

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

In the Matter of Staff's Recommendation)	
In Missouri Gas Energy's 2004-2005)	
Actual Cost Adjustment)	Case No. GR-2005-0169

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission and files its memorandum with recommendations in this case. Staff states:

1. On October 18, 2005, Missouri Gas Energy (MGE or Company) filed proposed tariff sheets to become effective November 1, 2005.

2. The Procurement Analysis Department (Staff) has reviewed the Company's 2004-2005 Actual Cost Adjustment (ACA) filing and the results of Staff's analysis are contained in Appendix A to this pleading. Only an HC version is being filed at the present time. MGE, with certain people out of the office, was unable to review the Staff Recommendation for "Highly Confidential" material as soon as needed. Staff recommends that MGE give its proposed redactions so parts of the Staff Recommendation may be declassified.

3. Staff audited and evaluated the MGE's gas purchasing practices to determine the prudence of the Company's purchasing and operating decisions. Staff conducted a reliability analysis of estimated peak day requirements and the capacity levels needed to meet those requirements; peak day reserve margin and the reasons for this reserve margin; and a review of normal and cold weather requirements. Staff also reviewed MGE's hedging for the period to determine the reasonableness of the MGE's hedging plans and risk management strategy.

4. Staff recommends that the Company be required to respond to Staff's recommendations within thirty (30) days, and make several adjustments to the ACA balance as detailed in Staff's memorandum.

WHEREFORE, the Staff recommends that the Commission accept Staff's recommendations and issue an Order consistent with Staff's Recommendations.

Respectfully submitted,

/s/ Robert V. Franson

Robert V. Franson
Senior Counsel
Missouri Bar No. 34643

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-6651 (Telephone)
(573) 751-9285 (Fax)
email: robert.franson@psc.mo.gov

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 29th day of December 2006.

/s/ Robert V. Franson