

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

In the Matter of the Application of)
Missouri Gas Energy for the Issuance of)
an Accounting Authority Order Relating)
to its Natural Gas Operations and for a)
Contingent Waiver of the Notice)
Requirement of 4 CSR-240-4.020(2).)

Case No. GU-2011-0392

MISSOURI GAS ENERGY'S STATEMENT OF POSITON

In accordance with the Missouri Public Service Commission's ("Commission") October 4, 2011, procedural order, the Missouri Gas Energy Division of Southern Union Company ("MGE" or "Company") hereby files its statement of position on the "Joint List of Issues" that the parties to this case filed on November 17, 2011.

ISSUE A: Should the Commission enter an order authorizing MGE to defer to Account 182.3, Other Regulatory Assets, actual incremental Operations & Maintenance and capital expenses incurred for repair, restoration, and rebuild activities associated with the May 22, 2011, Joplin tornado, including depreciation and carrying charges equal to MGE's ongoing Allowance for Funds Used During Construction rates?

MGE'S POSITION: Yes, consistent with its long-standing practice, the Commission should enter an order authorizing MGE to defer to Account 182.3, Other Regulatory Assets, actual incremental Operations & Maintenance and capital expenses incurred for repair, restoration, and rebuild activities associated with the May 22, 2011, Joplin tornado, including depreciation and carrying charges equal to MGE's ongoing Allowance for Funds Used During Construction rates. Failure to do so would deny the Company any opportunity to recover through rates the costs it prudently incurred following the tornado to repair and rebuild its system and restore service to those customers in Joplin and the surrounding area whose business and residential structures had not been destroyed or severely damaged.

ISSUE B: Should the Commission enter an order authorizing MGE to defer to Account 182.3, Other Regulatory Assets, its loss of expected revenues related to the May 22, 2011, tornado, including carrying charges equal to its ongoing Allowance for Funds Used During Construction rates?

MGE'S POSITION: Yes. Although MGE's request for authority to defer lost fixed-cost revenue appears to be unprecedented in Missouri, granting such authority is warranted because of the unprecedented nature of the tornado and the damage that it wrought, which are the bases for MGE's request. Unlike the types of storm damage the Commission routinely deals with,

which involve service outages of a few days, the Joplin tornado destroyed commercial and residential structures that were unable to receive service from MGE for weeks or months following the storm. Indeed, most of those structures have yet to be rebuilt. Under MGE's straight fixed variable rate structure, a portion of each customer's monthly bill represents that customer's share of the Company's fixed costs of providing service. As long as those customers remain out of service, MGE is unable to recover a portion of those fixed costs. Unless the Commission authorizes the Company to defer those lost fixed-cost revenues for consideration in its next general rate case, MGE will forever be denied any opportunity to recover a significant portion of the costs of providing service that it has incurred since the tornado and will continue to incur in the future.

ISSUE C: If the Commission authorizes MGE to defer these amounts:

- a. Then should MGE commence amortizing the deferred amounts to expense?
- b. Over what length of time should MGE amortize the deferred amounts to expense?

MGE'S POSITON: MGE believes that it should commence amortizing any deferrals authorized in this case on the effective date of new rates set by the Commission in the Company's next general rate case. MGE believes the appropriate amortization period is five (5) years.

Respectfully submitted this 22nd day of November, 2011.

/s/L. Russell Mitten

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ATTORNEYS FOR MISSOURI GAS ENERGY

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was delivered by first class mail, electronic mail or hand delivery, on the 22nd day of November, 2011, to the following:

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/s/ L. Russell Mitten