

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

In the Matter of Missouri Gas Energy and)	
Its Tariff Filing to Implement a General Rate)	<u>Case No. GR-2009-0355</u>
Increase for Natural Gas Service)	

**STAFF’S RESPONSE TO POSITION REGARDING TEST YEAR
AND TRUE-UP PERIOD**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and in response to the Commission’s April 6 *Suspension Order and Notice* submits its position regarding the test year and true-up period to be established in this case.

1. On April 2, 2009, Missouri Gas Energy (MGE or the Company) filed a tariff designed to implement a general rate increase for retail natural-gas service provided in its Missouri territory.

2. On April 6, 2009, the Commission issued its *Suspension Order and Notice*, suspending MGE’s proposed tariffs until February 28, 2010.

3. Additionally, the Commission’s April 6, 2009 *Suspension Order and Notice* ordered MGE to file a pleading stating its recommendation concerning the proper test year for use in this case and to file a separate request for a true-up audit and hearing. Furthermore, the Commission’s April 6, 2009 *Suspension Order and Notice* ordered Staff to file a pleading stating Staff’s recommendation regarding the true-up audit and hearing and indicating either Staff’s concurrence in MGE’s recommended test year or recommending an alternative.

4. On April 20, 2009, the Company filed its *Recommendation Concerning Test Year and Update and Request for True-Up Audit and Hearing*, recommending the Commission establish the test year as the twelve-month period ending December 31, 2008, updated through

June 30, 2009, and requesting the true-up of certain cost components through September 30, 2009.

5. Staff concurs in MGE's proposed twelve-month test year period ending December 31, 2008. However, Staff cannot concur in MGE's recommendation for an update period ending June 30, 2009 given the timing of the ordered hearing dates in this matter, which are now scheduled to commence on October 19, 2009. Staff, therefore, recommends the Commission establish the test year as the twelve-month period ending December 31, 2008, updated through April 30, 2009. In the alternative, if the Commission were to accept MGE's proposed test year update period, Staff recommends that the Commission postpone the scheduled evidentiary hearing for a minimum of approximately thirty (30) days.

6. The update period contained in Staff's recommendation is designed to allow Staff and other parties to the case to account for any events that have a significant and material revenue requirement impact in this case, and, is not designed to include all of MGE's revenue, expense, and/or rate base factors.

7. Staff does not anticipate an objection to MGE's proposed true-up audit, or its proposed date of September 30, 2009 as the ending point of the true-up period. However, as of the date of this filing, Staff has not been able to definitively determine whether or not to recommend a true-up and will not be able to make an informed recommendation until after Staff has completed a substantial portion of its audit.

8. Staff proposes to investigate the need for a true-up audit and hearing during its audit and to make a final recommendation concerning such audit and hearing in its direct testimony filed in this case.

WHEREFORE, Staff respectfully submits its position regarding the test-year and true-up period to be established by the Commission in this matter.

Respectfully submitted,

/s/ Lera L. Shemwell

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 28th day of April, 2009.

/s/ Eric Dearmont