

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

In the matter of Missouri Gas Energy's            )  
Increasing Rates for Gas Service Provided    )        Case No. GR-2006-0422  
To Customers in the Company's Missouri     )  
Service Area    )

**PARTIAL NONUNANIMOUS STIPULATION AND AGREEMENT  
CONCERNING DEPRECIATION**

COME NOW Missouri Gas Energy, a division of Southern Union Company d/b/a (MGE or the Company) and the Staff of the Missouri Public Service Commission (Staff) and respectfully state to the Missouri Public Service Commission (Commission) that the undersigned signatories (signatories), have reached the following Partial Nonunanimous Stipulation and Agreement Concerning Depreciation (Partial Nonunanimous Stipulation and Agreement), and hereby submit the following to the Commission for approval:

1. The depreciation issues in this case shall be addressed as follows:
  - a. The average service life for Services (Account 380) shall be 40 years;
  - b. The net salvage value percentage for Services (Account 380) shall be negative 25% (which when coupled with the 40 year service life results in a depreciation rate of 3.13% for the Services account);
  - c. The Mains account (Account 376) will utilize an average service life of 44 years with a 5% net salvage value resulting in a depreciation rate of 2.16%;
  - d. The depreciation rate for tools, shop and garage equipment (Account 394) will remain at 5.30%;
  - e. MGE will track the amounts accrued for the life and salvage portion of annual depreciation expense separately;
  - f. The depreciation rate for Land Rights (Account 374.2) shall be 2.09%.

2. As a result of the above agreements, the Commission should order the depreciation rates found on the attached Appendix A, which shall then be incorporated in MGE's revenue requirement.

3. While the Office of the Public Counsel (OPC) does not join in this Partial Nonunanimous Stipulation, the OPC has stated that it does not oppose the Partial Nonunanimous Stipulation and Agreement Concerning Depreciation and does not request a hearing concerning the issues addressed by this Partial Nonunanimous Stipulation and Agreement. The Signatories also understand that Trigen does not oppose the Partial Nonunanimous Stipulation and Agreement. The Signatories are waiting to hear from other Parties.

4. This Partial Nonunanimous Stipulation and Agreement is being entered into solely for the purpose of settling the identified issue in this case. None of the signatories to this Partial Nonunanimous Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue related methodology, and none of the signatories shall be prejudiced or bound in any manner by the terms of this Partial Nonunanimous Stipulation and Agreement in this or any other proceeding whether this Partial Nonunanimous Stipulation and Agreement is approved or not, except as otherwise expressly specified herein.

5. This Partial Nonunanimous Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve this Partial Nonunanimous Stipulation and Agreement by the issuance date of its Report and Order in this case, then this Partial Nonunanimous

Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

6. If the Commission does not unconditionally approve this Partial Nonunanimous Stipulation and Agreement without modification, and notwithstanding its provision that it shall become void therein, neither this Partial Nonunanimous Stipulation and Agreement, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any signatory has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the signatories shall retain all procedural and due process rights as fully as though this Partial Nonunanimous Stipulation and Agreement had not been presented for approval, and any suggestions or memoranda, testimony or exhibits that have been offered or received in support of this Partial Nonunanimous Stipulation and Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

7. In the event the Commission unconditionally accepts the specific terms of this Partial Nonunanimous Stipulation and Agreement, the signatories waive their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to §386.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000, as to the issue of depreciation. This waiver applies only to a Commission Report and Order respecting this Partial Nonunanimous Stipulation and Agreement 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 Partial Nonunanimous Stipulation and Agreement.

8. In the event the Commission approves this Partial Nonunanimous Stipulation and Agreement without modification or condition, the signatories agree to waive all objections to the admission into evidence of the prefiled testimony of Thomas J. Sullivan (MGE), Gregory E. Macias (Staff) and Guy E. Gilbert (Staff), none of these witnesses shall be required to take the stand to establish a foundation for offering pre-filed testimony on the subject of depreciation. No signatory shall be deemed to have acquiesced to any such testimony nor shall any signatory be presumed to have waived any objection that might otherwise have been made to such testimony.

9. The Staff shall file suggestions or a memorandum in support of this Partial Nonunanimous Stipulation and Agreement. Each of the parties shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum which shall also be served on all parties. The contents of any suggestions or memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the signatories to this Partial Nonunanimous Stipulation and Agreement, whether or not the Commission approves and adopts this Partial Nonunanimous Stipulation and Agreement.

10. The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation and Agreement 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.

11. To assist the Commission in its review of this Partial Nonunanimous Stipulation and Agreement, the Parties also request the Commission advise them of any additional information that the Commission may desire from the Parties relating to the matters addressed in this Stipulation and agreement, including any procedures for furnishing such information to the Commission.

**WHEREFORE**, for the following reasons, the undersigned Parties respectfully request the Commission to issue an order in this case approving the Partial Nonunanimous Stipulation and Agreement Concerning Depreciation subject to the specific terms and conditions contained therein.

Respectfully submitted,

/s/ Robert Franson

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 3<sup>rd</sup> day of January, 2007.

/s/ Robert Franson

Account Number	Description	Depreciation Rate	ASL (Years)	Net Salvage	Life Only Rate	Net Salvage Rate
<b>DISTRIBUTION</b>						
374.20	Land Rights	2.09%	47.8	0%	2.09%	0.00%
375.00	Structures and Improvements	1.49%	60.5	10%	1.65%	-0.16%
376.00	Mains	2.16%	44	5%	2.27%	-0.11%
378.00	Measuring and Regulating Equip.	2.86%	35	0%	2.86%	0.00%
379.00	Meas & Reg Equip - City Gate	2.13%	47	0%	2.13%	0.00%
380.00	Services	3.13%	40	-25%	2.50%	0.63%
381.00	Meters	2.89%	35	-1%	2.86%	0.03%
382.00	Meter Installations	2.86%	35	0%	2.86%	0.00%
383.00	House Regulators	2.44%	41	0%	2.44%	0.00%
385.00	Industrial Meas and Reg Equipment	3.33%	30	0%	3.33%	0.00%
<b>GENERAL</b>						
390.00	Structures and Improvements	2.00%	50	0%	2.00%	0.00%
391.00	Office Furniture and Equipment	8.06%	12.4	0%	8.06%	0.00%
392.00	Transportation Equipment	7.83%	11.5	10%	8.70%	-0.87%
393.00	Stores Equipment	2.70%	37	0%	2.70%	0.00%
394.00	Tool, Shop, and Garage Equipment	5.30%	19	0%	5.30%	0.00%
396.00	Power Operated Equipment	6.25%	12	25%	8.33%	-2.08%
397.10	Electronic Reading - ERT	5.00%	20	0%	5.00%	0.00%
397.20	Communication Equipment	6.25%	16	0%	6.25%	0.00%
398.00	Miscellaneous Equipment	3.85%	26	0%	3.85%	0.00%

MGE is required to keep separate accounting of its amounts accrued for recovery of its initial investment in plant from the amounts accrued for the cost of removal/ net salvage.