

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

Office of the Public Counsel)	
)	
Complainant,)	
)	
v.)	Case No. GC-2006-0180
)	
Southern Missouri Gas Company, L.P.)	
)	
Respondent.)	

**STAFF'S RESPONSE TO
SOUTHERN MISSOURI NATURAL GAS COMPANY'S
GAS SUPPLY PLAN**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and submits its Response to Southern Missouri Natural Gas Company's September 12, 2006 Gas Supply Plan. Staff states:

1. On October 21, 2005, the Public Counsel filed a complaint against Southern Missouri Natural Gas (SMNG or Company) alleging, among other things, that the Company failed to comply with the Commission's Hedging rule. Rule 4 CSR 240-40.018.

2. On October 24, 2005, the Commission issued a Notice of Complaint and the Company filed its Answer and Motion To Dismiss on November 23, 2005. On December 22, 2005, the Commission issued its Order Denying Motion To Dismiss. A Unanimous Stipulation and Agreement was filed on March 13, 2006.

3. The Agreement has been entered into by the Staff with conditions that are designed to assure that the Company regularly communicates with the Commission, the Staff and OPC

concerning the status of the Company's gas purchasing plans, and type and extent of the hedging mechanisms that the Company is using.

4. In the Stipulation the parties agreed that SMNG would provide certain information concerning its gas purchasing practices to the Staff and to OPC.

5. The Company provided its most recent Gas Supply Plan (Plan) to the Staff on September 5, 2006.

6. Staff reviewed the Plan and has several concerns as discussed in the attached Staff Memorandum, which is filed as Highly Confidential in its entirety.

7. Staff's Response is not to be considered a substitute for Staff's subsequent Actual Cost Accounting audit and may not be used as a defense of SMGC's decision making concerning either its reliability planning or the prudence of its hedging or other gas buying decisions.

WHEREFORE Staff recommends the Commission accept Staff's Memorandum as in compliance with the requirements of the Stipulation issued in this case and order the Company to respond to Staff's comments within thirty (30) days.

Respectfully submitted,

Lera L. Shemwell

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Deputy General Counsel

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered or mailed, or sent via facsimile or electronic mail to all counsel of record this 26th day of September 2006.

/s/ Lera L. Shemwell