

**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-2007-0484
In Its 2006-2007 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 August 14, 2008, provides its Response To Staff Recommendation as follows:

1. On August 14, 2008, the Commission Staff filed its recommendations following the completion of the audit of the Actual Cost Adjustment ("ACA") rates for the 2006/2007 ACA period. The Commission Staff reviewed SMNG's calculations and made the following recommendations:

"WHEREFORE Staff's 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's Ending Balances Per Filing	Staff Adjustments	Staff Recommended Ending Balances
Prior ACA Balance 8/31/04	\$14,126 (A)	\$0	\$14,126 (A)
Cost of Gas	\$5,826,023	\$0	\$5,826,023
Cost of Transportation	\$1,331,126	\$0	\$1,331,126
Revenues	(\$6,949,789)	\$0	(\$6,949,789)
ACA Approach for Interest Calculation	\$831	\$0	\$831
Total ACA Balance 8/31/07	\$222,317	\$0	\$222,317

2. 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.
3. Respond within 30 days to the concerns expressed by Staff in the Reliability Analysis and Gas Supply Planning section related to conflicting estimates of monthly requirements.
4. File a written response to the above recommendations within 30 days.” (Staff

Recommendation, pp. 2-3)

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 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. SMNG will also re-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,

/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 21st day of August, 2008, to:

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/s/ James Fischer

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