BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

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In the matter of the Application of Missouri) Gas Energy, a division of Southern Union Company, for approval to change its **Infrastructure System Replacement** Surcharge.

Case No. GO-2006-0556

Tariff No. YG-2007-0190

STAFF MEMORANDUM

COMES NOW the Staff of the Commission and respectfully submits as follows:

1. On September 21, 2006, the Commission issued its Order Rejecting Tariff. The Commission, in this Order, rejected MGE's proposed Infrastructure System Replacement Surcharge (ISRS) tariff sheets and approved an ISRS. The Commission also authorized MGE to file new ISRS tariff sheets to recover the revenue and implementing the rates authorized by the Commission in its September 21, 2006 Order.

2. On September 22, 2006, MGE submitted its tariff sheets and motion for expedited treatment.

3. September 22, 2006, the Commission issued its Order directing Staff to file a Staff Recommendation regarding MGE's proposed ISRS tariffs by September 26, 2006.

4. Attached hereto as Appendix A is Staff's Memorandum in this case. Staff's review of MGE's proposed ISRS tariff sheets show that the proposed ISRS tariff sheets comply with the Commission's September 21, 2006 Order.

WHEREFORE, for the foregoing reasons, Staff respectfully requests that the Commission accept Staff's recommendation in this case, and issue its Order consistent with Staff's recommendation.

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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 26th day of September, 2006.

/s/ Robert V. Franson