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June 22, 2001

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

FILED²
JUN 22 2001
Missouri Public
Service Commission

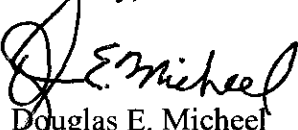
**RE: Missouri Gas Energy,
Case No. GR-2001-292**

Dear Mr. Roberts:

Enclosed for filing in the above referenced case, please find the original and 8 copies of **Revised 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 22 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

**REVISED 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 Revised Statement of Position.

1. Capital Structure/Rate of Return

A. What capital structure is appropriate for MGE?

Public Counsel recommends the Commission utilize Southern Union Company's actual capital structure for purposes of this proceeding. (Burdette Direct).

B. What return on common equity is appropriate for MGE?

Public Counsel's position is that the appropriate return on equity is 9.9%. (Burdette Direct). However, the Commission can and should consider the range for return on equity set-out in Staff witness Murray's testimony.

C. What overall rate of return is appropriate for MGE?

Public Counsel's position is that the appropriate overall rate of return should be 8.75%. (Burdette Direct). However, the Commission can and should consider the range for overall rate of return set-out in Staff witness Murray's testimony.

2. Depreciation

A. What are the appropriate average service lives for MGE's plant?

Public Counsel takes no position on this issue.

- B. What is the appropriate net salvage methodology for MGE's plant?

Public Counsel takes no position on this issue.

3. Gas Storage Inventory

- A. Should the Commission adopt the Staff's 12-month average of volumes or MGE's 13-month average of volumes for purposes of valuating MGE's gas storage inventory?

Public Counsel takes no position on this issue.

- B. Should the Commission adopt a three-year historical average (April-October of 1998-2000) of MGE's cost of gas or futures prices of gas for purposes of valuating MGE's gas storage inventory?

Public Counsel takes no position on this issue.

4. Joint and Common

- A. Should the Commission 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?

Public Counsel takes no position on this issue.

- B. Should the Commission 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;

Public Counsel takes no position on this issue.

- ii. 75% of the salary and overheads of Southern Union Company's President and Chief Operating Officer;

Public Counsel takes no position on this issue.

iii. 50% of the salary and overheads of Southern Union Company's Executive Vice President-Chief Financial Officer?

Public Counsel takes no position on this issue.

C. Should the Commission adopt Public Counsel's and Staff's recommendation to disallow 100% of the manufactured gas plant-related expenditures incurred during the test year?

For purposes of this proceeding Public Counsel recommends disallowing 100% of the manufactured gas plant related expenditures incurred during the test year. (Robertson Direct, Rebuttal).

5. Off-System Sales and Capacity Release Revenues

Public Counsel's changed position, which is conditional on the treatment of a package of adjustments and items (including cost of capital, joint and common costs, off-system sales and capacity release, SLRP deferrals and the mapping system) is that imputation of \$1.2 million of revenues from off-system sales and capacity release is appropriate for setting rates in this case.

A. Should the Commission adopt either the Staff or Public Counsel's proposal to impute off-system sales revenues in setting distribution rates in this case?

Public Counsel's fallback position is that \$500,000 of off-system sales revenues should be imputed for ratemaking purposes. (Busch Direct). Off-system sales should be treated in the same manner as capacity release.

B. Should the Commission adopt Public Counsel's proposal to recognize capacity release revenues in setting distribution rates in this case?

Public Counsel's fallback position is that \$1 million of capacity release revenues should be imputed for ratemaking purposes. (Busch Direct). Capacity release should be treated in the same manner as off-system sales.

6. SLRP Deferrals

A. Should the Commission treat the June 1 to September 2, 1998 gap period as part of the AAO deferrals?

Public Counsel's changed position, which is conditional on the treatment of a package of adjustment and items (including cost of capital, joint and common costs, SLRP deferrals and mapping system) is that Public Counsel's proposed treatment of the June 1 to September 2, 1998 gap period is not used for setting revenue requirement in this case.

Public Counsel's fallback position in the event that the package of adjustments is not treated as proposed by Public Counsel, Public Counsel believes it is inappropriate to include the gap period of June 1 to September 2, 1998 in setting the revenue requirement in this case. (Robertson Rebuttal).

B. Should the Commission adopt the Staff and Public Counsel recommendations to exclude from rate base the unamortized balance of SLRP deferrals?

Public Counsel believes it is appropriate to exclude from rate base the unamortized balance of SLRP deferrals. (Robertson Direct, Rebuttal).

C. Should the Commission reduce rate base to reflect the associated deferred income taxes related to the unamortized balance of SLRP deferrals?

Public Counsel believes it is appropriate to reduce rate base to reflect the associated deferred income taxes related to the unamortized balance of SLRP deferrals. (Robertson Direct, Rebuttal).

7. Revenues associated with MGE's Mapping System

Public Counsel believes it is appropriate for the Commission to adopt its proposal to credit all revenues associated with MGE's land based digitized mapping system as a reduction to the digitized mapping system plant. (Robertson Direct, Rebuttal).

8. 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 should be utilized as the starting point in determining the appropriate rate design. Public Counsel's rate design provides the most reasonable methodology in the allocation of the various costs and expenses among the different rate classes. (Busch Direct, Rebuttal, Surrebuttal).

- 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. (Hu Direct, Rebuttal, Surrebuttal).

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

OPC recommends that the customer charges for 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.

9. Weatherization Program

Public Counsel supports Staff's position.

10. Low-Income Credit Tariff Rate

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

Yes. Public Counsel believes it is both reasonable and lawful for the Commission to adopt is 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. (Colton Direct, Surrebuttal).

11. Customer Service Effectiveness/Gas Safety Incentive Plan

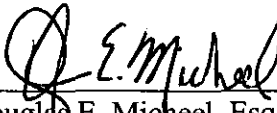
- A. Should the Commission adopt MGE's proposed Customer Service Effectiveness/Gas Safety Incentive Plan?

The Commission should reject MGE's proposed customer service effectiveness/gas safety incentive plan. (Robertson Direct, Rebuttal).

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

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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 22nd day of June, 2001:

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