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May 28, 2002

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

RE: Missouri Gas Energy - Case No. GA-2002-377

Dear Mr. Roberts:

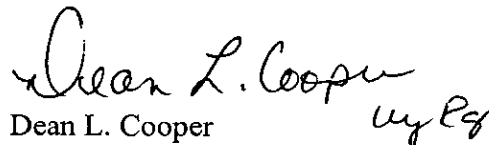
Enclosed for filing in the above-referenced proceeding please find an original and eight copies of a Unanimous Stipulation and Agreement. Please stamp the enclosed extra copy "filed" and return same to me.

If you have any questions concerning this matter, then please do not hesitate to contact me.
Thank you for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:


Dean L. Cooper

DLC/rhg

Enclosures

cc: Mr. Eric Anderson
Mr. Doug Micheel, OPC
Mr. Stuart W. Conrad
Mr. Jerry Finnegan

**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 for an accounting authority order
relating to Commission Rule 4 CSR 240-
13.055(13).

Case No. GA-2002-377

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW Missouri Gas Energy ("MGE"), a division of Southern Union Company, the Missouri Public Service Commission ("Commission") Staff ("Staff"), the Office of the Public Counsel ("OPC"), the Midwest Gas Users' Association ("MGUA") and the County of Jackson, Missouri ("Jackson County"), and submit this Unanimous Stipulation and Agreement ("Stipulation") for approval by the Commission. This Stipulation resolves all remaining issues in this proceeding.

BACKGROUND

1. On February 8, 2002, MGE filed an application for an accounting authority order ("AAO") relating to the Commission's emergency rule modifying the cold weather rule for this winter's heating season. After the Staff, OPC, MGUA and Jackson County, expressed their opposition to the application, MGE filed an amended request on February 26, 2002.

2. Staff, OPC, MGUA, and Jackson County filed pleadings indicating their general agreement to MGE's amended request. Staff, in its recommendation filed on March 8, proposed specific language to be used in granting the AAO requested by MGE. MGE filed a response to Staffs recommendation on March 12, in which it agreed with some of the language proposed by Staff but took issue with other of Staffs proposed

language. MGE, in turn, asked the Commission to use some alternative language in the AAO.

3. On April 2, 2002, the Commission issued its Order Directing Filing. The Staff complied with this Order by filing its Response and Recommendation on April 8, 2002. The Staff Response and Recommendation modified the Staffs earlier recommendation and suggested that the Commission grant MGE an AAO which incorporates language identified in the Staff Response and Recommendation.

4. On April 9, 2002, MGE filed its Position Concerning Staff Response and Recommendation, stating therein that it had reviewed the language proposed by the Staff in its Response and Recommendation and did not object to a grant of an AAO utilizing this language.

5. The Staff, OPC and MGE later filed their Joint Motion to Cancel Prehearing, wherein, among other things, they suggested that the matter was ripe for Commission action.

6. On April 29, 2002, the Commission issued its Order Setting a Prehearing Conference, and Directing Filing of Procedural Schedule, wherein it set this matter for prehearing conference on May 20, 2002, and further indicated that "if the parties are able to agree upon a settlement that will address the Commission's concerns, they may choose to present that agreement to the Commission by filing a stipulation and agreement." The Commission also ordered that the parties "file a proposed procedural schedule no later than May 28, 2002."

7. Thereafter the Parties initiated discussions to determine whether a Unanimous Stipulation and Agreement could be reached. As a result of those discussions,

the Parties have now reached a resolution and settlement of this case which they believe to be just and reasonable. In light of the filing of this Stipulation and the parties' indication that the case should proceed as identified herein, the parties have not filed a proposed procedural schedule.

COMPLIANCE WITH RULE NEED FOR AAO

8. On February 27, 2002, MGE voluntarily implemented the emergency amendment to the Commission's cold weather rule beginning on February 27, 2002. MGE's actions included compliance with the primary payment provision of the emergency rule, that is, relaxed initial payment requirements (including 18-month payment plans). MGE implemented the other provisions of the emergency rule as described in footnote 1 in paragraph 6 of MGE's Application filed herein on February 8, 2002. That is, while MGE had concerns as to whether it could comply with certain requirements of the emergency rule due to technical compliance issues, MGE was able to utilize the following alternative methods to effect substantial compliance with the emergency rule:

- 1) MGE was able to develop and implement a spreadsheet tool for eighteen (18) month payment plan that was able to handle the emergency rule customer volumes after February 27, 2002;'
- 2) While MGE was unable to alter the existing language of its disconnect notices, it was able to include inserts in all 10-day and 96-hour disconnect

' The emergency rule indicates that ". . . the deferred balance [is] to be paid over the following eighteen (18) months." (4 CSR 240-13.055(13)(A)).

notices with the language envisioned in the emergency rule ;z and,

- 3) While deposit information is not contained on the service order MGE's field collectors have with them when they make collection calls, a manual process to provide this information to field collectors was devised .³

9. Between the beginning of MGE's voluntary compliance on February 27, 2002, and the termination of the emergency rule on March 31, 2002, MGE entered into emergency rule payment agreements with approximately 3,000 customers. These agreements represented approximately \$1.7 million in past due amounts related to natural gas service.

TERMS OF AAO

10. The Parties agree that the Commission should approve the request for an Accounting Authority Order containing similar language to that incorporated in the Commission's Order in Case No. GO-2002-285. The Parties agree that the following language will accomplish this:

- a. That the application for an Accounting Authority Order filed by Missouri Gas Energy on February 8, 2002, as revised on February 26, 2002, is granted, and Missouri Gas Energy is authorized to maintain on its books a regulatory asset. The regulatory asset will include all

² The emergency rule indicates that ". . . all disconnect notices shall inform customers of this option [to retain service by paying twenty-five (25) percent of preexisting arrears or \$250, whichever is less.]" (4 CSR 240-13.055(13)(A)).

³ The emergency rule requires that ". . . before discontinuance of service for nonpayment of a delinquent amount, the natural gas utility shall apply the balance of any customer's security deposit plus accrued interest to the delinquent amount or reduce the amount required to avoid discontinuance." (4 CSR 240-13.055(13)(D)).

prudently incurred incremental expenses and incremental revenues that are caused by MGE's reinstatement of customers or assistance to customers threatened by disconnection, on or after February 27, 2002, in compliance with certain provisions of 4 CSR 240-13.055(13) between February 27, 2002 and March 31, 2002 and all prudently incurred incremental expenses caused by other tasks associated with preparing to comply with the amended rule between the effective date of 4 CSR 240-13.055(13) and March 31, 2002. Deferral of incremental expense and revenue impacts associated with this regulatory asset maybe booked through a period ending no later than September 30, 2003.

- b. That the regulatory asset authorized in Ordered Paragraph 1 may remain on the books of Missouri Gas Energy until the effective date of a Report and Order in its next general rate case.
- c. That any amounts deferred pursuant to the authority granted herein are subject to review in subsequent rate proceedings for prudence and verification of the incremental nature of the costs in question.

ADDITIONAL AGREEMENTS

11. MGE understands that the above AAO terms do not provide for the deferral of legal fees or other incremental costs MGE incurred in seeking legal review of the emergency rule modifying the cold weather rule. At this time, the "incremental expenses" caused by tasks "associated with preparing to comply with the amended rule between the effective date [of the amended rule] and March 31, 2002" are the expenses related to

billing inserts and legal expenses associated with the AAO application.

12. MGE, Staff and Public Counsel acknowledge that Staff and Public Counsel have only agreed to this stipulation without the inclusion of a time limitation on the deferrals because the Emergency Cold Weather Rule ("ECWR") specifically does not place a time limitation on deferrals resulting from AAOs issued as a result of the ECWR, a policy that Staff and Public Counsel believe is contrary to general Commission policy that a time limitation be placed on deferrals.

13. MGE has previously indicated to the Staff that it is MGE's intent to voluntarily dismiss its petition for writ of review/declaratory judgment in regard to the emergency amendment to the cold weather rule (Circuit Court Case No. 01 CV325865), assuming the Commission grants an AAO in this case. For purposes of this Stipulation, MGE affirmatively states and agrees that once this Stipulation becomes "final," as defined below, it will voluntarily dismiss Circuit Court Case No. 01CV325865, with prejudice as to the emergency rule.

GENERAL PROVISIONS

14. This Stipulation shall become effective upon Commission approval without modification by final Commission order. Such order becomes "final" either by issuance of a Commission order on rehearing or, if no rehearing request is filed, thirty (30) days after issuance of the Commission's order approving the Stipulation, or such other effective date as selected by the Commission.

15. a. This Stipulation has resulted from negotiations among the Parties and the terms hereof are interdependent. In the event the Commission does not adopt this Stipulation in total, then this Stipulation shall be void and no Party shall be bound by any

of the agreements or provisions hereof. The stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the Parties to take other positions in other proceedings. All parties agree that, unless this Stipulation becomes effective as provided herein, any and all discussions related hereto shall be privileged and shall not be subject to discovery, admissible in evidence, or in any way used, described or discussed in any proceeding.

b. It is specifically understood and agreed that this Stipulation represents a negotiated settlement of the issues in these proceedings settled in a manner that is in the public interest. Neither MGE, the Commission, its Staff, the OPC, the MGUA, Jackson County, nor any other party shall be deemed to have approved, accepted, agreed, or consented to any accounting principle, ratemaking principle or cost of service determination underlying, or supposed to underlie any of the issues provided for herein.

c. All parties further understand and agree that the provisions of this Stipulation relate only to the specific matters referred to in the Stipulation and no party or person waives any claim or right which it otherwise may have with respect to any matters not expressly provided for in this Stipulation. All parties further reserve the right to withdraw their support for the settlement in the event that the Commission modifies the Stipulation in a manner which is adverse to the party withdrawing its support and further, all parties reserve the right to contest any such Commission order modifying the settlement in a manner which is adverse to the party contesting such Commission order.

16. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2), RSMo (2000) to call, examine and cross-examine

witnesses; their respective rights to present oral argument or written briefs pursuant to Section 536.080.1, RSMo (2000); their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2, RSMo (2000); their respective rights to seek rehearing pursuant to Section 386.500, RSMo (2000); and their respective rights to judicial review pursuant to Section 386.510, RSMo (2000). If this Stipulation and Agreement is not approved by the Commission, the Parties request that a procedural schedule be established which provides for a hearing, to include the opportunity for cross-examination.

17. The Staff shall file suggestions, testimony or a memorandum in support of this Unanimous Stipulation and Agreement and the other parties shall have the right to file responsive suggestions or prepared testimony within five (5) days of receipt of Staff's memorandum. All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all Parties, shall not become a part of the record of this proceeding and shall not bind or prejudice the Party submitting such memorandum in any future proceeding or in this proceeding, whether or not the Commission approves this Unanimous Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Unanimous Stipulation and Agreement, whether or not the Commission approves and adopts this Unanimous Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this Unanimous 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. Staffs 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 any Protective Order issued in this case.

18. To assist the Commission in its review of this Unanimous 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 this Stipulation and Agreement, including any procedures for furnishing such information to the Commission.

CONCLUSION

WHEREFORE, the undersigned Parties respectfully request that the Commission issue its Order:

- a) Approving all of the specific terms and conditions of this Unanimous Stipulation and Agreement and grant MGE an AAO has requested therein; and,
- b) Closing this case.

Respectfully Submitted,

**MISSOURI GAS ENERGY, A DIVISION OF
SOUTHERN UNION COMPANY**

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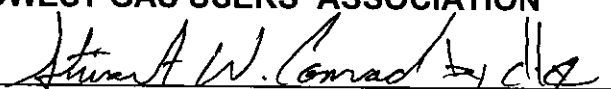
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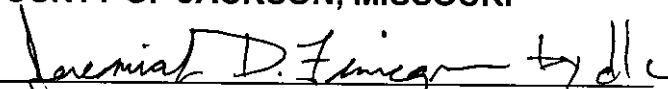
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Certificate of Service

I hereby certify that a copy of the foregoing document was either mailed or hand-delivered this 28th day of May, 2002, to:

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