

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

In the Matter of the Application of)	
Summit Natural Gas of Missouri, Inc. for)	File No. GU-2014-0032
an Accounting Authority Order related to)	
State and County Changes in Assessment)	
Methodology)	

AMENDED APPLICATION AND MOTION FOR WAIVER

Comes now Summit Natural Gas of Missouri, Inc. (“SNG” or “Company”), for its amended application for an accounting authority order (“AAO”), respectfully states as follows to the Missouri Public Service Commission (“Commission”):

APPLICANT

1. SNG is a wholly owned subsidiary of Summit Utilities, Inc., and is a corporation duly incorporated under the laws of the State of Colorado with its principal offices located at 7810 Shaffer Parkway, Suite 120, Littleton, Colorado 80127. A copy of a certificate from the Missouri Secretary of State that SNG is authorized to do business in Missouri as a foreign corporation was submitted in Case No. GA-2012-0285 and is incorporated by reference in accordance with Commission Rule 4 CSR 240-2.060(1)(G). Other than cases that have been docketed at the Commission, SNG has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court within the past three (3) years that involve customer service or rates. SNG has no annual report or assessment fees that are overdue.

2. SNG conducts business as a “gas corporation” and a “public utility” as those terms are defined at § 386.020 RSMo and provides natural gas service in the Missouri counties of Barry, Benton, Caldwell, Camden, Daviess, Douglas, Greene, Harrison, Howell, Laclede, Lawrence, Miller, Morgan, Pettis, Stone, Taney, Texas, Webster and Wright in the territories

formerly served by Southern Missouri Gas Company, L.P. and Missouri Gas Utility, Inc. (“MGU”), subject to the jurisdiction of the Commission as provided by law.¹

3. Southern Missouri Gas Company, L.P. was acquired by Summit Natural Gas of Missouri, Inc. (formerly known as Missouri Gas Utility, Inc.), effective January 1, 2012.

4. All correspondence, communications, notices, orders and decisions of the Commission with respect to this matter should be sent to the undersigned counsel and:

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and

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BACKGROUND

5. Prior to 2011, Southern Missouri Gas Company, L.P. (“SMNG”) was assessed by each county for property taxes as a “distribution company”. The methods used to determine value prior to 2011 were inconsistent and at the discretion of each county assessor. In 2011, the

¹ Southern Missouri Natural Gas counties: Barry, Camden, Douglas, Greene, Howell, Laclede, Lawrence, Miller, Morgan, Stone, Taney, Texas, Webster, and Wright.
Missouri Gas Utility counties: Benton, Caldwell, Daviess, Harrison, and Pettis.

Missouri State Tax Commission (“STC” or “Tax Commission”) assessed the SMNG system as a transmission utility system. SMNG filed a protest with the STC.

6. The staff of the Tax Commission agreed that SMNG was a distribution company rather than a transmission company. The Tax Commission directed that a settlement be reached between the STC staff and SMNG regarding the assessed value as of January 1, 2011. SMNG thereafter entered into a settlement with STC Staff, which was accepted by the STC. The STC stipulation and order are attached as Appendix 1.

7. The settlement required a change in the methodology used to determine assessed value for purposes of calculating property taxes and resulted in a substantial increase in property taxes for 2011. The involvement of the STC caused the county assessors to also change their method of determining assessed values beginning with 2012. As a result, after the 2011 settlement, both the SMNG counties and the former MGU counties assessed higher values for property tax purposes resulting in a substantial increase in the property tax liability for 2011 and 2012, as well as for property taxes to be paid in future years. The change in methodology used by both the MGU and SMNG counties, based on the action of the Missouri State Tax Commission, has substantially increased all Missouri property taxes to the financial detriment of the Company.

8. This new method of valuation implemented by the counties as a result of the 2011 STC involvement and settlement was not known at the time of the last rate proceeding for either SMNG or MGU. In Missouri Gas Utility, Inc.’s last rate case, Case No. GR-2008-0060, the Company utilized an aggregate of \$50,000 of property tax expense for all of the MGU counties in its revenue requirement calculation. SMNG’s last rate case, Case No. GR-2010-0347 utilized \$172,651 for the total property tax expense for all of its counties.

9. In an effort to compare apples to apples and distinguish the impact of increased investment in utility plant since the previous rate proceedings, the Company has calculated a factor that represents the property taxes recovered per Ccf for the former SMNG and MGU service territories (See Appendix 2). The Company then applied the property tax per Ccf factor to current volumes to determine the total taxes recovered in base rates (See Appendix 2). Also attached as Appendices 3A-3L and Appendices 4A-4AB, respectfully, the 2011 SMNG property tax bills as paid under protest and the 2012 SMNG and MGU property tax statements.

10. The taxes paid in excess of what was recovered resulting from the State of Missouri's change in assessment process are as follows: 1) SMNG's 2011 property taxes amount to \$1,536,067; and, 2) the additional taxes related to SMNG and MGU 2012 property taxes amount to \$2,176,833; for a total 2011 and 2012 extraordinary property tax liability of \$3,712,900. This is approximately 10.0% of SMNG's operating revenue (44% of combined pre-tax net loss) for 2011 and 11% of Summit Natural Gas of Missouri, Inc.'s operating revenue for 2012 (57% of consolidated pre-tax net income)². 3805578

The Company will be seeking recovery of the total amount of additional taxes in the next rate proceeding. SNG is requesting that the Commission find the total value of the 2011 and 2012 additional property tax expense to be extraordinary, and approve deferral of this expense for financial reporting purposes, and consideration for possible recovery in the Company's next rate proceeding. It is anticipated that the next rate proceeding will be filed on or after January 2, 2014.

11. The timing of this Application is of critical concern for the Company. Due to the extraordinary expense associated with the property taxes, the Company is recognizing a large,

² Operating revenues and consolidated pre-tax net income/loss identified in the 2011 and 2012 audited financials for each company.

unanticipated, expense on its books. Failure to obtain a Commission order authorizing this amount to be deferred for the year ending December 31, 2013 could result in a breach of debt covenants with the Company's lenders. A Commission order authorizing deferral of this amount until the rate case should avoid non-compliance with the debt covenants; and possibly default on the debt.

12. In 2013, the STC again directed the counties to change their method of determining "market value" for property tax assessment purposes. While the Company is not seeking any Commission order on the subject of 2013 property taxes, the ever increasing property tax burdens assessed to the Company may be relevant in this proceeding.

COMMISSION AUTHORITY

13. The Commission, pursuant to Section 393.140, RSMo, has promulgated Commission Rule 4 CSR 240-40.040, which prescribes the use of the Uniform System of Accounts ("USOA") adopted by the Federal Energy Regulatory Commission. The USOA provides for the deferred treatment of extraordinary costs. An application for an AAO contains a single factual issue -- whether the costs, which are asked to be deferred, are extraordinary in nature. *In the matter of the application of Missouri Public Service*, 1 Mo.P.S.C.3d 200, 203-204 (1991). "By seeking a Commission decision (regarding the issuance of an AAO) the utility would be removing the issue of whether the item is extraordinary from the next rate case. All other issues would still remain, including, but not limited to, the prudence of any expenditures, the amount of recovery, if any, whether carrying costs should be recovered, and if there are any offsets to recovery." *Id.*

14. The Commission has in the past issued AAO's for costs "caused by unpredictable events, acts of government and other matters outside the control of the utility or the

Commission.” *In the matter of St. Louis County Water Company’s Tariff Designed to Increase Rates*, MoPSC Case No. WR-96-263, p. 13 (December 31, 1996). The Commission further stated that it “has periodically granted AAOs and subsequent ratemaking treatment for various unusual occurrences such as flood-related costs, changes in accounting standards, and other matters which are unpredictable and cannot adequately or appropriately be addressed within normal budgeting parameters.” *Id.* at p. 14.

AAO

15. As a consequence of the change in property valuation by the STC and the counties, the Company requests a Commission order granting an AAO containing the following language:

That Summit Natural Gas of Missouri, Inc. (“SNG”) is granted an Accounting Authority Order whereby SNG is authorized to record on its books a regulatory asset, which represents the expenses associated with the property tax in the magnitude of \$1,536,067 for 2011 and \$2,321,403 for 2012, for a total of \$3,857,470. SNG may maintain this regulatory asset on its books until the effective date of the Report and Order in SNG’s next general rate proceeding.

MOTION FOR WAIVER

16. Commission Rule 4 CSR 240-4.020(2) states as follows:

Any regulated entity that intends to file a case likely to be a contested case shall file a notice with the secretary of the commission a minimum of sixty (60) days prior to filing such case. Such notice shall detail the type of case and issues likely to be before the commission.

Commission Rule 4 CSR 240-4.020(2)(B) further states that a “party may request a waiver of this section for good cause.”

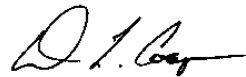
17. It is unclear whether this case will be a contested case within the meaning of Commission rule 4 CSR 240-4.020(2). However, in the event that the Commission nevertheless

concludes that the filing of this Application is likely to be a contested case, SNG requests a waiver of the sixty (60) day notice for good cause as permitted by Commission rule 4 CSR 240-4.020(2)(A).

18. The timing of this request relates to SNG's efforts before the STC and the counties to resolve and minimize the property taxes passed through to customers. It was only after substantial efforts that SNG could assess the need for an AAO application. This Application was filed after a reasonable assessment of those efforts and the regulatory needs of the Company. Accordingly, to the extent that the Commission may find it to be applicable, SNG requests a waiver from the provisions of Commission Rule 4 CSR 240-4.020(2) to allow for the filing of this Application.

WHEREFORE, SNG respectfully requests that the Commission issue an Accounting Authority Order as described herein, and issue such further orders as the Commission should find reasonable and just.

Respectfully submitted,



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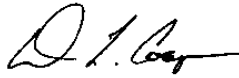
ATTORNEYS FOR SUMMIT NATURAL GAS
OF MISSOURI, INC.

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail or by U.S. Mail, postage prepaid, on October 17, 2013, to the following:

John Borgmeyer
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AFFIDAVIT

STATE OF MISSOURI)
) ss.
COUNTY OF JEFFERSON)

I, Rick H. Lawler, having been duly sworn upon my oath, state that I am the Chief Financial Officer for Summit Natural Gas of Missouri, Inc., that I am duly authorized to make this affidavit on behalf of Summit Natural Gas of Missouri, Inc., and that the matters and things stated in the foregoing Application and appendices thereto are true and correct to the best of my information, knowledge and belief.



Rick H. Lawler

Subscribed and sworn to before me this 17th day of October, 2013.



Notary Public

My commission expires: 6/7/2016

