

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

In the matter of the Application of)	
Southern Missouri Gas Company, L.P.)	
d/b/a Southern Missouri Natural Gas)	Case No. GF-2007-0215
for Authority To Issue approximately \$10 Million)	
in Equity Capital and approximately \$50 Million In)	
Notes and Other Forms of Indebtedness.)	

**SOUTHERN MISSOURI NATURAL GAS'
RESPONSE TO STAFF RECOMMENDATION**

COMES NOW Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas, ("SMNG" or "Company"), and pursuant to 4 CSR 240-2.080, files its Response to the Staff Recommendation for approval of Southern Missouri Natural Gas' Second Amended Financing Application with conditions which was filed on February 10, 2008. For its Response, SMNG respectfully states as follows:

1. On February 10, 2008, the Staff filed its Staff Recommendation/Memorandum to approve with conditions the Second Amended Financing Application of SMNG for authority to issue up to \$45 million of debt and up to \$15 million of equity.

2. The Commission Staff reviewed and thoroughly investigated SMNG's Seconded Amended Financing Application, and made the following recommendation:

"Staff recommends that this Application for financing be approved with the following conditions:

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 file 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 the funds authorized pursuant to the debt instrument shall only be used for capital expenditures related to the proposed expansion of Lebanon, Houston, Licking, Hollister, Branson, Branson West and the existing SMNG natural gas distribution system and the funds shall not be used for the purposes of paying operating expenses.
4. That the Company file with the Commission any information concerning deviations from their stated use of the funds from the issuance(s) that would materially change the pro forma financial statements.
5. That the debt and equity investor shall be ** _____ **
as represented in the Second Amended Financing Application.
6. ** _____ ** agrees and warrants that as long as
** _____ ** is the noteholder of the debt instrument
proposed in the Second Amended Financing Application, it will also continue to hold the majority equity interest. If the debt instrument proposed in the Second Amended Financing Application should be refinanced at some time in the future, SMNG will request Commission approval to do so.
7. That the approval is only for the proposed \$45 million of senior secured debt and not the \$12 million Revolving Credit Facility identified in the terms and conditions of the senior secured debt.
8. That the length of authority for this approval is for sixteen months following the effective date of the Commission's order approving the \$45 million of senior secured debt.
9. 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." (Staff Recommendation/Memorandum, pp. 8-9)

3. After reviewing the Staff's Recommendation and Memorandum in this matter, the SMNG has determined that the above-referenced recommendation for approval of its Second Amended Financing Application with proposed conditions is acceptable to SMNG, and should be approved by the Commission.

WHEREFORE Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas respectfully requests that the Commission accept this pleading as its response to the Staff Recommendation and Memorandum filed by Staff on February 10, 2008, and approve its Seconded Amended Financing Application, as recommended by the Staff in this case, as soon as reasonably convenient.

Respectfully submitted,

/s/ James M. Fischer

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ATTORNEY FOR APPLICANT

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, by U.S. Mail, First Class, this 13th day of February, 2008, to all parties of record.

/s/ James M. Fischer

James M. Fischer