

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 20th day of  
December, 2005.

In the Matter of the Application of Southern	)	
Missouri Gas Company, L.P. for a Variance from	)	<b><u>Case No. GE-2006-0189</u></b>
4 CSR 240-14.020(1)(E), (F) and (H)	)	Tariff No. JG-2006-0356

**ORDER GRANTING VARIANCE  
AND APPROVING TARIFF SHEETS**

Issue Date: December 20, 2005

Effective Date: December 23, 2005

**Syllabus:** This order grants Southern Missouri Gas Company a waiver from Commission Rule 4 CSR 240-14.020(1)(E), (F) and (H), the Commission's Promotional Practices Rule, and approves tariff sheets to implement Southern Missouri Gas Company's promotional natural gas conversion program.

On November 1, 2005, SMGC applied for a permanent waiver of the Commission's Promotional Practices Rule. SMGC would like to offer eligible customers a conversion incentive program to encourage conversion to natural gas. In particular, SMGC would like to offer potential customers up to \$200 per customer to defray the cost of retrofitting or converting customer facilities beyond the meter in order to receive natural gas. Absent such a program, a prospective customer is required to pay the full cost of retrofitting or converting facilities on the customer side of the meter.

Currently, the Commission's Promotional Practices Rules, 4 CSR 240-14.020(1)(E), (F) and (H), prevent SMGC from offering such a conversion incentive.

SMGC asks for a variance from the rule. SMGC believes good cause exists for the variance because SMGC competes with unregulated electric cooperatives and propane dealers that offer similar programs. SMGC believes that its conversion program would benefit low-income and fixed-income consumers who might not otherwise be able to afford conversion to natural gas. Finally, SMGC believes that the conversion program will encourage demand for natural gas, making economic operation of SMGC's system and the lowest possible rates to consumers possible.

On November 9, SMGC filed tariff sheets to implement its conversion program. The tariff sheets bore an effective date of December 9, 2005. On November 18, 2005, SMGC extended the tariff effective date to December 23, and also filed substitute tariff sheets. On December 7, SMGC filed revised tariff sheets indicating the conversion incentive program will conclude on December 31, 2009.

The Staff of the Commission filed its Recommendation on December 14. In the Recommendation, Staff stated that the Commission should approve the variance and the substitute tariff sheets with certain conditions. First, the program should be limited to 48 months so the success of the program and the adequacy of the company's gas supply can be reviewed periodically. Second, SMGC should file semi-annual reports showing: 1) the number of conversions by class, 2) the conversion costs paid by the stockholders, 3) the conversion costs paid by the general ratepayer, and 4) the conversion costs paid by the customer whose premises were converted.

Staff indicates that SMGC will fund up to \$200 of the conversion program and costs above \$200 will be the customer's responsibility. This program was offered

previously. SMGC states the “mean” cost for a 2004 conversion was \$172.<sup>1</sup> For the 2001, 2002 and 2003 conversion years, the average cost has not varied by more than \$2 to \$5 from the 2004 level. From 2001 through 2004, SMGC performed conversions to natural gas as follows: In 2001, there were 362 conversions; in 2002 – 308; in 2003 – 271; and in 2004 – 300. Through October 2005, the company did 223 conversions.

The tariff sheets filed by SMGC reflect that “no charge” conversions and installations are available to residential and commercial customers up to the amount of \$200. Any cost over \$200 must be paid by the customer “via a pro rata monthly charge added to the customer’s monthly gas bill for a period of up to 24 months.” The tariff provides the program will conclude on December 31, 2009.

Commission Rule 4 CSR 240-14.010(2) requires an applicant for variance from the Commission’s Promotional Practice Rule to show good cause for the variance. The Commission finds that SMGC has shown good cause. SMGC can compete more effectively against unregulated electric cooperatives and propane dealers with the conversion program. In addition, the Commission finds that the conversion program likely will enable low- and fixed-income customers to benefit from the program. Also, the Commission notes that requiring SMGC to provide semi-annual reports as suggested by the Staff will allow the Commission to monitor the number of conversions and the resultant demand on SMGC’s capacity.

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<sup>1</sup> Though the previous conversion program approved by the Commission expired on November 15, 2000, SMGC has continued to offer the program since that time. *Memorandum of Staff, December 13, 2005, at page 2.*

**IT IS THEREFORE ORDERED:**

1. That the Commission grants Southern Missouri Gas Company, L.P. a waiver from Commission Rule 4 CSR 240-4.020(1)(E), (F) and (H).

2. That the Commission approves the proposed tariff sheets filed by Southern Missouri Gas Company, L.P., on November 9, 2005, as amended by substitute sheets filed on December 7 and 8, 2005, identified as Tariff No. JG-2006-0356. The specific tariff sheets reflecting the changes to affect the conversion program are:

P.S.C. MO. No. 1

3<sup>rd</sup> Revised SHEET No. 63, Cancelling 2<sup>nd</sup> Revised SHEET No. 63  
2<sup>nd</sup> Revised SHEET No. 64, Cancelling 1<sup>st</sup> Revised SHEET No. 64  
2<sup>nd</sup> Revised SHEET No. 65, Cancelling 1<sup>st</sup> Revised SHEET No. 65  
1<sup>st</sup> Revised SHEET No. 66, Cancelling Original SHEET No. 66  
3<sup>rd</sup> Revised SHEET No. 71, Cancelling 2<sup>nd</sup> Revised SHEET No. 71

3. That Southern Missouri Gas Company, L.P. shall file semi-annual reports regarding the conversion program showing: a) the number of conversions, by class; b) the conversion costs paid by the stockholders; c) the conversion costs paid by the general ratepayer, and d) the conversion costs paid by the party whose premises were converted.

4. That this order shall become effective on December 23, 2005.

5. That this case may be closed on December 24, 2005.

**BY THE COMMISSION**



Colleen M. Dale  
Secretary

( S E A L )

Davis, Chm., Murray, Gaw, Clayton and Appling, CC., concur

Reed, Regulatory Law Judge