

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

In the Matter of the Application of Missouri Gas)
Energy, a division of Southern Union Company,) Case No. GU-2007-0480
for an Accounting Authority Order Concerning)
Environmental Compliance Activities.)

MGE’S RESPONSE TO ORDER DIRECTING FILING

COMES NOW Missouri Gas Energy, a division of Southern Union Company (“MGE” or “Company”), and states the following in response to the Missouri Public Service Commission’s (“Commission”) Order Directing Filing:

BACKGROUND

1. On July 23, 2008, the Staff of the Commission, on behalf of the parties, filed a list of the issues to be decided by the Commission. That list of issues contained a general question as to whether the Commission should “grant MGE an Accounting Authority Order [AAO] to allow it to defer costs associated with the clean-up of Former Manufactured Gas Plant sites.”

2. On July 28, 2008, the Commission issued its Order Directing Filing wherein, the Commission asked whether “there are factual findings and/or legal conclusions that must first be determined in order to reach the final decision of whether the Commission should grant an AAO to MGE?” It directed MGE (and Staff) to each file a pleading setting out the issues to be decided by the Commission.

DISCUSSION

3. Missouri courts have “upheld the authority of the PSC, as granted by § 393.140, RSMo. 1986, to hear an application by a utility and grant to a utility the permission to defer extraordinary expenses from one period to another.” *Missouri Gas Energy v. PSC*, 978 S.W.2d 434 (Mo.App.W.D. 1998). An application for an AAO *has been said to contain a single factual*

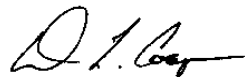
issue -- whether the costs, which are asked to be deferred, are extraordinary in nature. In the matter of the application of Missouri Public Service, 1 Mo.P.S.C.3d 200, 203-204 (1991) (emphasis added). “By seeking a Commission decision [regarding the issuance of an AAO] the utility would be removing the issue of whether the item is extraordinary from the next rate case. All other issues would still remain, including, but not limited to, the prudence of any expenditures, the amount of recovery, if any, whether carrying costs should be recovered, and if there are any offsets to recovery.” Id.

4. Accordingly, the list of issues could be made more specific with the addition of the following:

Are MGE’s costs associated with the clean-up of Former Manufactured Gas Plant sites extraordinary?

WHEREFORE, MGE prays the Commission consider this response to comply with the Commission Order Directing Filing.

Respectfully submitted,



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ATTORNEYS FOR MISSOURI GAS ENERGY,
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CERTIFICATE OF SERVICE

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