

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 3rd day of
June, 2009.

In the Matter of the Application of Missouri Gas Utility,)
Inc., for Authority to Enter into Certain Debt Instruments)
and to Issue up to and Including \$5,500,000 of Bonded)
Indebtedness, in One or More Transactions, and to,) **File No. GF-2009-0331**
Among Other Things, Execute and Deliver a Mortgage)
and Security Agreement to Secure Said Indebtedness.)

ORDER GRANTING FINANCING APPLICATION

Issue Date: June 3, 2009

Effective Date: June 13, 2009

This order grants the application filed by Missouri Gas Utility, Inc., to issue up to and including \$5,500,000 in variable-interest revenue bonds to be secured by a mortgage, lien, and encumbrance for up to \$5,650,000 that includes accrued interest on the bonds, and to pledge its Missouri operating assets as collateral.

The Application

On March 13, 2009,¹ MGU, a wholly-owned subsidiary of Summit Utilities, Inc., asked for permission to issue up to and including \$5,500,000 of variable-interest-rate revenue bonds, to be secured by a mortgage, lien and encumbrance for up to \$5,650,000 upon its Missouri operating properties. MGU proposes to do so to fund its current and planned operations in Missouri, part of which includes expanding its operations in Pettis

¹ The original Application was filed on March 11, 2009, and a First Amended Application was filed on March 13, 2009.

and Benton Counties to the communities of Green Ridge, Cole Camp, Lincoln, and Warsaw, as recently authorized by the Commission in Case No. GA-2009-0264.

MGU asks for authority to enter into one or more debt instruments to fund its planned operations in the state of Missouri. The proposal is for Summit to issue new variable-interest-rate revenue bonds on behalf of MGU in an amount not to exceed \$5,500,000 during the 2009 calendar year. In addition, MGU requests authority to facilitate this issuance through various debt instruments including (i) a loan agreement between MGU and Summit; (ii) a reimbursement agreement, which includes a \$2,000,000 line of credit which may be renewed annually, by and between MGU and US Bank as previously authorized in Case No. GF-2009-0057; (iii) a note and mortgage from MGU to US Bank; (iv) a trust agreement by and between Summit, MGU, and The Bank of New York, Mellon, N.A.; and (v) a general security agreement by and between MGU and US Bank. The letter of credit, reimbursement agreement, and mortgage include accrued interest on the bonds and therefore, the lien is for an amount greater than the bonds. MGU also described in detail in its application the other fees and costs it expects to incur for this issuance.

Staff Recommendation

The Staff of the Commission filed its Recommendation on May 13, 2009. Staff recommends that the Commission approve the application, subject to the following seven conditions:

1. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, which includes, but is not limited to the capital structure, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their effect on cost of capital, in any later proceeding.

2. That the Company file with the Commission any information concerning communication with credit rating agencies concerning the proposed financing.

3. That the Company 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.

4. That MGU continue the agreement with Summit Utilities, Inc. whereby Summit commits to:

(a) be capitalized with no more debt capital as a percentage of total capital as compared to how it capitalizes MGU, and

(b) keep Summit Utilities, Inc.'s business risk consistent with its current operations.

The debt to capital ratio shall be as defined in the Reimbursement and Pledge Agreement by and among MGU, Summit and U.S. Bank National Association. MGU shall file with the Commission both Summit's and MGU's fiscal-year end annual audited financial statements to ensure compliance with this condition.

5. That all future funds acquired through issuance of securities under this application shall be used exclusively for the benefit of Missouri Gas Utility, Inc.'s regulated operations.

6. That the amount authorized for purposes of the requested lien or encumbrance shall be limited to \$5,650,000.

7. That the Company file with the Commission a plan for managing its variable interest rate risk exposure no later than January 31, 2011. However, if the Company files an application for financing with the Commission in association with its planned filing for a Certificate of Convenience and Necessity for the Lake of the Ozarks area before January 31, 2011, then the Company will address its plan for managing its variable interest rate risk exposure in the context of that financing case.

MGU responded on May 20, 2009, stating that it did not object to Staff's conditions.

Discussion

The Commission has reviewed the parties' verified pleadings. The Commission finds that the money, property or labor to be procured or paid for by MGU through the issuance of the line of credit and the loan agreements is reasonably required and necessary for the purposes set forth above and will be used therefor. In addition, the Commission finds that the purposes for the indebtedness and issuances are not in whole or in part reasonably chargeable to operating expenses or to income. Finally, the Commission finds that the transactions will not be detrimental to the public interest, and will therefore approve the transactions, subject to the conditions set out above, to which MGU and Staff agree.

THE COMMISSION ORDERS THAT:

1. The application filed by Missouri Gas Utility, Inc., is granted, subject to the conditions set out in the body of this order.
2. Missouri Gas Utility, Inc., is authorized to enter into, execute and deliver a Loan Agreement with Summit in substantially the form of Appendix 4 to incur indebtedness provided that the principal amount of such debt obligation shall not exceed \$5,650,000, bearing interest, including any applicable discount, at a rate consistent with the rates for similar securities of comparable credit quality and maturities issued by other companies, having a maturity of not more than thirty years for the loan relating to the Bonds and having such designation and redemption, purchase and other terms as shall be determined by Missouri Gas Utility, Inc.
3. Missouri Gas Utility, Inc., is authorized to perform in accordance with the Reimbursement Agreement.

4. Missouri Gas Utility, Inc., is authorized to create and make effective the lien of the Reimbursement Agreement, the Mortgage, and the Security Agreement on all of its franchise, certificates of convenience and necessity, works, and system in the state of Missouri to secure the letter of credit, provided the principal amount thereof does not exceed \$5,650,000.

5. Missouri Gas Utility, Inc., is authorized to perform in accordance with the Mortgage and the Security Agreement.

6. Missouri Gas Utility, Inc., is authorized to enter into, execute, deliver and perform the necessary promissory notes, agreements, and other documents necessary to effectuate the described transactions.

7. Missouri Gas Utility, Inc., is authorized to take such other actions as may be reasonably incidental, necessary, or appropriate to complete the transaction.

8. This order shall become effective on June 13, 2009.

9. This case may be closed on June 14, 2009.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', is written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Clayton, Chm., Davis, Jarrett,
and Gunn, CC., concur.

Dippell, Deputy Chief Regulatory Law Judge