

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

In the Matter of Southern Missouri Gas)	
Company LP's Purchased Gas Adjustment)	
(PGA) Factors to be Reviewed in its 2009-1010)	Case No. GR-2010-0218
Actual Cost Adjustment.)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and for its Recommendation in this Purchased Gas Adjustment/Actual Cost Adjustment (PGA/ACA) case states:

1. On October 5, 2010, Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas, (SMNG or Company) of Mountain Grove, Missouri, filed a tariff sheet with a proposed effective date of November 1, 2010. This filing was the initial filing in this ACA period.

2. In its ACA analysis, Staff has reviewed SMNG's gas purchasing, SMNG's billed revenues and actual gas costs for the period of September 1, 2009, to August 31, 2010. Staff also reviewed SMNG's gas purchasing practices to determine the prudence of the Company's purchasing and operating decisions.

3. As part of its analysis Staff conducted a reliability analysis of estimated peak day requirements and the capacity levels needed to meet those requirements; peak day reserve margin and the reasons for this reserve margin; and a review of normal, warm and cold weather requirements. Staff also reviewed SMNG's hedging for the period to determine the reasonableness of the Company's hedging plans.

4. Staff's review includes recommended financial adjustments pertaining to:

(1) Prior Year ACA Balance;

- (2) Actual Cost of Gas - BP Energy,
- (3) Aggregation and Balancing fee for Missouri School Pilot Program, and
- (4) Capacity Release Adjustment for Missouri School Pilot Program.

5. Staff's review also includes recommendations for SMNG pertaining to: (1) Hedging and (2) Reliability Analyses and Gas Supply Planning.

6. As a result of its analysis the Staff recommends that Southern Missouri Natural Gas:

- 1. Adjust its ACA account balance in its next ACA filing to include the adjusted ACA balance of (\$18,407) for a total ACA balance of \$233,805 on 8/31/10, as shown in the "Staff Recommended" column of the following table:

Description (+) Under-recovery (-) Over-recovery	Company Ending Balances Per Filing	Staff Adjustments	Staff Recommended Ending Balances
Prior ACA Balance 8/31/09	\$314,515	(\$4,346) (A)	\$310,169
Cost of Gas	\$3,913,960	\$2,790 (B)	\$3,916,750
Cost of Transportation	\$1,506,299	(\$15,336) (C)	\$1,490,963
Revenues	(\$5,484,831)	(\$1,515) (D)	(\$5,486,346)
ACA Approach for Interest Calculation	\$2,269	\$0	\$2,269
Total ACA Balance 8/31/10	\$252,212	(\$18,407)	\$233,805

- A) Prior year ACA balance correction (\$314,515-\$310,169)
- B) Actual Cost of Gas - BP Energy
- C) Capacity Release Adjustment-School Aggregation customers
- D) Aggregation and Balancing fee

2. Respond within 30 days to the comments expressed by Staff in the Hedging section of this Recommendation.

3. Respond within 30 days to the concerns expressed by Staff in the Reliability Analyses and Gas Supply Planning section related to:

- (1) methodology concerns for peak day estimates,
- (2) methodology concerns for monthly normal, warm and cold weather estimates, and
- (3) Missouri School Pilot Program, Transportation Service (School Aggregation)

4. By September 1, 2011, provide Staff with SMNG's updated peak day analysis and monthly estimates for normal, warm and cold weather for the 2011/2012 winter heating season, as detailed in the Reliability Analyses and Gas Supply Planning section.

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

WHEREFORE Staff asks the Commission to order SMNG to comply with Staff's Recommendations as noted above and order SMNG to adjust its ACA balance as shown in the chart above.

Respectfully submitted,

/s/ Lera L. Shemwell

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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 this 7th day of June 2011.

/s/ Lera L. Shemwell
