

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of Proposed Emergency	)	
Amendment to Commission Rule	)	Case No. GX-2006-0181
4 CSR 240-13.055.	)	

**RESPONSE OF MISSOURI GAS UTILITIES  
TO THE COMMISSION'S ORDER DIRECTING FILING**

COMES NOW Missouri Gas Energy, a division of Southern Union Company, Laclede Gas Company, Aquila, Atmos Energy Corporation and Union Electric Company d/b/a AmerenUE (collectively "Missouri Gas Utilities"), by and through counsel, and for their response to the Missouri Public Service Commission's ("Commission") December 21, 2005 Order Directing Filing, state as follows:

**HISTORY**

1. On December 12, 2005, Jacqueline A. Hutchinson filed Comments on the emergency amendments to the Cold Weather Rule proposed in this case.
2. On December 13, 2005, the Commission issued an order, titled Order Directing Filing. In this order, the Commission set a December 16, 2005 deadline for responses by Missouri natural gas utilities on suggestions two, three and four, set forth in Ms. Hutchinson's letter.
3. On December 16, 2005, the Missouri Gas Utilities filed their response to the suggestions of Ms. Hutchinson.
4. On December 21, 2005, the Commission issued an order, again titled Order Directing Filing. In this order, the Commission set a December 23, 2005 deadline for responses by Missouri natural gas utilities to three questions posed within the order; the expected price of natural gas for the years 2006 and 2007, how the Commission may allow for recovery of costs for low-income customers and how low-income customers can clear arrearages.

### QUESTION ONE

5. The Commission first asks for a prediction of the Mid-Continent price of natural gas per MMBtu for the years 2006 and 2007, as well as for the basis for this prediction.

6. Attachment A to this response contains the monthly forecasted Panhandle Eastern Pipe Line Company's ("PEPL") Mid-Continent natural gas price per MMBtu. As this chart shows, it is not expected that the price of natural gas will be lower than \$8.484 per MMBtu at any time during 2006 and 2007. Additionally, it is not expected that the price of natural gas will be lower than \$10.023 per MMBtu in 2006. These numbers are based upon the December 21, 2005 NYMEX at close plus the forecasted PEPL Texas/Oklahoma basis differential. It should also be noted that these projections are based on a point-in-time snapshot of forward-looking prices in the NYMEX market. As a result, they may vary significantly from actual results as market conditions change or impact LDCs differently based on variations in their purchasing patterns.

### QUESTION TWO

7. Additionally, the Commission's order referenced the Commission Staff's estimation that a \$60.00 per month payment schedule for low-income customers could cost tens of millions of dollars and asks how the Commission may allow for recovery of these costs and who will ultimately pay these costs.

8. The Commission already has received several suggested recovery mechanisms in this case. Options which have been proposed include a tracker and bill rider mechanism which would allow for the recovery of most of the increased cost associated with ordered changes in the Cold Weather Rule. A second alternative that has been proposed is to allow natural gas utilities to track the gas cost portion of bad debts and collect those costs through the PGA rate, as a cost of gas. The Missouri Gas Utilities would also point out that various funding alternatives for

helping customers pay down their arrearages have been previously put forth by the Commission's Long Term Energy Affordability Task Force which included some additional ways to deal with this issue. Finally, there is the mechanism that the Commission ordered in its December 13, 2005 Order Approving Emergency Amendment, namely an Accounting Authority Order ("AAO") which would track costs but without a guarantee that the costs accumulated would be included in rates. Given that limitation, the AAO may or may not result in any actual recovery of such costs.

9. The Commission also asked who will ultimately pay the costs if the low-income customer does not. The answer, of course, depends on whether and what cost recovery mechanism the Commission approves. If the Commission allows some type of tracker with a mechanism that ensures recovery, then the utility's other ratepayers will bear the costs. If the Commission does not approve a mechanism that results in actual recovery of these costs, then it is the utility shareholders who will pay those costs.

### QUESTION THREE

10. The Commission asked a two part question here. First, can low-income customers clear their arrearages with a \$60.00 payment schedule and second, at what point does the price of natural gas become sufficiently low to allow a customer to enter the 2006-2007 winter without arrearages.

11. Under any conceivable scenario, low-income customers will not be able clear their arrearages by merely making \$60.00 payments, especially given the projected cost of natural gas for the 2005-2006 winter. Making the unrealistic assumption that a customer uses no gas in addition to the 2005-2006 winter, it would still take 20 months of \$60.00 payments to clear a \$1200 winter gas bill.

12. Attachment 2 to this document is a modification of the exhibit OPC filed in its December 13, 2005 pleading. It uses Laclede's average customer usage and presumes a customer paying only \$60.00 a month for the winter months. The only change made to the exhibit is that it uses a 12 month payment plan instead of a 24 month period. As can be seen in this exhibit, while the amount left unpaid under the 12 month scenario is smaller than under the 24 month option, the customer would still have an amount from the 2005-2006 winter that would be added to their 2006-2007 winter bills. Additionally, by the end of the 2006-2007 winter, these customers are once again facing arrearages in amounts of over \$1,000.00.

13. Finally, while the Missouri Gas Utilities do not know what natural gas prices are going to be in the future, using the projections in Attachment 1 to this document, these prices never drop to a level that enables \$60.00 a month payments to become a sufficient amount to pay off a customer's arrearage prior to the 2006-2007 winter.

WHEREFORE, the Missouri Gas Utilities respectfully submit their response and ask that the Commission make no further changes to the Cold Weather Rule.

Respectfully submitted,

/s/ Wendy K. Tatro

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served on the attached service list, by first class mail, postage prepaid, or by electronic mail, on this 22nd day of December, 2005.

*/s/ Wendy K. Tatro*

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Wendy K. Tatro

## Forecasted PEPL Mid-Continent Price

(as of 12/21/05)

Attachment 1

Month	NYMEX Close 12/21/2005	Forecasted PEPL TX/OK Basis	Forecasted PEPL TX/OK Price (per MMBtu)
Jan-06	14.271	-2.2850	\$ 11.9860
Feb-06	14.345	-2.2050	\$ 12.1400
Mar-06	14.278	-2.1150	\$ 12.1630
Apr-06	11.278	-0.9250	\$ 10.3530
May-06	10.948	-0.9250	\$ 10.0230
Jun-06	10.970	-0.9250	\$ 10.0450
Jul-06	11.005	-0.9250	\$ 10.0800
Aug-06	11.039	-0.9250	\$ 10.1140
Sep-06	11.039	-0.9250	\$ 10.1140
Oct-06	11.084	-0.9250	\$ 10.1590
Nov-06	11.539	-1.0300	\$ 10.5090
Dec-06	11.989	-1.0300	\$ 10.9590
Jan-07	12.354	-1.0300	\$ 11.3240
Feb-07	12.304	-1.0300	\$ 11.2740
Mar-07	12.029	-1.0300	\$ 10.9990
Apr-07	9.669	-0.9150	\$ 8.7540
May-07	9.399	-0.9150	\$ 8.4840
Jun-07	9.439	-0.9150	\$ 8.5240
Jul-07	9.479	-0.9150	\$ 8.5640
Aug-07	9.529	-0.9150	\$ 8.6140
Sep-07	9.529	-0.9150	\$ 8.6140
Oct-07	9.579	-0.9150	\$ 8.6640
Nov-07	10.074	-0.9300	\$ 9.1440
Dec-07	10.569	-0.9300	\$ 9.6390
2006 Average			\$ 10.7204
2007 Average			\$ 9.3832

**Customer Impact of \$60 Winter Minimum Payment and 12 Month Deferral**

	<b>Normal Bill</b>	<b>Adjusted For Deferrals</b>	<b>Payment Required</b>	<b>Unpaid Balance</b>
Dec-05	\$244.52	\$244.52	\$60.00	\$184.52
Jan-06	\$315.50	\$330.88	\$60.00	\$440.02
Feb-06	\$292.61	\$330.56	\$60.00	\$672.63
Mar-06	\$218.36	\$278.86	\$60.00	\$830.99
Apr-06	\$88.61	\$167.34	\$167.34	\$752.26
May-06	\$54.03	\$132.76	\$132.76	\$673.52
Jun-06	\$40.85	\$119.58	\$119.58	\$594.79
Jul-06	\$34.46	\$113.19	\$113.19	\$516.05
Aug-06	\$34.12	\$112.85	\$112.85	\$437.32
Sep-06	\$36.22	\$114.95	\$114.95	\$358.58
Oct-06	\$45.29	\$124.02	\$124.02	\$279.85
Nov-06	\$140.03	\$218.76	\$60.00	\$359.88
Dec-06	\$244.52	\$336.48	\$60.00	\$544.40
Jan-07	\$315.50	\$430.51	\$60.00	\$799.90
Feb-07	\$292.61	\$438.49	\$60.00	\$1,032.51
Mar-07	\$218.36	\$395.78	\$60.00	\$1,190.87

\* This table replicates Attachment 1 from the Office of Public Council's filing on December 16th in this case. The only difference is that this uses a 12 month payment period and the one filed previously by OPC used a 24 month payment period.