

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

In the Matter of Staff's Recommendation)	
In Missouri Gas Energy's 2007-2008)	Case No. GR-2007-0256
Winter PGA Filing.)	

STAFF'S RECOMMENDATION IN THIS CASE

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and files its Recommendation in this case.

1. On October 16, 2007, Missouri Gas Energy (MGE or Company) filed a proposed tariff sheet to make scheduled changes in its Purchased Gas Adjustment (PGA) factors as the result of an estimated change in the cost of natural gas for the upcoming winter season.

2. The proposed PGA rate of \$0.82121 reflects an increase of \$0.03330 per Ccf over the current PGA rate of \$0.78791.

3. Staff has reviewed this filing and has determined that it was calculated in conformance with the PGA clause in MGE's Commission approved tariff. Please see the attached Staff Memorandum.

4. Staff is of the opinion that good cause exists for approval of this tariff sheet on less than thirty (30) days notice because the language of MGE's approved PGA clause allows for ten (10) business days notice for PGA filings.

5. Staff recommends that the tariff may be approved as calculated in compliance with MGE's tariff but that the rates only be approved as interim, subject to refund.

WHEREFORE, the Staff recommends that the Commission approve the tariff filing to be effective on November 1, 2007, with rates approved on an interim basis only, subject to refund.

Respectfully submitted,

Steven C. Reed

Steven C. Reed

Missouri Bar No. 40616

Attorney for the Staff of the
Missouri Public Service Commission

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Jefferson City, MO 65102

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, emailed, sent by facsimile or hand-delivered to all counsel of record this 25th day of October 2007.

/s/ Steven C. Reed

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2007-0256, File No. YG-2008-0239
Missouri Gas Energy

FROM: James A. Gray, Energy Department – Tariffs/Rate Design

/s/ James A. Gray / 10-24-07
Utility Operations Division/Date

/s/ Steven C. Reed / 10-24-07
General Counsel's Office/Date

SUBJECT: Staff Recommendation for Missouri Gas Energy's Winter Season PGA Filing -
Effective November 1, 2007

DATE: October 24, 2007

On October 16, 2007, Missouri Gas Energy (MGE or Company), a division of Southern Union Company, of Kansas City, Missouri, filed a tariff sheet having an effective date of November 1, 2007. This tariff sheet was filed to reflect changes in MGE's Purchased Gas Adjustment (PGA) factors as a result of estimated changes in the cost of natural gas for the upcoming winter season and changes in the Actual Cost Adjustment (ACA) factor.

This filing will increase the firm PGA factor for the upcoming 2007 - 2008 winter season, to \$.82121 per one-hundred cubic feet (Ccf), from the current PGA factor of \$.78791 per Ccf. This represents an increase of \$.03330 per Ccf.

Case No. GR-2007-0256, under which these changes were filed, was established to track the Company's PGA factors to be reviewed in its 2006-2007 ACA filing. Case Nos. GR-2005-0104, GR-2005-0169, and GR-2006-0291 were established to track the Company's PGA factors to be reviewed in its 2003-2004, 2004-2005, and 2005-2006 ACA filings, respectively. This rate change should be on an interim, subject to refund status pending final Commission decisions in ACA Case Nos. GR-2005-0104, GR-2005-0169, GR-2006-0291 and GR-2007-0256.

Due to the limited time available to review the documentation supporting the ACA factor represented in this filing, the Procurement Analysis Department (PAD) has requested permission to submit its results and recommendations regarding the information included in this ACA filing to the Commission on or before December 31, 2008.

Staff has verified that this company has filed its 2007 annual report and is not delinquent on any of its 2007 assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

Staff recommends that the following tariff sheet, filed on October 16, 2007, be approved, to be

MO PSC CASE NO. GR-2007-0256, File No. YG-2008-0239
OFFICIAL CASE FILE MEMORANDUM
PAGE 2 OF 2

effective on November 1, 2007, interim subject to refund:

P.S.C. MO. No.1

Fourteenth Revised SHEET No. 24.3, Canceling Thirteenth Revised SHEET No. 24.3



MISSOURI GAS ENERGY

3420 Broadway - Kansas City, MO - 64111-2404 - (816) 756-5261

October 16, 2007

Secretary of the Commission
Missouri Public Service Commission
P.O. Box 360
200 Madison Street
Jefferson City, MO 65102-0360

RE: Case No. GR-2007-0256, Missouri Gas Energy

Attached for filing on behalf of Missouri Gas Energy is an electronic version of P.S.C. MO. No. 1, Fourteenth Revised Sheet No. 24.3, canceling Thirteenth Revised Sheet No. 24.3. This tariff sheet bears an issue date of October 16, 2007, and a proposed effective date of November 1, 2007.

By this filing, MGE proposes to make its scheduled November adjustment to the Purchased Gas Adjustment (PGA) Rate as permitted under the provisions of Sheet No. 15 of MGE's tariff. MGE is proposing to adjust the Current Cost of Gas Factor (C.C.G.) and Actual Cost Adjustment Factor (A.C.A.).

The proposed PGA Rate of \$0.82121 reflects an increase of \$0.03330 per Ccf over the PGA Rate currently in effect of \$0.78791. The change in the PGA Rate reflects a decrease in the C.C.G. Factor of \$0.03214 per Ccf, from the current C.C.G. Factor of \$0.86889 to the proposed amount of \$0.83675. Also, the proposed PGA Rate reflects an increase in the A.C.A. Factor of \$0.06544 per Ccf, from the current A.C.A. Factor of (\$0.08098) to the proposed amount of (\$0.01554). Included in the A.C.A. Factor change in this filing is a refund of \$1,069,996.98 (for the period October 1, 2005 through June 30, 2007) to reflect the discount preservation provision included as paragraph 6.A. and Appendix 2 of the Stipulation and Agreement approved by the Commission in Case No. GM-2003-0238. Similarly, the C.C.G. Factor included in this PGA Rate reflects that discount preservation provision on a going forward basis.

The proposed adjustment has the overall net effect of increasing revenues in MGE's service area by approximately \$19,271,112 annually. This represents an overall 4.23% increase in revenues.

Workpapers supporting the calculations performed in developing the proposed changes have been provided this date under separate cover letter to the Commission's Staff and The Office of the Public Counsel.

Secretary of the Commission
October 16, 2007
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Please forward copies of any Commission order or notice associated with this filing to:

Robert J. Hack
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(816) 360-5536 (fax)
Email: rob.hack@sug.com

Michael Noack
Director, Pricing & Regulatory
Affairs
Missouri Gas Energy
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Kansas City, MO 64111
(816) 360-5560
(816) 360-5536 (fax)
Email: mike.noack@sug.com

Thank you for bringing this matter to the attention of the Commission and the appropriate Commission personnel.

Sincerely,

By: 

Michael R. Noack

MRN/wpv
Enclosure

CC: The Office of Public Counsel
General Counsel's Office

P.S.C. MO. No. 1
Canceling P.S.C. MO. No. 1

Fourteenth Revised
Thirteenth Revised

SHEET No. 24.3
SHEET No. 24.3

Missouri Gas Energy,
a Division of Southern Union Company
Name of Issuing Corporation

For: All Missouri Service Areas
Community, Town or City

PURCHASED GAS COST ADJUSTMENT
PGA

X. SUMMARY STATEMENT

<u>Customer</u> <u>Class</u>	<u>C.C.G.</u>	<u>A.C.A.</u>	<u>T.O.P.</u>	<u>T.C.</u>	<u>P.G.A.</u> <u>Rate</u>
Residential	\$0.83675	(\$0.01554)	\$0.00000	\$0.00000	\$0.82121
Small General Service	\$0.83675	(\$0.01554)	\$0.00000	\$0.00000	\$0.82121
Large General Service	\$0.83675	(\$0.01554)	\$0.00000	\$0.00000	\$0.82121
Unmetered Gas Light (1)	\$0.83675	(\$0.01554)	\$0.00000	\$0.00000	\$0.82121
Large Volume Sales (3)	\$0.83675	(\$0.01554)	\$0.00000	\$0.00000	\$0.82121
Large Volume Trans. (2)(4)				\$0.00000	\$0.00000

- 1 Each Unmetered Gaslight Unit is equal to 15 Ccf.
- 2 Demand related purchase gas costs of \$0.60595 per Ccf of contract demand and \$0.01992 per Ccf of daily demand for authorized sales in excess of the contract demand are directly chargeable to customers on this rate.
- 3 Applies to Sales Service only.
- 4 Firm transportation charges to be included in the monthly cash out reconciliation. Applies to Transportation Service, Intrastate Transportation Service and Whiteman Air Force Base.

DATE OF ISSUE: October 16, 2007
month day year

DATE EFFECTIVE: November 1, 2007
month day year

ISSUED BY: Michael R. Noack Director, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, Missouri 64111

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

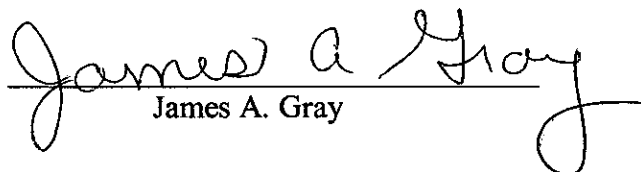
In the matter of Missouri Gas Energy)
Purchased Gas Adjustment Rate Change.)

Case No. GR-2007-0256

AFFIDAVIT OF JAMES A. GRAY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James A. Gray, of lawful age, on oath states: that he 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 given by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.


James A. Gray

Subscribed and sworn to before me this 25th day of October, 2007.


Notary Public

My commission expires 9-23-2008

