

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

In the Matter of the Application of Missouri Gas Utility,)
Inc., for a Certificate of Public Convenience and)
Necessity Authorizing It to Construct, Install, Own,)
Operate, Control, Manage and Maintain a Natural Gas)
Distribution System to Provide Natural Gas Service in)
Parts of Harrison, Daviess and Caldwell Counties, to)
Acquire the Gallatin and Hamilton, Missouri, Natural)
Gas Systems, and to Encumber the Acquired Assets.)

Case No. GO-2005-0120

CONCURRING OPINION OF COMMISSIONER JEFF DAVIS

I concur with the decision to allow MGU to purchase the properties. What is disturbing about this case is the apparent lack of interest shown by the leaders of the cities of Gallatin and Hamilton respectively.

Political subdivisions overbuilding public works is a growing problem in Missouri. A county in Southeast Missouri constructed a jail larger than necessary on the premise that they could generate more revenue by housing inmates for the state or federal corrections system. When the facilities were constructed and the revenue stream never materialized, the taxpayers were left holding the bag, and other public services suffered because the county needed cash to pay their bond indebtedness for their facilities.

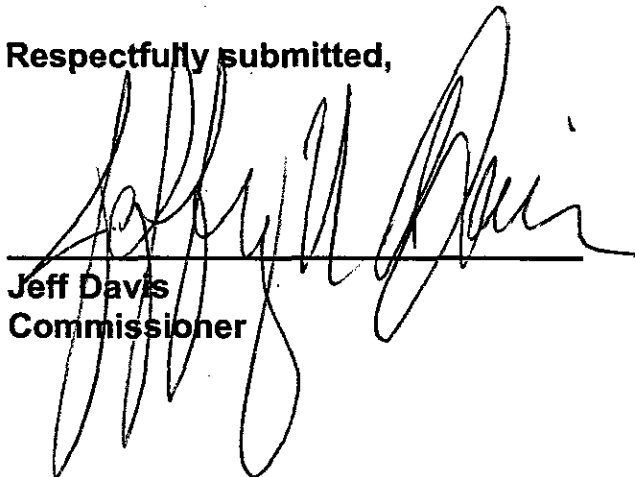
Gallatin and Hamilton are similar to the above-referenced county in that it appears the city leaders obligated their constituents to pay for a gas distribution system their existing rate base could not afford. When the creditor repossessed it, the actions of the elected leaders of these respective communities appeared less than prudent. This was evidenced by the statement of Gallatin's City Manager, when he stated in response to

questions about the possibility of consumers running out of gas, that "We can go out and buy gas anytime we want on the open market," ST. JOSEPH NEWS-EXPRESS, *Missouri Gas Utility seeks purchase OK*, November 9, 2004.

Given the highly volatile nature of the spot market for purchasing natural gas, this does not appear to be a prudent decision. A prudent utility engages in hedging, in which purchase contracts for natural gas are spread over a period of time, and mixed with purchases on the spot market as excess demand requires. This allows the utility to minimize the risk to consumers of price volatility, and allows the utility to purchase natural gas for the future when the market is more favorable to consumers. While this method may not always guarantee consumers the lowest possible price on any given day, it does guarantee more stability and less volatility in consumers energy bills, as well as more stability to the utility.

In conclusion, this commission would never allow an investor owned utility to engage in the risky strategy advocated by the city manager in this case. The leaders of these respective towns should be more mindful of their constituents or face the possibility that the legislature might be forced to intervene and provide greater oversight of their activities.

Respectfully submitted,



A handwritten signature in black ink, appearing to read "Jeff Davis", is written over a horizontal line. The signature is stylized and cursive.

**Jeff Davis
Commissioner**

Dated at Jefferson City, Missouri,
on this 28th day of February, 2005.