

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

In the matter of Missouri Gas Energy's)
Increasing Rates for Gas Service Provided)
To Customers in the Company's Missouri)
Service Area)

Case No. GR-2006-0422

STAFF'S RESPONSE TO ORDER DIRECTING SCENARIOS

COMES NOW Staff of the Missouri Public Service Commission (Staff) and respectfully submits as follows:

1. On March 8, 2007, the Commission issued an Order Directing Scenarios, in which it ordered Staff to provide the Commission with information concerning the impact on revenue requirement of MGE under various scenarios.

2. The Order directed the Staff to assume, in all scenarios, that eleven issues would be resolved in the manner specified in the Order. It further directed the Staff, with the assistance and cooperation of other parties, to assess the impact of resolving three other issues in different manners, with each issue having two alternative resolutions. These three issues and their assumed resolution were set out as Scenarios A through F in the Order. In order to calculate the revenue requirement impact of all possible combination of issue resolutions reflected in Scenarios A through F, the Staff is required to assess the impact of eight different scenarios on MGE's revenue requirement.

3. Attached hereto and incorporated herein is a summary sheet that summarizes the impact of the eight scenarios on MGE's gas rates. The first row shown on this attachment, denoted as "Scenario Variables," shows the specific issue resolutions set out in Scenarios A

through F in the Order that were assumed for each of the revenue requirements calculated on this document.

4. The method that the Staff used to calculate the impact of the various scenarios on revenue requirement was as follows:

a. The starting point for the scenarios is the reconciliation model results incorporating the positions of the Staff, MGE and OPC as of the true-up cut-off. While MGE and the OPC have had the opportunity to review the true-up reconciliation model results and have approved them, this reconciliation has not been filed by the Staff in this proceeding. Staff could certainly file this reconciliation if requested or directed to do so by the Commission.

b. The cost of service calculations by both MGE and the Staff were adjusted to reflect the assumptions common to all scenarios (as described in the Order).

c. The calculated cost of service reflecting assumptions common to all scenarios was then further adjusted to reflect every possible combination of issue decisions reflected in Scenarios A through F in the Order, resulting in different revenue requirement calculations for eight separate scenarios.

5. Staff circulated its Common Assumptions and its Scenario Summary for the Commission Order to the other Parties for their review.

WHEREFORE, Staff respectfully submits Staff's Response to Order Directing Scenarios.

Respectfully submitted,

/s/ Robert F. Franson

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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 electronic mail to all counsel of record this 12th day of March, 2007.

/s/ Robert V. Franson

Summary of Staff Response to MoPSC Scenario Order
Case No. GR-2006-0422 - MGE
March 12, 2007

Scenario Variables	A. C. E.	A. C. F.	A. D. E.	A. D. F.	B. C. E.	B. C. F.	B. D. E.	B. D. F.
Weather Normalization	\$5,226,629	\$5,226,629	\$5,226,629	\$5,226,629	\$2,342,430	\$2,342,430	\$2,342,430	\$2,342,430
Low Income Weathererization	\$250,000	\$250,000	\$120,000	\$120,000	\$250,000	\$250,000	\$120,000	\$120,000
Return on Equity	10.00%	11.00%	10.00%	11.00%	10.00%	11.00%	10.00%	11.00%
Total Revenue Requirement with MoPSC Scenarios	\$25,481,123	\$28,932,814	\$25,351,122	\$28,802,814	\$28,365,328	\$31,817,020	\$28,235,328	\$31,687,020
Staff Revenue Requirement with MoPSC Assumptions	\$21,727,133	\$21,727,133	\$21,727,133	\$21,727,133	\$21,727,133	\$21,727,133	\$21,727,133	\$21,727,133
Company Revenue Requirement with MoPSC Assumptions	\$34,276,267	\$34,276,267	\$34,276,267	\$34,276,267	\$34,276,267	\$34,276,267	\$34,276,267	\$34,276,267
Issue Values - Difference from Staff Position								
Weather Normalization	\$0	\$0	\$0	\$0	(\$2,884,199)	(\$2,884,199)	(\$2,884,199)	(\$2,884,199)
Low Income Weathererization	\$130,000	\$130,000	\$0	\$0	\$130,000	\$130,000	\$0	\$0
Return on Equity	\$3,623,990	\$7,075,681	\$3,623,989	\$7,075,681	\$3,623,996	\$7,075,688	\$3,623,996	\$7,075,688
Issue Values - Difference from MGE Position								
Weather Normalization	\$2,884,199	\$2,884,199	\$2,884,199	\$2,884,199	\$0	\$0	\$0	\$0
Low Income Weathererization	\$130,000	\$130,000	\$0	\$0	\$130,000	\$130,000	\$0	\$0
Return on Equity	(\$6,040,945)	(\$2,589,254)	(\$6,040,946)	(\$2,589,254)	(\$6,040,939)	(\$2,589,247)	(\$6,040,939)	(\$2,589,247)

Scenario Variables

- A. Weather Normalization NOAA 30-year average (STAFF)
- B. Weather Normalization 10-year rolling average (MGE)
- C. Low income weatherization \$250,000
- D. Low income weatherization \$120,000
- E. Return on Equity 10%
- F. Return on Equity 11%

Current Return On Equity

- 1 Return on Equity (Staff) 8.950%
- 2 Return on Equity (MGE) 11.750%
- 3 Return on Equity difference (Staff & MGE) (\$9,664,928)