

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

In the Matter of Southern Missouri Gas Company, L.P.'s)
Purchased Gas Adjustment Factors to be Reviewed) Case No. GR-2008-0379
In Its 2007-2008 Actual Cost Adjustment.)

**RESPONSE TO STAFF RECOMMENDATION OF
SOUTHERN MISSOURI GAS COMPANY, L.P.
D/B/A SOUTHERN MISSOURI NATURAL GAS**

Comes now Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas ("SMNG") and pursuant to 4 CSR 240-2.080 and the Order Directing Response issued on April 28, 2009, provides its Response To Staff Recommendation as follows:

1. On April 7, 2009, the Commission Staff filed its recommendations following the completion of the audit of the Actual Cost Adjustment ("ACA") rates for the 2007/2008 ACA period. The Commission Staff reviewed SMNG's calculations and made the following recommendations:

"The Staff recommends that Southern Missouri Natural Gas:

1. Reflect the ACA account balance in its next ACA filing to include the (over)/under-recovered ACA balance 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 Balances 8/31/07	\$147,317(A)	\$0	\$147,317 (A)
Cost of Gas	\$5,634,220	\$0	\$5,634,220
Cost of Transportation	\$1,349,932	\$0	\$1,349,932
Revenues	(\$6,722,288)	(\$1,711)	(\$6,723,999)
ACA Approach for Interest Calculation	\$3,157	\$0	\$3,157
Total ACA Balance 8/31/08	\$412,3338	(\$1,711)	\$410,627

(A) Includes settlement adjustments of (\$75,000) in Case GR-2006-0352.

2. Include customer charge language in the school aggregation contract agreements upon renewal of its contract in October 2009.
3. To closely monitor transportation imbalances in order to minimize monthly imbalances and to review its tariffs to provide greater incentive to stay in balance.
4. Maintain a current hedging plan and continue to evaluate the possibility of further diversifying its gas supply portfolios including a gas supply planning horizon of multiple years and evaluation of firm storage opportunities, and keep abreast of the market developments to help its gas procurement decision-making. The current hedging plan must include detailed plans to provide proper documentation of gas purchasing decisions at the time that such decisions are made.
5. 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 and monthly estimates and (2) school aggregation.
6. File a written response to the above recommendations within 30 days.”

(Staff Recommendation, pp. 6-7)

SMNG Response to Staff Recommendation

2. After reviewing the Staff's Recommendation in this matter, the Company has determined that the above-referenced recommendations are acceptable to the Company.

SMNG Comments Regarding Reliability

3. SMNG accepts the recommendations contained in the Staff Recommendation regarding reliability. In particular, SMNG will closely monitor transportation imbalances in order to minimize monthly imbalances and review its tariff to provide greater incentive to stay in balance. In addition, SMNG will maintain a current hedging plan and continue to evaluate the possibility of

further diversifying its gas supply portfolios, including a gas supply planning horizon of multiple years and evaluate firm storage opportunities, if they become available, and keep abreast of market developments in order to make prudent gas procurement decisions. SMNG will also evaluate its peak day estimation methodology for Large Sales Customers. SMNG will evaluate whether use of the same base load and heatload factors is reasonable for estimate the natural gas supply requirements for each month. SMNG will evaluate its planning for normal, warm and cold weather and maintain documentation to support its estimates.

WHEREFORE, having responded to the Staff Recommendation, Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas urges the Commission to issue an Order adopting Staff's Recommendation filed in this matter.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was emailed, mailed or hand-delivered, this 20th day of May, 2009, to:

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/s/ James Fischer

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