

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

In the Matter of Southern Missouri Gas)	
Company LP's Purchase Gas Adjustment)	
(PGA) Factors to be Reviewed in its)	Case No. GR-2008-0379
2007-2008 Actual Cost Adjustment.)	

**STAFF RECOMMENDATION REGARDING
SOUTHERN MISSOURI NATURAL GAS COMPANY, L.P.'S
ACTUAL COST ADJUSTMENT**

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its Recommendation, and in support thereof, states as follows:

1. Staff has reviewed Southern Missouri Natural Gas Company, LP's (SMNG or Company) 2007-2008 Actual Cost Adjustment (ACA) filing for its service area in the southern portion of the state including communities in Greene, Webster, Wright, Howell, Douglas and Texas counties and its expansions to Lebanon, Branson/Hollister and Houston, Missouri. This filing was made on September 19, 2008 for rates to become effective on October 1, 2008.

2. Staff points out to the Commission that the correct ACA period in this case is 2007-2008. In the style of some pleadings and orders in this docket, the ACA period is incorrectly listed as 2006-2007. Staff notes that Case No. GR-2007-0484 is the proper case for the 2006-2007 ACA period.

3. Staff's analysis consisted of a review and evaluation of the Company's billed revenues and its actual gas costs for the period of September 1, 2007 to August 31, 2008. Staff also reviewed SMNG's gas purchasing practices to determine the prudence of the Company's purchasing and operating decisions. Staff also conducted a reliability analysis of estimated peak

day requirements and reviewed SMNG's hedging for the period to determine the reasonableness of the Company's hedging plans.

4. Staff's Memorandum, attached as Appendix A and incorporated herein by reference, contains a detailed explanation of Staff's concerns, followed by analysis, and concluding with recommendations.

WHEREFORE, for reasons explained in the attached Memorandum, the Staff recommends the Commission issue an order directing Southern Missouri Natural Gas to comply with Staff's recommendations found on pages 6 and 7 of Staff's Memorandum.

Respectfully submitted,

/s/ Robert S. Berlin

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 7th day of April 2009.

/s/ Robert S. Berlin