Missouri Public Service Commission

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April 28, 2000

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

Dear Mr. Roberts: GO-2000-705

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of a **STIPULATION AND AGREEMENT** between Missouri Gas Energy ("MGE"), a division of Southern Union Company, and the Staff of the Missouri Public Service Commission ("Staff") which seeks to establish an incentive program for MGE's gas supply and transportation activities. A prominent feature of the program is an opportunity for MGE to provide to its customers a fixed price for the natural gas commodity component within the PGA clause.

Staff and MGE are eager to facilitate prompt consideration and implementation of this proposal, and are available to answer any questions which will assist the Commission.

Thank you for your attention to this matter.

Sincerely yours,

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

TRS:sw
Enclosure
cc: Office of the Public Counsel

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Missouri Gas Energy's fixed commodity price PGA and transportation discount incentive mechanism.	))))	Case No. GO-2000-705

STIPULATION AND AGREEMENT

Come now Missouri Gas Energy ("MGE"), a division of Southern Union Company, and the Staff of the Missouri Public Service Commission ("Staff") and hereby submit for the Commission's approval the following Stipulation and Agreement.

I. Purpose

MGE and the Staff have entered into this Stipulation and Agreement, and request that the Commission approve it, as a way to: 1) provide system sales customers with a reliable supply of natural gas at stable and lower prices than would be achieved by continuation of current practices; 2) provide MGE with a reasonable opportunity to generate earnings through skillful and prudent management of its gas supply, transportation and storage portfolio; and 3) streamline the regulatory process associated with gas supply, transportation and storage costs.

II. Commodity Costs

A. MGE will set a fixed commodity price component for natural gas within the PGA when and if the NYMEX (New York Mercantile Exchange) strip price for the nearest 12 month period traded on the exchange, weighted by the average MGE purchase volumes by month (as shown in Attachment 1), settles at or below $2.25 per MMBtu for five (5) consecutive business days (the "trigger price"). In such event, the fixed commodity price component of the PGA clause shall be an amount equal to recover a commodity unit purchase price of $2.400 per MMBtu, the trigger price plus $0.150. MGE shall also have the right, at its sole discretion, to implement the fixed commodity price component of the PGA to recover a commodity unit purchase price of $2.400 per MMBtu at any time it so elects in the event that the trigger price has not been reached. The $2.400 per MMBtu commodity unit purchase price translates into a fixed commodity price component of the PGA equal to approximately $0.25816 per Ccf as shown in the sample calculations on Attachment 2-2 to reflect Btu conversion, compression fuel on the interstate pipeline systems (including, where permitted by FERC tariff, lost and unaccounted for gas on the interstate pipeline systems) and lost and unaccounted for gas on the MGE system, consistent with the provisions of this Stipulation and Agreement.[1] This $0.25816 per Ccf fixed commodity price component of the PGA shall remain in effect for a period of two years from the date it becomes effective.[2]

B. If 1) the commodity trigger price has not been reached within two (2) months after the effective date of the Commission order approving this Stipulation and Agreement and 2) MGE has not elected to put the fixed commodity price component of the PGA into effect, MGE and the Staff shall re-examine the trigger price in light of

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[1] MGE and the Staff continue to work on the development of tariff sheets designed to implement the provisions of this Stipulation and Agreement. The Staff and MGE intend to submit such tariff sheets to the Commission within two (2) weeks of the filing of this Stipulation and Agreement.

[2] The fixed commodity price component of the PGA shall take effect upon the occurrence of one of the triggering events as described in this paragraph II.A. (e.g., the weighted average 12 month NYMEX strip settling at or below $2.25 per MMBtu for five consecutive business days or MGE electing to implement the fixed commodity price component of the PGA). MGE shall notify the Commission of the date the triggering event occurs no later than the next business day thereafter. Accompanying such notification will be a revised tariff sheet designed to reflect the Total Fixed Commodity Price PGA Rate calculated in accordance with the provisions of this Stipulation and Agreement; such revised tariff sheet is to be approved by the Commission to be effective ten business days after filing.

intervening natural gas market activity. If the Staff and MGE agree on an alternative trigger price, such proposed alternative trigger price shall be filed with the Commission for approval. Absent agreement between the parties, neither the Staff nor MGE shall independently seek a change in the trigger price. This re-examination will occur each two months thereafter for two years following the effective date of the Commission order approving this Stipulation and Agreement if the trigger price has not been reached and MGE has not elected to put the fixed commodity price component of the PGA into effect. This paragraph II.B. shall be of no force and effect if the trigger price is reached or if MGE has elected to put the fixed commodity price component of the PGA into effect.

C. Until the fixed commodity price component of the PGA takes effect, MGE shall continue under the current PGA/ACA process for commodity cost recovery. MGE shall be permitted to submit other proposals regarding commodity cost recovery for the Commission's consideration if the fixed commodity price component of the PGA does not take effect within eight (8) months after the filing of this Stipulation and Agreement. In the event that MGE submits an alternative proposal regarding commodity cost recovery and the Commission approves an alternative proposal regarding commodity cost recovery prior to the fixed commodity price component of the PGA taking effect under this Stipulation and Agreement, the provisions of this Stipulation and Agreement regarding the fixed commodity price component of the PGA shall be of no further force and effect. In the event that MGE submits an alternative proposal regarding commodity cost recovery and the fixed commodity price component of the PGA under this Stipulation and Agreement takes effect prior to the Commission's approval of an alternative proposal regarding commodity cost recovery, MGE shall withdraw its alternative proposal regarding commodity cost recovery from Commission consideration.

III. Transportation and Storage Costs

A. Underlying Principles

1. Reliability shall not be reduced to achieve savings[3].

2. Savings shall not be claimed when a new or incremental service is not a direct substitute for a more costly historical service[4].

3. Savings shall not be claimed when other cost components of the delivered cost of gas are increased for the sake of some level of decrease in transportation costs[5].

4. Savings shall not be claimed when achieved rates are not below the lesser of final FERC rates or currently effective discounted rates, as such discounted rates are in effect through the current term of the agreements existing as of the date of the filing of this Stipulation and Agreement.

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[3] Examples of reliability reductions include, but are not limited to: reductions in Maximum Daily Quantity ("MDQ") below prudent levels, use of bundled service agreements that replace needed firm supplies and/or transportation capacity with less reliable deliveries, reduction in priority of receipt and/or delivery points, replacement of firm transportation service with recallable capacity, and reductions in priority of service.

[4] Examples of services not directly substituted for more costly historical service include, but are not limited to: new short-term transportation service, seasonal winter-only service, and/or new back-haul services that 1) are not direct substitutes for comparable historical forward-haul service and 2) do not carry the same reliability standards.

[5] Examples of increasing a cost component of the delivered cost of gas for the sake of obtaining transportation savings include, but are not limited to: an increase in the commodity (well-head) cost of gas to achieve lesser transportation charges than historically occurred, and an increase in the variable transportation charge (or other miscellaneous charge) while reducing the pipeline reservation charge.

5. Savings shall not be claimed for discounts that are generally available by tariff or rule to other customers as a part of FERC proceedings.

B. Maximum Daily Quantities ("MDQs")

Sales customers and MGE shall share savings from any reduction in the level of contract MDQs in agreements in effect as of the date of the filing of this Stipulation and Agreement, with 70% of such savings credited to customers and 30% of such savings credited to MGE. Sales customers shall pay for increased levels of contract MDQs, subject to prudence review as provided in paragraph V.F. of this Stipulation and Agreement.

C. Transportation Rate Discounts

1. The benchmark calculation of the amount recovered from customers shall be based on existing contracted MDQ capacity, in agreements in effect as of the date of the filing of this Stipulation and Agreement, on all pipelines for transportation capacity and storage capacity. This benchmark calculation shall include rates that are the lesser of currently effective discounts or the final FERC rates for each pipeline as modified below for specific pipelines. If, after the date of the filing of this Stipulation and Agreement, MGE secures a new transportation discount that produces savings which exceed savings produced by any currently achieved levels of discounts, customers shall be credited with 70% of such savings and MGE shall be credited with 30% of such savings. Savings shall be computed as follows:

a. If MGE negotiates a discount or fixed rate, which is below Williams Pipeline Central RP95-136 rates, then customers shall be credited with 70% of the savings, and MGE shall be credited with 30% of the savings. The Kansas Pipeline cost shall be recovered at the levels ultimately resulting from the existing ACA cases (Case Nos. GR-96-450 and GR-98-167). If the rates for Kansas Pipeline Company are determined by adjustments in Missouri ACA cases, then any refunds shall be credited 100% to customers. If the Kansas Pipeline Company rates are determined by FERC tariffs, then customers shall be credited with 85%, and MGE with 15% of the amount by which the rates in Docket GP99-485 are lower than the rates determined in Docket CP96-152. If MGE can negotiate rates which are lower than those specified in the two above circumstances, MGE shall retain 30% of such additional savings.

b. The existing PEPL, and KN, contract discounts in agreements in effect as of the date of the filing of this Stipulation and Agreement shall be credited 100% to customers through the existing term of those contracts. Any ultimately renegotiated discounts that are below current discounted rates and less than maximum filed

FERC tariff rates, shall be shared, with 70% being credited to customers and 30% being credited to MGE.

c. An additional transportation cost shall be added to the total cost above before savings calculations to recover incremental transportation costs incurred in moving gas in the field zone associated with PEPL Contract No. 12622 (the existing Haven to market area agreement), in the amount of $300,000 per year. This will be trued-up to actual in the ACA. No incentive savings shall be claimed as a result of this transaction. However, to the extent new agreements are negotiated that provide this transportation service, at net costs below $300,000 per year, such reduction shall be considered savings subject to the sharing mechanism herein.

d. If a pipeline receives authority to increase its rates from the FERC, any such increase in allowed rates shall be recovered from customers, either in filed PGA cost filings or in the next annual ACA cost recovery true-up, assuming that MGE's contracts are subject to such FERC-authorized increases. Discount-related savings shall be calculated from a comparison of the rate MGE is actually incurring to the allowed final FERC tariff rates. Pipeline refunds of amounts paid interim, subject to refund shall be credited 100% to customers.

D. Mix of Transportation Services

To the extent that MGE achieves transportation savings by use of alternate transportation services (e.g., back-hauls, seasonal transportation, short-term transportation), and assuming such savings are not at the expense of reliability reductions as noted in paragraph III. A. of this Stipulation and Agreement, 70% of such savings shall be credited to customers and 30% of such savings shall be credited to MGE. Such savings shall be calculated by comparing all costs actually avoided to all costs actually incurred. No savings sharing shall be authorized unless the new transaction produces real savings in comparison to otherwise applicable historic contract costs.

E. Demand Charge Cost Recovery

Recovery of transportation and storage demand charges shall be based upon an expected number of volumes as contained in Attachment 2-2. At the end of the ACA period, expense and revenue attributable to these items shall be trued-up to actual.

E. Take-or-Pay Cost and Transition Cost Recovery

Take-or-Pay Costs and Transition Costs shall be recovered from customers in accordance with the provisions of Sheet Nos. 23.2, 23.3, 23.4, 23.5 and 23.6 of MGE's tariff.

F. Pipeline Refunds

Pipeline refunds shall be credited 100% to customers in accordance with the provisions of Sheet Nos. 21, 22, 23 and 23.1 of MGE's tariff.

IV. Off-System Sales and Capacity Release

A. Off-System Sales

MGE shall retain all revenues derived from off-system sales of natural gas prior to the effective date of the Commission's order approving this Stipulation and Agreement, and thereafter, beginning with the effectiveness of this incentive authorization until the effective date of the Report and Order in an MGE general rate proceeding initiated after the filing of this Stipulation and Agreement, for revenues in excess of $100,000 per year, net of sales incurred at a loss for operating purposes. Beginning with the effectiveness of this incentive authorization until the effective date of the Report and Order in an MGE general rate proceeding initiated after the filing of this Stipulation and Agreement, this provision shall be effectuated by crediting customers with $100,000 in off-system sales revenues per year, net of sales incurred at a loss for operating purposes.[6] During an MGE general rate proceeding initiated after the filing of this Stipulation and Agreement, all parties are free to take any position they deem appropriate regarding the treatment of off-system sales and associated revenues. Following the effective date of the Report and Order in an MGE general rate proceeding initiated after the filing of this Stipulation and Agreement, the treatment of off-system sales and associated revenues adopted by the Commission in that general rate proceeding shall govern; provided, however, that no party will be precluded from seeking judicial review of such decision or from arguing that such decision should be changed in subsequent cases. MGE asserts that its off-system sales, and associated revenues, are wholly beyond the Commission's jurisdiction and authority and has agreed to this paragraph IV.A. in this Stipulation and Agreement for settlement purposes only. As such, MGE's agreement to this paragraph IV.A. in this Stipulation and Agreement shall not be construed as acquiescence or agreement by MGE that the Commission possesses any jurisdiction or authority whatsoever with respect to MGE's off-system sales and associated revenues. Further, this paragraph IV.A. of this Stipulation and Agreement shall not be offered as evidence, or cited as indicating, that MGE acquiesces to Commission jurisdiction or authority with respect to MGE's off-system sales and associated revenues.

B. Capacity Release.

Capacity release revenues shall be credited to customers and MGE according to the following grid:

Capacity Release Revenues	MGE Percentage	Customer Percentage
First \$300,000	15%	85%
Next \$300,000	20%	80%
Next \$300,000	25%	75%
Amounts over \$900,000	30%	70%

V. Miscellaneous Items

A. Term

The transportation and storage provisions of the program shall extend for two years from the effective date of the Commission order approving this Stipulation and Agreement. The fixed commodity price component portion of the program shall extend for two years after the fixed commodity price component becomes effective. If the fixed commodity price component does not become effective within two years of the effective date of the Commission order approving this Stipulation and Agreement, the program

[6] Sales incurred at a loss for operating purposes could, as an example, include, but need not be limited to, situations in which baseload gas is sold during a pipeline

shall terminate. MGE shall make a filing seeking renewal of this program, or proposing an alternative, not fewer than six (6) months prior to the expiration of this program.

B. Documentation

1. Reliability Reports

MGE shall provide reliability reports to the Staff on an annual, and highly confidential, basis, according to the outline appended hereto as Attachment 3. The first annual reliability report shall be provided to the Staff on July 1, 2000.

2. Monitoring Reports

MGE shall provide Staff with semi-annual reports, on a highly confidential basis, detailing the savings achieved under the program and the calculations supporting the claimed level of savings. The first semi-annual monitoring report shall be submitted by MGE to the Staff six (6) months after the effective date of the Commission order approving this Stipulation and Agreement. Twelve (12) months after the effective date of the Commission order approving this Stipulation and Agreement, MGE shall file with the Commission the monitoring report, on a highly confidential basis, of the first year of experience under this Stipulation and Agreement. The Staff will audit the Company's calculations and underlying documentation to make a recommendation to the Commission whether, at the end of the ACA (Actual Cost Adjustment) year, the Company is entitled to be credited with its portion of the claimed savings. The Staff's audit shall be completed and its recommendation filed at the

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Operational Flow Order as a means of avoiding the incurrence of penalties.

same time as the Staff's recommendation for the concurrent ACA audit period.

C. PGA Filings

MGE will retain the current PGA filings of November, April and, prior to the date the fixed commodity price component of the PGA takes effect, a possible unscheduled filing. The fixed commodity price component of the PGA shall be seasonalized between the summer months (April through October) and the winter months (November through March) only for the Large General Service and Large Volume Service customer classes. For all other customer classes (Residential, Small General Service and Unmetered Gaslight), the fixed commodity price component of the PGA shall remain the same year-round.

D. ACA Filings

The ACA factor has been used to balance gas commodity, transportation and storage cost recovery with gas commodity, transportation and storage cost incurrence for a given year. MGE's ACA year runs from July 1 through June 30 and changes to the ACA factor within the PGA typically take effect on or about November 1. During the term of this program, the ACA factor shall be used to balance gas commodity, transportation and storage cost recovery with gas commodity, transportation and storage cost incurrence for periods prior to the fixed commodity price component of the PGA taking effect. The ACA factor shall not be used to balance gas commodity cost recovery with gas commodity cost incurrence for periods when the fixed commodity price component of the PGA is in effect. Consistent with the provisions of Paragraphs III. and IV., the ACA factor shall be used to balance gas transportation and storage cost recovery with gas transportation and storage cost incurrence for periods during the term of this program.

E. Price Stabilization Fund

Until such time as the fixed commodity price component of the PGA takes effect, MGE shall be authorized to make use of financial instruments to obtain price protection on natural gas supplies in accordance with the Commission's order in Case No. GO-2000-231. Subject to all of the terms and conditions of the Commission's order in Case No. GO-2000-231, except for the dates which shall be extended for another year, financial instruments shall be purchased for the upcoming heating season no later than September 30 of the immediately preceding summer.

F. Prudence Reviews

MGE and the Staff agree that if the fixed commodity price component of the PGA takes effect, the Staff shall continue prudence reviews, and may propose such adjustments as it deems appropriate, for the transportation/storage contracts and cost component of the PGA but not for the fixed commodity cost component of the PGA or the associated supply contracts. For periods after termination of the fixed commodity cost component of the PGA, all contracts will be subject to prudence review and adjustment. Until such time as the fixed commodity price component of the PGA takes effect, the Staff shall conduct prudence reviews, and may propose such adjustments as it deems appropriate, for the commodity cost component of the PGA as well as for the transportation/storage cost component of the PGA and all other cost components. This paragraph V.F. of this Stipulation and Agreement in no way indicates acquiescence or agreement by MGE to any such proposed adjustments the Staff may make.

G. Lost and Unaccounted-for Gas, Compression Fuel and Btu Conversion

Volumes and expenses associated with lost and unaccounted-for gas on MGE's side of the city gate, compression fuel on the interstate pipeline systems (including, where permitted by FERC tariff, lost and unaccounted for gas on the interstate pipeline systems) and Btu conversion shall be included in the initial PGA rate and trued-up in the ACA process. The Staff shall be permitted to audit such volumes and amounts for prudence.

H. Re-basing

In entering this agreement MGE understands and acknowledges that, upon the expiration of the storage and transportation portion of the program, and again upon the expiration of the fixed commodity price component, the Staff will likely propose to re-base the volumes, expenses, revenues, and quantities in any proposed extension or modification to this program based on the experience under the program. In expressing this understanding and acknowledgement, MGE is in no way agreeing or acquiescing to any re-basing proposal the Staff may make.

VI. SAMPLE CALCULATIONS

Appended hereto as Attachments 2-1 and 2-2 are worksheets showing the derivation of rates under the provisions of this Stipulation and Agreement.

VII. GENERAL PROVISIONS

A. None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, any method of cost determination or cost allocation, or any service or payment standard underlying or allegedly underlying this Stipulation and Agreement as a result of entering into this document, and none of the parties shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

B. This Stipulation and Agreement has resulted from extensive negotiations among the parties and the terms hereof are interdependent. In the event the Commission does not unconditionally approve and adopt the entirety of this Stipulation and Agreement without modification, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

C. If the Commission approves and adopts this Stipulation and Agreement without condition and without modification, the parties waive their respective rights pursuant to Section 536.080.1 RSMo[7] to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2; and the right to judicial review pursuant to Section 386.510.

D. This Stipulation and Agreement shall not be cited as a precedent or referred to in testimony as an assertion of the position of any party in any subsequent or pending judicial or administrative proceeding, except in a proceeding in which the sole purpose is to enforce compliance with the terms and conditions of this Stipulation and Agreement.

E. If the Commission does not unconditionally approve this Stipulation and Agreement without modification, this Stipulation and Agreement and any agreements purported to be represented thereby shall be absolutely null, void, and of no force or effect whatsoever.

F. The parties agree that the Staff may submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each party of record shall be served with a copy of any memorandum and shall be

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[7] Unless specifically indicated otherwise, all statutory references in this Stipulation and Agreement are to RSMo (1994, as amended Cum. Supp. 1998).

entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the parties shall be considered highly confidential to the extent so designated by the submitting party, shall be maintained on a confidential basis by all parties to the extent the submitting party has designated the memorandum as highly confidential, shall not become a part of the record of this proceeding to the extent the submitting party has designated the memorandum as highly confidential, and shall not bind or prejudice the party submitting such memorandum or any other party in this or any future proceeding, whether or not the Commission approves this Stipulation and Agreement.

G. The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, promptly provide other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to the Protective Order issued in this case.

H. To assist the Commission in its review of this Stipulation and Agreement, the parties also request that the Commission advise them of any additional information that the Commission may desire from the parties relating to the matters addressed in the Stipulation and Agreement, including any procedures for furnishing such information to the Commission.

WHEREFORE, the undersigned parties respectfully request that the Commission issue its Order approving all of the terms and conditions of this Stipulation and Agreement.

Respectfully submitted,

Robert J. Hack MBE#36496
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Kansas City, Missouri 64111
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FAX: (816)360-5536
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ATTORNEY FOR MISSOURI GAS ENERGY

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ATTORNEY FOR THE STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION

Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was either mailed or hand delivered this 28th day of April, 2000, to:

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Robert J. Hack
Missouri Gas Energy
3420 Broadway
Kansas City, Missouri 65102

Thomas R. Schwarz, Jr.

MISSOURI GAS ENERGY
FIXED COMMODITY PRICE
AVERAGE PURCHASE VOLUMES BY MONTH
NYMEX Trigger Price Calculation

Month (a)	MMBtu Volume (b)	NYMEX As Of Mo/Day/Yr (c)	Weighted $'s (b) x (c) (d)
April	3,266,893	$0.000	$0
May	3,777,761	$0.000	$0
June	3,876,584	$0.000	$0
July	9,515,251	$0.000	$0
August	9,188,394	$0.000	$0
September	7,380,092	$0.000	$0
October	4,944,132	$0.000	$0
November	4,010,252	$0.000	$0
December	5,951,650	$0.000	$0
January	4,926,916	$0.000	$0
February	5,111,039	$0.000	$0
March	4,214,049	$0.000	$0
Totals	66,163,013		$0

Annual Weighted Average (MMBtu) (total weighted $'s divided by total volumes)	$0.00

MISSOURI GAS ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

CALCULATION OF THE PURCHASED GAS ADJUSTMENT RATE

The following computation supports the PGA rate proposed for service on and after implementation of a Fixed PGA.

Filed with MPSC

		RESIDENTIAL OTHER CLASSES		LARGE VOLUME
ESTIMATED ANNUAL TRANSPORTATION COSTS PER PAGE 2	$	73,199,975	$	73,199,975
ESTIMATED ANNUAL STORGAGE COSTS PER PAGE 2	$	7,372,906	$	7,372,906
ESTIMATED ANNUAL COMMODITY COSTS PER PAGE 2	$	172,995,142	$	172,995,142
TOTAL ESTIMATED ANNUAL GAS COSTS PER PAGE 2	**$**	**253,568,023**	**$**	**253,568,023**
ESTIMATED SALES VOLUMES		**670,113,300**		**670,113,300**
AVERAGE CURRENT COST OF GAS PER Ccf	$	0.37840	$	0.37840
UNSCHEDULED WINTER PGA FILING ADJUSTMENT FACTOR (UFA) PER Ccf	$	-	$	-
PRICE STABLIZATION CHARGE PER Ccf	$	0.00470	$	0.00470
TOTAL CURRENT COST OF GAS (PGA) PER Ccf	**$**	**0.38310**	**$**	**0.38310**
ACTUAL COST ADJUSTMENT (ACA) per Attachment 1 page 1 per Ccf	**$**	**(0.01090)**	**$**	**(0.01090)**
REFUND per Page 4 per Ccf	**$**	**(0.03270)**	**$**	**-**
TAKE OR PAY (TOP) per Ccf	**$**	**-**	**$**	**-**
TRANSITION COST ADJUSTMENT (TC) per Attachment 2 page 1 per Ccf	**$**	**0.01828**	**$**	**0.01828**
TOTAL PURCHASED GAS ADJUSTMENT PRICE per Ccf	**$**	**0.35778**	**$**	**0.39048**

MISSOURI GAS ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

ESTIMATED ANNUAL GAS COST

	(C)	(E)	(G)	(I) = (G) x (O) x # of applicable months	(K) = (G) x (O)	(M) = (I) + (K)	(O)
	Supplier	Effective Date of Supplier Price	Estimated DKT Purchased	Estimated Demand Charges	Estimated Variable Charges	Estimated Total Cost	Average Cost per DKT
Volumes supplied over Williams Natural Gas system							
(WNG Seventh Revised Sheet No. 6 effective May 1, 1999)							
(WNG Substitute Tenth Revised Sheet No. 6A effective May 1,1999- surcharges)							
TSS-M	No Notice Fee	5/1/99	698,996	$ 129,174		$ 129,174	$ 0.0154
	Reservation - FSS - Deliverability (Storage)	5/1/99	499,331	$ 3,086,465		$ 3,086,465	$ 0.5151
	Reservation - FSS - Capacity (Storage)	5/1/99	8,238,981	$ 2,896,819		$ 2,896,819	$ 0.0293
	Reservation - FTS - P	5/1/99	206,588	$ 14,089,467		$ 14,089,467	$ 5.6834
	Reservation - FTS - M	5/1/99	698,996	$ 25,027,132		$ 25,027,132	$ 2.9837
	Injection - FSS (Storage)	5/1/99	15,477,923		$ 188,831	$ 188,831	$ 0.0122
	Withdrawal - FSS (Storage)	5/1/99	15,477,923		$ 188,831	$ 188,831	$ 0.0122
	Commodity - FTS - P	5/1/99	50,758,475		$ 629,405	$ 629,405	$ 0.0124
	Commodity - FTS - M	5/1/99	49,527,246		$ 782,530	$ 782,530	$ 0.0158
FTS-P	Reservation	5/1/99	59,489	$ 4,057,197		$ 4,057,197	$ 5.6834
	Reservation Balancing Fee	5/1/99	59,489	$ 116,360		$ 116,360	$ 0.1630
	Commodity	5/1/99	5,359,264		$ 66,455	$ 66,455	$ 0.0124
	Commodity Balancing Fee	5/1/99	5,359,264		$ 2,144	$ 2,144	$ 0.0004
FTS-M	Reservation	5/1/99	58,940	$ 2,110,311		$ 2,110,311	$ 2.9837
	Reservation Balancing Fee	5/1/99	58,940	$ 115,287		$ 115,287	$ 0.1630
	Commodity	5/1/99	5,304,600		$ 83,813	$ 83,813	$ 0.0158
	Commodity Balancing Fee	5/1/99	5,304,600		$ 2,122	$ 2,122	$ 0.0004
	Commodity		56,875,832		$ 136,501,997	$ 136,501,997	$ 2.4000
Volumes supplied over Panhandle Eastern Pipeline System							
(Twenty-First Revised Sheet No. 19 effective January 1, 1999, Pipeline Invoice Statement - January 1, 1999 - surcharges)							
(Fifty-First Revised Sheet No. 5 effective January 1, 1999 - Commodity- City Gate)							
(Estimate from Gas Supply and PEPL for Reservation Costs, Commodity - Storage)							
EFT							
	Transmission - Market	01/01/99	8,941	$ 512,448		$ 512,448	$ 4.7762
	Transmission - Field / Market	01/01/99	8,940	$ 987,555		$ 987,555	$ 9.2054
	Reservation - Winter	01/01/99	8,987	$ 229,169		$ 229,169	$ 5.1000
	Reservation - Summer	01/01/99	4,911	$ 162,603		$ 162,603	$ 4.7300
	Commodity - Storage	01/01/99	864,000		$ 25,747	$ 25,747	$ 0.0298
	Commodity - City Gate	01/01/99	3,938,040		$ 216,986	$ 216,986	$ 0.0551
WS							
(Estimate from Gas Supply (PEPL) - Deliverability, Capacity rate)							
(Eleventh Revised Sheet No. 11 effective November 1, 1998 - remaining rates)							
	Deliverability (Storage)	01/01/99	9,140	$ 367,428		$ 367,428	$ 3.3500
	Capacity (Storage)	01/01/99	914,000	$ 368,159		$ 368,159	$ 0.4028
	Injection (Storage)	11/1/98	864,000		$ 2,851	$ 2,851	$ 0.0033
	Withdrawal (Storage)	11/1/98	864,000		$ 2,851	$ 2,851	$ 0.0033
IOS							
(January 1, 1999 pipeline invoice statement - Deliverability & Capacity rate)							
(Ninth Revised Sheet No. 9 effective November 1, 1998 - Injection/Withdrawal Rate)							
	Deliverability (Storage)	01/01/99	3,577	$ 135,318		$ 135,318	$ 3.1525
	Capacity (Storage)	01/01/99	357,700	$ 134,173		$ 134,173	$ 0.3751
	Injection (Storage)	11/1/98	178,850		$ 590	$ 590	$ 0.0033
	Withdrawal (Storage)	11/1/98	178,850		$ 590	$ 590	$ 0.0033
	Commodity		4,024,348		$ 9,658,435	$ 9,658,435	$ 2.4000
Volumes supplied over Kansas Pipeline Company (Riverside)							
(Kansas Pipeline Company Tariff Sheet(s) 19 & 20 effective 5/11/98)							
FT	Reservation	5/11/98	46,332	$ 11,062,136		$ 11,062,136	$ 19.8965
	Usage	5/11/98	3,600,000		$ 232,920	$ 232,920	$ 0.0647
	Commodity		3,733,685		$ 8,960,844	$ 8,960,844	$ 2.4000
Volumes supplied over KN Interstate Pipeline							
(Per Contract Terms # 569, 570 effective 10/1/97)							
(Substitute Fifth Revised Sheet No. 4-D effective August 1, 1998 - surcharges)							
FT	Reservation Production/Market	10/1/97	100,000	$ 10,840,355		$ 10,840,355	$ 9.0336
	Reservation Market	10/1/97	35,000	$ 1,718,659		$ 1,718,659	$ 4.0920
	Commodity		7,447,444		$ 17,873,866	$ 17,873,866	$ 2.4000
TOTAL ESTIMATED ANNUAL GAS COSTS			72,081,309	$ 78,146,215	$ 175,421,808	$ 253,568,023	

	(G)	(I)	(K) = (I) / (G)
	Estimated Sales Volumes (Ccf)	Estimated Total Cost	Weighted Average Cost (Ccf)
Total Annualized Transport Costs	670,113,300	$ 73,199,975	$ 0.10924
Total Annualized Storage Costs	670,113,300	$ 7,372,906	$ 0.01100
Total Annualized Commodity Costs	670,113,300	$ 172,995,142	$ 0.25816
Total Annualized Costs		$ 253,568,023	$ 0.37840

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RELIABILITY REPORT
MISSOURI GAS ENERGY
PERIOD ENDING JUNE 30, ____

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