

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

In the Matter of Staff's Recommendation)	
In Missouri Gas Energy's 2003-2004)	Case No. GR-2005-0104
Actual Cost Adjustment.)	

STAFF'S RECOMMENDATION IN THIS CASE

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and files its Memorandum with recommendations in this case.

1. On October 15, 2004, Missouri Gas Energy (MGE or Company) filed proposed tariff sheets to make scheduled changes in its Purchased Gas Adjustment (PGA) factors as the result of an estimated change in the cost of natural gas for the upcoming winter season.

2. The Procurement Analysis Department (Staff) has reviewed the Missouri Gas Energy (MGE or Company) 2003-2004 Actual Cost Adjustment (ACA) filing and the results are in Appendix A to this pleading. Both HC and NP versions are being filed.

3. Staff audited and evaluated MGE's billed revenues and actual gas costs for the period of July 1, 2003, to June 30, 2004. The Staff also reviewed MGE's gas purchasing practices to determine the prudence of the Company's purchasing and operating decisions. Staff conducted a reliability analysis of estimated peak day requirements and the capacity levels needed to meet those requirements; peak day reserve margin and the reasons for this reserve margin; and a review of normal and cold weather requirements. Staff also reviewed MGE's hedging for the period to determine the reasonableness of the Company's hedging plans.

4. Staff proposes two adjustments to MGE's gas costs, and makes six recommendations to improve MGE's gas supply planning.

WHEREFORE, the Staff recommends that the Commission require MGE to respond to the Staff's recommendations contained in Appendix A within thirty (30) days.

Respectfully submitted,

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General Counsel

/s/ Lera L. Shemwell

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 29th day of December 2005.

/s/ Lera L. Shemwell