

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

In the Matter of the Application of Missouri Gas)	
Energy, a Division of Southern Union Company, for)	Case No. GO-2005-0273
Approval to Establish an Infrastructure System)	
Replacement Surcharge.)	

**NOTICE OF AGREEMENT WITH STAFF RECOMMENDATION
AND MOTION TO CANCEL PREHEARING CONFERENCE**

Comes now Missouri Gas Energy, a division of Southern Union Company (MGE), and respectfully notifies the Missouri Public Service Commission (Commission) of MGE's agreement with the rates recommended in the Staff Recommendation filed on April 13, 2005, and moves the Commission to cancel the prehearing conference set in this matter:

AGREEMENT

1. On April 13, 2005, the Commission Staff (Staff) filed a Staff Recommendation that contained a Memorandum describing Staff's review of MGE's Application.
2. Having reviewed the April 13, 2005 Staff Recommendation and the Memorandum attached thereto, MGE hereby notifies the Commission that it is in agreement with the rates recommended in the Staff Recommendation and asks that the Commission issue an order: 1) rejecting the tariff sheet filed by MGE on February 14, 2005 (YG-2005-0615); 2) authorizing MGE to file a tariff establishing an infrastructure system replacement surcharge (ISRS) that is sufficient to recover \$1,164,726; and, 3) authorizing MGE to file an ISRS rate for each customer class that is reflected in Attachment B to the Staff's Memorandum.
3. The Commission previously suspended MGE's proposed ISRS tariff sheet

(YG-2005-0615) until June 14, 2005. Because there is no disagreement among the parties and no necessity for a hearing, there no longer appears to be a reason for the original suspension period. Accordingly, MGE would ask the Commission to act at its earliest convenience to consider the order described in the above paragraph.

DISCUSSION

4. Additionally, MGE will respond to a few specific statements contained in the Staff Recommendation for the purpose of preserving its position as to these issues for a future rate case.

5. On page 3 of its Memorandum, the Staff alleges that MGE failed to obtain required reimbursement from government entities regarding certain facilities relocation projects and states that the prudence of these costs will be reviewed in MGE's next general rate proceeding.¹ MGE agrees with the Staff that MGE's next general rate case is the appropriate proceeding for conducting such a review and that such a review is not appropriate in this ISRS proceeding (see, sections 393.1015.2(2) and 393.1015.8).

6. On page 4 of its Memorandum, the Staff states that "[W]ith the possible exception of the work orders noted above, based on a 'spot check' of the project work orders included for recovery in the Company's proposed ISRS, the Staff believes that

¹ Work order #98-6514 is a facilities relocation project in Lee's Summit, Missouri, that was placed in service in 1999. To date, Lee's Summit has refused to reimburse MGE for a significant amount of costs incurred to complete the work, alleging that such costs exceeded the initial estimate provided by MGE even though the estimate, in MGE's opinion, was based on information provided by Lee's Summit that later proved incomplete and inaccurate and did not reflect rain delays which served to increase actual costs above the estimate. Both work orders #03-5048 and #03-5528 relate to a facilities relocation project near the City of Riverside required by the Riverside/Quindaro Levee District that was placed in service in 2003. To date, Riverside/Quindaro Levee District has refused to reimburse MGE for a significant amount of costs incurred to complete the work, although MGE has filed suit in an effort to obtain such reimbursement (and has obtained approximately \$636,000 in reimbursement to date for facilities relocation work which is *not* included in this ISRS application). Work order #03-5980 is a facilities relocation project in Raytown, Missouri, that was placed in service in early 2004. To date, Raytown has refused to reimburse MGE for a significant amount of costs incurred to complete the work, alleging that such costs exceeded the initial estimate provided by MGE even though the estimate, in MGE's opinion, could not have

the projects included meet the requirements of Sections 393.1009, 393.1012 and 393.1015 RSMo.” MGE would reiterate that the statutory provisions noted above specifically reserve prudence review for general rate proceedings. Further, the Staff’s “spot check” apparently covered approximately two-thirds of the facilities relocation plant additions dollars included in this ISRS application. Lastly, MGE would note that section 393.1009(5)(c) defines ISRS-eligible facilities relocation plant additions as “[F]acilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, this state, a political subdivision of this state, or another entity having the power of eminent domain provided that the *costs related to such projects have not been reimbursed* to the gas corporation.” (emphasis supplied) The Staff has alleged no facts that would establish, or even tend to support, any claim that the facilities relocation projects MGE has included in this ISRS application fail to meet the requirements of section 393.1009(5)(c).

MOTION

7. On April 15, 2005, the Commission issued its Order Setting Prehearing Conference, wherein the Commission set this matter for a prehearing conference on April 28, 2005. Because MGE agrees with the results of Staff’s Recommendation, MGE believes that it is not necessary to hold the prehearing conference and moves the Commission to cancel the prehearing conference.

WHEREFORE, MGE respectfully requests the Commission issue an Order consistent with the rates recommended in the Staff Recommendation at its earliest convenience and additionally cancel the prehearing conference that has been set in this

reasonably foreseen some of the conditions encountered during the project that required additional boring and associated costs.

case.

Respectfully submitted,



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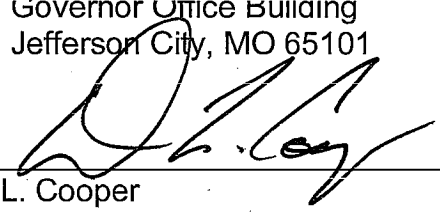
ATTORNEYS FOR MISSOURI GAS ENERGY,
A DIVISION OF SOUTHERN UNION COMPANY

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail on April 18, 2005, to the following:

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