

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 30th day
of June, 2010.

In the Matter of the PGA filing of Southern Missouri)	
Gas Company, L.P., d/b/a Southern Missouri)	
Natural Gas' Purchased Gas Adjustment (PGA))	<u>File No. GR-2009-0287</u>
Factors to be Reviewed in its 2008-2009 Actual)	
Cost Adjustment)	

ORDER ESTABLISHING ACA BALANCE

Issue Date: June 30, 2010

Effective Date: July 10, 2010

On May 27, 2010, the Staff of the Missouri Public Service Commission filed a recommendation for Southern Missouri Gas Company, L.P., d/b/a Southern Missouri Natural Gas' 2008/2009 actual cost adjustment. Southern Missouri responded to Staff's recommendation on June 23.

For the period of September 1, 2008 through August 31, 2009, Staff evaluated Southern Missouri's billed revenues, actual gas costs, natural gas purchasing practices and hedging plans. Staff also conducted a reliability analysis of the company's peak requirements and the capacity levels necessary to meet those requirements, reserve margins, and the requirements necessary based on differing weather conditions.

Through its review, Staff recommended that Southern Missouri reflect the following ACA account balance in its next ACA filing to include the over recovered ACA balance of \$2,620 for a total ACA balance as of 8/31/2009 of \$310,169, as shown in the following table:

Description (+) Under-recovery (-) Over-recovery	Company Ending Balances Per Filing	Staff Adjustments	Staff Recommended Ending Balances
Prior ACA Balance 8/31/08	\$410,627	\$0	\$410,627
Cost of Gas	\$4,481,334	\$0	\$4,481,334
Cost of Transportation	\$1,525,949	\$0	\$1,525,949
Revenues	(\$6,108,325)	(\$2,159)	(\$6,110,484)
ACA Approach for Interest Calculation	\$3,204	(\$461)	\$2,743
Total ACA Balance 8/31/09	\$312,789	(\$2,620)	\$310,169

Staff also recommended that the Commission direct the company to respond to the following concerns:

- Whether the company intends to reflect the ACA account balance in its next ACA filing to include the over-recovered ACA balance of \$2,620 for a total ACA balance as of 8/31/09 of \$310,169?
- How the company will respond to Staff's concerns in the "Hedging" section of the Staff's Memorandum?
- How the company will respond to the concerns expressed by Staff in the "reliability Analyses and Gas Supply Planning" section of Staff's Memorandum related to the methodology concerns for peak day estimates and monthly estimates for normal, cold, and warm weather?

With regard to reliability, Staff made several suggestions concerning peak day service, reserve margin for future periods, monthly normal weather estimates of natural gas requirements and monthly cold and warm weather estimates of natural gas requirements.

On June 23, the company responded to Staff's recommendation. In its response, the company states that Staff's recommendation is acceptable. In response to Staff's concern about hedging, the company states that it will:

continue to keep abreast of the market developments in order to make prudent gas procurement decisions; employ both disciplined and market based approaches in implementing a reasonable hedging strategy, continue to maintain a current hedging plan to evaluate the need of further diversifying its gas supply portfolios to include a gas supply planning horizon of multiple years considering the company's planned growth.

With regard to Staff's concerns of reliability, the company intends to follow Staff's recommendations. The company goes on to request that the Commission issue an order adopting Staff's recommendation.

THE COMMISSION ORDERS THAT:

1. Southern Missouri Gas Company, L.P., d/b/a Southern Missouri Natural Gas shall establish the following ACA account balance in its next ACA filing to reflect the following balances:

Description (+) Under-recovery (-) Over-recovery	Company Ending Balances Per Filing	Staff Adjustments	Staff Recommended Ending Balances
Prior ACA Balance 8/31/08	\$410,627	\$0	\$410,627
Cost of Gas	\$4,481,334	\$0	\$4,481,334
Cost of Transportation	\$1,525,949	\$0	\$1,525,949
Revenues	(\$6,108,325)	(\$2,159)	(\$6,110,484)
ACA Approach for Interest Calculation	\$3,204	(\$461)	\$2,743
Total ACA Balance 8/31/09	\$312,789	(\$2,620)	\$310,169

2. This order shall become effective on July 10, 2010.

3. This case shall be closed on July 11, 2010.

BY THE COMMISSION



Steven C. Reed
Secretary

(S E A L)

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

Jones, Senior Regulatory Law Judge