

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

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IN THE MATTER OF SEMSTREAM ARIZONA
PROPANE, L.L.C.'S NOTICE OF INTENT TO
REORGANIZE PURSUANT TO A.A.C. R14-2-803,
OR, ALTERNATIVELY, APPLICATION FOR A
LIMITED WAIVER OF THE AFFILIATED
INTEREST RULES PURSUANT TO A.A.C. R14-2-
806

Docket No. G-20471A-12-0425

VERIFIED APPLICATION

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-8000

Pursuant to A.A.C. R14-2-801, *et seq.* (the "Affiliated Interest Rules"), SemStream
Arizona Propane, L.L.C. ("SemStream Arizona") submits this application for a limited waiver of
the Affiliated Interest Rules pursuant to A.A.C. R14-2-806 or, alternatively, for Commission
approval of a reorganization of SemStream Arizona in which Alliant Gas, LLC ("Alliant") will
acquire all of the issued and outstanding units of membership interests in SemStream Arizona
from SemStream Arizona's direct parent, SemStream, L.P. ("SemStream LP").

Pursuant to the Affiliated Interest Rules, a limited waiver of the Affiliated Interest Rules
should be granted because it is in the public interest or, alternatively, Commission approval of
the proposed reorganization should be granted because it will not impair SemStream Arizona's
financial status or otherwise prevent SemStream Arizona from attracting capital at fair and
reasonable terms or impair its ability to provide safe, reasonable and adequate service.

1 **BACKGROUND**

2 On September 12, 2012, SemStream LP and Alliant executed a purchase and sale
3 agreement under which Alliant will acquire from SemStream LP all of the issued and
4 outstanding units of membership interest in SemStream Arizona.¹ The transfer of units to Alliant
5 will integrate SemStream Arizona into a corporate structure similar to its current position under
6 the SemGroup structure in that SemStream Arizona will remain a wholly-owned subsidiary
7 within a larger organization. After the transaction is completed, SemStream Arizona will change
8 its name, but its personnel and operations will remain the same in all material respects. Alliant
9 has substantial experience in operating underground propane distribution systems which are
10 similar to SemStream Arizona's Payson and Page systems.

11 **THE PARTIES AND THEIR EXISTING BUSINESSES**

12 1. SemStream Arizona is a Delaware limited liability company that provides
13 underground propane gas utility service to the public in and around Payson and Page, Arizona
14 pursuant to Commission Decision Nos. 69394 (March 22, 2007) and 69579 (May 21, 2007).
15 SemStream Arizona is a wholly-owned subsidiary of SemStream LP, which is a Delaware
16 limited partnership. SemStream LP is, in turn, a subsidiary of SemGroup Corporation, a
17 Delaware corporation ("SemGroup"). SemGroup is a publicly-traded company (NYSE:
18 "SEMG") that provides gathering, transportation, processing, storage, distribution, marketing
19 and other midstream services primarily to independent oil and natural gas producers, refiners of
20 petroleum products and other market participants located in the Mid-Continent and Rocky
21 Mountain regions of the United States and internationally.

22
23 ¹ Alliant will also acquire in the same transaction certain non-regulated assets that are currently owned by
24 SemStream LP.

1 **THE TRANSACTION WILL NOT IMPAIR THE FINANCIAL STATUS OF**
2 **SEMSTREAM ARIZONA OR OTHERWISE IMPAIR ITS ABILITY TO ATTRACT**
3 **CAPITAL OR PROVIDE ADEQUATE SERVICE**

4 6. The proposed reorganization of SemStream Arizona will not impair its financial
5 status or otherwise impair its ability to attract capital at fair and reasonable terms or impair its
6 ability to provide safe, reliable and adequate service. Alliant is very familiar with providing
7 residential and commercial underground propane services to communities where natural gas is
8 not available. Alliant's propane service activities are much more extensive than SemStream
9 Arizona's limited operations. Also, Alliant is a subsidiary of Pinnacle, which is one of the
10 largest propane distributors in the country.

11 7. In the course of conducting its due diligence on the transaction, Alliant did not
12 identify any portion of the Page or Payson operations that are overstaffed or in need of any
13 change in workforce. Accordingly, Alliant anticipates retaining all positions in the Payson and
14 Page divisions after its acquisition of SemStream Arizona. This will assist in assuring a smooth
15 transition and the uninterrupted provision of safe and reliable propane service to current and
16 prospective customers.

17 8. The transaction will not impair SemStream Arizona's access to necessary capital
18 or its access to necessary propane supplies. Alliant is part of the JP Energy structure and
19 SemStream Arizona will have access to significant capital resources and experience in the
20 energy and capital markets and propane delivery. JP Energy also has established partnerships
21 with numerous lending institutions and its credit facility provides significant flexibility for access
22 to capital at fair and reasonable rates. As a larger group, JP Energy enhances negotiating power
23 for all of the partnered entities, helping to control operating costs, including product purchase
24 and creating economies of scale in the administration of business operations. In these ways, the

1 overall operations of the JP Energy family of companies provide diversification of cash flow and
2 product demand, which makes for a stable and reliable company.

3 9. The transfer of its units from SemStream LP to Alliant will not detrimentally
4 impact the service provided by SemStream Arizona to its customers in any way. SemStream
5 Arizona will continue to operate as a public service corporation subject to the Commission's
6 authority and jurisdiction. It will continue to provide safe, reliable and adequate propane service
7 to customers in its service territories under the same rates and tariffs approved by the
8 Commission.

9 **R14-2-803 INFORMATION**

10 10. The following information is supplied in support of this Application in
11 compliance with the requirements of R14-2-803.A.1-11:

12 a. Names and Addresses of Officers and Directors: The holding company
13 will be Alliant. Its officers are: J. Patrick Barley (Chief Executive Officer), Christopher Hill
14 (President), and Todd Whitbeck (Senior Vice President and Chief Financial Officer). The
15 business address of each of the Alliant officers is: 600 East Las Colinas Boulevard, Suite 2000,
16 Irving, Texas 75039.

17 b. Business Purposes of the Transaction: As mentioned previously,
18 SemGroup's focus is on a variety of midstream services, primarily to oil and natural gas
19 producers, refiners and other petroleum market participants. SemStream Arizona's retail
20 propane operations are the only such operations that SemGroup indirectly holds. SemGroup has
21 made a strategic decision to sell these propane operations, so it can concentrate on the midstream
22 petroleum market. In turn, the acquisition of SemStream Arizona's membership units by Alliant
23

1 is very consistent with Alliant's existing propane profile and JP Energy's goal of targeted
2 propane growth and geographic diversity.

3 c. Method of Financing the Holding Company and the Resultant Capital

4 Structure: The purchase of SemStream Arizona and the non-regulated assets will be financed
5 through a draw on JP Energy's existing credit facility. The transaction will not materially
6 change JP Energy's capital structure.

7 d. Effect on the Capital Structure of the Arizona Utility: The transaction will
8 have no effect on the 100% equity capital structure of SemStream Arizona.

9 e. Organizational Chart: JP Energy's organizational chart is attached hereto
10 as Exhibit A.

11 f. Allocation of Taxes: JP Energy does not currently allocate taxes to its
12 subsidiaries.

13 g. Changes in Cost of Service/Cost of Capital: No material change in
14 SemStream Arizona's cost of service or cost of capital is anticipated to result from this
15 transaction.

16 h. Diversification Plans of Affiliates: JP Energy and Pinnacle are currently
17 focusing on targeted growth in order to develop diversity of demand for propane products (i.e.,
18 heating, commercial, cylinder exchange, autogas, landscaping, etc.), as well as geographic
19 diversity.

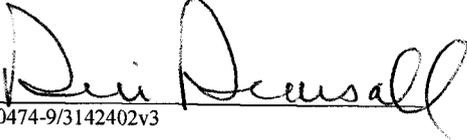
20 i. Documents and Filings: No filings with the SEC or other state or federal
21 agencies are necessary in relation to this transaction.

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1 Bob Gray
Utilities Division
2 Arizona Corporation Commission
1200 West Washington Street
3 Phoenix, Arizona 85007

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VERIFICATION

I, Candice L. Cheeseman, declare the following:

I am the General Counsel and Secretary of SemGroup Corporation, the indirect parent company of Applicant in this matter, and am authorized to make this verification. I have personal knowledge of the facts stated in SemStream Arizona Propane, L.L.C.'s Application for a Limited Waiver of the Affiliated Interest Rules Pursuant to R14-2-806 or, Alternatively, Notice of Intent to Reorganize Pursuant to A.A.C. R14-2-803, and, to the best of my knowledge, information and belief, such facts are true.

I declare, under penalty of perjury, that the foregoing verification is true and correct.

Executed this 1st day of October, 2012.

SemGroup Corporation

By: Candice Cheeseman
Candice L. Cheeseman

SUBSCRIBED AND SWORN TO before me this 1st day of October, 2012.

Elayna M Conner
Notary Public

My Commission Expires:

2/22/2014
20474-9/3142402

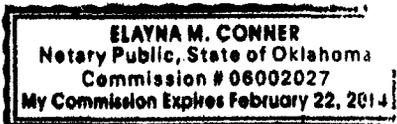
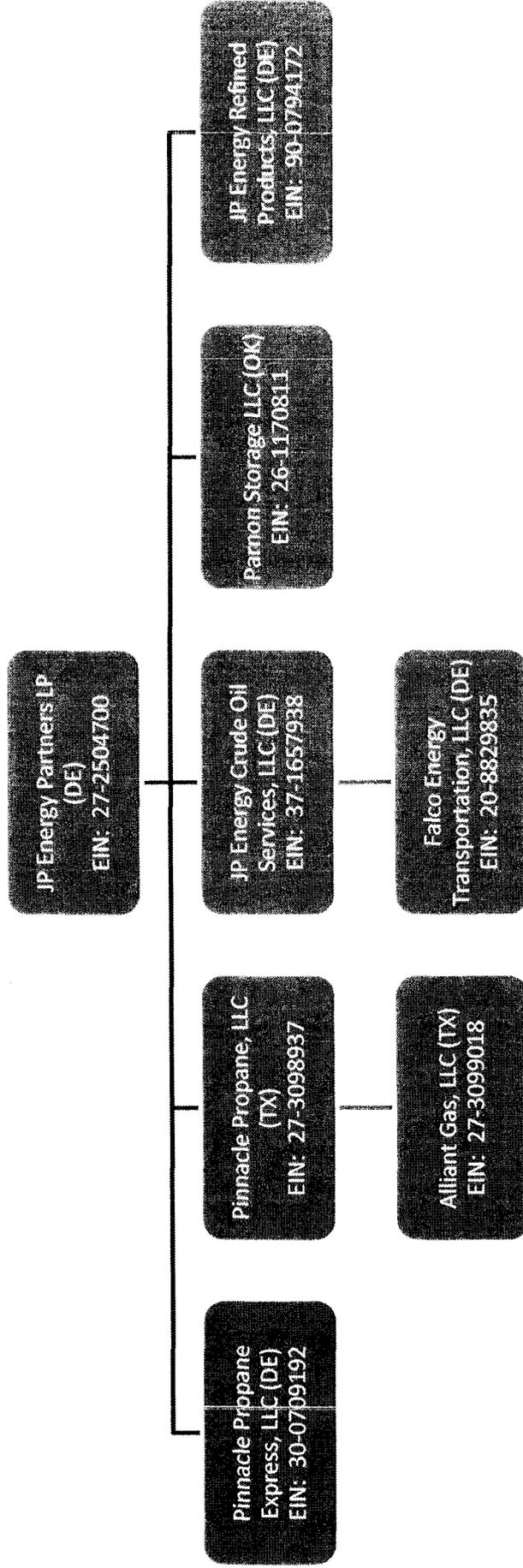


EXHIBIT A

Simplified Organizational Chart for JP Energy



JP Energy Partners

As of September 17, 2012