

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's)	
Proposed Tariff Sheets to Administer)	Case No. GT-2008-0005
Natural Gas Conservation Program.)	Tariff File No. JG-2008-0010

UNANIMOUS STIPULATION AND AGREEMENT

As a result of discussions, the staff at the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("Public Counsel") and Southern Union Company d/b/a Missouri Gas Energy ("MGE"), (collectively, the "Parties"), thereby submit the following Stipulation and Agreement ("Agreement") to the Missouri Public Service Commission ("Commission") as a resolution of all issues in the captioned case.

I. Factual Summary and Procedural Background

On July 3, 2007, MGE filed tariff sheet's the stated purpose of which is to provide for the administration of MGE's residential natural gas conservation initiatives, including an energy efficient water heater rebate program. Those tariff sheets bear an effective date of August 3, 2007. Thereafter on, July 9, 2007, the Public Counsel filed its Motion to Suspend Tariff and Motion to Take Administrative Notice ("Motion"). A pre-hearing conference in the matter was held at the offices of the Commission in Jefferson City on July 10, 2007. MGE filed its suggestions in oppositions to the Motion on July 16, 2007.

II. The Agreement

The Parties agree as follows:

1. Subject to paragraphs 2. and 3., below, the Commission should authorize MGE to file tariff sheets in the form of those attached hereto as Exhibit 1 to be made effective on August 1, 2007, or as soon thereafter as is possible.

2. The following terms should be approved in connection with MGE's high-efficiency gas water heater replacement incentive program and other possible energy efficiency programs:

(a) An MGE Energy Efficiency Collaborative (EEC) will be formed to oversee the design and implementation of MGE's energy efficiency programs. The charter members of the MGE EEC will include MGE, Commission Staff, Public Counsel and Department of Natural Resources. The EEC will seek to make decisions by consensus but where consensus cannot be reached, any of the charter members may petition the Commission to resolve, in accordance with its normal procedural rules, any differences over the selection of specific future programs for implementation or other aspects of the energy efficiency program development and evaluation process. Other appropriate parties, such as electric utilities with service territories that overlap MGE's service territory, that are acceptable to the EEC charter members may also participate in the EEC process but will not be part of the EEC decision-making process.

(b) MGE shall implement its high-efficiency gas water heater replacement incentive program in accordance with the tariff attached to this Stipulation and Agreement. The program set forth in the tariff will remain in place for at least 18 months unless the EEC makes a unanimous recommendation to the Commission to end it sooner or modify it during the initial 18 month program implementation period. MGE shall complete, or contract with a third party to complete, process and impact evaluations of the first 12 months of this program and provide the evaluations to EEC members within 15 months of the start of the program.

(c) No later than 18 months after the start of the high-efficiency gas water heater replacement incentive program, the EEC will make decisions regarding whether to continue the existing water heater program, continue the existing program with modifications and/or initiate new energy efficiency programs that will utilize the funding for energy efficiency programs that is currently being recovered in MGE's rates.

(d) The charter members of the EEC will hold its first meeting(s) within the first month of the start of the new water heater rebate program in order to determine: (1) the specific parameters of the water heater rebate program process evaluation and impact evaluation and (2) the actions that will be taken by MGE to either perform the evaluation or oversee the performance of the evaluation by an outside consultant that has been selected by the EEC.

(e) The EEC development and evaluation process shall include activities and decisions related to: (1) the evaluation of MGE's high-efficiency gas water heater replacement incentive program, (2) any possible future modifications of the program and (3) the selection, design and evaluation of possible new energy efficiency and/or conservation programs.

3. The provisions of this Stipulation and Agreement will no longer be effective as of the date that new rates become effective for MGE as a result of a future general rate proceeding.

III. The Effect of the Agreement

A. This Agreement represents a negotiated settlement. This Agreement shall not be construed to have precedential impact in any other Commission proceeding. Except as specified herein, the Parties shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Agreement, or in any way condition its approval of same.

B. The provisions of this Agreement have resulted from negotiations among the Parties and are interdependent. If the Commission does not approve and adopt the terms of this Agreement in total, it shall be void and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof.

C. When approved and adopted by the Commission, this Agreement shall constitute a binding agreement among the Parties hereto. The Parties shall cooperate in defending the validity and enforceability of this Agreement and the operation of this Agreement according to its terms.

D. This Agreement does not constitute a contract with the Commission. Acceptance of this Agreement by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigative or other power which the Commission presently has. Thus, nothing in this Agreement is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation. Nothing in this Agreement is intended to impinge, restrict or limit in any way Public Counsel's discovery powers, including the right to access information and investigate matters related to MGE.

E. This Agreement contains the entire agreement between the Parties on the matters addressed herein. There are no other generally applicable agreements or arrangements that pertain to these matters. Silence in this Agreement on a particular topic or issue indicates that the Parties reached no agreement on the handling of that topic or issue.

F. This Agreement shall become effective upon Commission approval without modification by final Commission order. Such order becomes "final" either by issuance of a Commission order on rehearing or, if no rehearing, on the effective date of the order.

G. This Agreement is being entered into for the purpose of disposing of all issues in this case and the matters specifically addressed in this Agreement. None of the Parties to this Agreement shall be deemed to have approved, accepted, agreed, consented or acquiesced to any ratemaking principle 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 Agreement in this or any other proceeding, whether this Agreement is approved or not, except as otherwise expressly specified herein.

H. All Parties further understand and agree that the provisions of this Agreement relate only to the specific matters referred to in the Agreement and no Party waives any claim or right which it otherwise may have with respect to any matters not expressly provided for in this Agreement.

IV. Commission Approval of the Agreement

A. The Staff may file with the Commission suggestions or a memorandum in support of this Agreement. No representations, promises, or understandings contained within the suggestions, memorandum, or any responsive memorandum that may be filed in support of this Agreement shall be construed as a supplement or provision to this Agreement unless such representation, promise, or understanding is contained herein.

B. The Staff shall also have the right to provide, at any Agenda meeting at which this 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 other Parties with advance notice when the Staff shall respond to the request once such explanation is requested from Staff.

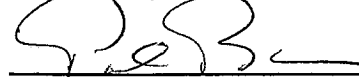
C. In the event the Commission accepts the specific terms of the Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2), RSMo 2000 to call, examine and cross-examine witnesses; their respective rights to present oral argument and/or written briefs pursuant to Section 536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 2000; and their respective rights to judicial review pursuant to Section 386.410 RSMo 2000.

D. To assist the Commission in its review of this 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 Agreement, including any procedures for furnishing such information to the Commission.

Respectfully submitted,

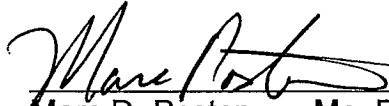
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was electronically transmitted, sent by U.S. Mail, postage prepaid, or hand-delivered, on this 26th day of July, 2007, to:

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A handwritten signature in black ink, appearing to read 'P. A. Boudreau', written over a horizontal line.

Paul A. Boudreau

For: All Missouri Service Areas

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- a. Summary information regarding the cost, type and number of educational programs implemented;
- b. MGE's involvement in other energy conservation programs where MGE has worked in cooperation with other Energy Star® partners or energy conservation collaboratives to further public education;
- c. Dollars spent by type of promotion/advertising; and
- d. Number of web site hits on the various pages of MGE's customer site.

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For: All Missouri Service Areas

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Within fifteen months of the start of the program MGE – working collaboratively with the MGE Energy Efficiency Collaborative (EEC) – will file a report with the Commission assessing the overall cost effectiveness and the effectiveness of the program delivery process of the first twelve months of its residential natural gas conservation initiatives along with recommendations for improving the programs, including any proposed tariff changes. Billing usage information will be retained for use in this analysis.

ISSUED BY: Michael R. Noack Director, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, MO. 64111