

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the matter of the application of)	
Southern Missouri Gas Company, L.P.)	
for a variance from)	Case No.
4 CSR 240-14.020(1)(D).)	

APPLICATION

COMES NOW Southern Missouri Gas Company, L.P. ("SMGC" or "Company"), by and through its attorney, and requests that pursuant to 4 CSR 240-14.010(2) and 4 CSR 240-2.060(4), the Missouri Public Service Commission ("Commission") grant a variance from the provisions of 4 CSR 240-14.020(1)(D) (Promotional Practices Rule), for good cause shown, and for an Order Approving the Applicant's proposed rebate program related to the installation of natural gas-fired water heaters. In support of its Application, SMGC states as follows:

1. Southern Missouri Gas Company, L.P., a Missouri limited partnership, 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, 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

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

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

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

4. The Company proposes to initiate a rebate program to encourage customers, builders and developers to install natural gas-fired water heaters in the Company's service area. More specifically, the Company proposes to provide eligible customers with a \$100.00 credit on their natural gas bill if they replace an electric water heater with a natural gas-fired water heater. In addition, the Company proposes to provide eligible customers, builders, or developers with a \$150.00 cash payment for the installation of a natural gas-fired water heater in any newly-constructed residence or commercial building. Finally, the Company proposes to provide eligible customers with a \$40.00 credit on their natural gas bill if they replace an existing natural gas-fired water heater with another natural gas-fired water heater. (hereafter referred to as

"water heater rebate program").

5. For the reasons stated herein, the Applicant hereby requests a variance from 4 CSR 240-14.020(1)(D) which states as follows:

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

* * *

(D) The furnishing of consideration to any dealer, architect, builder, engineer, subdivider, developer or other person for the sale, installation or use of appliances or equipment;

6. Applicant believes good cause exists for a variance from the provisions of 4 CSR 240-14.020(1)(D) under the unique circumstances of this proceeding. These reasons include the following:

a. The Company's proposed water heater rebate program will permit the Company to compete with similar rebate programs that are offered by unregulated electric cooperatives and propane dealers in the Company's service area. Attachment No. 1 includes advertisements from such unregulated competitors announcing similar rebate programs for the installation of water heaters and furnaces.

b. The Company's proposed water heater rebate program will also benefit low income and fixed income consumers who might not otherwise have the opportunity to enjoy the benefits of natural gas without the significant outlay of funds for purchase of natural gas-fired water heaters.

c. The proposed water heater rebate program will encourage the development of natural gas demand faster to ensure the economic operation of the natural gas system and the lowest possible rates to consumers both near-term and long-term.

7. There are no regulated public utilities within the Applicant's proposed service area that will be affected directly by the proposed water heater rebate program. In addition, the other providers of propane, fuel oil, and electricity in the area are not regulated by the Commission. Therefore, the provisions of the Promotional Practices Rule do not apply to them. The Promotional Practices Rule should not be applied in a narrow and restrictive manner to prohibit a regulated public utility from providing natural gas service in the most cost effective manner merely to protect unregulated competitors who are able to provide their services without the restriction of the Promotional Practice Rule.

8. Applicant's proposed water heater rebate program will be provided on a uniform and contemporaneous basis to all classes of customers throughout its service area. It will not vary the rates, charges and rules of Applicant's tariff, and will otherwise be just and reasonable, reasonable as a business practice, economically feasible, compensatory, and reasonably calculated to benefit both the Applicant and its prospective customers.

WHEREFORE, Applicant Southern Missouri Gas Company, L.P. respectfully requests that the Commission grant a variance from the provisions of 4 CSR 240-14.020(1)(D) and issue its Order approving the proposed water heater rebate program in this proceeding.

Respectfully submitted,

/s/ James M. Fischer

James M. Fischer Mo. Bar No. 27543

Fischer & Dority, P.C.

101 Madison Street, Suite 400

Jefferson City, Missouri 65101

Telephone: (573) 636-6758

Fax: (573) 636-0383

Email: jfischerpc@aol.com

ATTORNEYS FOR
SOUTHERN MISSOURI GAS COMPANY, L.P.

CERTIFICATE OF SERVICE

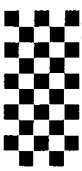
I hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, by U.S. Mail, First Class, this 10th day of October, 2005, to:

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

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

/s/ James M. Fischer_____


James M. Fischer



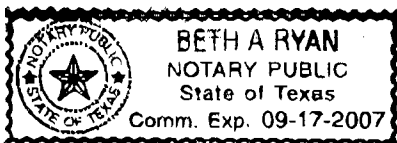
VERIFICATION


STATE OF TEXAS)
)
COUNTY OF HARRIS) ss.

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


Randal T. Maffett

Subscribed and sworn to before me this 10th day of October, 2005.




Notary Public

My Commission Expires: September 17, 2005

Advertisements from Unregulated Competitors
Providing Similar Rebate Programs

Attachment No. 1

He's giving
someone a run
for his BTU

Propane appliances
deliver the efficiency and
comfort you need and
stretch your energy dollar.



PROPANE
EXCEPTIONAL ENERGY

And now, participating Missouri propane
dealers are offering rebates on new, efficient,
propane appliances

\$300 for new propane water heaters
(new construction or replacing
electric or natural gas)

\$250 for new propane furnaces

\$150 to replace existing propane water heaters

\$50 bonus rebates for additional new
propane appliances

Contact your participating Missouri propane dealer for details.
Quantities limited, restrictions apply, not all dealers participate.

PROPANE
EXCEPTIONAL ENERGY

GROUND SOURCE HEAT PUMPS



HOWELL-OREGON
Electric Cooperative, Inc.



Howell-Oregon supports and encourages the use of Ground-Source Heat Pumps because of their efficiency and the potential savings to our members. Howell-Oregon Electric Cooperative, Inc. now offers to its members a GSHP rebate program for qualifying equipment in structures served

by the Cooperative. Equipment must be purchased and installed before February 28, 2006, to qualify for the rebate. The rebate program can be to withdrawn at any time by the Cooperative.

The program is designed to aid Cooperative members by increasing the overall efficiency of the members heating and cooling systems. This is accomplished through the installation of energy efficient GSHP. The rebate will be issued in the form of a check made payable to the applicant after a dealer has installed the qualifying system and approved by cooperative personnel. Howell-Oregon reserves the right to inspect and verify any installation before the rebate is issued.

Howell-Oregon Electric Cooperative, Inc. will rebate \$300.00 per ton on Ground Source Heat Pumps that meet the following criteria:

I. To be eligible for this program, an existing structure must have at least the following minimum insulating factors:

- R19 in the ceilings

- R19 in floors and walls

- R4 in all duct work

another, it can be very inexpensive to operate.

In the winter, the ground-source system can keep your home warm, even at temperatures below zero, the system reverses the process in the summer automatically. Indoor heat is removed from your home and transferred to the Earth. Plus, that waste heat in the summer can provide your hot water from the same system. For more information call Howell-Oregon Electric Cooperative Associated Electric at 1-800-321-2241. Also check out Associated Electric's web site.

**A COST COMPARISON OF HOME HEATING,
COOLING AND HOT WATER:
ANNUAL OPERATING COSTS***

System	1,500 sq. ft. home	2,500 sq. ft. home
• Air Source Heat Pump and Water Heater	\$818.42	\$943.74
• LP Furnace, LP Water Heater and A/C	\$1,043.96	\$1,261.51
• Gas Furnace, Gas Water Heater and A/C	\$801.46	\$937.71
• Ground Source Heat Pump and Water Heater	\$454.15	\$530.62

*Energy use data based on calculations from the International Ground Source Heat Pump Association, reflecting home of average construction and insulation R-values. Central air unit SEER of 8.0. Gas furnaces 80% efficiency. Daily hot water consumption 55 gallons. Ground-source heat pump SEER of 11.0. Utility rates based on 6.5¢ /kWh electricity, \$.50/ccf natural gas, \$.80/gallon propane.

* Howell-Oregon Electric Cooperative's rate is \$.060/kWh for the first 1200 kWh and \$.056/kWh for all additional kilowatts.

HOME

Laclede Electric
helping you
save your
energy dollars

Call 417-532-3164
1-800-299-3164

Verification of Installation for Rebate and Funds Availability

All rebates will go to the person whose name is on the account at the time the request is made.

LEC representative may verify installation of GSHP's, DTHP's and water heaters installed in the member's home or business.

Proof of purchase will be required including model numbers, serial number and COP and SEER ratings on heat pumps.

The 2005 Rebate Program has limited funds. Members should verify funds availability before applying for rebate. Funds may exceed rebate amounts.

Laclede Electric
Cooperative

2005
Rebate Program





Install a Ground Source Heat Pump and Get a \$250 per ton* Rebate!

To qualify for a rebate the GSHP system must fulfill these requirements:

1. Must be served by LEC.
2. Can be either an open or closed loop.
3. Must have a COP (coefficient of performance) of 3 or more and an EER (energy efficiency rating) of at least 12.
4. Must be designed with sufficient heating capacity so resistance heating elements are not required.
5. Must be new equipment (never used) on a permanent foundation.
6. Must be installed in a newly constructed home, barn or building.
7. Installed after 01/01/05.

Recommendations:

- a) Ceiling R-38, Walls R-19, Floor R-19.
- b) National Electric Code specs.
- c) Should have a heat loss/gain calculation performed by heating contractor.

To qualify for a rebate the Dual Fuel system must fulfill these requirements:

Install a Dual Fuel Heat Pump and Get a \$150 per ton* Rebate!



To qualify for a rebate the Dual Fuel system must fulfill these requirements:

1. Must be served by LEC.
2. Must have a COP (coefficient of performance) of 3 or more and a SEER (seasonal energy efficiency rating) of 12 or more.
3. Must be designed with sufficient heating capacity so resistance heat for back-up will have an outside thermostat set to 45°F or higher.
4. Must be installed in a newly constructed home, barn or building.
5. Installed after 01/01/05.

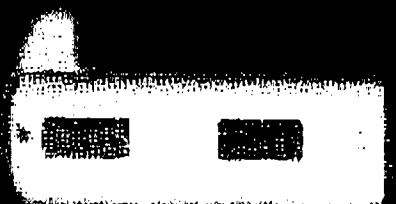
To qualify for a rebate the Dual Fuel system must fulfill these requirements:

Recommendations:

1. Must be served by LEC.
2. Tank capacity must be 40 gallons or larger.
3. Any brand of electric water heater is accepted. The element(s) may be any size wattage. (If dual elements, they must be electrically interlocked to prevent both from being energized at the same time.)
4. The new electric water heater must be installed in a newly constructed home, barn or building.
5. Installed after 1/1/05.

Verification of Installation for Rebate:

A Laclede Electric Cooperative representative may verify installation of electric water heater in the member's home or business. Proof of purchase will be required.



Install an Electric Water Heater and Get a \$100 Cash Rebate from Laclede Electric Cooperative

To qualify for a rebate the installation of the water heater must fulfill these requirements:

Intercounty Electric Cooperative Association

products and services



Rebates

Intercounty Electric Cooperative offers rebates for the following appliances and equipment. Intercounty must be contacted within 60 calendar days after the equipment is purchased and installed. An original receipt and copy of warranty must be provided. Intercounty must verify the new electric appliance or equipment by visually observing the appliance or equipment.

The rebate program is subject to availability of funds and no used or rebuilt appliances or equipment will qualify for any portion of the program. All equipment must be installed in a permanent home on Intercounty's electrical system to qualify and must be under the original manufacturer's warranty.

If you have appliances or equipment that qualify for rebates please submit form at bottom of page. If you have questions please call us at 573-674-2211 or contact us.

Heat Pumps

- First time installation of ground source unit added to permanent home by contractor** - \$200 per ton (maximum of \$600)
- First time installation of air-to-air unit or dual fuel added to permanent home by contractor.**
 - 14 SEER or higher - \$150 per ton (maximum of \$500)
 - 10-13 SEER - \$75 per ton

Water Heaters

- First time installation - \$100
- Replacement of gas unit with electric - \$100
- Replacement of electric unit with a new electric unit - \$50

(In order to qualify the water heater must be 40 gallons or larger and have a minimum of R-11 jacket insulation.)

Kitchen Ranges

- First time installation - \$45
- Replacement of gas unit with electric - \$45
- Replacement of electric unit with a new electric unit - \$25

(In order to qualify the range must be wired for 220-240 volts and be a self-contained unit with an oven and stove top.)

This form is on a secure server. All entered information will be encrypted securely to IECA for your privacy.

Rebate Form

Account Number:

Map Location Number:

Name:

Daytime Phone Number:

Best time to find you at home:

E-Mail Address:

Appliances or equipment qualifying for rebate:



Your Touchstone Energy[®] Cooperative
The power of human connections



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II. New construction must have at least the following insulating factors:

R30 in ceilings

R19 in floors

R4 in all duct work

III. All homes must have doubled pane windows or acceptable storm windows.

IV. The installed system must have a COP of 3.0 or higher, a SEER Rating of 12 or higher.

Unit must be sized using a maximum entry water temperature of 45-degree Fahrenheit.

V. Manufacturer's documentation of performance data (SEER rating, COP) of system must be included with rebate request.

VI. Only equipment purchased new is acceptable.

VII. An original copy of the invoice showing where the equipment was purchased and the dealer that installed the equipment.

The invoice must include model number, size, and other pertinent information.

A ground-source heat pump system works by transferring rather than producing energy. This simple concept works naturally with the Earth's constant, moderate temperature. The system circulates fluid through special pipes underground and then exchanges hot air for cool in the summer and cold air for warm in the winter.

Heating Efficiency Comparison Chart	
Ground-source heat pump	300-400%
Air source heat pump	200%
Electric furnace	100%
Gas furnace	60 - 95%
Wood stove	45%

The system uses a heat pump to move heat energy from one place to another, working just like a refrigerator.

The Earth has the ability to absorb and store heat energy. The ground-source system

collects that heat energy underground and uses it to keep your home comfortable. Since the heat pump easily moves energy from one place to