

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 26<sup>th</sup> of  
August, 2008.

In the Matter of Southern Missouri Gas Company, L.P. )  
d/b/a Southern Missouri Natural Gas` Purchased Gas ) **Case No. GR-2007-0484**  
Adjustment Factors to be reviewed in its 2006-2007 )  
Actual Cost Adjustment )

**ORDER ADOPTING STAFF RECOMMENDATIONS AND REQUIRING  
ADJUSTMENT OF ACA BALANCE**

Issue Date: August 26, 2008

Effective Date: September 6, 2008

This case was opened to receive the 2006-2007 Actual Cost Adjustment (ACA) filing of Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas ("SMNG"). On August 14, 2008, the Staff of the Public Service Commission filed a recommendation and memorandum indicating that Staff has completed an audit of billed revenues and actual gas costs for the period September 1, 2006 through August 31, 2007, included in SMNG's computation of its ACA rate. Staff also conducted a reliability analysis and a hedging review for SMGU. In addition, Staff reviewed SMNG's gas purchasing practices to determine the prudence of its purchasing decisions.

Staff recommended that the Commission issue an order requiring SMNG to:

1. Reflect the ACA account balances in its next ACA filing to include the (over)/under-recovered ACA balance in the "Staff Recommended" column of the following table:

| <b>Description<br/>(+) Under-recovery<br/>(-) Over-recovery</b> | <b>Company's Ending<br/>Balances<br/>Per Filing</b> | <b>Staff<br/>Adjustments</b> | <b>Staff Recommended<br/>Ending Balances</b> |
|---|---|------------------------------|--|
| <b>Prior ACA Balance<br/>8/31/04</b>                            | <b>\$14,126 (A)</b>                                 | <b>\$0</b>                   | <b>\$14,126 (A)</b>                          |
| <b>Cost of Gas</b>  | <b>\$5,826,023</b>                                  | <b>\$0</b>                   | <b>\$5,826,023</b>                           |
| <b>Cost of Transportation</b>                                   | <b>\$1,331,126</b>                                  | <b>\$0</b>                   | <b>\$1,331,126</b>                           |
| <b>Revenues</b>   | <b>(\$6,949,789)</b>                                | <b>\$0</b>                   | <b>(\$6,949,789)</b>                         |
| <b>ACA Approach for<br/>Interest Calculation</b>                | <b>\$831</b>  | <b>\$0</b>                   | <b>\$831</b>                                 |
| <b>Total ACA Balance<br/>8/31/07</b>                            | <b>\$222,317</b>                                    | <b>\$0</b>                   | <b>\$222,317</b>                             |

2. Maintain a current hedging plan and continue to evaluate the possibility of further diversifying its gas supply portfolios including a gas supply planning horizon of multiple years and evaluation of firm storage opportunities, and keep abreast of market developments to help its gas procurement decision-making. The current hedging plan must include detailed plans to provide proper documentation of gas purchasing decisions at the time that such decisions are made.

3. Respond within 30 days to the concerns expressed by Staff in the Reliability Analyses and Gas Supply Planning section related to conflicting estimates of monthly requirements.

4. File a written response to the above recommendations within 30 days.

On August 20, 2008, the Commission issued an order directing SMNG to respond to Staff's recommendations by September 15, 2008. SMNG filed its response on August 21, 2008, indicating that it accepts all of Staff's recommendations. SMNG further stated:

In particular, SMNG will maintain a current hedging plan and continue to evaluate the possibility of further diversifying its gas supply portfolios, including a gas supply planning horizon of multiple years and evaluate firm storage opportunities, if they become available. SMNG will also re-evaluate its planning for normal, warm and cold weather and maintain documentation

to support its estimates.<sup>1</sup>

After reviewing Staff's recommendations and SMNG's response, the Commission concludes that Staff's recommendations should be implemented.

**IT IS ORDERED THAT:**

1. Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas shall reflect the ACA account balances in its next ACA filing to include the (over)/under-recovered ACA balance in the "Staff Recommended" column of the table set out in Staff's Memorandum and in the body of this order.

2. Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas shall maintain a current hedging plan and continue to evaluate the possibility of further diversifying its gas supply portfolios including a gas supply planning horizon of multiple years and evaluation of firm storage opportunities, and keep abreast of the market developments to help its gas procurement decision-making. The current hedging plan shall include detailed plans to provide proper documentation of gas purchasing decisions at the time that such decisions are made, and the hedging documents shall be made available to the Staff for its reviews of subsequent ACA periods.

---

<sup>1</sup> This statement addresses Staff's third recommendation regarding the concerns it had in the Reliability Analyses and Gas Supply Planning section of its memorandum.

3. This order shall become effective on September 6, 2008.

(S E A L)

**BY THE COMMISSION**

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale  
Secretary

Davis, Chm., Murray, Clayton, Jarrett,  
and Gunn, CC., concur.

Stearley, Senior Regulatory Law Judge