

Exhibit No.:

Issues: *Transportation Service-Internal;
Deferred-Carrying Cost Balances;
Other*

Witness: *Annell G. Bailey*

Sponsoring Party: *MoPSC Staff*

Type of Exhibit: *Direct Testimony*

Case Nos.: *GR-2001-39 and GR-2001-388
(Consolidated)*

Date Testimony Prepared: *January 9, 2003*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

ANNELL G. BAILEY

SOUTHERN MISSOURI GAS COMPANY

**CASE NOS. GR-2001-39 AND GR-2001-388
(CONSOLIDATED)**

*Jefferson City, Missouri
January 2003*

Exhibit No. 10
Case No(s). GR-2001-388
Date 3-11-03 Rptr XF

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
In The Matter of Southern Missouri Gas Company, L.P.'s Purchased Gas Adjustment Factors to be Reviewed in Its 1999-2000 Actual Cost Adjustment))	Case No. GR-2001-39

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Annell G. Bailey
Annell G. Bailey

Louis M. Charbon

TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004

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ANNELL G. BAILEY

SOUTHERN MISSOURI GAS COMPANY, L.P.

CASE NOS. GR-2001-39 AND GR-2001-388

CONSOLIDATED

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Direct Testimony of
Annell G. Bailey

1 a Staff Accountant/Auditor with A.E. Richardson CPA in Kansas City, Missouri from
2 December 1980 to September 1982. I was an Accounting Manager with Jefferson Company
3 in Joplin, Missouri and Minneapolis, Minnesota from October 1982 to January 1985. I was a
4 Financial Accounting Manager with Standard Aero, Inc. in Edina, Minnesota from March
5 1985 to November 1985. I was the founding Accounting Manager at the startup of Aspen
6 Medical Group in St. Paul, Minnesota from December 1985 to July 1987. I was an Audit
7 Specialist and Internal Audit Manager with the Soo Line Railroad and its parent company,
8 Canadian Pacific Limited in Minneapolis, Minnesota and Toronto, Canada from August 1987
9 to August 1997. I was a Contract Senior Auditor with Land O'Lakes, Inc. in Arden Hills,
10 Minnesota from December 1997 to April 1999. I was an Accounting Management
11 Consultant with RHI Management Resources in Minneapolis, Minnesota from July 1999 to
12 February 2002.

13 Q. Please describe your duties while employed by the Commission.

14 A. I audit natural gas companies' annual filings for Purchased Gas Adjustment
15 (PGA) and Actual Cost Adjustment (ACA) rate changes, and the financial records that
16 support the computations in those filings.

17 Q. Did you make an examination and analysis of the books and records of
18 Southern Missouri Gas Company, L.P. (Company or SMGC) in regards to matters raised in
19 Case No. GR-2001-388?

20 A. Yes. I reviewed the Company's calculation of its ACA balance as of
21 August 31, 2001 and the books and records supporting the related revenues, gas procurement
22 plans, gas costs, imbalances, refunds and the deferred carrying cost balance for the year then
23 ended.

Direct Testimony of
Annell G. Bailey

1 Q. What matters will you address in your testimony?

2 A. I will address the "Transportation Service – Internal" revenue and the deferred
3 carrying cost balance.

4 Q. What knowledge, skill, experience, training or education do you have in these
5 matters?

6 A. As a CPA since 1980 I have performed financial audits of various companies
7 and nonprofit organizations. I also have performed compliance audits of governmental
8 recipients of U.S. government grants. As a Certified Internal Auditor since 1989 I have
9 performed and supervised financial and operational audits of internal control, efficiency,
10 effectiveness and compliance with various standards. Since being on the PSC Staff since
11 March 2002, I have conducted ACA reviews of regulated gas utilities on a full-time basis. I
12 also have acquired knowledge of the matters contested within this case through seminars,
13 meetings and gas publications.

14 Q. What is the purpose of your direct testimony?

15 A. The purpose of my direct testimony is to explain the Staff's recommendations
16 in the two areas with which the Company expressed disagreement in SMGC's Response To
17 Staff Recommendation, which the Company filed with the Commission on November 25,
18 2002.

19 **TRANSPORTATION SERVICE – INTERNAL**

20 Q. Please explain "Transportation Service – Internal."

21 A. "Transportation Service – Internal" is an unauthorized service that SMGC
22 began providing to one industrial customer in April 2001, and to a second industrial customer
23 in July 2001. SMGC sells these customers gas at the Williams pipeline interconnect at a

Direct Testimony of
Annell G. Bailey

1 contractually agreed-upon rate. From that point SMGC provides transportation service.
2 Each month SMGC sends these customers two bills: one bill for transportation service at
3 tariff-authorized rates and a separate bill for the gas commodity at the contractually agreed-
4 upon rate.

5 Q. During the audit period was there a tariff in place authorizing "Transportation
6 Service – Internal?"

7 A. No. I found no relevant tariff or authorizing rate schedule. Please refer to the
8 direct testimony of Staff witness James M. Russo for details on tariff authorization issues.

9 Q. Did SMGC have an authorized tariff PGA schedule for gas sales that was
10 applicable to these two customers during the audit period of September 2000 through August
11 2001?

12 A. Yes. The Southern Missouri Gas Company, L.C. Schedule of Rates for
13 Natural Gas Service, 9th revised Sheet No. 27, effective February 2001 until cancelled
14 October 1, 2002.

15 Q. Did you compute a Staff adjustment to the ACA balance for the difference
16 between the contractually agreed-upon rate and the authorized PGA rate?

17 A. Yes. Please refer to Schedule 1.

18 Q. Please explain Schedule 1.

19 A. The purpose of Schedule 1 is to compute the effect of disallowing the
20 unauthorized PGA revenues, costs and net income for "Internal Transport" per the
21 Company's filing dated November 8, 2001, and adjusting the ACA balance to reflect the
22 theoretical PGA/ACA revenues and costs if those volumes of gas had been sold at a rate that
23 complied with the SMGC tariff 9th revised Sheet No. 27, effective February 2001. The result

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1 is the Staff's recommended adjustment to decrease the ACA balance by \$105,809. The
2 columns of Schedule 1 show the computation for each month's reported "Transportation
3 Service – Internal" sales from April 2001 through the last month of the audit period (August
4 2001), followed by a five-month total column. The far right column shows the computation
5 of the Staff adjustment to the ACA balance. That column shows the \$235,157 that the
6 Company reported as PGA revenue from this service. Next is the Staff computation. If those
7 volumes of gas had been sold at a rate that included the authorized \$0.8434 PGA rate plus the
8 \$0.0634 ACA rate, they would have produced \$317,127 PGA revenue and \$23,839 ACA
9 revenue. Subtracting the total of these two numbers from the reported \$235,157 produces the
10 \$105,809 revenue that should have been collected and reported.

11 **DEFERRED CARRYING COST BALANCE**

12 Q. Did SMGC's PGA filing include a deferred carrying cost balance in the
13 computation of the Company's ACA balance for August 31, 2001?

14 A. No, it did not.

15 Q. Did you compute an adjustment for the deferred carrying cost balance?

16 A. Yes. The Staff adjustment is for \$2,024 of imputed interest due to the
17 Company. The computation is included in this direct testimony as Schedule 2.

18 Q. What tariff section authorizes SMGC to include a deferred carrying cost
19 balance in their ACA balance?

20 A. Authorization for the deferred carrying cost balance is in Section IV.
21 "Deferred Purchased Gas Cost – Actual Cost Adjustment Accounts," on Sheet Nos. 26 and
22 26.1 of the Southern Missouri Gas Company, L.C. Schedule of Rates for Natural Gas
23 Service. That section states, in part:

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1 (a) No carrying costs shall be applied in connection with any PGA-related
2 item, until such time as the net 'Deferred Carrying Cost Balance' exceeds an
3 amount equal to ten percent (10%) of the SMGC's average annual level of gas
4 costs for the then most three recent ACA periods....
5

6 The Deferred Carrying Cost Balance shall include the cumulative under or
7 over recoveries of gas costs at the end of each month for each annual ACA
8 period. The under or over recoveries of gas costs at the end of each month to
9 include in the DCCB will be defined and computed as the product of: (a) the
10 difference between SMGC's actual annualized unit cost of gas ... and the
11 estimated annualized unit cost of gas factor included in SMGC's then most
12 recent PGA filing, times (b) the total volumes of gas sold during such month.
13

14 (b) In the event the DCCB exceeds ten percent of the LDC's Annual Gas Cost
15 Level, a carrying cost equal to simple interest at the prime rate minus one
16 percentage point shall be applied to such portion of the balance amounts as
17 exceeds five percent...
18

19 Q. Does the SMGC tariff contain an inconsistency in the percentages in
20 paragraph "(b)," stating both 10% and 5% as the point at which carrying costs apply?

21 A. Yes. Please refer to the direct testimony of Staff witness Russo for details
22 regarding this tariff issue.

23 Q. How did you interpret these percentages in computing the DCCB?

24 A. I interpreted the 5% to be an error. I could find no way of using both 10% and
25 5% to comply with the tariff, so I used 10% in my computation.

26 Q. Please explain Schedule 2.

27 A. Schedule 2 is the Staff's computation of the DCCB for the period September
28 2000 through August 2001. There are two separate computations, one for large customers
29 and one for general/residential customers because the Company applies PGA rate changes to
30 large customers a month earlier than to general/residential customers. Totals from the two
31 computations are added together in a third computation, where the cumulative DCCB is
32 computed, the 10% threshold is tested, and interest is computed where applicable, resulting

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Annell G. Bailey

1 in the \$2,024 computed total interest due the Company. At the bottom of Schedule 2 is the
2 computation of the 10% threshold, which the tariff defines as "ten percent (10%) of the
3 SMGC's average annual level of gas costs for the then most three recent ACA periods..."

4 The columns in Schedule 2 are explained below, in the order they are mentioned in
5 the tariff Section IV. "Deferred Purchased Gas Cost – Actual Cost Adjustment Accounts:"

6 Column "H," named "Cumulative DCCB," is the Deferred Carrying
7 Cost Balance, which includes the cumulative under or over recoveries of gas
8 costs at the end of each month. It is the total of the individual month amounts
9 in Column "G."

10 Column "G," named "Monthly DCCB Subject to Interest," is the
11 under- or over-recoveries of gas costs at the end of each individual month.
12 This column is the product of the price variance (Column "E") times the total
13 volumes of gas sold (Column "F").

14 Column "E," named "Price Variance," is the difference between
15 SMGC's actual annualized unit cost of gas (Column "C") and the estimated
16 annualized unit cost of gas factor included in SMGC's then most recent PGA
17 filing (Column "D").

18 Column "F," named "Billed Sales Volumes," is the total volumes of
19 gas sold each month, per customer bills.

20 Column "I," named "10% Threshold," is the 10% threshold, which is
21 taken from the computation at the very bottom of Schedule 2. This is
22 computed to comply with the tariff section "(a)" which states, "No carrying
23 costs shall be applied in connection with any PGA-related item, until such

1 time as the net 'Deferred Carrying Cost Balance' exceeds an amount equal to
2 ten percent (10% of the SMGC's average annual level of gas costs for the then
3 most three recent ACA periods...."

4 Column "J," named "Amount subject to interest," is the difference
5 between the cumulative DCCB (Column "H") and the 10% threshold. There
6 is a number in this column only if the difference is over 10% as defined
7 above, requiring interest to be computed to comply with the tariff as stated
8 above.

9 Column "K," named "Interest rate: prime less 1%," is the interest rate
10 computed as described in the tariff section "(b)" which states "a carrying cost
11 equal to simple interest at the prime rate minus one percentage point."

12 Column "L," named "Interest Due to Company of (Customers)," is the
13 interest computed for the months when the DCCB exceeded the 10%
14 (Column "J"), at the tariff-authorized rate (Column "K"). The total of that
15 column is the \$2,024 Staff adjustment to the ACA balance.

16 Q. Do the billed sales volumes in column "F" include the gas sold to
17 "Transportation Service – Internal" customers.

18 A. No, they do not. These are volumes taken from bills to regular customers, to
19 which the Company charged the authorized PGA and ACA adjustments.

20 **OTHER ISSUES**

21 Q. Do you have any other issues?

22 A. Yes. The Staff Recommendation in the consolidated cases, Case Nos.
23 GR-2001-39 and GR-2001-388 that was filed on October 31, 2002 contained four other

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recommendations besides the two with which the Company disagreed. The Commission, in its Order Directing Filing dated December 5, 2002, ordered that SMGC must comply with two of the recommendations -- the provisions of paragraph 5 and paragraph 6 requiring SMGC by March 3, 2003, to submit information regarding the Company's purchasing practices and reliability analysis. However, two additional issues remain:

1. Approve the 1999-2000 ACA under-recovery balance of \$1,670,180.
2. Dismiss the "Bidding Process" issue that was in dispute in the 1999-2000 ACA Case No. GR-2001-39. In the 1999-2000 ACA recommendation (filed July 2, 2001) Staff proposed that the Company establish a formal Request For Proposal (RFP) process. In the Company's Response to Staff Recommendation (filed August 1, 2001 for Case No. GR-2001-39) the Company indicated that due to its size and the volatility of the market, it does not issue RFP's. After further review, the Staff concurs with the Company that a formal RFP is not required in this instance. Staff no longer proposes that the Company issue RFP's in its gas planning process for the 1999-2000 ACA period. The Staff proposes that Case No. GR-2001-39 be closed.

In the Company's Response To Staff Recommendation for Case Nos. GR-2001-39 and GR-2001-388 consolidated (filed November 25, 2002), the Company stated that "most" of Staff's "recommendations are acceptable to the Company." SMGC did not clearly set out what it found acceptable, but it did not object to the recommendations set out above. Therefore, these issues appear to be resolved.

SUMMARY

Q. Please summarize the Staff's recommendations.

A. The Staff recommends that the Commission issue an order requiring Southern Missouri Gas to:

1. Approve the 1999-2000 ACA under-recovery balance of \$1,670,180.
2. Dismiss the "Bidding Process" issue that was in dispute in the 1999-2000 ACA. Case No. GR-2001-39. Staff no longer proposes that the

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- 1 Company issue RFP's in its gas planning process for the 1999-2000
2 ACA period. The Staff proposes that Case No. GR-2001-39 be closed.
3
4 3. Decrease the firm sales ACA balance by \$105,809 to include revenues
5 for Transportation Service – Internal at the amount the revenues would
6 have been if the gas had been sold at the authorized PGA-adjusted
7 rate.
8
9 4. Increase the firm sales ACA balance by \$2,024 to include the carrying
10 cost of the DCCB for the 2000/2001 ACA period.
11
12 Q. Does this conclude your direct testimony?
13 A. Yes, it does.

SOUTHERN MISSOURI GAS COMPANY, L.P. - Case #GR-2001-388

Schedule 1

Gas Sold at Pipeline Take Point Without PGA/ACA Charges - Comparison With Normal PGA Sales
September 2000 through August 2001

	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Total	Staff Adjustment (Rounded to whole \$)
Actual Internal Transport Transactions 2000-2001:							
<u>"PGA" Revenue Booked from Internal Transport:</u>							
Customer #1 - gas quantity sold (MMBTU)	8,758	8,871	6,566	3,408	4,547		
Customer #2 - gas quantity sold (MMBTU)	0	0	0	2,760	2,891		
Total MMBTU sold at pipeline take point, no PGA	8,758	8,871	6,566	6,168	7,238		
Unit price per invoice	\$ 6.2540	\$ 6.2540	\$ 6.2540	\$ 6.2540	\$ 6.2540		
Total "PGA" Revenue from Int. Transp.	\$ 54,772.53	\$ 55,479.23	\$ 41,063.76	\$ 38,574.67	\$ 45,266.45	\$ 235,156.65	(\$235,157)
<u>Gas Cost for Internal Transport Sales:</u>							
Gas supply charges related to Int. Transp.	\$(48,387.43)	\$(44,246.62)	\$(33,347.76)	\$(31,325.64)	\$(36,762.24)		
Transportation charges related to Int. Transp.	\$ (256.32)	\$ (259.61)	\$ (192.16)	\$ (180.51)	\$ (211.84)		
Total Gas Cost for Int. Transp. Sales	\$(48,643.75)	\$(44,506.23)	\$(33,539.92)	\$(31,506.15)	\$(36,974.08)	\$(195,170.13)	
<u>Transportation Revenue for Gas Sold at Pipeline Take Point:</u>							
Customer #1 - Transportation Charge per Invoice	\$ 10,371.70	\$ 10,501.65	\$ 7,849.75	\$ 4,219.20	\$ 5,529.05		
Customer #2 - Transportation Charge per Invoice	\$ -	\$ -	\$ -	\$ 2,937.69	\$ 2,872.13		
Total Transp. Rev. for Gas Sold at Take Point	\$ 10,371.70	\$ 10,501.65	\$ 7,849.75	\$ 7,156.89	\$ 8,401.18	\$ 44,281.17	
Net Income to Company from Int. Transp. Sales	\$ 16,500.48	\$ 21,474.65	\$ 15,373.59	\$ 14,225.41	\$ 16,693.55	\$ 84,267.69	
Less: transp. Revenue, not in PGA computation	\$(10,371.70)	\$(10,501.65)	\$(7,849.75)	\$(7,156.89)	\$(8,401.18)	\$(44,281.17)	
Net Internal Transp. Impact on PGA Filing 11/8/01	\$ 6,128.78	\$ 10,973.00	\$ 7,523.84	\$ 7,068.52	\$ 8,292.37	\$ 39,986.52	
<u>Comparison - If Gas Were Sold With PGA & ACA Charges:</u>							
<u>PGA Revenue - Theoretical if Sold per Tariff:</u>							
Large Volume Sales in CCF (MMBTU x 10)	87,580	88,710	65,660	61,680	72,380		
Total PGA Rate Authorized per Tariff	\$ 0.8434	\$ 0.8434	\$ 0.8434	\$ 0.8434	\$ 0.8434		
Theoretical PGA Revenue if Sold per Tariff	\$ 73,864.97	\$ 74,818.01	\$ 55,377.64	\$ 52,020.91	\$ 61,045.29	\$ 317,126.83	\$317,127
<u>ACA Revenue - Theoretical if Sold per Tariff:</u>							
Large Volume Sales in CCF (MMBTU x 10)	87,580	88,710	65,660	61,680	72,380		
Total ACA Rate Authorized per Tariff	\$ 0.0634	\$ 0.0634	\$ 0.0634	\$ 0.0634	\$ 0.0634		
Theoretical ACA Revenue if Sold per Tariff	\$ 5,552.57	\$ 5,624.21	\$ 4,162.84	\$ 3,910.51	\$ 4,588.89	\$ 23,839.03	\$23,839
<u>Refunds - Theoretical if Sold per Tariff:</u>							
Large Volume Sales in CCF (MMBTU x 10)	87,580	88,710	65,660	61,680	72,380		
Total Refund Rate Authorized per Tariff	\$ (0.0079)	\$ (0.0079)	\$ (0.0079)	\$ (0.0079)	\$ (0.0079)		
Theoretical Refunds if Sold per Tariff	\$ (691.88)	\$ (700.81)	\$ (518.71)	\$ (487.27)	\$ (571.80)	\$ (2,970.48)	
Total PGA + ACA less Refunds if Sold per Tariff	\$ 78,725.66	\$ 79,741.42	\$ 59,021.77	\$ 55,444.15	\$ 65,062.38	\$ 337,995.39	
<u>Gas Cost for Internal Transport Sales:</u>							
Gas supply charges related to Int. Transp.	\$(48,387.43)	\$(44,246.62)	\$(33,347.76)	\$(31,325.64)	\$(36,762.24)		
Transportation charges related to Int. Transp.	\$ (256.32)	\$ (259.61)	\$ (192.16)	\$ (180.51)	\$ (211.84)		
Total Gas Cost for Int. Transp. Sales	\$(48,643.75)	\$(44,506.23)	\$(33,539.92)	\$(31,506.15)	\$(36,974.08)	\$(195,170.13)	
<u>Transportation Revenue - n/a if Sold per Tariff:</u>							
Customer #1 - Transportation Charge per Invoice	\$ -	\$ -	\$ -	\$ -	\$ -		
Customer #2 - Transportation Charge per Invoice	\$ -	\$ -	\$ -	\$ -	\$ -		
Total Transp. Rev. for Gas Sold at Take Point	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net Income to Company if Sold per Tariff	\$ 30,081.91	\$ 35,235.19	\$ 25,481.85	\$ 23,938.00	\$ 28,088.30	\$ 142,825.26	
Less: transp. Revenue, not in PGA computation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Theoretical Impact on PGA Filing if Sold per Tariff	\$ 30,081.91	\$ 35,235.19	\$ 25,481.85	\$ 23,938.00	\$ 28,088.30	\$ 142,825.26	
Difference - Under or (Over) Claimed PGA Net Income	\$ 23,953.13	\$ 24,262.19	\$ 17,958.01	\$ 16,869.48	\$ 19,795.93	\$ 102,838.74	\$105,809

Southern Missouri Gas Company, L.P. - Case #GR-2001-388

Schedule 2

DCCB Calculation of Interest

	(A)	(B)	(C) = (B) / (A) / 10	(D)	(E) = (C) - (D)	(F)	(G) = (E) * (F)	(H)	(I)	(J)	(K)	(L)
Production Month & Year	Purchased MMBTU per Invoices	Actual cost of Gas (\$) total per Invoices	Actual Annualized Unit Cost of Gas (Ccf)	Estimated Annualized Unit Cost of Gas	Price Variance	Billed Sales Volumes (Ccf)	Monthly DCCB Subject to interest	Cumulative DCCB	10% Threshold (computed below)	Amount subject to interest	Interest rate: prime less 1%	Interest Due to Company or (Customers)
<u>Large Volume & Large General Service</u>												
Sep-00	28,500	\$ 221,686.42	\$ 0.7778	\$0.4845	\$0.2933	166,390	\$48,810.02					
Oct-00	48,887	\$ 327,106.14	\$ 0.6691	\$0.4845	\$0.1846	233,710	\$43,144.41					
Nov-00	77,400	\$ 426,775.06	\$ 0.5514	\$0.6707	(\$0.1193)	335,290	(\$40,003.80)					
Dec-00	228,783	\$ 1,713,414.21	\$ 0.7489	\$0.6707	\$0.0782	523,850	\$40,978.42					
Jan-01	210,162	\$ 1,710,664.05	\$ 0.8140	\$0.6707	\$0.1433	517,290	\$74,114.21					
Feb-01	130,200	\$ 797,509.37	\$ 0.6125	\$0.9068	(\$0.2943)	413,760	(\$121,758.65)					
Mar-01	158,389	\$ 851,067.27	\$ 0.5373	\$0.9068	(\$0.3695)	382,060	(\$141,160.76)					
Apr-01	55,500	\$ 396,530.01	\$ 0.7145	\$0.9068	(\$0.1923)	146,280	(\$28,134.25)					
May-01	9,610	\$ 145,533.69	\$ 1.5144	\$0.9068	\$0.6076	117,000	\$71,089.02					
Jun-01	34,990	\$ 252,404.91	\$ 0.7214	\$0.9068	(\$0.1854)	101,680	(\$18,855.24)					
Jul-01	20,000	\$ 196,944.08	\$ 0.9847	\$0.9068	\$0.0779	62,380	\$4,860.67					
Aug-01	24,805	\$ 212,056.30	\$ 0.8549	\$0.9068	(\$0.0519)	68,600	(\$3,560.79)					
Total	1,027,226	\$ 7,251,691.51				3,068,290	(\$70,476.73)					
<u>General, Residential, and Optional Residential</u>												
Sep-00	28,500	\$ 221,686.42	\$ 0.7778	\$0.4845	\$0.2933	106,850	\$31,344.14					
Oct-00	48,887	\$ 327,106.14	\$ 0.6691	\$0.4845	\$0.1846	190,940	\$35,248.78					
Nov-00	77,400	\$ 426,775.06	\$ 0.5514	\$0.4845	\$0.0669	385,970	\$25,817.13					
Dec-00	228,783	\$ 1,713,414.21	\$ 0.7489	\$0.6707	\$0.0782	1,160,740	\$90,799.46					
Jan-01	210,162	\$ 1,710,664.05	\$ 0.8140	\$0.6707	\$0.1433	1,452,090	\$208,046.75					
Feb-01	130,200	\$ 797,509.37	\$ 0.6125	\$0.6707	(\$0.0582)	1,033,750	(\$60,136.96)					
Mar-01	158,389	\$ 851,067.27	\$ 0.5373	\$0.9068	(\$0.3695)	888,620	(\$328,320.87)					
Apr-01	55,500	\$ 396,530.01	\$ 0.7145	\$0.9068	(\$0.1923)	590,550	(\$113,581.38)					
May-01	9,610	\$ 145,533.69	\$ 1.5144	\$0.9068	\$0.6076	186,400	\$113,256.35					
Jun-01	34,990	\$ 252,404.91	\$ 0.7214	\$0.9068	(\$0.1854)	140,420	(\$26,039.07)					
Jul-01	20,000	\$ 196,944.08	\$ 0.9847	\$0.9068	\$0.0779	116,610	\$9,086.30					
Aug-01	24,805	\$ 212,056.30	\$ 0.8549	\$0.9068	(\$0.0519)	103,360	(\$5,365.07)					
Total	1,027,226	\$ 7,251,691.51				6,356,300	(\$19,844.43)					

Southern Missouri Gas Company, L.P. - Case #GR-2001-388

Schedule 2

DCCB Calculation of Interest

	(A)	(B)	(C) = (B) / (A) / 10	(D)	(E) = (C) - (D)	(F)	(G) = (E) * (F)	(H)	(I)	(J)	(K)	(L)
Production Month & Year	Purchased MMBTU per invoices	Actual cost of Gas (\$) total per invoices	Actual Annualized Unit Cost of Gas (Ccf)	Estimated Annualized Unit Cost of Gas	Price Variance	Billed Sales Volumes (Ccf)	Monthly DCCB Subject to interest	Cumulative DCCB	10% Threshold (computed below)	Amount subject to interest	Interest rate: prime less 1%	Interest Due to Company or (Customers)
Total Both Charts – All Customer Classes												
Sep-00	28,500	\$ 221,686.42	\$ 0.7778	\$0.4845	\$0.2933	273,240	\$80,154.16	\$80,154.16	\$321,223.83		8.50%	
Oct-00	48,887	\$ 327,106.14	\$ 0.6691	\$0.4845	\$0.1846	424,650	\$78,393.19	\$158,547.35	\$321,223.83		8.50%	
Nov-00	77,400	\$ 426,775.06	\$ 0.5514	\$0.6707	(\$0.1193)	721,260	(\$14,186.66)	\$144,360.69	\$321,223.83		8.50%	
Dec-00	228,783	\$ 1,713,414.21	\$ 0.7489	\$0.6707	\$0.0782	1,684,590	\$131,777.88	\$276,138.57	\$321,223.83		8.50%	
Jan-01	210,162	\$ 1,710,664.05	\$ 0.8140	\$0.6707	\$0.1433	1,969,380	\$282,160.96	\$558,299.53	\$321,223.83	\$237,075.70	8.50%	\$1,679.29
Feb-01	130,200	\$ 797,509.37	\$ 0.6125	\$0.9068	(\$0.2943)	1,447,510	(\$181,895.61)	\$376,403.92	\$321,223.83	\$55,180.09	7.50%	\$344.88
Mar-01	158,389	\$ 851,067.27	\$ 0.5373	\$0.9068	(\$0.3695)	1,270,680	(\$469,481.62)	(\$93,077.70)	\$321,223.83		7.50%	
Apr-01	55,500	\$ 396,530.01	\$ 0.7145	\$0.9068	(\$0.1923)	736,830	(\$141,715.63)	(\$234,793.33)	\$321,223.83		7.00%	
May-01	9,610	\$ 145,533.69	\$ 1.5144	\$0.9068	\$0.6076	303,400	\$184,345.37	(\$50,447.96)	\$321,223.83		6.50%	
Jun-01	34,990	\$ 252,404.91	\$ 0.7214	\$0.9068	(\$0.1854)	242,100	(\$44,894.30)	(\$95,342.26)	\$321,223.83		6.00%	
Jul-01	20,000	\$ 196,944.08	\$ 0.9847	\$0.9068	\$0.0779	178,990	\$13,946.97	(\$81,395.29)	\$321,223.83		5.75%	
Aug-01	24,805	\$ 212,056.30	\$ 0.8549	\$0.9068	(\$0.0519)	171,960	(\$8,925.86)	(\$90,321.16)	\$321,223.83		5.75%	
Total	1,027,226	\$ 7,251,691.51				9,424,590	(\$90,321.16)					\$2,024.16

10% Threshold Computation

99-00 ACA	\$ 3,466,824
98-99 ACA	\$ 3,155,635
97-98 ACA	\$ 3,014,256
Sum	\$ 9,636,715
Average	\$ 3,212,238.33
10% of AGL	\$ 321,223.83