

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

In the matter of Missouri Gas Energy)
Purchased Gas Cost Adjustment Change)

Case No. GR-2006-0291

MISSOURI GAS ENERGY'S REPLY TO STAFF'S RESPONSE

Comes now Southern Union Company, through its Missouri Gas Energy ("MGE") division, and for its reply to the Staff's Response filed on February 15, 2008, respectfully states the following:

1. Paragraph 4 of Staff's Response indicates that the only area of dispute remaining in this proceeding is the appropriate amount for the ending balance to be ordered by the Commission.

2. MGE's Response to the Staff Recommendation pointed out that MGE agreed with both of the monetary adjustments proposed by Staff, and has already made the two adjustments on its books. Because of that, MGE was uncomfortable with the concept of being ordered to do what it has already done, and the resulting potential for confusion in that it might have to make the same adjustments twice. Therefore, MGE suggested that the MGE ending balances be ordered instead of the Staff ending balances. MGE and Staff have had subsequent discussions about this point and MGE has demonstrated to Staff the manner in which it has already adjusted its ACA balance for the 2006/2007 period by Staff's recommended adjustment of \$414,650.51 and also adjusted the 2007/2008 period by Staff's recommended adjustment of \$187,209.13.

3. Based on these discussions with Staff, MGE's position now is that the Commission should note in its order that MGE has made the appropriate entries on its books to reflect the

Staff's proposed adjustments, enter an order establishing the Staff's recommended ending balances, and order that the case be closed.

Respectfully submitted,

/s/ Gary W. Duffy

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ATTORNEYS FOR
MISSOURI GAS ENERGY

Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was electronically transmitted this 25th day of February, 2008, to all counsel of record.

/s/ Gary W. Duffy

Gary W. Duffy