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June 12, 2001

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

FILED²
JUN 12 2001
Missouri Public
Service Commission

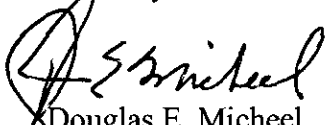
**RE: Missouri Gas Energy,
Case No. GR-2001-292**

Dear Mr. Roberts:

Enclosed for filing in the above referenced case, please find the original and 8 copies of **Statement of Position of the Office of the Public Counsel**. Please "file stamp" the extra enclosed copy and return it to this office. I have on this date mailed, faxed, or hand-delivered the appropriate number of copies to all counsel of record.

Thank you for your attention to this matter.

Sincerely,


Douglas E. Micheel
Senior Public Counsel

DEM:kh

cc: Counsel of record

Enclosure

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

FILED²

JUN 12 2001

Missouri Public
Service Commission

In the matter of tariff revisions of Missouri Gas)
Energy, a division of Southern Union Company,)
designed to increase rates for natural gas service)
to customers in the Missouri service area of the)
company.)

Case No. GR-2001-292

**STATEMENT OF POSITION OF THE
OFFICE OF THE PUBLIC COUNSEL**

COMES NOW the Office of the Public Counsel ("Public Counsel") and provides the Commission with its Statement of Position. It is Public Counsel's belief that all the issues in this proceeding have been settled by the parties with the exception of Public Counsel's Low-Income Credit Tariff Rate and Class Cost-of-Service/Class Revenue Allocations. Moreover, three separate issues lists have been filed in this proceeding. Public Counsel will utilize the issue list filed jointly by Staff and Public Counsel.

1. Should the Commission adopt Public Counsel's proposed low-income fixed credit rate?

Yes. Public Counsel believes it is both reasonable and lawful for the Commission to adopt its proposed fixed credit tariff for low-income payment-troubled customers as proposed by Public Counsel witness Roger Colton. Under the fixed credit rate, MGE would provide a bill equal to the standard residential rate net of the fixed credit.

2. Class Cost-of-Service/Class Revenue Allocations

A. What should be the appropriate method of class cost of service allocation in this case?

Public Counsel believes that its class cost-of-service study as presented in Public Counsel witness James Busch's surrebuttal testimony represents an appropriate

method of class cost of service allocation and should be utilized as the starting point in determining the appropriate rate design.

B. What is the appropriate allocation of any increase in revenues to customer classes?

OPC recommends that the Commission adopt a rate design that balances movement towards cost of service with rate impact and affordability considerations. To reach this balance, OPC believes that the Commission should impose, at a maximum, revenue shifts equal to one half of the revenue neutral shifts indicated by OPC's CCOS study. In addition, if the Commission determines that an increase in the total company revenue requirement is necessary, then no customer class should receive a net decrease as the combined result of the revenue neutral shift that is applied to that class and the share of the total revenue increase that is applied to that class.

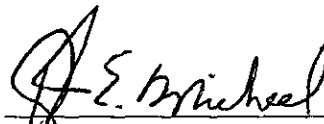
C. What are the appropriate adjustments to rates for various customer classes?

OPC recommends that the customer charges for the each customer class should be increased to the amount that are specified in the stipulation and agreement filed by the Staff, Public Counsel and MGE. The residual class revenue requirement for each customer class that is not recovered through a customer charge component should be reflected in the other rate components of each customer class.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

BY:



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been faxed, mailed or hand-delivered to the following counsel of record on this 12th day of June, 2001:

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