MISSOURI GAS ENERGY
3420 Broadway • Kansas City, MO • 64111-2404 • (816) 360-5755

ROBERT J. HACK
Vice President, Pricing & Regulatory Affairs

September 14, 1999

FILED[2]
SEP 14 1999
Missouri Public Service Commission

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

RE: **Missouri Gas Energy's Application to Renew Price Stabilization Fund and Capacity Release Incentive Mechanism; Motion for Expedited Treatment** GO-2000-231

Dear Mr. Roberts:

Enclosed for filing are (1) an original and fourteen (14) conformed copies of Missouri Gas Energy's Motion for Protective Order and (2) Missouri Gas Energy's Application to Renew Price Stabilization Fund and Capacity Release Incentive Mechanism; Motion for Expedited Treatment (an appropriate number of NP and HC sets are included).

Copies of this filing have been mailed or hand-delivered to the Office of the Public Counsel.

Thank you for bringing this filing to the attention of the Commission and the appropriate Commission personnel. Please contact me if you have any questions regarding this matter.

Sincerely,

Robert J. Hack

Robert J. Hack

CC: Doug Micheel
Mike Langston
Charley Hernandez

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FILED[2]

SEP 14 1999

Missouri Public Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the matter of Missouri Gas Energy's tariff sheets designed to renew for an additional year the price stabilization fund and capacity release incentive mechanism.	)))))	Case No. GO-2000-231

MISSOURI GAS ENERGY'S APPLICATION TO RENEW PRICE STABILIZATION FUND AND CAPACITY RELEASE INCENTIVE MECHANISM; MOTION FOR EXPEDITED TREATMENT

Comes now Missouri Gas Energy ("MGE"), by and through counsel, and for its application respectfully states the following:

I. GENERAL MATTERS

1. MGE is a "gas corporation" and a "public utility" under the provisions of Chapter 386 RSMo and is subject to the jurisdiction of the Missouri Public Service Commission ("Commission") pursuant to the terms of Chapters 386 and 393 RSMo. MGE is a division of Southern Union Company, a corporation duly incorporated under the laws of the state of Delaware. MGE is engaged in the business of distributing, transporting and selling natural gas in portions of western Missouri. MGE's principal office and place of business is located at 3420 Broadway, Kansas City, Missouri 64111.

2. All notices, orders or other communications respecting this application and proceeding should be addressed to:

Michael T. Langston
Vice President, Gas Supply
Southern Union
800 Lavaca
Austin, TX
(512)370-8277
Fax: (512)476-4966

Robert J. Hack
VP, Pricing & Regulatory Affairs
Missouri Gas Energy
3420 Broadway
Kansas City, MO 64111
(816)360-5755
Fax: (816)360-5536

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II. PURPOSE OF THE FILING

3. Concurrently with the filing of this application, MGE has filed under separate cover P.S.C. Mo. No. 1 Third Revised Sheet No. 24.6 canceling Second Revised Sheet No. 24.6. The purpose of the revised tariff sheet and of this application is to renew for another year the experimental price stabilization fund described in the tariff sheet and adopted by the Commission in its order in Case No. GO-97-409. MGE supports the price stabilization fund because **____ ____________________________ ** did offer customers substantial protection against the price volatility experienced in the winter of 1996-1997. This price protection was the primary purpose of the price stabilization fund, and MGE believes that it should be extended for a year to provide such price protection for the winter of 1999-2000 and so that interested parties can obtain additional information regarding its operation and effects. MGE therefore urges the Commission to re-authorize the price stabilization fund so that MGE can proceed with the acquisition of financial instruments advantageous to its customers.

4. Concurrently with the filing of this application, MGE has filed under separate cover P.S.C. Mo. No. 1 Third Revised Sheet No. 24.2 canceling Second Revised Sheet No. 24.2. The purpose of the revised tariff sheet and of this application is to renew for another year the capacity release incentive mechanism described in the tariff sheet and adopted by the Commission in its order in Case No. GO-94-318.

III. SPECIFIC RELIEF REQUESTED

A.Price Stabilization Fund

5. For purposes of reducing the impact of natural gas price volatility on MGE's customers during the 1999/2000 winter season (November 1999, through March 2000), and the potential deferral of gas costs to subsequent periods, MGE seeks authority to **_____

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____________________.**

6. To assure recovery of the direct costs incurred by MGE after September 14, 1999, in connection with the procurement of these Financial Instruments, MGE seeks to reinstate authority to collect a Price Stabilization Charge which had increased the current cost of gas component of MGE's PGA by an amount equal to **_____** per Mcf over a period which began August 15, 1997, and concluded May 1, 1999. Revenues generated as a result of such adjustment and all realized gains from the use of such Financial Instruments shall be accounted for separately and credited to a Price Stabilization Fund on a monthly basis. This Price Stabilization Charge will be reinstated with the effective date of MGE's scheduled winter 1999 PGA filing (on or about November 1, 1999) and is not intended to be an additional PGA filing. A specimen tariff sheet renewing the Price Stabilization Fund is set forth in Attachment A to this Application.

7. For the purpose of reconciling the Price Stabilization Fund, price stabilization charge revenues collected from November 1, 1999, through the effective date of the next scheduled summer PGA filing (on or about April 1, 2000), will be compared to expenditures for the 1999-2000 winter heating season; any balance, including carrying costs, will be recovered from, or paid to, customers through an adjustment to the ACA filing that is scheduled to be effective with the 2000 scheduled winter PGA filing (on or about November 1, 2000).

8. No prudence adjustment or other disallowance of costs debited to the Price Stabilization Fund and incurred by MGE or of revenues credited to the Price Stabilization Fund and realized by MGE shall be proposed or made in any proceeding in connection with

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the use, potential use, purchase or sale of natural gas financial instruments by MGE, provided that the financial instruments are: (a) purchased within the authorized price range specified herein; and (b) purchased at prices generally prevailing in the NYMEX natural gas market at the time the purchase is made; or (c) sold at prices generally prevailing in the NYMEX natural gas market at the time the sale is made, which sale shall be within three (3) days of the expiration of the **____**.

9. MGE agrees to cooperate with the Staff, the Office of the Public Counsel, and other interested parties in identifying the impact of the Price Stabilization Fund on MGE's gas costs during the third year in which the Price Stabilization Fund is in effect. In connection therewith, MGE shall provide a report to the Staff and the Office of the Public Counsel describing such impacts on November 1, 1999 and shall prepare and submit a final report to the Commission regarding such impacts by May 1, 2000. Unless otherwise requested by MGE and approved by the Commission, the Price Stabilization Charge shall be terminated, effective on or about April 1, 2000. Any balance in the Price Stabilization Fund, net of amounts expended or committed by MGE (including carrying costs described in paragraph 11, below), shall thereafter by returned or charged to customers as part of the ACA adjustment reflected in the next Winter PGA Filing.

10. MGE shall continue to take appropriate steps to insure that proper internal controls and safeguards are in place relating to the use of natural gas financial instruments. It is represented by MGE that a primary goal of the financial instrument program described above is to procure price protection by use of financial instruments on a volume of gas equal to **____

____

____.** It is also

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represented by MGE, however, that the actual percentage of gas supply protection achieved by MGE may vary from this goal depending on changes in the market price for financial instruments, deviations from normal weather, and other factors.

11. Beginning with the effective date of the Commission's renewal of the Experimental Price Stabilization Fund for the 1999/2000 winter season, carrying costs equal to simple interest at the rate described on sheet 24.6 of MGE's tariff, shall be applied each month to any negative or positive balance in the Price Stabilization Fund associated with the procurement of price protection for the 1999/2000 winter season.

B.Capacity Release Incentive Mechanism

12. For purposes of providing a proven financial incentive to optimize capacity release revenues for the benefit of MGE's customers and shareholders, MGE seeks authority to reinstate the capacity release incentive mechanism initially authorized by the Commission in Case No. GO-94-318 and in effect for the period July 1, 1996, through June 30, 1999. Under this mechanism, the total revenue realized from the release of pipeline capacity to another party shall be included in the Deferred Purchased Gas Cost Account and adjusted for that portion of revenue retained by the company in the Incentive Revenue Account according to the following percentages:

Capacity Release Credit	Company Retention Percentage
First $200,000	50%
Next $200,000	40%
Next $200,000	30%
Next $200,000	20%
Amounts over $800,000	10%

The above capacity release incentive mechanism produced customer benefits averaging approximately $1,187,000 annually from July 1996 through June 1999. Shareholder benefits averaged approximately $353,000 annually for this period of time. Absent such a capacity

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release incentive mechanism, the likelihood of obtaining similar benefits for MGE customers and shareholders in the future is slim. The above capacity release incentive mechanism was adopted for MGE in 1996 and served as a template for capacity release incentive mechanisms approved by the Commission for Laclede Gas Company (also in 1996) and AmerenUE (in 1998). Most recently, on September 9, 1999, in Case No. GT-99-303, the Commission renewed the capacity release incentive mechanism of Laclede Gas Company. A specimen tariff sheet renewing the capacity release incentive mechanism is set forth in Attachment B to this Application.

IV. REQUEST FOR EXPEDITED CONSIDERATION

13. Since both of these proposals affect the upcoming winter heating season, time is of the essence and MGE respectfully requests that the Commission act on this request expeditiously. In addition, MGE is willing to renew the price stabilization fund only if the Commission also concurrently authorizes renewal of the capacity release incentive mechanism.

Wherefore, MGE respectfully requests that the Commission issue as expeditiously as possible its order which: (1) renews the Experimental Price Stabilization Fund and approves the concurrently filed tariff sheet (Third Revised Sheet No. 24.6, canceling Second Revised Sheet No. 24.6); and (2) reinstates the Experimental Capacity Release Incentive Mechanism and approves the concurrently filed tariff sheet (Third Revised Sheet No. 24.2, canceling Second Revised Tariff Sheet No. 24.2).

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Respectfully submitted,

Robert J. Hack MBE #36496
3420 Broadway
Kansas City, MO 64111
(816)360-5755
FAX: (816)360-5536

ATTORNEY FOR MISSOURI
GAS ENERGY

NP

VERIFICATION

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

On this 14th day of September, 1999, before me appeared Robert J. Hack, Vice President, Pricing & Regulatory Affairs for Missouri Gas Energy, to me personally known, who being by me first duly sworn, states that he is duly authorized to execute Missouri Gas Energy's Application to Renew Experimental Price Stabilization Fund and Capacity Release Incentive Mechanism; Motion for Expedited Treatment and that he has read the above and foregoing Application and believes that the allegations therein are true and correct to the best of his information, knowledge and belief.

Robert J Hack

Robert J. Hack

Subscribed and sworn to before me, a notary public, on this 14th day of September, 1999.

Robbin Henley Griffith

Notary Public

My Commission expires:

ROBBIN HENLEY GRIFFITH
A Notary Public of
Miller County, Missouri
My Commission Expires 12/28/2001

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered this 14th day of September, 1999, to:

Mr. Douglas E. Micheel
Senior Public Counsel
Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Mr. Thomas R. Schwarz, Jr.
Deputy General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Robert J Hack

MISSOURI GAS ENERGY
3420 Broadway • Kansas City, MO • 64111-2404 • (816) 360-5755

ROBERT J. HACK
Vice President, Pricing & Regulatory Affairs

September 14, 1999

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Missouri Public Service Commission

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

GO-2000-231

RE: Missouri Gas Energy's Revised Tariff Sheets to Renew Price Stabilization Fund and Capacity Release Incentive Mechanism

Dear Mr. Roberts:

Enclosed for filing on behalf of Missouri Gas Energy ("MGE") are an original and three (3) conformed copies of the following revised tariff sheets (all P.S.C. Mo. No. 1):

Third Revised Sheet No. 24.2, canceling Second Revised Sheet No. 24.2
Third Revised Sheet No. 24.6, canceling Second Revised Sheet No. 24.6

These revised tariff sheets bear an issue date of September 14, 1999, and a proposed effective date of October 15, 1999.

The purpose of Revised Sheet No. 24.2 is to renew MGE's capacity release incentive mechanism initially approved by the Commission in Case No. GO-94-318 and effective from July 1, 1996, through June 30, 1999. The purpose of Revised Sheet No. 24.6 is to renew MGE's price stabilization fund initially approved by the Commission in Case No. GO-97-409 and effective for the winters of 1997-1998 and 1998-1999. Also filed concurrently herewith under separate cover is Missouri Gas Energy's Application to Renew Price Stabilization Fund and Capacity Release Incentive Mechanism; Motion for Expedited Treatment.

Copies of this filing have been mailed or hand-delivered to the Office of the Public Counsel.

Thank you for bringing this filing to the attention of the Commission and the appropriate Commission personnel. Please contact me if you have any questions regarding this matter.

Sincerely,

Robert J. Hack

CC: Doug Micheel
Mike Langston
Charley Hernandez

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FORM NO. 13
P.S.C. MO. No. 1 | Third Revised | SHEET No. 24.6
Canceling P.S.C. MO. 1 | Second Revised | SHEET No. 24.6

Missouri Gas Energy,
a Division of Southern Union Company
Name of Issuing Corporation

For: All Missouri Service Areas
Community, Town or City

PURCHASED GAS COST ADJUSTMENT
PGA

X. EXPERIMENTAL PRICE STABILIZATION FUND

For purposes of reducing the impact of natural gas price volatility on the Company's customers during the 1997/1998, 1998/1999 and 1999/2000 heating seasons, the Company shall maintain an Experimental Price Stabilization Fund for purposes of procuring certain natural gas financial instruments in accordance with parameters which have been designated "Highly Confidential" and are only available to the Missouri Public Service Commission or pursuant to the terms of a protective order issued by the Commission.

The Company shall recover all costs and expenses associated with such procurement through the inclusion of a Price Stabilization Factor as a component of the Current Cost of Gas and shown on the Purchased Gas Adjustment Statement Sheet 24.7 applicable to all customer classes except Large Volume Transportation Service.

Beginning August 1, 1997, all costs and expenses directly attributable to the procurement of such instruments shall be charged to the fund. All revenues collected through the Price Stabilization Charge and any financial gains derived therefrom shall be credited to the fund. At the end of each month carrying costs shall be applied to any balance in the fund at a simple rate of interest equal to the prime bank lending rate (as published in The Wall Street Journal on the first day of such month) minus one (1) percentage point.

Unless otherwise requested by the Company and approved by the Commission, the Experimental Price Stabilization Charge shall be terminated upon the effective date of the Summer PGA filing on or about April 1, 2000. Any debit or credit balance in the Experimental Price Stabilization Fund, including interest, shall be charged or returned to the Company's customers, excluding those taking Large Volume Transportation Service, through the ACA factor established in the next Winter PGA filing.

DATE OF ISSUE: September 14, 1999
month day year

DATE EFFECTIVE: October 15, 1999
month day year

ISSUED BY: Robert J. Hack, Vice President, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, Missouri 64111

Attachment A

Missouri Gas Energy,
a Division of Southern Union Company
Name of Issuing Corporation

For: All Missouri Service Areas
Community, Town or City

PURCHASED GAS COST ADJUSTMENT
PGA

IX. EXPERIMENTAL GAS COST INCENTIVE MECHANISM

This Section IX implements an experimental gas cost incentive mechanism consistent with the Report and Order in Case No. GO-94-318, Phase II, whereby the Company and its customers share in specified savings and revenues realized by the Company in acquiring, utilizing, and managing its gas supply portfolio.

This Section IX (Sheet Nos. 24.2 - 24.5) shall remain in effect until the Commission orders an end to this experimental procedure at some point after June 30, 1999 or the Commission removes the experimental aspect, or changes to the sheets become effective pursuant to law.

A. Effective August 15, 1997, The Company shall retain in an Incentive Revenue ("IR") Account a portion of certain savings the Company realizes in connection with the acquisition and management of its gas supply portfolio.

B. For the period November 1, 1999 through October 31, 2000, the total revenue realized from the release of pipeline capacity to another party, shall be included in the Deferred Purchased Gas Cost Account and adjusted for that portion of revenue retained by the Company in the IR account according to the following percentages:

Capacity Release Credit	Company Retention Percentage
First $200,000	50%
Next $200,000	40%
Next $200,000	30%
Next $200,000	20%
Amounts Over $800,000	10%.

DATE OF ISSUE: September 14, 1999 (month day year) DATE EFFECTIVE: October 15, 1999 (month day year)

ISSUED BY: Robert J. Hack Vice President, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, Missouri 64111

Attachment B