

**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	)	<u>Case No. GO-2009-0009</u>
Approval to Change Its Infrastructure System	)	
Replacement Surcharge.	)	

**RESPONSE TO STAFF RECOMMENDATION**

COMES NOW Missouri Gas Energy, a division of Southern Union Company (MGE or Applicant), and hereby states as follows to the Missouri Public Service Commission (Commission), as MGE's Response to Staff Recommendation in this case:

1. On August 29, 2008, the Commission Staff (Staff) filed a Staff Recommendation and Memorandum that described Staff's review of MGE's Application and Petition.

2. The Staff recommends that the Commission issue an order:

1. Rejecting the tariff sheet filed by MGE on July 2, 2008, (assigned tariff number YG-2009-0008);

2. Authorizing MGE to file a tariff to impose an Infrastructure System Replacement Surcharge that is sufficient to recover appropriate annual pre-tax revenues in the amount of \$1,445,763; and,

3. Authorizing rates consistent with those calculated by Staff as shown on Appendix B

3. Having reviewed the August 29, 2008 Staff Recommendation, MGE hereby notifies the Commission that it disagrees with, and disputes, one aspect of the Staff Recommendation.

4. Staff's "Adjustment 3" (Memorandum, p. 4), proposes to utilize calculations for depreciation and the deferred tax reserve through October 30,

2008, the “operation of law” date for this Infrastructure System Replacement Surcharge (ISRS) filing, but has based its calculations on ISRS eligible plant balances as of May 31, 2008. Nowhere in its recommendation does the Staff offer any rationale as to why a mismatch between ISRS eligible plant balances (as of May 31, 2008) and depreciation and the deferred tax reserve (as of October 30, 2008) is reasonable and appropriate. MGE has requested, both informally and formally, the Staff to explain its rationale for this proposed mismatch, but as of the date of this filing, the Staff has not yet provided MGE with any rationale.

5. MGE calculated the depreciation and deferred tax reserve as of May 31, 2008, the date through which it included ISRS eligible plant additions.

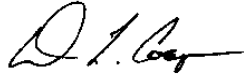
6. MGE believes that depreciation and the deferred tax reserve should be calculated as of the same date as the ISRS eligible plant. The simplest approach would be to compute these items as of May 31, 2008, to match the plant additions. In the alternative, MGE should be given the opportunity to add the ISRS eligible plant that has been, and will be, placed in service as of October 30, 2008.

7. If depreciation and the deferred tax reserve are calculated as of May 31, 2008, to match the plant additions, MGE should be authorized to file a tariff to impose an ISRS that is sufficient to recover appropriate annual pre-tax revenues in the amount of \$1,473,545.

WHEREFORE, MGE respectfully requests that the Commission consider this response to the Staff Recommendation and, thereafter, issue its order setting the matter

for hearing.

Respectfully submitted,



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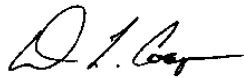
ATTORNEYS FOR MISSOURI GAS ENERGY,  
A DIVISION OF SOUTHERN UNION COMPANY

#### **CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail on September 4, 2008, to the following:

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