

State Tax Commission of Missouri

SOUTHERN MISSOURI GAS COMPANY, L.P.)	
nka Summit Natural Gas of Missouri, Inc.)	
)	
Complainant,)	
)	
v.)	Appeal Nos. 011-02
)	
ORIGINAL ASSESSMENT DIVISION,)	
)	
Respondent.)	

STIPULATION

History

Southern Missouri Gas Company (“SMNG”) is an operating natural gas public utility serving eleven counties in Missouri. SMNG was merged into Missouri Gas Utility, Inc. on January 3, 2012. At the time of the merger of the two companies, the name of Missouri Gas Utility was changed to Summit Natural Gas of Missouri, Inc (“SNG”).

For property tax year 2011, the Original Assessment Section of the State Tax Commission (“STC”) determined that SMNG was a transmission pipeline for property tax purposes and therefore the company was centrally assessed. The determination by staff was due to analysis of the company, review of financial records and required government reporting documents. Among the documents was a FERC Form 2. (Annual Report of Major Natural Gas Companies) The filing included a reporting of transmission

plant information. SMNG filed with the Missouri Public Service Commission in 2010 financials as a distribution and transmission plant.

Review of the pipeline finds approximately 504 miles of main line. Of this, 297 miles is plastic and 207 miles of steel. The steel line is high pressure and therefore is inspected from a safety standpoint and classified as transmission property.

The STC appraiser, using the cost approach, determined a correlated market value of \$100,000,000 with the 100% allocated to Missouri and 99.93% classified as real property. The total assessed value was determined to be \$32,000,932 and apportioned as follows:

COUNTY	MILES or %	TOTAL ASSESSED VALUE
Barry	4.10	\$663,182
Douglas	8.70	\$1,407,239
Greene	7.80	\$1,261,662
Howell	24.70	\$3,995,264
Laclede	14.30	\$2,313,048
Lawrence	10.84	\$1,753,387
Stone	24.50	\$3,962,913
Taney	7.40	\$1,196,962
Texas	15.20	\$2,458,624
Webster	51.70	\$8,362,556
Wright	28.60	\$4,626,095

Valuation

SMNG appealed their valuation. The grounds for appeal included the determination by the STC of the company as a transmission pipeline company. Due to SMNG's amendment of FERC filings, not having a tariff for transmission, and

clarification of the type of pipe, the parties agree and stipulate that SMNG should be considered a distribution pipeline company.

SMNG has clarified that the distribution pipe classified by the Missouri Public Service Commission as transmission was due to regulations for safety inspection purposes only. Portions of the SMNG pipeline are categorized as transmission for pipeline safety classification only, meaning that the pipeline operates at a hoop stress of twenty percent or more of the specified minimum yield strength. This does not suggest that SMNG provides transmission services, but only that it has tested and inspects its pipeline to transmission operating standards.

SMNG does not have a tariff for transmission service, which the MPSC defines as transportation and delivery of gas to an end user for re-sale to others downstream of that delivery point. SMNG is specifically prohibited from delivery of gas for resale, per Section 8 on Sheet 40 of the Rules and Regulations portion of its tariff, on file with the MPSC.

SMNG has amended their FERC filings. According to the Federal Regulatory Energy Commission the definition of a transmission company is “Moving bulk energy products from where they are produced or generated to distribution lines that carry the energy products to consumers.” The FERC definition of natural gas distribution is “The act of distributing gas from the city gate or plant to the customer.” SMNG purchases gas from BP and Conoco and has it delivered to the Aurora and Rogersville city gate stations, from there the gas flows through distribution lines to customers. SMNG provides

invoices annually to the Public Service Commission staff showing the rate and city gate location where gas is received Southern Star Central Gas Pipeline, the transmission company that provides gas to SMNG for resale to its customers.

Local Assessment & Classification

SMNG property should not be centrally assessed but assessed locally. County Assessors are to assess the property. The property will be classified as real property due to the definition in Section 137.010 RSMo of real property that includes “stationary property used for transportation of liquid and gaseous products, including, but not limited to, petroleum products, natural gas, water, and sewage”.

Since the property will be locally assessed, property taxes for school districts will not be determined using Section 151.150 RSMo.

COUNTY	School District with SMNG Property	School Districts within the County
Barry		Cassville RIV Shell Knob 78 Exeter R-VI Southwest R-V Purdy R-II Wheaton R-III
Douglas	Ava R-I	Plainview R-VIII Skyline R-II
Greene	Logan-Rogersville R-VIII	Ash Grove R-IV Fair Grove R-X Republic R-III Springfield R-XII Strafford R-VI Walnut Grove R-V Willard R-II
Howell	Fairview R-IX Howell Valley R-I Richards R-V	Glenwood R-VIII Junction Hill C-12 Mountain View-Birch Tree

	West Plains R-VII Willow Springs R-IV	
Laclede	Laclede Co. R-I Lebanon R-III	Gasconade C-4 Laclede C-5
Lawrence	Aurora R-VIII Marionville R-IX Verona R-VII	Miller R-II Mt. Vernon R-V Pierce City R-VI
Stone	Crane R-III Galena R-II Reeds Spring R-IV	Blue Eye R-V Hurley R-I
Taney	Branson R-IV Hollister R-V	Bradleyville R-I Forsyth R-III Kirbyville R-VI Mark Twain R-VIII Taneyville R-II
Texas	Cabool R-IV	Houston R-I Licking R-VIII Plato R-V Raymondville R-VII Success R-VI Summersville R-II
Webster	Fordland R-III Marshfield R-I Niangua R-V Seymour R-II	
Wright	Mansfield R-IV Mountain Grove R-III Norwood R-I	Hartville R-II Manes R-V

Conclusion

The parties hereby agree and stipulate that the State Tax Commission should find that the real and personal property of Southern Missouri Natural Gas is not subject to assessment under § 138.420 for the 2011 and 2012 tax years. As a distribution pipeline company, the property should be assessed locally and as such the assessors in all impacted counties should be notified of the decision of the State Tax Commission and directed to determine the assessed valuation of the property within their county. The

collectors of all affected political subdivisions therein shall disburse the protested taxes presently held in an escrow account in accordance with this decision. However, if any or all protested taxes have been disbursed pursuant to Section 139.031.8, RSMo, either party may apply to the circuit court having jurisdiction of the cause for disposition of the protested taxes held by the taxing authority.

Date: _____.

Attorney for Complainant

Date: 3-15-2012



Attorney for Respondent

STATE TAX COMMISSION OF MISSOURI

SOUTHERN MISSOURI GAS COMPANY, LP)
 nka Summit Natural Gas of Missouri, Inc.)

Complainant,)

v.)

Appeal No. 011-02

ORIGINAL ASSESSMENT SECTION,)
 STATE TAX COMMISSION OF MISSOURI,)

Respondent.)

**ORDER
 APPROVING STIPULATION OF PARTIES**


The parties in this appeal have reached an agreed settlement by stipulation. Pursuant to Section 536.060, V.A.M.S., the Commission confirms this stipulation and enters an order thereon.


The Clerks of the affected counties are hereby ordered to amend their assessment roll for the year 2011 in accordance with this agreement.

The Collectors of the affected counties, as well as the collectors of all affected political subdivisions therein, shall disburse the protested taxes presently in an escrow account in accord with the decision on the underlying assessment in this appeal. However, if any or all protested taxes have been disbursed pursuant to Section 139.031.8, RSMo, either party may apply to the circuit court having jurisdiction of the cause for disposition of the protested taxes held by the taxing authority.

SO ORDERED May 29, 2012.

STATE TAX COMMISSION OF MISSOURI


 Bruce E. Davis, Chairman


 Randy Holman, Commissioner

Certificate of Service

I hereby certify that a copy of the foregoing has been e-mailed or mailed postage prepaid this ~~29~~²⁷ day of May, 2012, to: Brian Howes, Attorney for Complainant, Twelve Wyandotte Plaza, 120 W. 12th Street, Kansas City, MO 64105; Rosella Schad, STC, P.O. Box 146, Jefferson City, MO 65102; Maureen Monaghan, STC, P.O. Box 146, Jefferson City, MO 65102; Sherry Sears, Barry County Assessor, 700 Main, Suite 7, Cassville, MO 65625; Janice Varner, Collector, Barry County Courthouse, 700 Main Street, Suite #3, Cassville, MO 65625; Gary Youngblood, Barry County Clerk, 700 Main, Suite 3, Cassville, Missouri 65625; Alicia-Miller-Degase, Douglas County Assessor, 203 SE 2nd Ave, P.O. Box 92, Ava, MO 65608; Laura Stillings, Douglas County Collector, P.O. Box 1330, Ava, MO 65608; Karry Davis, Douglas County Clerk, P.O. Box 398, Ava, MO 65608; Richard Struckhoff, Greene County Clerk, 940 Boonville, Springfield, MO 65802; Scott Payne, Greene County Collector 940 Boonville, Springfield, MO 65802; Rick Kessinger, Greene County Assessor 940 Boonville, Springfield, MO 65802; Daniel Franks, Howell County Assessor 101 Courthouse, West Plains, MO 65775-9998; Wayne Sharnhorst, Howell County Collector 104 Courthouse West Plains, MO 65775; Dennis VonAllmen, Howell County Clerk 35 Court Square, Room 200, West Plains, MO 65775; Glenda Mott, Laclede County Clerk 200 N. Adams Avenue, Lebanon, MO 65536; Steve Pickering, Laclede County Collector 200 N. Adams Ave., Lebanon, MO 65536; Johnny North, Laclede County Assessor 200 North Adams, Lebanon, MO 65536; Doug Bowerman, Lawrence County Assessor P.O. Box 188, Mt. Vernon, MO 65712; Kelli McVey, Lawrence County Collector P.O. Box 29, Mt. Vernon, MO 65712; Gary Emerson, Lawrence County Clerk 1 Courthouse Square, Suite 101, Mt. Vernon, MO 65712; Judy Berkstresser, Stone County Clerk P.O. Box 45, Galena, MO 65656; Vicki May, Stone County Collector, P.O. Box 256, Galena, MO 65656; Brad Hudson, Stone County Assessor, P.O. Box 135, Galena, MO 65656; James Strahan, Taney County Assessor, P.O. Box 612, Forsyth, MO 65653; Sheila Wyatt, Taney County Collector, P.O. Box 278, Forsyth, MO 65653; Donna Neely, Taney County Clerk P.O. Box 156, Forsyth, MO 65653; Daniel Troutman, Texas County Clerk, 210 North Grand Houston, MO 65483; Tammy Cantrell, Texas County Treasurer and Ex Officio Collector of Revenue, 210 N. Grand, Ste. 101, Houston, MO 65483; Debbie James, Texas County Assessor 210 N. Grand Ave., Suite 201, Houston, MO 65483; Jim Jones, Webster County Assessor Webster County Courthouse, Marshfield, MO 65706; David Young, Webster County Collector 101 S. Crittenden St., Room 15, P.O. Box 288, Marshfield, MO 65706; Stanley Whitehurst, Webster County Clerk, Webster County Courthouse, Marshfield, MO 65706; Nelda Masner, Wright County Clerk, P.O. Box 98, Hartville, MO 65667; Cindy Cottengim, Wright County Treasurer and Ex Officio Collector of Revenue, P.O. Box 9, Hartville, MO 65667; Brenda Day, Wright County Assessor, P.O. Box 399, Hartville, MO 65667.

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STATE TAX COMMISSION OF MISSOURI

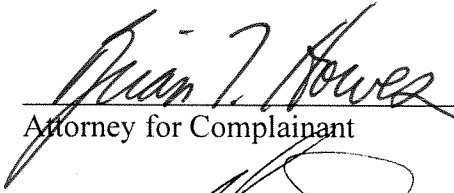
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STIPULATION OF VALUE

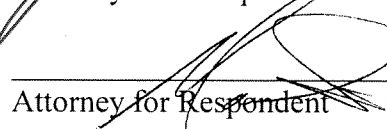
Come now the parties and state that pursuant to §536.060, RSMo, they have reached an agreed settlement by stipulation. The parties have agreed that the proper valuation for the above-numbered appeal for the tax year 2011 should be:

Valuation		
Gas Utility Plant (Less CWIP)		\$111,445,218.00
CWIP (betterment)		\$13,907,488.00
CWIP (maintenance)		\$0.00
Accumulated Depreciation & Amortization		-\$14,713,978.00
Indicated Value - Net Plant Utility		\$110,638,728.00
Adjustment Calculation		75.00%
Indicated Value - Cost Approach After Adjustments		\$82,979,046.00
Estimate of Value		\$83,000,000.00
Missouri Allocation Factor	100%	
Real Property Allocation	99.93%	
Personal Property Allocation	00.07%	
	Real	Personal
Market Value of Distributable Property	\$82,941,900	\$58,100
Assessed Value of Distributable Property	\$26,541,408	\$19,366
Total Assessed Value of Distributable Property		\$26,560,774

Date: 5-24-12


Attorney for Complainant

Date: 5-21-2012


Attorney for Respondent