

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

In the Matter of Missouri Gas Energy's            )  
Purchased Gas Adjustment Filing for the        )  
2009-2010 Actual Cost Adjustment Period    )        **File No. GR-2010-0372**

**STAFF RECOMMENDATION FOR THE 2009/2010 ACTUAL COST ADJUSTMENT**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through the undersigned counsel, and files this *Staff Recommendation For The 2009/2010 Actual Cost Adjustment (Recommendation)* with the Missouri Public Service Commission (Commission). In support thereof, the Staff respectfully states the following:

1. On October 13, 2010, Missouri Gas Energy (MGE or Company) filed one (1) tariff sheet to propose adjustments to the Purchased Gas Adjustment (PGA) Rate, the Current Cost of Gas Factor (CCG) and the Actual Cost Adjustment Factor (ACA).

2. The Procurement Analysis Department Staff has reviewed the Company's ACA account balance calculation as contained in the tariff sheet filing and the Staff's recommendations are contained in the *Memorandum* attached hereto as Appendix A.

3. In support of its recommendations, the Staff reviewed and evaluated MGE's billed revenues and actual gas costs for the period of July 1, 2009, through June 30, 2010. Additionally, the Staff conducted the following analyses: (1) a reliability analysis of estimated peak cold day requirements and the capacity levels needed to meet those requirements; (2) a review of the Company's rationale for its reserve margin for a peak cold day; (3) a review of normal, warm and cold weather requirements and the Company's gas supply plans for meeting these requirements; and (4) a review of MGE's hedging for the period to determine the reasonableness of the Company's hedging plans.

4. The Staff has proposed a \$66,399.64 adjustment to MGE's filed June 30, 2010 ACA account balances related to the *Stipulation and Agreement* from Case No. GM-2003-0238 and provides recommendations for the Company's gas purchasing practices.

5. While the Staff has proposed no financial adjustments to the 2009/2010 ACA period for the Company's reliability analysis and gas supply planning, the Staff's *Memorandum* lists several comments and concerns for capacity planning and supply planning for warm weather.

6. Additionally, the Staff's *Memorandum* discusses several concerns with the Company's hedging transactions and recommends MGE review the concerns, evaluate its hedging strategy and document any changes the Company makes to its hedging policy or plans.

**RECOMMENDATIONS**

7. The Staff recommends that MGE do the following:

- Increase its ACA balance by \$66,399.64, in order to correct an error made by the Company when adjusting its ACA balance to comply with the *Stipulation and Agreement* in Case No. GM-2003-0238;
- Establish the following ACA and Refund account balances shown in the table below to reflect the (over)/under-recovery balances as of June 30, 2010;

Account	6-30-2010 Ending Balances per MGE filing	Current ACA Staff Adjustments	6-30-2010 Staff Recommended Ending Balances
ACA Balance	\$61,140,192.78	\$66,399.64	\$61,206,592.42
Large Volume Refund	\$ (530,624.12)	\$0	\$ (530,624.12)

- Monitor its ACA balance throughout the year and make adjustments to its PGA rate as appropriate;
- Respond to the concerns expressed by Staff in the Reliability Analysis and Gas Supply Planning Improvement section in the *Memorandum* related to capacity planning and supply planning;

- Respond to the concerns/comments expressed by the Staff in the Hedging Section of the *Memorandum*;
- File a written response to all recommendations included in the *Memorandum* within 30 days of this *Recommendation* filing.

**WHEREFORE**, the Staff recommends that the Commission order Missouri Gas Energy to respond within thirty days (30) of this *Recommendation* filing to the Staff's recommendations as set forth in the attached *Memorandum* and described herein, and keep this case open pending the filing of responses by Missouri Gas Energy.

Respectfully submitted,

**/s/Jennifer Hernandez**

Jennifer Hernandez  
Associate Staff Counsel  
Missouri Bar No. 59814

Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751- 8706 (Telephone)  
(573) 751-9285 (Fax)  
[jennifer.hernandez@psc.mo.gov](mailto:jennifer.hernandez@psc.mo.gov)

**CERTIFICATE OF SERVICE**

I hereby certify that I have provided a true and correct copy of the above pleading by electronic mail to all counsel of record this 28<sup>th</sup> day of December 2011.

**/s/Jennifer Hernandez**