

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

In the Matter Of Missouri Gas Energy's)
Tariffs Increasing Rates for Gas Service) Case No. GR-2006-0422
Provided to Customers in the Company's)
Missouri Service Area.)

**STAFF'S REPLY TO MGE'S RESPONSE TO STAFF MOTION TO STRIKE AND
MOTION FOR EXPEDITED TREATMENT**

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

1. On November 30, 2006, Staff filed its Motion to Strike and Motion for Expedited Treatment. There is no doubt that Mr. Sullivan changed his testimony and methodology. On November 21, 2006, Missouri Gas Energy (MGE) filed the Rebuttal testimony of Thomas Sullivan on the issue of depreciation rates. Mr. Sullivan, in his prefiled direct testimony, stated that: "Based on the Commission and Staff's historical use of the whole life methodology, the Company is proposing the whole life rates developed in my Report. (Sullivan Direct, p. 3, lines 8-9). Mr. Sullivan, in his prefiled rebuttal testimony, stated: "The depreciation rates in Column H are not remaining life rates but rather whole life rates reflecting a reserve adjustment. As such I should have recommended the depreciation rates in Column H of Table 4-2."

2. MGE's Response, filed on December 6, 2006, acknowledges this fundamental change in methodology but alleges that it was a "mistake" (MGE Motion at paragraphs 2-3). MGE states:

The Rebuttal testimony above merely corrects an erroneous statement contained in his direct testimony and the revised schedules reflect that change and minor corrections to industry average service lives and net salvage allowances for general plant accounts. This is routine practice in rebuttal testimony.

The glaring omission in MGE's Response is the magnitude of this "mistake:" \$618,848 in annual depreciation expense (Affidavit of Gregory F. Macias). Mere correction of a "mistake" of this magnitude is not "routine practice in rebuttal testimony."

3. Another glaring omission from MGE's Response is when Mr. Sullivan discovered his "mistake." Mr. Sullivan had been in possession of his direct testimony at least since May 1, 2006, when it was filed with the Commission. Whether it was actually discovered recently or not, it was not disclosed until Mr. Sullivan filed his rebuttal testimony on November 21, 2006.

4. While MGE calls this a "mistake," MGE's Response tacitly admits and acknowledges Staff's assertion that MGE changed methodology and violated Commission Rules regarding Rebuttal testimony. At the very least that is the net effect of MGE's Response.

5. Staff submits that the Commission should grant Staff's Motion to Strike Testimony and strike the specific parts of Mr. Sullivan's Rebuttal cited on p. 3 of Staff's Motion to Strike. This will enforce Commission Rules, hold MGE responsible for its violation of Commission rules, correct MGE's "mistake," and prevent what amounts to a \$618,848 unjust enrichment.

WHEREFORE, Staff respectfully requests that the Commission issue an order granting Staff's Motion to Strike the specific parts of Mr. Sullivan's Rebuttal cited on p. 3 of Staff's Motion to Strike.

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 6th day of December 2006.

/s/ Robert V. Franson