

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GA-2009-0422, Missouri Gas Utility, Inc.

FROM: Thomas M. Imhoff, Energy Department - Tariffs/Rate Design

/s/ Tom M. Imhoff 6/16/09
Energy Department/Date

/s/ Robert S. Berlin 6/16/09
General Counsel's Office/Date

SUBJECT: Staff Recommendation On Missouri Gas Utility, Inc.'s Application for a Certificate of Convenience and Necessity and Expedited Treatment

DATE: June 15, 2009

On May 22, 2009, Missouri Gas Utility, Inc. (MGU or Company) filed an APPLICATION AND MOTION FOR EXPEDITED TREATMENT (Application) with the Missouri Public Service Commission (Commission). The Application requests that the Commission grant MGU a gas transmission line and a distribution system area certificate of convenience and necessity (CCN) authorizing it to construct, install, own, operate, control, manage and maintain a natural gas distribution system to provide gas service in the west central Missouri County of Benton as identified in MGU's Application. On June 2, 2009, the Company filed its SUPPLEMENT TO APPLICATION which provided better landowner information.

On May 27, 2009, the Commission issued an ORDER DIRECTING NOTICE AND SETTING DATE FOR SUBMISSION OF INTERVENTION REQUESTS AND DIRECTING FILING (Order), which allowed any interveners to file by June 16, 2009.

In its May 27, 2009 Order, the Commission directed the Commission Staff to file, no later than June 6, 2009, either its recommendation or a status report including a date Staff expected to file its recommendation. This Staff recommendation is in response to that Order.

The Company's Application requests a modification to MGU's prior CCN (Case No. GA-2009-0264) which the Commission granted on April 29, 2009. MGU recently became aware of the Missouri Department of Transportation's (MoDOT's) plans to expand Highway 65 from 2 lanes to 4 lanes which would require MGU to move their main line within a couple of years after construction. This would interrupt gas transmission to MGU's newly certificated areas. MGU has worked with the Benton County Commission and has worked out an alternative route to supply gas to its newly certificated areas with no change in its cost estimates or feasibility study performed in GA-2009-0264. There is no service from any natural gas supplier in the proposed area at the present time.

The Staff has reviewed this Application and, for the following reasons, with certain conditions, is of the opinion that granting this Application is in the public interest:

1. MGU has the operational capability to provide gas service in its requested service area;
2. The requested CCN area for gas service would not jeopardize natural gas service to the Company's current existing customers;
3. The requested CCN for transmission line is the least cost alternative to having to relocate transmission lines as a result of MoDOT's plans for the expansion of Highway 65 lanes; and
4. No interveners have objected to this certificate request to date.

Staff recommends the Commission's order include the following conditions:

1. MGU's shareholders are totally responsible for the success of this project, with no liability or responsibility put on customers;
2. The service area granted in this case is to be treated as a modification to the service area recently granted in GA-2009-0264 and the service area granted in this case is to be made a part of, and included in, the GA-2009-0264 service area for the purposes of keeping separate books and records, class cost of service studies and revenue requirements, and depreciation rates;
3. MGU must keep separate books and records for the proposed service areas granted in GA-2009-0264 and this case;
4. MGU must file separate class cost of service studies and revenue requirements for the new service areas granted in GA-2009-0264 and this case in its next rate case;
5. MGU must use the depreciation rates contained in Appendix B for the service territory requested in this application;
6. MGU will submit to a rate review for this certified area 36 months after the effective date of the order in case GA-2009-0264; and
7. MGU can obtain the capacity on the pipeline to fully serve this area for all of its customer classes, including capacity to serve any future growth.

Therefore, Staff recommends that MGU be granted a CCN in this Application. Staff also recommends the Company file revised tariff sheets reflecting this proposed CCN in this case within thirty (30) days of the Commission's Order approving this Application.

The Staff has verified that this company has filed its annual report and is not delinquent on any assessment.

Missouri Gas Utility, Incorporated (Gas)
CASE NO. GA-2009-0422 Warsaw Project Modification
APPENDIX B to Staff Recommendation

| ACCOUNT NUMBER | ACCOUNT | Depreciation Rates (%) |
|---------------------------|---|-----------------------------------|
| | <u>TRANSMISSION PLANT</u> | |
| 366.0 | Structures and Improvements | 2.22 |
| 367.0 | Mains-Metallic | 1.67 |
| 369.0 | Measuring and Regulating Station Eq. | 2.27 |
| | <u>DISTRIBUTION PLANT</u> | |
| 375.0 | Structures and Improvements | 2.22 |
| 376.1 | Mains-Metallic | 2.22 |
| 376.2 | Mains-Nonmetallic | 2.22 |
| 378.0 | Measuring and Regulating Station Eq.-General | 2.27 |
| 379.0 | Measuring and Regulating Station Eq.-City Gate | 2.27 |
| 380.0 | Services-Metallic | 2.22 |
| 380.1 | Services-Nonmetallic | 2.22 |
| 381.0 | Meters | 2.50 |
| 383.0 | House Regulators | 2.44 |
| 382.0 | Meter Installations | 2.50 |
| 385.0 | Measuring and Regulating Station Eq.-Industrial | 2.27 |
| 386.0 | Other Property on Customers Premises | 2.22 |
| 387.0 | Other Eq. | 0.00 |
| | <u>GENERAL PLANT</u> | |
| 390.0 | Structures and Improvements | 2.22 |
| 391.1 | Office Furniture and Eq. | 4.55 |
| 391.3 | Computer Hardware | 14.29 |
| 391.4 | Computer Software | 14.29 |
| 391.5 | Computer Systems Development | 14.29 |
| 392.0 | Transportation Eq. | 8.33 |
| 393.0 | Stores Eq. | 3.70 |
| 394.0 | Tools, Shop and Garage Eq. | 3.70 |
| 395.0 | Laboratory Eq. | 3.45 |
| 396.0 | Power Operated Eq. | 6.25 |
| 397.0 | Communication Eq. | 3.45 |
| 398.0 | Miscellaneous Eq. | 4.35 |

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

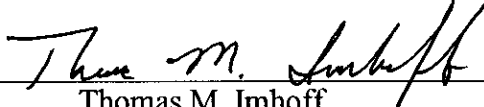
In the matter of the Application of)
Missouri Gas Utility, Inc. for a Certificate)
of Convenience and Necessity and
Expedited Treatment

Case No. GA-2009-0422

AFFIDAVIT OF Thomas M. Imhoff

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Thomas M. Imhoff, employee of the Missouri Public Service Commission, being of lawful age and after being duly sworn, states that he has participated in preparing the accompanying Staff Recommendation, and that the facts therein are true and correct to the best of his knowledge and belief.

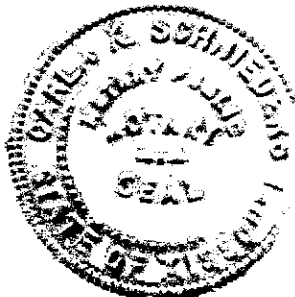


Thomas M. Imhoff

Subscribed and affirmed before me this 16th day of June 2009.



NOTARY PUBLIC



CARLA K. SCHNIEDERS
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: August 25, 2012
Commission Number: 08533187