

**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 authority to enter into certain debt instruments)
and to issue up to and including \$28,000,000)
of short-term indebtedness, in one or more)
transactions, and to, among other things execute)
and deliver a mortgage and security agreement)
to secure said indebtedness)

Case No. GF-2011-0352

**RESPONSE OF SOUTHERN MISSOURI NATURAL GAS TO STAFF
RECOMMENDATION AND MEMORANDUM**

Comes now Southern Missouri Gas Company, LP d/b/a Southern Missouri Natural Gas (“SMNG” or “Company”), pursuant to 4 CSR 240-2.080 and respectfully provides to the Missouri Public Service Commission (Commission) the following response to the Staff Recommendation and Memorandum:

1. On June 1, 2011, the Commission Staff (“Staff”) filed its Recommendation and Memorandum in this matter. This document set out the results of Staff’s review of the Company’s application to enter into certain debt instruments for as much as \$28,000,000 and its review of information provided by the company in response to Staff’s data requests. The Staff recommends approval of the Company’s application with conditions.

2. SMNG has reviewed Staff’s recommendation in the case and wishes to inform the Commission that SMNG accepts the following four (4) conditions suggested by Staff:

1. That nothing in the Commission’s order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, which includes, but is not limited to the capital structure, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their effect on cost of capital, in any later proceeding.

2. That the Company files with the Commission all final terms and conditions of the proposed financing, including, but not limited to, the aggregate proceeds received, price information, and estimated expenses.
3. That IIF SMNG Investment LLC and IIF SMNG Investment II LLC shall continue to be the majority equity investor until such time that IIF SMNG Investment LLC is no longer a noteholder of SMNG debt.
4. That SMNG will not seek an increased cost of capital as a result of financing decisions that are considered to be imprudent. SMNG understands that the Commission's authorization of this financing proposal is not an endorsement of the proposal for purposes of setting the rate of return in future rate or complaint cases.

WHEREFORE, Southern Missouri Natural Gas respectfully requests that the Commission consider this response to the Staff Memorandum and Recommendations and issue such orders as it believes to be reasonable and just.

Respectfully submitted,

/s/James M. Fischer

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CERTIFICATE OF SERVICE

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/s/ James M. Fischer

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