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May 24, 2001

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

RE: MGE application for gas safety variance

Dear Mr. Roberts:

FILED²
MAY 24 2001 *mh*
Missouri Public
Service Commission

GE-2001-647

Enclosed for filing in the above-referenced proceeding on behalf of Missouri Gas Energy please find an original and eight copies of an "Application for Variance and for Temporary Variance Pending Resolution."

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

Sincerely yours,

Gary W. Duffy
Gary W. Duffy

Enclosures
cc w/encl:

Office of Public Counsel
Office of the General Counsel
Rob Hack

FILED
MAY 24 2001
Missouri Public
Service Commission

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

In the matter of the Application of)
Missouri Gas Energy for a Variance from)
4 CSR 240-40.030(14)(C)3 Regarding the)
Time Period in which a Particular Class 3)
Leak in St. Joseph, Missouri, will be)
Required to be Repaired.)

6E-2001-647
Case No. ~~GO-2001-~~_____

**APPLICATION FOR VARIANCE
AND FOR TEMPORARY VARIANCE PENDING RESOLUTION**

COMES NOW Missouri Gas Energy, a division of Southern Union Company, pursuant to 4 CSR 240-2.060(1) and (14) and 4 CSR 240-40.030(16), by and through its counsel, and for its Application for Variance and for Temporary Variance Pending Resolution, states as follows:

1. Applicant is Missouri Gas Energy ("MGE"), a division of Southern Union Company. MGE's principal office is located at 3420 Broadway, Kansas City, Missouri 64111.
2. Southern Union Company is a corporation duly incorporated under the laws of the state of Delaware and conducts business in Missouri under the fictitious name of Missouri Gas Energy. A copy of a certificate from the Missouri Secretary of State that Southern Union Company is authorized to do business in Missouri as a foreign corporation was filed in Case No. GA-2001-509 and is incorporated here by reference. A copy of a certificate from the Missouri Secretary of State that Missouri Gas Energy is a registered fictitious name of Southern Union Company was filed in Case No. GA-2001-509 and is incorporated here by reference. Southern Union Company has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court within the past three (3) years which involve customer service or rates. MGE has no annual report or assessment fees which are overdue.

3. MGE conducts the business of a "gas corporation" and provides natural gas service in the Missouri counties of Andrew, Barry, Barton, Bates, Buchanan, Carroll, Cass, Cedar, Christian, Clay, Clinton, Cooper, Dade, Dekalb, Greene, Henry, Howard, Jackson, Jasper, Johnson, Lafayette, Lawrence, McDonald, Moniteau, Newton, Pettis, Platte, Ray, Saline, Stone, and Vernon, subject to the jurisdiction of the Missouri Public Service Commission (Commission).

4. All correspondence, communications, notices, orders and decisions of the Commission with respect to this matter should be sent to:

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Brydon, Swearengen & England P.C.
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5. This application requests a variance from a provision of the Commission's regulations regarding when a particular leak will be required to be repaired. The request is being made due to a unique set of circumstances.

6. The leak in question bears the MGE classification number of 96-0344. It is located at 900 Lower Lake Road in St. Joseph, Missouri. This leak is classified under the Commission's regulations as a "Class 3 leak" which means that it "is a leak that does not constitute a hazard to property or to the general public but is of a nature requiring routine action." The Commission's rule also provides: "These leaks must be repaired within five (5) years and be rechecked twice per calendar year, not to exceed six and one-half (6 ½) months, until repaired or the facility is replaced." See 4 CSR 240-40.030(14)(C)3. The essence of this application for

variance is that MGE is seeking a two year extension on the deadline for repair of this one particular leak. Because the deadline for repair on this particular leak is June 24, 2001, MGE also requests a temporary variance while the Commission processes this application, in the event that an order in this case is not issued prior to June 24, 2001.

7. Leak no. 96-0344 is in a sixteen inch diameter steel main, which is located inside a steel casing pipe, which is buried approximately seven feet below a railroad spur. The leak is located approximately fifty (50) feet from the nearest structure, which is a storage shed. The leak is being monitored twice per year, in conformance with 4 CSR 240-40.030(14)(C)3, with monitoring being performed in January and July. Absent this request for variance, the provisions of 4 CSR 240-40.030(14)(C)3 would require that this leak be repaired by MGE by June 24, 2001.

8. MGE is requesting this variance because the magnitude of public improvement projects already underway in the St. Joseph area, and ones scheduled to start very soon, will require the full attention of MGE personnel. Adding this additional repair project within the currently required time frame presents the prospect of difficulty from the standpoint of managing the construction and damage prevention activities on all the projects concurrently. Current public improvement projects in the St. Joseph area include the following:

- A) Highway 6 (Frederick Avenue) - I-29 to Riverside Road. This project involves a six inch 30-50 PSI main that is the only feed into all of the residential areas east of Interstate Highway 29 and north of Frederick Avenue.
- B) Phase I - Faraon Street East of I-29. This involves an eight inch 30-50 PSI line that serves several residential areas, the local hospital and a major industrial area. Damage prevention activities in this area are a high priority.
- C) Phase II - Faraon Street from the Belt Highway to I-29 will start June 1, 2001.

This will involve total replacement of all MGE facilities in this area, while doing damage prevention activities on existing facilities to prevent a major outage.

D) King Hill Improvement Project starts in October 2001. This involves replacement of all of MGE's facilities in an area from Parker Road to Alabama Street. This six inch 90 PSI welded steel line, and several regulator stations, is the primary feed from MGE's Town Border Station for all of St. Joseph and Savannah, Missouri.

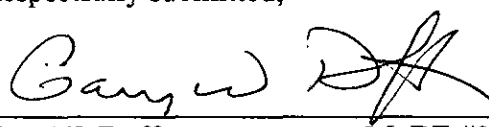
9. MGE's concern, and the basis for this request for variance, is that the magnitude of the improvement projects now underway and those scheduled to start this year, could possibly compromise MGE's ability to give proper attention where it is most needed, in comparison to the repair of a leak which is of a much lower safety priority. MGE's proposed solution to this situation is to defer the deadline on the repair on this particular Class 3 leak for an additional two years. That two year deferral requires Commission approval. The two year period is designed to allow for possible delays in the public improvement projects mentioned. The repairs necessary on this particular Class 3 leak are not insignificant and MGE estimates costs in the approximate amount of \$200,000.

10. The granting of such a variance is authorized under 4 CSR 240-40.030(16). The granting of a variance in this instance will not be inconsistent with gas pipeline safety. In fact, MGE believes it will promote safety because MGE will be able to concentrate its resources on the public improvement projects where damage prevention due to construction is a high priority. In contrast, Class 3 leaks, as indicated by the Commission's rule, are of a routine and non-hazardous nature, which is indicated by the fact that the Commission's rules allow five (5) years after discovery before they are required to be repaired. This particular leak does not pose any significant safety threat due to its distance from structures. MGE will continue to monitor the

leak twice per year in conformance with 4 CSR 240-40.030(14)(C)3. The federal Department of Transportation does not have any provisions on classification of leaks or the time period in which they are required to be repaired. Therefore, 4 CSR 240-40.030(14)(C)3 is more stringent than the federal standards, and only Commission approval is required for this variance. MGE agrees as a condition of receiving this variance that it will mail to the Gas Safety Staff a copy of the documentation it makes for each leak investigation it conducts on this leak during the extended period until the leak is repaired.

WHEREFORE, MGE requests an order from the Commission which grants MGE a variance from the provision in 4 CSR 240-40.030(14)(C)3, which would otherwise require its Leak no. 96-0344 to be repaired by June 24, 2001, and instead allows an additional two years, until June 24, 2003, for the repair of that particular leak. In addition, MGE requests that the Commission grant MGE a temporary variance from 4 CSR 240-40.030(14)(C)3 to cover any period after June 24, 2001, if the Commission has not issued an order in this proceeding before then.

Respectfully submitted,

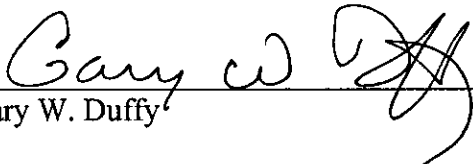


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Attorneys for Missouri Gas Energy

STATE OF MISSOURI)
)ss
COUNTY OF COLE)

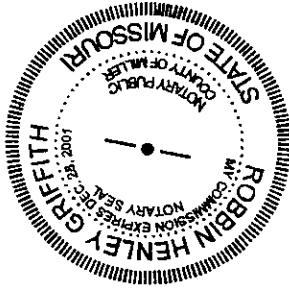
VERIFICATION

The undersigned, being duly sworn, states upon his oath that the statements in the foregoing application are true and correct to the best of his understanding, knowledge and belief, and that the designated attorneys are authorized to represent Missouri Gas Energy in this proceeding.



Gary W. Duffy

Subscribed and sworn to before me this 24th day of May, 2001.

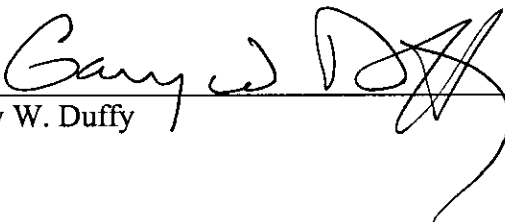




Notary Public

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing was hand delivered to the Office of the Public Counsel and the Office of the General Counsel this 24th day of May, 2001.



Gary W. Duffy

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