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March 7, 1997

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Mr. Cecil I. Wright
Executive Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. GO-97-242

Dear Mr. Wright:

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of **STAFF'S REPLY TO MGE'S RESPONSE**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Thomas R. Schwarz, Jr.
Thomas R. Schwarz, Jr.
Senior Counsel
(573) 751-5239
(573) 751-9285 (Fax)

TRS/bsl
Enclosures
cc: Counsel of Record

FILED
MAR 7 - 1997
PUBLIC SERVICE COMMISSION

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

In the matter of the Application of Missouri)
Gas Energy for a Variance from the)
Provisions of 4 CSR 240.10.030(19) in)
Conjunction with a Previous Variance)
Granted by the Commission in Case No.)
GO-91-353)

Case No. GO-97-242

STAFF'S REPLY TO MGE'S RESPONSE

On December 18, 1996, Missouri Gas Energy, a division of Southern Union Company ("MGE" or "Company") filed an application for a variance from the provisions of 4 CSR 240-10.030(19) in conjunction with a variance granted previously by the Commission in Case No. GO-91-353. The purpose of the recently requested variance is to permit MGE to target certain older meters for replacement under its automatic meter reading ("AMR") project. It is impractical to attach an AMR device to these meters. On February 20, 1997, the Staff of the Missouri Public Service Commission ("the Staff") recommended that the Commission grant the variance, but also suggested that both the original variance and this variance be referenced in the Company's tariffs. In its response to that staff recommendation, filed on February 26, 1997, MGE opposed the tariffing of the variance. This reply addresses that issue.

By law, Missouri utilities must provide service in compliance with the Commission rules, as well as their own tariffs, rules and regulations. It is true, as the Company notes in its response, that utilities typically do not adopt in their tariffs Commission rules which do not affect relations

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with individual customers. However, any person proposing to deal with a Missouri utility may examine the Commission rules to determine general practices governing its dealings with the regulated entity. The practice proposed by MGE, and endorsed by the Staff in its February 20th recommendation, constitutes an exception to a published rule of the Commission. Publication of this variance and the previous variance in MGE's tariffs will provide a more general and public notice of this exception to the Commission rule. Such information might not otherwise be available to the public.

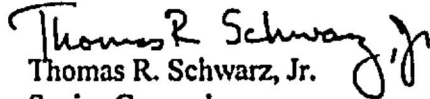
Notation of the variance in the Company's tariffs will also provide a visible reminder to the public, MGE and the Staff to extend or terminate this variance as appropriate at the end of the period. If the Commission grants the requested variance, a tariff notation will also provide a ready reference to the procedural process by which it was done.

Finally, a variance to Chapter 10 of the Commission Rules granted to Laclede Gas Company is noted in Laclede's tariff sheet PSC Mo. No. 5 consolidated, Second Revised Sheet R-37. A copy of this tariff is attached hereto. Thus, there is precedent for tariffing variances. Tariffing does not appear to be an administrative burden, nor will it unduly complicate MGE's tariffs.

The Staff respectfully suggests that the Commission, as part of its order approving the requested variance, order MGE to file a compliance tariff referencing the variance granted in Case

GO-91-353 and the variance requested herein, the variance to become effective on the effective date of the tariff.

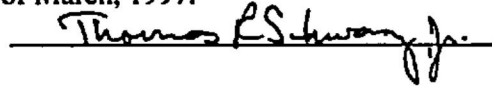
Respectfully submitted,


Thomas R. Schwarz, Jr.
Senior Counsel
29645

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 7th day of March, 1997.



Case No. GO-97-242
December 27, 1996

Robert J. Hack
Missouri Gas Energy
3420 Broadway
Kansas City, MO 64111

Office of the Public Counsel
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Jefferson City, MO 65102