

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

**In the Matter of Missouri Gas Energy  
Purchase Gas Adjustment Change**

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**Case No. GR-2006-0291**

**STAFF RESPONSE TO MGE’S RESPONSE TO STAFF’S RECOMMENDATION**

COMES NOW the Staff of the Missouri Public Service Commission in the above-captioned matter and, files its Response regarding MGE’s Response to Staff’s Recommendation in this case.

1. On February 7, 2008, MGE filed its response to Staff’s recommendations as directed by the Commission’s January 7<sup>th</sup> Order Directing Filing.

2. Regarding MGE’s response, section 6.A. and 6.B., to Staff’s Recommendations related to capacity planning in Section V., Reliability Analysis And Gas Supply Planning Improvement Recommendations, MGE states for response and clarification that “all of MGE’s contracted market area capacity is deliverable into the market area involved and all contracted market area capacity can be scheduled to MGE’s city gate delivery points on a peak day, **unless Southern Star Central (SSC) pipeline requires compliance with the FERC tariff provisions for minimum levels of flowing supplies into the SSC market area.**” (emphasis added) MGE has produced no support for its assumption that SSC would not require compliance with its FERC tariff. It does not seem reasonable for MGE to rely on SSC waiving a tariff requirement, especially during very cold weather when utilization of the pipeline’s capacity would be in great demand. MGE making such an assumption is of great concern to Staff. Because MGE’s response indicates that it is willing to discuss capacity levels in more detail with Staff and

provide additional background about MGE's practices and approach, Staff has contacted MGE to discuss further, and for this issue only, Staff concurs no resolution is needed from the Commission at this time.

3. Regarding MGE's response, section 7, to Staff's Recommendations related to "V.B. Supply Plans," Staff's Recommendation V.B. requested MGE include warm weather requirements in its monthly planning estimates. MGE states this Staff recommendation simply reflects different viewpoints. Staff's viewpoint is not at odds with prior MGE gas supply plans that addressed extreme weather conditions, which included not only cold weather, but also warm weather. Because, MGE's response indicates it is willing to discuss its supply plans in more detail with Staff, Staff has contacted MGE to discuss further. Staff has also requested MGE address its storage withdrawal plans, item V.C. in Staff's recommendation, in that supply discussion. For the issues of Supply Plans and Storage Planning, Staff concurs no resolution is needed from the Commission at this time.

4. The Staff proposed two monetary adjustments to MGE's ACA balances in this case. In section 10.A., MGE responded by stating the adjustments are appropriate and have been made by MGE. However, MGE also recommends these adjustments should not be ordered in this case and MGE's unadjusted ACA balance should be ordered by the Commission "for accounting purposes and to reduce the potential for confusion." The Staff disagrees with MGE's recommendation. The Staff believes there is a greater potential for confusion if the incorrect MGE ACA balance for the 2005/2006 ACA period were established by Commission order. In addition, if the Commission ordered the MGE unadjusted ACA balance for the 2005/2006 ACA, then MGE would be under no real obligation to make the adjustments in future ACA cases. Since MGE states it agrees with both of the Staff's adjustments and it has already made the

adjustments, then MGE should not be opposed to the Commission ordering the adjustments and Staff's recommended ACA balance. Therefore, the Staff recommends the Commission enter an order establishing Staff's recommended ending balances.

5. Regarding MGE's response, section 9, to Staff's Recommendations related to "VI. Hedging," MGE states Staff's concerns simply reflect different viewpoints. For example, MGE disagrees with Staff's concern for basis swaps as hedges. However, MGE's response indicates it is willing to meet with Staff to discuss these and related matters, and Staff has contacted MGE to discuss further. Therefore, for the issues of hedging, Staff concurs no resolution is needed from the Commission at this time.

6. Regarding MGE's response, section 10.C., to Staff's Section VII.3, related to Recommendation – Hedging, MGE states it has reviewed Staff's concerns and recommends that MGE and Staff members meet at a mutually convenient time and place to discuss these topics in greater detail. Staff has contacted MGE to further discuss this matter. Therefore, for this issue, Staff concurs no resolution is needed from the Commission at this time. Also, MGE disputes the Staff's request for MGE to submit its hedging information for the 2008-2009 no later than May 30, 2008. Staff concurs that for the 2007-2008 winter, MGE has shown a willingness to provide hedging information. Because of MGE's intention to continue to keep Staff and the Commission informed of MGE's hedging plans, Staff withdraws its request to have the Commission order MGE to provide the requested information by May 30, 2008.

WHEREFORE, the Staff requests the Commission accept this response to MGE's Response to Staff's Recommendation.

Respectfully submitted,

/s/ **Robert S. Berlin**

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## **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, emailed, sent by facsimile or hand-delivered to all counsel of record this 15th day of February 2008.

/s/ **Robert S. Berlin**