MGE **_MISSOURI GAS ENERGY_**

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

ROBERT J. HACK
Vice President, Pricing & Regulatory Affairs

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FILED

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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

RE: Case No. GR-2001-292, Missouri Gas Energy

Dear Mr. Roberts:

Enclosed for filing in the above-referenced proceeding please find an original and eight (8) conformed copies of **Missouri Gas Energy's List of Issues**.

Copies of this filing have been mailed or hand-delivered this date to all counsel of record.

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

Sincerely,

Robert J Hack

CC: Tim Schwarz
Doug Micheel
Larry Dority
Stuart Conrad
Jeremiah Finnegan
Mark Comley
Jay Cummings

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Missouri Gas Energy's tariff sheets designed to increase rates for gas service in the company's Missouri service area.	))))	Case No. GR-2001-292

MISSOURI GAS ENERGY'S LIST OF ISSUES

Comes now Missouri Gas Energy ("MGE"), a division of Southern Union Company, by and through counsel, and for its list of issues respectfully states the following:

1. MGE has endeavored to work with the parties to develop an agreed-upon list of issues to be submitted no later than May 30 pursuant to the Commission's January 17, 2001 scheduling order. Nevertheless, as of the time of the preparation of this pleading (after 5:00 p.m. on May 29), only one party (the Office of the Public Counsel) had given MGE any specific feedback on what it considered to be an appropriate list of issues. Based on communications between MGE and the Public Counsel on this matter, it is MGE's belief that MGE and the Public Counsel have a fundamental difference of opinion as to how the issues are to be defined such that agreement between MGE and the Public Counsel is not likely to occur in time to permit a joint filing by the deadline set out in the January 17, 2001, scheduling order.

2. Given the magnitude of some of the issues presented in this case, MGE believes the Commission is better served by being provided with a detailed list of issues, as framed by the evidence, rather than a cursory recitation of the general subject matter in terms so broad as to convey very little real meaning. This is particularly appropriate in light of the Commission's advisory to the parties, found in the January 17, 2001

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scheduling order, that "[A]ny issue not contained in this list of issues will be viewed as uncontested and not requiring resolution by the Commission."

3. Therefore, in accordance with the Commission's January 17, 2001, scheduling order, MGE submits its list of issues, which are appended hereto as Attachment 1.

Wherefore, MGE respectfully submits its list of issues to the Commission.

Respectfully Submitted,

Robert J. Hack MBE #36496
3420 Broadway
Kansas City, MO 64111
(816)360-5755
FAX: (816)360-5536
e-mail: rob.hack@southernunionco.com

Gary W. Duffy MBE #29705
Brydon, Swearengen & England
P.O. Box 456
Jefferson City, MO 65102
(573)635-7166
FAX: (573)635-3847
e-mail: duffy@brydonlaw.com

ATTORNEYS FOR MISSOURI
GAS ENERGY

Certificate of Service

I hereby certify that a copy of the foregoing document was mailed or hand delivered this 29th day of May, 2001, to:

Larry W. Dority
Fischer & Dority, P.C.
101 Madison Street, Suite 400
Jefferson City, MO 65101

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

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

Mark Comley
Newman, Comley & Ruth P.C.
601 Monroe, Ste. 301
Jefferson City, MO 65102

Gary W. Duffy
Brydon, Swearengen & England
P.O. Box 456
Jefferson City, MO 65102

Stuart W. Conrad
Jeremiah D. Finnegan
Finnegan, Conrad & Peterson, L.C.
3100 Broadway, Ste. 1209
Kansas City, MO 64111

Robert J. Hack

MGE's Issue List—GR-2001-292

1. Cost of Capital
   A. Is the appropriate regulatory approach in determining the cost of capital for MGE in this rate proceeding to analyze MGE and not Southern Union Company?

   B. Capital Structure
      i. Is it reasonable to include short-term debt in the capital structure for ratemaking purposes in this case?
      ii. Is it reasonable to use Southern Union Company's actual capital structure for ratemaking purposes in this case?
         a. If so, should it be adjusted for the higher equity ratio of the comparative company group?
         b. If so, should it be adjusted for any difference in business risk between MGE and the comparative companies?

   C. Return on Equity
      i. Is an adjustment to the DCF-indicated return on equity necessary to reflect any difference in financial risk between the comparative companies with a 50% to 55% equity ratio and the company being analyzed (Southern Union/MGE) with approximately a 30% equity ratio?
      ii. Is an adjustment to the DCF-indicated return on equity necessary to reflect any difference in business risk between MGE and the comparative companies?
      iii. Is an adjustment to the DCF-indicated return on equity appropriate to reflect MGE's management efficiency and customer service performance?
      iv. Is an adjustment to the DCF-indicated return on equity necessary to reflect pre-offering pressure?
      v. Should the quarterly compounding DCF model be used rather than the continuously compounding DCF model?
      vi. Will a proper application of each of the standards and principles of the *Bluefield Water Works* case (262 US 679) and the *Hope Natural Gas* case (320 US 591) to the evidence in this case allow the Commission to adopt a return on equity for MGE less than 12.5%?

2. Depreciation
   A. What are the appropriate average service lives for MGE's plant?
   B. What is the appropriate net salvage methodology for MGE's plant?
   C. What are the appropriate depreciation rates for MGE's plant?

ATTACHMENT 1

3. Gas Storage Inventory
   A. Is it reasonable to use the Staff's 12-month average of volumes or MGE's 13-month average of volumes for purposes of valuing MGE's gas storage inventory?
   B. Is it reasonable to use the Staff's three-year historical average (April-October of 1998-2000) or MGE's current market price for purposes of valuing MGE's gas storage inventory?

4. Joint & Common Costs
   A. Is it reasonable to adopt the Staff's recommendation to replace the Chairman and Vice Chairman's salaries and overheads with outside director's fees and disallow all remaining costs of the New York office?
   B. Is it reasonable to adopt the Staff's recommendation to disallow:
      i) 100% of the salary and overheads of Southern Union Company's Senior Vice President-Legal and Secretary;
      ii) 75% of the salary and overheads of the salary and overheads of Southern Union Company's President and Chief Operating Officer; and
      iii) 50% of the salary and overheads of Southern Union Company's Executive Vice President-Chief Financial Officer?
   C. Is it reasonable to adopt Public Counsel's recommendation to disallow 100% of the manufactured gas plant-related expenditures incurred during the test year?

4. Off-System Sales and Capacity Release Revenues
   A. Is it reasonable and lawful to adopt either the Staff or Public Counsel's proposal to impute off-system sales revenues in setting distribution rates in this case?
   B. Is it reasonable and lawful to adopt Public Counsel's proposal to recognize capacity release revenues in setting distribution rates in this case?

5. SLRP Deferrals
   A. Is it reasonable to adopt Public Counsel's proposed treatment of the June 1 to September 2, 1998 period?
   B. Is it lawful and reasonable to adopt the Staff and Public Counsel recommendations to exclude from rate base the unamortized balance of SLRP deferrals?
   C. If the Commission determines that it is lawful and reasonable to exclude from rate base the unamortized balance of SLRP deferrals, is it lawful and reasonable to adopt the Staff and Public Counsel recommendations to further reduce rate base for the associated deferred income taxes?

6. Is it reasonable to adopt Public Counsel's proposal to credit all revenues associated with MGE's land based digitized mapping system as a reduction to the digitized mapping system plant on which MGE is permitted the opportunity to earn a return or MGE's proposal to share such revenues equally between shareholders and customers?

7. Class Cost-of-Service/Class Revenue Allocations (Given the positions of the parties on these matters, input from the Midwest Gas Users'Association is critical to adequately defining the related issues. MGE has sought but not obtained such input as of the time of the preparation of this filing.)
   A. What class cost of service allocation methodology is most reasonable for use in setting distribution rates in this case?
   B. What allocation of revenue increase to the various customer classes is most reasonable for use in setting distribution rates in this case?

8. Is it reasonable to adopt the Staff's proposal to expand MGE's low-income weatherization program?
   A. If so, how much more funding will be needed for the program expansion?

9. Is it lawful and reasonable to adopt Public Counsel's proposed low-income fixed credit tariff rate?

10. Is it lawful and reasonable to adopt MGE's proposed Customer Service Effectiveness/Gas Safety Incentive Plan?