



MISSOURI GAS ENERGY

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ROBERT J. HACK

Vice President, Pricing & Regulatory Affairs

May 1, 2002

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street, Suite 100
P.O. Box 360
Jefferson City, Missouri 65102-0360

RE: Case No. GO-2002-48, Missouri Gas Energy

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter, please find an original and eight (8) conformed copies of **Missouri Gas Energy's Response to Staff Recommendation and First Amended Application**.

A copy of this filing has been mailed or hand-delivered this date to counsel of record.

Thank you for bringing this matter to the attention of the Commission. Please call me if you have any questions regarding this matter.

Sincerely,

Robert J. Hack
by RWT

C: Thomas R. Schwarz, Jr.
Dennis L. Frey
Douglas E. Micheel
Douglas Field

Enclosures

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

In the matter of Missouri Gas Energy's)	
Application for determination of certain)	Case No. GO-2002-48
Matters pertaining to its Safety Line)	
Replacement program.)	

MISSOURI GAS ENERGY'S RESPONSE TO STAFF RECOMMENDATION

Comes now Missouri Gas Energy ("MGE"), a division of Southern Union Company, by and through counsel and for its response to the Staff recommendation filed herein on or about April 12, 2002, respectfully states as follows:

1. Through its recommendation, the Staff appears to be generally supportive of MGE's application. MGE appreciates the effort the Staff has apparently made to take a broad perspective and understanding of the admittedly unique circumstances presented by MGE's application. By this response, MGE expresses its agreement with the overall thrust of the Staff's recommendation; further, MGE will attempt to clarify certain matters as requested by the Staff. MGE will first address Farm Tap Service Lines and then will address Master Meter Trailer Parks.

A. Farm Tap Service Lines

2. MGE understands that the Staff supports the Farm Tap Service Line component of MGE's proposal except for a portion of paragraph 11.a. of the Application concerning the regulatory treatment of compensation to be received by MGE from Williams Gas Pipelines-Central ("Williams"). (*See*, Staff Recommendation, Appendix A, pages 5-6) The Staff recommends that Farm Tap customers be provided written notice of the nature and resolution of this Application. (*Id.* At page 4) The Staff also recommends that MGE indicate that repairs and replacements performed on the customer-

owned portion of Farm Tap Service Lines would be coordinated between MGE and the customer and would be up to MGE standards. (*Id.*) MGE will address each of these items in turn.

3. In regard to the regulatory treatment of compensation to be received by MGE from Williams, MGE understands that the Staff recommends that MGE choose one of two options, either treatment as a non-regulated service or treatment as an “incidental” service. MGE chooses treatment as an “incidental” service because this is consistent with the historical accounting and ratemaking treatment of the investment, expenses and revenues associated with serving these Farm Tap customers (all of which have been included in the calculation of the company’s revenue requirement in past rate cases). In addition, MGE believes that these Farm Tap customers are not being subsidized by the balance of MGE’s customer base (and certainly not to any significant extent). MGE understands that this could become an issue in future general rate proceedings. To memorialize this understanding and MGE’s choice of accounting and ratemaking treatment as an “incidental” service, MGE is filing on today’s date a First Amended Application (in which the amendments are shown in red-line format).

4. MGE has no objection to the Staff recommendation that Farm Tap customers be provided written notice of the nature and resolution of this Application. MGE would propose to send such written notice upon issuance of the Commission’s order. This understanding is also memorialized in the First Amended Application (to which a proposed letter is attached).

5. Nor does MGE have any objection to the Staff recommendation that MGE indicate that repairs and replacements performed on the customer-owned portion of Farm

Tap Service Lines would be coordinated between MGE and the customer and would be up to MGE standards. This understanding is also memorialized in the First Amended Application being filed concurrently herewith.

B. Master Meter Trailer Parks

6. MGE understands that the Staff supports the Master Meter Trailer Park component of MGE's proposal except for a change to the date set forth in paragraph 14.a. of the Application concerning the completion date for work in Master Meter Trailer Parks. (*See*, Staff Recommendation, Appendix A, page 7) The Staff also recommends that affected Master Meter Trailer Park owners and customers be provided written notice of the nature and resolution of this Application. (*Id.* At page 4)

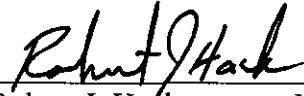
7. MGE supports the Staff recommendation to extend (from December 31, 2005 to June 30, 2006) the completion date for work in Master Meter Trailer Parks. This understanding is memorialized in the First Amended Application being filed concurrently herewith.

8. MGE has no objection to the Staff recommendation that affected Master Meter Trailer Park owners and customers be provided with written notice of the nature and resolution of this Application. MGE would propose to send such written notice upon issuance of the Commission's order. This understanding is also memorialized in the First Amended Application (to which a proposed letter is attached).

Wherefore, MGE respectfully submits this response to the Staff recommendation and requests that the Commission issue its order approving the provisions of paragraphs

11 and 14 of the First Amended Application being filed concurrently herewith.

Respectfully submitted,



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ATTORNEY FOR MISSOURI
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered
this 1st day of May, 2002, to:

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