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JUL 27 2000

MEMORANDUM

Missouri Public
Service Commission

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2001-39, File No. 200100055, Southern Missouri Gas
Company, L.P.

FROM: Daniel Beck, Gas Department - Tariffs/Rate Design *DB* *MMA* *fm*
Richard Mattinger 7/26/00 *John Hull 7/26/00*
Utility Operations Division/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation for Southern Missouri Gas Company, L.P.'s
Request for a One-time Variance and an Unscheduled Summer Season
PGA Filing Effective August 1, 2000.

DATE: July 26, 2000

On July 18, 2000, Southern Missouri Gas Company, L.P. (SMGC or Company) of Mountain Grove, Missouri, filed a tariff sheet proposed to become effective September 1, 2000. On July 19, 2000, SMGC filed a substitute tariff sheet to reflect the proper effective date of August 1, 2000. The tariff sheet was filed to reflect unscheduled changes in SMGC's Purchased Gas Adjustment (PGA) factors as the result of changes in the estimated cost of natural gas for the remaining summer season. The summer season includes the months of April through October.

In conjunction with the filing of this tariff sheet, SMGC filed a REQUEST FOR VARIANCE FROM TARIFF PROVISIONS (Motion). This Motion requests a one-time variance from the PGA Clause of SMGC's tariff due to escalations in the market price of gas since its scheduled winter filing. In addition, SMGC cites the following three reasons for approval of this one-time variance:

1. Give a more accurate price signal to consumers regarding the current cost of natural gas;
2. Help keep the Deferred Carrying Cost Balance (DCCB) and the Actual Cost Adjustment (ACA) balances from further undercollections which, if not addressed, could add to the impact of the upcoming scheduled winter filing; and
3. Help build consumer awareness of the possible increases in gas costs for the next winter season.

The net effect of these changes will increase the firm PGA factor for the remainder of the summer season to \$0.4845 per ccf from a winter season firm PGA factor of \$0.3645 per ccf. SMGC did not file a scheduled summer season PGA filing.

Case No. GR-2001-39, under which this change was filed, was established to track the Company's PGA factors to be reviewed in its 1999-2000 ACA filing. A final Commission decision in SMGC's ACA Case No. GR-2000-288 for the 1998-1999 ACA period is still pending. Interim subject to refund status should be maintained pending final Commission decisions in Case Nos. GR-2000-288 and GR-2001-39.

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The Commission's Gas Department - Tariffs/Rate Design Staff (Staff) has reviewed the Motion and agrees that the one-time variance request be granted. Staff has also reviewed the PGA filing and has determined that, with the exception of the one-time variance request to file an unscheduled summer PGA, this filing was calculated in conformance with SMGC's PGA Clause. Staff is of the opinion that good cause for approval of this tariff sheet on less than thirty days notice is demonstrated by SMGC's Commission-approved PGA clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends the Commission grant the one-time waiver as requested by the Company on July 18, 2000, and approve the following tariff sheet, as substituted, to become effective August 1, 2000, interim subject to refund:

P.S.C. MO. No. 1

7th Revised Sheet No. 27 Cancelling 6th Revised Sheet No. 27

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 Director - Utility Services Division
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