



MISSOURI GAS ENERGY

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

ROBERT J. HACK

Vice President, Pricing & Regulatory Affairs

July 23, 2003

FILED³

JUL 24 2003

**Missouri Public
Service Commission**

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

**RE: Case No. GT-2004-0049, Missouri Gas Energy
Tariff No. JG-2004-0009**

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 Response**.

A hard 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

Enclosures

FILED³
JUL 24 2003

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the matter of Missouri Gas Energy's)	
Request for approval of tariff sheets)	
Concerning daily balancing of natural)	Case No. GT-2004-0049
Gas for large volume customers.)	Tariff No. JG-2004-0009

MISSOURI GAS ENERGY'S RESPONSE

Comes now Missouri Gas Energy ("MGE"), a division of Southern Union Company, by and through counsel, and in response to the motions to suspend filed by the Staff on July 18, 2003, and by Midwest Gas Users' Association ("MGUA") on July 22, 2003, respectfully states the following:

Response to the Staff

1. MGE generally concurs with the filing made by the Staff on July 18, 2003, and has no objection to suspending the effectiveness of the proposed tariff sheets beyond August 1, 2003. MGE would note, however, that there is some significant likelihood that the Southern Star Central tariff filing at the FERC upon which MGE's proposed tariff sheets herein are predicated will take effect on or about November 1, 2003. Therefore, MGE requests that these proceedings be positioned such that the proposed tariff sheets can take effect on November 1, 2003, coincident with the anticipated effective date of the Southern Star Central tariff sheets at the FERC.

Response to MGUA

2. MGE does not oppose MGUA's application to intervene.

3. As to the substance of MGUA's arguments, MGE offers the following brief response:

- The purpose of the proposed tariff sheets is to implement a system of daily balancing for large volume (“LV”) transportation customers on MGE’s distribution system; currently, MGE’s LV transportation customers balance on a monthly basis. In comparison to monthly balancing, daily balancing will more closely match LV transportation customers’ daily deliveries into the distribution system with their actual daily demand. Especially during these times when gas price levels can vary significantly on a daily basis, requiring deliveries to more closely match demands mitigates opportunities for cross-subsidization of gas costs between system sales customers and LV transportation customers.
- MGE disagrees with MGUA’s assertion that the proposed tariff sheets impose a provider of last resort responsibility on LV transportation customers. As stated above, the system of daily balancing as proposed by MGE simply requires LV transportation customers to more closely match daily deliveries to actual daily demand. And while this change may require LV transportation customers to manage their gas commodity deliveries and demands more closely than they have in the past, it does not serve to change the overall character of the service they take from MGE, contrary to MGUA’s assertions.
- MGE also disagrees with MGUA’s assertion that the proposed tariff sheets somehow dishonor a stipulation and agreement and deny customers the benefit of a bargain they made several years ago regarding the installation of electronic gas measurement equipment. In fact, MGE has honored the stipulation and agreement and LV customers have had full benefit of that bargain to this very day, and will continue to do so until a change in tariff provisions takes effect. MGUA would

apparently have the Commission believe that the tariff provisions relating to electronic gas measurement equipment, unlike any of the other provisions in MGE's tariff, are permanent and somehow immune from any change whatsoever into perpetuity; this is simply incorrect. Furthermore, and perhaps more importantly, electronic gas measurement equipment and the associated telecommunications facilities necessary to make daily usage information available to both MGE and the customer is an essential component of an effective daily balancing system.

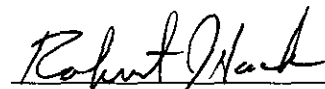
- MGE also disagrees with MGUA's assertion that the pooling alternative available to LV transportation under the system of daily balancing contained in the proposed tariff sheets will serve to deny those customers tolerances on the Southern Star Central system to the benefit of MGE. In fact, the pooling alternative is just that—an ALTERNATIVE that LV transportation customers may choose to take or not depending on the individual customer's assessment of the situation. Also contrary to MGUA's assertions, MGE included a pooling alternative in the daily balancing system contained in the proposed tariff sheets for the benefit of LV transportation customers. Pooling in this situation may benefit LV transportation customers by allowing them to aggregate their usage for purposes of calculating daily deliveries and demands as well as associated tolerance levels thereby providing them with the option of obtaining additional flexibility via enhanced diversity that comes with greater numbers of customers.

MGE offers the foregoing in an effort to aid the Commission's understanding in as brief a manner as possible without belaboring this document by offering a point-by-point

refutation of MGUA's arguments. Consequently, MGE's decision not to address a particular MGUA point in this pleading should not be construed as agreement or acquiescence on MGE's part.

Wherefore, MGE respectfully submits this response.

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

Certificate of Service

I hereby certify that a copy of the foregoing document was mailed or hand delivered this 23d day of July, 2003, to:

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

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

Stuart W. Conrad
Finnegan, Conrad & Peterson, L.C.
3100 Broadway, Suite 1209
Kansas City, MO 64111

