

**BEFORE THE PUBLIC SERVICE COMMISSION
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) Case No. GO-2005-0120
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.)

STAFF'S AUDIT REPORT

Comes now the Staff of the Missouri Public Service Commission (Staff) and respectfully submits as follows:

1. Staff has completed its audit of MGU.
2. Staff's audit results are attached hereto as Attachment 1. Staff's audit shows that MGU is not currently overearning. Instead, MGU has a slight underearning.

WHEREFORE, Staff respectfully reports the results of Staff's Audit.

Respectfully submitted,

/s/ Robert V. Franson

Robert V. Franson
Senior Counsel
Missouri Bar No. 34643

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Missouri Public Service Commission
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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 15th day of February, 2006.

/s/ Robert V. Franson_____

VERIFIED STATEMENT
OF
MARK L. OLIGSCHLAEGER
MISSOURI GAS UTILITY, INC.
CASE NO. GO-2005-0120

1. My name is Mark L. Oligschlaeger, and I am a Regulatory Auditor within the Missouri Public Service Commission's Auditing Department.
2. A margin rate audit of Missouri Gas Utility, Inc. (MGU or Company) called for in the Stipulation And Agreement in Case No. GO-2005-0120 has recently been performed by Staff under my supervision. I am personally familiar with the details of the audit and the statements contained herein. MGU is owned by CNG Holdings, Inc. (CNG).
3. Staff's audit of MGU was based upon financial data for the first six months of calendar year 2005. The audit was largely based upon per book numbers, although customer growth revenues, payroll expense and pension expense were annualized by Staff. In addition, customer growth, payroll expense, pension expense and rate base were updated through September 2005.
4. Staff's audit of MGU shows that the Company is under-earning by approximately \$60,000 based upon a rate base of approximately \$2.57 million and a rate of return of 5.66% (return on equity of 10.50%). Staff's audit results are based upon the capital structure and debt cost rates of total company CNG. If MGU specific information was used to develop the rate of return in this revenue requirement calculation, then the indicated amount of MGU's under-earnings would be significantly greater than \$60,000.
5. The magnitude of MGU's under-earnings, as calculated in this audit, are such that more detailed audit procedures and analysis would be unlikely to result in a finding that MGU is materially over-earning as a result of its margin rates at the current time.
6. Staff's audit findings have been provided to the Office of the Public Counsel. The Office of the Public Counsel has indicated to Staff that it will not perform any additional inquiries on this matter beyond the work already performed by Staff in this audit.
7. Further affiant states not.

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AFFIDAVIT OF MARK L. OLIGSCHLAEGER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Mark L. Oligschlaeger, of lawful age, on his oath states: that he has participated in the preparation of the following Verified Statement; that the information is given by him; that he has knowledge of the matters set forth; and that such matters are true and correct to the best of his knowledge and belief.

Mark L. Oligschlaeger

Mark L. Oligschlaeger

Subscribed and sworn to before me this 15th day of February 2006.

Toni M. Charlton

Notary Public



TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301