

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

In the Matter of)	
Missouri Gas Utility, Inc.'s)	
Purchased Gas Adjustment (PGA) Factors)	
to be Audited in Its 2005 Actual Cost)	Case No. GR-2006-0200
Adjustment.)	

STAFF'S REPLY TO MISSOURI GAS UTILITY, INC.'S RESPONSE TO STAFF

MEMORANDUM AND RECOMMENDATIONS

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and files its Reply to Missouri Gas Utility, Inc.'s (MGU or Company) Response to Staff Memorandum and Recommendations in this case.

1. On September 29, 2006, the Commission issued its *Order Directing Staff To Reply* no later than October 12, 2006 to MGU's *Response to Staff Memorandum and Recommendations* (Response).

2. Staff's Reply to MGU's Response is contained in Staff's Memorandum, attached hereto as Appendix A and incorporated by reference herein.

WHEREFORE, the Staff provides its Reply to MGU's Response as directed by Commission order.

Respectfully submitted,

/s/Robert S. Berlin

Robert S. Berlin

Senior Counsel

Missouri Bar No. 51709

Attorney for the Staff of the
Missouri Public Service Commission

P. O. Box 360

Jefferson City, MO 65102

(573) 526-7779 (Telephone)

(573) 751-9285 (Fax)

email: bob.berlin@psc.mo.gov

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 12th day of October 2006.

/s/ Robert S. Berlin

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Utility, Inc.'s)
Purchased Gas Adjustment (PGA) Factors to be) Case No. GR-2006-0200
Audited in its 2004-2005 Actual Cost Adjustment.)

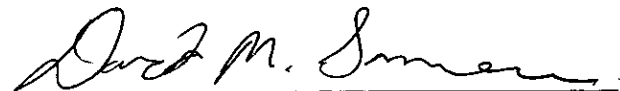
AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

David M. Sommerer, being of lawful age, on his oath states: that as Manager of the Procurement Analysis Department of the Utility Services Division he has participated in the preparation of the foregoing report, consisting of 1 pages to be presented in the above case, that he has verified that the following Staff Memorandum was prepared by Staff of the Procurement Analysis Department that have knowledge of the matters set forth as described below; that he has verified with each of the Staff members listed below that the matters set forth in the Staff Memorandum are true and correct to the best of his/her knowledge and belief,

Annell Bailey:	Billed Revenues and Actual Gas Costs, ACA Account Balance.
Lesa Jenkins:	Reliability Analysis and Gas Supply Planning
Kwang Choe:	Hedging

that he has knowledge of the matters set forth in such report and that such matters are true to the best of his knowledge and belief.



David M. Sommerer

Subscribed and sworn to before me this 10th day of October 2006.





ASHLEY M. HARRISON
My Commission Expires
August 31, 2010
Cole County
Commission #06888278

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GR-2006-0200, Missouri Gas Utility, Inc.

FROM: David M. Sommerer, Manager - Procurement Analysis Department
Annell Bailey, C.P.A., Regulatory Auditor - Procurement Analysis Department
Lesa A. Jenkins, P.E., Regulatory Engineer - Procurement Analysis Department
Kwang Choe, Ph.D., Regulatory Economist - Procurement Analysis Department

/s/ Dave M. Sommerer 10/11/06 /s/Robert S. Berlin 10/12/06
Project Coordinator General Counsel's Office

SUBJECT: Staff's Response to Missouri Gas Utility, Inc.'s Response to Staff Memorandum
and Recommendation, Case No. GR-2006-0200

DATE: October 11, 2006

The Procurement Analysis Department (Staff) has reviewed Missouri Gas Utility, Inc.'s (MGU or Company) Response to Staff Memorandum and Recommendation, Case No. GR-2006-0200. Staff believes that MGU has accepted Staff's recommendations, however, MGU proposes alternate due dates for two items. Staff does not oppose the alternate due dates. Additionally MGU's response states that in regard to the transportation customers' storage balances, the telemetry system should be operational by January 1, 2007. In subsequent correspondence, MGU states it is willing to provide an update to Staff of the status of the telemetry system by January 15, 2007.

Alternate Due Dates:

Staff's Recommendation, item number 3, recommended that MGU establish and maintain a current hedging policy based on month-specific normal weather requirements (including scenario analysis for warmer and colder monthly weather), document the reasoning for executing any hedging transactions or decisions, make the hedging documents available to the Staff for its reviews of subsequent ACA periods; and, if no hedging plan existed for the 2005-2006 ACA period, MGU should so state and provide the hedging plan for 2006-2007 no later than October 1, 2006. MGU's response stated that no written hedging plan existed for the 2005-2006 ACA period and that it will provide to Staff its hedging plan for 2006-2007 by October 9, 2006. The alternate due date is acceptable to Staff. Staff received MGU's hedging plan on October 9, 2006.

Staff's Recommendation, item number 4, recommended that MGU respond to the concerns expressed by Staff in the Reliability Analysis and Gas Supply Planning section within 30 days with a detailed plan of action to address Staff's concerns. The Commission Ordered due date for a response to the Staff Recommendation was September 29, 2006. In its response to Staff Recommendation, MGU states that it believes that it will be in a position to respond by October 30, 2006. A due date of October 30, 2006, is acceptable to Staff.