

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

In the matter of Missouri Gas Energy's       )  
Increasing Rates for Gas Service Provided   )  
To Customers in the Company's Missouri     )  
Service Area                                       )

Case No. GR-2006-0422

**STAFF'S SUGGESTIONS IN SUPPORT OF PARTIAL NONUNANIMOUS  
STIPULATION AND AGREEMENT**

COME NOW the Staff of the Missouri Public Service Commission 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. The case has proceeded under the Commission ordered Procedural Schedule. Surrebuttal was filed on December 11, 2006 and the hearing is scheduled to begin on January 8, 2007.

2. On January 3, 2007, Staff and MGE filed a Partial Nonunanimous Stipulation and Agreement (Stipulation) on the issue of Depreciation. OPC and Trigen have stated no opposition to this Stipulation. The Commission has set a deadline of January 10, 2007 at noon for any objection to be filed.

3. The Stipulation includes a specific average service life for Services (Account 380); a specific net salvage value percentage for Services (Account 380); a specific average service life for life for Mains (Account 376); maintains a depreciation rate for tools, shop and garage equipment (Account 394) at 5.30%; MGE will track the amounts accrued for the life and salvage portion of annual depreciation expense separately; and sets a depreciation rate for Land Rights (Account 374.2) of 2.09%.

4. Staff Witness Gregory Macias conducted a depreciation study. Mr. Macias described his study in his Direct Testimony. Staff used this as a starting point in considering the proposal that appears in the Stipulation. Staff also considered the changes in its initial position as discussions about this issue proceeded. These matters are reflected in the Rebuttal and Surrebuttal Testimony of Mr. Macias.

5. Staff concluded that the settlement reached in the Stipulation is a just and reasonable result. Staff considered all of the proposals made in the case, litigation risk, the conflicting interests of all of the Parties, and after due consideration decided that this Stipulation is in the public interest and so recommends to the Commission. Staff believes that it is a fair result that complies with prior Commission decisions on depreciation. Staff considered each depreciation study, the substantial differences in each and determined that this is a result that Staff can recommend to the Commission.

**WHEREFORE**, for the following reasons, Staff respectfully requests that the Commission issue an order approving the Partial Nonunanimous Stipulation and Agreement subject to the specific terms and conditions contained therein.

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 5<sup>th</sup> day of January, 2007.

/s/ Robert V. Franson\_\_\_\_\_