

**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,	)	Case No. GA-2007-0212
install, own, operate, control, manage	)	
and maintain a natural gas distribution	)	
system to provide gas service in	)	
Lebanon, Missouri.	)	

In the matter of the Application of	)	
Southern Missouri Gas Company, L.P.	)	
d/b/a Southern Missouri Natural Gas	)	Case No. GF-2007-0215
for Authority To Issue approximately \$10 Million	)	
in Equity Capital and approximately \$50 Million In	)	
Notes and Other Forms of Indebtedness.	)	

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,	)	Case No. GA-2007-0310
install, own, operate, control, manage	)	
and maintain a natural gas distribution	)	
system to provide gas service in	)	
Houston, Licking, and Mountain View, Missouri.	)	

**SOUTHERN MISSOURI NATURAL GAS' STATUS REPORT AND  
RESPONSE IN OPPOSITION TO STAFF'S MOTION TO DISMISS OR  
IN THE ALTERNATIVE TO SUSPEND APPLICATION FOR FINANCING**

COMES NOW Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas, ("SMNG" or "Company"), and pursuant to the Commission's Order Directing Filing of Status Reports ("Order Directing Filing") and Commission Rule 4 CSR 240-2.080, files (1) its Status Report and (2) its Response In Opposition to Staff's Motion To Dismiss Or In The Alternative To

Suspend Application For Financing filed on September 25, 2007. For its Status Report and its Response in Opposition, SMNG respectfully states as follows:

1. On September 25, 2007, the Commission issued its Order Directing Filing which directed that SMNG file a status report on the proposed financing in this matter by October 5, 2007, and monthly thereafter. On that same day, Staff also filed in this consolidated proceeding its Motion To Dismiss Or In The Alternative To Suspend Application For Financing ("Motion"), requesting that the Commission take such action until SMNG completes its application. This pleading will provide a status report on the proposed financing, as directed by the Commission. In addition, it will address concerns raised in Staff's Motion.

2. For the reasons stated herein, SMNG respectfully opposes Staff's Motion, and requests that the Commission continue to allow SMNG to complete its application and provide the Staff with the requested information to complete the financing proposed in this case.

3. Staff has identified in its Motion a number of items that have not been provided by the Company in its filings in this matter. With regard to the terms and conditions of the proposed financing, the Company has completed its process of negotiating these terms, and is attaching to this response Appendix A (Highly Confidential) which contains the rates, terms and conditions of the proposed financing.

4. Since the time when the original financing application was filed on December 12, 2006, Company has acquired the franchise rights for Branson and Hollister, Missouri, and has requested approval of a Certificate of Convenience and Necessity to serve Branson, and certain other municipalities in Case No. GA-2007-0168. The Company's feasibility study and related

information has been filed in Case No. GA-2007-0168, and the parties to that proceeding are currently discussing a proposed settlement of Case No. GA-2007-0168.

5. The estimated amount of the financing and each intended use will be as follows:
- o Approximately \*\*\_\_\_\_\_\*\* million in new equity;
  - o Approximately \*\*\_\_\_\_\_\*\* million in senior secured and subordinated debt; and
  - o Approximately \*\*\_\_\_\_\_\*\* million in working capital in the form of a short-term (less than 1 year maturity) revolving credit facility.

As in Case No. GM-2005-0136, Company has requested authority to close the financings following Commission approval, conditioned upon the final terms and conditions being materially consistent with those presented by the Company. As in Case No. GM-2005-0136, Company has requested the opportunity to provide copies of all definitive documents as part of the financing within 30 days after closing.

6. The Company expects its uses of the funds obtained from the proposed financing to repay the existing senior and revolving debt with Prudential (formerly GMAC Commercial Finance), capital expenditures for its Lebanon, Houston, Licking and Branson expansions, general and miscellaneous corporate expenditures as specified in and consistent with the feasibility analyses previously filed and submitted.

7. SMNG intends to file a Second Amended Application in this matter in the near future to conform its application to the final terms and conditions that have been negotiated with its equity and debt investor. SMNG will include more specific pro forma financial statements showing the effects of the use of financing as a part of that amended application. Similarly,

SMNG will include an additional Board Resolution when it files its Second Amended Application and a revised estimate of the amount of proceeds that will be subject to the fee schedule in Section 393.200.1(5).

8. As noted in Appendix A (Highly Confidential), SMNG has selected

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9. SMNG does not anticipate that there will be any amendments required to existing contracts to allow new investor participation.

10. SMNG regrets that the financing process has taken longer to finalize than originally anticipated. However, SMNG respectfully requests that the Commission move forward in this proceeding to complete the process.

**WHEREFORE** Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas respectfully requests that the Commission accept this pleading as a status report on the proposed financing, and also deny Staff's Motion To Dismiss Or In The Alternative Motion To Suspend Financing Application filed in this matter on September 25, 2007.

Respectfully submitted,

/s/ James M. Fischer

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James M. Fischer      Mo. Bar No. 27543  
Fischer & Dority, P.C.  
101 Madison Street, Suite 400  
Jefferson City, Missouri 65101  
Telephone: (573) 636-6758  
Fax: (573) 636-0383  
Email: [jfischerpc@aol.com](mailto:jfischerpc@aol.com)  
ATTORNEY FOR APPLICANT

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, by U.S. Mail, First Class, this 5th day of October, 2007, to:

Office of the Public Counsel  
P.O. Box 2230  
Jefferson City, MO 65102

General Counsel  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102

Nicholas G. Frey  
Khristine Heisinger  
Charles Hatfield  
Stinson Morrison Hecker LLP  
230 W. McCarty Street  
Jefferson City MO 65101-1553

Paul DeFord/Aimee Davenport  
Lathrop Gage  
2345 Grand Blvd  
Kansas City, MO 64106-2684

/s/ James M. Fischer

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James M. Fischer

**APPENDIX A (HIGHLY CONFIDENTIAL)**

**SUMMARY OF PROPOSED TERMS OF EQUITY AND DEBT FINANCING**