

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GA-2012-0044, Missouri Gas Utility, Inc.

FROM: Kim Cox, Energy Department - Tariffs/Rate Design

/s/ Kim Cox 9/13/11
Energy Department/Date

/s/ Lera Shemwell 9/13/11
General Counsel's Office/Date

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

DATE: September 13, 2011

On August 9, 2011, Missouri Gas Utility, Inc. (MGU or Company) filed an APPLICATION (Application) with the Missouri Public Service Commission (Commission). The Application requests that the Commission grant MGU a certificate of convenience and necessity (CCN) authorizing it to construct, install, own, operate, control, manage and maintain a gas transmission line and a distribution system to provide gas service in Benton County in Missouri.

On August 10, 2011, the Commission issued a NOTICE AND ORDER DIRECTING FILING_(Order). The order stated that any motion to intervene was due no later than August 25, 2011, and directed Staff to file its recommendation no later than September 8, 2011. No parties intervened.

MGU is requesting a CCN in four (4) sections of Benton County. The mainline will be 8.5 miles and will provide natural gas service to a chicken farm as well as to additional customers. It will follow the rights-of way, county roads or state highways. No franchises or permits from municipalities, counties or other authorities will be necessary other than the customary state highway, railroad and county road permits, which MGU will obtain prior to construction. . The requested area is surrounded by existing MGU certificated service areas.

MGU filed its Feasibility Study with its Application. The total estimated cost of the project is \$566,879. MGU also provided a projected average usage, its monthly customer and commodity charges. The charges used in the calculation are the same rates approved by the Commission for the area certificated in Cases No. GA-2009-0264 and GA-2009-0422.

It is Staff's opinion, the Feasibility Study filed by MGU to provide natural gas in the requested service area shows MGU's proposal to be economically feasible. Staff is also of the opinion that the proposal contains risks, and the Feasibility Study alone is not enough to make the project feasible. The proven record of MGU's ability to attract and secure acceptable financing may be the best indicator for success of the project. Also MGU's ability to build its customer base in existing service areas indicates a reasonable probability for success.

The Staff has reviewed this Application and, for the following reasons, is of the opinion that granting this Application would be in the public interest if certain conditions are attached:

1. MGU has the operational capability to provide gas service in its requested service area; and
2. The requested CCN area for gas service would not jeopardize natural gas service to the Company's current customers.

After discussion with the Company, 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. MGU shall use the depreciation rates currently on file with the Commission;
3. MGU obtain adequate capacity on the pipeline to reliably serve all customers in this area, including capacity necessary to serve any future growth.
4. Within thirty (30) days of the Commission's Order approving this Application, the Company shall file revised tariff sheets to include this additional service territory.

Therefore, Staff recommends that MGU be granted a CCN to serve the requested areas in Benton County, Missouri.

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

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 Authorizing it to)
Construct, Install, Own, Operate, Control,)
Manage and Maintain a Natural Gas)
Transmission Line and Distribution System)
to Provide Gas Service in Benton County,)
Missouri as a New Certificated Area)

Case No. GA-2012-0044

AFFIDAVIT OF KIM COX

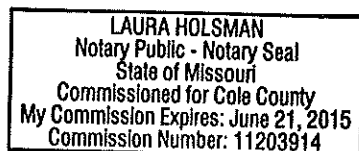
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Kim Cox of lawful age, on oath states: that she participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.



Kim Cox

Subscribed and sworn to before me this 13 day of September, 2011.





Notary Public