

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2008-0379, File No. JG-2009-0213,
Southern Missouri Natural Gas Company, L.P.

FROM: James A. Gray, Energy Department - Tariffs/Rate Design

/s/ Thomas M. Imhoff 09/26/08
Energy Department/Date

/s/ Lera Shemwell 09/26/08
General Counsel's Office/Date

SUBJECT: Staff Recommendation on Southern Missouri Gas Company, L.P.'s Winter Season
PGA Filing Effective October 1, 2008

DATE: September 26, 2008

On September 19, 2008, Southern Missouri Natural Gas Company, L.P. (SMGC or Company) d/b/a Southern Missouri Natural Gas Company of Mountain Grove, Missouri, filed a tariff sheet with a proposed effective date of October 1, 2008. The tariff sheet was filed to reflect changes in SMGC's Purchased Gas Adjustment (PGA) and Actual Cost Adjustment (ACA) factors as the result of estimated changes in the cost of natural gas for the winter season. The winter season includes the months of November through March.

On September 25, 2008, SMGC filed its Motion for Expedited Treatment of Tariffs (Motion). SMGC filed this proposed Winter Season PGA on a nine (9) business days notice, which is less than the ten (10) business days notice as required by SMGC's PGA clause. Therefore, SMGC has requested expedited treatment.

The net effect of this change will decrease the Total PGA factor to \$0.9751 per hundred cubic feet (Ccf) for the winter season (November – March) from the Total PGA factor of \$1.363 per Ccf currently in effect. The PGA factor is decreasing to \$0.9340 from \$1.330, and the ACA factor is increasing to \$0.0411 from \$0.0330. This represents an overall decrease of \$0.3879 per Ccf.

Case No. GR-2008-0379, under which this change was filed, was established to track the Company's PGA factors to be reviewed in its 2007-2008 ACA filing. Interim subject to refund status should be maintained pending a final Commission decision in Case No GR-2008-0379.

Due to the limited time available to review the documentation supporting the ACA factor represented in this filing, the Procurement Analysis Department (PAD) has requested permission to

submit its results and recommendations regarding the information included in this ACA filing to the Commission on or before December 31, 2009.

The Energy Department – Tariffs/Rate Design Staff (Staff) has verified that the Company has filed its annual report and is not delinquent on any assessment. Staff has reviewed this filing and is not aware of any issue currently pending before the Commission that affects or is affected by this filing.

Staff has determined that the rates on the proposed tariff sheet were calculated in conformance with SMGC's PGA Clause. SMGC's Motion for expedited treatment requests that SMGC's PGA be allowed to become effective on nine (9) business days notice. With the significant decrease in the overall PGA rate that would allow relief to SMGC's customers, Staff recommends approval of SMGC's Motion. Accordingly, Staff also recommends that the following tariff sheet filed on September 19, 2008, should be approved interim subject to refund:

P.S.C. MO No. 1

24th Revised Sheet No. 27, Cancelling 23rd Revised Sheet No. 27.

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

In the Matter of Southern Missouri Gas
Company, L.P. d/b/a Southern Missouri
Natural Gas' Purchased Gas Adjustment
Factors to be Reviewed in its 2007-2008
Actual Cost Adjustment

Case No. GR-2008-0379

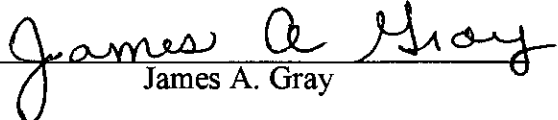
AFFIDAVIT OF JAMES A. GRAY

STATE OF MISSOURI

COUNTY OF COLE

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James A. Gray, of lawful age, on oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was given by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.


James A. Gray

Subscribed and sworn to before me this 26th day of September, 2008.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086


Notary Public