

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

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) Factors)
to be Reviewed in its 2008-2009 Actual)
Cost Adjustment.)

Case No. GR-2009-0287

**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 June 14, 2010, provides its Response To Staff Recommendation as follows:

1. On May 27, 2010, the Commission Staff filed its recommendations following the completion of the audit of the Actual Cost Adjustment ("ACA") rates for the 2008/2009 ACA period. The Commission Staff reviewed SMNG's calculations and made the following recommendations:

“The Staff recommends that the Commission issue an order requiring SMNG to file a written response within thirty (30) days of this Recommendation addressing the Staff’s *Memorandum*, as well as indicating:

a Whether the Company intends to reflect the ACA account balance in its next ACA filing to include the (over)/under-recovered ACA balance of \$ 2,620 for a total ACA balance as of 8/31/09 of \$310,169, 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 8/31/08	\$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

b. How the Company will respond to the Staff's concerns in the "Hedging" section of the attached *Memorandum*; and

c. How the Company will respond to the concerns expressed by the Staff in the "Reliability Analyses and Gas Supply Planning" section of the attached *Memorandum* related to methodology concerns for peak day estimates and monthly estimates for normal, cold, and warm weather."

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 Hedging

3. As recommended by Staff, the Company intends to 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.

SMNG Comments Regarding Reliability

4. SMNG accepts the recommendations contained in the Staff Recommendation regarding reliability. The Company intends to follow these recommendations.

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,

/s/ James M. Fischer

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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 23rd day of June, 2010, to:

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/s/ James Fischer

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