

**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,) Case No. GE-2006-0301
for a Variance from the Provisions of the Affiliate)
Transaction Rule)

**RESPONSE TO STAFF RECOMMENDATION
AND NOTICE OF DISMISSAL**

COMES NOW Missouri Gas Energy (“MGE”), a division of Southern Union Company, and, as its response to the Staff Recommendation and as its Notice of Dismissal, states as follows to the Missouri Public Service Commission (Commission):

1. On January 17, 2006, MGE filed an application for variance from Commission Rule 4 CSR 240-40.015, the natural gas affiliate transactions rule. This application concerned the possible performance of field repair services during MGE service calls.
2. On February 17, 2006, the Commission Staff filed its Response to Commission Order to File Recommendation (Staff Recommendation). The Staff Recommendation suggested that MGE withdraw its application for variance and resubmit its proposed Field Services Program in a tariff filing or, in the alternative, that the Commission deny the request for variance. This recommendation was based upon the Staff’s belief that the proposed program does not meet the definition of an affiliate transaction.
3. By a Motion filed on February 23, 2006, MGE requested that its deadline to respond to the Staff Recommendation be extended until March 20, 2006. The Commission issued an order on February 24, 2006, granting that request.

RESPONSE

4. MGE does not object to proceeding in the manner suggested by the Staff. MGE filed the Application because it believed that the proposed services might be deemed to involve

“unregulated business operations” of MGE and to, therefore, constitute “affiliate transactions” (See Commission Rule 240-40.015(1)(B)).¹

5. Ultimately, whether the affiliate transaction definition is met or not, it is MGE’s goal that the accounting treatment associated with the Field Services Program revenues and expenses be addressed prior to implementation of the program throughout MGE’s service territory. MGE believes that this goal can be adequately addressed through the tariff filing process suggested by the Staff.

NOTICE OF DISMISSAL

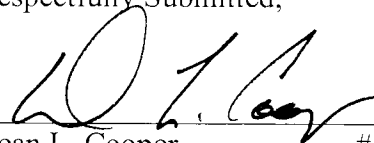
6. Commission Rule 4 CSR 240-2.116(1) states, in part, that “an applicant . . . may voluntarily dismiss an application . . . without an order of the commission at any time before prepared testimony has been filed or oral evidence has been offered, by filing a notice of dismissal with the commission.” No prepared testimony has been filed or oral evidence offered in this case.

7. Accordingly, for the reasons stated above, MGE hereby dismisses its Application, which was filed in this case on January 17, 2006.

WHEREFORE, MGE respectfully requests that the Commission consider this Response and Notice of Dismissal and issue such orders as it believes are reasonable and just.

¹ An “unregulated business operation of a regulated gas corporation” is not defined by the Commission’s Rule.

Respectfully Submitted,



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

Certificate of Service

I hereby certify that two, true and correct copies of the above and foregoing document was sent by electronic mail on this 20th day of March, 2006, to:

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