

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File,  
Case No. GR-2005-0169, File No. YG-2006-0283  
Missouri Gas Energy

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

/s/ Thomas Imhoff 10/25/05      /s/ Lera Shemwell 10/25/05  
Utility Operations Division/Date      General Counsel's Office/Date

SUBJECT: Staff Recommendation for Missouri Gas Energy's Winter Season PGA Filing -  
Effective November 1, 2005

DATE: October 25, 2005

On October 18, 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 November 1, 2005. These tariff sheets were filed to reflect scheduled changes in MGE's Purchased Gas Adjustment (PGA) factors as a result of estimated changes in the cost of natural gas for the upcoming winter season and changes in the Actual Cost Adjustment (ACA) factor. The winter season includes the months of November through March.

The net effect of these changes will increase the firm PGA factor for the 2005 - 2006 winter season to \$1.16771 per Ccf, from the 2004-2005 winter season PGA factor of \$0. 87486 per Ccf. A customer last winter using 730 Ccf had a bill of \$756; if weather is normal this winter, the same customer would use approximately 798 Ccf, for a bill of \$1095, before taxes. This is a 45% increase.

The Commission's Energy Department - Tariffs/Rate Design Staff (Staff) has been monitoring the rapidly changing natural gas market situation, along with the Office of the Public Counsel, and the local distribution companies. If it appears that MGE's PGA rate should be reduced, Staff will promptly notify MGE. The Staff's Procurement Analysis Department (PAD) will address MGE's procurement of its natural gas for this upcoming winter season. Due to the limited time available to review the documentation supporting the PGA factors represented in this filing, PAD has requested permission to submit its results and recommendations regarding information included in this PGA filing to the Commission on or before December 29, 2006.

Also, in Case No. GW-2006-0110, Staff is currently reviewing several aspects of the procurement policies of Missouri's local distribution companies, including MGE's. This highly abbreviated review of MGE's purchasing policies may result in Staff or other parties filing a complaint against MGE if any of these parties believe that MGE has been imprudent in their purchasing practices.

Staff does not believe that this abbreviated review obviates the need for a thorough PAD audit as is now provided for in the normal process. Also, Staff does not believe that a lack of any

findings by parties in this abbreviated review should be treated by any parties as a final determination that a utility has been prudent in its purchasing practices as is now determined through a thorough PAD audit.

At this time, Staff does not render an opinion as to the gas purchasing practices of MGE. Staff's review of this PGA filing has focused on the compliance of MGE's calculations, market assumptions, storage position, hedging positions and other relevant factors in support of its tariff filing in accordance with its approved PGA Clause.

Staff has verified that this company has filed its annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing. The following Cases involving this Company are pending before the Commission:

PGA/ACA

GR-2003-0330      GR-2005-0104      GR-2005-0169

Rate Case

GR2001382xxx

Complaint

GC-2006-0066

Working Group

GW-2006-0110

Staff has reviewed this filing and has determined that it was calculated in conformance with MGE's PGA Clause. Staff is of the opinion that good cause for approval of these tariff sheets 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. Therefore, Staff recommends that the following tariff sheet, filed on October 18, 2005, be approved, interim subject to refund:

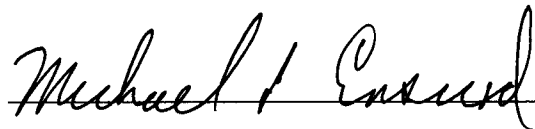
**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Missouri Gas Energy, a	)	
Division of Southern Union	)	
Adjustment Factors to be Reviewed in its	)	Case No. GR-2005-0169
2005-2006 Actual Cost Adjustment.	)	

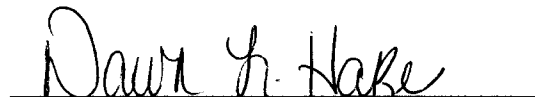
**AFFIDAVIT OF MICHAEL JAY ENSRUD**

STATE OF MISSOURI     )  
                                      ) ss  
COUNTY OF COLE        )

Michael Jay Ensrud, of lawful age, on oath states: that he has participated in the preparation of the foregoing written memorandum, consisting of two pages to be presented in the above case; that the information in the attached written report were given by Missouri Gas Energy; that he has knowledge of the matters set forth in such memorandum; and that such matters are true to the best of his knowledge and belief.



Subscribed and sworn to before me this 25<sup>th</sup> day of October 2005.

  
\_\_\_\_\_  
Notary Public



My commission expires \_\_\_\_\_

DAWN L. HAKE  
My Commission Expires  
March 16, 2009  
Cole County  
Commission #05407643