

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

In the Matter of the Assessment Against)
the Public Utilities in the State of Missouri) Case No. AO-2002-1156
for the Expenses of the Commission for the)
Fiscal Year Commencing July 1, 2002.)

APPLICATION FOR REHEARING AND STAY

COMES NOW Southern Union Company d/b/a Missouri Gas Energy (hereinafter, the “Applicant”), pursuant to §386.500 RSMo. 2000 and 4 CSR 240-2.160, and respectfully applies to the Missouri Public Service Commission (“Commission”) that it grant rehearing and hold a hearing with respect to its June 25, 2002, Assessment Order for Fiscal Year 2003 (the “Assessment Order”) issued in the captioned case. For the reasons stated herein, the order is unlawful, unjust, unreasonable, arbitrary, capricious, involves an abuse of discretion, is unsupported by competent and substantial evidence upon the whole record, is in excess of statutory authority, and is unconstitutional in all material matters of fact and law, individually or cumulatively, or both, in the particulars hereinafter stated for the following reasons and in the following respects:

1. On June 25, 2002, the Commission issued its Assessment Order in the captioned case pursuant to which it estimated the amounts of expenses directly attributable to all groups of utilities and, also, the amounts of expenses not directly attributable to any such group. The stated purpose of the order is to make the public utility assessments provided for in §386.370 RSMo. 2000, for the Commission's fiscal year commencing July 1, 2002 (hereinafter "the 2003 fiscal year").

2. The cover letter accompanying the assessment to Applicant dated June 26, 2002 (copy attached) provides no detail or explanation with respect to the manner in which the assessment was derived; however, certain information is available on the Commission's web site.

3. The amount of Applicant's assessment for fiscal year 2003 is over three hundred thousand dollars (\$300,000.00) more than Applicant's assessment for the immediately preceding fiscal year of 2002. This represents an approximate twenty percent (20%) increase from the year prior.

4. The magnitude of the increase in Applicant's assessment is astonishingly high and presumptively excessive. A rehearing is required in order to give Applicant an opportunity to explore the reason or reasons for the dramatic increase in its assessment from the immediately preceding fiscal year.

5. It is also Applicant's understanding that the Commission assessment for fiscal year 2003 includes amounts associated with an assessment made by the Office of Administration ("OA") on the Commission for certain government support services from the OA and other state agencies. Applicant submits that a rehearing is necessary and appropriate to explore the appropriateness of allocation of these government costs to determine whether they are in fact reasonable and "reasonably attributable to the regulation of public utility." *See*, §386.370.1 RSMo. 2000.

6. Applicant is aware that the OA assessment for government support services may be a factor external to the Commission's customary budgetary considerations and is, therefore, the result of circumstances not entirely of the Commission's making and, consequently, not entirely within the Commission's control. Nevertheless, Applicant believes that it, like the Commission, has an obligation to identify and challenge items that are not eligible to be included in the calculation of the Commission's assessment. The use of the Public Service Commission Fund (the "Fund") for any purpose other than to pay the Commission's cost of regulating utilities subject to its jurisdiction is a serious matter and one worthy of serious and thoughtful inquiry. Granting this Application for

Rehearing would facilitate the examination and dialogue.

7. The depletion of the Fund for any purpose other than is authorized by law adversely impacts Applicant and its customers because any reserve left in the fund at the end of a particular fiscal year is carried over into the next year and reduces the following year's assessment. §386.370.4 RSMo. 2000. It logically follows that a reduction in the reserve in the Fund to facilitate unauthorized costs can result in higher assessments in the following years than would otherwise be the case.

8. Applicant believes that the Commission may have acted unlawfully, unreasonably and/or arbitrarily by basing its allocation of expenses not directly attributable to any group based on gross intrastate operating revenues realized for the calendar year 2001. As the Commission will recall, the commodity costs for natural gas in calendar year 2001 (and particularly January of calendar year 2001) were extraordinary and unusually high. Applicant believes that the Commission should reexamine the unadjusted use of gross intrastate operating revenue because of the possible disproportionate impact on the natural gas industry caused by an unusual spike in the price of natural gas.

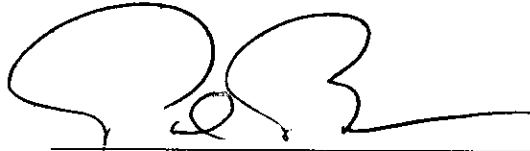
9. Applicant has only had a limited opportunity to review the Commission's Assessment Order and the support information posted on the Commission's web site regarding the 2003 fiscal year assessment. Consequently, there may be other issues of which Applicant is not currently aware that deserve examination and consideration as well.

10. The Commission has not left sufficient time between the issued and effective dates of the Assessment Order to give interested and affected parties a reasonable opportunity to prepare and file an Application for Rehearing in violation of §386.500 RSMo. 2000. Applicant also

contends that the Commission should stay the effectiveness and enforcement of the order beyond the current effective date of July 1, 2002, so as to give all interested parties a reasonable opportunity to better understand the method of and basis for the Commission's assessment to particular industries and, more particularly, individual companies.

WHEREFORE, Applicant respectfully requests the Commission to stay the effectiveness and enforcement of its Assessment Order for fiscal year 2003 issued in the captioned docket, grant a rehearing and enter upon a hearing concerning the propriety of its public utility assessment and other matters related thereto, and, upon reconsideration, issue a new order setting aside its June 25, 2002, Assessment Order for Fiscal Year 2003, which new order is consistent with the evidence and applicable law as more fully set forth above in this pleading.

Respectfully submitted,



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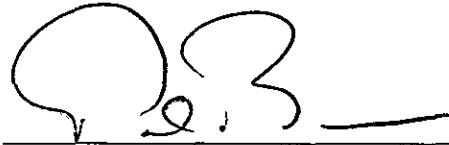
Attorneys for Southern Union Company d/b/a
Missouri Gas Energy

Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. mail, postage prepaid, or hand-delivered, on this 28th day of June, 2002, to:

General Counsel's Office
Missouri Public Service Commission
Governor Office Bldg., 200 Madison St.
Suite 100
Jefferson City, MO 65102

Office of the Public Counsel
Governor Office Bldg., 200 Madison St.
Suite 650
Jefferson City, MO 65102



JUN 28 2002



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CONNIE MURRAY
SHEILA LUMPE
STEVE GAW
BRYAN FORBIS

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ROBERT SCHALLENBERG
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 Director, Administration
DALE HARDY ROBERTS
 Secretary/Chief Regulatory Law Judge
DANA K. JOYCE
 General Counsel

June 26, 2002

MISSOURI GAS ENERGY
3420 BROADWAY
KANSAS CITY MO 64111

Subject: Missouri Public Service Commission Annual Assessment

Dear Sir or Madam:

Pursuant to the provisions of Section 386.370 RSMo Supp 2001, you are subject to assessment as a public utility for expenses of the Missouri Public Service Commission. On June 25 2002, the Commission determined the amount of the assessment in Case No. AO-2002-1156. Please visit our website at www.psc.state.mo.us to view information regarding the annual assessment. The amount of your assessment for the fiscal year beginning July 1, 2002 is \$1,629,510.56 gas.

In making payment, please observe the following instructions:

1. Make check payable to: Director of Revenue, State of Missouri
 Mail check to: Missouri Public Service Commission
 Attn: Internal Accounting Department
 P.O. Box 360
 Jefferson City, MO 65102
2. July 15, 2002 is the due date for this assessment. At your option, you may pay the assessment in quarterly installments. If you choose quarterly installments, they are due on the following dates:

July 15, 2002	October 15, 2002
January 15, 2003	April 15, 2003
3. No further assessment notice will be furnished. If you choose to make quarterly installments, it is your responsibility to make the payments no later than the due date shown above.

Sincerely,

Robert J. Quinn, Jr.
 Executive Director