

In the matter of the application of)
Southern Missouri Gas Company, L.P. for)
Variance from the Provisions of 4 CSR 240-14.020) Case No. _____
And Make Permanent Its Conversion Plan for)
Natural Gas Hook-ups.)

1

James M. Fischer
Fischer & Dority, P.C.
101 Madison Street--Suite 400
Jefferson City, Missouri 65101
Telephone: (573) 636-6758
Email: jfischerpc@aol.com

Randal T. Maffett
Sendero Capital Partners, Inc.
1001 Fannin--Suite 550
Houston, Texas 77022
Telephone: (713) 655-0523
Email: rmaffett@sendero.biz

Bill Walker
Southern Missouri Gas Company, L.P.
301 E. 17th Street
Mountain Grove, Missouri 65711
Telephone: (417) 926-7533
Email: smgc4@fidmail.com

3. The Company has no pending actions or final unsatisfied judgments or decisions against them from any state or federal agency or court which involve customer service or rates which has occurred within three (3) years of the date of the Application. No annual reports or assessment fees are overdue in Missouri.

4. On October 1, 1994, the Commission issued its Report & Order in Re Tartan Energy Company d/b/a Southern Missouri Gas Company, L.C., Case No. GA-94-127, which granted the Company's predecessor a certificate of convenience and necessity to construct and operate a natural gas distribution system in southern Missouri. In addition, the Commission granted a variance from 4 CSR 240.14.020, the Commission's Promotional Practices Rule, to permit the Company to offer a conversion incentive program for a 24-month period during the construction of Company's distribution system. Under the approved conversion incentive program, the Company offers customers "free conversions" up to \$200 per customer. Pursuant to

a Stipulation & Agreement entered into with Staff and Public Counsel, one-half the costs are booked below-the-line for ratemaking purposes, with the remaining one-half of the costs to be treated as a start-up cost and included in rate base for ratemaking purposes. This conversion plan was extended until November 15, 2000 in the *Order Extending Variance*, Re: Application of Southern Missouri Gas Company, L.P., Case No. GO-98-172 (April 21, 1998).

5. In order to encourage conversion to natural gas and compete with the unregulated propane industry, SMGC desires to make its incentive conversion program permanent. In addition, SMGC requests approval to expand the conversion program to include commercial and industrial customers, with a cap of \$200 for each conversion.

6. For the reasons stated herein, the SMGC hereby requests a variance from 4 CSR 240-14.020(1)(E), (F) and (H), which state as follows:

(1) No public utility shall offer or grant any of the following promotional practices for the purpose of inducing any person to select and use the service or use additional service of the utility:

* * *

(E) The provision of free or less than cost or value, wiring, piping, appliances or equipment to any other person; provided, that a utility, engaged in an appliance merchandising sales program, shall not be precluded from conducting legitimate closeouts of appliances, clearance sales and sales of damaged or returned appliances;

(F) The provision of free, or less than cost or value, installation, operation, repair, modification or maintenance of appliances, equipment, wiring or piping of any other person;

* * *

(H) The financing of the acquisition of any appliance or equipment at a rate of interest or on terms more favorable than those generally applicable to sales by nonutility dealers in the appliances or equipment, except sales to company employees; . . .

7. SMGC believes good cause exists for an extension of the Company's conversion plan and the variance from the provisions of 4 CSR 240-14.020(1)(E), (F) and (H). These reasons include the following:

a. The conversion incentive program will continue to contribute to the safest construction of the system since there are a limited number of qualified, outside contractors available for such conversion in SMGC's proposed service area.

b. The conversion incentive program will continue to permit consumers to gain access to natural gas more quickly, more effectively, and efficiently.

c. The conversion incentive program will continue to permit conversions to be made more quickly and effectively at the lowest possible cost.

d. The conversion incentive program will continue to result in economic advantages from the ordering of large bulk quantities of various parts and materials that will be available to consumers through this conversion policy.

e. The conversion incentive program will continue to benefit low income and fixed income consumers who might not otherwise have the opportunity to enjoy the benefits of natural gas without the significant outlay of funds for conversion.

f. The conversion policy will encourage the development of natural gas demand faster to ensure the economic operation of the natural gas system and the lowest possible rates to consumers both near-term and long-term.

g. The conversion policy will permit SMGC to compete with unregulated competitors who make conversions to competing sources of energy without charge to the customers.

8. There are no regulated public utilities within the SMGC's proposed service area that will be affected directly by the incentive conversion program. In addition, other providers of

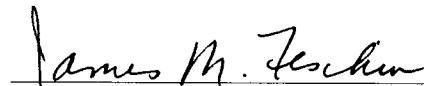
propane, fuel oil, and electricity in the area are not regulated by the Commission. Therefore, the provisions of the Promotional Practices Rule do not apply to them.

9. SMGC's conversion incentive program will be provided on a uniform and contemporaneous basis to all residential, commercial and industrial customers throughout its service area. It will not vary the rates, charges and rules of SMGC's tariff, and will otherwise be just and reasonable, reasonable as a business practice, economically feasible, compensatory, and reasonably calculated to benefit both the SMGC and its prospective customers.

10. Upon approval of this Application, SMGC will file tariffs modifying its conversion program consistent with the Commission's order.

WHEREFORE, Southern Missouri Gas Company, L.P. respectfully requests that the Commission grant a variance from the provisions of 4 CSR 240-14.020(1)(E), (F) and (H) and issue its Order approving the proposed conversion incentive program in this proceeding.

Respectfully submitted,


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

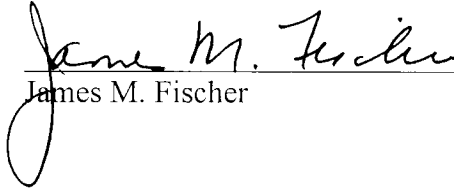
ATTORNEY FOR
SOUTHERN MISSOURI GAS COMPANY, L.P.

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been emailed, hand-delivered or mailed, postage prepaid, this 8th day of November, 2005, to:

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

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



James M. Fischer

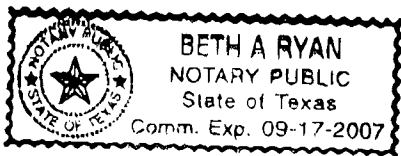
VERIFICATION

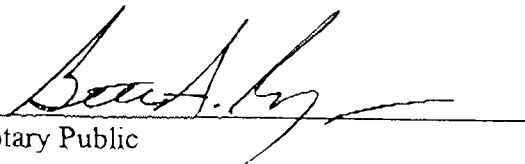
STATE OF TEXAS)
)
COUNTY OF HARRIS) ss.

Randal T. Maffett, being first duly sworn, on his oath and in his capacity as Managing Partner of Southern Missouri Gas Company, L.P. states that he is authorized to execute this Application on behalf of Southern Missouri Gas Company, L.P. and has knowledge of the matters stated herein, and that said matters are true and correct to the best of his knowledge and belief.


Randal T. Maffett

Subscribed and sworn to before me this 1st day of November, 2005.




Notary Public