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**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 29th
day of October, 1997.

In the Matter of Missouri Gas Energy's)
Tariff Sheets Designed to Increase Rates) CASE NO. GR-98-140
for Gas Service in the Company's Missouri)
Service Area.)

SUSPENSION ORDER AND NOTICE

On October 3, 1997, Missouri Gas Energy, a division of Southern Union Company (Company) submitted to the Commission tariff sheets reflecting increased rates for gas service provided to customers in the Missouri service area of the Company. The proposed tariff sheets bear a requested effective date of November 2 and are designed to produce an annual increase of approximately 6.89 percent (\$27,817,140) in the Company's revenues.

To allow sufficient time to study the effect of the proposed tariff changes and to determine if they are just, reasonable and in the public interest, the proposed tariffs shall be suspended for a period of 120 days plus an additional six months beyond the requested effective date.

The Commission is required by law to give rate increase cases preference over all other questions pending before it and to decide such cases as quickly as possible. The burden of proof that the proposed rates are just and reasonable is upon the Company. The Company shall file its prefiled direct testimony in support of its proposed rate increase no later than November 26, 1997. The Company shall include in its prefiled direct testimony its recommendation concerning the proper test year and updated test year to be used in these proceedings.

The Commission will schedule the hearing dates for this case in this order and require the Public Service Commission Staff (Staff) to file a proposed procedural schedule for the additional filing dates for prefiled testimony, the prehearing conference, the hearing memorandum and the reconciliation. Staff should coordinate the proposed schedule with Company and the Office of the Public Counsel, where possible. By establishing the hearing dates the Commission will ensure this matter is heard as expeditiously as possible.

The Commission's general policy provides for the filing of the transcript within two weeks after the conclusion of the hearing. If any party seeks to expedite the filing of the transcript, such a request shall be tendered, in writing, to the regulatory law judge at least five days prior to the date of hearing.

The Staff, Public Counsel and all intervenors shall state their positions regarding the Company's test year and updated test year proposals as hereinafter ordered. The test year is the twelve-month period which is used to audit a company's books to determine the proper amounts of rate base, expenses and revenues to be used in calculating a revenue requirement for a company. A resolution of the test year issue must be made early in the proceedings so that parties' testimony can be reconciled to the same period. The test year involves an audit of all books and records of a company so that a total revenue requirement can be calculated.

Company's, Staff's and other parties' test year proposals should include a specific twelve-month period as a test year and should include any additional period for which Staff or another party has updated significant items from the test year. The test year with the additional period will be called a test year as updated, or updated test year. In addition to a proposed test year or a proposed test year as updated, a

party may request isolated changes, such as those imposed by governmental bodies, as part of its case and the Commission will consider whether those isolated changes are known and measurable and whether they should be included in Company's revenue requirement. An issue to be considered in this determination is whether the proposed adjustment affects the matching of rate base, expenses and revenue.

The Records Department of the Commission shall serve a copy of this order upon the mayor of each city and the county commission of each county in the Company's service area. In addition, the Information Office shall send notice of this order to the publisher of each newspaper located in the counties in which the Company provides service, as listed in the newspaper directory of the current *Official Manual of the State of Missouri*, and to the members of the General Assembly representing the Missouri area served by the Company.

Any proper entity desiring to intervene in this proceeding shall file its application to intervene on or before the date set in this order as provided by 4 CSR 240-2.075 and shall serve a copy of the application on the Company's representative:

Robert J. Hack, Senior Attorney
Missouri Gas Energy
3420 Broadway
Kansas City, Missouri 64111-2404

Testimony and schedules shall not be filed under seal and treated as proprietary or highly confidential unless a protective order has first been established by the Commission. The party which considers information to be proprietary or highly confidential should request a protective order to ensure the information is treated as designated. Any testimony or schedule filed without a protective order first being established shall be considered public information.

The Commission will authorize Staff to file a complaint seeking a reduction in Company's revenues if Staff's audit reflects that Company's earnings are excessive.

IT IS THEREFORE ORDERED:

1. That all proposed tariff sheets submitted on October 3, 1997 (Tariff File Number 9800264), by Missouri Gas Energy, a division of Southern Union Company, for the purpose of increasing rates for gas service are hereby suspended for a period of 120 days from November 2, 1997, to March 2, 1998.

2. That the tariffs suspended in ordered paragraph 1 are hereby suspended an additional six months beyond March 2, 1998, to September 2, 1998.

3. That any application to intervene shall be filed with the Commission and served upon Missouri Gas Energy's attorney, on or before November 21, 1997.

4. That Missouri Gas Energy shall file 15 copies of its direct testimony and schedules and minimum filing requirements with the Executive Secretary of the Commission on or before November 26, 1997. Company shall provide 11 additional copies of its testimony to Staff.

5. That Missouri Gas Energy shall include with the filing of its prepared direct testimony and exhibits in this matter its recommendation concerning the proper test year and updated test year for use in this case.

6. That Commission Staff, the Office of the Public Counsel and intervenors shall file a pleading indicating concurrence in Missouri Gas Energy's recommended test year and updated test year, or shall recommend alternatives to the Company's recommended test year and updated test year, on or before December 8, 1997,

7. That Commission Staff shall file a proposed procedural schedule as described in this order on or before November 26, 1997.

8. That an evidentiary hearing is hereby scheduled for this case beginning 10:00 a.m. on May 26, 1998, to continue through May 29, 1998, and reconvening June 1, 1998, to continue through June 3, 1998. The hearing will be held in the Commission's hearing room, 520B, on the fifth floor of the Harry S Truman State Office Building, 301 West High Street, Jefferson City, Missouri.

9. That Missouri Gas Energy shall notify each affected customer of the hearings scheduled in this case by either a notice on or accompanying a bill, or in a separate notice, within 60 days of the issuance of this order. The notice shall be in the following form:

NOTICE

Missouri Gas Energy has filed revised tariffs with the Missouri Public Service Commission (PSC) which would increase Missouri Gas Energy's Missouri jurisdictional annual gross revenues by approximately 6.89 percent.

An evidentiary hearing has been set before the PSC to begin at 10:00 a.m., May 26, 1998, in the PSC's hearing room on the fifth floor of the Harry S Truman State Office Building, 301 West High Street, Jefferson City, Missouri. If you wish to comment or secure information, you may contact the Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, telephone (573) 751-4857.

If any person has special needs as addressed by the Americans with Disabilities Act, please contact the Missouri Public Service Commission at least ten days prior to the hearing at one of the following numbers: Consumer Services Hotline -- 1-800-392-4211, or TDD Hotline -- 1-800-829-7541.

9. Any person(s) with special needs as addressed by the Americans with Disabilities Act should contact the Missouri Public Service Commission at least ten days prior to the hearing at one of the following

numbers: Consumer Services Hotline -- 1-800-392-4211, or TDD Hotline -- 1-800-829-7541.

10. That testimony and any attachments to a witness's testimony shall be marked and filed only in the manner prescribed by 4 CSR 240-2.130.

11. That all counsel and parties to this proceeding shall review 4 CSR 240-4.020, comply with its terms and communicate the meaning and importance of that rule to all personnel whom counsel believes or reasonably should believe ought to be made aware of that rule.

12. That all counsel shall immediately report to the Commission all future possible violations of any Commission rule by any party, including the party they represent.

13. That the Records Department and Information Office of the Commission shall serve a copy of this order and provide notice as described in this order.

14. That requests for expedited transcript shall be filed as described in this order.

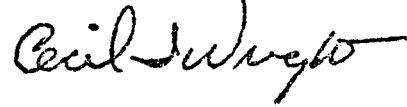
15. That prefiled testimony shall only be filed under seal pursuant to the terms of a protective order issued by the Commission.

16. That Commission Staff is authorized to file a complaint seeking a reduction in Company's revenues if its audit reflects that Company's earnings are excessive.

17. That requests for local customer hearings shall be filed no later than February 20, 1998.

18. That this order shall become effective October 29, 1997.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read "Cecil I. Wright", written in a cursive style.

**Cecil I. Wright
Executive Secretary**

(S E A L)

Lumpe, Ch., Crumpton, Murray,
and Drainer, CC., concur.

George, Regulatory Law Judge