

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

In the Matter of the PGA filing of)
Southern Missouri Natural Gas Company,)
L.P., d/b/a Southern Missouri Natural Gas)
Purchased Gas Adjustment (PGA) Factors)
to be Reviewed in its 2008-2009 Actual)
Cost Adjustment.)

Case No. GR-2009-0287

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Staff), and respectfully files this *Recommendation* with the Missouri Public Service Commission (Commission) for its information and consideration. For its *Recommendation*, Staff states the following:

1. On September 15, 2009, Southern Missouri Natural Gas Company, L.P., d/b/a Southern Missouri Natural Gas (SMNG or Company) filed a proposed tariff sheet, P.S.C. MO No. 1, 26th Revised Sheet No. 27, with an effective date of October 1, 2009.

2. The proposed tariff sheet contains changes in SMNG's Purchased Gas Adjustment (PGA) and Actual Cost Adjustment (ACA) factors as the result of the estimated changes in the cost of natural gas for the upcoming winter season. SMNG's winter season includes the months of November through March. The total PGA will decrease \$0.0300 per Ccf, from \$0.7500/Ccf to \$0.7200/Ccf.

3. Staff of the Commission's Energy Department-Tariffs/Rate Design reviewed the proposed tariff sheet and determined that SMNG calculated the rates in conformance with the Company's PGA Clause, except for the approach used to calculate interest. Staff has notified the Company to continue calculating interest based on the

ACA method. Additionally, Staff requests that the Company file a revised P.S.C. MO No. 1, 2nd Revised Sheet No. 22, after the proposed tariff sheet goes into effect.

4. 4 CSR 240-2.060 requires a Company to file a proposed tariff sheet with an effective date not fewer than thirty (30) days after the filing. 4 CSR 240-2.020 allows the Commission to waive any rule in Chapter 2 of the Commission's rules for good cause shown. The Company's Commission-approved PGA clause demonstrates good cause for approval of the proposed tariff sheet on less than thirty (30) days notice; "Any PGA filing shall not be approved unless it has first been on file with the Commission for a period of ten (10) business days." P.S.C. MO No. 1, 2nd Revised Sheet No. 20.

5. As the Staff had limited time to review the work papers filed with the proposed tariff sheet, the Staff requests the Commission allow until December 31, 2010, for the Procurement Analysis Department to submit its results and recommendation on the ACA factor.

6. The Commission established this case file to track SMNG's PGA factors and the Company's 2008-2009 ACA filing. Staff recommends the Commission approve the proposed tariff sheet rates interim subject to refund. Attached is Staff's *Memorandum* for this matter. Additionally, the Company's tariff states "All PGA factors are interim and subject to adjustment as part of the ACA review." P.S.C. MO No. 1, 2nd Revised Sheet No. 20.

WHEREFORE, the Staff recommends that the Commission approve Southern Missouri Natural Gas' proposed tariff sheet, P.S.C. MO No. 1, 26th Revised Sheet No. 27, effective on November 14, 2005, with the rates interim and subject to refund only, and cancel the Company's P.S.C. MO No. 1, 25th Revised Sheet No. 27.

Respectfully submitted,

/s/ Jennifer Hernandez
Jennifer Hernandez
Staff Legal Counsel
Missouri Bar No. 59814

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Certificate of Service

I hereby certify that copies of the foregoing have been emailed, mailed, hand-delivered, or transmitted by facsimile to all parties of record this 28th day of September, 2009.

/s/ Jennifer Hernandez

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2009-0287, File No. YG-2010-0196
Southern Missouri Natural Gas Company, L.P. d/b/a Southern Missouri Natural Gas

FROM: Tom Solt, Energy Department - Tariffs/Rate Design

/s/ Thomas M. Imhoff 09/28/09
Energy Department/Date

/s/ Jennifer Hernandez 09/28/09
General Counsel's Office/Date

SUBJECT: Staff Recommendation on Southern Missouri Gas Company, L.P.'s Winter Season PGA
Filing Effective October 1, 2009

DATE: September 28, 2009

On September 15, 2009, Southern Missouri Natural Gas Company, L.P. (SMNG 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, 2009. The tariff sheet was filed to reflect changes in SMNG'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.

The net effect of this change will decrease the Total PGA factor to \$0.7200 per hundred cubic feet (Ccf) for the winter season (November – March) from the Total PGA factor of \$0.7500 per Ccf currently in effect. The PGA factor is decreasing to \$0.6850 from \$0.7089, and the ACA factor is decreasing to \$0.0350 from \$0.0411. This represents an overall decrease of \$0.0300 per Ccf.

Case No. GR-2009-0287, under which this change was filed, was established to track the Company's PGA factors to be reviewed in its 2008-2009 Actual Cost Adjustment (ACA) filing. Interim subject to refund status should be maintained pending final Commission decision in Case No. GR-2009-0287.

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, 2010.

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

MO PSC Case No. GR-2009-0287
OFFICIAL CASE FILE MEMORANDUM
PAGE 2 OF 2

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, except for the interest calculations on Sheet 22. The Company has been notified by Staff to continue calculating interest based on ACA method and will be asked to file a revised tariff sheet after this PGA filing goes into effect. Staff is of the opinion that good cause for approval of SMGC's tariff sheet on less than thirty (30) days notice is demonstrated by SMGC's Commission-approved PGA Clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends that the following tariff sheet filed on September 15, 2009, should be approved interim subject to refund:

P.S.C. MO No. 1

26th Revised Sheet No. 27, Cancelling 25th Revised Sheet No. 27.

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

In the Matter of Southern Missouri Gas)
Company, L.P.'s d/b/a Southern Missouri)
Natural Gas Purchased Gas Adjustment)
(PGA) Factors to be Reviewed in its 2008-)
2009 Actual Cost Adjustment)

Case No. GR-2009-0287

AFFIDAVIT OF THOMAS A. SOLT

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

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

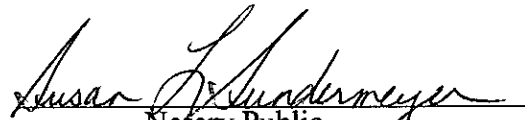


Thomas A. Solt

Subscribed and sworn to before me this 28th day of September, 2009.



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



Notary Public