

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

In the matter of the application of)
Missouri Gas Energy, a division of)
Southern Union Company, for approval to)
establish an infrastructure system)
replacement surcharge.)

Case No. GO-2005-0273

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, and submits its Recommendation in this case:

1. On February 14, 2005, Missouri Gas Energy (MGE) a division of Southern Union Company (Southern Union) filed an Application and Petition for Establishment of an Infrastructure System Replacement Surcharge (Application) with the Missouri Public Service Commission (Commission). For convenience the surcharge is referred to by the acronym ISRS.

2. Staff members from the Auditing and Energy Departments participated in the Staff's examination of the Application. The Staff's examination included a review of the Application and the supporting documentation, a review of Sections 393.1009, 393.1012 and 393.1015, RSMo (2004), discussions with MGE personnel, a review of selected ISRS work orders and a review of additional data provided by MGE.

3. MGE seeks approval of a surcharge designed to recover the pre-tax ISRS revenues necessary to produce net operating income equal to MGE's weighted cost of capital multiplied by the net original cost of the requested infrastructure replacements and facilities relocations.

4. The Staff has determined that the Company's ISRS rates should be designed to recover annual revenues of \$1,164,726. This amount reflects MGE's proposed ISRS of

\$1,364,611 less the Staff's adjustment to remove the cost of removal component of \$199,884. The Staff's determination of this amount and the supporting calculations are shown in Attachment A to the attached Memorandum.

5. In its Memorandum, the Staff has made recommendations concerning how the Commission should proceed.

WHEREFORE, the Staff requests that the Commission issue its order as recommended in the attached Staff Recommendation.

Respectfully submitted,

DANA K. JOYCE
General Counsel

/s/ Lera L. Shemwell

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronically mailed to all counsel of record this 13th day of April, 2005.

/s/ Lera L. Shemwell