

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 21<sup>st</sup> day  
of December, 2011.

In the Matter of the Application of Missouri Gas Utility, )  
Inc., for Authority to Issue Up to and Including )  
\$88,000,000 of Long-Term Indebtedness in One or More )  
Tranches After the Closing of the Merger Between )  
Missouri Gas Utility, Inc., and Southern Missouri Gas )  
Company, L.P. d/b/a Southern Missouri Natural Gas, )  
and to, Among Other Things, Encumber the Operating )  
Assets of the Consolidated Entity )

**File No. GO-2012-0102**

**ORDER GRANTING APPLICATION**

Issue Date: December 21, 2011

Effective Date: December 31, 2011

This order grants the application filed by Missouri Gas Utility, Inc., (“MGU”) to issue up to and including \$88,000,000 of indebtedness, in one or more transactions under the terms of one or more loan agreements with Summit Utilities, Inc., and related debt instruments, all such indebtedness to be secured by a mortgage, lien and encumbrance upon its Missouri operating properties, as well as the properties of Southern Missouri Gas Company, L.P., d/b/a Southern Missouri Natural Gas (“SMNG”).<sup>1</sup> MGU further asks for expedited treatment, as it wishes to close its merger with SMNG no later than January 3, 2012.

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<sup>1</sup> As permitted by a September 28, 2011 Commission Order Approving Unanimous Stipulation and Agreement in File No. GM-2011-0354, MGU will acquire SMNG. They intend to close this transaction on January 3, 2012.

## **The Application**

On October 3<sup>2</sup>, MGU, a wholly-owned subsidiary of Summit Utilities, Inc. (hereafter “Summit”) asked for permission to issue up to and including \$88,000,000 of indebtedness to be secured by a mortgage, lien and encumbrance upon its Missouri operating properties. MGU proposes to do so to replace various forms of debt held separately by MGU and SMNG with a single, long-term form of permanent financing.

MGU asks for authority to issue up to \$43,000,000 for a term up to 18 months (“Bridge Loan”), and subsequently up to \$88,000,000 in long-term indebtedness (“Term Loan”) the first \$43,000,000 of which would replace the Bridge Loan. The Bridge Loan would be provided equally by UMB Bank Colorado, N.A. (“UMB Bank”) and CoBank, ACB (“CoBank”).

## **Staff Recommendation**

The Staff of the Commission filed its Recommendation on December 9. Staff recommends that the Commission approve the application, subject to four conditions. MGU responded on December 15, stating that it did not object to Staff’s conditions.

## **Discussion**

The Commission has reviewed the parties’ verified pleadings, which are admitted into evidence. The Commission finds that the transaction would not be detrimental to the public interest, and will therefore approve the transaction, subject to the conditions listed below, to which MGU and Staff agree.

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<sup>2</sup> Unless otherwise noted, calendar references are to 2008.

Further, the Commission will grant MGU's request for expedited treatment, so that it may timely close the merger that the Commission previously approved in File No. GM-2011-0354.

**THE COMMISSION ORDERS THAT:**

1. The application filed by Missouri Gas Utility, Inc., is granted, subject to the following conditions:

- A. Nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for ratemaking purposes, which includes, but is not limited to the capital structure, and that the Commission reserves the right to consider the ratemaking treatment to be afforded these financing transactions and their results in cost of capital, in any later proceeding.
- B. Missouri Gas Utility, Inc., shall file with the Commission a record of projects financed with proceeds in excess of the "Bridge Loan" – i.e., in the event that incremental debt is offered under the "Term Loan" facility.
- C. Missouri Gas Utility, Inc., shall pursue best efforts to secure a fixed-rate term loan to refinance the \$43,000,000 Bridge Loan in the event it does not have cash flow to support the request of \$88,000,000.
- D. Missouri Gas Utility, Inc., shall file with the Commission all final terms and conditions of the proposed financing, including, but not limited to, the aggregate proceeds received, price information, and estimated expenses.

2. This order shall become effective on December 31, 2011.
3. This case may be closed on January 1, 2012.

**BY THE COMMISSION**



Steven C. Reed  
Secretary

( S E A L )

Gunn, Chm., Davis, Jarrett,  
and Kenney, CC., concur.  
Stoll, C., not participating.

Pridgin, Senior Regulatory Law Judge