

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2005-0169, File No. YG-2005-1114, Missouri Gas Energy

FROM: Michael Ensrud, Energy Department – Tariffs/Rate Design

/s/Warren Wood 06/24/05
Utility Operations Division/Date

/s/ Lera L. Shemwell 06/24/05
General Counsel's Office/Date

SUBJECT: Staff Recommendation on Missouri Gas Energy's Optional PGA Filing To Be Effective July 1, 2005

DATE: June 24, 2005

On June 16, 2005, Missouri Gas Energy (MGE or Company), a division of Southern Union Company, of Kansas City, Missouri, filed a tariff sheet proposed to become effective July 1, 2005. The tariff sheet was filed to reflect changes in MGE's Purchased Gas Adjustment (PGA) factors as the result of an estimated change in the cost of natural gas for the remaining portion of the summer season.

The net effect of these changes will increase the firm PGA factor for the remaining portion of the 2005 summer season including the months of July through October, to \$0.91504 per Ccf from the current firm PGA factor of \$0.68611 per Ccf. The effect of the proposed rate on a typical residential heating customer's natural gas bills for the remaining summer season is an increase of approximately \$29.00 or 19% when compared to the rates currently in effect.

There are two predominate reasons for the 19% increase in a summer PGA. First, the price of natural gas has increased significantly since the last PGA was filed. Second, MGE had a relatively low PGA rate in March (.68611) when compared to the other LDCs because of a FERC-ordered pipeline refund. That refund lowered the natural gas costs to MGE customers, but the refund has now been completed. The percentage of increase to customers' bills is magnified because this change is occurring during the summer season when customer usage is low and overall bills are low so the percentage increase is higher.

Case No. GR-2005-0169, under which these changes were filed, was established to track the Company's PGA factors to be reviewed in its 2004-2005 ACA filing. GR-96-450, GR-98-167, GR-99-304, GR-2000-425, GR-2001-382, GR-2002-0348, GR-2003-0330, GR-2005-0104 and GR-2005-0104 were established to track the Company's PGA factors to be reviewed in its 1996-1997, 1997-1998, 1998-1999, 1999-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004, and 2004-

Appendix A

MO PSC Case No. GR-2005-0169
OFFICIAL CASE FILE MEMORANDUM
PAGE 3 OF 3

2005 ACA filings, respectively. This rate change should be approved only on an interim, subject to refund status pending final Commission decisions in ACA Case Numbers GR-96-450, GR-98-167, GR-99-304, GR-2000-425, GR-2001-382, GR-2002-0348, GR-2003-0330, GR-2005-0104, and GR-2005-0169.

The Commission's Energy Department Tariffs/Rate Design Staff (Staff) has reviewed this filing and has determined that the tariff sheet was calculated in conformance with MGE's PGA Clause. Staff is of the opinion that good cause for approval of this tariff sheet on less than thirty (30) days notice is demonstrated by MGE's Commission-approved PGA Clause allowing for ten (10) business days notice for PGA change filings. In addition, the Staff has verified that the Company has filed its annual report and is not delinquent on any assessment. The Commission's Staff has reviewed this filing and is not aware of any issue currently pending before the Commission that affects, or is affected by, this filing. However, the following open cases involving this Company are before the Commission at this time:

PGA/ACA

GR-2003-0330	GR-2005-0104	GR-96-450
GR-98-167	GR-99-304	GR-2000-425
GR-2001-382	GR-2002-0348	

Rate Case

GR-2001-382

Accounting Authority Order

GU-2005-0095

Staff therefore recommends approval of the following tariff sheet, as filed on June 16, 2005 with an effective date of July 1, 2005:

P.S.C. MO. No.1

Seventh Revised SHEET No. 24.3, Canceling Sixth Revised SHEET No. 24.3

Copies: Director - Utility Operations Division
Director - Utility Services Division
Public Information Administrator
General Counsel
Manager - Procurement Analysis Department

MO PSC Case No. GR-2005-0169
OFFICIAL CASE FILE MEMORANDUM
PAGE 3 OF 3

Manager - Energy Department
Robert J. Hack, Vice President of Pricing & Regulatory Affairs, MGE
Michael Noack, Director, Pricing & Regulatory Affairs, MGE
Dean L. Cooper – Attorney with Brydon, Swearingen & England P.C.
Office of the Public Counsel