

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 6th day of
November, 2008.

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 \$7,000,000 of)	<u>Case No. GF-2009-0057</u>
Indebtedness, in One or More Transactions, and to,)	
Among Other Things, Execute and Deliver a Mortgage)	
and Security Agreement to Secure Said Indebtedness)	

ORDER GRANTING APPLICATION

Issue Date: November 6, 2008

Effective Date: November 16, 2008

This order grants the application filed by Missouri Gas Utility, Inc., (hereafter "MGU") to issue up to and including \$6,715,000 of indebtedness, in one or more transactions under the terms of one or more loan agreements with Summit Utilities, Inc., and related debt instruments, all such indebtedness to be secured by a mortgage, lien and encumbrance upon its Missouri operating properties.

The Application

On August 25¹, MGU, a wholly-owned subsidiary of Summit Utilities, Inc. (hereafter "Summit") asked for permission to issue up to and including \$7,000,000 of indebtedness to be secured by a mortgage, lien and encumbrance upon its Missouri operating properties. MGU proposes to do so to fund its current and planned operations in Missouri, part of

¹ Unless otherwise noted, calendar references are to 2008.

which includes expanding its operations in Ridgeway, Pattonsburg and Jamesport, as recently authorized by the Commission in Cases Nos. GA-2008-0321, GA-2008-0322, and GA-2008-0348.

MGU asks for authority for Summit to issue new variable-interest-rate revenue bonds on behalf of MGU in an amount not to exceed \$5,000,000. Also, MGU asks for authority to enter into a \$2,000,000 line of credit agreement with US Bank National Association (hereafter "US Bank").

Staff Recommendation

The Staff of the Commission filed its Recommendation on October 30. Staff recommends that the Commission approve the application, subject to six conditions. One condition is that MGU incur only \$6,715,000 in debt, because the loan documents accompanying the application indicate the Summit letter of credit would only be \$4,715,000. All of the \$2,000,000 line of credit is justified. Therefore, MGU will only need to incur \$6,715,000 of debt.

MGU responded on November 3, stating that it did not object to Staff's conditions. MGU further moved for expedited treatment, stating that US Bank's commitment to the transaction expires on December 1.

Discussion

The Commission has reviewed the parties' verified pleadings, which are admitted into evidence. The Commission finds that the transaction would not be detrimental to the

public interest, and will therefore approve the transaction, subject to the conditions listed below, to which MGU and Staff agree.

THE COMMISSION ORDERS THAT:

1. The application filed by Missouri Gas Utility, Inc., is granted, subject to the following conditions:

- A. Nothing in the Commission's order shall be considered a finding by the Commission of the value of these transactions for ratemaking purposes, which includes, but is not limited to the capital structure, and that the Commission reserves the right to consider the ratemaking treatment to be afforded these financing transactions and their results in cost of capital, in any later proceeding.
- B. Missouri Gas Utility, Inc., shall file with the Commission any information concerning communications with credit rating agencies concerning the proposed financing.
- C. Missouri Gas Utility, Inc., shall 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.
- D. Missouri Gas Utility, Inc., shall enter into an agreement with Summit Utilities, Inc., whereby Summit commits to be capitalized with no more debt capital as a percentage of total capital as compared to how it capitalizes Missouri Gas Utility, Inc., and, shall 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 Missouri Gas Utility, Inc., Summit Utilities, Inc., and US Bank National Association. Missouri Gas Utility shall file with the Commission both Summit Utilities, Inc.'s and Missouri Gas Utility, Inc.'s fiscal year end annual audited financial statements to ensure compliance with this condition.
- E. 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.
- F. The amount authorized for purposes of the requested lien or encumbrances shall be limited to \$6,715,000.

2. This order shall become effective on November 16, 2008.
3. This case may be closed on November 17, 2008.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', with a stylized, cursive script.

Colleen M. Dale
Secretary

(S E A L)

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

Pridgin, Senior Regulatory Law Judge