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April 5, 2000

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

FILED²
APR 05 2000
Missouri Public
Service Commission
60-2000-624

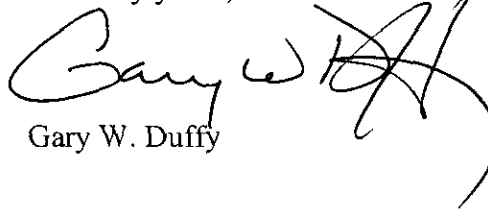
RE: Application for AAO on Manufactured Gas Plant Sites

Dear Mr. Roberts:

Enclosed for filing in the above-referenced proceeding please find an original and fourteen copies of an Application for an accounting authority order.

If you have any questions, please give me a call.

Sincerely yours,


Gary W. Duffy

/gwd

Enclosures

cc w/encl:

Office of Public Counsel
Office of the General Counsel
Susan Groce
Rob Hack

FILED²

APR 05 2000

Missouri Public
Service Commission

**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 the issuance of an accounting authority order)
relating to environmental activities.)

Case No. GO-2000- 624

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 1998 for the issuance of an accounting authority order ("AAO") relating to environmental activities, 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. Southern Union's articles of incorporation have previously been provided to the Commission in Case No. GM-94-40. 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.

2. All notices, orders and other communications respecting this application and proceeding should be addressed to:

Susan R. Groce
Director, Environmental Services
Southern Union Company
504 Lavaca, Suite 800
Austin, Texas 78701
(512)370-8312
FAX: (512)370-8381

Robert J. Hack
Vice President, Pricing and
Regulatory Affairs
Missouri Gas Energy
3420 Broadway
Kansas City, Missouri 64111-2404
(816) 360-5755
FAX: (816)360-5536

Gary W. Duffy, Attorney at Law
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3. By this Application MGE requests approval of certain accounting procedures for costs and expenditures incurred to perform environmental activities regarding former manufactured gas plant sites ("MGP") owned by MGE or MGE's predecessors in interest. One site is located at 899 E. First Street. This property is commonly known as the "Meter Readers' Office." Another site is located at 1st and Gillis. This property, the primary service center for MGE's Kansas City operations, is commonly known as the "Central Plant." The Missouri Department of Natural Resources ("MDNR") sent a letter dated May 10, 1999, informing MGE of a planned Site Inspection/Removal Site Evaluation of the properties described above. In an effort to ensure that the environmental assessments of the MGE facilities described above did not interfere with normal operations, MGE requested entry of these sites into the Missouri Voluntary Cleanup Program ("VCP"). The sites were accepted into this program and, after obtaining MDNR's approval of the assessment workplans, MGE's environmental consultants performed the assessments. MGE sent completed Site Assessment/Characterization reports to MDNR on March 6, 2000. Based upon its evaluation of the information contained in the Site Assessment/Characterization reports, MDNR will ask MGE to close the assessment of these sites, perform additional environmental assessment work at these sites, perform environmental remediation work at the sites, or perform some combination of the foregoing. An additional site is located at the intersection of Pacific Avenue and S. River Boulevard in Independence,

Missouri ("Independence Site"). MGE received a letter dated December 16, 1999, from MDNR notifying MGE of a planned environmental site investigation for this site. MGE notified MDNR that this property is not owned by MGE and that, as a result, MGE could not grant MDNR access to the Independence Site.

4. In its letter pertaining to the Central Plant and Meter Readers' Office environmental assessments, the MDNR stated that the site evaluation is part of a statewide effort to identify, evaluate, and prioritize the potential hazards posed by all former MGP sites in Missouri. MGE has determined that it is possible that 19 former MGP sites are located in the service territories of MGE and its predecessors in interest. Thus, future environmental activities, and associated costs, may be required by MDNR of MGE.

5. Costs incurred to date for the Central Plant and Meter Readers' Office sites amount to approximately \$161,000. These costs include the application fees for submittal of the Central Plant and the Meter Readers' Office sites into the VCP program, the cost of retaining environmental consultants to prepare workplans, perform the environmental assessments and prepare final environmental reports, costs to prepare the site, lab costs associated with environmental sampling and testing, and legal and public communications expenses. Potential additional costs in the future for the Central Plant and Meter Readers' Office sites may include expenses of continued groundwater monitoring, additional environmental testing and analysis, legal and public communications expenses and the implementation of cleanups at these sites. Current estimates, which could change as these environmental projects continue and more facts are obtained, put MGE's future costs for these at approximately \$1 million per site. MGE's future costs for the Independence Site are uncertain. As noted above, MDNR may require the performance of environmental activities at additional sites in the future.

6. By this Application, MGE seeks permission and an AAO from the Commission to defer and book to Account 182.3, beginning July 1, 1999, and continuing through the end of the Commission-ordered test year, test year as updated, or true-up period, whichever is later, in MGE's next general rate case, all costs incurred or payments received by MGE during the deferral period (including, but not limited to, all legal and consulting fees) in connection with: 1) the investigation, assessment, removal, disposal, storage, remediation or other treatment of residues, substances, materials, and/or property that are associated with former manufactured gas operations or located on former manufactured gas plant sites; 2) the dismantling and/or removal of facilities formerly utilized in manufactured gas operations; 3) efforts to recover such costs from potentially responsible third parties and insurance companies; and 4) reimbursement and recoveries of costs from third parties and insurance companies.

7. The expenditures associated with these environmental activities 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 MDNR's Site Inspection/Removal Site Evaluation and are necessary for MGE to strive to meet MDNR requirements. MGE will not realize any incremental revenue on completion of these environmental projects.

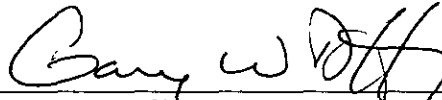
8. The Commission has previously granted similar authority to Laclede Gas Company in Case Nos. GR-94-220, GR-96-193 and GR-98-374.

WHEREFORE, MGE respectfully requests that the Commission issue an order:

- (a) authorizing MGE to account for the expenses, costs and expenditures associated with the described environmental activities in Account 182.3, as more specifically described herein; and

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

Respectfully submitted,



Gary W. Duffy MBE #24905
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Jefferson City, Missouri 65101
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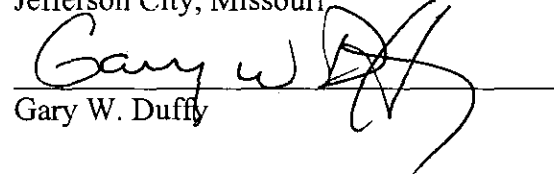
Attorneys for Missouri Gas Energy

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served via hand delivery this 5th day of April, 2000, upon:

The Office of the Public Counsel
Truman State Office Building
Jefferson City, Missouri

Office of the General Counsel
Missouri Public Service Commission
Truman State Office Building
Jefferson City, Missouri



Gary W. Duffy

MGEmpaaoapp/gdmydocs/wp8

VERIFICATION

STATE OF TEXAS)
) ss
COUNTY OF TRAVIS)

On this 4th day of April, 2000, before me appeared Susan R. Groce, Director of Environmental Services for Southern Union Company, to me personally known, who being by me first duly sworn, states that she has read the above and foregoing document and believes that the allegations therein are true and correct to the best of her information, knowledge and belief and the above-designated attorneys are authorized to make this filing on behalf of Missouri Gas Energy.

Susan R. Groce

Subscribed and sworn to before me this 4th day of April, 2000.

James H. Shubert
Notary Public

My Commission Expires: 1/27/2003

