

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

In the Matter of)	
Missouri Gas Utility, Inc.'s)	
Purchased Gas Adjustment Tariff Filing.)	Case No. GR-2006-0200

STAFF'S RECOMMENDATION IN THIS PGA FILING

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

1. On November 4, 2005, Missouri Gas Utility, Inc. (MGU or Company) filed a proposed tariff sheet to make scheduled changes in its Purchased Gas Adjustment (PGA) and Actual Cost Adjustment (ACA) factors as the result of an estimated change in the cost of natural gas for the upcoming winter season. The winter season includes the months of November 2005, through March 2006.

2. The tariff sheet is proposed to become effective on November 21, 2005.

3. Staff has reviewed this filing and has determined that it was calculated in conformance with the PGA clause in MGU's Commission-approved tariff. Please see the attached Staff Memorandum for Staff's comments.

4. Staff is of the opinion that good cause exists for approval of this tariff sheet on less than thirty (30) days notice because the language of MGU's approved PGA clause allows for ten (10) business days notice for PGA filings.

5. Staff recommends that the tariff may be approved as calculated in compliance with MGU's PGA tariff but that the rates be approved as interim, subject to refund only.

WHEREFORE, the Staff recommends that the Commission approve the tariff filing to be effective on November 21, 2005, with rates approved on an interim basis only, subject to refund.

Respectfully submitted,

DANA K. JOYCE
General Counsel

/s/ Robert S. Berlin


Robert S. Berlin
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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 15th day of November 2005.

/s/ Robert S. Berlin

My commission expires  Commission #05407643

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2006-0200, File No. JG-2006-0346
Missouri Gas Utility, Inc.

FROM: Tom Solt, Energy Department - Tariffs/Rate Design

/s/ Thomas Imhoff 11/15/05

Energy Department/Date

/s/ Bob Berlin 11/15/05

General Counsel's Office/Date

SUBJECT: Staff Recommendation for Missouri Gas Utility, Inc.'s Scheduled Winter Season
PGA Filing Effective November 21, 2005

DATE: November 15, 2005

On November 4, 2005, Missouri Gas Utility, Inc. (MGU or Company) of Littleton, Colorado, filed tariff sheets proposed to become effective November 21, 2005. On November 8, 2005, the Company filed a substitute sheet at the request of the Staff to correct a typographical error. These tariff sheets were filed to reflect scheduled changes in MGU'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.

MGU, which is served by the ANR-SW Pipeline, serves the towns of Hamilton and Gallatin. These changes will increase MGU's PGA factor for the 2005-2006 winter season to \$.9274 per hundred cubic feet (Ccf) from the 2004-2005 winter season PGA of \$.7164 per Ccf. Last winter was slightly warmer than normal. A customer last winter using 607 Ccf had a bill of \$662. If weather is normal this year, the same customer would use approximately 663 Ccf, for a bill of \$845, before taxes. This is a 28% increase in the estimated winter bill.

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 MGU's PGA rate should be reduced, Staff will promptly notify MGU. The Staff's Procurement Analysis Department (PAD) will address MGU's procurement of its natural gas for this upcoming winter season. Due to the limited time available to review the documentation supporting the ACA factors represented in this filing, PAD has requested permission to submit its results and recommendations regarding information included in this ACA 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 MGU. This highly abbreviated review of MGU's purchasing policies may result in Staff or other parties filing a complaint against MGU if any of these parties believe that MGU 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 MGU. Staff's review of this PGA filing has focused on the compliance of MGU'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.

Case No. GR-2006-0200, under which these changes were filed, was established to track the Company's PGA factors to be reviewed in its 2004-2005 ACA filing. Interim subject to refund status should be maintained pending final Commission decisions in Case No. GR-2006-0200.

The Commission's Energy Department - Tariffs/Rate Design Staff (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:

GR-2006-0200

GW-2006-0110

GO-2005-0120

Staff has reviewed this filing and has determined that it was calculated in conformance with MGU'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 MGU's Commission-approved PGA clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends that the following tariff sheets, filed on November 4, 2005, and substituted on November 8, be approved, interim subject to refund: