

**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-2005-0279
In Its 2004-2005 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 Filing issued on April 17, 2006, provides its Response To Staff Recommendation as follows:

1. On April 13, 2006, the Commission Staff filed its recommendations following the completion of the audit of the Actual Cost Adjustment ("ACA") rates for the 2004/2005 ACA period. The Commission Staff reviewed SMNG's calculations and made the following recommendations:

"It is Staff's opinion that Southern Missouri Natural Gas should do the following:

1. Use \$232,412, under-recovered, as the August 31, 2005, beginning ACA account balance in its next ACA filing. This was the ending balance in the Company's filing for Case No. GR-2005-0279, and was accepted by Staff with no adjustments, as shown in the following table:

Description	Company's Ending Balances Per Filing	Staff Adjustments	Staff Recommended Ending Balances
Prior ACA Balance 8/31/04	\$417,867		\$417,867
Cost of Gas	\$4,508,788		\$4,508,788
Cost of Transportation	\$1,144,567		\$1,144,567
Revenues	(\$5,805,417)		(\$5,805,417)
Pipeline Refunds Received	(\$38,947)		(\$38,947)
Interest on Under-recovered ACA Balance	\$5,554		\$5,554

Total ACA Balance 8/31/05	\$232,412	\$0	\$232,412
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2. Maintain a current hedging plan, start placing hedges earlier, continue to evaluate the possibility of further diversifying its gas supply portfolios including a gas supply planning horizon of multiple years, 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.
3. Respond to the concerns expressed by Staff in the Reliability Analysis and Gas Supply Planning section within 30 days with a detailed plan of action to correct these deficiencies.
4. File a written response to the above recommendations within 30 days.”

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. On April 25, 2006, SMNG representatives met with the Commission Staff and Public Counsel to discuss the various items in the Staff Recommendation. SMNG representatives stated at this meeting that they intended to accept the recommendations contained in the Staff Recommendation.

In addition, the Staff Recommendation contains some of the substantive responses to the concerns raised by Staff. These responses will not be repeated herein. However, SMNG hereby submits the following additional response to address Staff's comments and concerns listed in the reliability analysis summary section of its Staff Recommendation. As a general matter, SMNG agrees to provide better documentation of its various assumptions as discussed more specifically

below:

a. Heating Degree Day

SMNG has accepted Staff's position to utilize a 72 Heating Degree Day in its reliability analysis. SMNG's assumptions for its peak day planning will be better documented in the future, however.

b. Growth

SMNG's assumptions for growth for its peak day planning will be better documented at the time the planning and analysis takes place, including supporting workpapers.

c. Peak Day Model

SMNG's assumptions for its peak day planning will be better documented, at the time the planning and analysis takes place, including supporting workpapers.

d. Peak Day Estimates for Large General (LG) and Large Volume (LVS) Customers

SMNG will continue to make attempts to provide more data for large general and large volume customers for estimating peak day requirements. SMNG's assumptions for its peak day planning will be better documented, including supporting workpapers.

e. Estimate of Normal Monthly Requirements

SMNG's assumptions for its estimates of normal month requirements will be better documented, at the time the planning and analysis takes place, including supporting workpapers.

2. Planning for Capacity Levels for Future ACA periods

a. Market Area Capacity

As Staff recommends, SMNG's assumptions and decisions for its peak day planning will be better documented in the future, including supporting workpapers.

b. Upstream Capacity

As Staff recommends, SMNG's assumptions and decisions for its peak day planning will be better documented in the future, including supporting workpapers.

3. Gas Supply Plans/ Reliability for Cold Weather

As Staff recommends, SMNG's reliability analysis and gas supply plans will continue to examine the issue of supply availability for extremely cold days and detail how the Company plans to structure its supply contracts to assure that the gas will actually be available on a firm basis for extreme cold days.

4. Capacity Release Procedures

As Staff recommends, SMNG intends to formalize its capacity release procedures in the future.

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 4th day of May, 2006, to:

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/s/ James Fischer

James M. Fischer