

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

In the Matter of the Application of Summit Natural)
Gas of Missouri, Inc., for authority to issue up to)
and including \$100,000,000 of long-term) **Case No. GF-2013-0261**
indebtedness.)

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Commission) and
for its Recommendation states as follows:

1. On November 7, 2012, Summit Natural Gas of Missouri, Inc. (Summit or Company) filed an application for authority to issue up to and including \$100 million of long-term indebtedness to be secured by the assets of its Missouri plant and facilities. On November 8, 2012, the Commission issued its *Order Directing Staff to File Status Report* informing the Commission when Staff expected to file its recommendation in this matter.

2. On November 16, 2012, Staff filed its Status Report informing the Commission it expected to file its recommendation not later than December 14, 2012. On December 14, 2012, the Staff filed its Notice Regarding Filing of Staff Recommendation informing the Commission it had provided a draft copy of its recommendation to Summit and OPC, further informing the Commission it needed additional time and expected to file its completed recommendation not later than December 19, 2012.

3. A concern of Staff was the matter of Summit's proposed \$20 million distribution to IIF which has now been resolved through additional discussions. As a result, the Company has confirmed by email to Staff it intends to forego the distribution to IIF and to apply those funds to aid construction of the Lake project. This matter is discussed further in

Staff's recommendation contained in its Memorandum attached hereto as Appendix "A" with supporting Schedule 1 (Highly Confidential) and incorporated herein.

4. In summary, the Company has represented that the funds from its proposed \$100 million financing will be used as follows: \$43 million for refinancing of the bridge-loan issued to effectuate the SMNG and Missouri Gas Utility merger; \$53 million for the Lake project; and \$4 million for projects related to the existing system.

5. For reasons explained more fully in Staff's Recommendation, the Staff recommends the Commission issue an order approving Summit's Application subject to four (4) conditions:

1. That nothing in this Memorandum or the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, which includes, but is not limited to the capital structure, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their effect on cost of capital, in any later proceeding.
2. That the Company file with the Commission all final terms and conditions of the proposed secured debt.
3. That all future funds acquired through the collateralization of Summit Natural Gas of Missouri's utility properties shall be used exclusively for the benefit of its Missouri utility properties, which shall not include a distribution to IIF.
4. That the amount authorized for purposes of the requested lien or encumbrance shall be limited to \$100,000,000.

WHEREFORE, for the reasons discussed above and explained in Staff's Recommendation, the Staff respectfully recommends the Commission approve Summit's application subject to the four conditions recommended by Staff.

Respectfully submitted,

/s/ Robert S. Berlin

Robert S. Berlin
Senior Counsel
Missouri Bar No. 51709

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 526-7779 (Telephone)
(573) 751-9285 (Fax)
email: bob.berlin@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 18th day of December, 2012.

/s/ Robert S. Berlin