

**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. \_\_\_\_\_  
for a Variance from the Provisions of the Affiliate     )  
Transaction Rule     )

**APPLICATION FOR VARIANCE FROM PROVISIONS OF THE AFFILIATE  
TRANSACTION RULE**

**COMES NOW** Missouri Gas Energy (“MGE”), a division of Southern Union Company, by and through counsel, and pursuant to 4 CSR 240-2.060 and 4 CSR 240-40.015(10), and, as its Application for Variance from provisions of the affiliate transaction rule (4 CSR 240-40.015) states as follows to the Missouri Public Service Commission (“Commission”):

**SUMMARY**

This application requests that the Commission grant MGE a variance from Commission Rule 4 CSR 240-40.015, so that MGE may offer, on economically sound terms, a field repair services program under which MGE’s customers can, at the same time as a service order is being worked, request the repair and/or installation of minor in-home services related to the existing gas lines and/or gas appliances (not intended to include appliance repair). Good cause justification for the variance includes customer service advantages of keeping the gas service on and convenience to the customer.

**INTRODUCTION**

1. MGE is a division of Southern Union Company which is duly incorporated under the laws of the State of Delaware and conducts business in Missouri under the fictitious name of Missouri Gas Energy. MGE’s principal office and place of business is located at 3420 Broadway, Kansas City, Missouri 64111. A copy of a certificate from the Missouri Secretary of State that Southern Union Company is authorized to do business in Missouri as a foreign

corporation was submitted in Case No. GM-2003-0238, and is incorporated herein by reference. A copy of a certificate from the Missouri Secretary of State that Missouri Gas Energy is a registered fictitious name of Southern Union Company was submitted in Case No. GM-2003-0238, and is incorporated herein by reference. Other than cases that have been docketed at the Commission, MGE has no pending action or final unsatisfied judgments against it from any state or federal agency or court within the past three (3) years that involve customer service. MGE has no annual report or assessment fees that are overdue. MGE currently conducts business as a “gas corporation” and provides natural gas service to approximately 500,000 customers in the Missouri counties of Andrew, Barry, Barton, Bates, Buchanan, Carroll, Cass, Cedar, Christian, Clay, Clinton, Dade, Dekalb, Greene, Henry, Howard, Jackson, Jasper, Johnson, Lafayette, Lawrence, McDonald, Moniteau, Pettis, Platte, Ray, Saline, Stone, and Vernon, subject to the jurisdiction of the Missouri Public Service Commission as provided by law.

2. Communications in regard to this Application should be addressed to:

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### **THE FIELD REPAIR SERVICES PROGRAM**

3. Currently, if an unsafe condition is detected in the course of working a service order, one of two actions are taken in accordance with MGE's standard operating procedures. Either the individual gas appliance/device is turned off and "red tagged" or, if necessary, the entire premise is disconnected pending qualified repairs. Either way, the service order is completed by leaving the premise in a safe condition. This process results in a major inconvenience to the customer until required repairs are completed and reconnection is made. It is also inefficient to MGE because it necessarily requires a subsequent trip for the reconnection.

4. MGE has determined through a sampling of potential field repair service calls that in excess of 90% of the accounts would have been "red tagged" and the service left off for safety/code reasons. That is, there were significant safety violations that would have caused MGE to leave the gas off until the repairs were properly made.

5. If this application is approved, MGE would simply offer a choice to the customer. The customer could elect to have the appliance/gas device "red tagged" and disconnected (as currently happening) or they could elect to have the required *minor repairs* completed by MGE's Service Person while they are at the premise. If the customer elects to have the repairs immediately completed, it would eliminate any interruption in service, thereby increasing the level of service to the customer. The choice is up to the customer and only *minor repairs* would be offered.

6. Under this proposed field repair services program, the customer would safely continue their service for a minimal amount of expense, while MGE avoids having to make another trip back at a later date after repairs have been made to turn the gas on.

7. It is anticipated that the majority of the field repair services offered will be safety related repairs such as valve installation, hot water relief and caps and plugs. The service related types of repairs anticipated are flex connectors and thermocouples. The charges to customers would consist of material at cost plus an amount of mark up to cover the overhead and loadings associated with the inventory and labor. Labor would be billed with a 15 minute minimum and in 15 minute increments thereafter.

8. MGE is proposing to bill the customer and record the revenue as unregulated income. The billing to the customer will be included as an additional line item on their existing gas bill. The costs of labor would remain as regulated costs and MGE would propose to split the revenue 80/20 between shareholders and customers. The material will be billed at cost plus overheads and both the costs and revenues from the material would be unregulated costs and income.

#### **CURRENT AFFILIATED TRANSACTION RULES**

9. The “purpose” of Commission Rule 4 CSR 240-40.015 is “to prevent regulated utilities from subsidizing non-regulated operations.” Commission Rule 4 CSR 240-40.015(1)(B) defines an affiliate transaction to include all transactions carried out between an unregulated business operation of a regulated gas corporation and the regulated business operations of a gas corporation. Such affiliate transactions must be accounted for as to not provide a “financial advantage” to an affiliated entity. (4 CSR 240-40.015(2)(A)).

10. Commission Rule 4 CSR 240-40.015(10)(A)(2) further provides that the Commission may grant a variance from the affiliate transaction rule under the following circumstance:

A regulated gas corporation may engage in an affiliate transaction not in compliance with the standards set out in subsection (2)(A) of this rule, when to its

best knowledge and belief, compliance with the standards would not be in the best interests of its regulated customers and it complies with the procedures required by subparagraphs (10)(A)2.A. and (10)(A)2.B. of this rule.

### **GOOD CAUSE FOR THE VARIANCE**

11. Good cause exists for the Commission to grant the variance to allow MGE service technicians to offer field repair services to customers at the same time as a service order is being worked and to treat the revenues received for these services as described herein. Granting the variance would allow MGE's customers to derive the following benefits associated with this program:

- I. Gives the customer a choice**
  - A. Voluntary participation
- II. Improves Service Levels**
  - A. Keeps gas service on when it otherwise may be disconnected
  - B. Eliminates the need for a second service call to reconnect service (improves efficiency and reduces expense)
- III. Customer convenience**
  - A. Allows customer to have repairs completed immediately
  - B. Convenient billing (added to monthly bill)
- IV. Safety Unaffected**
  - A. Fully qualified and experienced personnel working on gas line repairs
- V. Cost effective**

12. Granting this variance would also have the benefit of having 20% of any net revenues derived from the program flow through to the customers of MGE while at the same time not realizing an increase in costs. There are three major factors that contribute to the cost effectiveness of the program:

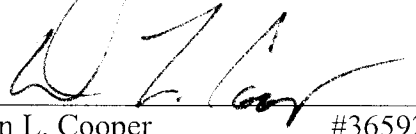
- MGE's service person, in responding to a service order request, is already at the premise, has identified the problem/issue, and has the necessary tools, experience and expertise to complete the minor repairs. The time to respond to the service

call and identify the issue has been incurred regardless of whether the repairs are made or not. The repairs themselves generally require 15 minutes or less.

- If the repairs are made (rather than “red tagging” or disconnecting service), a subsequent service trip (for reconnection) and the associated costs are avoided
- In many cases, the time required to complete a minor repair is actually less than the time required to disconnect the service and/or “red tag” the appliance/gas device

13. For these reasons, MGE respectfully requests that the Commission grant MGE a variance from Commission Rule 4 CSR 240-40.015(2)(A) as described herein.

Respectfully Submitted,



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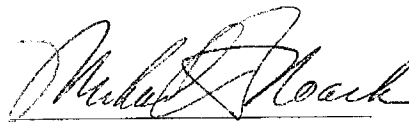
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ATTORNEYS FOR MISSOURI GAS ENERGY, A DIVISION OF SOUTHERN UNION  
COMPANY

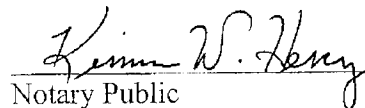
VERIFICATION

STATE OF MISSOURI     )  
                                  )  
COUNTY OF JACKSON    )     ss

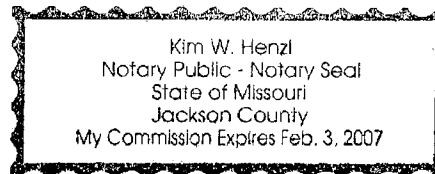
I, Michael R. Noack, of lawful age, state: that I am Director of Pricing and Regulatory Affairs for Missouri Gas Energy, a division of Southern Union Company; that I have read the above and foregoing document; that the statements contained therein are true and correct to the best of my information, knowledge and belief; and, that I am authorized to make this statement on behalf of Missouri Gas Energy.



Subscribed and sworn to before me this 17<sup>th</sup> day of JANUARY, 2006.

  
Notary Public

My Commission Expires: Feb. 3, 2007

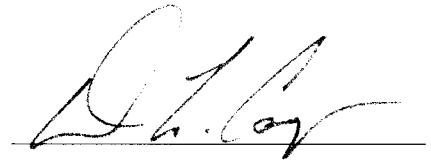


Certificate of Service

I hereby certify that two, true and correct copies of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand delivered on this 17<sup>th</sup> day of January, 2006, to:

General Counsel  
Missouri Public Service Commission  
Governor Office Building  
P.O. Box 360  
Jefferson City, MO 65102

The Office of the Public Counsel  
Governor Office Building, 6<sup>th</sup> Floor  
P.O. Box 7800  
Jefferson City, MO 65102-7800

A handwritten signature in dark ink, appearing to read "D. L. Gay", is written over a horizontal line.