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Witness: James A. Gray
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

FILED³

DEC 21 2001

REBUTTAL TESTIMONY

Missouri Public
Service Commission

OF

JAMES A. GRAY

**TXU ENERGY SERVICES, INC. AND SCHREIBER FOODS, INC.
VS. MISSOURI GAS ENERGY, A DIVISION OF SOUTHERN
UNION COMPANY**

CASE NO. GC-2001-593

Jefferson City, Missouri
December, 2001

****Denotes Highly Confidential Information****

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REBUTTAL TESTIMONY

OF

JAMES A. GRAY

TXU ENERGY SERVICES, INC.,

AND SCHREIBER FOODS, INC.

VS.

MISSOURI GAS ENERGY, A DIVISION OF

SOUTHERN UNION COMPANY

CASE NO. GC-2001-593

Q. Please state your name and business address.

A. My name is James A. Gray. My business address is P. O. Box 360,
Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission (Commission)
as a Regulatory Economist in the Tariffs/Rate Design Section of the Commission's
Energy Department.

Q. How long have you been employed by the Commission?

A. I have been employed with the Commission for approximately twenty-one
years.

Q. Please state your educational background.

A. I received a Bachelor of Science degree in Psychology as well as one in
General Studies from Louisiana State University, and I received a degree of Master of

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1 Science in Special Education from the University of Tennessee. Additionally, I
2 completed several courses in research and statistics at the University of Missouri -
3 Columbia.

4 Q. Please state your professional qualifications.

5 A. Prior to being employed by the Commission, I was a Research Analyst for
6 two and a half years with the Missouri Department of Mental Health where I conducted
7 statistical analyses. In 1980, I began my employment with the Commission as a
8 Statistician in the Depreciation Department where I submitted testimony regarding
9 depreciation rates, trended-original cost, and trended-original cost less depreciation.

10 Beginning in 1989 as a member of the Economic Analysis Department, I
11 submitted testimony on weather-normalized sales for natural gas, water, and electric
12 utilities. I reviewed residential electric load forecasts with associated detailed end-use
13 studies and marketing surveys in electric resource plans.

14 From December of 1997 through June of 2001, I was in the Tariffs/Rate
15 Design Section of the Commission's Gas Department. Since July of 2001, I have been in
16 the Tariffs/Rate Design Section of the Commission's Energy Department. I have
17 reviewed tariffs and applications of natural gas utilities and submitted testimony on
18 weather-normalized sales, certificates of convenience and necessity, and recommended
19 minimum statistical sample sizes to be used in natural gas residential customer billing
20 reviews.

21 Q. Please list all the cases in which you have submitted prepared written
22 testimony before this Commission.

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1 A. The cases in which I have submitted prepared, written testimony are
2 enumerated in Schedule 1, attached to my testimony.

3 Q. What is the purpose of your testimony?

4 A. My testimony addresses the complaint filed by TXU Energy Services,
5 Inc., (TXUES) and Schreiber Foods, Inc., (Schreiber Foods) against Missouri Gas Energy
6 (MGE).

7 Q. Of what company is TXUES a subsidiary?

8 A. TXUES is a wholly owned subsidiary of TXU Corporation (TXU) of
9 Dallas, Texas. TXU is a multinational company with several subsidiaries involved in the
10 following:

11 (1) merchandising energy:

12 TXU Energy Services,

13 TXU Energy Trading, and

14 TXU Generation;

15 (2) energy delivery:

16 TXU Electric & Gas,

17 TXU Utility Solutions, and

18 TXU Lone Star Pipeline.

19 (3) other activities:

20 TXU Business Services and

21 TXU Communications.

22 According to TXU's website, TXU is the ninth largest energy services
23 company in the world, based on revenues of more than \$22 billion dollars in revenue and

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1 \$45 billion of assets. Worldwide it has approximately 11 million customers and
2 generates approximately 30,000 megawatts.

3 In the United States, TXU supplies 2.7 million customers with 21,000
4 megawatts of electricity, and 1.4 million customers via 24,000 miles of natural gas mains.
5 TXU is the fourth-largest energy provider and third-largest generator in the United States.

6 Q. Briefly describe TXUES' business operations.

7 A. TXUES' corporate headquarters are also in Dallas, Texas. According to
8 TXUES' website, TXUES has eleven locations in the United States: Albany, New York;
9 Cedar Rapids, Iowa; Cherry Hill, New Jersey; Dallas, Texas; Englewood, Colorado;
10 Houston, Texas; Kansas City, Missouri; Pittsburgh, Pennsylvania; Rochester, New York;
11 San Francisco, California; and Syracuse, New York.

12 In its marketing of natural gas in the United States, TXUES currently
13 supplies over 8,500 customers nationwide. Seventy-five (75) utilities depend upon
14 TXUES to manage their natural gas deliveries.

15 Q. Briefly describe the other complainant Schreiber Foods.

16 A. According to Schreiber Foods' website, Schreiber Foods has been in the
17 food business since 1945. Schreiber Foods produces several lines of cheese.
18 Additionally, Schreiber Foods provides frozen food entrées to food retailers, under the
19 Arden International Kitchens brand name.

20 Q. Where are the Schreiber Foods plants located?

21 A. Schreiber Foods' corporate headquarters are in Green Bay, Wisconsin.
22 Schreiber Foods has five international facilities, a printed packaging operation, twelve
23 converting facilities, and a frozen entrée plant.

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1 Four of the twelve United States converting or production facilities are in
2 Missouri. The Missouri production facilities are located in Carthage, Clinton, Monett,
3 and Mount Vernon. The Carthage and Mount Vernon plants receive natural gas
4 transportation service from MGE. The Clinton, Missouri plant is not in MGE's natural
5 gas service territory.

6 Q. Generally describe some of the energy requirements of a dairy plant.

7 A. Energy use in the dairy industry is quite intensive. Typically, the dairy
8 industry uses heat (particularly pasteurization) to destroy bacteria and cells produced by
9 disease from raw milk. Processing the pasteurized milk into cheese generally requires
10 five times the energy of pasteurization. Even more energy is required to concentrate and
11 dry the milk into products such as powdered milk. Natural gas is one source of energy
12 that the dairy industry can utilize to generate the necessary heat.

13 Q. Briefly explain how TXUES arranges the purchase and delivery of natural
14 gas to the Schreiber Foods plant at Mount Vernon, Missouri.

15 A. TXUES purchases natural gas from a wholesaler on behalf of Schreiber
16 Foods, then the wholesaler (Williams Gas Pipelines Central, Inc., (Williams)) transports
17 the natural gas to MGE's city gate at Mount Vernon, Missouri.

18 Finally, MGE transports the natural gas to the Schreiber Foods plant in
19 Mount Vernon, Missouri. Schreiber Foods has been a natural gas transportation customer
20 of MGE since **_____, and MGE routinely sends a monthly bill for
21 transportation service to the Schreiber Foods plant at Mount Vernon, Missouri.

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23
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UNAUTHORIZED USE CHARGES

Q. What is in dispute?

A. It is ** _____ ** in unauthorized use charges that MGE billed Schreiber Foods for July 2000.

Q. What are unauthorized use charges?

A. Unauthorized use charges result when a customer receives natural gas volumes that exceed the authorized natural gas volumes for that transportation customer. MGE's tariff sheet no. 61.3 describes the unauthorized use charges as follows:

Unauthorized use charges will be assessed to transportation customers for all natural gas volumes taken in excess of customer's authorized gas volumes delivered to a Company's delivery location, for the customer's account, plus any Contract Demand level. (MGE's tariff sheet no. 61.3)

MGE's tariff sheet no. 61.3, is attached to this testimony, as Schedule 2.

Q. Briefly explain how a transportation customer of MGE could incur an unauthorized use charge.

A. MGE's tariff describes three ways that an unauthorized use charge could be incurred. The tariff states as follows:

Unauthorized use charges will be assessed to transportation customers on a daily basis:

1. during times of an MGE curtailment, and/or
2. during times of an interstate pipeline interruption, and/or
3. in the event no nomination exists for such customer (zero nomination). (MGE's tariff sheet no. 61.3)

Q. Why did MGE assess unauthorized use charges to Schreiber Foods?

A. MGE charged Schreiber Foods unauthorized use charges under the third reason for assessing unauthorized use charges:

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1 3. in the event no nomination exists for such customer (zero
2 nomination). (MGE's tariff sheet no. 61.3)
3

4 MGE determined that no nominations were recorded on behalf of
5 Schreiber Foods for July 2000.

6 Q. Does TXUES routinely place monthly nominations with Williams?

7 A. Yes, TXUES routinely makes monthly nominations for several Missouri
8 companies, including Schreiber Foods. Nominations are an integral part of TXUES'
9 business.

10 Q. Are Williams' nominations procedures well defined?

11 A. Yes, Williams has tariffs filed with the Federal Energy Regulatory
12 Commission (FERC).

13 Q. Are nominations easily verified?

14 A. Yes, Williams has an electronic bulletin board (EBB) that is readily
15 accessible via the Internet. Williams' FERC tariff refers to the EBB, as follows:

- 16 (i) Williams posts the nominations of all Shippers and Point
17 Operators on its system on its publicly available EBB. As
18 stated in GISB Standards 1.3.20 and 1.3.22, the failure of a
19 Shipper or Point Operator to change or confirm its
20 nominations has the same effect as if the nominations were
21 confirmed as to the lesser of the previously scheduled
22 quantities or the new nominations as posted on the EBB.
23 (Williams' FERC tariff sheet no. 230B)
24

25 Williams' FERC tariff sheet no. 230B is attached to this testimony, as Schedule 3.

26 Q. Is it MGE's responsibility to confirm that the nominations have been made
27 for its transportation customers?

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1 A. No, Williams' FERC tariff sheet indicates that it is the responsibility of "a
2 Shipper or Point Operator to change or confirm its nominations."

3 Q. In this case, who is the "shipper" or "point operator?"

4 A. It is TXUES.

5 Q. Once the deadline for nominations have passed, can a nomination be made
6 retroactively?

7 A. No, Williams FERC tariff states as follows:

8 (5) The sending party must adhere to nomination,
9 confirmation, and scheduling deadlines. It is the party
10 receiving the request who has the right to waive the
11 deadline. Nominations received after the nomination
12 deadline will be scheduled after the nominations received
13 before the nomination deadline. (Williams' FERC tariff
14 sheet no. 230B)

15
16 A nomination, for any given month, must be placed before the last day of that month.

17 Q. Have you ascertained why Williams did not receive a nomination on
18 behalf of Schreiber Foods for July 2000?

19 A. No. Apparently somewhere between TXUES and Williams a problem
20 occurred. Staff requested the documentation concerning the July 2000 nomination by
21 TXUES on behalf of Schreiber Foods. TXUES has not provided any documentation to
22 show that a nomination was ever made.

23 Accordingly, any natural gas volumes taken by Schreiber Foods during
24 July 2000 would be defined as "volumes in excess of the customer's authorized
25 volumes," and would be subject to unauthorized use charges.

26 Q. Who is responsible for any unauthorized use charges?

27 A. Based on tariff sheet no. 61.3, the customer is responsible.

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1 Q. Does MGE's tariff notify MGE's customers of MGE's policies,
2 procedures, and charges?

3 A. Yes. MGE's tariff contains the necessary information.

4 Q. Does MGE retain any portion of the unauthorized use charges assessed of
5 its transportation customers?

6 A. No. MGE's tariff sheet no. 61.4 states as follows:

7 All revenues received from unauthorized use charges will be
8 considered as gas cost recovery and will be used in the
9 development of the gas cost recovery amount during the ACA
10 audit as set forth in the Purchased Gas Adjustment schedule
11 (PGA). (MGE's tariff sheet no. 61.4)
12

13 MGE's tariff sheet no. 61.4, is attached to this testimony, as Schedule 4.

14 Therefore, the revenues from any unauthorized use charges are passed on
15 to the firm natural gas customers of MGE through the Actual Cost Adjustment (ACA) in
16 MGE's Purchased Gas Adjustment (PGA) clause.

17 Q. Are you aware of any prior problems with Schreiber Foods nominations in
18 the past?

19 A. No. I am unaware of any problems in the past.

20 Q. Does Schreiber Foods typically use relatively large volumes of natural gas
21 during the summer months?

22 A. Yes, it does. As I explained earlier, the dairy industry can be very energy
23 intensive. Schedule 5, attached to this testimony, shows the natural gas usage of
24 Schreiber Foods for a twenty-three month period. It shows that Schreiber Foods used

25 ** _____ ** during the month in dispute, July of 2000; and

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1 Schedule 5 demonstrates that Schreiber Foods routinely receives large volumes of natural
2 gas.

3 Q. Please summarize all the components of the unauthorized use charges that
4 Schreiber Foods was billed for failure to nominate in July 2000.

5 A. MGE's Tariff Sheet No. 61.3 lists three unauthorized charges.

6 Unauthorized Use Charges

- 7 1. \$1.50 for each Ccf of unauthorized use, plus
8 2. 125% (one-hundred and twenty-five percent) of the currently
9 effective Purchased Gas Adjustment rate, excluding the refund
10 factor, if any, plus
11 3. all interstate pipeline penalties and other charges incurred by the
12 Company which are attributable to a customer's unauthorized use.
13 All interstate penalties and other charges shall be attributed and
14 assigned to unauthorized use by specific transportation customers.
15 (MGE's tariff sheet no. 61.3)
16

17 Schreiber Foods was assessed unauthorized use charges using the first two calculations
18 that are listed in the tariff.

19 Q. Were there any interstate pipeline penalties for failure to nominate natural
20 gas volumes?

21 A. No. Williams did not charge a penalty for the failure to nominate for July
22 2000. If Williams had charged a penalty, the penalty would have been added to
23 Schreiber Foods' unauthorized use charges.

24 Q. Have you reviewed other unauthorized use charges to determine if the
25 magnitude of Schreiber Foods' unauthorized use charges are unusually large?

26 A. Yes. I have reviewed some of MGE's unauthorized use charges assessed
27 during the recent winters, and Schreiber Foods' unauthorized use charges were of similar
28 magnitude.

THE COMPLAINT

Q. Does TXUES believe that MGE had a responsibility to notify TXUES and/or Schreiber Foods?

A. Yes, TXUES stated in its Complaint filed April 20, 2001, the following:

17. MGE's actions and charges in this regard are a violation of Missouri statutes, regulations and MGE's tariffs to wit:
 - a. By failing to adequately notify either the individual authorized for energy matters at Schreiber Foods or TXUES of the lack of scheduled gas delivery for August (sic), 2000, and by failing to inform anyone at Schreiber Foods of the potential financial consequences stemming from the lack of nomination, MGE violated its duty of reasonable diligence per paragraph 8 of the Sale or Transportation of Natural Gas Contract found at Sheet 53 (sic) of MGE's tariff, effective Sept. 2, 1998. (TXUES and Schreiber Foods' Complaint, Lines 7 through 16, Page 4)

The TXUES and Schreiber Foods complaint incorrectly stated that the bill was for August 2000 when it was actually for usage during July 2000.

Q. Have you reviewed paragraph 8 of MGE's tariff sheet no. 52?

A. Yes. I have quoted the relevant section out of MGE's tariff containing a sample transportation contract. **

**

8. Company shall use reasonable diligence to provide a regular supply of natural gas subject to the priority of service provisions and other terms of Company's filed tariffs, but does not guarantee such supply. Company does not assume responsibility for interruption of service, whether caused by inadequacy of supply, equipment, facilities or because of uncontrollable forces, except when such interruption is the result of reckless, willful or wanton

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acts of Company, its agents or employees. (June 1, 1999,
Contract between MGE and Schreiber Foods and shown on
MGE's tariff sheet no. 52)

I have attached MGE's tariff sheet nos. 50 through 53, to this testimony, as Schedule 6.

Q. Did MGE "provide a regular supply of natural gas" to Schreiber Foods in
July 2000?

A. Yes, Schreiber Foods did receive natural gas in July 2000 from MGE.
The supply of natural gas to Schreiber Foods was uninterrupted.

Q. In your opinion, do you believe that MGE's tariff require MGE to contact
TXUES or Schreiber Foods?

A. No. There appears to be no specific, written requirement for MGE to
contact TXUES or Schreiber Foods. Additionally, Schreiber Foods apparently assumed
responsibility for arranging for its own purchase of natural gas when it signed the
transportation contract on ** _____ **.

Q. Do TXUES and Schreiber Foods question the wording of the tariff
language pertaining to unauthorized use charges?

A. Yes. TXUES and Schreiber Foods stated in their complaint that they
believe that MGE's tariff require MGE to send Schreiber Foods a daily bill for any
unauthorized use charges. TXUES and Schreiber Foods are referring to the language on
MGE's tariff sheet no. 61.3, which has been in effect since September 2, 1996.

Q. Have you reviewed MGE's tariff pertaining to references to occurrences
of "daily?"

A. Yes. I have. I have quoted two references to "daily" on MGE's tariff
sheet no. 61.3.

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1 Unauthorized use charges will be **assessed** to transportation
2 customers on a **daily basis**:
3

4 The Company will **bill** unauthorized use charges to
5 transportation customers on a **daily basis** pursuant to this
6 rate schedule, in addition to any upstream penalties
7 assessed directly to the customer by the delivering pipeline,
8 and/or penalties assessed to the Company by the delivering
9 pipeline, which can be directly attributed to unauthorized
10 use by such customer(s). (MGE's tariff sheet no. 61.3)
11

12 As stated earlier, Williams did not assess penalties for unauthorized use.

13 Q. In order to ascertain the meaning of the tariff, could you define some
14 "key" words?

15 A. Yes. I will define the words along generally accepted definitions. It
16 should be noted that these definitions are not included in MGE's tariff. Therefore, these
17 definitions are only a guide.

18 Q. What is the meaning of "assess?"

19 A. Assess generally means to determine or charge an entity with a fine or
20 some other special payment.

21 Q. What is the meaning of "bill?"

22 A. It is an itemized list or statement of fees or charges. It can be a verb with
23 two meanings: (1) to present a statement of costs or charges to an entity and (2) to enter
24 on a statement of costs or on a particularized list.

25 Q. Do you believe that the tariff requires a rendering of a bill every day?

26 A. No. I think it requires MGE to enter the daily unauthorized use charges to
27 Schreiber Foods' monthly bill. There are some practical reasons that a bill would not be
28 sent to a customer every day. First, since nominations can be made up until the last day

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1 of the month, MGE would not have known that the nomination had not been made until
2 after the last day of July. Second, past business practices by MGE seem to indicate that
3 MGE has not had major difficulty administering that provision in the tariff, indicating
4 that other customers did not expect to receive daily bills.

5 **SUMMARY**

6 Q. Please summarize your testimony.

7 A. TXUES is in the business of nominating natural gas for several
8 companies. Schreiber Foods entered into a contract for TXUES to arrange natural gas
9 supplies and delivery. In ** _____ **, Schreiber Foods assumed the responsibility for
10 arranging for its own supply and timely delivery of the natural gas when Schreiber Foods
11 converted to transportation service only from MGE. It is important for Schreiber Foods,
12 as well as TXUES, to develop the proper safeguards to insure the timely delivery of
13 natural gas to all of Schreiber Foods' plants.

14 **RECOMMENDATIONS**

15 Q. Would you please summarize your recommendations?

16 A. I would recommend that the Commission uphold the unauthorized use
17 charges assessed against Schreiber Foods resulting from zero nominations for July 2000.

18 Q. Does this conclude your Rebuttal Testimony?

19 A. Yes, it does.

NP

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

TXU Energy Services, Inc., and Schreiber)
Foods, Inc.)

Petitioners,)

v.)

Missouri Gas Energy, a Division of)
Southern Union Company,)

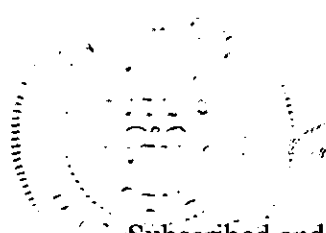
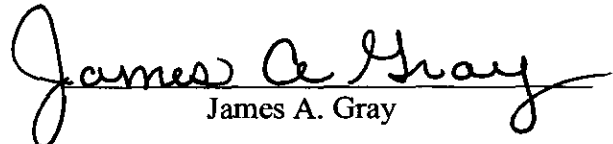
Respondent)

Case No. GC-2001-593

AFFIDAVIT OF JAMES A. GRAY

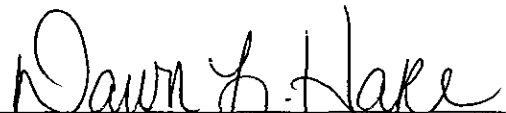
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James A. Gray, of lawful age, on his oath states: that he has participated in the preparation of the foregoing rebuttal testimony in question and answer form, consisting of 14 pages of rebuttal testimony to be presented in the above case, that the answers in the foregoing rebuttal testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



James A. Gray

Subscribed and sworn to before me this 21st day of December, 2001.

DAWN L. HAKE
Notary Public - State of Missouri
County of Cole


Notary Public

My commission expires My Commission Expires Jan 9, 2005

TXU Energy Services, Inc. and Schreiber Foods, Inc.

vs.

Missouri Gas Energy

Case No. GC-2001-593

Testimonies Submitted by James A. Gray

<u>COMPANY</u>	<u>CASE NO.</u>
Missouri Public Service Company	GR-81-312
Missouri Public Service Company	ER-82-39
Missouri Public Service Company	GR-82-194
Laclede Gas Company	GR-82-200
St. Louis County Water Company	WR-82-249
Missouri Public Service Company	ER-83-40
Kansas City Power & Light Company	ER-83-49
Osage Natural Gas Company	GR-83-156
Missouri Public Service Company	GR-83-186
The Gas Service Company	GR-83-225
Laclede Gas Company	GR-83-233
Missouri Water Company	WR-83-352
Missouri Cities Water Company	WR-84-51
Le-Ru Telephone Company	TR-84-132
Union Electric Company	ER-84-168
Union Electric Company	EO-85-17
Kansas City Power & Light Company	ER-85-128
Great River Gas Company	GR-85-136
Missouri Cities Water Company	WR-85-157
Missouri Cities Water Company	SR-85-158
United Telephone Company of Missouri	TR-85-179
Osage Natural Gas Company	GR-85-183
Kansas City Power & Light Company	EO-85-185
ALLTEL Missouri, Inc.	TR-86-14
Sho-Me Power Corporation	ER-86-27

<u>COMPANY</u>	<u>CASE NO.</u>
Missouri-American Water Company, Inc.	WR-89-265
The Empire District Electric Company	ER-90-138
Associated Natural Gas Company	GR-90-152
Missouri-American Water Company, Inc.	WR-91-211
United Cities Gas Company	GR-91-249
Laclede Gas Company	GR-92-165
St. Joseph Light & Power Company	GR-93-42
United Cities Gas Company	GR-93-47
Missouri Public Service Company	GR-93-172
Western Resources, Inc.	GR-93-240
Laclede Gas Company	GR-94-220
United Cities Gas Company	GR-95-160
The Empire District Electric Company	ER-95-279
Laclede Gas Company	GR-96-193
Missouri Gas Energy	GR-96-285
Associated Natural Gas Company	GR-97-272
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
AmerenUE	GA-99-107
Laclede Gas Company	GA-99-236
St. Joseph Light & Power Company	GR-99-42
Laclede Gas Company	GR-99-315
AmerenUE	GR-2000-512
Missouri Gas Energy	GR-2001-292
Gateway Pipeline Company, Inc., et al.	GM-2001-585
Laclede Gas Company	GR-2001-629

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas

TRANSPORTATION PROVISIONS

TRPR

Missouri Public
Service Commission

REC'D AUG 28 1998

UNAUTHORIZED USE CHARGES

Unauthorized use charges will be assessed to transportation customers for all natural gas volumes taken in excess of customer's authorized gas volumes delivered to a Company's delivery location, for the customer's account, plus any Contract Demand level. Unauthorized use charges will be assessed to transportation customers on a daily basis:

1. during times of an MGE curtailment, and/or
2. during times of an interstate pipeline interruption or curtailment, and/or
3. in the event no nomination exists for such customer (zero nomination).

The Company will bill unauthorized use charges to transportation customers on a daily basis pursuant to this rate schedule, in addition to any upstream penalties assessed directly to the customer by the delivering pipeline, and/or penalties assessed to the Company by the delivering pipeline, which can be directly attributed to unauthorized use by such customer(s).

Unauthorized Use Charges

1. \$1.50 for each Ccf of unauthorized use, plus
2. 125% (one-hundred and twenty-five percent) of the currently effective Purchased Gas Adjustment rate, excluding the refund factor, if any, plus
3. all interstate pipeline penalties and other charges incurred by the Company which are attributable to a customer's unauthorized use.

All interstate penalties and other charges shall be attributed and assigned to unauthorized use by specific transportation customers.

Missouri Public
Service Commission
98-140

FILED SEP 02 1998

DATE OF ISSUE August 28 1998
month day year

DATE EFFECTIVE SEP 02 1998
month day year

ISSUED BY: Charles B. Hernandez

Director, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, MO. 64111

9. SCHEDULING, CURTAILMENT AND IMBALANCES (Cont'd)

- (5) The sending party must adhere to nomination, confirmation, and scheduling deadlines. It is the party receiving the request who has the right to waive the deadline. Nominations received after the nomination deadline will be scheduled after the nominations received before the nomination deadline.
- (6) In addition to notification through the scheduled quantities statement, direct notice of bumping of interruptible Shippers will be issued by telephone and telefax transmission and shall also be posted on Williams' EBB. Interruptible Shippers will also be notified as to whether penalties will apply on the day of the bump. Non-critical penalties will be waived for bumped Shippers on the day of the bump. This waiver shall not apply during Periods of Daily Balancing.
- (f) The receiver of the nomination initiates the confirmation process. The party that would receive a Request for Confirmation or an unsolicited Confirmation Response may waive the obligation of the sender to send.
- (g) The level of information required to define a nomination for communications purposes is a line item containing all defined components.
- (h) A package ID is a way to differentiate between discrete business transactions. Use of package ID is at the discretion of the service requester, and if sent, will be accepted and processed by Williams. When used, package ID will be: a) supported for nominating and scheduling; b) mutually agreed between parties for allocations and imbalance reporting; c) supported for invoicing (sales and purchase); and d) mutually agreed for transport for invoicing.
- (i) Williams posts the nominations of all Shippers and Point Operators on its system on its publicly available EBB. As stated in GISB Standards 1.3.20 and 1.3.22, the failure of a Shipper or Point Operator to change or confirm its nominations has the same effect as if the nominations were confirmed as to the lesser of the previously scheduled quantities or the new nominations as posted on the EBB.

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas

<p><u>TRANSPORTATION PROVISIONS</u> <u>TRPR</u></p>	<p>Missouri Public Service Commission REC'D AUG 28 1998</p>
<p><u>OTHER TERMS AND CONDITIONS</u></p> <p>All revenues received from unauthorized use charges will be considered as gas cost recovery and will be used in the development of the gas cost recovery amount during the ACA audit as set forth in the Purchased Gas Adjustment schedule (PGA).</p> <p>Missouri Public Service Commission 98 - 140 FILED SEP 02 1998</p>	

DATE OF ISSUE August 28 1998
month day year

DATE EFFECTIVE SEP 02 1998
month day year

ISSUED BY: Charles B. Hernandez

Director, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, MO. 64111

SCHEDULE 5

IS DEEMED

HIGHLY CONFIDENTIAL

IN ITS

ENTIRETY

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas

Missouri Public
Service Commission

SALE or TRANSPORTATION of NATURAL GAS CONTRACT

REC'D AUG 28 1998

CONTRACT FOR SALE or TRANSPORTATION OF NATURAL GAS

THIS AGREEMENT, made this ____ day of _____, 19____, between **MISSOURI GAS ENERGY, A DIVISION OF SOUTHERN UNION COMPANY**, hereinafter referred to as "Company",
_____ hereinafter referred to as "Customer".

WITNESSETH: That Company owns and operates facilities for the distribution, sale and transportation of natural gas and Customer desires to transport natural gas through Company's distribution facilities.

NOW, THEREFORE, for and in consideration of the mutual covenants, and agreements hereof, Company and Customer have agreed and do hereby covenant and agree each with the other as follows, to wit:

1. Subject to all the terms and conditions of this Contract, Company agrees to sell to or transport for Customer and Customer agrees to transport through Company, natural gas for use at its facility at _____, at the rates and charges due and payable therefore pursuant to the Company's applicable Gas Rate Schedule LV, a copy of which is attached hereto and made a part hereof by reference, and upon the terms and conditions set forth in such Rate Schedule and in the Company's "General Terms and Conditions for Gas Service," all as now on file with the regulatory authority having jurisdiction herein, and as amended, reissued and made effective from time to time as provided by law. Company shall provide a copy of "General Terms and Conditions" upon request.

2. Customer's level of maximum daily requirements (hereinafter referred to as "Contract Demand") is ____ Ccf per day. Such Contract Demand shall be used to allocate any demand, gas reservation, capacity, or other similar charge incurred by Company in order to obtain natural gas supplies for Customer. Customer may elect to amend its Contract Demand level effective on each November 1 beginning in _____ by providing at least 180 days prior written notice to Company in the form of a "Contract Demand Level Amendment" which shall be provided upon request.

Missouri Public
Service Commission

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DATE EFFECTIVE September 27 1998
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SEP 02 1998

ISSUED BY: Charles B. Hernandez

Director, Pricing and Regulatory Affairs
Missouri Gas Energy Kansas City, MO. 64111

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas

SALE or TRANSPORTATION of NATURAL GAS CONTRACT Missouri Public Service Commission

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3. Customer shall receive transportation service from Company at their existing facility located at _____ from _____ delivery location _____, or as may otherwise be subsequently agreed by the parties hereto. Customer may have various accounts that qualify for transportation as a single location and elect to have Company transport natural gas in accordance with tariffs filed by Company with the regulatory authority having jurisdiction. In that event, the service address, account number and rate schedule of each account to receive transportation shall be as follows:

SERVICE ADDRESS

ACCOUNT NO.

RATE

METER NO.

Changes to qualifying accounts shall be made by completing "Accounts Qualified for Sale or Transportation at Single Locations Amendment".

4. Should Company be requested by Customer to install new facilities in order to provide deliveries hereunder or to expand its existing facilities, the special conditions under which such investment will be recovered from Customer are as set forth in a "Special Conditions Amendment" to be attached when applicable.

5. This Contract shall continue from the date of execution through the next October 31. This contract shall continue thereafter from year to year until terminated by either party giving written notice at least 180 days prior to the November 1st renewal date, provided however, Company may terminate or suspend its obligations under this Contract as provided for in its General Terms and Conditions.

6. Nothing contained herein shall be construed as affecting in any way the right of Company to unilaterally make application for a change in its rates or General Terms and Conditions to the regulatory authority having jurisdiction; provided customer shall have the right to protest any changes.

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ISSUED BY: Charles B. Hernandez

Director, Pricing and Regulatory Affairs

Missouri Gas Energy, Kansas City, MO. 64111

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas
Missouri Public
Service Commission

SALE or TRANSPORTATION of NATURAL GAS CONTRACT

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7. This Contract, and the rates and service hereunder, shall be subject to regulation by the regulatory authority having jurisdiction; to all applicable present and future state and federal laws; and to all rules, regulations, and orders of any other regulatory authority having jurisdiction of the subject matter or either of the parties hereto.

8. Company shall use reasonable diligence to provide a regular supply of natural gas subject to the priority of service provisions and other terms of Company's filed tariffs, but does not guarantee such supply. Company does not assume responsibility for interruption of service, whether caused by inadequacy of supply, equipment, facilities or because of uncontrollable forces, except when such interruption is the result of reckless, willful or wanton acts of Company, its agents or employees.

9. The provisions of this Contract shall not be changed except in writing duly signed by Company and Customer; however, the Contract is subject to valid orders of legally constituted regulatory bodies having jurisdiction of the Company's rates.

10. No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Contract shall operate or be construed as a waiver of any future defaults, whether of a like or of a different character.

11. This contract shall insure to the benefit of and be binding upon the parties hereto, their respective successors and assigns.

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ISSUED BY: Charles B. Hernandez

Director, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, MO. 64111

FORM NO. 13
P.S.C. MO. No. 1
Canceling P.S.C. MO. No. 1

First Revised
Original

SHEET No. 53
SHEET No. 53

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas

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12. This Contract sets forth the only agreements between the Company and Customer and all prior agreements, contracts or other mutual understandings whether oral or in writing shall be considered canceled as of the date of this Contract.

IN WITNESS WHEREOF, the parties hereto have executed this Contract in duplicate the day and year first above written.

MISSOURI GAS ENERGY, A DIVISION OF SOUTHERN
UNION COMPANY

By _____

By _____

ATTEST: _____

ATTEST: _____

Legal Department Approval

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