

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

In the Matter of the Application of Missouri Gas Utility, Inc. for a certificate of public convenience and necessity authorizing it to construct, install, own, operate, control manage and maintain a natural gas distribution system to provide natural gas service in parts of Harrison, Daviess and Caldwell Counties, to acquire the Gallatin and Hamilton, Missouri natural gas systems and to encumber the acquired assets. )  
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Case No. GO-2005-0120

**MGU’S SECOND GAS PURCHASING STATUS REPORT**

Comes now Missouri Gas Utility, Inc. (MGU or Company), and, as its Second Gas Purchasing Status Report, states as follows to the Missouri Public Service Commission (Commission):

1. On May 5, 2005, the Commission issued its Order Directing Filing of Second Status Report wherein it directed MGU “to file an updated status report summarizing its gas-purchasing efforts to date, and outlining its plans for future purchases.” MGU provides this pleading in response to that Order.

2. As of May 1, 2005, MGU had 5637 Dth in storage on the ANR Pipeline system. This is sufficient gas to cover the projected system use through August of 2005. For September and October of 2005, MGU currently plans to purchase gas on a two-month contract for delivery through ANR Pipeline directly to the MGU receipt point.

3. MGU is currently evaluating two options for long-term gas supply. Because of the storage capacity available through the STS tariff contract with ANR Pipeline, the Company could simply purchase a quantity of gas on the cash market and place it into storage. The advantage of this option is that the gas price would be known and “locked in” for the period of time that this quantity of gas is used. One disadvantage of this approach is that the STS contract requires that gas in storage be withdrawn down to a level of 20% by April 1 each year, something that is difficult to judge in advance. Another disadvantage of purchasing gas into

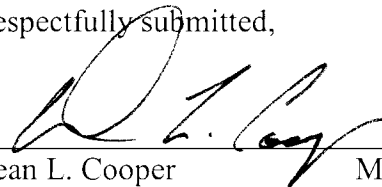
storage is that the fuel usage assessed by ANR Pipeline is greater for storage gas than for gas that merely transits their system, by approximately 2%.

4. The second option is to contract with a supplier to deliver the volumes required on a monthly basis. This approach would result in lower fuel assessments, but would also require MGU to pay for gas at higher prices through the winter months.

5. Based on MGU's analysis of these two methods, MGU will likely use a combination of these approaches to secure gas supplies for the next PGA period (starting in November 2005). Under the current plan, MGU will purchase and place into storage sufficient gas to fill its contracted storage on the ANR Pipeline system by October 1, 2005.. That capacity is set by the STS contract at 55,000 Dth. This quantity is generally sufficient to serve the system requirements for November, December, January and February. MGU will also enter into a contract with a supplier to deliver the quantities necessary to supply MGU for the period from March 1, 2006 through October 31, 2006, with gas to be delivered monthly during that period.

WHEREFORE, MGU respectfully requests that the Commission consider this Second Gas Purchasing Status Report to have satisfied MGU's obligations under the Order Directing Filing of Second Status Report.

Respectfully submitted,



Dean L. Cooper MBE#36592  
BRYDON, SWEARENGEN & ENGLAND P.C.  
312 E. Capitol Avenue  
P. O. Box 456  
Jefferson City, MO 65102  
(573) 635-7166  
(573) 635-3847 facsimile  
dcooper@brydonlaw.com

ATTORNEYS FOR MISSOURI GAS UTILITY, INC.

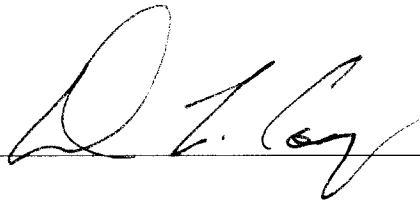
**CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing document was hand-delivered, or sent by electronic mail, on May 23<sup>rd</sup>, 2005, to the following:

Robert Franson  
Office of the General Counsel  
Governor Office Building, 8<sup>th</sup> Floor  
Jefferson City, Mo 65101

Douglas Micheel  
Office of the Public Counsel  
Governor Office Building, 6<sup>th</sup> Floor  
Jefferson City, MO 65101

Robert Cowherd  
Chapman, Cowherd, et al.  
P.O. Box 228  
Chillicothe, Missouri 64601



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