

In the matter of the application of Summit)
Natural Gas of Missouri, Inc., for a Waiver of) File No. _____
Certain Hedging Requirements)

COMES NOW Summit Natural Gas of Missouri, Inc. (“SNG” or “Company”), and, as its
Application for Waiver pursuant to Missouri Public Service Commission (“Commission”) Rule
4 CSR 240-2.060, respectfully states as follows:

1. SNG is a wholly owned subsidiary of Summit Utilities, Inc., and is a corporation duly incorporated under the laws of the State of Colorado with its principal offices located at 7810 Shaffer Parkway, Suite 120, Littleton, Colorado 80127. A copy of a certificate from the Missouri Secretary of State that SNG is authorized to do business in Missouri as a foreign corporation was submitted in Case No. GA-2012-0285 and is incorporated by reference in accordance with Commission Rule 4 CSR 240-2.060(1)(G). Other than cases that have been docketed at the Commission, SNG has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court within the past three (3) years that involve customer service or rates. SNG has no annual report or assessment fees that are overdue.

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3. All correspondence, communications, notices, orders and decisions of the Commission with respect to this matter should be sent to the undersigned counsel and:

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and

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COMPANY BACKGROUND

4. SNG was formerly known as Missouri Gas Utility, Inc. (MGU). It began its operations in Missouri in late December, 2004, when it acquired the Hamilton and Gallatin municipal natural gas distribution systems at the conclusion of Commission Case No. GO-2005-0120.

5. Southern Missouri Natural Gas Company, L.P., d/b/a Southern Missouri Natural Gas (“SMNG”) was a natural gas local distribution company operating in south-central Missouri.

6. SNG and SMNG were formed by, and operated for many years with, separate ownership. In and around May of 2010, SNG’s parent, Summit Utilities, Inc., began to provide technical support to SMNG through its unregulated subsidiary, Summit Utility Management Services (“SUMS”). In addition to this support, consultants of Summit Utilities, Inc. contracted

directly with SMNG and began to assist with SMNG's gas purchasing and hedging practices in the fall of 2011. Later, as a result of the Commission's Order in Commission Case No. GM-2011-0354, SMNG was merged into SNG effective January 1, 2012.

SUBJECT OF REQUESTED WAIVER

7. On October 21, 2005, the Office of the Public Counsel ("Public Counsel") filed a Complaint against SMNG, alleging that SMNG had not complied with Commission Rule 4 CSR 240-40.018, by failing to "undertake diversified natural gas purchasing activities as part of a prudent effort to mitigate downward natural gas price volatility and secure adequate natural gas supplies for their customers," and instead establishing "a strategy that was entirely a gamble based on a hope that market prices would decline this fall and winter." The Public Counsel's complaint was identified by the Commission as Case No. GC-2006-0180 ("Complaint").

8. As a result of the Complaint, SMNG, Public Counsel and the Staff of the Commission ("Staff") entered into a Unanimous Stipulation and Agreement ("Stipulation"), which was filed on March 13, 2006. That Stipulation, among other things, included the following requirements concerning gas purchasing and hedging practice requirements:

d. The Signatory Parties agree that SMNG's initial gas supply purchasing and hedging strategies plan to be filed on April 1, 2006, for the 06-07 winter heating season shall adhere to the following requirements: (1) SMNG will secure a minimum of 20% of normal winter heating-season gas supply at fixed prices or otherwise hedged against market exposure, no later than April 30, 2006, unless good cause is shown for deviating from this benchmark; (2) SMNG will secure a minimum of 40% normal winter heating-season gas supply at fixed prices or otherwise hedged against market exposure, no later than July 15 of 2006, unless good cause is shown for deviating from this benchmark; (3) SMNG will secure a minimum of 55% of normal winter heating-season gas supply at fixed prices or otherwise hedged against market exposure, no later than October 1, 2006, unless good cause is shown for deviating from this benchmark. Notwithstanding these minimum hedging percentage requirements, the Company shall still be responsible for making prudent decisions concerning but not limited to: the timing

of any hedges, the quantity hedged, and the type of hedging instrument used and the terms of the hedging instrument. . . .

h. The Signatory Parties agree that SMNG's gas supply purchasing and hedging strategies plans filed April 1, of each year subsequent to April 1, shall adhere to the guidelines set forth in 3 d (1) – (3) unless good cause is shown for deviating from these benchmarks.

9. On April 11, 2006, the Commission issued its Order Approving Unanimous Stipulation and Agreement in Case No. GC-2006-0180, therein approving the Stipulation.

SUBJECT OF WAIVER REQUEST

10. The Public Counsel's allegations in Case No. GC-2006-0180 concerned the gas purchasing strategies of the SMNG management that were utilized in the 2005 time frame. In its Complaint, Public Counsel stated as follows:

On September 15, 2005, in Case No. GR-2005-0279, SMG filed revised tariff sheets to increase its Purchased Gas Adjustment (PGA) rate. The Commission held a hearing in that case on September 29, 2005. In that hearing, the Commission heard testimony from, among other witnesses, the president and CEO of Sendero Asset Management, which is the managing partner for Southern Missouri Gas Company, LP. Mr. Moffat testified that SMG's gas purchasing was designed in the "hope... that we would optimize our ultimate price for our customers."

Complaint, GC-2006-0180 (filed October 21, 2005).

11. Public Counsel further suggested the following description of the SMNG gas purchasing strategy:

Despite the negative impacts this increase will impose upon its customers, SMG has failed and/or refused to implement any of the pricing structures, mechanisms or instruments set forth by the Commission in the above Rule. The only thing SMG has done is to lock in a discount off of the market price which does absolutely nothing to protect its customers from the volatility of the market price. In fact, rather than establish a purchasing strategy that would "mitigate upward natural gas price spikes, and provide a level of stability of delivered natural gas prices," SMG established a strategy that was entirely a gamble based on a hope that market prices would decline this fall and winter.

CHANGE IN CIRCUMSTANCES

12. Management, ownership and the corporate structure of SMNG have completely changed in the seven (7) years that have passed since the approval of the GC-2006-0180 Stipulation in April of 2006.

13. SMNG has been merged into SNG (formerly MGU). SNG has operated a local distribution company in Missouri for eight and a half years.

14. SNG utilizes experienced gas purchasing personnel both inside and outside of the Company. Internally, the Company formed a Gas Purchasing Committee with 5 members which collectively provides nearly 100 years of experience in the natural gas industry. This Committee opines on the market and works with outside consultants to develop and execute a hedging strategy in an effort to provide reliable and affordable natural gas to customers. The Company's external consultant, KTM Energy Consulting Services ("KTM"), has been a consultant in the energy industry since 1984 and provides expertise in gas procurement and transportation management. Both the Gas Purchasing Committee and KTM have provided gas supply expertise for the former MGU as well as the Summit Utilities, Inc. subsidiary, Colorado Natural Gas, Inc. since the inception of both subsidiaries.

15. SNG uses a variety of hedging practices, which have been reviewed by the Commission Staff in numerous ACA proceedings. The SMNG system has seen the effects of using the SNG gas purchasing team beginning with the winter of 2012-2013. Even though this team began to be involved in the fall of 2011, many of the decisions for the 2011/2012 heating season were already in place.

REQUEST FOR WAIVER

16. SNG believes that the changes in management, ownership and corporate structure of SMNG justify an elimination of the identified provisions of the GC-2006-0180 Stipulation. Those provisions provide SNG with less discretion in regard to the SMNG system than it has in regard to its old MGU system. It also provides SNG with less discretion than any other LDC in Missouri has in regard to gas purchasing/hedging decisions.

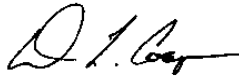
17. While the existing provisions indicate some room for deviation for “good cause,” the Stipulation does not indicate what process will be used to establish or assess “good cause.” No matter what process for review and permission this might entail, the speed with which gas purchasing decisions must sometimes be made makes almost any deviation procedure impractical.

CONCLUSION

18. The factors that brought about the imposition of the requirements in subparagraphs 3.d. and 3.h. of the Unanimous Stipulation and Agreement in Commission Case No. GC-2006-0180 no longer exist. Further, SNG has shown itself to be a competent purchaser of natural gas that is able to make prudent purchasing and hedging decisions. Therefore, SNG requests a waiver from subparagraphs 3.d. and 3.h. in the Unanimous Stipulation and Agreement in Commission Case No. GC-2006-0180.

WHEREFORE, SNG requests an order from the Commission granting SNG a waiver from subparagraphs 3.d. and 3.h. in the Unanimous Stipulation and Agreement in Commission

Respectfully submitted,



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ATTORNEYS FOR SUMMIT NATURAL GAS
OF MISSOURI, INC.

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail to the following counsel this 20th day of June, 2013:

Robert Berlin
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VERIFICATION

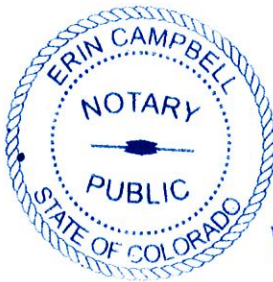
State of Colorado)
) ss
County of Jefferson)

I, Timothy R. Johnston, having been duly sworn upon my oath, state that I am the Executive Vice President & Chief Strategy Officer of Summit Natural Gas of Missouri, Inc., and that I have knowledge of the matters stated herein, and that the matters and things stated in the foregoing Application and appendices thereto are true and correct to the best of my information, knowledge and belief.



Subscribed and sworn before me this 20th day of June, 2013.


Erin Campbell, Notary Public



My commission expires 6/7/2016.