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**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 21st
day of April, 1998.

In the Matter of the Application of)	
Southern Missouri Gas Company, L.P.)	
for Variance from the Provisions of)	<u>Case No. GO-98-172</u>
4 CSR 240-14.020 to Extend its)	
Conversion Plan for Natural Gas)	
Hook-ups for Three Years.)	

ORDER EXTENDING VARIANCE

On October 21, 1997, Southern Missouri Gas Company, L.P. (SMGC or Company) filed an application for a variance from the provisions of Commission rule 4 CSR 240-14.020(1)(E), (F) and (H), and for an order approving SMGC's proposed conversion plan for assisting consumers to gain access to natural gas service in SMGC's service area. 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 Case No. GA-94-127, the Commission also 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 the Company's distribution system. Under the program, SMGC offers customers "free conversions" up to \$200 per customer. Pursuant to a Stipulation and Agreement approved by the Commission, one-half of 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 costs and included in the rate base for ratemaking purposes.

SMGC states that the commencement date of the 24-month period was staggered from community to community, depending upon the date when natural gas became available. The Company indicates that for the first customers to have natural gas service available, the conversion incentive program is scheduled to begin to expire on November 15, 1997. SMGC points out that the Commission granted variances for a three-year period and a maximum of \$300 per customer for a similar conversion incentive program involving Missouri Public Service Company's (MPS) construction of new local distribution systems in southern Missouri.

SMGC states that in order to encourage conversion to natural gas and compete with the unregulated propane industry, SMGC desires to extend its incentive conversion program throughout its service area until November 15, 2000. SMGC also requests that its conversion incentive program be modified to be consistent with the programs which have been approved by the Commission for the Rolla and Salem service areas of MPS. SMGC states that it is not uncommon for conversions to exceed the \$200 maximum. Therefore, SMGC requests that it be permitted to increase the per customer allowance from \$200 to \$300 for conversions. SMGC further requests that it be permitted to book all conversion costs up to \$300 per customer as an above-the-line-cost, consistent with the ratemaking policy approved for MPS in Case Nos. GA-94-325 and GA-95-216. The Company states this ratemaking treatment, as previously approved by the Commission, is fair and reasonable for ratepayers and owners of the public utility.

SMGC lists the following reasons that good cause exists for the proposed variance and extension of conversion plan:

1. 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;
2. The conversion incentive program will continue to permit consumers to gain access to natural gas more quickly, more effectively, and efficiently;
3. The conversion incentive program will continue to permit conversions to be made more quickly and effectively at the lowest possible cost;
4. The conversion incentive program will continue to result in economic advantages from the ordering of large quantities of various parts and materials that will be available to consumers through this conversion policy;
5. 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;
6. 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.

SMGC states there are no regulated public utilities within SMGC's proposed service area that will be affected directly by the incentive conversion program. According to SMGC, the program will be provided on a uniform and contemporaneous basis to all residential customers throughout its service area. SMGC asserts that its program 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 SMGC and its prospective customers.

Rule 4 CSR 240-14.020(1)(E), (F) and (H) provides 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 or 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.

On February 3 SMGC filed a Stipulation and Agreement signed by the Company and by the Staff of the Commission (Staff). The Stipulation and Agreement provides that instead of implementing the proposed modified conversion program in the application, Staff and SMGC agree that the variance from 4 CSR 240-14.020(1)(E), (F) and (H) which was originally approved by the Commission in Case No. GA-94-127 should be extended until November 15, 2000. The Stipulation and Agreement provides that SMGC should be ordered to file Revised Tariff Sheet Nos. 63, 65 and 71 substantially the same as those attached as Exhibit No. 1; that SMGC shall file these tariff sheets within ten days after the effective date of the order approving this Stipulation and Agreement; and that the tariff sheets shall be filed with at least fifteen days between the date they are filed and the proposed effective date of the sheets. The Stipulation and Agreement is attached to this Order as Attachment 1 and is incorporated herein by this reference.

On February 17 the Staff filed Suggestions in Support of Stipulation. Staff indicated that where the conversion costs for a customer exceed \$200, the customer is required to pay the extra costs beyond the \$200 amount; however, the Company offers a two-year financing of such costs. Another provision of the existing conversion program is that the Company will finance a customer's purchase of natural gas appliances for a 24-month period at the Company's cost of money. In addition, Staff indicates that

fewer customers have converted to natural gas than the Company projected in its certificate case. Staff states that it has entered into the Stipulation and Agreement based on its recognition of: (1) the past Commission practice of allowing conversion programs for gas companies competing with the unregulated propane industry; (2) the fact that fewer customers have converted to natural gas than Tartan originally projected; and (3) the fact that the good cause espoused by the Commission in Tartan's certificate case approving the original variance is still valid. Staff requests that the Commission approve that Stipulation and Agreement and approve the extension of the Company's existing conversion program, instead of the proposed modified conversion program contained in the application.

On March 12 the Commission issued a Notice which stated that pursuant to 4 CSR 240-2.115(3) Public Counsel had five days to request a hearing on any issue within the non-unanimous Stipulation and Agreement filed on February 3. The Notice stated that if no hearing is requested, the Stipulation and Agreement will be considered unanimous by operation of the above-stated rule.

Public Counsel did not file a response and did not request a hearing on any issue within the Stipulation and Agreement. Therefore, the Commission finds that the Stipulation and Agreement is unanimous by operation of 4 CSR 240-2.115(3). The Commission further finds that the Stipulation and Agreement is a just and reasonable resolution of the issues and should be approved. The Commission will approve the extension of the Company's existing conversion program until November 15, 2000. The Commission finds that the extension of the conversion program is reasonably calculated to benefit both SMGC and its prospective customers

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed on February 3, 1998, and attached to this order as Attachment 1 is approved.
2. That variance from the provisions of Commission rule 4 CSR 240-14.020(1)(E), (F) and (H) granted to Tartan Energy Company d/b/a Southern Missouri Gas Company, L.C. in Case No. GA-94-127, is extended for Southern Missouri Gas Company, L.P., until November 15, 2000.
3. That Southern Missouri Gas Company, L.P., shall file tariff sheets no later than ten days after the effective date of this order consistent with the Stipulation and Agreement attached to this order as Attachment 1.
4. That this order shall become effective on May 1, 1998.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Murray,
Schemenauer and Drainer, CC., concur.

G. George, Regulatory Law Judge

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

FILED
FEB 03 1998
MISSOURI
PUBLIC SERVICE COMMISSION

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. GO-98-172
to Extend Its Conversion Plan for Natural Gas)	
Hook-ups for Three Years.)	

STIPULATION AND AGREEMENT

COMES NOW Southern Missouri Gas Company, L.P. ("SMGC" or "Company") and the Missouri Public Service Commission Staff ("Staff") and for their Stipulation and Agreement in this matter state as follows:

INTRODUCTION

On October 21, 1997, SMGC filed its Application For Variance in this proceeding in which it requested that it be permitted to extend its conversion program throughout its service territory until November 15, 2000. Additionally, SMGC filed in its Application for Variance, a request that its conversion incentive program be modified to be consistent with the programs which have been approved by the Commission for Rolla and Salem service areas of Missouri Public Service. See Re Missouri Public Service, Case Nos. GA-95-216 and GA-94-325.

On September 16, 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, 3 Mo. P.S.C. 3d 173 (1994), 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(1)(E), (F), and (H), 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 and Agreement entered into with the Staff and Public Counsel in Case No. GA-94-127, one-half the costs are booked below-the-line for ratemaking purposes. The commencement date of the 24-month period was staggered from community to community, depending upon the date when natural gas became available. The conversion incentive program was scheduled to expire November 15, 1997, for the first customers that had natural gas service available to them.

AGREEMENT AMONG PARTIES TO STIPULATION AND AGREEMENT

SMGC and the Staff have discussed the Company's Application For Variance in this proceeding. As a result of those discussions and negotiations, SMGC and the Staff¹ hereby stipulate and agree that:

1. The variance from 4 CSR 240-14.020(1)(E), (F) and (H) which was originally approved by the Commission in Case No. GA-94-127 should be extended until November 15, 2000.
2. SMGC should be ordered to file Revised Sheet Nos. 63, 65 and 71 substantially the same as those attached as Exhibit No. 1. SMGC shall file these tariff sheets within ten (10) days after the effective date of the order approving this Stipulation and Agreement. These tariff sheets shall be filed with at least fifteen (15) days between the date they are filed and the proposed effective date of such sheets.

¹The Office of the Public Counsel has been informed of these discussions, and has indicated that the Public Counsel is not opposed to this Stipulation and Agreement.

3. SMGC hereby modifies its Application for Variance originally filed and requests that its existing conversion program be extended to November 15, 2000.

None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, any method of cost determination or cost allocation, or any service or payment standard; and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2), RSMo 1994,² to present testimony, and to cross-examine witnesses; their respective rights pursuant to Section 536.080(1) to present oral argument and written briefs; their respective right to the reading of the transcript by the Commission pursuant to Section 536.080(2); and their respective rights to judicial review pursuant to Section 386.510.

The Staff shall have the right to file a public memorandum that sets forth Staff's reasons for entering into this Stipulation and Agreement. The other parties shall be served a copy and shall be allowed five (5) days from the date of filing to respond to the Staff's memorandum. A memorandum

²All statutory references are to Revised Statutes of Missouri 1994, unless otherwise noted.

filed pursuant to this paragraph shall not bind the Staff in this proceeding if the Commission does not approve the Stipulation and Agreement and shall not bind the Staff in any future proceeding.

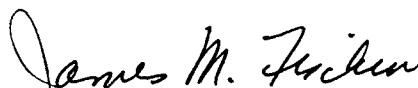
If requested by the Commission, the Staff shall have the right to submit to the Commission a confidential memorandum explaining its rationale for entering into this Stipulation and Agreement. Each Party of Record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules; shall be maintained on a confidential basis by all Parties; and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding, whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, promptly provide other Parties with advance notice of when the Staff shall respond to the Commission's request from Staff (and afford all such parties, to the maximum extent practicable, the right to be present at such oral explanation). Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters which are privileged or protected from disclosure pursuant to any protective order issued in this case.

WHEREFORE, SMGC and Staff respectfully request that the Commission:

- (1) approve this Stipulation and Agreement in its entirety;
- (2) direct SMGC to file Revised Sheets Nos. 63, 65 and 71, which are substantially the same as those attached as Exhibit No. 1 to this Stipulation and Agreement in the following manner: SMGC should file these tariff sheets within ten (10) days after the effective date of the order approving this Stipulation and Agreement. These tariff sheets shall be filed with at least fifteen (15) days notice between the date they are filed and the proposed effective date of such sheets.
- (3) approve the extension of the variance from 4 CSR 240-14.020 (1)(E), (F) and (H) which was originally approved by the Commission in Case No. GA-94-127, until November 15, 2000.

Respectfully submitted,



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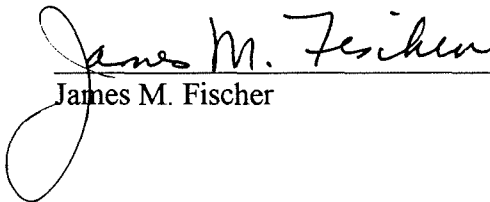
Attorney for the Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered or mailed, postage prepaid, this 3rd day of February, 1998 to:

Office of the Public Counsel
P.O. Box 7800
Jefferson City, Missouri 65102

William K. Haas
Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102


James M. Fischer

FORM NO. 13 P.S.C. MO No. 1

(original) Sheet No. 63

Cancelling P.S.C. MO No. 1

First (revised)
(original) Sheet No. 63
(revised)

Southern Missouri Gas Company, L.C.
Name of Issuing Corporation

For All Communities and Rural Areas
Receiving Natural Gas Service
Community, Town or City

RULES AND REGULATIONS (cont.)

(29) No Charge Conversion Rules and Regulations

(a) Definitions

(1) Building Conversion - The placement, connection and testing of interior pipe, fittings, and/or orifice(s) in an existing building from the point of connection to and into a customer unit where propane is used.

(2) Building Installation - The placement, connection and testing of existing or new interior pipe and fittings in an existing building from the point of connection to and into a customer unit where propane is not used.

(3) Commercial Customer - One who uses or will use natural gas in a business establishment for the primary purposes of space heating or cooling, water heating, the operation of appliances, and/or meets the tariff specifications.

(4) Construction Window - A period of time beginning upon completion of a distribution line(s) and continuing for a period until November 15, 2000.

(5) Customer Unit - An approved device or appliance designed to consume energy and produce heat according to the manufacturer's design and operating specifications. Approved units are listed in Sheet No. 67.

(6) Industrial Customer - One who uses or will use natural gas in a business establishment for the primary purpose of producing and/or manufacturing a product and meets Large Volume Service (LVS) tariff specifications, including annual usage greater than 250,000 Ccfs (per Tariff Sheet No. 2).

(7) Point of Connection - Generally described as the connection of inside pipe to the service line at a building entrance near the service meter.

(8) Residential Customer - One who uses or will use natural gas for the primary purposes of space heating or cooling, water heating and/or other appliances in a dwelling place.

(9) Upgrade (of Approved Customer Units) - The installation of replacement parts other than those contained in a standard orifice conversion kit.

(+) - changed text

DATE OF ISSUE _____
month day year

DATE EFFECTIVE _____
month day year

ISSUE BY Tom M. Taylor
name of officer

President
title

8801 S. Yale, Ste. 385, Tulsa, OK 74137
address

FORM NO. 13 P.S.C. MO No. 1

First (original)
(revised)
(original)
(revised)

Sheet No. 65

Cancelling P.S.C. MO No. 1

Sheet No. 65

Southern Missouri Gas Company, L.C.
Name of Issuing Corporation

For All Communities and Rural Areas
Receiving Natural Gas Service
Community, Town or City

RULES AND REGULATIONS (cont.)

(a) During distribution line construction, the Company will notify potential customers (building owners) of the availability of natural gas service. To become eligible for a no charge conversion, potential customers must sign a service order by November 15, 2000, requesting conversion or installation of approved units, as specified on Sheet 67.

(b) No-charge installations and conversions for residential customers are limited to those for which Company expenditures will be less than \$200.00 in total (per customer) for labor, pipe, fittings, appliance regulators, standard orifice conversion kits and all other necessary materials for approved units.

(c) No-charge installations and conversions for single family buildings are limited to one occupied building for each building lot.

(d) The building owner of multi-family dwellings will be responsible for notifying occupants of the conversion or installation.

(e) Installation and conversion costs (for approved units) in excess of \$200.00 for residential customers may be performed by the Company at its sole election and, if so performed, all costs in excess of \$200.00 will be recovered by the Company via a pro rata monthly charge added to the customer's monthly gas bill for a period of 24 months.

(3) Commercial and Industrial customers using natural gas for business or production purposes will be billed at charges based on actual costs of the installation or conversion.

(4) Where conditions are feasible and qualified personnel are available, the Company may install concealed piping, additional piping and special conversion kits. Under these circumstances, customers will be billed according to labor rate and other charges specified on Sheet No. 66.

(+) - changed text

DATE OF ISSUE _____
month day year

DATE EFFECTIVE _____
month day year

ISSUE BY Tom M. Taylor
name of officer

President
title

8801 S. Yale, Ste. 385, Tulsa, OK 74137
address

FORM NO. 13 P.S.C. MO No. 1

(original)
First (revised)
(original)
(revised)

Sheet No. 71

Cancelling P.S.C. MO No. 1

Sheet No. 71

Southern Missouri Gas Company, L.C.
Name of Issuing Corporation

All Communities and Rural Areas
For Receiving Natural Gas Service
Community, Town or City

RULES AND REGULATIONS (cont.)

The Company will adjust the average billing during the fourth and eighth months of each twelve month period under the Plan, if the recalculated average payment amount reflects an increase of \$5.00 or more. Settlement of accounts will occur when participation in the Plan is terminated. No interest shall be due from or payable to the customer on the difference between actual and average usage.

(37) Promotional Practices

In compliance with rules prescribed by 4 CSR 240-14.010(1), a schedule is herein set forth prescribing all promotional practices being engaged in by the utility as of the effective date which are not in violation of 4 CSR 240-14.

Conversion Policy

A variance to 4 CSR 240-14.020(5) was granted by the Missouri Public Service Commission in Case No. GR-94-127 and extended in Case No. GO-98-174. This promotional practice is being provided on a uniform basis to the residential class of customers as described in the terms and conditions contained in Section 29 - No Charge Conversion Rules and Regulations of Southern Missouri's Natural Gas Tariff Number 1.

The purpose of this promotional practice is to encourage the connection of more customers, some of whom may not be able to afford the conversion, and should result in safer, more cost-saving construction and lower rates to all customers. This promotional practice is provided by Southern Missouri Gas Company pursuant to its Tariff Sheets No 63-67.

(+) - changed text

DATE OF ISSUE
month day year

DATE EFFECTIVE
month day year

ISSUE BY Tom M. Taylor
name of officer

President
title

8801 S. Yale, Ste. 385, Tulsa, OK 74137
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