

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 26th day of
April, 2005.

In the Matter of the Application for Authority of)	
Sendero SMGC LP Acquisition Company and)	
Sendero SMGC GP Acquisition Company to Purchase)	
the Partnership Interests of DTE Enterprises, Inc. and)	<u>Case No. GM-2005-0136</u>
DTE Ozark, Inc., in Southern Missouri Gas Company,)	
L.P., and for Southern Missouri Gas Company, L.P.,)	
to Execute a Deed of Trust, Security Agreement and)	
Financing Statement to Secure a Loan to Complete)	
the Transaction)	

**ORDER APPROVING NON-UNANIMOUS STIPULATION AND
AGREEMENT AND APPROVING APPLICATION**

Syllabus: This order approves the non-unanimous stipulation and agreement, and allows DTE Enterprises and DTE Ozark to sell its partnership interests in Southern Missouri Gas Company, L.P. to Sendero GP and Sendero LP.

Procedural History

On November 17, 2004, Sendero SMGC GP Acquisition Company, Sendero SMGC LP Acquisition Company, (collectively Sendero), DTE Enterprises, Inc., and DTE Ozark, Inc., (collectively DTE) jointly filed an application. That application asked the Commission to allow DTE Enterprises and DTE Ozark to sell its partnership interest in Southern Missouri Gas Company, L.P. to Sendero GP and Sendero LP.

Southern Missouri Gas Company is a Missouri limited partnership that owns and operates a natural gas transmission and distribution system in southern Missouri. It is a “gas corporation” and a “public utility” subject to the Commission’s jurisdiction.

DTE Enterprises is a Michigan corporation that owns the controlling general and limited partnership interests in Southern Missouri Gas Company. DTE Ozark is a Michigan corporation that is an affiliate of DTE Enterprises, and that was formed to facilitate buying limited partnership interests in Southern Missouri Gas Company.

Currently, DTE Enterprises owns 94 Class A Units of Southern Missouri Gas Company (the “DTE Limited Partnership Interest”), and 2 Class B Units of Southern Missouri Gas Company (the “General Partnership Interest”), which comprises 96% of SMGC’s outstanding partnership interests. DTE Ozark owns 4 Class A Units of Southern Missouri (the “DTE Ozark Limited Partnership Interest”). If the Commission approves the transaction, DTE Enterprises would sell the General Partnership Interest to Sendero GP, DTE Enterprises would sell the DTE Limited Partnership Interest to Sendero LP, and DTE Ozark would sell the DTE Ozark Limited Partnership Interest to Sendero LP. Afterwards, Sendero GP and Sendero LP would own all of the partnership interests in Southern Missouri Gas Company. The applicants included the sale agreement with the application.

The applicants state that the sale would not be detrimental to the public interest because the sale would not result in any reduced level of service or reliability. Further, the sale would not result in any rate changes to Southern Missouri Gas Company’s customers. Finally, the sale would not impact tax revenues of the Missouri political subdivisions in which any structures, facilities, or equipment of Southern Missouri Gas Company is located.

On December 1, The Empire District Electric Company asked to intervene. Empire stated that it gets natural gas from Southern Star Central Gas Pipeline, Inc. Southern Star also provides gas to Southern Missouri Gas Company. Empire further stated that Southern Star is fully subscribed, and is concerned that the proposed transaction could affect its gas supply. On December 16, the Commission granted Empire's motion.

On March 30, Sendero and DTE filed their First Amended Application. The amended application included a revised sales agreement and pro-forma calculations.

Nonunanimous Stipulation and Agreement

On April 6, Sendero, DTE, and the Staff of the Commission submitted a Nonunanimous Stipulation and Agreement.¹ These parties agreed that the Commission should approve the application subject to certain conditions. A synopsis of the conditions is as follows:

- 1) Sendero and SMGC will not seek a cost of capital increase, and Sendero will ensure that Southern Missouri Gas Company's ratepayers will not receive a rate increase, because of the transaction;
- 2) Sendero shall ensure that Southern Missouri Gas Company will continue to comply with all Commission rules;
- 3) Sendero and Southern Missouri Gas Company will keep data related to affiliate transactions and corporate allocation of costs between regulated and non-regulated operations of Sendero, Sendero Asset Management and Southern Missouri Gas Company;

¹ The pleading accompanying the agreement stated that Empire and OPC did not take a position concerning the agreement, and that Empire and OPC would not request a hearing.

4) Sendero, Sendero Asset Management and Southern Missouri Gas Company will keep time reporting and associated expenses billed to Southern Missouri Gas Company and other non-regulated affiliates of Sendero;

5) Sendero shall hire a full-time local general manager, and shall not change Southern Missouri Gas Company's key personnel, or Southern Missouri Gas Company's operating policies and procedures;

6) Sendero agrees that either it or Southern Missouri Gas Company will prepare detailed gas supply plans that include an evaluation of demand requirements, evaluations of hedging, economic cost evaluations, and gas supply/transportation reliability, to be provided to Staff every September 15;

7) Sendero agrees that Southern Missouri Gas Company will comply with DTE's and Southern Missouri Gas Company's commitments regarding historical annual ACA recommendations, ACA Case Stipulations and Agreements and Southern Missouri Gas Company's comments to Staff Recommendations, including carrying forward and ACA over/under recovery balance at the time of the sale;

8) Southern Missouri Gas Company agrees not to seek recovery of any acquisition premium for Sendero's purchase of Southern Missouri Gas Company; Southern Missouri Gas Company agrees not to seek recovery of any purported merger savings that would allow either direct or indirect recovery of the acquisition premium; Southern Missouri Gas Company shall keep its books so that its plant in service balances can be segregated between amounts Southern Missouri Gas Company invested prior to closing, and the net original cost that Southern Missouri Gas Company claims may be invested following the closing date; Sendero agrees that its purchase of Southern Missouri Gas Company is

subject to Southern Missouri Gas Company's certificate conditions the Commission set forth in Case No. GA-94-127;

9) Southern Missouri Gas Company will provide surveillance reports to Staff each quarter;

10) Sendero, Sendero Asset Management, and Southern Missouri Gas Company agree on Sendero Asset Management's fee, and agree that it shall not increase by more than a certain percentage per year without Commission approval or until Sendero files a rate case;

11) The signatories shall not request a change in Southern Missouri Gas Company's non-PGA related gas rates, or rate credits or refunds respecting Southern Missouri Gas Company's non-PGA related gas rates, that would become effective for service rendered before May 1, 2008, unless a significant event that has a major impact on Southern Missouri Gas Company occurs;

12) Sendero will ensure that Southern Missouri Gas Company responds to interruption of service inquiries from the Commission's Consumer Services Department within 1 business day, and all other inquiries within 3 business days, and Sendero will give written notice of the sale to all customers in the acquired system;

13) Sendero will ensure that Southern Missouri Gas Company continues to use Commission-approved depreciation rates;

14) Sendero agrees that the Commission may protect Southern Missouri Gas Company's customers from any unintended detrimental effect that the transaction may have on those customers;

15) Sendero agrees that the Commission continues to have the authority to regulate Southern Missouri Gas Company;

16) Sendero agrees to give the Staff of the Commission and the Office of the Public Counsel access to its financial records, and its records concerning ratemaking, financing, safety, quality of service and other regulatory authority over Sendero.

Staff Recommendation

On April 13, the Staff of the Commission filed a Staff's Memorandum in Support of the Nonunanimous Stipulation and Agreement. In the memorandum, Staff detailed its reasons for supporting the sale. Staff stated its potential concerns regarding the sale, and stated what section of the Nonunanimous Stipulation and Agreement satisfied its concerns.

The Nonunanimous Stipulation and Agreement stated that parties had three days to respond to Staff's Recommendation. On April 18, Sendero filed a memorandum in support of the agreement.

Also, no parties objected to the Nonunanimous Stipulation and Agreement. Commission Rule 4 CSR 240-2.115(2)(C) states that if no party objects to a Nonunanimous Stipulation and Agreement within 7 days of its filing, the Commission may treat it as a Unanimous Stipulation and Agreement.

The Commission has reviewed the pleadings, and the Nonunanimous Stipulation and Agreement. The Commission finds the Nonunanimous Stipulation and Agreement reasonable, and will approve it. The Commission further finds the relief requested in the application reasonable, and will grant the application.

IT IS THEREFORE ORDERED:

1. That the Application filed by Sendero SMGC GP Acquisition Company, Sendero SMGC LP Acquisition Company, (collectively Sendero), DTE Enterprises, Inc., and DTE Ozark, Inc., as amended by the First Amended Application, is approved.
2. That DTE Enterprises, Inc., may sell its general partnership interest in Southern Missouri Gas Company, L.P., to Sendero SMGC GP Acquisition Company.
3. That DTE Enterprises, Inc., may sell its limited partnership interest in Southern Missouri Gas Company, L.P., to Sendero SMGC LP Acquisition Company.
4. That DTE Ozark, Inc., may sell its limited partnership interest in Southern Missouri Gas Company, L.P., to Sendero SMGC LP Acquisition Company.
5. That the Nonunanimous Stipulation and Agreement filed by Sendero SMGC GP Acquisition Company, Sendero SMGC LP Acquisition Company, DTE Enterprises, Inc., DTE Ozark, Inc., and the Staff of the Commission is approved.
6. That the signatories of the Nonunanimous Stipulation and Agreement shall be bound by that agreement.
7. That the sale described in paragraphs 1 through 4, as conditioned upon the Nonunanimous Stipulation and Agreement described in paragraphs 5 and 6, is not detrimental to the public interest.
8. That Southern Missouri Gas Company, L.P., may execute and deliver a Deed of Trust, Security Agreement and Financing Statement and/or other related financing documents, as required by the lender.
9. That this order shall become effective on May 6, 2005.

10. That this case may be closed on May 7, 2005.

BY THE COMMISSION

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Davis, Chm., Gaw, Clayton and Appling, CC., concur
Murray, C., absent

Pridgin, Regulatory Law Judge