

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

In the Matter of the Application of Missouri)	
Gas Utility, Inc., for a Certificate of)	
Convenience and Necessity Authorizing it to)	
Construct, Install, Own, Operate, Control,)	
Manage and Maintain a Natural Gas)	Case No. GA-2008-0321
Distribution System to Provide Gas Service in)	
Harrison County, Missouri, as a Further)	
Expansion of Its Existing Certified Area.)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its Recommendation, states as follows:

1. On April 4, 2008, Missouri Gas Utility, Inc. (MGU or Company) filed the above-captioned case seeking a certificate of convenience and necessity (CCN) authorizing the Company to expand from its existing certified area its provision of gas distribution service in Harrison County, Missouri. This proposed CCN will permit MGU to offer service to Ridgeway, Missouri, for which MGU holds a franchise agreement.

2. On May 6, 2008, the Commission issued its *Order Directing Filing* of a Staff Recommendation or status report no later than June 5, 2008.

3. On April 7, 2008, MGU filed a second application for a CCN to provide gas distribution service to Pattonsburg, Missouri, in northwest Daviess County, now pending before the Commission in Case No. GA-2008-0322. On April 22, 2008, MGU filed a third application for a CCN to serve Jamesport, Missouri in east central Daviess County, also pending before the

Commission in Case No. GA-2008-0348. No parties have applied for intervention in this case or in companion Case No.'s GA-2008-0322 and GA-2008-0348.

4. Section 393.170 RSMo requires the Commission to address the question of approving the service territory of public utilities and whether the provision of that service is necessary or convenient. Commission Rule 4 CSR 240-3.205(1)(E) requires applicants to state "The facts showing that the granting of the application is required by the public convenience and necessity." The term "necessity" means the additional service would be an improvement justifying its costs.¹ Furthermore, the Commission's allocation of service territory must be done on the basis of public interest.²

5. The Staff has reviewed MGU's application in the above-captioned case and submits its Recommendation in Staff's Memorandum attached hereto as Appendix A and incorporated by reference. Staff's review of this Application has taken into collective consideration the information provided by MGU in the two CCN applications discussed in paragraph 3 above. Based on this information, and for reasons more fully explained in Staff's Memorandum, Commission approval of MGU's Application is required by public convenience and necessity and is in the public interest. Therefore, Staff recommends the Commission grant MGU a CCN to provide gas distribution service to the township of Ridgeway and requested area in Harrison County, Missouri.

6. As no parties have intervened in these cases and because Staff is filing concurrently its recommendations for approval in this case and in MGU's two companion CCN cases, GR-2008-0322 and GR-2008-0348, the Staff suggests the Commission take up all three cases at the same time for reasons of administrative efficiency.

¹ *State ex rel. Intercon Gas, Inc. v. Public Service Com'n of Missouri*, (1993), 848 S.W.2d 593.

² *State ex rel. Consumers Public Service Co. v. Public Service Commission*, (1944), 180 S.W.2d 40, 352 Mo. 905.

WHEREFORE, for the above stated reasons, Staff respectfully recommends the Commission grant Missouri Gas Utility, Inc. a certificate of convenience and necessity to provide gas distribution service to the township of Ridgeway and the requested area in Harrison County, Missouri.

Respectfully submitted,

/s/ Robert S. Berlin

Robert S. Berlin
Senior Counsel
Missouri Bar No. 51709

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronic mail to all counsel of record 5th day of June 2008.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GA-2008-0321, Missouri Gas Utility, Inc.

FROM: James A. Gray, Energy Department - Tariffs/Rate Design
Derick Miles, Utility Engineering Specialist III, Procurement Analysis Department

/s/ Thomas M. Imhoff 06/05/08 /s/ Robert S. Berlin 06/05/08
Energy Department/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation On Missouri Gas Utility, Inc.'s Application For A Certificate Of
Convenience And Necessity

DATE: June 5, 2008

On April 4, 2008, Missouri Gas Utility, Inc. (MGU or Company) filed an APPLICATION (Application) with the Missouri Public Service Commission (Commission). The Application requests the Commission grant MGU a certificate of convenience and necessity (CCN) authorizing it to construct, install, own, operate, control, manage and maintain a natural gas distribution system to provide gas service in Harrison County, Missouri, as a further expansion of its existing certified area. On April 10, 2008, the Commission issued an ORDER DIRECTING NOTICE AND SETTING DATE FOR SUBMISSION OF INTERVENTION REQUESTS (Notice), which allowed any interveners to file by April 30, 2008. On May 6, 2008, the Commission issued an ORDER DIRECTING FILING (Order), directing the Commission's Staff (Staff) to file its Staff Recommendation or a status report by June 5, 2008.

MGU is requesting a CCN adjacent to MGU's presently certified service area in Harrison County, to provide service to Ridgeway, Missouri. MGU plans to extend service to Ridgeway pursuant to its service extension policy detailed in its Commission approved tariff. There is no opposition to the project.

MGU filed its feasibility study (study) along with its Application. The total estimated cost of the project is \$528,949. After the initial construction, the study projects the annual revenues will exceed the annual costs over the next five (5) years. MGU states that additional customers may be served off the extension subject to MGU's line extension policy in its tariff.

The Procurement Analysis Department has reviewed the Company's gas supply planning and capacity analysis as it pertains to the addition of the township of Ridgeway, Missouri. Staff has the following comments/concerns:

The Company currently has in place, a transportation contract with ANR Pipeline that could accommodate the incremental estimated load as a result of the addition. The addition of Ridgeway results in a reserve margin of 28.4%. The high reserve margin is not an issue, as customers only pay for the capacity that is used on the ANR transportation contract.

Staff also considered the impact of two other MGU applications for CCNs now pending before the Commission and related to the Ridgeway addition (requested certificates to expand service into Pattonsburg, Case No. GA-2008-0322, and Jamesport, Case No. GA-2008-0348).

The Company's estimated peak day as a result of the aggregation of the additions of the townships contemplated in this and the other two application cases result in a reserve margin of 1.7%. Staff has no major concerns with the low reserve margin, however, Staff recognizes that the Company's model used in estimating a peak day has a lower R-square value of 0.49. If the upper 95% confidence interval is considered for variation in peak day estimation, then there is potential for a peak day to exceed current contracted transportation capacity. Staff has been communicating with the Company to improve the model accuracy. The Company may consider additional capacity through a contract with ANR.

MGU provided Staff with details of its Gas Supply Plan for the winter of 2008/2009.

Staff recommends that the Company continue to update Staff on supply purchases, forecasting model improvements, and contracts changes as they occur.

The Staff has reviewed this Application and for the following reasons is of the opinion that granting this Application is required by public convenience and necessity and would be in the public interest:

1. MGU is willing and able to provide the requested service under existing tariff provisions,
2. Extending gas service would not jeopardize natural gas service to the Company's currently existing customers,
3. No parties have applied for intervention in any of MGU's three pending CCN application cases,
4. MGU has received a franchise from the town of Ridgeway, Missouri, and,
5. MGU has supply and capacity to accommodate the additional loads as a result of this addition.

Therefore, Staff recommends that MGU be granted a certificate to serve the requested area in Harrison County, Missouri. Staff also recommends the Company file revised tariff sheets reflecting this proposed CCN in this case within thirty (30) days of the Commission's Order approving this Application.

The Staff has verified that this company has filed its annual report and is not delinquent on any assessment.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

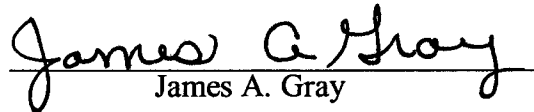
In the matter of the application of Missouri)
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system to provide gas service in Harrison)
County, Missouri, as a further expansion of its)
existing certified area.)

Case No. GA-2008-0321

AFFIDAVIT OF JAMES A. GRAY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James A. Gray, of lawful age, on oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was given by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.


James A. Gray

Subscribed and sworn to before me this 5th day of May, 2008.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI


In the matter of the application of Missouri
Gas Utility, Inc. for a certificate of
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construct, install, own, operate, control,
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Harrison County, Missouri, as a further
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) Case No. GA-2008-0321
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AFFIDAVIT OF DERICK MILES

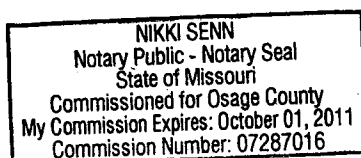
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

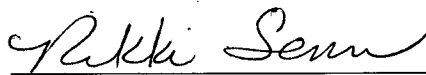
Derick Miles, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.



Derick Miles

Subscribed and sworn to before me this 4th day of June, 2008.





Notary Public