

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

In the matter of the Application of Summit Natural)	
Gas of Missouri, Inc. for Authority to Increase the)	<u>File No. GO-2019-0406</u>
Amount of Indebtedness Secured by the Pledge of)	
its Parent Summit LDC Holdings, LLC)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission and submits its Recommendation as follows:

1. On January 24, 2019, Summit Natural Gas of Missouri, Inc. ("SNGMO" or "Company") filed an application with the Missouri Public Service Commission ("Commission") seeking approval of a corporate restructuring which would secure up to \$225 million of indebtedness with a pledge of the Company's capital stock. The Commission approved the restructuring on March 23, 2019, in File No. GO-2019-0216. SNGMO is now a direct subsidiary of Summit Holdings and an indirect wholly-owned subsidiary of Summit Utilities, Inc. ("Summit").

2. On June 18, 2019, SNGMO filed an application ("Application") to increase the amount of indebtedness secured by the Company's capital stock up to \$310 million. Staff confirmed that the additional \$85 million of indebtedness was used to retire the debt of one of Summit's subsidiary and restructure the debt of another subsidiary.

3. In SNGMO's June 18, 2019 Application, the Company requested a waiver from Commission Rule 4 CSR 240-4.017(1) that states that "(a)ny person that intends to file a case shall file a notice with the secretary of the commission a minimum of sixty (60) days prior to filing such case." As stated in the Company's Application, good cause exist to grant a waiver under 4 CSR 240-4.017(1)(D) since the Company had no

communication with the Commission within the prior 150 days regarding any substantive issues in this case, other than the pleadings filed for record.

4. Subject to the restrictions reflected in the attached Recommendation memorandum, Staff recommends the Commission waive the 60-day notice requirement of Commission Rule 4 CSR 240-4.017(1) and approve the Application.

WHEREFORE, Staff recommends the Commission waive the 60-day notice requirement of Commission Rule 4 CSR 240-4.017(1) and approve the SNGMO Application filed June 18, 2019 subject to the restrictions set forth in the attached Recommendation.

Respectfully Submitted,

/s/ Ron Irving

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand delivered, transmitted by facsimile or electronically mailed to all counsel of record this 1st day of August, 2019.

/s/ Ron Irving

MEMORANDUM

TO: Missouri Public Service Commission
Official Case No. GO-2019-0406 (Summit Natural Gas of Missouri, Inc.)

FROM: Peter Chari, Financial Analysis Department, Commission Staff Division

/s/ Natelle Dietrich 8/01/2019
Commission Staff / Date

/s/ Ron Irving 8/01/2019
Staff Counsel's Office / Date

SUBJECT: Staff's Recommendation Regarding Summit Natural Gas of Missouri, Inc.'s ("SNGMO") Application for Authority to Increase the Amount of Indebtedness Secured by the Pledge of its Capital Stock by its Parent Summit LDC Holdings, LLC

DATE: August 1, 2019

Introduction:

On June 18, 2019, Summit Natural Gas of Missouri, Inc.'s ("SNGMO" or "the Company") submitted an Application and Request for Waiver of Notice ("Application") authorizing it to increase the amount of indebtedness secured by the Company's parent company's pledge of the Company's capital stock. The Application request is a completion of the authority SNGMO requested in Case No. GO-2019-0216 ("original application"). In that case, SNGMO was approved authority to raise \$225,000,000 of debt requested to initiate a corporate restructuring. The difference of \$85,000,000 of debt raised, from that proposed in Case No. GO-2019-0216 and the \$310,000,000 subject of the current case, reflects debt that had not yet been retired at Colorado Natural Gas, Inc. ("CNG") and Arkansas Oklahoma Gas Corporation ("AOG"). The Applicant has already issued the additional \$85,000,000 debt. Consequently, if the Commission approves the Application, it would be approving the transaction after the fact.

Description of SNGMO and Summit Utilities, Inc.:

SNGMO is a corporation duly incorporated under the laws of the State of Colorado with its principal office located at 7810 Shaffer Parkway, Suite 120, Littleton, Colorado 80127. SNGMO provides natural gas service in the Missouri counties of Benton, Caldwell, Camden, Daviess, Douglas, Greene, Harrison, Howell, Laclede, Miller, Morgan, Pettis, Stone, Taney, Texas, Webster and Wright. SNGMO is currently a direct subsidiary of Summit Holdings ("Midco") and

an indirect wholly-owned subsidiary of Summit Utilities, Inc. (“Summit”), also a Colorado corporation. To Staff’s knowledge, SNGMO’s operations are limited to regulated natural gas distribution operations in Missouri. Summit is a private corporation with one private shareholder, IIF CNG Investment LLC, an investment vehicle owned by JP Morgan Infrastructure Investment Fund (hereinafter referred to collectively as “IIF”). Summit has three direct, wholly-owned subsidiaries: Summit Natural Gas of Maine, Inc., Midco, and Wolf Creek Energy. The newly-formed entity, Midco, has three direct subsidiaries: Colorado Natural Gas, Inc., Summit Natural Gas of Missouri, Inc. and AOG Corporation.

Summit has owned gas distribution assets in Missouri since late 2004, when it formed Missouri Gas Utility (“MGU”) to acquire two small municipal gas distribution systems in the cities of Gallatin and Hamilton. IIF later acquired equity ownership of Summit and a company not previously affiliated with Summit, Southern Missouri Natural Gas Company. In early 2012 Southern Missouri Natural Gas Company and MGU merged to form SNGMO. Summit owned CNG when it acquired the MGU systems in 2004. Therefore, CNG has always been a sister company to Summit’s Missouri companies. Summit Natural Gas of Maine, Inc. (SNGME), a wholly-owned subsidiary of Summit, became a sister company in 2012, but SNGME didn’t receive significant investment until 2013. In March 2017, AOG Hold Co became a sister company to SNGMO when Summit acquired it and its operating company, AOG.

Following its original application with the Commission on January 24, 2019, the Company was granted authority to undertake a corporate restructuring resulting in the formation of Midco. The Commission granted that authority on March 13, 2019. The case is docketed in File No. GO-2019-0216.

Midco entered into a \$310 million debt financing arrangement for use by its subsidiaries. Said debt is secured by the capital stock of its subsidiaries. The original application requested \$225 million. The difference, \$85 million, between the original application and the aggregate indebtedness available at closing (\$310 million) was “due to the pay-off of indebtedness of Summit

Holdings' subsidiary Colorado Natural Gas, Inc. (CNG), and the exchange of approximately \$35 million of notes issued by Summit Holdings' subsidiary Arkansas Oklahoma Gas Corporation (AOG) with notes issued by Summit Holdings in the same amount.”

Staff, through Data Requests, emails and telephone calls, obtained the data used to assess and confirm Summit Holdings' use of funds. The Company stated in Data Request No. 0002 that “the additional \$85 million was used to retire debt at Colorado Natural Gas, Inc. and to elevate to Summit LDC Holdings, LLC debt of Arkansas Oklahoma Gas Corporation”. Staff confirmed the existence of the debts prior to retirement. As of June, the three subsidiaries had zero balances in their long-term debt accounts. There were \$73,260,000 and \$28,688,000 in the current portion of long-term debt accounts of CNG and SNGMO, respectively. \$258,513,429 in long-term debt was in Summit Holdings as of June 30, 2019.

Recommendation:

Staff recommends that this Application and Request for Waiver be approved as not detrimental to the public interest with the following conditions:

1. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction 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 transactions, and their effect on the cost of capital in future rate cases.
2. The Company provides quarterly statements for all the subsidiaries showing the retirement of the debts and, migration of the debts to Midco.

The company has no annual reports or assessment fees that are overdue. No known cases or transactions affect, or will be affected by this transaction.

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its Parent Summit LDC Holdings, LLC)

File No. GO-2019-0406

AFFIDAVIT OF PETER CHARI

State of Missouri)
) ss.
County of Cole)

COMES NOW Peter Chari, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to his best knowledge and belief.

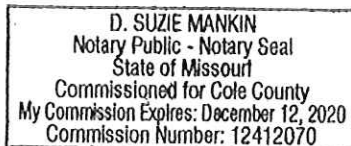
Further the Affiant sayeth not.



Peter Chari

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 15th day of August, 2019.



NOTARY PUBLIC