

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 17th of  
October, 2006.

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

**ORDER ADOPTING STAFF RECOMMENDATIONS AND REQUIRING  
ADJUSTMENT OF ACA BALANCE**

Issue Date: October 17, 2006

Effective Date: October 27, 2006

This case was opened to receive the 2005 Actual Cost Adjustment (ACA) filing of Missouri Gas Utility, Inc. On August 30, 2006, the Staff of the Public Service Commission filed a recommendation and memorandum indicating that Staff has completed an audit of billed revenues and actual gas costs for the period January 1 through August 31, 2005, included in Missouri Gas Utility's computation of its ACA rate. Staff also conducted a reliability analysis and a hedging review for Missouri Gas Utility. In addition, Staff reviewed Missouri Gas Utility's gas purchasing practices to determine the prudence of its purchasing decisions.

Staff recommended that the Commission issue an order requiring Missouri Gas Utility to:

1. Adjust the ACA account balances in its next ACA filing to reflect the Staff adjustment and to reflect the (over)/under-recovered ACA balance in the “Staff Recommended” column of the following table:

Description	Company's ACA Balance Per Filing	Company's Revisions Submitted 8/4/06	Company's ACA Balance as Revised	Staff Adjustments	Staff Recommended ACA Balance
Beginning Balance 1/1/05	\$0		\$0		\$0
Cost of Gas	\$248,218	\$10,097	\$258,315	\$(3,861)	\$254,454
Recoveries	\$(254,013)	\$(39,657)	\$(293,670)		\$(293,670)
Ending Balance	\$(5,795)	\$(29,560)	\$(35,355)	\$(3,861)	\$(39,216)

2. Respond to the concerns expressed by Staff in the Transportation Customers' Storage Balances section within 30 days with a detailed plan of action to address Staff's concerns.

3. 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, state that and provide the hedging plan for 2006-2007 no later than October 1, 2006.

4. 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.

5. Document MGU's gas procurement plans, policies and procedures and submit the documentation for Staff review by November 15, 2006.

6. File a written response to the above recommendations within 30 days.

On August 31, the Commission issued an order directing Missouri Gas Utility to respond to Staff's recommendations by September 29. Missouri Gas Utility filed its response on September 29, indicating that it accepts Staff's recommendations. However, Missouri Gas Utility proposed two minor variations from the actions proposed by Staff. First, it proposed to provide its hedging plan to Staff on October 9, rather than October 1. Second, Staff recommended that Missouri Gas Utility submit a detailed plan of action within thirty days to address Staff's concerns about the company's Reliability Analysis and Gas Supply Planning section. Missouri Gas Utility proposed to submit such a plan on October 30. Because Missouri Gas Utility proposed these variations from Staff's recommendations, the Commission directed Staff to file a reply to Missouri Gas Utility's response by October 12. Staff filed its reply on the due date and indicated that it received Missouri Gas Utility's hedging plan on October 9, and that the October 30 submission date for the requested detailed plan of action is acceptable. Staff also confirmed that Missouri Gas Utility has satisfied Staff's concerns about transportation customer's storage balances, which was Staff's second recommendation.

After reviewing Staff's recommendations, Missouri Gas Utility's response, and Staff's reply to that response, the Commission concludes that Staff's remaining recommendations should be implemented.

**IT IS ORDERED THAT:**

1. Missouri Gas Utility, Inc., shall adjust the ACA account balances in its next ACA filing to reflect the Staff adjustment and to reflect the Staff recommended balances in the table set out in Staff's Memorandum and in the body of this order.
2. Missouri Gas Utility, Inc., shall 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.
3. Missouri Gas Utility, Inc., shall respond to the concerns expressed by Staff in the Reliability Analysis and Gas Supply Planning section no later than October 30, 2006, with a detailed plan of action to address Staff's concerns.
4. Missouri Gas Utility, Inc., shall document its gas procurement plans, policies and procedures and submit the documentation for Staff review by November 15, 2006.
5. This order shall become effective on October 27, 2006.
6. This case may be closed on October 28, 2006.

(S E A L)

**BY THE COMMISSION**



Colleen M. Dale  
Secretary

Davis, Chm., Murray, Gaw, Clayton and Appling, CC., concur  
Woodruff, Deputy Chief Regulatory Law Judge