

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

|   |   |                       |
|---|---|-----------------------|
| In the matter of the Application of Southern        | ) |                       |
| Missouri Gas Company, L. P. d/b/a Southern          | ) |                       |
| Missouri Natural Gas for a certificate              | ) |                       |
| of public convenience and necessity                 | ) |                       |
| authorizing it to construct, install, own, operate, | ) | Case No. GA-2007-0168 |
| control, manage and maintain a natural gas          | ) |                       |
| distribution system to provide gas service in       | ) |                       |
| Branson, Branson West, Reed's Spring                | ) |                       |
| and Hollister, Missouri.                            | ) |                       |

**STAFF'S MEMORANDUM CONCERNING  
SOUTHERN MISSOURI GAS D/B/A  
SOUTHERN MISSOURI NATURAL GAS' CCN APPLICATION**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), and submits its Recommendation Concerning Southern Missouri Gas Company d/b/a Southern Missouri Natural Gas' (SMNG) Application for a Certificate of Convenience and Necessity to serve the Branson Area. For its Recommendation Staff states:

1. Staff recommends the Commission approve SMNG's Application for a CCN to serve all areas for which it applied except for Branson West. SMNG does not have a franchise so does not have the required approval of the local authorities. The Commission should not approve a CCN for Branson West unless and until SMNG obtains such permission. §393.170.3 RSMo.

2. SMNG has submitted final terms and conditions of SMNG's financing proposal, which are consistent with the summary of the proposed terms and conditions Staff reviewed before recommending conditional approval of SMNG's finance application in Case No. GF-2007-0215.

3. After the closing and final execution of the financing proposed in Case No. GF-2007-0215 Staff expects SMNG to provide the final executed loan documents to Staff and requests the Commission so order.

4. SMNG accepted and agreed to comply with all conditions recommended in the Stipulation and Agreement between OEP and Staff in Case No. GA-2006-0561 except the disposition-related accounting item (III.A.3). Staff recommends the Commission issue its order with the requirement SMNG comply with those conditions and specifically list and identify those conditions.

5. The Commission should order SMNG to provide the items listed in Section III. M, Reliability and Natural Gas Planning, and Section III. N, Hedging, of the Stipulation in Case No. GA-2006-0561 to Staff and Public Counsel no later than 60 days prior to SMNG flowing any natural gas in the expanded service area.

6. The Commission may reasonably determine that the Company's request to provide natural gas service in its requested service area is economically feasible, although Staff notes in its Memorandum SMNG faces a number of challenges in providing service to this area.

7. In its Order, the Commission should note and order that SMNG has accepted and agreed to bear the economic consequences of any failure of this system to achieve forecasted conversion rates and/or its inability to successfully compete with propane.

WHEREFORE the Staff recommends the Commission accept Staff's recommendations as described in the attached Memorandum concerning SMNG's CCN Application and the financing to serve Branson and surrounding areas, but deny SMNG's application to serve Branson West.

Respectfully submitted,

/s/ Lera L. Shemwell

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 18<sup>th</sup> day of June 2008.

/s/ Lera L. Shemwell

Lera L. Shemwell