

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

In the Matter of the Application of Summit)
Natural Gas of Missouri, Inc., for a)
Certificate of Convenience and Necessity)
Authorizing it to Construct, Install, Own,)
Operate, Control, Manage and Maintain a)
Natural Gas Distribution System to)
Provide Gas Service in Pettis County and)
Benton County, Missouri, as a New)
Certificated Area.)

Case No. GA-2013-0404

STAFF RECOMMENDATION

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

1. On February 27, 2013, Summit Natural Gas of Missouri, Inc. (SNG or Company), filed its Application pursuant to Section 393.170, RSMo (2000), 4 CSR 240-2.060 and 4 CSR 240-3.205 for a certificate of public convenience and necessity (CCN) authorizing it to provide gas distribution service in thirteen (13) sections – Sections W ½ 5, 8-10 in Township 43 North, Range 23, West in Pettis County and Sections 15, 16, 17, 20, 21, 28, 29, 32, 33 in Township 43 North, Range 23 West in Benton County. This area is adjacent to existing certificated SNG service territory.

2. On February 28, 2013, the Commission issued an *Order Directing Notice, Setting Deadline For Intervention Requests, and Directing Filing of Staff Recommendation* (Order). The Order set an intervention deadline of March 21, 2013, and directed Staff to file its recommendation no later than April 18, 2013.

3. No parties have sought intervention.

4. The Staff has thoroughly reviewed SNG's Application and, for reasons more fully explained in Staff's Memorandum, attached hereto, believes that the granting of this Application is in the public interest subject to the eleven (11) conditions enumerated on page 3 of Staff's Memorandum.

WHEREFORE, for the above-stated reasons, Staff respectfully recommends the Commission issue an order 1) granting SNG a CCN to serve the requested sections of Pettis and Benton counties, and 2) directing SNG to file revised tariff sheets including the CCN service area granted by the order within thirty (30) days of the order approving this Application.

Respectfully submitted

/s/ Robert S. Berlin

Robert S. Berlin
Senior Counsel
Missouri Bar No. 51709

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Missouri Public Service Commission
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered or transmitted by facsimile or electronic mail to all counsel of record this 18th day of April 2013.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GA-2013-0404, Summit Natural Gas of Missouri, Inc.

FROM: Kim Cox, Energy Unit -Tariff, Safety, Economic & Engineering Analysis Department
Paul Harrison, Auditing Unit – Audits, Accounting & Financial Analysis Department
Derick Miles P.E., Procurement Analysis Unit – Audits, Accounting, and Financial
Analysis Department

/s/ Thomas M. Imhoff 4/18/2013 /s/ Robert S. Berlin 4/18/2013
Energy Unit/Date General Counsel’s Office/Date

SUBJECT: Staff Recommendation on Summit Natural Gas of Missouri, Inc.’s Application for
a Certificate of Convenience and Necessity

DATE: April 18, 2013

On February 27, 2013, Summit Natural Gas of Missouri, Inc. (SNG or Company) filed an APPLICATION (Application) with the Missouri Public Service Commission (Commission). The Application requests that the Commission grant SNG a certificate of convenience and necessity (CCN) authorizing it to construct, install, own, operate, control, manage and maintain a natural gas distribution system to provide gas service in a portion of Pettis and Benton Counties in Missouri.

On February 28, 2013, the Commission issued an ORDER DIRECTING NOTICE, SETTING DEADLINE FOR INTERVENTION REQUESTS, AND DIRECTING FILING OF STAFF RECOMMENDATION (Order). The order stated that any motion to intervene was due no later than March 21, 2013, and directed Staff to file its recommendation no later than April 18, 2013. No parties intervened.

SNG is requesting a CCN in four and half (4 ½) sections of Pettis County and nine (9) sections of Benton County. The sections are adjacent to an existing service area that currently serves approximately 1,088 customers. The mainline will be 4.4 miles and will provide natural gas service to a chicken farm as well as to additional customers. It will follow the rights-of way, county roads or state highways. No franchises or permits from municipalities, counties or other authorities will be necessary other than the customary state highway, railroad and county road permits, which SNG will obtain prior to construction.

SNG filed its Feasibility Study with its Application. The total estimated cost of the project is \$293,232. SNG proposes to charge the rates currently approved for the Southern Service Area. The proposed rates are currently below the price of propane. The Commission should be aware that SNG will face embedded entrenched competition from propane dealers whose prices and business practices are not regulated by the Commission. However, unlike other past similar

CCN requests, Staff notes that no propane companies or the propane trade association have intervened in this case.

The Commission's Auditing Unit Staff ("Auditing Staff") reviewed all of the cost of service components comprising the revenue requirement for SNG's proposed service territory. SNG's feasibility study presented a five-year projection of revenue and the cost of providing utility services for the proposed service area. The Auditing Staff incorporated the projections included in SNG's feasibility study in determining a cost of service for the end of the five year period. The Auditing Staff also incorporated other costs into its cost of service which were not considered in SNG's feasibility study such as, the Missouri Public Service Commission Assessment fees, property taxes, payroll taxes, infrastructure insurance and bad debts. In addition to these expenses, The Auditing Staff imputed a 50% operation and maintenance (O & M) expense ratio for payroll in the Pettis and Benton County projects cost of service. In SNG's feasibility study, SNG used an O&M expense ratio of 20% for payroll in the fifth year. The Auditing Staff believes this O&M expense ratio is incorrect to use at the end of the fifth year projection period. The Auditing Staff used the O&M expense ratio and weighted cost of capital agreed to in Missouri Gas Utility's (MGU) prior rate case, No. GR-2008-0060, in determining the revenue requirement for this case. MGU was the predecessor company to SNG in Missouri.

In the Auditing Staff's cost of service, the Company is projected to recover its costs and return on investment at the end of the five-year period based upon SNG's proposed feasibility study for this service territory. Based upon the Auditing Staff's cost of service study the proposed rates for the Pettis and Benton County area are slightly different when compared to the rates that are currently charged to SNG's existing customers in the Warsaw service area and Lake of the Ozark service territory. The Auditing Staff's cost of service (which is based upon SNG's Feasibility Study) for this case is attached to this recommendation as Appendix A.

The Auditing Staff recommends that SNG implement detailed time coding for SNG employees for each one of its certificated areas. This time coding will provide the ability to assign time to capital projects to all expense items, corporate allocations and sales and promotion efforts. The Auditing Staff also recommends that SNG fully abide by the provisions of the Uniform System of Accounts (USOA) – Gas Corporation (4 CSR 240-40.040), including the Gas Plant Instructions included therein.

There is a risk that SNG's actual financial results may be significantly different from the estimated results calculated by the Auditing Staff. In the Auditing Staff's opinion, the Feasibility Study filed by SNG to provide natural gas in the requested service area shows SNG's proposal to be very risky economically but possible. Staff is also of the opinion that the proposal contains risks, and the Feasibility Study alone is not enough to make the project feasible. In the Staff's opinion, the proven ability of SNG to attract and secure acceptable financing for its prior expansions is the best indicator for success of the project.

SNG states it possesses the necessary pipeline capacity on its Southern Service Area sufficient to serve the proposed service area. The prudence of the underlying interstate pipeline contracts will be reviewed by the Procurement Analysis Unit as part of the related Actual Cost Adjustment

review for the time period related to these costs.

Based on the results of Staff's analysis of all available information, the Auditing Staff recommends the Commission order that SNG maintain separate records for the proposed certificated area and, as in previous Commission orders granting its certificated areas, that SNG shall perform separate class cost of service studies and revenue requirements for each SNG service territory in Missouri when SNG files its next rate case.

The Staff has reviewed the Application and, for the following reasons, is of the opinion that granting this Application would be in the public interest subject to the following conditions:

1. SNG has the operational capability to provide gas service in its requested service area;
2. The requested CCN area for gas service would not jeopardize natural gas service to the Company's current customers;
3. SNG's shareholders are totally responsible for the success of this project, with no liability or responsibility put on customers;
4. SNG shall keep separate books and records for the proposed service area;
5. SNG shall file separate class cost of service studies and revenue requirements for each SNG tariffed area when SNG files its next rate case request;
6. The Pettis and Benton system must support the rate structure on a stand-alone-basis;
7. The Pettis and Benton County system's Allowance for Funds Used during Construction (AFUDC) rate shall use 10 percent as the common equity in its calculation;
8. SNG shall not capitalize any portion of its sales advertising and promotion payroll for this Company;
9. SNG shall use the same operation and maintenance expense (O & M) expense ratio for payroll that they agreed upon in the MGU rate case, Case Number GR-2008-0060 Unanimous Stipulation and Agreement for Pettis and Benton County's first rate case, unless the Company can demonstrate through timesheets and time reporting that some other ratio is more appropriate;
10. SNG shall use the depreciation rates currently on file with the Commission; and
11. SNG shall obtain adequate capacity on the pipeline to reliably serve all customers in this area, including capacity necessary to serve any future growth.

Therefore, subject to the above conditions, Staff recommends that SNG be granted a CCN to serve the requested areas in Benton County and Pettis County, Missouri. Staff also recommends the Company file revised tariff sheets reflecting the proposed CCN in this case within thirty (30) days of the Commission's Order approving this Application.

The Staff has verified the Company's annual report is current and no assessments are delinquent. Attached hereto and marked as Appendix A is the Auditing Staff's cost of service based on SNG's Feasibility Study.

Exhibit No.: XYZ
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: GA-2013-0404
Date Prepared: April 17, 2013



MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES Department

Staff Exhibit Modeling System Run

STAFF ACCOUNTING SCHEDULES

SUMMIT NATURAL GAS OF MISSOURI, INC.
Pettis and Benton County
5th Year of Feasibility Study CY 2018

CASE NO. GA-2013-0404

Jefferson City, MO

April 2013

Summit Natural Gas Of Missouri, Inc.
File No. GA-2013-0404
5th Year of Feasibility Study CY 2018
Certificate of Convenience Necessity
Revenue Requirement

Line Number	<u>A</u> Description	<u>B</u> 7.22% Return	<u>C</u> 7.36% Return	<u>D</u> 7.50% Return
1	Net Orig Cost Rate Base	\$202,464	\$202,464	\$202,464
2	Rate of Return	7.22%	7.36%	7.50%
3	Net Operating Income Requirement	\$14,622	\$14,901	\$15,179
4	Net Income Available	\$15,962	\$15,962	\$15,962
5	Additional Net Income Required	-\$1,340	-\$1,061	-\$783
6	Income Tax Requirement			
7	Required Current Income Tax	\$484	\$554	\$624
8	Current Income Tax Available	\$818	\$818	\$818
9	Additional Current Tax Required	-\$334	-\$264	-\$194
10	Revenue Requirement	-\$1,674	-\$1,325	-\$977
11	Allowance for Known and Measureable Changes/True-Up Estimate	\$0	\$0	\$0
12	Gross Revenue Requirement	-\$1,674	-\$1,325	-\$977

Summit Natural Gas Of Missouri, Inc.
File No. GA-2013-0404
5th Year of Feasibility Study CY 2018
Certificate of Convenience Necessity
RATE BASE SCHEDULE

Line Number	<u>A</u> Rate Base Description	<u>B</u> Percentage Rate	<u>C</u> Dollar Amount
1	Plant In Service		\$331,148
2	Less Accumulated Depreciation Reserve		\$32,460
3	Net Plant In Service		\$298,688
4	ADD TO NET PLANT IN SERVICE		
5	Cash Working Capital		\$0
6	Investment in Stored Gas		\$0
7	Materials & Supplies		\$0
8	Net Cost of Removal Reg. Asset		\$0
9	TOTAL ADD TO NET PLANT IN SERVICE		\$0
10	SUBTRACT FROM NET PLANT		
11	Federal Tax Offset	0.0000%	\$0
12	State Tax Offset	0.0000%	\$0
13	City Tax Offset	0.0000%	\$0
14	Interest Expense Offset	0.0000%	\$0
15	Customer Advances for Construction		\$0
16	Accumulated Deferred Income Taxes		\$96,224
17	TOTAL SUBTRACT FROM NET PLANT		\$96,224
18	Total Rate Base		\$202,464

Summit Natural Gas Of Missouri, Inc.
File No. GA-2013-0404
5th Year of Feasibility Study CY 2018
Certificate of Convenience Necessity
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjst. Number	E Adjustments	F As Adjusted Plant	G Jurisdictional Allocations	H Jurisdictional Adjustments	I MO Adjusted Jurisdictional
1		INTANGIBLE PLANT							
2		TOTAL PLANT INTANGIBLE	\$0		\$0	\$0		\$0	\$0
3		DISTRIBUTION PLANT							
4	367.000	Materials, Steel Pipeline 4" & Contractor Costs	\$0	P-4	\$0	\$0	100.0000%	\$0	\$0
5	368.000	Pressure Regulators & Compressor Stations (Transmission)	\$0	P-5	\$0	\$0	100.0000%	\$0	\$0
6	374.000	Land - Dist Plant	\$0	P-6	\$0	\$0	100.0000%	\$0	\$0
7	376.000	Distribution Mains	\$331,148	P-7	\$0	\$331,148	100.0000%	\$0	\$331,148
8	381.000	Meters	\$0	P-8	\$0	\$0	100.0000%	\$0	\$0
9	382.000	Meters Installation - Dist Plant	\$0	P-9	\$0	\$0	100.0000%	\$0	\$0
10	384.000	House Regulators - Dist Plant	\$0	P-10	\$0	\$0	100.0000%	\$0	\$0
11	385.000	Electronic Gas Measuring	\$0	P-11	\$0	\$0	100.0000%	\$0	\$0
12	386.000	Other	\$0	P-12	\$0	\$0	100.0000%	\$0	\$0
13		TOTAL DISTRIBUTION PLANT	\$331,148		\$0	\$331,148		\$0	\$331,148
14		PRODUCTION PLANT							
15		TOTAL PRODUCTION PLANT	\$0		\$0	\$0		\$0	\$0
16		GENERAL PLANT							
17	389.000	Land - Gen Plant	\$0	P-17	\$0	\$0	100.0000%	\$0	\$0
18	390.100	Structures - Gen Plant	\$0	P-18	\$0	\$0	100.0000%	\$0	\$0
19	390.200	Leasehold Improvements - Gen Plant	\$0	P-19	\$0	\$0	100.0000%	\$0	\$0
20	391.000	Office Furniture & Equipment	\$0	P-20	\$0	\$0	100.0000%	\$0	\$0
21	391.100	Computers	\$0	P-21	\$0	\$0	100.0000%	\$0	\$0
22	392.000	Transportation Equipment	\$0	P-22	\$0	\$0	100.0000%	\$0	\$0
23	393.000	Stores Equipment	\$0	P-23	\$0	\$0	100.0000%	\$0	\$0
24	394.000	Tools, Shop, & Garage Equipment	\$0	P-24	\$0	\$0	100.0000%	\$0	\$0
25	395.000	Laboratory Equipment	\$0	P-25	\$0	\$0	100.0000%	\$0	\$0
26	396.000	Communication Equipment - AMR	\$0	P-26	\$0	\$0	100.0000%	\$0	\$0
27	397.100	Power Operated Equipment	\$0	P-27	\$0	\$0	100.0000%	\$0	\$0
28	397.000	Communications Equipment	\$0	P-28	\$0	\$0	100.0000%	\$0	\$0
29	398.000	Miscellaneous Equipment	\$0	P-29	\$0	\$0	100.0000%	\$0	\$0
30		TOTAL GENERAL PLANT	\$0		\$0	\$0		\$0	\$0
31		GENERAL PLANT - ALLOCATED							
32	0.000	Leasehold Improvements - Gen Plnt All	\$0	P-32	\$0	\$0	100.0000%	\$0	\$0
33	0.000	Office Equipment - Gen Plnt All	\$0	P-33	\$0	\$0	100.0000%	\$0	\$0
34	0.000	Transportation Equipment - Gen Plnt All	\$0	P-34	\$0	\$0	100.0000%	\$0	\$0
35		TOTAL GENERAL PLANT - ALLOCATED	\$0		\$0	\$0		\$0	\$0
36		TOTAL PLANT IN SERVICE	\$331,148		\$0	\$331,148		\$0	\$331,148

Summit Natural Gas Of Missouri, Inc.
File No. GA-2013-0404
5th Year of Feasibility Study CY 2018
Certificate of Convenience Necessity
Adjustments to Plant in Service

<u>A</u> Plant Adj. Number	<u>B</u> Plant In Service Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount	<u>F</u> Jurisdictional Adjustments	<u>G</u> Total Jurisdictional Adjustments
Total Plant Adjustments				<u>\$0</u>		<u>\$0</u>

Summit Natural Gas Of Missouri, Inc.
File No. GA-2013-0404
5th Year of Feasibility Study CY 2018
Certificate of Convenience Necessity
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C MO Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
1		INTANGIBLE PLANT			
2		TOTAL PLANT INTANGIBLE	\$0		\$0
3		DISTRIBUTION PLANT			
4	367.000	Materials, Steel Pipeline 4" & Contractor Costs	\$0	2.00%	\$0
5	368.000	Pressure Regulators & Compressor Stations (Transmission)	\$0	0.00%	\$0
6	374.000	Land - Dist Plant	\$0	0.00%	\$0
7	376.000	Distribution Mains	\$331,148	2.00%	\$6,623
8	381.000	Meters	\$0	0.00%	\$0
9	382.000	Meters Installation - Dist Plant	\$0	0.00%	\$0
10	384.000	House Regulators - Dist Plant	\$0	0.00%	\$0
11	385.000	Electronic Gas Measuring	\$0	0.00%	\$0
12	386.000	Other	\$0	0.00%	\$0
13		TOTAL DISTRIBUTION PLANT	\$331,148		\$6,623
14		PRODUCTION PLANT			
15		TOTAL PRODUCTION PLANT	\$0		\$0
16		GENERAL PLANT			
17	389.000	Land - Gen Plant	\$0	0.00%	\$0
18	390.100	Structures - Gen Plant	\$0	0.00%	\$0
19	390.200	Leasehold Improvements - Gen Plant	\$0	0.00%	\$0
20	391.000	Office Furniture & Equipment	\$0	0.00%	\$0
21	391.100	Computers	\$0	0.00%	\$0
22	392.000	Transportation Equipment	\$0	0.00%	\$0
23	393.000	Stores Equipment	\$0	0.00%	\$0
24	394.000	Tools, Shop, & Garage Equipment	\$0	0.00%	\$0
25	395.000	Laboratory Equipment	\$0	0.00%	\$0
26	396.000	Communication Equipment - AMR	\$0	0.00%	\$0
27	397.100	Power Operated Equipment	\$0	0.00%	\$0
28	397.000	Communications Equipment	\$0	0.00%	\$0
29	398.000	Miscellaneous Equipment	\$0	0.00%	\$0
30		TOTAL GENERAL PLANT	\$0		\$0
31		GENERAL PLANT - ALLOCATED			
32		Leasehold Improvements - Gen Plnt All	\$0	0.00%	\$0
33		Office Equipment - Gen Plnt All	\$0	0.00%	\$0
34		Transportation Equipment - Gen Plnt All	\$0	0.00%	\$0
35		TOTAL GENERAL PLANT - ALLOCATED	\$0		\$0
36		Total Depreciation	\$331,148		\$6,623

Summit Natural Gas Of Missouri, Inc.
File No. GA-2013-0404
5th Year of Feasibility Study CY 2018
Certificate of Convenience Necessity
Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjust. Number	E Adjustments	F As Adjusted Reserve	G Jurisdictional Allocations	H Jurisdictional Adjustments	I MO Adjusted Jurisdictional
1		INTANGIBLE PLANT							
2		TOTAL PLANT INTANGIBLE	\$0		\$0	\$0		\$0	\$0
3		DISTRIBUTION PLANT							
4	367.000	Materials, Steel Pipeline 4" & Contractor Costs	\$0	R-4	\$0	\$0	100.0000%	\$0	0
5	368.000	Pressure Regulators & Compressor Stations (Transmission)	\$0	R-5	\$0	\$0	100.0000%	\$0	0
6	374.000	Land - Dist Plant	\$0	R-6	\$0	\$0	100.0000%	\$0	\$0
7	376.000	Distribution Mains	\$32,460	R-7	\$0	\$32,460	100.0000%	\$0	\$32,460
8	381.000	Meters	\$0	R-8	\$0	\$0	100.0000%	\$0	\$0
9	382.000	Meters Installation - Dist Plant	\$0	R-9	\$0	\$0	100.0000%	\$0	\$0
10	384.000	House Regulators - Dist Plant	\$0	R-10	\$0	\$0	100.0000%	\$0	\$0
11	385.000	Electronic Gas Measuring	\$0	R-11	\$0	\$0	100.0000%	\$0	\$0
12	386.000	Other	\$0	R-12	\$0	\$0	100.0000%	\$0	\$0
13		TOTAL DISTRIBUTION PLANT	\$32,460		\$0	\$32,460		\$0	\$32,460
14		PRODUCTION PLANT							
15		TOTAL PRODUCTION PLANT	\$0		\$0	\$0		\$0	\$0
16		GENERAL PLANT							
17	389.000	Land - Gen Plant	\$0	R-17	\$0	\$0	100.0000%	\$0	\$0
18	390.100	Structures - Gen Plant	\$0	R-18	\$0	\$0	100.0000%	\$0	\$0
19	390.200	Leasehold Improvements - Gen Plant	\$0	R-19	\$0	\$0	100.0000%	\$0	\$0
20	391.000	Office Furniture & Equipment	\$0	R-20	\$0	\$0	100.0000%	\$0	\$0
21	391.100	Computers	\$0	R-21	\$0	\$0	100.0000%	\$0	\$0
22	392.000	Transportation Equipment	\$0	R-22	\$0	\$0	100.0000%	\$0	\$0
23	393.000	Stores Equipment	\$0	R-23	\$0	\$0	100.0000%	\$0	\$0
24	394.000	Tools, Shop, & Garage Equipment	\$0	R-24	\$0	\$0	100.0000%	\$0	\$0
25	395.000	Laboratory Equipment	\$0	R-25	\$0	\$0	100.0000%	\$0	\$0
26	396.000	Communication Equipment - AMR	\$0	R-26	\$0	\$0	100.0000%	\$0	\$0
27	397.100	Power Operated Equipment	\$0	R-27	\$0	\$0	100.0000%	\$0	\$0
28	397.000	Communications Equipment	\$0	R-28	\$0	\$0	100.0000%	\$0	\$0
29	398.000	Miscellaneous Equipment	\$0	R-29	\$0	\$0	100.0000%	\$0	\$0
30		TOTAL GENERAL PLANT	\$0		\$0	\$0		\$0	\$0
31		GENERAL PLANT - ALLOCATED							
32		Leasehold Improvements - Gen Plnt All	\$0	R-32	\$0	\$0	100.0000%	\$0	\$0
33		Office Equipment - Gen Plnt All	\$0	R-33	\$0	\$0	100.0000%	\$0	\$0
34		Transportation Equipment - Gen Plnt All	\$0	R-34	\$0	\$0	100.0000%	\$0	\$0
35		TOTAL GENERAL PLANT - ALLOCATED	\$0		\$0	\$0		\$0	\$0
36		TOTAL DEPRECIATION RESERVE	\$32,460		\$0	\$32,460		\$0	\$32,460

Summit Natural Gas Of Missouri, Inc.
File No. GA-2013-0404
5th Year of Feasibility Study CY 2018
Certificate of Convenience Necessity
Adjustments for Depreciation Reserve

A	B	C	D	E	F	G
Reserve Adjustment Number	Accumulated Depreciation Reserve Adjustments Description	Account Number	Adjustment Amount	Total Adjustment Amount	Jurisdictional Adjustments	Total Jurisdictional Adjustments
Total Reserve Adjustments				\$0		\$0

Summit Natural Gas Of Missouri, Inc.
File No. GA-2013-0404
5th Year of Feasibility Study CY 2018
Certificate of Convenience Necessity
Cash Working Capital

Line Number	A Description	B Test Year Adj. Expenses	C Revenue Lag	D Expense Lag	E Net Lag C - D	F Factor (Col E / 365)	G CWC Req B x F
1	OPERATION AND MAINT. EXPENSE						
2	Payroll and Employee Withholdings	\$0	0.00	0.00	0.00	0.000000	\$0
3	Vacation Union	\$0	0.00	0.00	0.00	0.000000	\$0
4	Pension Expense	\$0	0.00	0.00	0.00	0.000000	\$0
5	Employee Benefits	\$0	0.00	0.00	0.00	0.000000	\$0
6	Purchased Gas Expense	\$0	0.00	0.00	0.00	0.000000	\$0
7	Purchased Gas Expense (Back out)	\$0	0.00	0.00	0.00	0.000000	\$0
8	Bad Debt Expense	\$0	0.00	0.00	0.00	0.000000	\$0
9	Cash Vouchers	\$645	0.00	0.00	0.00	0.000000	\$0
10	TOTAL OPERATION AND MAINT. EXPENSE	\$645					\$0
11	TAXES						
12	Property Tax	\$0	0.00	0.00	0.00	0.000000	\$0
13	State Franchise Taxes	\$0	0.00	0.00	0.00	0.000000	\$0
14	Employer Portion of FICA	\$0	0.00	0.00	0.00	0.000000	\$0
15	Federal and State Unemployment Tax	\$0	0.00	0.00	0.00	0.000000	\$0
16	Use Tax	\$0	0.00	0.00	0.00	0.000000	\$0
17	Sales Tax	\$0	0.00	0.00	0.00	0.000000	\$0
18	Gross Receipts Tax	\$0	0.00	0.00	0.00	0.000000	\$0
19	TOTAL TAXES	\$0					\$0
20	OTHER EXPENSES						
21	Gas Costs	\$0	0.00	0.00	0.00	0.000000	\$0
22	TOTAL OTHER EXPENSES	\$0					\$0
23	CWC REQ'D BEFORE RATE BASE OFFSETS						\$0
24	TAX OFFSET FROM RATE BASE						
25	Federal Tax Offset	\$392	0.00	0.00	0.00	0.000000	\$0
26	State Tax Offset	\$161	0.00	0.00	0.00	0.000000	\$0
27	City Tax Offset	\$0	0.00	0.00	0.00	0.000000	\$0
28	Interest Expense Offset	\$4,837	0.00	0.00	0.00	0.000000	\$0
29	TOTAL OFFSET FROM RATE BASE	\$5,390					\$0
30	TOTAL CASH WORKING CAPITAL REQUIRED						\$0

Summit Natural Gas Of Missouri, Inc.
File No. GA-2013-0404
5th Year of Feasibility Study CY 2018
Certificate of Convenience Necessity
Income Statement

Line Number	A Category Description	B Total Test Year	C Test Year Labor	D Test Year Non Labor	E Adjustments	F Total Company Adjusted	G Jurisdictional Adjustments	H MO Final Adj Jurisdictional	I MO Juris. Labor	J MO Juris. Non Labor
1	TOTAL OPERATING REVENUES	\$28,692	See Note (1)	See Note (1)	See Note (1)	\$28,692	\$0	\$28,692	See Note (1)	See Note (1)
2	TOTAL GAS SUPPLY EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	TOTAL NATURAL GAS STORAGE EXPENSE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	TOTAL TRANSMISSION EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	TOTAL PRODUCTION EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	TOTAL DISTRIBUTION EXPENSES	\$274	\$257	\$17	\$0	\$274	\$0	\$274	\$257	\$17
7	TOTAL CUSTOMER ACCOUNTS EXPENSE	\$287	\$0	\$287	\$0	\$287	\$0	\$287	\$0	\$287
8	TOTAL CUSTOMER SERVICE & INFO. EXP.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	TOTAL SALES EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	TOTAL ADMIN. & GENERAL EXPENSES	\$84	\$0	\$84	\$0	\$84	\$0	\$84	\$0	\$84
11	TOTAL DEPRECIATION EXPENSE	\$0	See Note (1)	See Note (1)	See Note (1)	\$0	\$6,623	\$6,623	See Note (1)	See Note (1)
12	TOTAL AMORTIZATION EXPENSE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	TOTAL OTHER OPERATING EXPENSES	\$30	\$0	\$30	\$0	\$30	\$0	\$30	\$0	\$30
14	TOTAL OPERATING EXPENSE	\$675	\$257	\$418	\$0	\$675	\$6,623	\$7,298	\$257	\$418
15	NET INCOME BEFORE TAXES	\$28,017	\$0	\$0	\$0	\$28,017	-\$6,623	\$21,394	\$0	\$0
16	TOTAL INCOME TAXES	\$0	See Note (1)	See Note (1)	See Note (1)	\$0	\$818	\$818	See Note (1)	See Note (1)
17	TOTAL DEFERRED INCOME TAXES	\$0	See Note (1)	See Note (1)	See Note (1)	\$0	\$4,614	\$4,614	See Note (1)	See Note (1)
18	NET OPERATING INCOME	\$28,017	\$0	\$0	\$0	\$28,017	-\$12,055	\$15,962	\$0	\$0

(1) Labor and Non Labor Detail not applicable to Revenue & Taxes

Summit Natural Gas Of Missouri, Inc.
File No. GA-2013-0404
5th Year of Feasibility Study CY 2018
Certificate of Convenience Necessity
Adjustments to Income Statement Detail

A Income Adj. Number	B Income Adjustment Description	C Account Number	D Company Adjustment Labor	E Company Adjustment Non Labor	F Company Adjustments Total	G Jurisdictional Adjustment Labor	H Jurisdictional Adjustment Non Labor	I Jurisdictional Adjustments Total
E-107	Depreciation Expense, Dep. Exp.	408.000	\$0	\$0	\$0	\$0	\$6,623	\$6,623
	1. To Annualize Depreciation Expense		\$0	\$0		\$0	\$6,623	
E-124	Current Income Taxes		\$0	\$0	\$0	\$0	\$818	\$818
	1. To Annualize Current Income Taxes		\$0	\$0		\$0	\$818	
E-127	Deferred Income Taxes - Def. Inc. Tax.		\$0	\$0	\$0	\$0	\$4,614	\$4,614
	1. To Annualize Deferred Income Taxes - Def. Inc. Tax.		\$0	\$0		\$0	\$4,614	
	2. No Adjustment		\$0	\$0		\$0	\$0	
Total Operating Revenues			\$0	\$0	\$0	\$0	\$0	\$0
Total Operating & Maint. Expense			\$0	\$0	\$0	\$0	\$12,055	\$12,055

Summit Natural Gas Of Missouri, Inc.
File No. GA-2013-0404
5th Year of Feasibility Study CY 2018
Certificate of Convenience Necessity
Income Tax Calculation

Line Number	A Description	B Percentage Rate	C Test Year	D 7.22% Return	E 7.36% Return	F 7.50% Return
1	TOTAL NET INCOME BEFORE TAXES		\$21,394	\$19,720	\$20,068	\$20,416
2	ADD TO NET INCOME BEFORE TAXES					
3	Book Depreciation Expense		\$6,623	\$6,623	\$6,623	\$6,623
4	Test		\$0	\$0	\$0	\$0
5	TOTAL ADD TO NET INCOME BEFORE TAXES		\$6,623	\$6,623	\$6,623	\$6,623
6	SUBT. FROM NET INC. BEFORE TAXES					
7	Interest Expense calculated at the Rate of	2.3890%	\$4,837	\$4,837	\$4,837	\$4,837
8	Tax Straight-Line Depreciation		\$6,623	\$6,623	\$6,623	\$6,623
9	Excess Tax Depreciation		\$12,454	\$12,454	\$12,454	\$12,454
10	TOTAL SUBT. FROM NET INC. BEFORE TAXES		\$23,914	\$23,914	\$23,914	\$23,914
11	NET TAXABLE INCOME		\$4,103	\$2,429	\$2,777	\$3,125
12	PROVISION FOR FED. INCOME TAX					
13	Net Taxable Inc. - Fed. Inc. Tax		\$4,103	\$2,429	\$2,777	\$3,125
14	Deduct Missouri Income Tax at the Rate of	100.000%	\$238	\$141	\$161	\$182
15	Deduct City Inc Tax - Fed. Inc. Tax		\$0	\$0	\$0	\$0
16	Federal Taxable Income - Fed. Inc. Tax		\$3,865	\$2,288	\$2,616	\$2,943
17	Federal Income Tax at the Rate of	See Tax Table	\$580	\$343	\$393	\$442
18	Subtract Federal Income Tax Credits					
19	Credit - Solar		\$0	\$0	\$0	\$0
20	Net Federal Income Tax		\$580	\$343	\$393	\$442
21	PROVISION FOR MO. INCOME TAX					
22	Net Taxable Income - MO. Inc. Tax		\$4,103	\$2,429	\$2,777	\$3,125
23	Deduct Federal Income Tax at the Rate of	50.000%	\$290	\$172	\$197	\$221
24	Deduct City Income Tax - MO. Inc. Tax		\$0	\$0	\$0	\$0
25	Missouri Taxable Income - MO. Inc. Tax		\$3,813	\$2,257	\$2,580	\$2,904
26	Missouri Income Tax at the Rate of	6.250%	\$238	\$141	\$161	\$182
27	PROVISION FOR CITY INCOME TAX					
28	Net Taxable Income - City Inc. Tax		\$4,103	\$2,429	\$2,777	\$3,125
29	Deduct Federal Income Tax - City Inc. Tax		\$0	\$0	\$0	\$0
30	Deduct Missouri Income Tax - City Inc. Tax		\$0	\$0	\$0	\$0
31	City Taxable Income		\$4,103	\$2,429	\$2,777	\$3,125
32	City Income Tax at the Rate of	0.000%	\$0	\$0	\$0	\$0
33	SUMMARY OF CURRENT INCOME TAX					
34	Federal Income Tax		\$580	\$343	\$393	\$442
35	State Income Tax		\$238	\$141	\$161	\$182
36	City Income Tax		\$0	\$0	\$0	\$0
37	TOTAL SUMMARY OF CURRENT INCOME TAX		\$818	\$484	\$554	\$624
38	DEFERRED INCOME TAXES					
39	Deferred Income Taxes - Def. Inc. Tax.		\$4,614	\$4,614	\$4,614	\$4,614
40	Amortization of Deferred ITC		\$0	\$0	\$0	\$0
41	Deferred Income Tax - Test Line		\$0	\$0	\$0	\$0
42	TOTAL DEFERRED INCOME TAXES		\$4,614	\$4,614	\$4,614	\$4,614
43	TOTAL INCOME TAX		\$5,432	\$5,098	\$5,168	\$5,238

Summit Natural Gas Of Missouri, Inc.
 File No. GA-2013-0404
 5th Year of Feasibility Study CY 2018
 Certificate of Convenience Necessity
 Income Tax Calculation

Line Number	<u>A</u> Description	<u>B</u> Percentage Rate	<u>C</u> Test Year	<u>D</u> 7.22% Return	<u>E</u> 7.36% Return	<u>F</u> 7.50% Return
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Federal Tax Table						
Federal Income Taxes			\$3,865	\$2,288	\$2,616	\$2,943
15% on first \$50,000			\$580	\$343	\$392	\$441
25% on next \$25,000			\$0	\$0	\$0	\$0
34% > \$75,000 < \$100,001			\$0	\$0	\$0	\$0
39% > \$100,000 < \$335,001			\$0	\$0	\$0	\$0
34% > \$335,000 < \$10,000,001			\$0	\$0	\$0	\$0
35% > \$10MM < \$15,000,001			\$0	\$0	\$0	\$0
38% > \$15MM < \$18,333,334			\$0	\$0	\$0	\$0
35% > \$18,333,333			\$0	\$0	\$0	\$0
Total Federal Income Taxes			\$580	\$343	\$392	\$441

Summit Natural Gas Of Missouri, Inc.
File No. GA-2013-0404
5th Year of Feasibility Study CY 2018
Certificate of Convenience Necessity
Capital Structure Schedule

Line Number	A Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital 8.80%	F Weighted Cost of Capital 9.05%	G Weighted Cost of Capital 9.30%
1	Common Stock	\$173,248	54.92%		4.833%	4.971%	5.108%
2	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
4	Long Term Debt	\$142,188	45.08%	5.30%	2.389%	2.389%	2.389%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
6	Other Security Tax Deductible	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
7	TOTAL CAPITALIZATION	\$315,436	100.00%		7.222%	7.360%	7.497%
8	PreTax Cost of Capital				8.425%	8.598%	8.769%

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

In the Matter of the Application of Summit)
Natural Gas of Missouri, Inc., for a)
Certificate of Convenience and Necessity)
Authorizing it to Construct, Install, Own,)
Operate, Control, Manage and Maintain a)
Natural Gas Distribution System to Provide)
Gas Service in Pettis County and Benton)
County, Missouri as a New Certificated)
Area)

Case No. GA-2013-0404

AFFIDAVIT OF KIM COX

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Kim Cox of lawful age, on oath states: that she participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.



Kim Cox

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

LAURA BLOCH Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 21, 2015 Commission Number: 11203914
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Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Summit)
Natural Gas of Missouri, Inc., for a Certificate)
of Convenience and Necessity Authorizing it to)
Construct, Install, Own, Operate, Control,)
Manage and Maintain a Natural Gas)
Distribution System to Provide Gas Service in)
Pettis County and Benton County, Missouri as a)
New Certificated Area)

File No. GA-2013-0404

AFFIDAVIT OF PAUL R. HARRISON

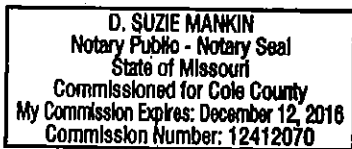
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Paul R. Harrison, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.

Paul R. Harrison

Paul R. Harrison

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



D. Suzie Mankin
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Summit)
Natural Gas of Missouri, Inc., for a Certificate) File No. GA-2013-0404
of Convenience and Necessity Authorizing it to)
Construct, Install, Own, Operate, Control,)
Manage and Maintain a Natural Gas)
Distribution System to Provide Gas Service in)
Pettis County and Benton County, Missouri as a)
New Certificated Area)

AFFIDAVIT OF DERICK MILES, PE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

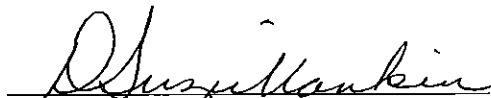
Derick Miles, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.



Derick Miles

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

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070



Notary Public