Commission grants a new accounting authority order.

WHEREFORE, MGE respectfully requests that the Commission consider this Statement of Position.

Respectfully submitted,



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ATTORNEYS FOR MISSOURI GAS ENERGY,  
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COMPANY

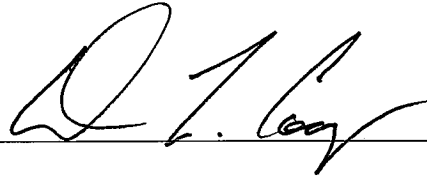
## CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail, on February 16, 2005, to the following:

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