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January 25, 2001

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Director, Research and Public Affairs

WESS A. HENDERSON
Director, Utility Operations

ROBERT SCHALLENBERG
Director, Utility Services

DONNA M. KOLILIS
Director, Administration

DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

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

RE: Case No. GR-2001-388

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF RECOMMENDATION**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Thomas R. Schwarz, Jr.
Deputy General Counsel
(573) 751-5239
(573) 751-9285 (Fax)

TRS:sw
Enclosure
cc: Counsel of Record

FILED²
JAN 25 2001
Missouri Public
Service Commission

7

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³

JAN 25 2001

Missouri Public
Service Commission

In the matter of Southern Missouri Gas)
Company L.P.'s Purchased Gas)
Adjustment factors to be reviewed in its)
2000-2001 Actual Cost Adjustment.)

Case No. GR-2001-388

STAFF RECOMMENDATION

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission") and for its recommendation in the above-captioned matter states as follows:

1. Southern Missouri Gas Company, L.P. ("SMGC") filed a tariff on January 16, 2001, proposing to increase its Purchased Gas Adjustment ("PGA") factor for service provided on and after February 1, 2001.

2 Staff has reviewed the tariff and has found that the filing complies with the provisions of SMGC's tariffs for unscheduled winter PGA filings. Staff finds that good cause has been shown for making the tariff effective on less than thirty days notice, as reflected by the provision for a ten day effective date in SMGC's tariff. See the Staff Memorandum attached hereto as Attachment A.

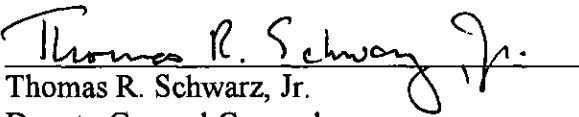
3. Staff emphasizes that it has not audited the books and records of SMGC, and that it will conduct a thorough review of SMGC's gas purchases during the Actual Cost Adjustment audit.

3

WHEREFORE, Staff recommends that the rates proposed by SMGC be approved, effective for service on and after February 1, 2001, and that these rates remain interim, subject to refund.

Respectfully submitted,

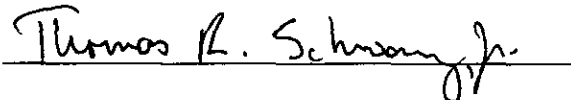
DANA K. JOYCE
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 25th day of January, 2001.



MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2001-388, File No. 200100739,
Southern Missouri Gas Company, L.P.

FROM: *WJG*
James Gray, Gas Department - Tariffs/Rate Design

WJG
1-25-01
Utility Operations Division/Date

Thomas R. Schwamy Jr.
1/25/01
General Counsel's Office/Date

SUBJECT: Staff Recommendation For the Unscheduled Winter Season PGA Filing
of Southern Missouri Gas Company, L.P.

DATE: January 24, 2001

Southern Missouri Gas Company, L.P. (SMGC or Company) of Mountain Grove, Missouri, filed a tariff sheet on January 16, 2001, with a proposed effective date of February 1, 2001. On January 23, 2001, SMGC filed a substitute tariff sheet to correct an error. The tariff sheet, as substituted, was filed to reflect unscheduled changes in SMGC's Purchased Gas Adjustment (PGA) factors as the result of estimated changes in the cost of natural gas for the remaining winter season. The winter season includes the months of November through March. Additionally, this tariff filing, as substituted, reflects an Unscheduled Filing Adjustment Factor (UFA).

The net effect of these changes will increase the PGA factor to \$0.8989 per hundred cubic feet (Ccf) from a scheduled 2000-2001 winter season PGA factor of \$0.6628 per Ccf. The firm PGA factor would increase 36% under this proposal. This proposal would increase a typical residential customer's bill 22% for February and March when compared to the rates that are currently in effect. Compared to the rates that are currently in effect, this proposal would increase the typical residential customer's total winter heating season bill 9%.

Currently, SMGC's Deferred Carrying Cost Balance (DCCB) is increasing approximately \$4,000 per day due to the difference between the current rates and SMGC's market price for gas. Any DCCB plus interest will be included in the rate calculations used to compute the Company's next Actual Cost Adjustment (ACA) factor and could significantly increase next year's PGA rate if the DCCB continues to grow. In addition, a large DCCB could adversely impact the Company's credit and procurement arrangements.

SMGC has an option to file a Summer PGA change on April 1, 2001. However, unless warranted by market conditions, SMGC does not anticipate filing a Summer PGA change in April 2001. Therefore, these proposed rates, if approved, would probably remain in effect until November 1, 2001, the estimated effective date

MO PSC Case No. GR-2001-388
OFFICIAL CASE FILE MEMORANDUM
PAGE 2 OF 2

of SMGC's next scheduled Winter PGA. Maintaining the proposed rates until November 1, 2001, could help reduce SMGC's DCCB.

Case No. GR-2001-388, under which this change was filed, was established to track the Company's PGA factors to be reviewed in its 2000-2001 ACA filing. Additionally, Case No. GR-2001-39 was established to track SMGC's PGA factors to be reviewed in its 1999-2000 ACA filing. Interim subject to refund status should be maintained pending final Commission decisions in Case Nos. GR-2001-39 and GR-2001-388.

Staff has reviewed this filing and has determined that it was calculated in conformance with SMGC's PGA Clause. Staff's recommendation is based on whether this filing is in compliance with the existing tariffs. 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 that the following tariff sheet, as substituted, be approved, interim subject to refund:

P.S.C. MO. No. 1

9th Revised Sheet No. 27, Canceling 8th Revised Sheet No. 27.

Copies: Director - Utility Operations Division
Director - Research and Public Affairs Division
Director - Utility Services Division
General Counsel
Manager - Financial Analysis Department
Manager - Procurement Analysis Department
Manager - Gas Department
James M. Fischer - Attorney for SMGC (Fischer & Dority, P.C.)
Tom M. Taylor, President (SMGC)
Office of the Public Counsel

WINTER SEASON
 Approximate Billing Impact Of 888 Ccf per Winter Season
 Southern Missouri Gas Company, L.P.
 Residential Heating Customer

	Winter Season with Scheduled Filing (Months)	Ccf Usage	Total Fuel Bill (\$)
* ~	November 2000	97	104.07
* ~	December	179	183.59
* +	January 2001	236	250.67
* +	February	217	231.30
* +	March	159	172.15
	5 Month Winter Season Total	888.0	\$941.78

	Winter Season with Unscheduled Filing (Months)	Ccf Usage	Total Fuel Bill (\$)
* ~	November 2000	97	104.07
* ~	December	179	183.59
* +	January 2001	236	250.67
# +	February	217	282.53
# +	March	159	209.69
	5 Month Winter Season Total	888.0	\$1,030.55

REMARKS

For a typical residential customer using approximately 888 Ccf during the winter season (November - March), natural gas rates will increase by \$88.77 or approximately 9% when comparing the fuel bills for the current winter season before and after the unscheduled filing.

Notes:

- (1) Total fuel bill does not include gross receipts or local sales taxes.
- (2) Monthly usage priced at the rates in effect during the appropriate time period.
- ~ (3) Tariff Sheet No. 1: Customer Charge = \$10.00; Energy Charge = \$0.307 per Ccf
- * Tariff Sheet No. 27: PGA Charge = \$0.6628 per Ccf
- + (4) Tariff Sheet No. 1: Customer Charge = \$10.00; Energy Charge = \$0.357 per Ccf
- # Tariff Sheet No. 27: PGA Charge = \$0.8989 per Ccf (Includes \$.05 UFA)

Missouri Public Service Commission
 February 2001

Southern Missouri Gas Company, L.P.
2000-2001 Winter Season Revenue Impact from Filing Effective 02/01/01 Filing

Month	PGA Factor	Month	PGA Factor	PGA Change (02/01/01)	Revenue Impact (Winter Season)
Nov 1999	\$0.3625	Nov 2000	\$0.6628	\$0.30030	\$208,934
Dec	\$0.3625	Dec	\$0.6628	\$0.30030	\$391,751
Jan 2000	\$0.3625	Jan 2001	\$0.6628	\$0.30030	\$522,334
Feb	\$0.3625	Feb	\$0.8989	\$0.53640	\$839,700
Mar	\$0.3625	Mar	\$0.8989	\$0.53640	\$606,450

Firm Sales (Workpapers, File No. 200100739)

8,696,870 Ccf

Winter Season Revenue Change:

\$2,569,168 Increase

- 1) Docket GR-2001-388
- 2) File No. 200100739
- 3) Prepared By: Jim Gray
- 4) Date Prepared: 01/23/2001

Month	Estimated Customer Usage Ccf/Mnth	Estimated % Ccf/Yr	Estimated Company Sales Ccf/Mnth
Nov	97	8%	695,750
Dec	179	15%	1,304,531
Jan	236	20%	1,739,374
Feb	217	18%	1,565,437
Mar	159	13%	1,130,593
Apr	96	8%	695,750
May	53	4%	347,875
Jun	36	3%	260,906
Jul	28	2%	173,937
Aug	27	2%	173,937
Sep	30	3%	260,906
Oct	42	4%	347,875
TOTAL	1200	100%	8,696,870

Service List for
Case No. GR-2001-388
Revised: January 25, 2001 (SW)

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