

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE 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, control, manage and)
maintain a natural gas distribution)
system to provide gas service in)
Lebanon, Missouri.)**

**Case No. GA-2007-0212
and consolidated cases.**

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission and in response to the Commission's December 21, 2006 Order Directing Filing of Staff Recommendation and states:

1. On December 6, 2006, Southern Missouri Gas Company, LP (dba) Southern Missouri Natural Gas, (SMGC or Company) filed its Application for Commission authority to construct, install, own, operate, control, manage and maintain a natural gas distribution system to provide gas service in Lebanon, Missouri.

2. On December 21, the Commission issued its order directing Staff to file a recommendation or a status report on January 22.

3. In proceeding with its investigation, Staff relied on the Company's representations in its December 6, 2006 Application that it had the necessary franchises from the City of Lebanon. In its Application, the Company supplied the documents required by Commission rule 4 CSR 240-3.205(1)(D)(1) to demonstrate that it had

received the required consent of the proper municipal authorities under §393.170.2 RSMo 2000.

4. On February 15, 2007, Applicants filed a Motion to Consolidate this case with Case No. GF-2007-0215 and GA-2007-0310.

5. On May 16, 2007, the Missouri Propane Gas Association filed a *Motion to Dismiss or in the Alternative to Stay Proceedings*. Staff does not recommend either of these actions, but instead, suggests the Commission issue a conditional Certificate of Convenience and Necessity contingent upon a positive vote of the citizens of Lebanon.

6. In the attached detailed recommendation Staff discusses its evaluation of the feasibility of the proposed project and determined that, while the project faces challenges it does appear to be feasible.

7. The Recommendation also requires the Company to provide certain information to the Staff before Staff issues its final recommendation concerning the financing for the project.

WHEREFORE Staff requests the Commission accept this Staff Recommendation to Conditionally Approve Southern Missouri Natural Gas' Application to Expand Service into Lebanon, Houston, and Licking and to Withhold Approval of the Financing Application.

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, transmitted by facsimile or electronically mailed to all counsel of record this 13th day of June 2007.

/s/ Lera L. Shemwell