

Smith Street in Blue Springs, Missouri (the "Incident"). Neighboring homes were evacuated, but there were no reported injuries.

2. On July 24, 2007, the Staff filed a Complaint against MGE alleging violation of Missouri Public Service Commission ("Commission") rules requiring MGE to insure that its consultants and contractors comply with MGE's written procedures.

3. On August 16, 2007, MGE filed its Motion for Consolidation and Motion for Extension seeking the Commission's order consolidating these two cases and extending until September 14, 2007, MGE's deadline for responding to the Incident Report and for answering Staff's Complaint.

4. On August 20, 2007, the Commission issued its Order Consolidating Cases and Granting Extension of Time granting MGE's motions.

Settlement Agreement and Satisfaction of Complaint

5. Without conceding the legal merits of any of the Staff's allegations of violation, MGE provides the following response to the recommendations made in the Incident Report. MGE intends to implement, or continue to implement, the operational recommendations made by the Staff in its Incident Report as follows:

- A. MGE has conducted additional training for those MGE personnel who have line location responsibilities. This training focused on the employees' responsibility to look for abandoned lines when they access MGE's mapping system to obtain or provide locates.
- B. MGE has also conducted additional training for all contractors who provide locates for the Company. This training focused on the contractor's

responsibility to look for abandoned lines when they access MGE's mapping system to obtain or provide locates.

- C. MGE has implemented a program that requires that abandoned line information is included in every work order packet involving line replacement work. This information is provided to those MGE crews, MGE contract inspectors, and contractors performing replacement work.
- D. MGE has conducted additional training with contract inspectors to insure that they are trained to locate abandoned mains in the MGE mapping system. The training focused on how to gain access to this information as well as why this information is necessary for replacement operations.
- E. MGE has completed re-training with Company "first responders" regarding the need to conduct thorough leak investigations on all gas odor complaint calls. The training emphasized the need to check manholes early in the investigation.
- F. MGE has implemented a procedure requiring that MGE and contractor personnel take additional steps to insure that they connect to the correct gas line. These steps include the placement of a tap fitting on the connecting line. This tap fitting will have a gauge installed to verify the operating pressure in the connecting line prior to completing any connection.
- G. MGE agrees to have a qualified employee visit the site of critical pipeline procedures before or during such procedures.
- H. MGE will make a voluntary contribution to the Public School Fund of the State of Missouri in the amount of Two Thousand Dollars (\$2,000).

6. These undertakings by MGE and their acceptance by the Staff, as well as the other aspects of this document, form a reasonable basis for settlement of the referenced dockets and any claims within the jurisdiction of the Commission arising from the incident. The commitments made by MGE herein shall constitute full settlement and satisfaction of any claims or causes of action which have been or might in the future be asserted against MGE before the Commission, which arise out of, are based upon, or could have been based upon, the facts surrounding the incident as related in the Incident Report.

7. This document shall not be construed to operate as a waiver or release of the Staff's right and ability to conduct follow-up evaluations of the representations made herein, or to in any way impair or affect the Staff's ability to file, or MGE's ability contest, recommendations or complaints involving applications of the Commission's rules cited in the previously referenced Incident Report or Complaint to any future incidents, situations or events involving MGE, or to any other natural gas system operated under the jurisdiction of the Commission.

8. This Settlement Agreement and Satisfaction of Complaint is a compromise of disputed claims and neither all nor any part of this document constitutes an admission of any violation of law, statute, rule, regulation or procedure of any kind by MGE, any and all claims of violation being expressly denied by MGE. No waiver or modification of any defense which has been raised by MGE in these cases is intended or should be assumed as a result of this document.

9. This document shall not be construed as or operate as a settlement, satisfaction, release or waiver of any claims or defenses MGE may have now or

hereafter against any other person or entity arising from or relating to the facts surrounding the incident or the actions taken by MGE as a result of the incident; MGE expressly reserves all rights and defenses it may have in regard thereto.

10. The Staff has represented to MGE that the foregoing Settlement Agreement and Satisfaction of Complaint is acceptable, and by execution of this document Staff recommends to the Commission that this Settlement Agreement and Satisfaction of Complaint be approved in its entirety. If the document is not so approved in total, no party hereto shall be bound or prejudiced by any provisions contained herein or by any representations which have been made in the context of the attempted settlement hereof, and MGE shall be allowed a reasonable time in which to file a Response to the Incident Report and an Answer to the Complaint.

11. No party to this document believes that the consideration and approval of this document requires a hearing before the Commission; however, the Staff and MGE stand ready if additional information is requested.

12. Nothing in this Settlement Agreement and Satisfaction of Complaint is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation.

13. The Staff also shall have the right to provide, at any agenda meeting at which this Settlement Agreement and Satisfaction of Complaint is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral

explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

14. This Settlement Agreement and Satisfaction of Complaint represents a negotiated settlement. Except as specified herein, the signatories to this document shall not be prejudiced, bound by, or in any way affected by the terms of this Settlement Agreement and Satisfaction of Complaint (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; or (c) in this proceeding should the Commission decide not to approve this Settlement Agreement and Satisfaction of Complaint in the instant proceeding.

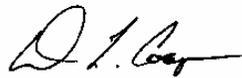
15. If the Commission accepts the specific terms of this Settlement Agreement and Satisfaction of Complaint, the signatories waive their respective rights to cross-examine witnesses (subject to the provisions of paragraph 14); their respective rights to present oral argument and written briefs pursuant to Section 536.080.1 RSMO; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMO; and their respective rights to judicial review pursuant to Section 386.510 RSMO. This waiver applies only to a Commission Report and Order issued in this proceeding, and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Settlement Agreement and Satisfaction of Complaint.

16. MGE and Staff each agree and represent that the attorneys listed below are duly authorized to execute this Settlement Agreement and Satisfaction of Complaint on

their respective behalf, and that this document represents a complete description of all the considerations for this agreement.

WHEREFORE, MGE and the Staff respectfully request the Commission issue its Order Approving the Settlement Agreement and Satisfaction of Complaint, in its entirety as set forth herein, and to issue orders closing the above-captioned cases.

Respectfully submitted,



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Certificate of Service

I hereby certify that on the 28th day of September, 2007, a true and correct copy of the above and foregoing was sent by electronic mail to the following:

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