

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

In the Matter Of Missouri Gas Energy's)
Tariffs Increasing Rates for Gas Service)
Provided to Customers in the Company's)
Missouri Service Area.)

Case No. GR-2006-0422

STAFF PLEADING REGARDING TEST YEAR

COMES NOW the Staff of the Missouri Public Service Commission (Staff), and respectfully submits as follows:

1. On May 2, 2006, Missouri Gas Energy (MGE), a division of Southern Union Company, filed tariff sheets with the Missouri Public Service Commission (Commission) to implement a general rate increase for natural gas service in an annual amount of \$41,651,345.

2. On May 12, 2006, the Commission issued its Suspension Order and Notice. In this Order, the Commission suspended the tariff sheets until March 30, 2007. The Commission further ordered the Office of the Public Counsel, Staff and any persons or entities seeking intervention to file a pleading regarding MGE's proposed test year and a true-up by June 9, 2006. In addition, the Commission set an early prehearing conference on June 16, 2006 at 10:00 a.m. and the filing of a proposed procedural schedule by June 25, 2006. The Commission also set an evidentiary hearing for December 11-15, 18-22, 2006 and reserved December 27-29, 2006 for any requested and Commission approved true-up hearing.

3. On May 24, 2006, MGE filed MGE's Recommendation Concerning Test Year and Request for True-Up Audit and Hearing. MGE recommends that the Commission establish the twelve months ended December 31, 2005 with an update through June 30, 2006.

4. Staff concurs in this request by MGE. Staff also concurs in the update request through June 30, 2006. The update period would allow Staff and the other parties to account for

any events that would have a significant revenue impact on the Company. This recommendation regarding the update period is dependent upon the practice and fact that use of test year update periods should involve bringing forward in time only significant and material revenue requirement impacts in a party's case, and in no event should involve updating all of a company's revenue, expense and rate base factors which would have the inappropriate effect of creating a new test year.

5. Staff believes that a true-up is not necessary in this case at the present time. This is based on the fact that MGE did not provide any information that indicates any specific measurable event or events will be occurring in the four month period ending October 31, 2006 that would have any significant impact on the filed case. MGE merely "requested" a "true-up" through October 31, 2006 in order to update various cost components (MGE's Recommendation Concerning Test Year and Request for True-Up Audit and Hearing file on May 24, 2006 p. 1-2, paragraph 4). However, Staff will investigate the need for a true-up during its audit and make a recommendation in its direct testimony regarding the need for a true-up.

WHEREFORE, Staff respectfully submits Staff's Filing Regarding Test Year and True-Up.

Respectfully submitted,

/s/ Robert V. Franson

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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 8th day of June 2006.

/s/ Robert V. Franson