

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

<b>In the matter of the Application of Missouri)</b>	
<b>Gas Energy, a division of Southern Union )</b>	<b><u>Case No. GO-2006-0556</u></b>
<b>Company, For approval to change its )</b>	
<b>Infrastructure System Replacement )</b>	<b>Tariff No. JG-2006-0996</b>
<b>Surcharge. )</b>	

**STAFF MEMORANDUM**

COMES NOW the Staff of the Commission and respectfully submits its Memorandum concerning the Tariffs filed by Missouri Gas Energy (MGE) to implement the Infrastructure System Replacement Surcharge (ISRS). Staff respectfully states as follows:

1. On June 29, 2006, MGE filed its Verified Application and Petition to change its Infrastructure System Replacement Surcharge.
2. MGE submitted its Application based upon Missouri statutory sections in Chapter 393 RSMo, authorizing (ISRS).
3. On July 6, 2006, the Commission suspended MGE's tariff for 120 days, until October 27, 2006, in accord with statutory provisions: §§ 393.1009, 393.1012 and 393.1015 RSMo (2003).
4. On July 25, 2006, the Commission issued its Order Directing Filing. This Order directed Staff to file a Staff Report by August 28, 2006.
5. Attached hereto as Appendix A is Staff's Memorandum in this case. Staff's review showed that while MGE's cost support does not support the proposed rates, but does justify a revised revenue requirement of \$3,679,127. This is an increase of

\$1,290,779 over the previous ISRS composite rates currently in effect. Staff reduced MGE's requested revenue requirement by \$2,690 to reflect an error in the deferred income tax calculation. Staff also recommends that pending tariff sheets be rejected and replaced with ISRS rates consistent with Staff's Recommendation.

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

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 28<sup>th</sup> day of August, 2006.

**/s/ Robert V. Franson**