

**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 2004-2005)
Actual Cost Adjustment.)

Case No. GR-2005-0169

MISSOURI GAS ENERGY'S RESPONSE TO STAFF RECOMMENDATION

COMES NOW Missouri Gas Energy ("MGE"), a division of Southern Union Company, by and through counsel, and for its to the Staff Recommendation filed herein on or about October 25, 2005, respectfully states as follows to the Missouri Public Service Commission ("Commission"):

1. In its recommendation to approve MGE's PGA filing, the Staff asserts that the filing represents a 45% increase on customer bills (See page 1 of the Staff Memorandum). MGE files this response to advise the Commission that the Staff's portrayal of bill impacts is a misleading "apples to oranges" comparison in addition to being based on inaccurate data. Specifically,

- A. The Staff's impact calculation compares bills from last winter – which was warmer than normal (actual heating degree days – "HDD" – were approximately 86% of the 30-year measure) – to projected bills from the upcoming winter assuming "normal" weather (*i.e.*, HDD equivalent to the 30-year measure). MGE believes that this "apples to oranges" comparison is misleading and does not fairly represent the impact of the filing.
- B. Compounding this problem, the Staff has used inaccurate volumetric data in its impact calculation. According to the Staff

Memorandum, an MGE customer uses approximately 798 Ccf during the winter months of November – March under “normal” weather conditions (*i.e.*, where HDD are equivalent to the 30-year measure). MGE does not know the source of this volumetric assumption by the Staff. MGE does know, however, that in setting customer rates in its most recent rate case (Case No. GR-2004-0209), each residential customer was assumed to use approximately 656 Ccf during the winter months of November – March (assuming HDD equivalent to the 30-year measure). Overstating the volumes used by customers inaccurately magnifies the percentage increase in bills.

2. Two reasonable alternatives to correcting these problems come immediately to mind:

- A. One could compare usage last winter (under warmer than normal conditions) to projected usage under similar conditions. This would produce an estimated bill increase of 26.5% (based on usage of 600 Ccf, producing a bill of \$662.29 for winter 2004-2005 and \$838 for winter 2005-2006); or
- B. One could compare estimated usage last winter assuming HDD equivalent to the 30-year measure to projected usage under similar conditions. This would produce an estimated bill increase of 26.7% (based on usage of 656 Ccf, producing a bill of \$718.67 for winter 2004-2005, and \$910.78 for winter 2005-2006).

Both of the above calculations represent fair “apples to apples” comparisons using volumetric data that is representative of the assumptions used in setting MGE’s distribution rates.

3. If, however, the Commission believes that a comparison of usage in the warmer-than-normal winter of 2004-2005 to usage estimated to result from normal weather in the winter of 2005-2006 produces a fair representation of customer bill impacts, then using volumetric data that more closely equates to the assumptions used in setting MGE's distribution rates produces an estimated bill increase of 37.5% (based on usage of 600 Ccf for winter 2004-2005 with resulting bills of \$662.29, and usage of 656 Ccf for winter 2005-2006 with resulting bills of \$910.78).

WHEREFORE, MGE respectfully submits this response.

Respectfully submitted,

/s/ Robert J. Hack

Robert J. Hack
3420 Broadway
Kansas City, MO 64111
(816) 360-5755 Phone
(816) 360-5536 Fax
rhack@mgemail.com

Attorney for Missouri Gas Energy

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was delivered by e-mail, first class mail or by hand delivery, on this 31st day of October, 2005 to the following:

Ms. Lera Shemwell
General Counsel's Office
Missouri Public Service Commission
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102-0360

Mr. Lewis R. Mills
Office of the Public Counsel
Governor Office Building
200 Madison Street, Suite 650
P.O. Box 2230
Jefferson City, MO 65102-2230

Mr. Jeffrey A. Keevil
Stewart & Keevil
4603 John Garry Dr., Suite 11
Columbia, MO 65203

/s/ Robert J. Hack
