

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

In the Matter of Southern Missouri Gas)	
Company, L.P.'s Purchased Gas)	
Adjustment Factors to be Reviewed in its)	Case No. GR-2005-0064
2003–2004 Actual Cost Adjustment.)	

STAFF RECOMMENDATION

COMES NOW the Staff (Staff) of the Missouri Public Service Commission (Commission) and respectfully states as follows:

1. On December 16, 2004, Southern Missouri Gas Company, L.P. (SMGC) filed a tariff sheet with the Missouri Public Service Commission with a proposed effective date of January 1, 2005. The filing was made to reflect scheduled changes in Company's Purchased Gas Adjustment (PGA) factors as a result of an estimated change in the cost of natural gas for the remainder of the winter season and a change in the interstate pipeline transportation rates that SMGC must pay in order to transport natural gas to its system. On December 17, 2004, SMGC filed a substitute tariff sheet to correct an error.

2. On December 22, 2004, the Staff filed its Memorandum and Recommendation. Staff recommended that SMGC's proposed tariff sheet be approved for service on and after January 1, 2005, as an interim rate, subject to refund.

3. On December 28, 2004, the Commission issued an Order Approving Interim Rates. The Order approved the Interim rates subject to refund.

4. SMGC provides natural gas for up to 7,400 sales customers in the southern portion of the state including communities in Greene, Webster, Wright, Howell, Douglas and Texas counties.

5. Staff completed an audit of billed revenues and actual gas costs for the period September 1, 2003 to August 31, 2004 included in the Company's computation of the ACA rate. Staff also conducted a hedging review and reliability analysis for SMGC.

6. In the attached Memorandums (Appendix A – NP and HC versions), Staff recommends that the Commission issue an order implementing Staff's Recommendations. Staff also recommends that the Commission order SMGC to respond to Staff's Memorandum by July 11, 2005.

WHEREFORE, Staff recommends that the Commission issue its order in this case consistent with Staff's recommendations.

Respectfully submitted,

DANA K. JOYCE
General Counsel

/s/ Robert V. Franson

Robert V. Franson
Senior Counsel
Missouri Bar No. 34643

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-6651 (Telephone)
(573) 751-9285 (Fax)
e-mail: rfranson@mail.state.mo.us

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 as shown on the attached service list this 8th day of June 2005.

/s/ Robert V. Franson