

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

In the Matter of Southern Missouri Gas Company)	
LP's Purchased Gas Adjustment (PGA) Factors to be)	Case No. GR-2005-0279
Reviewed in its 2004-2005 Actual Cost Adjustment.)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and for its Recommendation in this case states:

1. On September 15, 2005, Southern Missouri Gas Company (SMGC) of Mountain Grove, Missouri, filed a tariff sheet to change its PGA factors. The tariff sheet was filed to reflect expected changes SMGC's Purchased Gas Adjustment (PGA) factors as the result of estimated changes in the cost of natural gas for the remaining summer season and the upcoming winter heating season.

2. The changes in gas cost, which is a somewhat significant increase, is proposed to be effective for service rendered on or after October 1, 2005. Staff has, however, determined that the PGA is calculated in conformance with SMGC's approved PGA clause. Please see Staff's Memorandum attached as Attachment A, along with Staff's customer impact calculations in Attachments B and C.

3. SMGC is a utility with no storage on its system and this can impact overall purchasing strategies and outcomes. Staff's will review the prudence of SMGC's planning and purchasing practices for this winter will be conducted during Staff's Procurement Analysis Department audit.

4. Staff is of the opinion that good cause for approval of this tariff sheet on less than thirty (30) days notice is demonstrated by the fact that the Commission approved SMGC's tariff that allows for ten (10) business days notice for PGA change filings.

5. Staff recommends, however, that the tariff sheets be approved interim, subject to refund only, pending final Commission decision in this case concerning the prudence of SMGC's gas purchasing practices.

WHEREFORE, the Staff recommends that SMGC's tariffs be approved to become effective on October 1, 2005, on the basis that the rates are interim subject to refund.

Respectfully submitted,

DANA K. JOYCE
General Counsel

/s/ Lera L. Shemwell

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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 26th day of September 2005.

/s/ Lera L. Shemwell

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2005-0279, File No. YG-2006-0197,
Southern Missouri Gas Company, L.P.

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

/s/ Thomas Imhoff 09/26/05
Energy Department/Date

/s/ Lera Shemwell 09/26/05
General Counsel's Office/Date

SUBJECT: Staff Recommendation on Southern Missouri Gas Company, L.P.'s Winter Season PGA
Filing Effective October 1, 2005

DATE: September 23, 2005

On September 15, 2005, Southern Missouri Gas Company, L.P. (SMGC or Company) of Mountain Grove, Missouri, filed a tariff sheet with a proposed effective date of October 1, 2005. The tariff sheet was filed to reflect changes in SMGC's Purchased Gas Adjustment (PGA) factor as the result of an estimated change in the cost of natural gas for the remainder of the summer season, and the upcoming winter season. The summer season includes the months of April through October, and the winter season includes the months of November through March. This tariff filing also reflects a change in the Actual Cost Adjustment (ACA), another factor that determines the Net PGA.

SMGC's PGA Clause allows SMGC to file their Winter PGA between September 15 and November 4 of each calendar year. (Tariff Sheet No. 21). Therefore, this filing affects the one remaining month of the summer season as well as the coming winter season.

The net effect of this change will increase the firm PGA factor to \$1.3081 per hundred cubic feet (Ccf) for the remaining portion of this summer season (April – October) and the coming winter season (November – March) from the firm PGA factor of \$0.7900 per Ccf currently in effect. When compared to the rates currently in effect, the effect of the proposed increase on a typical residential customer's natural gas bills for the remaining month of the summer season (October) is an increase of approximately \$22 or 37%, while for the coming winter season (November – March) is an approximate increase of \$460 or 43 %.

Case No. GR-2005-0279, under which this change was filed, was established to track the Company's PGA factors to be reviewed in its 2004-2005 ACA filing. Interim subject to refund status should be maintained pending a final Commission decision in Case No. GR-2005-0279.

Attachment A

Staff has been monitoring the rapidly changing natural gas market situation and meeting with the local distribution companies over the last few months. SMGC is a utility with no storage on its system and significant competition with propane and this affects purchasing strategies and outcomes. Staff will continue to monitor natural gas market conditions and will promptly contact SMGC for action if it appears that their PGA rate should be reduced. Staff's review of the prudence of SMGC in its planning for this winter will be conducted during Staff's Procurement Analysis Department audit. Some aspects of their planning may also be addressed in the GW-2006-0110 docket currently being considered by the Commission.

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 29, 2006.

The Energy Department – Tariffs/Rate Design Staff (Staff) has verified that the Company has filed its annual report and is not delinquent on any assessment. Staff has reviewed this filing and is unaware of any issue currently pending before the Commission that affects or is affected by this filing.

Having reviewed this filing, Staff has determined that the rates on the proposed tariff sheet were calculated in conformance with SMGC's PGA Clause. Staff does not render an opinion as to the gas purchasing practices of SMGC at this time. This will be addressed in the PAD's recommendation concerning the prudence of SMGC's procurement of its gas supplies for the upcoming winter season. Staff is of the opinion that good cause for approval of SMGC's tariff sheet on less than thirty (30) days notice is demonstrated by SMGC's Commission-approved PGA Clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends that the following tariff sheet with the filing date of September 15, 2005, be approved interim subject to refund is in compliance with their tariff and if approved, should be approved interim subject to refund:

P.S.C. MO No. 1

18th Revised Sheet No. 27, Cancelling 17th Revised Sheet No. 27.

Copies: Director - Utility Operations Division
 Director - Research and Public Affairs Division
 Director - Utility Services Division
 General Counsel

Manager - Financial Analysis Department

Manager - Procurement Analysis Department

Manager – Energy Department

James M. Fischer – Attorney for SMGC (Fischer & Dority, P.C.)

Randal T. Maffett – Managing Partner (SMGC)

Office of the Public Counsel

REMAINING SUMMER SEASON
Approximate Billing Impact Of 42 Ccf for October
Southern Missouri Gas Company, L.P.
Residential Heating Customer

	Summer Season with Current Rates (Months)	Ccf Usage	Total Fuel Bill (\$)
*	April 2005	96	120.11
*	May	53	70.79
*	June	36	51.29
*	July	28	42.12
*	August	27	40.97
*	September	30	44.41
*	October	42	58.17
	7 Month Summer Season Total	312.0	\$427.86

	Summer Season with Proposed Rates (Months)	Ccf Usage	Total Fuel Bill (\$)
*	April 2005	96	120.11
*	May	53	70.79
*	June	36	51.29
*	July	28	42.12
*	August	27	40.97
*	September	30	44.41
+	October	42	79.93
	7 Month Summer Season Total	312.0	\$449.62

REMARKS

For a typical residential customer using approximately 42 Ccf during October, natural gas rates will increase by \$21.76 or approximately 5% when comparing the fuel bills for the current summer season before and after this filing effective October 1, 2005.

Notes:

- (1) Total fuel bill does not include gross receipts or local sales taxes.
- (2) Monthly usage priced at the rates in effect during the appropriate time period.
- (3) Tariff Sheet No. 1: Customer Charge = \$10.00; Energy Charge = \$0.357 per Ccf
 - * Tariff Sheet No. 27: PGA Charge = \$0.7900 per Ccf
 - + Tariff Sheet No. 27: PGA Charge = \$1.3081 per Ccf

Missouri Public Service Commission
October 2005

WINTER SEASON
Approximate Billing Impact Of 888 Ccf per Winter Season
Southern Missouri Gas Company, L.P.
Residential Heating Customer

	Winter Season with Current Rates (Months)	Ccf Usage	Total Fuel Bill (\$)
*	November 2004	97	121.26
*	December	179	215.31
*	January 2005	236	280.69
*	February	217	258.90
*	March	159	192.37
	5 Month Winter Season Total	888.0	\$1,068.53

	Winter Season with Proposed Rates (Months)	Ccf Usage	Total Fuel Bill (\$)
+	November 2004	97	171.51
+	December	179	308.05
+	January 2005	236	402.96
+	February	217	371.33
+	March	159	274.75
	5 Month Winter Season Total	888.0	\$1,528.60

REMARKS

For a typical residential customer using approximately 888 Ccf's during the winter season (November - March), natural gas rates will increase by \$460.07 or approximately 43% when comparing the fuel bills for the coming winter season before and after the scheduled filing effective October 1, 2005.

Notes:

- (1) Total fuel bill does not include gross receipts or local sales taxes.
- (2) Monthly usage priced at the rates in effect during the appropriate time period.
- (3) Tariff Sheet No. 1 : Customer Charge = \$10.00; Commodity Charge \$0.357 per Ccf
- * Tariff Sheet No. 27: PGA Charge = \$0.7900 per Ccf
- + Tariff Sheet No. 27: PGA Charge = \$1.3081 per Ccf

Missouri Public Service Commission
October 2005