

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

|                                      |   |                   |
|--------------------------------------|---|-------------------|
| OFFICE OF THE PUBLIC COUNSEL,        | ) |                   |
| Complainant,                         | ) |                   |
|                                      | ) |                   |
| vs.                                  | ) | Case No. GC-2006- |
|                                      | ) |                   |
| SOUTHERN MISSOURI GAS COMPANY, L.P., | ) |                   |
| Respondent.                          | ) |                   |

**COMPLAINT**

COMES NOW the Office of the Public Counsel (Public Counsel), pursuant to the provisions of Section 386.390 RSMo 2000 and for its Complaint against Southern Missouri Gas Company, L.P. (SMG), respectfully states to the Commission as follows:

1. SMG is a Missouri limited partnership which owns and operates a natural gas transmission and distribution system located in southern Missouri which serves approximately 7,500 residential, commercial and industrial customers. SMG is a “gas corporation” and “public utility” under the jurisdiction of the Missouri Public Service Commission (Commission), pursuant to Chapters 386 and 393, RSMo 2000. SMG’s principal place of business within the State of Missouri is located at: 301 East 17<sup>th</sup> Street, Mountain Grove, Missouri 65711.

2. The Commission, in 2002, promulgated Rule 4 CSR 240-40.018 (the Rule) which calls upon Missouri LDCs to “undertake diversified natural gas purchasing activities as part of a prudent effort to mitigate downward natural gas price volatility and secure adequate natural gas supplies for their customers.” The Rule provides, in part, as follows: ...As part of a prudent planning effort to secure adequate natural gas supplies for their customers, natural gas utilities should structure their portfolios of contracts with various supply and pricing provisions in an

effort to mitigate upward natural gas price spikes, and provide a level of stability of delivered natural gas prices.”

3. The Rule further provides “in making this planning effort, natural gas utilities should consider the use of a broad array of price structures, mechanisms, and instruments, including, but not limited to, ...natural gas storage, fixed price contracts, call options, collars, outsourcing/agency agreements, futures contracts, financial swaps, options from over-the-counter markets and other tools utilized in the market for cost-effective management of price and/or usage volatility.”

4. On September 15, 2005, in Case No. GR-2005-0279, SMG filed revised tariff sheets to increase its Purchased Gas Adjustment (PGA) rate. The Commission held a hearing in that case on September 29, 2005. In that hearing, the Commission heard testimony from, among other witnesses, the president and CEO of Sendero Asset Management, which is the managing partner for Southern Missouri Gas Company, LP. Mr. Moffat testified that SMG’s gas purchasing was designed in the “hope... that we would optimize our ultimate price for our customers.”<sup>1</sup>

5. Public Counsel requests that the Commission take official notice of the record of the proceedings in Case No. GR-2005-0279.

6. Despite the negative impacts this increase will impose upon its customers, SMG has failed and/or refused to implement any of the pricing structures, mechanisms or instruments set forth by the Commission in the above Rule. The only thing SMG has done is to lock in a discount off of the market price which does absolutely nothing to protect its customers from the volatility of the market price. In fact, rather than establish a purchasing strategy that would “mitigate upward natural gas price spikes, and provide a level of stability of delivered natural gas

prices,” SMG established a strategy that was entirely a gamble based on a hope that market prices would decline this fall and winter.

7. SMG’s failure to comply with the Rule is an continuing violation.

8. Public Counsel respectfully submits that the Commission must ensure that natural gas utilities such as SMG have done everything in their power to mitigate upward natural gas price volatility in order to keep rates as stable, just and reasonable as possible. Public Counsel further submits that SMG has done nothing in this regard.

WHEREFORE, Public Counsel respectfully requests that this Commission enter its Order finding that Southern Missouri Gas Company, L.P. has failed and continues to fail to comply with Rule 4 CSR 240-40.018 and consequently imposing upon SMG appropriate penalties for such non-compliance and further prays for such other and further relieve as to the Commission shall seem just and proper under the circumstances.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

**/s/ Lewis R. Mills, Jr.**

By:\_\_\_\_\_

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<sup>1</sup> Case No. GR-2005-0279, transcript of September 29 hearing, page 100, lines 9-11.

### **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following this 21<sup>st</sup> day of October 2005:

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/s/ **Lewis R. Mills, Jr.**

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