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February 13, 2001

FILED⁴

FEB 13 2003

Missouri Public
Service Commission

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

RE: In the Matter of Southern Missouri Gas Company, L.P., Case No. GR-2001-388


Dear Mr. Roberts:

Enclosed, for filing in the above-referenced matter, are the original and the required number of copies of the following documents:

1. Southern Missouri Gas Company, L.P.'s Motion To File Supplemental Direct Testimony;
2. Supplemental Direct Testimony of Scott F. Klemm; and
3. Position Statement of Southern Missouri Gas Company, L.P.

Thank you for your attention to this matter.

Sincerely,


James M. Fischer

Enclosures

cc: Doug Micheel
Robert Franson

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

FILED⁴
FEB 13 2003

In the Matter of Southern Missouri Gas)
Company, L.P.'s Purchased Gas)
Adjustment Factors to be Reviewed in its)
1999-2000 and 2000-2001 Actual Cost)
Adjustment)

Case No. GR-2001-388

Missouri Public
Service Commission

POSITION STATEMENT OF SOUTHERN MISSOURI GAS COMPANY, L.P.

COMES NOW the Southern Missouri Gas Company, L.P. ("SMGC") and states:

The Commission's March 14, 2002 *Second Order Adopting Amended Procedural Schedule and Changing Caption* directed the parties to file their position statements no later than February 13, 2003. SMGC takes the following positions:

I. LIST OF CONTESTED ISSUES AND POSITION STATEMENTS

1. Does SMGC's provisioning of gas supplies and transportation for its "Transportation Service Internal" consisting of two large customers constitute a violation of its tariffs?

SMGC POSITION: No. The transportation service provided to the two large customers is authorized under SMGC's Transportation Tariffs, Sheet Nos. 6-18, inclusive. The provisioning of gas supplies is authorized by law, pursuant to FERC Order Nos. 436 and 636.

2. Should the Commission adopt Staff's proposed adjustment to decrease the firm sales Actual Cost Adjustment (ACA) balance by \$105,809 to include revenues for "Transportation Service-Internal" consisting of two large customers at the amount the revenues would have been if the gas had been sold at the authorized Purchased Gas Adjustment (PGA) adjusted rate?

SMGC POSITION: No. The Company strongly disagrees that there should be a reduction of \$105,809 to the firm sales ACA balance related to transportation service and gas supply to these customers. If the Company had not taken the steps necessary to compete with alternative fuels for two industrial customers, it is extremely likely that the two industrial customers would have left the SMGC system, or substantially reduced their throughput. In fact, one of the customers did substantially reduce its throughput after the expiration of the contract in October 2001 by switching much of its production load to an alternative energy source.

The loss of these large customers would have harmed the Company's remaining ratepayers. However, by treating these two industrial customers as transportation customers with SMGC also providing the gas supplies, SMGC was able to keep these customers on the SMGC system, and the remaining ratepayers benefited.

Based upon the fact that SMGC's provision of transportation service and gas supplies to these large customers benefited the Company's remaining ratepayers, SMGC should not be penalized for finding a "win-win" solution to a difficult market problem. SMGC believes it certainly should not be penalized by disallowing 68% of the net operating income that it earned in 2000.

3. Should the Commission increase the firm sales ACA balance by \$2,024 to include the carrying cost of the DCCB, as suggested by Staff, or increase the firm sales ACA balance by \$21,811 to include the carrying cost of the DCCB, as suggested by SMGC?

SMGC POSITION: As explained in the testimony of Scott F. Klemm, the Commission should increase the firm sales ACA balance by \$21,811 to include the carrying cost of the DCCB, as suggested by SMGC, and reject the position of Staff. (See Direct Testimony of Scott F. Klemm, pp. 10-11, Revised Schedule 2).

4. Should the Commission allow SMGC to recover in this proceeding the amount of \$113,512 related to Gas Supply Realignment Costs paid to Williams Pipeline from May 1996 to September 1998?

SMGC POSITION: Yes. As explained in the testimony of Scott F. Klemm, the Commission should allow SMGC to recover in this proceeding the amount of \$113,512 related to Gas Supply Realignment Costs paid to Williams Pipeline from May 1996 to September 1998 (See Direct Testimony of Scott F. Klemm, pp. 11-12). The Company recently discovered that Gas Supply Realignment Costs paid to Williams Pipeline from May 1996 to September 1998 amounted to \$132,946. Of this amount, only \$19,434 has previously been included in gas cost in prior ACA audits. The amount of \$19,434 was an adjustment proposed by the Staff in the 1997-98 ACA Filing dated July 30, 1999. Thus, the net amount paid to Williams but not collected is \$113,512. SMGC believes this amount should be reflected in its rates.

4a. If "no," should the Commission authorize SMGC to be reimbursed for a \$62,345 refund received by SMGC in January, 2000, related to the above-referenced Gas Supply Realignment Costs that SMGC asserts was refunded to its customers, but for which the costs were not reflected in the ACA audit process?

SMGC POSITION: Even if the Commission decides that it will not authorize the recovery of the full amount of \$113,512 in this proceeding, it should nevertheless authorize the inclusion of the \$62,345 (which is included in the full \$113,512 which was inadvertently left out of the ACA audit process). Such amount was refunded to customers, beginning in November 2000. Since the original costs were never reflected in the ACA audit process, SMGC has provided a windfall to its customers. This should be corrected or otherwise rectified by authorizing SMGC to collect \$62,345 in the next ACA period. Otherwise, SMGC's owners will be providing a windfall to its

customers, when this amount should have been properly reflected in the PGA rate prior to the January, 2000 refund.

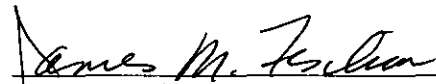
5. Should the Commission issue an Order establishing the 1999-2000 under-recovery balance of \$1,670,180 and dismiss the "Bidding Process" issue that was in dispute in the 1999-2000 ACA, Case No. GR-2001-39 and close GR-2001-39?

SMGC POSITION: Yes. The Commission issue an Order establishing the 1999-2000 under-recovery balance of \$1,670,180 and dismiss the "Bidding Process" issue that was in dispute in the 1999-2000 ACA, Case No. GR-2001-39 and close GR-2001-39.

6. Should the Commission issue an Order directing SMGC to file new tariff sheets changing the five percent on Sheet 26.1 Section (b) for calculating interest on the Deferred Carrying Cost Balance to ten percent as advocated by Staff?

SMGC POSITION: SMGC believes this issue should be addressed in Case No. GO-2002-452 (Generic PGA Workshop proceeding). As explained in the Status Report in Case No. GO-2002-452 filed by Staff on December 2, 2002, there has been an agreement among all LDCs, with the exception of Laclede Gas Company, that would eliminate the DCCB calculation on an experimental basis in the future. (Status Report, Case No. GO-2002-452). SMGC believes that it would be inappropriate for the Commission to require SMGC to modify tariff provisions that were previously approved on a generic basis and incorporated into the tariffs of other local distribution companies in Missouri.

Respectfully submitted,


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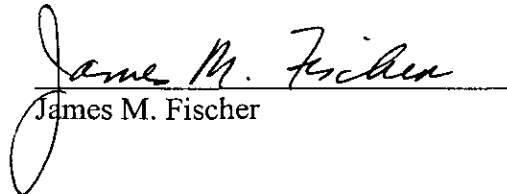
ATTORNEYS FOR
SOUTHERN MISSOURI GAS COMPANY, L.P.

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, First Class, postage prepaid, this 13th day of February, 2003, to:

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

Robert Franson
Missouri Public Service Commission
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Jefferson City, MO 65102


James M. Fischer