

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

In the matter of an investigation into the)
Status of Missouri's natural gas local)
Distribution companies' compliance with)
Commission Rule 4 CSR 240-40.018.)

Case No. GW-2006-0110

RESPONSE OF MISSOURI GAS UTILITIES

Comes now Laclede Gas Company, Missouri Gas Energy ("MGE"), a division of Southern Union Company, Atmos Energy Corporation, Fidelity Natural Gas, Inc. and Southern Missouri Gas Company, L.P. (collectively, "Missouri Gas Utilities") by and through counsel and for this response respectfully state as follows:

1. On or about September 12, 2005, the Office of the Public Counsel ("OPC") filed its Motion to Open a New Case for the purpose of "investigating the status of natural gas utilities' compliance with 4 CSR 240-40.018" and taking "evidence on the record concerning that compliance." By subsequent order, the Commission directed that responses or objections to OPC's motion be filed no later than noon on September 26, 2005.

2. Missouri Gas Utilities do not believe that the Commission should open such a case at this time for several reasons. First, there are already procedures in place, including the Commission's annual Actual Cost Adjustment ("ACA") proceedings, in which the gas procurement and hedging performance of local distribution companies in Missouri can be properly evaluated for prudence and compliance with 4 CSR 240-40.018. There is no sound reason why the Commission should cast aside this long-standing procedure in favor of a hasty "investigation" of practices and activities that are still underway and not yet completed.

3. Second, opening up such a case at this time tends to give the misleading impression that the record high wholesale natural gas prices mentioned by Public Counsel in its Motion are somehow the fault or responsibility of the local distribution companies who are, themselves, having to make the massive financial commitments required to procure, transport and store supplies for their customers in the face of such prices. There are plenty of factors to cite for the current price environment – decades of “Not-In-My-Backyard” opposition to energy development and infrastructure; massive reliance on natural gas for electric generation because of the perceived environmental and regulatory risks of pursuing other forms of generation; and the impact of international developments on world-wide energy markets – to name just a few. And all of them have been exacerbated by the catastrophic and historically unprecedented emergence of two major hurricanes in one of the few areas of the country that has not been overtly hostile to making a contribution to the country’s energy infrastructure. If the short and long-term interests of consumers are to be served it is important that they be educated from the outset about the *real* causes underlying the current price environment, and not misled into believing that the problem can be solved by investigating or financially threatening the one segment of the industry that is helping them to cope with that environment. While it is always tempting to blame the local grocer for rising produce prices or the corner gas station owner for escalating gas prices, such actions are rarely fair and almost never effective at protecting the legitimate interests of consumers.

4. Third, opening a formal case at this time will also place a resource burden on the very personnel who are already intensively engaged in coping with the reliability, liquidity, price and risk management challenges posed by these unprecedented

developments at the national level. It is simply inappropriate to divert their attention away from doing the things that must be done – and done now – to meet the needs of gas customers this winter in favor of having them prepare and present testimony, answer discovery requests and otherwise comply with the resource demands of an investigation, particularly when all of these informational requirements can be satisfied at a later time.

5. Finally, as OPC itself notes, the Commission is already requiring local distribution companies to explain what they have done, and are doing, to meet the needs of their customers this winter, including their efforts to address price volatility. The Missouri Gas Utilities are certainly willing to make the same kind of presentation to OPC and, in the process, answer any questions the OPC may have. Under such circumstances, granting OPC's request will only increase the formality, time and expense associated with providing such information.

6. For all of these reasons, Missouri Gas Utilities oppose OPC's request.¹

¹ To the extent the Commission is inclined to grant OPC's request – which would serve to substantially increase the level of review of gas purchasing activities prior to the filing of a request to change the purchased gas adjustment ("PGA") – then Missouri Gas Utilities submit that such increased advance review should be accompanied by a correspondingly significant reduction in the after-the-fact review that presently occurs.

Wherefore, Missouri Gas Utilities respectfully request that the Commission find that Public Counsel's Motion to Open a New Case is unnecessary and should not be granted at this time.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been emailed, mailed or hand-delivered this 26th day of September, 2005, to:

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