

June 30, 1999

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

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Missouri Public
Service Commission

Comments on: ~~EX~~ 99-442, Electric Affiliate Transactions
GX-99-444, Natural Gas Affiliate Transactions
GX-99-445, Natural Gas Marketing Affiliate Transactions

Dear Commissioners, Commission Staff, and Interested Parties:

Herein are MOUNTAIN ENERGY's comments regarding the above reference Proposed Statues.

MOUNTAIN ENERGY feels that the need for guidelines and standards in the operation of Marketing Affiliates in the State of Missouri are of the utmost importance in the establishment of true competition for the end users' energy needs.

The FERC, with Order 497, has long since recognized the abuses of Marketing Affiliates and the need for rules to prevent such abuses. Most states have also determined the similar need. It is past time for Missouri to follow suit as well.

The form of the proposed rules is less important to MOUNTAIN ENERGY, than is the content of these rules. Accordingly, I am listing those items that MOUNTAIN ENERGY feels are necessary to ensure competition for the ratepayers in Missouri, and avoid the natural tendencies of market protection and cost shifting associated with meeting outside competition.

These rules should apply equally to both natural gas and electric utility companies in the operation of their Marketing Affiliates, including gas affiliates of electric utilities and electric affiliates of gas utilities, as follows:

1. A regulated utility in the State of Missouri must operate all of its unregulated marketing activities through only one separate Marketing Affiliate.
2. A regulated utility in the State of Missouri must not be located in the same building or offices as its Marketing Affiliate.
3. A regulated utility in the State of Missouri may not share corporate services; employees, managers, and directors (including the temporary transfer of regulated or affiliate employees between the regulated utility and its Marketing Affiliate); or computer systems, including dial up modems and electronic bulletin boards with its Marketing Affiliate.

4. A regulated utility in the State of Missouri must apply all tariff provisions relating to transportation in the same manner to the same or similar-situated persons if there is discretion in the application of the provision.
5. A regulated utility in the State of Missouri must strictly enforce a tariff provision for which there is no discretion in the application of the provision.
6. A regulated utility in the State of Missouri must not, through a tariff provision or otherwise, give its Marketing Affiliate preference over nonaffiliated customers or marketing companies in scheduling, transportation, storage, curtailment, or access to released services.
7. A regulated utility in the State of Missouri must process all similar requests for transportation, or related services, in the same manner and in the same time.
8. A regulated utility in the State of Missouri must not disclose any information required by the utility to its Marketing Affiliate concerning services requested from or information provided to it by a non-affiliated entity.
9. A regulated utility in the State of Missouri must simultaneously provide all information provided to a Marketing Affiliate to all potential parties on its system.
10. A regulated utility in the State of Missouri must operate its Marketing Affiliate separately from its regulated activities. For definition purposes, operations include identifying and contracting with customers and potential customers, locating supplies and transportation, managing or facilitating those contracted services. This also means support and administrative activities such as purchasing, accounting, clerical, human resources, and legal activities.
11. A regulated utility in the State of Missouri must not share corporate logos and web sites (including links), or utilize corporate identities that are of similar name, design, or style such that the identity could be confused with or imply the support for its Marketing Affiliate.
12. A regulated utility in the State of Missouri must account for all financial transactions with its Marketing Affiliate using the higher of fully distributed costs or market pricing for comparable services.
13. A regulated utility in the State of Missouri must post all releasing activities on the appropriate electronic bulletin board for such activities. All such releasing activities shall be biddable, except to the extent that such releasing activities are required by the Utility's tariff to avoid stranded costs.

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14. A regulated utility in the State of Missouri will not make prearranged or non-posted transactions with its Marketing Affiliate.
15. A regulated utility in the State of Missouri will not operate accounting or computer systems, transportation agreements, or other activities on behalf of its Marketing Affiliate that it would not operate for an unrelated party.
16. A regulated utility in the State of Missouri must maintain sufficiently detailed records such that the Commission or any requesting party can verify these rules at any time.
17. A regulated utility in the State of Missouri will train and advise all of its personnel as to the nature and relation of its Marketing Affiliate, and how information concerning the regulated utility's business is not to be passed on or otherwise transferred to the Marketing Affiliate.

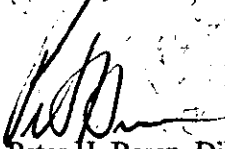
These rules are complex, yet necessary for the efficient and competitive operation of the energy market place, whether it is natural gas or electricity, for the benefit of the ratepayers in and the economy of Missouri.

MOUNTAIN ENERGY also feels that these rules can be combined into one set of rules for each industry as has been previously proposed by the Office of Public Council. MOUNTAIN ENERGY sees insufficient difference between the Affiliate Transactions rule and the Marketing Affiliate Transaction rule to justify the operation of two separate rules. We feel that these two rules can be joined into one combined rule covering all Marketing Affiliate transactions and activities.

Without Marketing Affiliate rules, the regulated utility is free to favor its own marketing operations, thereby blocking competition and prevent access to its service territory. Without Marketing Affiliate rules, utility owners and managers are encouraged to favor their Marketing Affiliate operations since those activities and earnings are free of regulatory oversight. Without Marketing Affiliate rules the potential exists for cost shifting onto captive ratepayers to cover costs of having to meet outside competition. Such economic temptations are beyond the ability of most business to resist.

I am available at 913 236 7997 to further address this proposal.

Sincerely,



Peter H. Beren, Director
Business Development &
Regulatory Affairs