

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Southern Missouri Gas	)	
Company, L.P.'s Purchased Gas Adjustment	)	<u>Case No. GR-2005-0279</u>
Factors to be Reviewed in its 2004-2005	)	Tariff No. YG-2006-0197
Actual Cost Adjustment	)	

Dissenting Opinion of Commissioner Steve Gaw

In its Order Approving Interim Rates, the majority approve interim tariff sheets for Southern Missouri Gas Company, L.P. ("SMG") which would increase the Company's PGA factor from \$0.79 / CCF to \$1.38 / CCF. During the five winter months, this increase in the PGA is expected to result in an increase to the typical residential customer of approximately 43%.

The Commission's review of interim tariff sheets designed to implement PGA price changes has typically been very remedial. For most years since the PGA was implemented, natural gas prices have been fairly stable. As such, the magnitude of any PGA price change has been fairly small. As a result, any adjustments resulting out of imprudent gas purchasing decisions on the part of the LDC was postponed and reviewed in the context of an Annual Cost Adjustment proceeding.

Recently, however, the natural gas market has demonstrated enormous volatility with incredible increases in the spot market price of natural gas. Given this backdrop of increased volatility and price, the Commission, in 2002, promulgated 4 CSR 240-40.018 which called upon Missouri LDCs to "undertake diversified natural gas purchasing activities as part of a prudent effort to mitigate upward natural gas price volatility and secure adequate natural gas supplies for their customers."

In addition, the effect of increased natural gas prices on the ability of low income households to pay their utility bills has been well documented. Recent studies have indicated

that households routinely forego other household necessities such as food, clothing and medication in an effort to pay their natural gas bills. With this in mind, the Commission owes a duty to the public to ensure that any proposed increases in the PGA are appropriate and no larger than is otherwise reasonable.

On September 29, 2005, the Commission held a hearing to consider SMG's tariff filing as well as the extent to which SMG has undertaken diversified natural gas purchasing activities. At the hearing, it became readily apparent that SMG has not utilized various supply and pricing provisions which may have lessened the amount of the requested PGA increase. This is despite the fact that prior to this year SMG had traditionally hedged significant amounts of gas through fixed price contracts. Given this failure on the part of the Company, the magnitude of the proposed PGA increase, and the affect that increased natural gas bills will have on all customers of SMG, especially low income households, I maintain that it is incumbent upon the Commission to engage in a prudency determination prior to allowing the proposed increase to go into effect based upon what was disclosed to the Commission. Until such a prudency review has been undertaken and appropriate adjustments made to the requested PGA increase, I can not agree to this increase in SMG's PGA factor.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve Gaw", with a stylized flourish at the end.

Steve Gaw
Commissioner

Dated at Jefferson City, Missouri,
on this 6th day of October, 2005.