

**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)	
for a certificate of public convenience)	
and necessity authorizing it to construct,)	
install, own, operate, control, manage)	Case No.
and maintain a natural gas distribution)	
system to provide gas service in)	
Houston, Licking, and Mountain View, Missouri.)	

APPLICATION

COMES NOW Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas, ("SMNG" or "Applicant"), by and through its counsel, and for its Application pursuant to Section 393.170, RSMo 2000,¹ and 4 CSR 240-2.060(1) and 4 CSR 240-3.205 requests that the Commission issue an order granting SMNG a certificate of convenience and necessity for a pipeline and natural gas distribution system to provide natural gas and transportation services in Houston, Licking, and Mountain View, Missouri. In support of this Application, SMNG respectfully states as follows:

1. Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas, a Missouri limited partnership, ("SMNG") owns and operates a natural gas transmission and distribution system located in southern Missouri which serves approximately 7,500 residential, commercial and industrial customers. SMGC is a "gas corporation" and "public utility" under the jurisdiction of the Missouri Public Service Commission, pursuant to Chapters 386 and 393,

¹All statutory references are to Revised Statutes of Missouri 2000, unless otherwise indicated.

RSMo. 2000. The Company's street and mailing address is: 301 E. 17th Street, Mountain Grove, Missouri 65711. The Company's telephone number is: (417) 926-7533.

2. All correspondence, pleadings, orders, and documents in this proceeding should be addressed to:

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

Mike Lumby, General Manager
Southern Missouri Gas Company, L.P.
301 E. 17th Street
Mountain Grove, Missouri 65711
Telephone: (417) 926-7533
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Randal T. Maffett, President & CEO
Sendero Asset Management, LLC
1001 Fannin--Suite 550
Houston, Texas 77022
Telephone: (713) 655-0523
Email: rmaffett@sendero.biz

3. A copy of SMNG's Certificate Of Good Standing In Missouri from the Missouri Secretary of State is attached as Appendix A and is incorporated herein by reference.

4. In 1995, the Commission issued orders in Case No. GA-94-127 granting a certificate of convenience and necessity to SMNG to construct and operate natural gas systems in

several municipalities, including Houston, Licking and Mountain View, Missouri.² SMNG exercised such authority and constructed its trunkline and distribution facilities as authorized by the orders in Case No. GA-94-127. However, SMNG did not complete the trunkline and distribution systems in Houston, Licking, and Mountain View.³

5. SMNG desires to complete the construction of its distribution system to Houston, Licking, and Mountain View. In order to commence construction in these areas, SMNG requests that the Commission issue a certificate of convenience and necessity to construct and operate natural gas systems in the Houston, Licking, and Mountain View, Missouri areas.

6. The maps, metes and bounds legal description of the Houston, Licking, and Mountain View, Missouri service area were filed with in the record in Case No. GA-94-127 and are incorporated herein by reference. An updated Feasibility Study is also being provided in Appendix C. A list of ten persons residing in the Company's service area was previously provided in the record in Case No. GA-94-127 and are incorporated herein by reference.

7. Applicant has been new franchises for Houston and Licking, and is in the process obtaining a new franchise for Mountain View, Missouri. The franchises are included in Appendix D. (The Mountain View franchise will be late-filed upon receipt). No other franchises or permits will be required from the counties, or other authorities in connection with

² On April 15, 1995, the Commission issued its Order Approving Tariffs And Authorizing The Commencement Of Construction Of Gas Facilities which authorized the predecessor of SMNG, Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C., to commence construction of its trunkline facilities and municipal distribution facilities in several municipalities, including Houston and Licking, Missouri. Following a ratification vote in Mountain View, Missouri, the Commission issued a similar Order Granting Certificate Of Convenience And Necessity For Mountain View, Missouri, And Authorizing Construction Of Distribution Facilities In Mountain View, Missouri, And In Texas And Wright Counties. (Appendix B).

³ Section 393.170(3) states in part: "Unless exercised within two years from the grant thereof, authority conferred by such certificate of convenience and necessity issued by the commission shall be null and void."

the proposed construction other than the usual and customary state highway, railroad and county road permits which will be obtained prior to construction.

8. Applicant proposes to use its current rates and regulations, as approved by the Commission, for natural gas service contained in its existing tariff.

9. There is no same or similar utility service, regulated or unregulated, available in the area requested.

10. The granting of this Application is required by the public convenience and necessity since natural gas service is not presently available in the proposed certificated area, and the availability of natural gas to Houston, Licking, and Mountain View, Missouri will promote the public interest since natural gas is an economical, safe, and reliable source of energy for residential, commercial, industrial, municipal and other customers.

11. The Applicant has no pending action or final unsatisfied judgments or decisions against it 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.

12. The Applicant has no annual report or assessment fees that are overdue.

13. The financing requirements for the expansion into Houston, Licking, and Mountain View along with the request for a certificate of convenience and necessity for Lebanon (Case No. GA-2007-0212) are being considered in Case No. GF-2007-0215. In order to obtain the financing requested in Case No. GF-2007-0215, it will be necessary for the Company to have regulatory authority to proceed with the construction of the facilities, as requested herein. By separate motion, the Company will seek to consolidate the proceedings in Case No. GF-2007-0215, Case No. GA-2007-0212, and this proceeding.

WHEREFORE, Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas respectfully requests an order from the Commission grant SNMG a certificate of convenience and necessity to construct, install, own, operate, control, manage, and maintain a system for the provision of natural gas service to the public pursuant to its proposed rates, rules, and regulations contained in its tariff in Houston, Licking, and Mountain View, Missouri, as more fully described herein.

Respectfully submitted,

/s/ James M. Fischer

James M. Fischer Mo. Bar No. 27543
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ATTORNEYS 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 15th day of February, 2007, to:

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

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

/s/ James M. Fischer

James M. Fischer

VERIFICATION

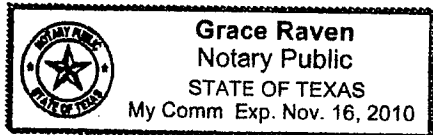
STATE OF TEXAS)
)
COUNTY OF HARRIS) ss.


Randal T. Maffett, being first duly sworn, on his oath and in his capacity as Executive Vice-President states that he is authorized to execute this Application on behalf of Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas 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 13th day of February, 2007.





Notary Public

My Commission Expires: Nov. 16th 2010

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 14th
day of April, 1995.

In the matter of the application of Tartan)
Energy Company, L.C., d/b/a Southern Missouri)
Gas Company, for a certificate of convenience)
of necessity authorizing it to construct,)
install, own, operate, control, manage and)
maintain gas facilities and to render gas)
service in and to residents of certain areas)
of Wright, Texas, Howell, Webster, Greene and)
Douglas Counties, including the incorporated)
municipalities of Seymour, Cabool, Houston,)
Licking, Mountain Grove, Mountain View, West)
Plains, Ava, Mansfield, Marshfield and Willow)
Springs, Missouri.)

CASE NO. GA-94-127

ORDER APPROVING TARIFFS AND AUTHORIZING THE COMMENCEMENT OF CONSTRUCTION
OF GAS FACILITIES

On September 16, 1994, the Commission issued a Report and Order which granted Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company (Tartan) a Certificate of Convenience and Necessity authorizing it to construct, install, own, operate, control, manage and maintain gas facilities and render gas service in and to the residents of certain areas of Wright, Texas, Howell, Webster, Greene, and Douglas Counties, including the incorporated municipalities of Seymour, Cabool, Houston, Licking, Mountain Grove, West Plains, Ava, Mansfield, Marshfield, and Willow Springs, Missouri, as well as Mountain View, Missouri if the franchise granted by Mountain View was ratified by its voters. The Report and Order contained a number of conditions, and stated that the Certificate of Convenience and Necessity would become effective simultaneously with the effective date of the tariffs Tartan was required to file, while in turn indicating that Tartan's tariff would not be approved until a number of conditions had been met. In addition, the Report and Order also stated that Tartan was required to show compliance with a further set of

conditions prior to the commencement of construction of any gas facilities. Tartan also was required to comply with the terms of the Nonunanimous Stipulation and Agreement. The various conditions are listed in detail on pages 27-28 of the Commission's Report and Order. On October 12, 1994, Tartan filed tariff sheets to comply with the Commission's Report and Order, with a proposed effective date of November 14, 1994. Since that time, the effective date of the tariffs have been extended by Tartan on numerous occasions, with a current effective date of April 15, 1995. On March 29, 1995, Tartan filed a document styled Applicant's Motion for Order Authorizing Commencement of Construction of Natural Gas Distribution System.

On April 7, 1995, the Staff of the Missouri Public Service Commission (Staff) filed a memorandum entitled Staff Recommendation and Report on Items and Tariffs Submitted in Compliance with the Commission's Report and Order. Staff's memorandum serves a threefold purpose: (1) it provides Staff's recommendation with respect to the tariffs filed by Tartan; (2) it provides a brief report to the Commission on Tartan's compliance with the conditions of the Report and Order as required by the Report and Order; and (3) it provides a recommendation with respect to Tartan's motion for authorization to commence construction of its gas system. Staff first explains that the purpose of the extension of the effective date of the tariffs was to allow Tartan additional time to provide Staff with the documents required by the Stipulation and Agreement which the Commission approved in its Report and Order. In addition, Staff adds that since the original filing of the tariffs, Tartan has filed substitute tariff sheets on a number of occasions.

Staff states that the tariff sheets filed by Tartan contain the rates, rules, and regulations under which natural gas service will be provided to its service area in south-central Missouri. The material

contained in the filing, according to Staff, includes a table of contents, a map, metes and bounds descriptions, rate tariff sheets, a Purchased Gas Adjustment Clause, and general Rules and Regulations. Staff indicates that this filing also includes Tartan's Promotional Practice provisions and incorporates material consistent with the most revisions of the Commission's Chapter 13 rules on Service and Billing Practices. In addition, Staff notes that on February 15, 1995, the company submitted to the Commission's Gas Safety Staff an Operations and Maintenance Manual, including requirements for transmission O&M and a Drug Testing Program pursuant to paragraph 5(c) of the Stipulation, and also notes that on March 23, 1995, the company submitted to the Procurement Analysis Staff a copy of a signed firm transportation contract between Tartan and Williams Natural Gas Company pursuant to paragraph 3 of the Stipulation. Additionally, Staff mentions it has received unofficial notification from Tartan that the franchise for Mountain View was ratified by the voters in the April 4, 1995 election.

In conclusion, Staff states that it has reviewed the documents which comprise the conditioned items required to be produced prior to the granting of the Certificate and authorization of construction, and believes that they are in satisfactory compliance with the Commission's Report and Order. The Staff also indicates that it has examined the proposed tariff sheets and has determined that they are in compliance with the Commission's Report and Order and should be approved. The Staff therefore recommends that the Commission approve the Certificate and tariff sheets filed by Tartan to become effective with service to be rendered on and after April 15, 1995, and grant Tartan's request for an order authorizing the commencement of construction.

The Commission has reviewed all of the material filed by Tartan subsequent to the issuance of the Report and Order, and has reviewed the

recommendation of Staff, and finds that Tartan is in substantial compliance with the conditions precedent to the approval of its tariffs; that Tartan's tariffs are in substantial compliance with the Commission's Report and Order; and that Tartan is in substantial compliance with the conditions precedent to Commission authorization of the commencement of construction of Tartan's gas facilities.

More specifically, prior to the approval of Tartan's tariffs, Tartan was required to file a certificate of authority to do business in the State of Missouri, an affidavit of its President detailing the relationship between Tartan, Torch Energy Advisors, Inc., and Torch Marketing, Inc., and a signed firm transportation contract with Williams Natural Gas Company. On October 14, 1994, Tartan filed the required certificate, and the affidavit of Tom M. Taylor,¹ which substantially comply with the Commission's directive. On March 23, 1995, Tartan filed a copy of the contract with Williams Natural Gas with the Commission's Procurement Analysis Department, in compliance with the Nonunanimous Stipulation and Agreement and the Commission's Report and Order. Thus all the prerequisites to approval of Tartan's tariffs have been met. The Commission finds that upon review of the tariff sheets filed on October 12, 1994, as substituted on March 16, 1995 and March 20, 1995, and upon review of Staff's recommendation, the tariff sheets as substituted are in compliance with the Commission's Report and Order, and the rates contained in the tariff sheets as substituted are just and reasonable.

¹ In addition to the required information, Mr. Taylor's affidavit notes that Tartan, which will be doing business in the State of Missouri under the name of Southern Missouri Gas Company, is required under Missouri state law to identify itself as a limited liability company, and therefore should be referred to as Southern Missouri Gas Company, L.C. The Commission will use the designation "Southern Missouri Gas Company, L.C." in the remainder of its order and in the future.

In addition, prior to the commencement of any gas facilities, Tartan was required by the Commission's Report and Order to provide a commitment for the infusion into Tartan of common equity sufficient to achieve a 40-42 percent common equity to total capital ratio, and was required to file certified copies of the required approval of other governmental agencies. The required financial commitment was filed as an exhibit to Tartan's motion, and is in substantial compliance with the Commission's Report and Order. Also attached to Tartan's motion as exhibits are the required approvals of other governmental agencies, including: (1) Missouri Highway and Transportation Commission permits; (2) nationwide permits from the Department of the Army, U.S. Corp of Engineers; and (3) the affidavit of Tom M. Taylor, with attached county franchises authorizing use of county facilities in unincorporated areas of Douglas, Howell, and Webster Counties. These also appear to be in substantial compliance with the Commission's Report and Order.

While county franchises are not a prerequisite to the commencement of construction by Tartan, the Commission's Report and Order does require any necessary county franchises prior to the construction by Tartan of *distribution* facilities to serve residents in the unincorporated portions of the counties within its service territory. Tartan explains in its motion that it does not yet have county franchises for the Counties of Texas and Wright, but states that it has met with the County Commissions in Texas and Wright Counties and expects to receive authorization in the very near future. Tartan adds that it will file the county authorizations when they are available. The Commission is of the opinion that lack of county franchises for Texas and Wright Counties is not an impediment to Tartan's commencement of construction of trunkline facilities. As Tartan correctly states in its motion, since Tartan's trunkline facilities will be constructed along a public highway right-of-way for which approval has

been received from the Missouri Highway and Transportation Department, the trunkline facility and the municipal distribution facilities may be constructed with the governmental permits and franchises which have been obtained to date. In addition, Tartan may construct distribution facilities to serve residents in the unincorporated portions of Douglas, Howell, and Webster Counties.

For purposes of clarity, the Commission determines there are only three areas where Tartan may not yet commence construction: Tartan may not construct distribution facilities to serve residents in the unincorporated portions of Texas and Wright Counties unless it has obtained any necessary county franchises authorizing it to do so, and has filed either a certified copy of the county franchise or an affidavit indicating that the county franchise has been obtained, and Tartan may not construct distribution facilities to serve residents in the city of Mountain View until it files with the Commission a certified copy of the franchise ratified by the voters of Mountain View, or an affidavit indicating that the voters ratified the franchise in the voter ratification election.²

The Commission concludes that it is appropriate to approve Tartan's tariffs for service on and after April 15, 1995; to authorize Tartan's Certificate of Convenience and Necessity to become effective simultaneously with the effective date of its tariffs on April 15, 1995; and to authorize commencement of construction of Tartan's trunkline facilities, municipal distribution facilities in the incorporated municipalities contained within its Certificate of Convenience and Necessity, with the exception of Mountain View, and distribution facilities to serve unincorporated areas in Douglas, Howell, and Webster Counties.

² While Staff's recommendation indicates it received unofficial notification that the franchise was ratified by voters on April 4, 1995, Tartan is still required to file with the Commission either the franchise or an affidavit.

IT IS THEREFORE ORDERED:

1. That the following tariff sheets filed by Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. on October 12, 1994, as substituted by the tariff sheets of March 16, 1995 and March 20, 1995, be and are hereby approved to become effective April 15, 1995:

P.S.C. MO. No. 1

Title Page

Original Sheet Numbers i through x Inclusive

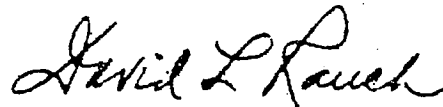
Original Sheet Numbers 1 through 71 Inclusive

2. That the Certificate of Convenience and Necessity granted to Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. in the Commission's Report and Order of September 16, 1994, shall become effective simultaneously with the effective date of the tariffs approved in Ordered Paragraph No. 1 above, on April 15, 1995.

3. That Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. be and is hereby authorized to commence construction of its trunkline facilities; municipal distribution facilities in the incorporated municipalities contained within its Certificate of Convenience and Necessity, with the exception of Mountain View; and distribution facilities in the unincorporated portions of Douglas, Howell, and Webster Counties.

4. That this order shall become effective on April 15, 1995.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Perkins,
Kincheloe and Crumpton, CC., Concur.

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 19th
day of May, 1995.

In the matter of the application of Tartan)
Energy Company, L.C., d/b/a Southern Missouri)
Gas Company, for a certificate of convenience)
and necessity authorizing it to construct,)
install, own, operate, control, manage, and)
maintain gas facilities and to render gas)
service in and to residents of certain areas)
of Wright, Texas, Howell, Webster, Greene)
and Douglas Counties, including the)
incorporated municipalities of Seymour,)
Cabool, Houston, Licking, Mountain Grove,)
Mountain View, West Plains, Ava, Mansfield,)
Marshfield, and Willow Springs, Missouri.)

CASE NO. GA-94-127

ORDER GRANTING CERTIFICATE OF CONVENIENCE AND NECESSITY FOR MOUNTAIN
VIEW, MISSOURI, AND AUTHORIZING CONSTRUCTION OF DISTRIBUTION FACILITIES
IN MOUNTAIN VIEW, MISSOURI, AND IN TEXAS AND WRIGHT COUNTIES

On September 16, 1994, the Commission issued a Report and Order which granted Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company (Tartan) a Certificate of Convenience and Necessity authorizing it to construct, install, own, operate, control, manage, and maintain gas facilities and render gas service in and to the residents of certain areas of Wright, Texas, Howell, Webster, Greene, and Douglas Counties, including the incorporated municipalities of Cabool, Houston, Licking, Mountain Grove, West Plains, Ava, Mansfield, Marshfield, and Willow Springs, Missouri, as well as Mountain View, Missouri, if the franchise granted by Mountain View was ratified by its voters. The Report and Order contained a number of conditions with which Tartan was required to comply prior to approval of its tariffs and authorization for the construction of gas facilities. On April 14, 1995, the Commission issued an Order Approving Tariffs and Authorizing the Commencement of Construction of Gas Facilities.¹ In that order, the

¹In that order, the Commission inadvertently referred to Seymour as one of the incorporated municipalities for which Tartan had received a Certificate of Convenience and Necessity. In fact, Tartan dropped its request with respect to Seymour in its First Amended Application, as it had not received a franchise from Seymour. Tartan has subsequently filed an application seeking a Certificate of Convenience and Necessity for Seymour and other incorporated municipalities in Case No. GA-95-349.

have indeed ratified the franchise granted to Tartan have been filed with the Commission. In addition, the remainder of Tartan's Certificate of Convenience and Necessity was made effective simultaneously with the effective date of Tartan's tariffs, which were approved by the Commission in its Order Approving Tariffs and Authorizing the Commencement of Construction of Gas Facilities on April 14, 1995. As Tartan's Certificate of Convenience and Necessity with respect to the incorporated municipality of Mountain View will be effective as of the effective date of this order, Tartan will also *a fortiori* be authorized as of the same date to commence construction of its municipal distribution facilities in the incorporated municipality of Mountain View without further action by Tartan. The Commission also finds that Tartan should be authorized to commence construction of its distribution facilities in the unincorporated portions of Texas and Wright Counties, as Tartan has filed with the Commission appropriate documents indicating receipt of county franchises from the county commissions of Texas and Wright Counties.


IT IS THEREFORE ORDERED:

1. That Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. be and is hereby granted a Certificate of Convenience and Necessity authorizing it to construct, install, own, operate, control, manage, and maintain gas facilities and to render gas service in and to the residents of the incorporated municipality of Mountain View, Missouri.

2. That Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. be and is hereby authorized to commence construction of municipal distribution facilities in the incorporated municipality of Mountain View, Missouri, and distribution facilities in the unincorporated portions of Texas and Wright Counties.

3. That this order shall become effective on May 30, 1995.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

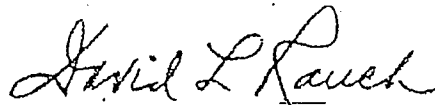
McClure, Perkins, Kincheloe
and Crumpton, CC., Concur.
Mueller, Chm., Absent.

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 19th day of May, 1995.



David L. Rauch
Executive Secretary

APPENDIX C

FEASIBILITY STUDY

(HIGHLY CONFIDENTIAL INFORMATION—FILED UNDER SEAL)

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1001 Fannin--Suite 550
Houston, Texas 77022
Telephone: (713) 655-0523
Email: rmaffett@sendero.biz

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Respectfully submitted,

/s/ James M. Fischer

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Fischer & Dority, P.C.
101 Madison Street, Suite 400
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Telephone: (573) 636-6758
Fax: (573) 636-0383
Email: jfischerpc@aol.com

ATTORNEYS 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 15th day of February, 2007, to:

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

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

/s/ James M. Fischer

James M. Fischer

VERIFICATION

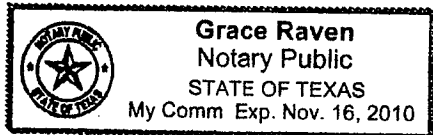
STATE OF TEXAS)
)
COUNTY OF HARRIS) ss.


Randal T. Maffett, being first duly sworn, on his oath and in his capacity as Executive Vice-President states that he is authorized to execute this Application on behalf of Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas 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 13th day of February, 2007.





Notary Public

My Commission Expires: Nov. 16th 2010

GR-2014-0086

Feasibility Study has been
deemed “Highly Confidential”
in its entirety

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 14th
day of April, 1995.

In the matter of the application of Tartan)
Energy Company, L.C., d/b/a Southern Missouri)
Gas Company, for a certificate of convenience)
of necessity authorizing it to construct,)
install, own, operate, control, manage and)
maintain gas facilities and to render gas)
service in and to residents of certain areas)
of Wright, Texas, Howell, Webster, Greene and)
Douglas Counties, including the incorporated)
municipalities of Seymour, Cabool, Houston,)
Licking, Mountain Grove, Mountain View, West)
Plains, Ava, Mansfield, Marshfield and Willow)
Springs, Missouri.)

CASE NO. GA-94-127

ORDER APPROVING TARIFFS AND AUTHORIZING THE COMMENCEMENT OF CONSTRUCTION
OF GAS FACILITIES

On September 16, 1994, the Commission issued a Report and Order which granted Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company (Tartan) a Certificate of Convenience and Necessity authorizing it to construct, install, own, operate, control, manage and maintain gas facilities and render gas service in and to the residents of certain areas of Wright, Texas, Howell, Webster, Greene, and Douglas Counties, including the incorporated municipalities of Seymour, Cabool, Houston, Licking, Mountain Grove, West Plains, Ava, Mansfield, Marshfield, and Willow Springs, Missouri, as well as Mountain View, Missouri if the franchise granted by Mountain View was ratified by its voters. The Report and Order contained a number of conditions, and stated that the Certificate of Convenience and Necessity would become effective simultaneously with the effective date of the tariffs Tartan was required to file, while in turn indicating that Tartan's tariff would not be approved until a number of conditions had been met. In addition, the Report and Order also stated that Tartan was required to show compliance with a further set of

conditions prior to the commencement of construction of any gas facilities. Tartan also was required to comply with the terms of the Nonunanimous Stipulation and Agreement. The various conditions are listed in detail on pages 27-28 of the Commission's Report and Order. On October 12, 1994, Tartan filed tariff sheets to comply with the Commission's Report and Order, with a proposed effective date of November 14, 1994. Since that time, the effective date of the tariffs have been extended by Tartan on numerous occasions, with a current effective date of April 15, 1995. On March 29, 1995, Tartan filed a document styled Applicant's Motion for Order Authorizing Commencement of Construction of Natural Gas Distribution System.

On April 7, 1995, the Staff of the Missouri Public Service Commission (Staff) filed a memorandum entitled Staff Recommendation and Report on Items and Tariffs Submitted in Compliance with the Commission's Report and Order. Staff's memorandum serves a threefold purpose: (1) it provides Staff's recommendation with respect to the tariffs filed by Tartan; (2) it provides a brief report to the Commission on Tartan's compliance with the conditions of the Report and Order as required by the Report and Order; and (3) it provides a recommendation with respect to Tartan's motion for authorization to commence construction of its gas system. Staff first explains that the purpose of the extension of the effective date of the tariffs was to allow Tartan additional time to provide Staff with the documents required by the Stipulation and Agreement which the Commission approved in its Report and Order. In addition, Staff adds that since the original filing of the tariffs, Tartan has filed substitute tariff sheets on a number of occasions.

Staff states that the tariff sheets filed by Tartan contain the rates, rules, and regulations under which natural gas service will be provided to its service area in south-central Missouri. The material

contained in the filing, according to Staff, includes a table of contents, a map, metes and bounds descriptions, rate tariff sheets, a Purchased Gas Adjustment Clause, and general Rules and Regulations. Staff indicates that this filing also includes Tartan's Promotional Practice provisions and incorporates material consistent with the most revisions of the Commission's Chapter 13 rules on Service and Billing Practices. In addition, Staff notes that on February 15, 1995, the company submitted to the Commission's Gas Safety Staff an Operations and Maintenance Manual, including requirements for transmission O&M and a Drug Testing Program pursuant to paragraph 5(c) of the Stipulation, and also notes that on March 23, 1995, the company submitted to the Procurement Analysis Staff a copy of a signed firm transportation contract between Tartan and Williams Natural Gas Company pursuant to paragraph 3 of the Stipulation. Additionally, Staff mentions it has received unofficial notification from Tartan that the franchise for Mountain View was ratified by the voters in the April 4, 1995 election.

In conclusion, Staff states that it has reviewed the documents which comprise the conditioned items required to be produced prior to the granting of the Certificate and authorization of construction, and believes that they are in satisfactory compliance with the Commission's Report and Order. The Staff also indicates that it has examined the proposed tariff sheets and has determined that they are in compliance with the Commission's Report and Order and should be approved. The Staff therefore recommends that the Commission approve the Certificate and tariff sheets filed by Tartan to become effective with service to be rendered on and after April 15, 1995, and grant Tartan's request for an order authorizing the commencement of construction.

The Commission has reviewed all of the material filed by Tartan subsequent to the issuance of the Report and Order, and has reviewed the

recommendation of Staff, and finds that Tartan is in substantial compliance with the conditions precedent to the approval of its tariffs; that Tartan's tariffs are in substantial compliance with the Commission's Report and Order; and that Tartan is in substantial compliance with the conditions precedent to Commission authorization of the commencement of construction of Tartan's gas facilities.

More specifically, prior to the approval of Tartan's tariffs, Tartan was required to file a certificate of authority to do business in the State of Missouri, an affidavit of its President detailing the relationship between Tartan, Torch Energy Advisors, Inc., and Torch Marketing, Inc., and a signed firm transportation contract with Williams Natural Gas Company. On October 14, 1994, Tartan filed the required certificate, and the affidavit of Tom M. Taylor,¹ which substantially comply with the Commission's directive. On March 23, 1995, Tartan filed a copy of the contract with Williams Natural Gas with the Commission's Procurement Analysis Department, in compliance with the Nonunanimous Stipulation and Agreement and the Commission's Report and Order. Thus all the prerequisites to approval of Tartan's tariffs have been met. The Commission finds that upon review of the tariff sheets filed on October 12, 1994, as substituted on March 16, 1995 and March 20, 1995, and upon review of Staff's recommendation, the tariff sheets as substituted are in compliance with the Commission's Report and Order, and the rates contained in the tariff sheets as substituted are just and reasonable.

¹ In addition to the required information, Mr. Taylor's affidavit notes that Tartan, which will be doing business in the State of Missouri under the name of Southern Missouri Gas Company, is required under Missouri state law to identify itself as a limited liability company, and therefore should be referred to as Southern Missouri Gas Company, L.C. The Commission will use the designation "Southern Missouri Gas Company, L.C." in the remainder of its order and in the future.

In addition, prior to the commencement of any gas facilities, Tartan was required by the Commission's Report and Order to provide a commitment for the infusion into Tartan of common equity sufficient to achieve a 40-42 percent common equity to total capital ratio, and was required to file certified copies of the required approval of other governmental agencies. The required financial commitment was filed as an exhibit to Tartan's motion, and is in substantial compliance with the Commission's Report and Order. Also attached to Tartan's motion as exhibits are the required approvals of other governmental agencies, including: (1) Missouri Highway and Transportation Commission permits; (2) nationwide permits from the Department of the Army, U.S. Corp of Engineers; and (3) the affidavit of Tom M. Taylor, with attached county franchises authorizing use of county facilities in unincorporated areas of Douglas, Howell, and Webster Counties. These also appear to be in substantial compliance with the Commission's Report and Order.

While county franchises are not a prerequisite to the commencement of construction by Tartan, the Commission's Report and Order does require any necessary county franchises prior to the construction by Tartan of *distribution* facilities to serve residents in the unincorporated portions of the counties within its service territory. Tartan explains in its motion that it does not yet have county franchises for the Counties of Texas and Wright, but states that it has met with the County Commissions in Texas and Wright Counties and expects to receive authorization in the very near future. Tartan adds that it will file the county authorizations when they are available. The Commission is of the opinion that lack of county franchises for Texas and Wright Counties is not an impediment to Tartan's commencement of construction of trunkline facilities. As Tartan correctly states in its motion, since Tartan's trunkline facilities will be constructed along a public highway right-of-way for which approval has

been received from the Missouri Highway and Transportation Department, the trunkline facility and the municipal distribution facilities may be constructed with the governmental permits and franchises which have been obtained to date. In addition, Tartan may construct distribution facilities to serve residents in the unincorporated portions of Douglas, Howell, and Webster Counties.

For purposes of clarity, the Commission determines there are only three areas where Tartan may not yet commence construction: Tartan may not construct distribution facilities to serve residents in the unincorporated portions of Texas and Wright Counties unless it has obtained any necessary county franchises authorizing it to do so, and has filed either a certified copy of the county franchise or an affidavit indicating that the county franchise has been obtained, and Tartan may not construct distribution facilities to serve residents in the city of Mountain View until it files with the Commission a certified copy of the franchise ratified by the voters of Mountain View, or an affidavit indicating that the voters ratified the franchise in the voter ratification election.²

The Commission concludes that it is appropriate to approve Tartan's tariffs for service on and after April 15, 1995; to authorize Tartan's Certificate of Convenience and Necessity to become effective simultaneously with the effective date of its tariffs on April 15, 1995; and to authorize commencement of construction of Tartan's trunkline facilities, municipal distribution facilities in the incorporated municipalities contained within its Certificate of Convenience and Necessity, with the exception of Mountain View, and distribution facilities to serve unincorporated areas in Douglas, Howell, and Webster Counties.

² While Staff's recommendation indicates it received unofficial notification that the franchise was ratified by voters on April 4, 1995, Tartan is still required to file with the Commission either the franchise or an affidavit.

IT IS THEREFORE ORDERED:

1. That the following tariff sheets filed by Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. on October 12, 1994, as substituted by the tariff sheets of March 16, 1995 and March 20, 1995, be and are hereby approved to become effective April 15, 1995:

P.S.C. MO. No. 1

Title Page

Original Sheet Numbers i through x Inclusive

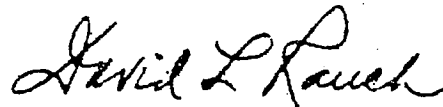
Original Sheet Numbers 1 through 71 Inclusive

2. That the Certificate of Convenience and Necessity granted to Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. in the Commission's Report and Order of September 16, 1994, shall become effective simultaneously with the effective date of the tariffs approved in Ordered Paragraph No. 1 above, on April 15, 1995.

3. That Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. be and is hereby authorized to commence construction of its trunkline facilities; municipal distribution facilities in the incorporated municipalities contained within its Certificate of Convenience and Necessity, with the exception of Mountain View; and distribution facilities in the unincorporated portions of Douglas, Howell, and Webster Counties.

4. That this order shall become effective on April 15, 1995.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Perkins,
Kincheloe and Crumpton, CC., Concur.

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 19th
day of May, 1995.

In the matter of the application of Tartan)
Energy Company, L.C., d/b/a Southern Missouri)
Gas Company, for a certificate of convenience)
and necessity authorizing it to construct,)
install, own, operate, control, manage, and)
maintain gas facilities and to render gas)
service in and to residents of certain areas)
of Wright, Texas, Howell, Webster, Greene)
and Douglas Counties, including the)
incorporated municipalities of Seymour,)
Cabool, Houston, Licking, Mountain Grove,)
Mountain View, West Plains, Ava, Mansfield,)
Marshfield, and Willow Springs, Missouri.)

CASE NO. GA-94-127

ORDER GRANTING CERTIFICATE OF CONVENIENCE AND NECESSITY FOR MOUNTAIN
VIEW, MISSOURI, AND AUTHORIZING CONSTRUCTION OF DISTRIBUTION FACILITIES
IN MOUNTAIN VIEW, MISSOURI, AND IN TEXAS AND WRIGHT COUNTIES

On September 16, 1994, the Commission issued a Report and Order which granted Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company (Tartan) a Certificate of Convenience and Necessity authorizing it to construct, install, own, operate, control, manage, and maintain gas facilities and render gas service in and to the residents of certain areas of Wright, Texas, Howell, Webster, Greene, and Douglas Counties, including the incorporated municipalities of Cabool, Houston, Licking, Mountain Grove, West Plains, Ava, Mansfield, Marshfield, and Willow Springs, Missouri, as well as Mountain View, Missouri, if the franchise granted by Mountain View was ratified by its voters. The Report and Order contained a number of conditions with which Tartan was required to comply prior to approval of its tariffs and authorization for the construction of gas facilities. On April 14, 1995, the Commission issued an Order Approving Tariffs and Authorizing the Commencement of Construction of Gas Facilities.¹ In that order, the

¹In that order, the Commission inadvertently referred to Seymour as one of the incorporated municipalities for which Tartan had received a Certificate of Convenience and Necessity. In fact, Tartan dropped its request with respect to Seymour in its First Amended Application, as it had not received a franchise from Seymour. Tartan has subsequently filed an application seeking a Certificate of Convenience and Necessity for Seymour and other incorporated municipalities in Case No. GA-95-349.

have indeed ratified the franchise granted to Tartan have been filed with the Commission. In addition, the remainder of Tartan's Certificate of Convenience and Necessity was made effective simultaneously with the effective date of Tartan's tariffs, which were approved by the Commission in its Order Approving Tariffs and Authorizing the Commencement of Construction of Gas Facilities on April 14, 1995. As Tartan's Certificate of Convenience and Necessity with respect to the incorporated municipality of Mountain View will be effective as of the effective date of this order, Tartan will also *a fortiori* be authorized as of the same date to commence construction of its municipal distribution facilities in the incorporated municipality of Mountain View without further action by Tartan. The Commission also finds that Tartan should be authorized to commence construction of its distribution facilities in the unincorporated portions of Texas and Wright Counties, as Tartan has filed with the Commission appropriate documents indicating receipt of county franchises from the county commissions of Texas and Wright Counties.


IT IS THEREFORE ORDERED:

1. That Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. be and is hereby granted a Certificate of Convenience and Necessity authorizing it to construct, install, own, operate, control, manage, and maintain gas facilities and to render gas service in and to the residents of the incorporated municipality of Mountain View, Missouri.

2. That Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. be and is hereby authorized to commence construction of municipal distribution facilities in the incorporated municipality of Mountain View, Missouri, and distribution facilities in the unincorporated portions of Texas and Wright Counties.

3. That this order shall become effective on May 30, 1995.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

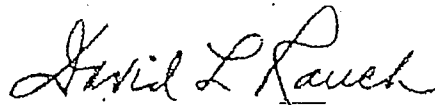
McClure, Perkins, Kincheloe
and Crumpton, CC., Concur.
Mueller, Chm., Absent.

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 19th day of May, 1995.



David L. Rauch
Executive Secretary

APPENDIX C

FEASIBILITY STUDY

(HIGHLY CONFIDENTIAL INFORMATION—FILED UNDER SEAL)

**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)
 for a certificate of public convenience)
 and necessity authorizing it to construct,)
 install, own, operate, control, manage)
 and maintain a natural gas distribution)
 system to provide gas service in)
 Laclede County, Missouri, as an)
 expansion of its existing service area.)

Case No. _____

APPLICATION AND MOTION FOR EXPEDITED TREATMENT

COMES NOW Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas, ("SMNG" or "Applicant"), by and through its counsel, and for its Application pursuant to Section 393.170, RSMo 2000,¹ 4 CSR 240-2.060(1) and 4 CSR 240-2.080(16) and 4 CSR 240-3.205 for a certificate of public convenience and necessity, respectfully states as follows:

1. Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas, a Missouri limited partnership, ("SMNG") owns and operates a natural gas transmission and distribution system located in southern Missouri which currently serves approximately 7,500 residential, commercial and industrial customers. SMGC is a "gas corporation" and "public utility" under the jurisdiction of the Missouri Public Service Commission, pursuant to Chapters 386 and 393, RSMo. 2000. The Company's street and mailing address is: 500 W. 19th Street, Mountain Grove, Missouri 65711. The Company's telephone number is: (417) 926-7533.

¹All statutory references are to Revised Statutes of Missouri 2000, unless otherwise indicated.

2. All correspondence, pleadings, orders, and documents in this proceeding should be addressed to:

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

Mike Lumby, General Manager
Southern Missouri Gas Company, L.P.
500 W. 19th Street
Mountain Grove, Missouri 65711
Telephone: (417) 926-7533
Email: mlumby@smng.biz

Randal T. Maffett, President & CEO
Sendero Asset Management, LLC
1001 Fannin--Suite 550
Houston, Texas 77022
Telephone: (713) 655-0523
Email: rmaffett@sendero.biz

3. A copy of SMNG's Certificate Of Good Standing In Missouri from the Missouri Secretary of State was submitted in Case No. GA-2007-0212 and is incorporated herein by reference.

4. In Case No. GA-2007-0212, the Commission granted SMNG a certificate of convenience and necessity to expand its backbone pipeline system and to construct, install, own, operate, control and manage a gas distribution system for the public in the Cities of Lebanon,

Licking and Houston, Missouri, as an expansion of its then-existing certificated area, subject to the conditions set out therein.²

5. A major commercial business (i.e. Willard Asphalt Paving, Inc.) has requested that SMNG provide natural gas service to its facility located approximately four (4) miles outside the municipal limits of Lebanon, Missouri, within Section 28, Township 35 North, Range 15 West in Laclede County, Missouri. This is an area where SMNG currently does not hold a certificate for natural gas service from the Commission.

6. Attached hereto and marked as Appendix A is a map of the location of the proposed service area described above, which includes the area of the proposed line extension from SMNG's existing system by approximately four (4) miles. SMNG already has a certificate from the Commission to serve certain Sections and Ranges of Townships 33 North and 34 North in Laclede County.

7. Attached hereto and marked as Appendix B is a metes and bounds legal description of the boundaries of the proposed service area.

8. Attached hereto as Appendix C is SMNG's Feasibility Study and a summary of the plans and specifications for the project including the estimated cost of construction (Highly Confidential--filed under seal). Construction methods will follow SMNG's customary standards and the rules of the Commission.

9. Attached hereto and marked as Appendix D is a list of ten persons residing in or who are landowners with the proposed service area.

² The certificates granted were conditioned upon the Company's obtaining financing acceptable to the Commission and, pursuant to the Commission's *Order Approving Stipulation and Agreement* issued April 17, 2008, in Case No. GF-2007-0215, SMNG's Second Amended Financing Application was approved.

10. Because SMNG does not have a certificate from the Commission for the area where the potential customer is located, it is necessary for SMNG to obtain the requisite permission from the Commission.

11. Applicant will not require any additional franchises or permits from municipalities, counties, or other authorities in connection with the proposed construction other than the usual and customary state highway, railroad and county road permits which will be obtained prior to construction.

12. Applicant proposes to use its current rates and regulations, as approved by the Commission, for natural gas service contained in its existing tariff.

13. There is no same or similar natural gas utility service, regulated or unregulated, available in the area requested. Since SMNG has the ability to provide natural gas service in this area by construction of additions to existing facilities, SMNG believes that potential new customers should be afforded the opportunity to take service from SMNG if they so desire, pursuant to SMNG's extension rule. The availability of natural gas to this area will support the public interest since natural gas is an economical, safe and reliable source of energy for customers. These facts support a finding that the granting of the application is required by the public convenience and necessity.

14. No gas transmission lines are required to be constructed as a part of this application.

15. The Applicant has no pending actions or final unsatisfied judgments or decisions against it 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.

16. The Applicant has no annual report or assessment fees that are overdue.

MOTION FOR EXPEDITED TREATMENT

17. Pursuant to 4 CSR 240-2.080(16), the Company requests that the Order Approving Certificate of Convenience And Necessity be effective no later than January 1, 2010, if possible. The commercial customer desires to have natural gas service as soon as possible. This pleading is also being filed as soon as it could have been once it became apparent that there was a need for natural gas service in the requested area. The benefit that will accrue from granting the application by the requested date is the commercial customer will be provided a safe and reasonably priced source of natural gas as soon as possible. No harm will accrue to SMNG's existing customers or the general public by granting this request for expedited treatment.

WHEREFORE, Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas respectfully requests an order from the Commission granting it a certificate of convenience and necessity on an expedited basis to construct, install, own, operate, control, manage, and maintain a system for the provision of natural gas service to the public pursuant to its approved rates, rules, and regulations contained in its tariff for Lebanon, Missouri, in the proposed service area in Laclede County, Missouri, as more fully described herein.

Respectfully submitted,

/s/ James M. Fischer

James M. Fischer Mo. Bar No. 27543
Larry W. Dority Mo. Bar No. 25617
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
lwdority@sprintmail.com

ATTORNEYS 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 October, 2009, to:

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

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

/s/ James M. Fischer

James M. Fischer

VERIFICATION

STATE OF MISSOURI)
)
) ss.
COUNTY OF)

Michael Lumby, being first duly sworn, on his oath and in his capacity as General Manager states that he is authorized to execute this Application on behalf of Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas and has knowledge of the matters stated herein, and that said matters are true and correct to the best of his knowledge and belief.

Michael Lumby
Michael Lumby

Subscribed and sworn to before me this 13th day of October, 2009.

Linda A. Moore
Notary Public

My Commission Expires: 5/04/12

LINDA A MOORE
Notary Public - Notary Seal
State of Missouri
Commissioned for Wright County
My Commission Expires: May 04, 2012
Commission Number: 08414018

APPENDIX C

FEASIBILITY STUDY

(HIGHLY CONFIDENTIAL INFORMATION—FILED UNDER SEAL)

JAMES M. FISCHER, P.C.

ATTORNEY AT LAW
REGULATORY CONSULTANT

101 WEST McCARTY, SUITE 215
JEFFERSON CITY, MO 65101

TELEPHONE (314) 636-6758
FAX (314) 636-0383

July 11, 1995

Mr. David L. Rauch
Executive Secretary
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

RE: Tartan Energy Company, L.C.
Case No. GA-95-349

Dear Mr. Rauch:

During the Commission Staff's review of the Application in the above-referenced matter, two typographical errors were found. The purpose of this letter is to correct those typographical errors.


On page 1 of Exhibit 2 of the Application, there is the following reference: "Note: This proposed additional service area includes the previously existing service area of sections 13, 24 and 25 of T20N R20W and does not exclude any portion of the corporate limits of Rogersville lying in Greene County." The reference to "T20N" in the above-referenced sentence should read "T28N".

Second, when the Company late-filed its Feasibility Study, it incorrectly designated the Feasibility Study as Exhibit 4. It should have been designated as Exhibit 3.

I hope these errors have not inconvenienced you or your Staff.

Should you have any questions regarding this matter, please contact me.

Sincerely,


James M. Fischer

JMF:jr

cc: Office of the Public Counsel

FILED
JUL 11 1995
MISSOURI
PUBLIC SERVICE COMMISSION

4.

JAMES M. FISCHER, P.C.

ATTORNEY AT LAW
REGULATORY CONSULTANT

101 WEST McCARTY, SUITE 215
JEFFERSON CITY, MO 65101

TELEPHONE (314) 636-6758
FAX (314) 636-0383

FILED

June 14, 1995

JUN 14 1995

Mr. David L. Rauch
Executive Secretary
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

MISSOURI
PUBLIC SERVICE COMMISSION

RE: Tartan Energy Company, L.C. d/b/a Southern Missouri Gas
Company, L.C.; Case No. GA-95-349

Dear Mr. Rauch:

Enclosed are the original and fourteen (14) copies of
late-filed Exhibit ~~9~~ ^{should be 3} --Feasibility Study of Tartan Energy Company,
L.C. d/b/a Southern Missouri Gas Company, L.C. for filing in the
above-referenced matter. A copy of the foregoing document has been
hand-delivered or mailed this date to parties of record.

Should you have any questions, please do not hesitate to
contact the undersigned.

Thank you for your attention to this matter.

Sincerely,

James M. Fischer
James M. Fischer

JMF:jr
Enclosures

cc: Parties of Record

EXHIBIT ³~~X~~ - FEASIBILITY STUDY

INTRODUCTION

The original Feasibility Study for the Tartan Energy Company, L.C. ("Tartan"), dba Southern Missouri Gas Company, L.C. ("SMGC"), submitted in December 1993, with supplements submitted in January 1994 and April 1994, as part of Case Number GA-94-127, included Tartan's plans to provide natural gas service to five smaller "probable additional cities" located along the then-proposed trunk pipeline route. These five cities, Rogersville, Fordland, Diggins, Seymour and Norwood, had not at that time granted franchises to Tartan for such gas service, although discussions directed towards obtaining franchises were beginning. In the absence of these franchises, the Missouri Public Service Commission, in its order issued September 16, 1994, did not grant Tartan authority to provide gas service within the corporate limits of these cities, although Tartan's approved service area surrounds the corporate limits of all these cities on all sides. Since the issuance of the MPSC's order, Tartan has obtained franchises in all five cities, with voter ratification completed in four and voter ratification scheduled in the fifth, Diggins, in August 1995. Copies of these franchises were filed with Tartan's May 9, 1995 Application to the MPSC for authority and a Certificate of Convenience and Necessity to provide natural gas service to these cities.

In Greene County, local enthusiasm for natural gas is high and Tartan has received in excess of 40 local residents' requests for farm taps, along the SMGC trunk pipeline route between the system origin point and Rogersville. As a result, Tartan is requesting that its typically three mile wide service area be extended westward approximately seven miles. This slightly expanded service area will allow Tartan to accommodate local residents' requests for farm taps along this segment of trunkline and is shown on Exhibit 2, page 1 of 3, of Tartan's Application.

3.

To fulfill the statutory requirement that a feasibility study accompany an Application for additional service area, Tartan has prepared this feasibility study, to be late-filed as Exhibit 4, with current information supporting the service area expansions (the five cities plus Greene County extension) sought in its recently filed Application. The following discussion is supported by Tables 1 through 6 immediately following the discussion.

DISCUSSION

Specifications

The distribution piping specifications planned for these five cities are given in Table 1. Previously, this information had been based on the use of Phillips Driscopipe Series 6500. After solicitation of material quotes for SMGC's 1995 construction season, the best value was achieved with Chevron Plexco PE2406 series medium density polyethylene (which is fully equivalent to Phillips Driscopipe 6500), thus Table 1 now references this selection. Although Table 1 provides information for piping as large as nominal 8-inch diameter, no pipe larger than 4-inch diameter, with one possible exception, is planned for use in any of the five cities. The possible exception is for the City of Seymour, where a short segment of nominal 8-inch diameter pipe may be used. No steel pipe will be used at any point between the city gate meter station and the individual service meter/regulators in any of the five cities. City gate regulator/meter stations, appropriately sized clones of those now being installed at each city previously approved for service by SMGC, will be used for each city.

The distribution systems to be constructed for each of the five cities will be designed, constructed, operated and maintained to the same specifications and criteria as those being built in the ten cities previously approved for gas service along the SMGC system. Copies of all construction specifications, welding and polyethylene fusion specifications, O&M manuals, emergency manuals, drug manual, etc. were provided

to the MPSC as part of the voluminous submissions in Case No. GA-94-127 and are incorporated herein by reference. Updates of these manuals and specifications are periodically provided to the MPSC and will be equally applicable to the distribution systems proposed for these five cities.

Table 2 gives updated test pressures and maximum allowable operating pressures (MAOPs) for the in-house piping now planned for use by SMGC. After on-site surveys, Tartan has concluded that most, if not all, existing in-house propane piping can be cost effectively replaced as part of the conversion to natural gas process. Replacement of propane piping will give uniformly and appropriately sized in-house piping in the majority of SMGC's customer base and will eliminate the labor consumptive selective replacement of frequently too small propane pipe segments and well as the time consuming location and repair of existing propane piping leaks. Complete piping replacement is made feasible through the availability and cost effectiveness of "gas-yellow" flexible, corrugated, vinyl clad stainless steel tubing that is industry and AGA (American Gas Association) approved for use as in-house natural gas piping. The need for only relatively short runs of this robust tubing in the typical house combined with its ease of installation and requirement for essentially no fittings other than end connectors make the tubing the material of choice for SMGC's upgrading of in-home piping. This selection is especially obvious when compared to the fitting, tooling and labor consumptive installation of rigid "black" steel pipe otherwise typical of in-house gas piping. The typical household conversion from propane to natural gas can be accomplished using stainless steel tubing within the same \$200 per conversion budget previously approved for SMGC.

SMGC now plans to use a 14-inch WC (water column) in-house MAOP piping pressure. This pressure is within the approved pressure rating of household appliances gas regulation/control valves and eliminates the need for the individual appliance regulators required for the previously planned two-pound (2 psig) in-house piping system. Use of the 14-inch WC MAOP also allows the downsizing of in-house

pipng, especially for higher loss corrugated tubing such as the vinyl clad stainless steel tubing proposed for use by SMGC. The combination of reduced tubing/end connector size (typically 1/2-inch versus 3/4-inch) and cost plus the ease of tubing installation and elimination of a 2-pound to 4-ounce regulator on each appliance all support the use of the 14-inch WC in-house piping MAOP. The in-house piping conversions for these five cities are proposed, and will be, absolutely consistent with conversions to be done in the ten previously approved SMGC cities.

Demand

Demand estimates for these five cities are addressed in Tables 3 and 4A/4B/4C. Table 3 shows demand for the five cities as estimated in the original feasibility study. That study called for a residential demand at the end of year 3 equalling 112,613 MCF/year. The original study used logically derived percentage multipliers to estimate annual commercial (44.2%) and industrial (58%) demand for the then-proposed SMGC system. These estimates were not made individually for these five cities, but applying these percentages to the above residential demand at the end of year three yields 49,775 MCF/year for commercial demand and 65,315 MCF/year industrial demand. It should be noted that these percentage multipliers were statistical and were based on a relatively large population; these were noted during Case No. GA-94-127 as not being particularly applicable to the smaller SMGC communities where the presence or absence of a single large commercial or industrial user could greatly skew the statistics. Since these five cities are or are among the five smallest for the SMGC system, the total demand estimate determined from the original feasibility study should be viewed as a maximum demand estimate.

Table 4A gives the current demand estimate. It is based on actual propane tank counts taken in May 1995 and assumes 90% of in-city propane users convert to natural gas within three years of gas service becoming available. These assumptions yield an end of year 3 residential demand equalling 137,070 MCF/year. Reviewing

Dun and Bradstreet-Duns Market Identifiers database yields commercial activity counts for each of the five cities and allows both the exclusion of propane/oil related activities and the identification of large commercial or industrial activities that have strong natural gas customer potential. Assuming 70% conversion of commercial activities at the end of year three with a conservative typical 150 MCF/year (50% greater than a typical residential customer) consumption per customer yields a commercial demand equalling 42,105 MCF/year. Direct contacts with three identified potential industrial or large commercial customers yields hydrocarbon energy consumption equivalent to 32,956 MCF/year.

Table 4B totals residential, commercial and industrial demands by city and yields a five city total demand equal to 212,131 MCF/year. As in the original feasibility study, no specific allowance has been made for the near-term conversion of electric or wood heating residential customers to natural gas, although residential contacts made with SMGC indicate that several such conversions are likely when gas becomes available.

Table 4C summarizes various database information (D&B and Strategic Mapping, Inc.) to demonstrate the upside market potential for these five cities. Using information summarized by zip code region (i.e., the individual geographic areas having a given zip code), area commercial activity counts are confirmed and the populations closely surrounding the corporate limits of the five cities are presented. The most striking upside potential arises from the surprisingly dense population surrounding Rogersville (8-to-1 versus corporate limits population and the more typical 3-to-1 for other cities along the SMGC system). This population's enthusiasm for natural gas is further evidenced by the numerous contacts SMGC is receiving, as system trunk pipeline construction progresses in the area, along the lines of "When will gas service be available?" and "How can I sign up for it?"

To summarize the estimated demand study for these five cities, there are no substantive differences from the information presented in the original feasibility study

and factored into Tartan's planning since inception. These five cities offer attractive, small incremental markets for a distribution system that is already passing through the area. Local enthusiasm for natural gas gives a high likelihood that this market will be realized given competitive pricing with propane and good service response. As for the remainder of SMGC, farm taps will be reviewed, justified and addressed on an individual basis based on installation costs versus demand.

Engineering Cost Estimate

The original feasibility study estimated cost for the distribution system in the five cities to total \$2,245,000 predicated on 1,150 residential customers. Using a current residential customer count estimate of 1,371 and using current SMGC materials and contractor quotes, the total estimated costs for the five cities are \$2,984,667. Table 5 gives the individual cost estimate per city. Note that these estimates are extrapolations from the detailed estimates prepared for polyethylene distribution construction and propane-to-natural gas conversions in seven cities during SMGC's 1995 construction season.

The original study provided tentative distribution piping grids superimposed on city map backgrounds for the original ten cities approved for SMGC. These preliminary grids, prepared by map and aerial photo analysis with selected on-site checks, proved of limited worth (and less accurate than a well reviewed extrapolation) relative to the later detailed construction maps that have been prepared showing the actual proposed piping locations and the location of all identified propane tanks in each city. Propane tank locations have been mapped for each of these five cities and a tentative piping grid discussed but, due to the expense involved in drafting construction drawings on AutoCad and plotting all propane tank locations, further construction drawing work is being deferred until the Fall of 1995 when such work is also to be completed for the SMGC 1996 construction season. This work, as well as all project management and subsequent operation and maintenance, will be performed to the same

specification, attention to detail, etc. and by the same management team members as the work performed for the 1995 SMGC construction season.

Project Economics

Table 6 gives forecast customer counts, annual demand, investment, revenue at existing tariffs (& without gas cost PGA), annual operating expenses and operating income before taxes. As can be seen, the addition of these five cities, which involves the installation of NO additional trunk pipeline, generates an attractive before tax operating income at existing tariffs. Since the demand associated with these five cities is relatively small overall, SMGC proposes to lump this investment with the investment otherwise being made in SMGC during 1995 and 1996 and to use existing tariffs without any modifications other than the addition of these five cities and the Greene County service area extension into SMGC's approved service area. No specific assumptions were made in preparing this economic summary relative to financing or interest expense, with this being equivalent to assuming the use of company (equity) funds for these five additional cities. If financing is required at a later date, this issue would be addressed specifically in an Application for approval of additional debt placement.

CONCLUSION

As can be seen from the original Feasibility Study and the data given herein, the addition of each of the five additional cities of Rogersville, Fordland, Diggins, Seymour and Norwood to the SMGC service area contributes positively to the overall SMGC system economics. SMGC's already approved service area surrounds each of these cities on all sides, each city has granted a natural gas distribution franchise to Tartan, and ratification votes have been completed in the four largest cities with Diggins to be completed during the Summer of 1995. SMGC trunk pipeline construction is

underway in the vicinity of each of these cities and has aroused considerable local enthusiasm. SMGC will be conducting late 1995 and year-long 1996 distribution construction activity in the vicinity of each of these cities and these five relatively small cities can be provided gas service most economically by integrating their systems' construction fully into SMGC's other on-going activity for late 1995 and 1996.

Numerous local requests for future farm taps have been accommodated by Tartan's request for the narrow SMGC service area to be extended seven miles westward along the trunk pipeline route in Greene County to the SMGC system origin point. All issues relevant to providing service to these five cities, including conversion incentives, were thoroughly explored, as well as aggressively challenged by Conoco, Inc. and various groups of local propane dealers, during the recent Case No. GA-94-127. While the demand to be served in these five small cities plus the Greene County service area extension is small relative to the remainder of SMGC, these citizens and potential customers are asking for natural gas and SMGC now is in the business of providing this service in the area. The MPSC is thus requested to approve this incremental, low risk addition to the overall SMGC system and make natural gas available to these five communities plus farm tap customers in south-central Missouri.

Notes:
Notes:

**Distribution Pipe Specifications (1):
Table 1**

Nominal Pipe Size	O.D. (in.)	SDR	Min. Wall (in.)	Min. Burst Pressure (4) (psig)	Design MAOP (psig)	SMGC MAOP (3) (psig)	Test Pressure for SMGC MAOP (psig)
3/4"	1.050	11	0.085	250	60	60	114
1"	1.315	11	0.120	250	60	60	114
2"	2.375	11	0.215	250	60	60	114
3"	3.500	11.5	0.304	238	78	60	114
4"	4.500	11.5	0.365	238	78	60	114
6"	6.625	11.5	0.575	238	78	60	114
8"	8.625	11.5	0.750	238	78	60	114

- Notes: 1 Information typical for Chevron Plasco PE2408 series medium density polyethylene pipe
 2 SDR = Standard Dimension Ratio (O.D./Min. Wall)
 3 Poly piping (out of city gate meter/regulator station to service regulator inlet) will have MAOP of 60 psig
 4 Using long-term hydrostatic strength = 1250 psig @ 73 degrees F

**In-House Piping:
Table 2**

MAOP (& typical operating pressure): 14 inches W.C.
 Test Pressure: Minimum: 5 psig for 20 minutes
 Maximum: 10 psig for 20 minutes

Typical Materials: Cast & Machined steel & brass fittings
 3/4" or 1" Black steel pipe
 3/8"-1/2"-3/4"-1" Wardflex and/or Titeflex corrugated stainless steel tubing

**Original Estimated Demand:
Table 3**

Data from Original Feasibility Study (Exhibit F8-17):

City:	1990 Population:	Estimated Residences: (see note #1)	Estimated # Conversions @ End Yr. 3: (see note #2)	Estimated Residential Demand/City @ End Yr. 3: (MCF/YR) (see note #3)	Commercial Demand per City @ End Yr. 3: (MCF/YR) (see note #4)	Industrial Demand per City @ End Yr. 3: (MCF/YR) (see notes #5/6)	Total Demand per City @ End Yr. 3: (MCF/YR)
Rogersville	995	415	290	29,021	12,827	16,632	58,480
Fordland	523	218	153	15,254	6,742	8,847	30,844
Diggins	258	108	75	7,525	3,328	4,385	15,218
Seymour	1638	682	477	47,717	21,091	27,676	96,483
Norwood	440	187	131	13,098	5,788	7,598	26,480
	3861	1,009	1,126	112,613	49,775	65,315	227,702

- Notes: 1 Assuming 2.4 residents per household
 2 Assuming 70% household conversion rate
 3 Assuming 100 MCF/Yr demand per household
 4 Assuming commercial demand = 44.2% of residential demand
 5 Orig. study used all industrial vol. = 55% of all residential vol. w/ only 1 actual identified industrial user in Seymour;
 6 Was noted that industrial density in the five small cities would probably be lower than average for SMGC system

**Current Estimated Demand
Table 4A**

City:	Actual May 85 Propane Tank Counts (see note #1)	Est. Residential Conversions ● End Yr. 3: (see note #2)	Est. Res. Demand ● End Yr. 3: (MCF/YR)	Est. # Commercial Activities (see note #3)	Est. Comm. Demand ● End Yr. 3: (MCF/YR) (see note #4)	Est. # Indus. Activities (see note #5)	Est. Indus. Demand ● End Yr. 3: (MCF/YR) (see note #6)
Rogeraville	384	346	34,000	165	17,325	1	5,475
Fordland	238	214	21,420	50	5,250	0	0
Diggins	74	67	6,660	3	315	0	0
Seymour	630	567	56,700	125	13,125	2	27,451
Norwood	197	177	17,730	58	6,080	0	0
	<u>1523</u>	<u>1,371</u>	<u>137,070</u>	<u>401</u>	<u>42,105</u>	<u>3</u>	<u>32,926</u>

- Notes:
- 1 Includes an addnl. 55 tanks, excluding those in Leesbrooks, that are immediately outside city limits of Rogeraville
 - 2 Assuming # of customers = 80% of propane users convert to natural gas within 3 years; no electric user conversions
 - 3 Per D&B - Duns Market Identifiers for each city (inc. churches, schools & Post Office; exc. propane/oli dealers)
 - 4 Conservative assumption = 70% conversions ● end year 3 w/ ea. customer = 150 MCF/Yr
 - 5 Per D&B - Duns Market Identifiers (May 1985)
 - 6 Potential demand from three specific industrial or large comml. propane users per 1984 actual energy consumption
 - 7 No farm taps included

**Estimated Demand Summary
Table 4B**

City:	Total Est. Demand (MCF/Yr)	Average Daily Demand MCF/Day (see note #7)	Est. Peak Daily Demand MCF/Day (see note #8)
Rogeraville	57,380	157	629
Fordland	26,670	73	262
Diggins	6,975	19	76
Seymour	97,309	267	1,066
Norwood	23,820	65	261
	<u>212,131</u>	<u>581</u>	<u>2,325</u>

- Notes:
- 7 MCF/Yr divided by 365 days per yr
 - 8 Uses peaking factor equal to 4 per MP&C Staff opinion for conservative peaking factor in a-c MO

**Demand Related Comparison Data
Table 4C**

Note that all data in Table 4C is from D&B Information Services and Strategic Mapping, Inc. and is tabulated by zip code region

Zip Code Region	Zip Code	Tot. # Mfg. Firms 1983	Tot. # Retail Firms 1983	Tot. # All Firms 1983	Tot. # All Employees 1983
Rogeraville	65742	8	45	192	753
Fordland	65862	1	15	53	226
Seymour	65748	15	47	154	1308
Norwood	65717	3	7	61	221

Zip Code Region	1980 Population	1983 Population	Est. 1988 Population	1980 Households	1983 Households	Est. 1988 Households
Rogeraville	8780	9168	9941	3213	3373	3685
Fordland	2080	2082	2112	605	612	630
Seymour	4748	4988	5052	1635	1687	1768
Norwood	1635	1605	1704	557	588	628

Official 1980 US Census Pop. Inside City Limits
985
523
1638
449

**Engineering Cost Estimate
Table 6**

City:	Original Feasibility Study (from Exhibit FS-18)		Current Cost Estimate	
	Est. # Services	Estimated Cost (see note #1)	Est. # Services	Estimated Cost (see note #2)
Rogersville	298	\$580,000	346	\$753,242
Portland	198	\$308,000	214	\$466,878
Diggins	77	\$180,000	67	\$145,859
Seymour	487	\$860,000	587	\$1,234,359
Norwood	134	\$260,000	177	\$366,329
	<u>1,150</u>	<u>\$2,246,000</u>	<u>1,371</u>	<u>\$2,984,667</u>

Notes: 1 Extrapolated # based on assumed \$1,943 average cost per service
2 Assumes \$2,177 avg. cost/service from actual 1995 Phase 1 SMGC distribution construction estimates

**Project Economics
Table 6**

Average # Customers:	← Operations →		
	Year 1	Year 2	Year 3
Residential	946	1,217	1,352
Commercial	81	104	118
Industrial (or Large Comm'l.)	1	2	3

Annual Demand:	← MCF/Year →		
	Year 1	Year 2	Year 3
Residential	47,344	91,287	132,536
Commercial	15,147	29,212	42,411
Industrial (or Large Comm'l.)	11,300	21,009	31,808
	<u>73,651</u>	<u>142,408</u>	<u>206,754</u>

Investment (\$000):	Year 1	Year 2	Year 3
	Existing	\$0	\$2,628
Additions	\$2,680	\$354	\$80
Ending	\$2,680	\$2,982	\$2,989
- Depreciation	(982)	(889)	(985)
	<u>\$2,628</u>	<u>\$2,919</u>	<u>\$2,904</u>

Income Statement (\$000):	Year 1	Year 2	Year 3
	Revenue (w/o gas cost PGA):	\$666	\$820
Operating Expenses (w/o PGA):			
O&M + Admin.	(\$100)	(\$125)	(\$125)
Depreciation	(982)	(889)	(985)
Operating Income (Before Tax):	<u>\$404</u>	<u>\$602</u>	<u>\$635</u>

TARTAN ENERGY COMPANY, L.C.

dba

SOUTHERN MISSOURI GAS COMPANY

FEASIBILITY STUDY

FILED
JAN 4 1994
MISSOURI
PUBLIC SERVICE COMMISSION

EXHIBIT 4

DECEMBER 1993

SOUTHERN MISSOURI GAS COMPANY

FEASIBILITY STUDY

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SOUTHERN MISSOURI GAS COMPANY

FEASIBILITY STUDY

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SYSTEM DEMAND

Residential

Excluding Greene County, which is traversed by Tartan's SGMC project only to obtain a Springfield area gas supply, the five counties in which SMGC proposes to serve various communities have historical 1970 and 1980, as well as current 1990, census populations as given in Table I below. The column labeled "Assumed Growth %" shown at below right is the trended growth percentage assumed by Tartan for each county.

<u>County</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>Assumed Growth %</u>
Webster	15,562	20,414	23,753	1%
Wright	13,667	16,188	16,758	1%
Douglas	9,268	11,594	11,876	1%
Howell	23,521	28,807	31,447	1%
Texas	18,320	21,070	21,476	1%
Total Population	80,338	98,073	105,310	

TABLE I -- COUNTY POPULATION & GROWTH TREND

The ten cities for which Tartan has franchises have respective 1990 populations as given below. For purposes of this demand study, numbers of households in each of the cities were uniformly estimated by dividing the city population by the average number of residents per household in the State of Missouri (approx. 2.4; per census extrapolation for each year 2,000). The following Table II summarizes the number of households by city with historical and current population for the Highway 60/63 project service area:

<u>City</u>	<u>1970 Pop.</u>	<u>1980 Pop.</u>	<u>1990 Pop.</u>	<u>#Households¹⁰⁰⁰</u>
Mansfield	1,056	1,423	1,429	595
Marshfield	2,961	3,871	4,374	1,822
Ava	2,504	2,761	2,938	1,224
Mountain Grove	3,377	3,974	4,182	1,742
Cabool	1,848	2,090	2,006	836
Willow Springs	2,015	2,215	2,038	849
West Plains	6,893	7,741	8,913	3,714
Mountain View	1,320	1,664	2,036	848
Houston	2,178	2,157	2,118	883
Licking	<u>1,002</u>	<u>1,272</u>	<u>1,328</u>	<u>553</u>
	25,154	29,168	31,362	13,066

TABLE II -- CITY POPULATIONS AND ESTIMATED NUMBER OF HOUSEHOLDS

Informal polling of various of the above city governments in late 1992 through 1993 yielded empirical confirmation of the Table II approximation of household (residences) counts. The confirming counts were usually based on number of electrical utility services and/or water services with estimated adjustments for multifamily housing. The counts generally agreed within +/- 10% of these uniformly calculated estimates of number of households, with the above calculated numbers typically being slightly conservative. Exhibit FS-15 MISC. COMPARISON DATA summarizes various of the data used in part for household count confirmation.

For a calculated estimate of the number of households that would be natural gas customers in the franchised cities (i.e., convert to natural gas for heat and/or other use), a conservative industry average would be 70% of all households to which natural gas is available, including 90+ % of all households which use propane or fuel oil for heating, within three years of the gas first becoming available. The three year

timeframe assumes a reasonable gas marketing effort by the local distribution utility with some subsidy of customer conversion costs (see Exhibit FS-16 CONVERSION INCENTIVE PROGRAM SUMMARY for Tartan's proposed SMGC conversion incentive plan). Using the 70% conversion percentage, the estimated number of natural gas customers per franchised city after three years is given in Table III below.

<u>City</u>	<u>Initial Estimate of NG Customers</u>	<u>Counted # of Propane Tanks*</u>	<u>Estimated # Propane Tks.</u>
Mansfield	416	N/A	450 ***
Marshfield	1,275	N/A	1,250 ***
Ava	856	N/A	850 ***
Mountain Grove	1,219	N/A	1,200 ***
Cabool	585	683	683
Willow Springs	594	595	595
West Plains	2,599	2,010	2,010
Mountain View	593	626	626
Houston	618	** 600+	625
Licking	387	N/A	375 ***
	9,142	4,514	8,664

TABLE III -- ESTIMATED NG CUSTOMERS VS. PROPANE TANK COUNT

Notes: * Propane tank counting proved to be a time consuming undertaking; with reasonable confidence in the counts for five of the original cover cities that were the nucleus of the Highway 60/63 project, only noncomprehensive drivearound surveys were conducted in cities that were later added to the nucleus group. Mansfield has a propane tank density (# tanks per # houses) roughly equivalent to Cabool; Marshfield has a higher density than West Plains, but somewhat less than Cabool; Ava and Mountain Grove tank density are roughly equivalent to Willow Springs or Mountain View.

** Two tank counts were available for Houston; the original count totaled 702, but is believed to have included commercial and outside-city-area tankage.

*** These are estimated propane tank counts by analogy with counted cities of comparable tank density

When estimating the actions of a population, arbitrary use of typical "industry" percentages, such as the 70% conversion rate cited above, however valid these may be elsewhere, sometimes can yield very misleading results. To make the use of a 70% household conversion rate less arbitrary, Tartan sought substantiation via

multiple data sources. First, where available, counts of existing propane tanks were reviewed; given competitive pricing, Tartan has high confidence that 90+ % of typical residential propane users will convert to natural gas when it becomes available. Propane tank counts, where available, for the various franchised cities are listed opposite the estimated household conversion rate in Table III above.

It can be seen from Table III that the estimated propane tank count, based directly on counts or reasonably analogous estimates and with the high confidence assumption of a relatively high propane user conversion rate, plus any minimal allowance for fuel oil, wood heat and other conversions, supports Tartan's 70% estimate for household conversions. An exception might be in the case of West Plains.

Interface with West Plains city government revealed that most new home construction there within the past 10 years has been all-electric, thus further substantiating both the relatively lower propane tank count and the need for an adjustment in Tartan's initial household conversion estimate (see footnote below). On the basis of largely all-electric home construction in recent years, the West Plains estimate of household conversions within the first three years was reduced to 2,228 (i.e., 60% conversion rate) for purposes of this demand study.

Footnote:

The typical all-electric home lends itself less well to conversion to natural gas than do homes heated by propane or fuel oil. The all electric home conversion process is generally more expensive, with major equipment replacement, piping and venting required versus only orifice or burner replacement plus piping test or upgrade that is typical of the non-electric home conversion. It is reasonable to assume, however, that when an all-electric home does require major heating system equipment or appliance replacement and when natural gas is available, that in a significant percentage of such cases a conversion will be made to natural gas for at least a part of that home's energy needs.

Additional support of the 70% household conversion rate anticipated by Tartan was taken directly from the November 2, 1993 franchise ratification votes in 7 cities (summarized in Exhibit FS-15 MISC. COMPARISON DATA). Of 2,339 total votes cast, 1,588 voted yes versus 751 no votes for a 67.9% endorsement of natural gas in the seven cities. This level of endorsement came despite the vote being held on a day of extremely inclement weather, with few or no additional issues on the various city ballots, and despite a major, last minute, opposition publicity campaign mounted by local propane interests.

In one specific instance, Tartan believes that ratification of the Cabool franchise (which allowed the city the option of constructing its own natural gas distribution system as described elsewhere in this study) was successfully deflected in the voter's viewpoint from being a ratification of natural gas becoming available in the city into a vote on whether the local citizens wanted the city of Cabool to be in the natural gas business. Cabool was the only franchise not ratified in the November 1993 election, with a vote count of 166 yes versus 169 no. A second ratification vote is planned in Cabool in February 1994, to be preceded by better public education concerning the benefits of natural gas and the nature of the franchise. Removing the Cabool results from the November 1993 total vote tally would yield 2,004 total votes, with 1,422 yes and 582 no for a 71.0% natural gas endorsement.

As a third analogous confirmation of Tartan's anticipated conversion rates, the most recently converted city closest to the Tartan's SMGC Highway 60/63 project

was scrutinized. In the City of St. James, Missouri, the September 1992 first availability of natural gas, the same distribution project management firm (Utter and Associates, Inc.) as that to be used by Tartan for SMGC, and a strong natural gas marketing effort have led to conversion rates of 62.5%, (1,300 total homes with 924 on propane; 758 homes converted of a total 812 signed up through December 1993) with 80+% of propane homes converting, within the first 16 months of gas availability.

A fourth and final confirmation was taken from a review of previous natural gas feasibility studies performed by third party consultants for various cities in Missouri (including some cities that will be part of Tartan's SMGC project). A total of six studies were reviewed; household conversion rate assumptions ranged from 50% to 78% in this group of studies, with these assumptions supported by a wide variety of sources, including direct sampling and/or polling of the local populations. Tartan is confident that its assumption of a 70% household conversion rate in three years for the SMGC Highway 60/63 project is both valid and conservative.

Average demand (i.e., consumption of natural gas) per residential customer was estimated using Missouri-specific data from the Natural Gas Annual 1991 ("NGA 1991"; compiled by the Energy Information Administration, Office of Oil & Gas, Reserves and Natural Gas Division, U.S. Dept. of Energy, Washington, D.C. 20585). The five years of Missouri residential and commercial consumption data (average annual consumption per residential or commercial consumer) presented therein are as follow in Table IV:

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Residential	96	107	107	96	100
Commercial	602	652	632	565	537

(data given in MCF per consumer; MCF = Thousand Cubic Feet)

TABLE IV - MISSOURI RESIDENTIAL/COMMERCIAL CONSUMPTION HISTORY

For purposes of this demand study, Tartan elected to assume an average annual consumption per residential consumer (i.e., household) of 100 MCF. A confirmation review using textbook values for average winter heat load (and annual other-use load) per degree day (using Springfield NOAA degree day data) for the Springfield to West Plains area was made to support this NGA-1991-based assumption (Note: The NOAA and AGA Springfield heating degree day data used is that given in Exhibit FS-17 DEMAND FORECAST, page 3, Section 5). Lastly, information from recent Laclede Gas Company annual reports was reviewed to elicit comparison data for the St. Louis area (e.g., in 1991, the average annual consumption per residential customer for Laclede's service area during the previous 10 years was 111 MCF). Tartan's 100 MCF per residence assumption is believed both valid and conservative.

Section 1 of Exhibit FS-17 DEMAND FORECAST gives residential demand forecasts by city for the first 10 years of the SMGC project. This exhibit uses residential demand growth rates of 1.3% for each city. These are based on historical population trends (from Table II data; supported by trends as given in Table I) and current forecasts of individual city growth plus an allowance for continued existing home conversions to natural gas. This section shows conservative Years 3, 5 and 10 residential demand to be 990,200, 1,015,429 and 1,081,367 MCF per year, respectively.

Commercial

Commercial demand was evaluated in two ways for purposes of this study. Studies published by the American Gas Association note commercial demand on average equaling approximately 38% of residential demand. Applying this percentage to the Residential Demand totals of Section 1 of Exhibit FS-17 DEMAND FORECAST and using a somewhat more conservative aggregate commercial growth rate of 1.0% per year (i.e., post-year-3; as a region versus an individual city basis), a forecast of commercial demand for the same time period was produced. This forecast is included in Section 2 (1st calculation) of Exhibit FS-17 DEMAND FORECAST.

Faced with the use of another "industry" percentage, albeit a well supported one, to forecast commercial demand, Tartan reviewed other Missouri-specific information included in the NGA 1991. Numbers of commercial versus residential consumers for Missouri in the years 1987 through 1991 were reviewed, as given in Table V-a below, on a percentage basis. Total commercial consumption in Missouri versus total Missouri residential consumption, as a percentage for each of the years 1987 through 1991, were also reviewed, as given in Table V-b following. As can be seen from Table V-b, the average commercial vs. residential consumption percentage for Missouri during the 1987-1991 timeframe was 50.4%, which is significantly higher than the typical 38% average value published by the AGA. The product of this Missouri-specific 50.4% commercial vs. residential consumption times the residential consumption forecast for the SMGC Highway 60/63 project is given in Section 2 (2nd calculation) of Exhibit FS-17 DEMAND FORECAST.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Commercial (x1000)	97	96	100	105	118
Residential (x1000)	1,181	1,195	1,209	1,213	1,211
% #Comm./#Res.	8.2%	8.0%	8.3%	8.7%	9.7%

TABLE V-a -- NUMBER OF COMMERCIAL AND RESIDENTIAL USERS

Commercial (x10 ⁴ cf)	58,205	63,839	63,039	58,367	63,191
Residential (x10 ⁴ cf)	116,050	128,317	129,144	115,950	120,680
% #Comm./#Res.	50.2%	49.8%	48.8%	50.3%	52.4%

TABLE V-b -- MISSOURI COMMERCIAL VS. RESIDENTIAL CONSUMPTION

Tartan has averaged the demands generated by both the typical industry 38% value and the Missouri-specific 50.4% value to produce for this feasibility study what is believed to be a very conservative forecast of future commercial gas consumption equaling 44.2% of residential gas consumption in Years 1 through 3, with 1% annual growth thereafter. Review of the Missouri-specific percentage of commercial vs. residential customers given in Table V-a above versus the data shown in Exhibit FS-15 MISC. COMPARISON DATA gives further support for Tartan's 44.2% forecast. This forecast produces Year 3, 5 and 10 commercial demands of 437,748, 446,547 and 469,325 MCF per year, respectively.

Industrial

Industrial demand generally defies broad percentage forecasting, since actual use is highly dependent on industry location, whether process gas is involved and

specific plant type (a plant can use gas in amounts ranging from minimal to enormous depending on the type of product or manufacturing involved). The availability of Missouri-specific historical data for industrial vs. residential natural gas consumption, however, does provide a basis for a tentative beginning estimate of industrial consumption for the SMGC Highway 60/63 project. Table VI below gives Missouri industrial vs. residential consumption for the years 1987-1991, as well as yearly industrial/residential percentages. An average industrial consumption for Missouri as a percentage of residential consumption can be seen to be 45.1%. Section 3 (1st calculation) of Exhibit FS-17 DEMAND FORECAST uses this Missouri-specific percentage and conservative 1% annual post-year-3 growth to give a first estimate for SMGC Highway 60/63 project industrial consumption.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Industrial (10 ⁶ ft ³)	54,328	54,243	53,936	54,536	57,196
Residential (10 ⁶ ft ³)	116,050	128,317	129,144	115,950	120,680
% #Ind./#Res.	46.8%	42.3%	41.8%	47.0%	47.4%

TABLE VI -- MISSOURI INDUSTRIAL VS. RESIDENTIAL CONSUMPTION

To have a higher confidence estimate of industrial consumption, direct identification, survey or polling of potential industrial customers must be undertaken, with due care taken not to classify larger commercial customers as being in the industrial category. To date, Tartan has identified high probability industrial usage

along the proposed SMGC system that totals 580,000 MCF per day at the end of year 3. This demand is spread between at least five separate city locations and by no means represents a complete polling of all potential industrial rate customers for the project.

Section 3 (2nd empirical determination) of Exhibit FS-17 DEMAND FORECAST includes this identified near-term industrial demand. An annual growth rate of 1.0% is forecast by Tartan for this demand post-year 3. To ensure that the industrial demand assumed for this demand study is adequately conservative, the product of the first Missouri-percentage-based industrial demand calculation and the somewhat higher result of the identified industrial demand were averaged to give the industrial demand numbers shown in Section 3 of Exhibit FS-17 DEMAND FORECAST.

Peak Demand Assessment

Design and sizing of the SMGC trunk pipeline and distribution systems in the various cities require that peak loading (i.e., the maximum hourly and daily rate of gas consumption) be considered as well as the average daily amounts of gas consumption. Section 4 of Exhibit FS-17 DEMAND FORECAST also includes Tartan's forecasts of residential seasonal peak loading due to varying heat loads, plus normal non-heating loads and routine load factor fluctuation between average and peak daily commercial (varying heat and business hour loads) and industrial (varying production processes, heat loads and operating hours) demand rates. Using Tartan management experience, the American Gas Association (AGA) Gas Engineer's Handbook (1st Ed., 1965, 9th

The preliminary SMGC manpower budget also is given in Table VII. Detailed plans will continue to be developed up to and during the construction process concerning the timing of staffing decisions and, in some cases, whether to contract out or provide in-house service capability(s). Also influencing SMGC's final employee organization and O&M budget will be the decisions by the individual cities concerning whether to own and operate municipal distribution systems or to allow Tartan to provide gas distribution via franchise. These preliminary estimates, however, do provide for the flexibility to make certain that adequate response personnel are available at all times and that customer service needs are always met.

CONVERSION INCENTIVE PROGRAM

The SMGC investment in its proposed five county service area will generate acceptable returns for the investors only if sufficient customers use natural gas. Tartan expects that the majority of system customers will be those that connect to the system within the first two years of gas availability. To foster a rapid buildup of customers, SMGC will provide natural gas service connections and appliance conversions at no cost to the customer during the first 24 months after natural gas service becomes available in a community. Additionally, in-house piping will be tested and revitalized and, in some cases, appliances modified or upgraded (at-cost) as needed, to ensure safe natural gas service in the most convenient manner for the customer. A cost-neutral appliance purchase plan also will be available for those customers needing or wishing to purchase new gas appliances.

Exhibit FS-16 INCENTIVE PROGRAM SUMMARY gives additional details of Tartan's SMGC conversion incentive program. The average cost of the proposed conversion incentive program subsidies included in the distribution system cost estimates is approximately \$200 per residence. The at-cost or cost-neutral features of the conversion incentive program will entail some minor administrative burden and expense which will be absorbed routinely within Tartan's accounting and administrative structure.

The capital investment required to provide the above discussed programs is proposed to be included in the rate base of the SMGC system. All customers will benefit from this program and all customers will pay for the service over the life of the system. This program provides confidence to the investor that there will be sufficient customers using the system near-term to justify the substantial risk of capital required to bring first time natural gas service to the region.

Inclusion of this program is a corner stone to the approach that will allow a significant area of Missouri to enjoy the benefits of natural gas and make the project risks acceptable to the investor.

ECONOMIC ANALYSIS

The development of economic projections is the tying together of the various study data into yearly revenue and expense statements. The total investment of the system, the operation costs projected for the system, and the total demand for natural