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.)	

GAS PURCHASING STATUS REPORT

Comes now Missouri Gas Utility, Inc. (MGU or Company), and, as its Gas Purchasing Status Report, states as follows to the Missouri Public Service Commission (Commission):

- 1. On January 4, 2005, the Commission issued its Order Directing Status Report wherein it directed MGU "to file a status report summarizing its gas-purchasing efforts to date, and outlining its plans for future purchases."
- 2. Since the issuance of the Commission Order Approving Stipulation and Agreement in this case, MGU has purchased sufficient natural gas to supply its customers for the month of January, 2005. In addition, enough gas has been added to the gas in storage to ensure a two week reserve at the historic average daily usage for the month of January. At this time, MGU has not locked in supplies for the period beyond February 1, 2005. MGU has been tracking the market closely and has had discussions with sellers. However, it has not yet locked in a price for February. The natural gas market had been trending downward prior to yesterday and it is the belief of the gas purchasing department of the Company that the prudent course of action is to delay further gas purchases or commitments until lower prices are obtained.
 - 3. MGU is currently evaluating two options for future gas supply:
 - a) Because of the storage capacity available through the STS tariff contract with ANR Pipeline, the Company could simply purchase a quantity of gas on the cash market and place it into storage. The advantage of this option is

that the gas price is then known and locked in for the period of time that this quantity of gas will cover. The disadvantage of this approach at this time of the year is that the STS contract requires that gas in storage be drawn down to a level of 20% by April 1 each year, which limits its usefulness for the remainder of this heating season. This is an option that MGU will almost certainly use for a portion of the natural gas supply for the 2005/2006 heating season;

- b) MGU could purchase natural gas from a supplier based on the NYMEX price, less a basis discount. This is the method that was used to purchase the gas for January, 2005. The advantage of this approach is that the quantity of gas is locked in for the term of the contract, although the price will fluctuate based on the NYMEX index. The disadvantage of this type of contract is that to ensure long term price stability, the price will generally be higher than the cash price. To minimize this "time premium", MGU will generally lock in gas pricing just prior to the expiration of the next month gas futures. For the month of February, 2005, natural gas futures will expire on January 27. One variation of this approach is to lock in the volumes and basis discount with a supplier but not lock in the NYMEX futures price until closer to the futures expiration date. MGU has requested basis discount bids from several suppliers for the natural gas supply for February, March and April, 2005, and will be locking in these volumes by January 27.
- 4. MGU, in the Stipulation and Agreement in this case, agreed to supply the Staff of the Commission and the Office of the Public Counsel with the storage balance at the beginning of each month, as well as plans for confirming that supplies will be in place for each of the winter months. Concurrent with the filing of this Status Report, MGU will provide to the Staff and Office of the Public Counsel a storage report and supporting documents for the statements made herein.

WHEREFORE, MGU respectfully requests that the Commission consider this Gas

Purchasing Status Report to have satisfied MGU's obligations under the Order Directing Status Report.

Respectfully submitted,

Dean L. Cooper

MBE#36592

BRYDON, SWEARENGEN & ENGLAND P.C.

312 E. Capitol Avenue

P. O. Box 456

Jefferson City, MO 65102

(573) 635-7166

(573) 635-3847 facsimile

dcooper@brydonlaw.com

ATTORNEYS FOR MISSOURI GAS UTILITY, INC.

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was hand-delivered, or sent by electronic mail, on January 14th, 2004, to the following:

Robert Franson Office of the General Counsel Governor Office Building, 8th Floor Jefferson City, Mo 65101 Douglas Micheel Office of the Public Counsel Governor Office Building, 6th Floor Jefferson City, MO 65101

Robert Cowherd Chapman, Cowherd, et al. P.O. Box 228 Chillicothe, Missouri 64601