

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

In the Matter of Missouri Gas Energy's Purchased)
Gas Adjustment (PGA) Factors to be Audited in Its) **Case No. GR-2005-0104**
2003-2004 Actual Cost Adjustment)

STAFF'S RESPONSE TO ORDER DIRECTING FILING

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and in response to the Commission's October 19, 2007 Order states:

1. This case involves the audit of MGE's 2003-2004 Actual Cost Adjustment resulting in Staff recommending two adjustments. The first adjustment was for imprudently incurred transportation costs under MGE's contract with Kansas Pipeline Company. On January 30, 2007, the Missouri Supreme Court held that Commission review of that issue was precluded by a stipulation and agreement approved by the Commission. The Staff withdraws that issue from the Commission's consideration as it did in Case Nos. GR-2003-0330, GR-2002-348, GR-2001-382, GR-2000-425, GR-99-304, GR-98-167, and GR-96-450.

2. Staff's second adjustment was for excess transportation capacity. The excess capacity issue in this case is the same as that considered by the Commission in Case No. GR-2003-0330, wherein the Commission issued a Report and Order on October 2, 2007, declaring that the Staff had not created a serious doubt about MGE's prudence in planning its capacity.

3. In light of the Commission's October 2, 2007 Report and Order in GR-2003-0330, but without acquiescing in the prudence or imprudence of the excess capacity issue in this ACA, the Staff does not plan to pursue this issue again in this case and withdraws, without prejudice, the issue from the Commission's consideration.

4. Staff's remaining recommendations are not monetary, therefore no issues remain to be resolved by the Commission.

5. The ending ACA balance for Case GR-2005-0104 is an under-recovery of \$4,375,105.

Respectfully submitted,

/s/ Steven C. Reed

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, emailed, sent by facsimile or hand-delivered to all counsel of record this 2nd day of November 2007.

/s/ Steven C. Reed