

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: DUFFY@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  
BRIAN K. BOGARD  
DIANA C. FARR  
JANET E. WHEELER

OF COUNSEL  
RICHARD T. CIOTTONE

August 20, 2002

**FILED**<sup>2</sup>

AUG 20 2002

Missouri Public  
Service Commission

Mr. Dale Hardy Roberts  
Executive Secretary  
Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

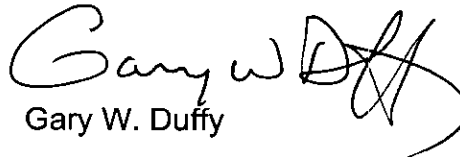
**RE:** Case No. GE-2003-0030

Dear Mr. Roberts:

Enclosed for filing in the above-referenced proceeding please find an original and eight copies of MGE's Response to Staff Recommendation.

If you have any questions, please give me a call.

Sincerely yours,

  
Gary W. Duffy

Enclosures

cc w/encl:

Office of Public Counsel  
Office of the General Counsel

**FILED<sup>2</sup>**

AUG 20 2002

Missouri Public  
Service Commission

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

Missouri Gas Energy's application for )  
extension of transportation and storage )  
cost incentive mechanism; motion for )  
expedited treatment )

Case No. GE-2003-0030

**MGE'S RESPONSE TO STAFF RECOMMENDATION**

Comes now Missouri Gas Energy ("MGE"), a division of Southern Union Company, and for its response to the Staff Recommendation filed herein on or about August 16, 2002, respectfully states the following:

1. As indicated in its August 1, 2002 filing, MGE sought an extension of its existing transportation and storage cost incentive mechanism, which terminates on August 31, 2002. MGE also requested expedited treatment.

2. In its Recommendation, Staff recommends that MGE's request for expedited treatment be denied and that the proposed tariff be suspended initially for 120 days. The reasons given by Staff for the proposed suspension were that MGE failed to file a semi-annual report on February 1, 2002, detailing the Program savings, and because MGE failed to file for this extension of the transportation and storage cost incentive mechanism at least six (6) months prior to the expiration of the program.

**A. Failure to file the semi-annual report**

3. Until Staff filed its recommendation, MGE had not realized that it had missed the February 1, 2002 timeline to file the report of program savings. Staff had not previously notified MGE of this omission. MGE did file on a timely basis the

February 1, 2001 report and the annual report of savings which is included in the annual ACA filing. If the Staff / OPC would like the mid-year report, MGE will prepare it forthwith and provide copies to both Staff and OPC. Otherwise, MGE will provide the full year report with its annual ACA filing.

**B. Failure to provide six (6) month lead time for filing**

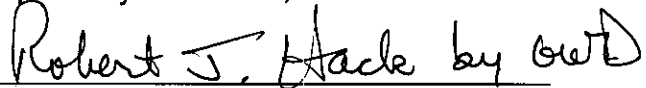
4. MGE's counsel's recollection of the intent underlying the 6-month lead time provided in the Amended Stipulation and Agreement in Case No. GO-2000-705, is that it envisioned a *comprehensive* proposal for replacement / extension of the fixed commodity price PGA mechanism (i.e., commodity and transportation/storage costs). On March 30, 2001, MGE filed a pleading requesting that the Commission approve one of two different proposals. Staff recommended that the Commission reject both of the proposals. In response, MGE filed tariff sheets which completely eliminated the trigger price mechanism thereby completely eliminating the commodity component of the fixed commodity price PGA. That tariff sheet, Tariff No. 200101090 was approved and became effective May 27, 2001.

5. MGE's application now before the Commission seeks to simply extend the current transportation / storage cost incentive structure, preserving the same level of benefits for regular system sales customers. The one modification made to the incentive structure is to allocate two-thirds of the money that was previously benefitting MGE shareholders to lower income customers on MGE's system. If the tariff is approved to go into effect on August 31, 2002, as requested, MGE has committed to make available to MAAC \$150,000 on September 15, 2002, and again as of September 15, 2003, for the purpose of assisting customers who have difficulty in paying their gas

bills. Each month that this tariff is suspended would reduce funding for MAAC by approximately \$12,500. If the tariff is suspended for 120 days as recommended by Staff, the funding would be reduced by \$50,000.

WHEREFORE, MGE respectfully requests that the Commission issue its Order that approves the application and tariff sheets as filed.

Respectfully submitted,



Robert J. Hack MBE#36496  
Missouri Gas Energy  
3420 Broadway  
Kansas City, Missouri 64111  
(816)360-5755  
FAX: (816)360-5536  
e-mail: rob.hack@southernunionco.com

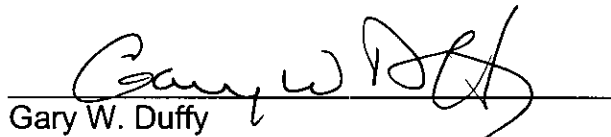
ATTORNEY FOR MISSOURI GAS  
ENERGY

**Certificate of Service**

I hereby certify that a true and correct copy of the above and foregoing document was either mailed or hand delivered this 20th day of August 2002, to:

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

Thomas R. Schwarz, Jr.  
P.O. Box 360  
Jefferson City, Missouri 65102



Gary W. Duffy