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August 30, 2000

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

RE: *Southern Missouri Gas Company, L.P.*
Case No. GR-2000-288

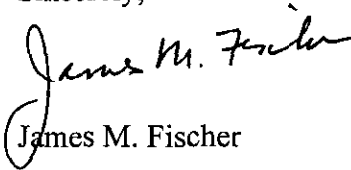
FILED²
AUG 30 2000
Missouri Public
Service Commission

Dear Mr. Roberts:

Enclosed are the original and eight (8) copies of Southern Missouri Gas Company, L.P.'s Response To Staff Recommendation for filing in the above-referenced matter. A copy of the foregoing Response has been hand-delivered or mailed this date to parties of record.

Thank you for your attention to this matter.

Sincerely,


James M. Fischer

/jr
Enclosures

cc: Office of the Public Counsel

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

FILED²

AUG 30 2000

In the matter of Southern Missouri Gas)
Company, L.P.'s Purchased Gas Adjustment)
factors to be Reviewed in Its 1998-1999 Actual)
Cost Adjustment.)

Missouri Public
Service Commission

Case No. GR-2000-288

**SOUTHERN MISSOURI GAS COMPANY, L.P.'S
RESPONSE TO STAFF RECOMMENDATION**

COMES NOW Southern Missouri Gas Company, L.P. (hereinafter "SMGC" or
"Company) by and through its counsel of record and states its Response to the Staff's
Recommendation filed on August 1, 2000, as follows:

1. On August 1, 2000, the Commission Staff filed its recommendations following
the completion of the audit of the Actual Cost Adjustment ("ACA") rates filed by SMGC on
October 5, 1999, to be effective on November 1, 1999. The Commission Staff reviewed
SMGC's calculations and made the following recommendations:

The Staff recommends that the Commission issue an order
requiring Southern Missouri Gas to:

1) Adjust the firm sales ACA balance by \$479,290
from the filed under-recovery balance of \$651,183 to the Staff
adjusted under-recovery balance of \$1,130,473. The total
adjustment should be included as a separate line item adjustment
applied to the beginning 1999-2000 ACA balance.

2) Adjust the refund balance by \$1,655 in the
calculation of Company's refund factor. The adjustment should be
reflected in the Company's next PGA filing, effective November
2000.

3) File a written response to Staff's recommendation
within 30 days.

2. On August 3, 2000, the Commission issued its Order Directing Filing in which it established September 1, 2000 as the deadline for SMGC to file its response to the Staff Recommendation.

3. After reviewing the Staff's Recommendation in this matter, the Company has determined that most of the above-referenced recommendations are acceptable to the Company and should be implemented. However, SMGC disagrees with some recommendations and believes some clarification of other statements in the Staff Recommendation would be helpful:

a) Staff proposes to carry-forward an under-recovery balance of \$768,168 from the 1997-1998 ACA filing.

SMGC agrees with this recommendation.

b) Staff does not believe that the \$241,187 should be deducted from the 1998-1999 ACA filing. Staff proposes to increase gas cost by the amount deducted of \$241,187.

SMGC agrees with the method of not reducing the ACA balance by \$241,187 as suggested by the Staff. However, the \$241,187 was reduced so that the ACA amount being recovered in the reference period only included the \$73,119 to be consistent with the Commission order in Case No. GR-97-234. SMGC agrees with Staff to not reduce the ACA balance for recovery by \$241,187, but this uncollected amount is already contained in the under recovery of gas cost balance. The reduction made by the company was for calculation purposes only.

To include the \$73,119 and the \$241,187 would be a double dip in the recovery of under collected gas cost in the period of question.

c) Staff proposes to reduce the cost of gas by \$28,093.

SMGC does not agree with Staff work papers at this time. SMGC will continue to discuss with Staff to eliminate this difference.

d) Staff proposes to increase the cost of transportation by \$66,706.

SMGC does not agree with this increase. A portion of the cost of transportation for each year during ramp up of volumes has been capitalized. This includes the last few months of 20% of the transportation cost during the ACA period. This practice ended at the end of a contract year of the transportation contract. The Staff prior to this summary has not challenged this practice.

e) Staff proposes to increase revenue recovery by \$4,835.

SMGC does not agree with this recommendation, but will continue to work with Staff to resolve this difference.

f) Staff proposes to include refunds of \$1,655 in the next filing.

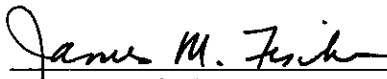
SMGC agrees with this recommendation.

g) Staff recommends that SMGC submit an analysis concerning peak period demand and capacity as a part of the ACA filings in the future.

SMGC agrees to conduct the requested analysis concerning peak period demand and capacity as part of its next ACA filing.

WHEREFORE, having responded to the Staff Recommendation, Southern Missouri Gas Company, L.P. urges the Commission give the parties additional time to discuss their relatively minor differences in this matter.

Respectfully submitted,


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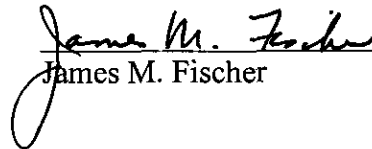
ATTORNEYS FOR
SOUTHERN MISSOURI GAS COMPANY, L.P.

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered or mailed, First Class, postage prepaid, this 30th day of August, 2000, to:

Office of the Public Counsel
P.O. Box 360
Jefferson City, MO 65102

General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102


James M. Fischer