

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2010-0218, File No. JG-2011-0184,
Southern Missouri Gas Company d/b/a Southern Missouri Natural Gas
Company, L.P.

FROM: Michael Ensrud, Energy Department - Tariffs/Rate Design

/s/ Thomas M. Imhoff 10/20/10
Utility Operations Division/Date

/s/ Lera L. Shemwell 10/20/10
General Counsel's Office/Date

SUBJECT: Staff Recommendation on Southern Missouri Gas Company, L.P.'s
Mandatory PGA Filing Effective November 1, 2010 (Proposed Rate
Decrease)

DATE: October 20, 2010

On October 5, 2010, Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas, (SMNG or Company) of Mountain Grove, Missouri, filed a tariff sheet with a proposed effective date of November 1, 2010. The revised tariff sheet reflects changes in SMGC's Purchased Gas Adjustment (PGA) factor as the result of the Company's estimated changes in the cost of natural gas for the 2010-2011 winter season. The Company's winter season includes the months of November through March.

The net effect of this change will decrease the Total PGA factor to \$0.6530 per hundred cubic feet (Ccf). This reduction is from the existing Total PGA factor of \$0.8020 per Ccf currently in effect, and represents a decrease of \$0.1490 per Ccf from existing levels. The PGA is based on sales projections for the remainder of SMNG's ACA period.

Case No. GR-2010-0218, under which this change was filed, was established to track the Company's PGA factors to be reviewed in its 2009-2010 Actual Cost Accounting (ACA) filing. Interim subject to refund status should be maintained - pending the Commission's final decision in this case. Any variation in actual results, from estimates, will be addressed in Staff's Recommendation in the ACA process.

Due to the limited time available to review the documentation supporting the PGA factor submitted 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, 2011.

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 not aware of any issue currently pending before the Commission that affects or is affected by this filing.

Staff has determined that the rates on the proposed tariff sheet were calculated in conformance with SMNG's PGA Clause. Staff recommends the tariff sheet filed on October 5, 2010, be approved interim subject to refund:

P.S.C. MO No. 1-----
28th Revised Sheet No. 27, Cancelling 27th Revised Sheet No. 27.

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

In the Matter of Southern Missouri Gas)
Company, L.P. d/b/a Southern Missouri)
Natural Gas' Purchased Gas Adjustment)
(PGA) Factors to be Reviewed in Its)
2008-2009 Actual Cost Adjustment)

Case No. GR-2010-0218

AFFIDAVIT OF MICHAEL J. ENSRUD

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael J. Ensrud, employee of the Missouri Public Service Commission, being of lawful age and after being duly sworn, states that he has participated in preparing the accompanying Staff Recommendation in Memorandum form, and that the facts therein are true and correct to the best of his knowledge and belief.


Michael J. Ensrud

Subscribed and sworn to before me this 20th day of October 2010.


Nikki Senn
Notary Public

