

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2006-0291, File No. YG-2006-0613
Missouri Gas Energy

FROM: Thomas Imhoff, Energy Department – Tariffs/Rate Design

/s/ Thomas Imhoff 02/6/06

Utility Operations Division/Date

/s/ Lera Shemwell 02/6/06

General Counsel's Office/Date

SUBJECT: Staff Recommendation for Missouri Gas Energy's Optional Winter Season PGA Filing -
Effective February 16, 2006 and Application of Waiver from MGE's PGA Tariff

DATE: February 6, 2006

On February 3, 2006, Missouri Gas Energy (MGE or Company), a division of Southern Union Company, of Kansas City, Missouri, filed a tariff sheet having an effective date of February 16, 2006. This tariff sheet was filed to reflect changes in MGE's Purchased Gas Adjustment (PGA) factors as a result of estimated changes in the cost of natural gas for the remaining winter season. MGE has also filed an Application for Waiver Concerning Unscheduled PGA Filing (Application).

This filing will decrease the firm PGA factor for the remainder of the 2005 - 2006 winter season, to \$.85536 per one-hundred cubic feet (Ccf), from the current PGA factor of \$.93825 per Ccf. This represents a decrease of \$.08289 per Ccf.

MGE's tariff sheet (P.S.C. No. 1, 5th Revised Sheet No. 15) provides that "The Company shall be allowed to make up to four (4) PGA filings during each calendar year. One such filing will be effective in November of each year, but no more than one PGA filing will be effective in any two consecutive calendar months unless specifically ordered by the Commission". MGE's requested Application would allow more than one PGA filing to become effective in two consecutive calendar months.

Case No. GR-2006-0291, under which these changes were filed, was established to track the Company's PGA factors to be reviewed in its 2005-2006 ACA filing. Case Nos. GR-2003-0330, GR-2005-0104, and GR-2005-0169 were established to track the Company's PGA factors to be reviewed in its 2002-2003, 2003-2004, and 2004-2005 ACA filings, respectively. This rate change should be on an interim, subject to refund status pending final Commission decisions in ACA Case Nos. GR-2003-0330, GR-2005-0104, GR-2005-0169 and GR-2006-0291.

Staff has verified that this company has filed its 2005 annual report and is not delinquent on any of its 2005 assessment. Staff is not aware of any other matter before the Commission that affects or is

affected by this filing.

Although MGE filed its tariff sheet with a requested effective date of February 16, 2006, the Commission may approve them and order an earlier effective date. While Staff has not had an opportunity to verify the numbers contained in the instant filing, given the interim nature of the filing, the amount of the decrease contained therein, and the need to assist Missouri consumers by promptly implementing a decrease in natural gas rates, which Staff believes constitutes good cause, Staff recommends that the filing and Application be approved on an expedited basis, to become effective on February 7, 2006. Additionally, Staff recommends that the Commission grant the requested waiver to make more than one PGA filings in two consecutive months as in the public interest. Therefore, Staff recommends that the following tariff sheet, filed on February 3, 2006, be approved, interim subject to refund:

P.S.C. MO. No.1

Tenth Revised SHEET No. 24.3, Canceling Ninth Revised SHEET No. 24.3

