

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

In the Matter of Missouri Gas Ener-)	
gy and Its Tariff Filing to Imple-)	
ment a General Rate Increase for)	GR-2009-0355
Natural Gas Service)	

**STATEMENT OF POSITION
BY MIDWEST GAS USERS' ASSOCIATION**

COMES NOW Midwest Gas Users' Association ("Midwest") and submits its Statement of Position with respect to the list of issues that was filed on October 21, 2009 as follows:^{1/}

I. REVENUE REQUIREMENT

A. Cost of Capital

Capital Structure: What capital structure should be used for determining MGE's rate of return?

Return on Common Equity: What return on common equity should be used for determining MGE's rate of return?

Cost of Debt: What long term and short term cost of debt should be used for determining MGE's rate of return?

^{1/} The Joint List of Issues was filed late in the day on October 21, 2009 and indicated that some parties may have additions or further modifications to the listing. Midwest respectfully reserves its ability to restate a position should the statement of an issue materially change such that the following statements are no longer pertinent.

B. Risk:

Would the Commission's adoption of MGE's proposed rate design that recovers all non-gas costs in a fixed customer charge for Residential and SGS customers reduce MGE's business risks? If the answer is "yes," should that reduced risk be recognized in the determination of either cost of capital or the revenue requirement?

Midwest Position: *Midwest takes no position at the present time on the foregoing issues but expects to formulate a position on them based on the evidence adduced at the hearing.*

C. Expense Issues

Environmental Expenses: What amount related to former manufactured gas plant (MGP) remediation expenses should be used in determining MGE's cost of service?

Infinium Software: What amount related to MGE's Infinium Software amortization should be used in determining MGE's cost of service?

SLRP Amortization: What amount related to the Safety Line Replacement Program amortizations should be used in determining MGE's cost of service?

FAS 106/ OPEBs:

a. Is it lawful and reasonable to require MGE to fund its external OPEB trusts in an amount equal to the FAS 106 allowance included in rates such that MGE is required to deposit a "catch-up" amount into its OPEB trusts in order to make use of FAS 106 in determining MGE's cost of service?

b. If so, what is the appropriate "catch-up" amount?

c. What is the appropriate level of OPEB expense to use in determining MGE's cost of service?

Regulatory Commission Expense: What amount related to regulatory expenses should be used in determining MGE's cost of service?

Midwest Position: *Midwest takes no position at the present time on the foregoing issues but expects to formulate a position on them based on the evidence adduced at the hearing.*

Uncollectibles Expense: What amount related to uncollectibles expense should be used in determining MGE's cost

of service? Should the emergency cold weather rule amortization have an impact upon this amount?

Midwest believes that the bulk of MGE's uncollectible expense is a cost that relates to its acquisition of natural gas supplies for its system supply customers. Although MGE should be given incentives to aggressively collect these amounts, they should be ultimately allocated to system supply customers and should not be the responsibility of transportation customers. Beyond that, Midwest takes no position on the issue at this time but will review the evidence adduced on the issue at the hearing and formulate a position based on that review.

Credit Card Fees: Should the cost to accept a credit card payment be included in MGE's cost of service? If so, what amount should be included?

Midwest takes no position on this issue at this time.

II. KANSAS GAS STORAGE PROPERTY TAX AAO - Should the Commission grant MGE an accounting authority order concerning Kansas property taxes on natural gas in storage in the State of Kansas? If so, under what conditions?

Provided that the costs related to gas held in Kansas storage fields are not allocated to transportation customers who have no call on that gas and who may in many instances purchase their own storage on interstate pipelines, Midwest takes no position on this issue at this time.

III. ENERGY EFFICIENCY

A. Relationship to rate design

Should the continuation (for residential customers) or implementation (for small general service customers) of energy efficiency programs be contingent on the adoption of a rate design that recovers all non-gas costs through a fixed customer charge?

B. Funding

Should funding for energy efficiency programs be included as an ongoing expense in rates, or should the Company provide upfront funding with such expenditures to be deferred (after expenditure of the surplus unspent funds for residential energy efficiency programs (expected to be approximately \$1 million) that still remain at the time new rates from this case become

effective) and included in rate base (with a 10-year amortization period) in subsequent rate cases?

What should the annual funding level be and how should the funding level be determined?

Should interest be applied to unspent residential energy efficiency funds and, if so, at what rate?

C. Continuation/Form of Collaborative

Should the energy efficiency collaborative formed after MGE's most recently concluded rate case as a result of the Commission's approval of the Unanimous Stipulation and Agreement in Case No. GT-2008-0005 be modified to an advisory group rather than a consensus decision making collaborative?

Because Midwest members are highly motivated by profit to make their use of natural gas that they purchase and transport for their use as efficient as possible, they routinely pursue both cost-effective energy efficiency measures and cost-based rates. However, inasmuch as Midwest members are not a part of either the Residential or Small General Service customers classes, Midwest takes no position on these issues at this time. Midwest has not participated in the collaborative that is discussed and does not contemplate future participation because its members, as noted herein, independently pursue energy efficiency and do not expect assistance from MGE programs.

IV. RATE DESIGN/COST OF SERVICE

A. Class Cost of Service/ Spread the Increase

What is the appropriate level of revenue responsibility to be borne by each customer class?

Based on several class cost of service studies and as detailed in the testimony of Mr. Johnstone, the LV transportation class of customers is currently charged in excess of their cost of service by as much as \$2 million under present rates. Accordingly an adjustment should be made to reduce the rates charged to this class before any increase to the overall rates of the company is considered or applied.

B. Rate Design

1. What rate design should the Commission adopt for the residential customer class?

Midwest Position: Midwest takes no position at the present time on the foregoing issues but expects to formulate a position on them based on the evidence adduced at the hearing.

2. What rate design should the Commission adopt for the small general service customer class?

Midwest Position: Midwest takes no position at the present time on the foregoing issues but expects to formulate a position on them based on the evidence adduced at the hearing.

3. What rate design should the Commission adopt for the large general service customer class?

Midwest Position: Midwest takes no position at the present time on the foregoing issues but expects to formulate a position on them based on the evidence adduced at the hearing.

4. What rate design should the Commission adopt for the large volume service customer class?

Midwest Position: Midwest takes the position that the present structure of the LVS rates (applicable to large transportation customers) are appropriate including the existing seasonal differential that Midwest believes was and is cost-justified and should, therefore, be retained without change.

5. What miscellaneous service charges should the Commission approve?

Midwest Position: Midwest takes no position at the present time on the foregoing issues but expects to formulate a position on them based on the evidence adduced at the hearing.

V. TARIFF CHANGES

A. Transportation/Threshold for Eligibility:

Should the Commission reduce the currently approved volume threshold for transportation service eligibility? If so, to what level and under what conditions?

Midwest Position: *Midwest takes no position at the present time on the foregoing issues but expects to formulate a position on them based on the evidence adduced at the hearing.*

B. Transportation/Other:

Should the Commission approve the changes proposed by MGE to its Large Volume Transportation Service tariff for which MGE alleges an intent to encourage Large Volume Transportation Service Customers to maintain a closer balance between their deliveries to the system and their usage on the system, to-wit:

- i) Deadline for notice of pool changes;
- ii) Proposed elimination of multiple pools per aggregation area;
- iii) Transportation charge component of cash-outs for imbalances (amount and symmetry of the charges);
- iv) Index price for cash outs;
- v) Circumstances and conditions for calling OFOs;
- vi) Supplier/agent's ability to move customers from a pool on one pipeline to another pipeline in the event of capacity constraints; and,
- vii) Miscellaneous language changes.

Midwest Position: *Midwest has supported the presently effective transportation provisions inasmuch as there has been no showing by MGE that the currently effective transportation provisions do not continue to be just and reasonable. In addition, Midwest continues to support measures consistent with equitable and reasonable terms, conditions, rates, and even penalties for transportation and reserves the ability to adjust and formulate different positions on the more particular issues listed based on the evidence adduced at the hearing.*

C. Non Transportation:

- 1. Liability limitation
- 2. Tariff clean-up (ELIR, etc.)

Midwest Position: *Midwest takes no position at the present time on the foregoing issues but expects to formulate a position on them based on the evidence adduced at the hearing.*

D. PGA

Uncollectible Gas Cost Recovery in PGA: Should the Commission authorize MGE to recover uncollectible gas costs through the PGA mechanism?

As noted above in its uncollectible issue position, Midwest believes that the bulk of MGE's uncollectible expense is a cost that relates to its acquisition of natural gas supplies for its system supply customers. Although MGE should be given incentives to aggressively collect these amounts, they should be ultimately allocated to system supply customers and should not be the responsibility of transportation customers. Beyond that, Midwest takes no position on the issue at this time but will review the evidence adduced on the issue at the hearing and formulate a position based on that review.

Kansas Storage Gas Property Tax Recovery in PGA:
Should the Commission authorize MGE to recover Kansas storage gas property taxes in the PGA mechanism?

Midwest believes that the bulk of MGE's gas expense is a cost that relates to its acquisition of natural gas supplies for its system supply customers and as such the cost should be ultimately allocated to system supply customers and should not be the responsibility of transportation customers except to the very limited extent that they make purchases of gas from MGE. Beyond that, Midwest takes no position on the issue at this time but will review the evidence adduced on the issue at the hearing and formulate a position based on that review.

FERC Regulatory Expense Recovery in the PGA:
Should the Commission authorize MGE to recover FERC regulatory expenses in the PGA Mechanism?

Midwest Position: *Midwest takes no position at the present time on the foregoing issue but expects to formulate a position on them based on the evidence adduced at the hearing.*

VI. CAPACITY RELEASE/OFF-SYSTEM SALES

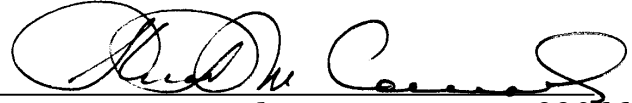
Should the Commission amend the currently-approved sharing grid which describes sharing of net revenues from MGE's capacity release and off-system sales between the Company and its customers? If so what changes should be made?

Midwest Position: *Midwest takes no position at the present time on the foregoing issues but expects to formulate a position on them based on the evidence adduced at the hearing.*

WHEREFORE, Midwest prays that its Statement of Position be accepted.

Respectfully submitted,

FINNEGAN, CONRAD & PETERSON, L.C.

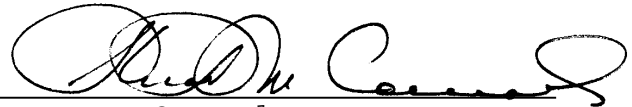


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ATTORNEYS FOR MIDWEST GAS USERS'
ASSOCIATION

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by U.S. mail, postage prepaid addressed to all parties by their attorneys of record as disclosed by the pleadings and orders herein per the Commission's EFIS records.



Stuart W. Conrad

Dated: October 22, 2009