

**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.)	

**RESPONSE OF SOUTHERN MISSOURI NATURAL GAS
TO THE STAFF RECOMMENDATION**

COMES NOW Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas, ("SMNG" or "Company"), and pursuant to 4 CSR 240-2.080, files its Response to the Staff Recommendation filed on June 12, 2007. For its Response, SMNG respectfully states as follows:

1. On December 6, 2006, SMNG filed an Application for a certificate of convenience and necessity to provide natural gas service in Lebanon, Missouri. This case was designated as Case

No. GA-2007-0212 and subsequently consolidated with Case Nos. GF-2007-0215 and GA-2007-0310.

2. On June 12, 2007, Staff filed its Staff Recommendation which recommended, *inter alia*, that the Commission conditionally approve SMNG's Application to Expand Service into Lebanon, Houston, and Licking, and to withhold approval of the financing application, pending the receipt of certain specific information. In particular, the Staff Recommendation stated with regard to the expansion of SMNG's service area:

Having reviewed the pleadings filed by the MPGA and SMNG's response to same, the Staff believes the Commission may reasonably choose to issue a conditional certificate and move forward based on the Company's affidavit. Since a question has arisen concerning the franchise agreement, Staff recommends the Commission condition the CCN on a favorable vote of the citizens of Lebanon. If the Company chooses to proceed with construction of the lateral pipeline from Marshfield to outside the city limits of Lebanon prior to the election, it may do so, although it does so at its own risk. The distribution system within the city limits of Lebanon would be constructed only following the ratification election. This approach will enable SMNG to build the lateral pipeline in a timely if it chooses to proceed in this manner and enable SMNG to serve the City of Lebanon in the upcoming winter heating season, assuming the voters of the municipality approve the franchise.

3. Having reviewed the Staff Recommendation, SMNG wishes to inform the Commission that the approach suggested by Staff for resolving the final issues related to the application for a certificate of public convenience and necessity for Lebanon, Houston, and Licking is acceptable to the Company. It is critically important to the Company, however, that the process move forward as quickly as possible since the construction season has already begun, and it is the Company's intent to bring natural gas service to Lebanon, Houston and Licking as soon as practicable.¹ Substantial delays in the regulatory process will make it impossible for SMNG to

¹ SMNG is no longer seeking a certificate of convenience and necessity to serve the municipality of Mountain View, Missouri. After discussions with the City Council in Mountain View, it has been determined that the City of

provide consumers in its proposed service area with natural gas service during the upcoming winter heating season.

4. With regard to the financing application, the Staff Recommendation stated:

... Staff believes it is prudent to withhold its approval of the financing Application until it receives the terms and conditions proposed by the ultimate investors to evaluate whether the investment opportunity has been fairly represented. ... SMNG has provided information to Staff that represents that the equity investor(s) will be one or two large accredited institutional investors with specific industry knowledge and experience relevant to the proposed investment and financing of SMNG as well as projected ranges of terms and conditions it expects to transact. SMNG is currently still engaged in definitive negotiations with several aforementioned potential investors and once its negotiations are complete will file an amendment to its Application providing the specific identity of the investor(s), a summary of their experience with utility investments, any required amendments to existing contracts to allow new investor participation, any new contracts required to allow new investor participation, any drafts of proposed indentures, the terms and conditions required by these investors, and the documents (whether financial statements or draft legal documents) that SMNG or any of its affiliates provided to the potential investors and any correspondence concerning questions about SMNG's or any of its affiliates' financial statements. After SMNG has filed this information Staff will issue its final recommendation relative to SMNG's financing application.

5. Having reviewed the Staff Recommendation, SMNG wishes to inform the Commission that the approach suggested by Staff for resolving the final issues related to the application for financing is acceptable to the Company. The Company hopes to be in a position to provide the specific information requested by Staff within approximately 30-45 days.

WHEREFORE Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas respectfully requests that the Commission accept its Response, and issue an Order Approving Certificate of Convenience and Necessity for Lebanon, Houston, and Licking, as recommended by Staff at its earliest convenience.

Mountain View is not interested in receiving natural gas service at this time.

Respectfully submitted,

/s/ James M. Fischer

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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 12th day of June, 2007, to:

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