

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

In the matter of the application of)
Southern Missouri Gas Company, L.P. for)
a variance from 4 CSR 240-14.020(1)(D))

Case No. GE-2006-0156

STAFF RECOMMENDATION

COMES NOW the Staff of the Commission and for its Recommendation in this case states:

1. On October 10, 2005, Southern Missouri Gas Company. L.P. d/b/a Southern Missouri Natural Gas Company (SMNG) filed an application for variance from certain restrictions in the Commission's Promotional Practices Rule, 4 CSR 240-14.020(I)(D).
2. SMNG requests that the Commission permit SMGC to offer a water-heater rebate program.
3. SMNG asserts that the program is intended to encourage customers, builders and developers to install natural-gas-fired hot water heaters.
4. SMNG further contends that the program is necessary to compete with propane suppliers and unregulated electric cooperatives in its certificated area. There are no other regulated utility companies in SMNG's certificated area.
5. On October 12, 2005, the Commission issued an Order Directing Filing, ordering the Staff of the Commission to file its recommendation on the instant filing no later than November 14, 2005, and subsequently extended the date until December 7, 2005.
6. Staff has worked with the company to develop tariffs which were filed in this case today to implement an experimental program. This is similar to programs of other Missouri LDCs. In this case however, company funds only are used to pay the rebates.

7. In its attached Recommendation, Staff recommends that the Commission approve the request for variance and approve the tariffs on an experimental basis.

WHEREFORE Staff recommends that the Commission approve the substitute tariff sheets filed on December 7, 2005, to establish an energy-efficient natural-gas water heater rebate program on an experimental basis and approve the request for variance.

Respectfully submitted,

DANA K. JOYCE
General Counsel

/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 7th day of December.

/s/ Lera L. Shemwell