

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

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        ) Case No. \_\_\_\_\_  
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       )

**APPLICATION AND MOTION FOR EXPEDITED TREATMENT**

COMES now Missouri Gas Utility, Inc. (“MGU” or the “Company”) by and through its undersigned counsel, pursuant to §§ 393.180 and 393.190, RSMo (2000) and Missouri Public Service Commission (“Commission”) rules 4 CSR 240-2.060, 2.080, 3.210, and 4.020(2)(B) and for its application to encumber the consolidated operating properties of MGU and Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas (“SMNG”) to secure up to and including an aggregate of \$88,000,000 of long-term indebtedness to be issued in one or more tranches as described further below, states as follows:

**THE APPLICANT**

1. MGU 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 MGU is authorized to do business in Missouri as a foreign corporation was submitted in Case No. GA-2007-0421 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, MGU 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. MGU has no annual report or assessment fees that are overdue.

2. MGU 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 Harrison, Daviess, Caldwell, Pettis and Benton, subject to the jurisdiction of the Commission as provided by law.

3. SMNG 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 Greene, Webster, Laclede Wright, Douglas, Texas, Howell Stone, and Taney, subject to the jurisdiction of the Commission as provided by law.

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

Michelle A. Moorman  
Manager of Regulatory Affairs  
Missouri Gas Utility, Inc.  
7810 Shaffer Parkway, Suite 120  
Littleton, CO 80127  
Telephone: 720-981-2127  
Facsimile: 720-981-2129  
Cell: 303-478-0329  
Email: [mmoorman@summitutilitiesinc.com](mailto:mmoorman@summitutilitiesinc.com)

and

Tim Johnston, P.E.  
Executive Vice President and Chief Operating Officer  
Missouri Gas Utility, Inc.  
7810 Shaffer Parkway, Suite 120  
Littleton, CO 80127  
Telephone: (800) 927-0787  
Facsimile: (303) 979-7892  
Email: [tjohnston@SummitUtilitiesInc.net](mailto:tjohnston@SummitUtilitiesInc.net)

5. On April 27, 2011, the MGU and SMNG filed their Joint Application with the Commission under §§ 393.180 and 393.190, RSMo (2000) and Commission rules 4 CSR 240-2.060, 2.080, 3.215, and 3.225, for an order from the Commission approving the merger of SMNG with and into MGU and certain related transactions<sup>1</sup>. The Commission granted the application on September 28, 2011, by approving the unanimous Stipulation signed by all parties. MGU and SMNG intend to close this transaction on January 3, 2012, for reasons including, but not limited to, tax and auditing purposes. It is in that way that MGU submits this application seeking authority to issue secured, long-term debt for the combined entity.

6. The Company seeks an order from the Commission granting it the authority to issue \$88,000,000 of long-term, secured indebtedness in one or more tranches as more fully described below.

7. A certified copy of a Resolution of the Missouri Gas Utility, Inc. Board of Directors authorizing the Applicant to issue the debt securities will be late-filed as **Appendix 1** and incorporated herein by reference.

8. The proceeds of the indebtedness will ultimately replace the various forms of existing debt held separately by MGU and SMNG with a single, long-term form of permanent financing.

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<sup>1</sup> The Joint Application was docketed as Case No. GM-2011-0354. As stated in the Joint Application, MGU will acquire 100% of SMNG's partnership interests, and SMNG will be merged with and into MGU, pursuant to Sections 347.700 et seq., RSMo, and Section 7-90-203 and 7-111.106.5 of the Colorado Revised Statutes.

## **FINANCING DETAIL**

9. As of January 1, 2012, MGU will have \$10,120,000 in Variable Rate Demand Revenue Bonds (Series 2009B) issued at Summit Utilities, Inc. and subsequently loaned to MGU and the Senior Secured Letter of Credit Facility provided by UMB Bank Colorado, N.A. (“UMB Bank”). SMNG will have the \$28 million Senior Secured Term Loan provided by CoBank, ACB (“CoBank”) authorized in Case GF-2011-0352 as well as approximately \$31 million in long-term debt issued by IIF SMNG Investment LLC authorized in Case GF-2007-0215. On the effective date of the merger, expected to be on January 3, 2012, MGU will execute a \$43,000,000 Senior Secured Bridge Loan Facility (“Bridge Loan”) with CoBank and UMB Bank equally committing to \$21,500,000 of loan proceeds. The Bridge Loan will refinance the aforementioned Series 2009B Bonds and the \$28,000,000 Senior Secured Term Loan Facility at SMNG. The \$31 million in debt from IIF SMNG Investment LLC will be converted to equity in the merger transaction, resulting in a total equity position in the merged companies of approximately \$106 million. The Bridge Loan will be replaced by long-term permanent financing at or prior to its maturity on June 30, 2013. Attached as **Appendix 2HC** is the term sheet for the CoBank Bridge Loan Facility which outlines the principal terms of the agreement including the interest rate and applicable fees. The term sheet for the UMB Bank Bridge Loan is still being negotiated and will be late filed as **Appendix 3HC**.

10. Because the market for the financing is constantly changing, MGU cannot, at this time, forecast the interest rate or rates; thus, the terms and provisions shall be determined at the time of the closing based upon market conditions. The interest rate or rates of the financing, including any applicable discount, shall be consistent with similar securities of comparable credit quality and maturities issued by other companies.

11. At such time that MGU submits evidence to CoBank that cash flows support a predetermined debt leverage profile of approximately 7 times EBITDA, the Bridge Loan will be refinanced by a Senior Secured Term Loan Facility of up to \$88,000,000 (“Term Loan”), lent by CoBank and another financial institution to be selected by CoBank in consultation with Summit Utilities, Inc. and IIF CNG Investment LLC<sup>2</sup>. The execution of the Term Loan is expected to occur on or before June 1, 2012 and shall have a term of twenty (20) years, maturing on June 30, 2032. Attached as **Appendix 4HC** is the term sheet for the CoBank Term Loan Facility which outlines the principal terms of the agreement including the interest rate and applicable fees. The proceeds from the Term Loan would be available in one or more tranches likely to have varying terms. As security for the loan, the Company proposes to execute and deliver a Deed of Trust or Mortgage and Security agreement for the benefit of CoBank which will be late filed as **Appendix 5**.

#### **LOAN AGREEMENTS AND OTHER MATTERS APPLICABLE**

12. The costs associated with the authorization and issuance of the Bridge Loan referenced herein, including legal, administrative, filing and mailing costs, are not known at this time. As stated in Appendix 3HC, there are no applicable facility, utilization, or letter of credit fees associated with the Bridge Loan, therefore MGU estimates that the total costs for the Bridge Loan contemplated by this Application will not exceed \$100,000.

13. The costs associated with the authorization and issuance of the Term Loan referenced herein, including legal, administrative, filing and mailing costs is not known at this time. Based on an estimate of the above mentioned costs in addition to the facility, utilization

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<sup>2</sup> IIF CNG Investment LLC is the sole shareholder of Summit Utilities, Inc., the parent company of MGU.

and letter of credit fees associated with the \$88,000,000 loan, MGU estimates that the total costs for the Term Loan contemplated by this Application will not exceed \$1,540,000.

14. The Bridge Loan will have the primary purpose of refinancing the existing Series 2009B Bonds and the \$28,000,000 Senior Secured Term Loan Facility as well as the expansion and improvement of service and facilities. Similarly the Term Loan will have the primary purpose of refinancing the Bridge Loan.

15. The Mortgage or Deed of Trust and Security Agreement will constitute a first lien on substantially all of the properties currently owned and subsequently acquired by the continuing entity, MGU, including its certificates of convenience and necessity. Consequently, the loan obligations will be secured by a lien or encumbrance on the combined entity's existing utility franchises, plant and system of the combined entities that are used to provide service to its customers, and also on an encumbrance against any additional plant and assets.

#### **FILING REQUIREMENTS AND RELATED MATERIALS**

16. Marked as **Appendix 6HC**, attached hereto under seal and made a part hereof for all purposes, is information regarding MGU's financial information including the audited financials for the twelve month period ending December 31, 2010. Marked as **Appendix 7HC** and attached hereto under seal and made part hereof for all purposes, are financial statements with adjustments showing the *pro forma* effect of the merger with SMNG as well as the contemplated financing.

17. Subjecting MGU's post-merger operating properties to the lien of the Deed of Trust and/or Mortgage and Security Agreement will not be detrimental to the public interest, and in fact will be beneficial to the public interest because the public health, safety and welfare will

be served by the ability of MGU to obtain access to the financing on the most favorable terms available. Granting the authority requested will be transparent to MGU's customers in that it will not cause any adverse impact on customer service or rates.

18. The proposed financing transactions will have no material impact on the tax revenues of the political subdivisions in which any of the structures, facilities or equipment of the companies involved are located.

### **MOTION FOR EXPEDITED TREATMENT**

19. The Company desires to finalize this transaction on January 3, 2012 or as soon thereafter as possible, and pursuant to 4 CSR 240-2.080(16), the Applicant respectfully seeks expedited treatment of this matter and requests that the Commission act by December 23, 2011, or as soon as possible thereafter. The Applicant is providing additional supporting information to the Commission Staff in conjunction with the filing of this Application. This pleading is being filed as soon as it could have been after the Commission order granting the Application in Case No. GM-2011-0354 for the merger of SMNG and MGU, was issued on September 28, 2011. As explained herein, the loan will refinance existing debt for both MGU and SMNG. Further, there will be no negative effect on the Applicant's customers or the general public if the Commission acts by the date desired by the parties.

### **CONTINGENT REQUEST FOR WAIVER**

20. The Applicant does not anticipate that this matter will be a contested case since no hearing is required by statute and previous financings by MGU have been approved without the filings having become contested by any interested party.

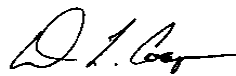
21. Accordingly, Applicant was not required to file a 60-day Notice of Filing pursuant to 4 CSR 240-4.020(2). However, to the extent that a 60-day Notice of Filing could otherwise be required under 4 CSR 240-4.020(2), MGU respectfully requests that such notice requirement be waived for good cause as the parties desire expedited approval of the transaction as previously set forth herein. 4 CSR 240-4.020(2)(B).

WHEREFORE, the Company requests that the Commission approve this Application as described herein, and issue an order that:

- (a) Authorizes MGU to enter into, execute and deliver loan agreements with CoBank and UMB Bank to incur indebtedness provided that the aggregate principal amount of all such debt obligations shall not exceed \$88,000,000, collectively bearing a commercially reasonable interest rate, and having such designation and redemption, purchase and other terms as shall be determined by MGU;
- (b) Authorizes MGU to create and make effective the lien on the Mortgage and/or Deed of Trust and the Security Agreement on all of the franchises, certificates of convenience and necessity, plant and system of MGU, the surviving entity, in the State of Missouri to secure its obligations under the various loans all as provided in Appendix 6;
- (c) Authorizes MGU to enter into, execute, deliver and perform the necessary promissory notes, loan agreements and other documents necessary to effectuate the described transactions; and
- (d) Authorizes MGU to take such other actions as may be reasonably incidental, necessary or appropriate to complete the transaction.



Respectfully submitted,



Dean L. Cooper                      MBE #36592  
Paul A. Boudreau                  MBE #33155  
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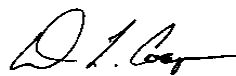
ATTORNEYS FOR  
MISSOURI GAS UTILITY, INC.

**CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail to the following counsel this 3<sup>rd</sup> day of October, 2011:

Lera Shemwell  
Missouri Public Service Commission  
Governor's Office Building  
Jefferson City, Missouri 65102  
[lera.shemwell@psc.mo.gov](mailto:lera.shemwell@psc.mo.gov)  
[gencounsel@psc.mo.gov](mailto:gencounsel@psc.mo.gov)

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[lewis.mills@ded.mo.gov](mailto:lewis.mills@ded.mo.gov)  
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**VERIFICATION**

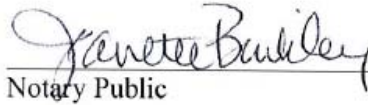
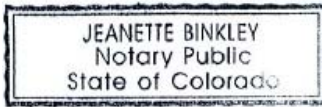
STATE OF COLORADO            )  
  )       ss.  
COUNTY OF JEFFERSON        )

Timothy R. Johnston, being first duly sworn, on his oath and in his capacity as Chief Operating Officer states that he is authorized to execute this Application on behalf of Missouri Gas Utility and has knowledge of the matters stated herein, and that said matters are true and correct to the best of his knowledge and belief.



\_\_\_\_\_  
Timothy R. Johnston

Subscribed and sworn to before me this 3<sup>rd</sup> day of October, 2011.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 1/4/13