

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 10th
day of June, 2011.

In the Matter of the application of Southern Missouri)	
Gas Company, L.P. d/b/a Southern Missouri Natural)	
Gas for authority to enter into certain debt instruments)	
and to issue up to an including \$28,000,000 of short-)	<u>File No. GF-2011-0352</u>
term 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: June 10, 2011

Effective Date: June 20, 2011

This order grants the application filed by Southern Missouri Gas Company, L.P., d/b/a Southern Missouri Natural Gas, Inc., (hereafter "SMNG") to issue up to and including \$28,000,000 of indebtedness, in one or more transactions under the terms of one or more loan agreements with CoBank, ACB, and related debt instruments, all such indebtedness to be secured by a mortgage, lien and encumbrance upon its Missouri operating properties.

The Application

On April 12¹, SMNG asked for permission to issue up to and including \$28,000,000 of indebtedness to be secured by a mortgage, lien and encumbrance upon its Missouri operating properties. SMNG proposes to do so to fund its current and

¹ Unless otherwise noted, calendar references are to 2011.

planned operations in Missouri, part of which includes capital expenditures for its operations in Lebanon and Branson, to replace current debt, which bears a higher interest rate, and to purchase gas to be injected into storage for the winter heating season.

Staff Recommendation

The Staff of the Commission filed its Recommendation on June 1. Staff recommends that the Commission approve the application, subject to four conditions. SMNG responded on June 2, stating that it did not object to Staff's conditions. Further, SMNG had previously asked the Commission for expedited treatment, and for a waiver for Commission Rule 4 CSR 240-4.020(2), due to SMNG's expectation that this case will not be contested.

Discussion

The Commission has reviewed the parties' verified pleadings. The Commission may grant the application if it finds that the transaction requested would not be detrimental to the public interest.² 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 SMNG and Staff agree.

The Commission also notes that Section 386.300.2, RSMo 2000 requires the Commission to collect a fee when issuing a certificate authorizing a utility to issue bonds, notes or other evidence of indebtedness. Commission Rule 4 CSR 240-

² Commission Rule 4 CSR 240-3.210(1)(D).

3.220(1)(F) requires that an application for financing authority include “a statement of what portion of the issue is subject to the fee schedule in Section 386.300 RSMo.” SMNG’s application does not include such a statement and Staff does not address the matter in its recommendation.

Rather than delay its approval of SMNG’s request for financing authority, the Commission will direct SMNG to file a separate pleading explaining whether and to what extent the fee provisions of Section 386.300.2, RSMo apply to this certificate of financing authority. The Commission may subsequently require SMNG to pay the applicable fee.

THE COMMISSION ORDERS THAT:

1. The application filed by Southern Missouri Gas Company, L.P., d/b/a Southern Missouri Natural Gas, 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. Southern Missouri Gas Company, L.P., d/b/a Southern Missouri Natural Gas, 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.
- C. That IIF SMNG Investment LLC and IIF SMNG Investment II LLC shall continue to be the majority equity investor until such time that IIF SMNG Investment LLC is no longer a noteholder of SMNG debt.
- D. Southern Missouri Gas Company, L.P., d/b/a Southern Missouri Natural Gas, Inc., will not seek an increased cost of capital as a result of financing decisions that are considered to be imprudent. Southern Missouri Gas Company, L.P., d/b/a Southern Missouri Natural Gas, Inc., understand that the Commission’s authorization of this financing proposal is not an endorsement of the proposal for

purposes of setting the rate of return in future rate or complaint cases.

2. Commission Rule 4 CSR 240-4.020(2)(B) is waived.

3. No later than June 24, 2011, Southern Missouri Gas Company, L.P., d/b/a Southern Missouri Natural Gas, Inc. shall file a statement of what portion of this issue authorized in this order is subject to the fee schedule in Section 386.300.2, RSMo.

4. This order shall become effective on June 20, 2011.

5. This case may be closed on June 21, 2011.

BY THE COMMISSION



Steven C. Reed
Secretary

(S E A L)

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

Pridgin, Senior Regulatory Law Judge