



MISSOURI GAS ENERGY

3420 Broadway • Kansas City, MO • 64111-2404 • (816) 380-5755

ROBERT J. HACK
SENIOR ATTORNEY

February 3, 1997

VIA FEDERAL EXPRESS

Mr. Cecil L. Wright
Executive Secretary
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102-0360

Re: Case No. GO-97- 301 - In the matter of the application of
Missouri Gas Energy, a division of Southern Union Company, for the
issuance of an accounting order relating to gas safety projects.

Dear Mr. Wright:

Enclosed for filing in the above-captioned case are an original and fourteen (14)
conformed copies of an Application. Please stamp as "filed" the extra copy that is
enclosed and return it to my office in the enclosed self-addressed stamped envelop.

A copy of this filing has been mailed this date to the Office of the Public Counsel.

Thank you for your attention to this matter.

Sincerely yours,

RJH/sm
enclosure(s)
cc: Office of Public Counsel

RECEIVED
FEB 4 - 1997
PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED
FEB 4 - 1997

MISSOURI
PUBLIC SERVICE COMMISSION

In the matter of the application of Missouri Gas)
Energy, a division of Southern Union Company.)
for the issuance of an accounting order relating)
to gas safety projects.)

Case No. GO-97-301

APPLICATION

COMES NOW Missouri Gas Energy ("MGE" or "Company"), a division of Southern Union Company ("Southern Union"), and for its application to the Missouri Public Service Commission ("Commission") pursuant to sections 386.250 and 393.140 RSMo 1994, for the issuance of an accounting authority order relating to gas safety projects, respectfully states as follows:

1. Southern Union is a corporation duly incorporated under the laws of the state of Delaware and its MGE division is duly authorized to do business in Missouri under the registered name of Missouri Gas Energy. MGE is engaged in the business of distributing, transporting, and selling natural gas in portions of western Missouri. MGE's principal office and place of business is located at 3420 Broadway, Kansas City, Missouri 64111. On February 1, 1994, MGE assumed ownership and control of the assets previously utilized by Western Resources, Inc., d/b/a Gas Service, ("Western Resources") and commenced operations as a gas corporation in Missouri.

2. All notices, orders or other communication respecting this Application and proceeding should be addressed to

Charles B. Hernandez
Director, Pricing and Regulatory Affairs
Missouri Gas Energy
3420 Broadway
Kansas City, Missouri 64111-2404
(816) 360-5605

Robert J. Hack
Senior Attorney
Missouri Gas Energy
3420 Broadway
Kansas City, Missouri 64111-2404
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3 This Application requests approval of certain accounting procedures for costs and expenditures on gas safety projects undertaken pursuant to the rules of this Commission enacted in December 1989 (4 CSR 240-40) which brought about significant changes in the previous requirements applying to gas corporations. These projects include the removal and replacement of Company- and customer-owned gas service and yard lines, the movement and resetting of meters in connection therewith, the removal and replacement of cast iron mains, the removal and replacement and cathodic protection of bare steel mains and associated work on other facilities, and the repair or removal and replacement of facilities in mobile home parks. MGE has continued with the implementation of these projects in a manner similar to that previously approved by the Commission for Western Resources, and thus the same accounting treatment for these deferred costs will continue to be appropriate until these projects are completed which should occur in or about the year 2009.

4 The Commission previously granted MGE and Western Resources relief similar to that being requested in this application in Case No. GO-94-234 (to MGE) and in Case Nos. GO-90-51, GO-92-185, and GO-94-133 (to Western Resources). The Commission has also granted similar authority to other gas corporations such as Missouri Public Service and United Cities Gas Company.

5. The parties to Case No. GM-94-40 recognized the appropriateness of an accounting authority order ("AAO") for MGE for its expenditures for gas safety projects in paragraph 10 of the Unanimous Stipulation and Agreement. In that provision, they agreed they would support the granting of an AAO for the period of the rate moratorium agreed to in that case. MGE agreed that it would not implement a general increase in non-

gas rates for three years from the date of closing of the sale transaction. The date of closing was January 31, 1994. In Case No. GO-94-234, the Commission granted MGE an AAO pursuant to which MGE recorded as regulatory assets certain deferred costs at a carrying cost rate of 10.54% for the period February 1, 1994, through January 31, 1997.

6. In Case No. GR-96-285, MGE's first rate case after the acquisition, the Commission granted certain ratemaking treatment of the regulatory assets recorded by MGE through October 31, 1996, pursuant to the authority granted in Case No. GO-94-234. MGE intends to seek rate recovery in its next rate proceeding of those regulatory assets recorded from November 1, 1996, through January 31, 1997, pursuant to Case No. GO-94-234.

7. By this Application, MGE seeks permission and an AAO from the Commission to defer and book to Account 186.1, beginning February 1, 1997, and continuing through the effective date of the Commission's Report and Order in MGE's next general rate case, depreciation expense, property taxes, and carrying costs at the weighted average cost of capital the Commission found as appropriate for MGE in Case No. GR-96-285, that being 9.46%, on the costs incurred to remove and replace or repair facilities located in mobile home parks, to remove and replace Company-owned and customer-owned service and yard lines, to move and reset meters in connection therewith, to remove and replace cast iron mains, and to remove, replace and cathodically protect bare steel mains, with the deferred amounts to be computed on plant placed in service beginning on October 31, 1996.

8. The expenditures associated with these projects are significant, extraordinary, and have not been reflected in the rates being charged for gas service. They

are the result of the unusual event of the enactment of the revised gas safety rules by the Commission in 1989. MGE will not realize any incremental revenue on completion of the Commission-ordered projects.

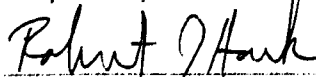
WHEREFORE, MGE respectfully requests that the Commission issue an order

(a) authorizing MGE to account for the expenses associated with the described safety projects in Account 186.1, as more specifically described herein,

(b) confirming that the regulatory assets recorded by MGE under the AAO granted in Case No. GO-94-234 for the period of November 1, 1996, through January 31, 1997, which were not included in the rates set by the Commission in Case No. GR-96-285 may continue to be recorded by MGE as regulatory assets in account 186.1 on its books and that MGE may request rate recovery of such assets in its next rate proceeding, and

(c) containing such other relief as may be necessary that is consistent with the requests made herein.

Respectfully submitted,



Robert J. Hack

MO # 36496

Senior Attorney

Missouri Gas Energy

3420 Broadway, 7th Floor

Kansas City, Missouri 64111

(816) 360-5755

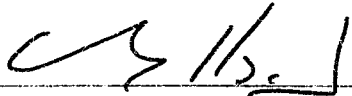
FAX # (816) 360-5554

Attorney for Missouri Gas Energy

VERIFICATION

STATE OF MISSOURI)
) SS
COUNTY OF JACKSON)

On this 3rd day of February, 1997, before me appeared Charles B. Hernandez, Director, Pricing and Regulatory Affairs for Missouri Gas Energy, to me personally known, who being by me first duly sworn, states that he has read the above and foregoing document and believes that the allegations therein are true and correct to the best of his information, knowledge and belief.



Subscribed and sworn to before me this 3rd day of February, 1997.

STEPHANIE R. MEYER
Notary Public - Notary Seal
STATE OF MISSOURI
Jackson County
My Commission expires March 17, 1997



Notary Public

My Commission Expires: March 17, 1997

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served via U.S. Postal Service, postage pre-paid, this 3rd day of February, 1997, upon:

Martha S. Hogerty
Public Counsel
P.O. Box 7800
Jefferson City, MO 65102


Attorney