

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

In the Matter of Southern Missouri Gas Company,)
L.P.'s Purchased Gas Adjustment Factors to be) Case No. GR-2006-0352
Reviewed In Its 2005-2006 Actual Cost Adjustment.)

STIPULATION AND AGREEMENT

COME NOW Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas ("SMNG" or "Company"), and the Staff of the Missouri Public Service Commission (Staff) (collectively, "the Parties"), and submit this Stipulation and Agreement for approval by the Missouri Public Service Commission ("Commission"). This Stipulation and Agreement resolves all remaining issues in this Actual Cost Adjustment ("ACA") proceeding as follows:

1. This case concerns the 2005-2006 Actual Cost Adjustment ("ACA") filing for SMNG.
2. The Parties agree that the following issue remained in dispute in this case:
 - (a) Staff's proposed adjustment to reduce gas costs in a range between \$220,453-\$378,470, based upon SMNG's gas purchasing and hedging practices during the 2005-2006 ACA period.
3. The Parties initiated discussions to determine whether an amicable settlement of the above-noted contested issue was possible. As a result of those discussions, the Parties have now reached a resolution and settlement of these issues. The Parties believe the settlement to be reasonable and beneficial to ratepayers in this case, and therefore recommend that the Commission approve this Stipulation and Agreement as being in the public interest.
4. Specifically, in order to resolve the remaining issues in this proceeding, the Parties agree to the following:

- (a) The ACA account balance related to Case No. GR-2006-0352 should be reduced by \$75,000, upon the effective date of the Commission's order approving this adjustment. Beginning with the Company's next PGA/ACA filing in 2008, the Company shall return this adjustment as part of the regular ACA procedure.

5. This Stipulation and 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 request is filed, thirty (30) days after issuance of the Commission's order approving the Stipulation and Agreement, or such other effective date selected by the Commission.

6. a. This Stipulation and Agreement has resulted from extensive negotiations among the Parties and the terms hereof are interdependent. In the event the Commission does not adopt this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof. The stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the Parties to take other positions in other proceedings.

b. This Stipulation and Agreement is being entered into for the purpose of disposing of all issues in this case. None of the Parties to this Stipulation and Agreement shall be deemed to have approved, accepted, agreed, consented or acquiesced to any accounting principle, prudence principle, ratemaking principle or cost of service determination underlying, or supposed to underlie any of the issues provided for herein.

c. The Parties further understand and agree that the provisions of this Stipulation and Agreement relate only to the specific matters referred to in the Stipulation and

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 Stipulation and Agreement. The Parties further reserve the right to withdraw their support for the settlement in the event that the Commission modifies the Stipulation and Agreement in a manner which is adverse to the party withdrawing its support and further, the Parties reserve the right to contest any such Commission order modifying the settlement in a manner which is adverse to the Party contesting such Commission order.

7. In the event the Commission accepts the specific terms of this Stipulation and 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 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; their respective rights to seek rehearing pursuant to Section 386.500 RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510 RSMo 2000.

8. The Staff shall also 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, promptly provide 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 Staff. 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.

9. The Office of the Public Counsel has authorized the undersigned counsel to indicate that Public Counsel will not oppose the terms of this Stipulation and Agreement.

WHEREFORE, the undersigned Parties respectfully request that the Commission issue its Order:

- a) Approving all of the specific terms and conditions of this Stipulation and Agreement;
- b) Approving the balances for Case No. GR-2006-0352 attached hereto as Appendix A; and
- c) Closing this case.

Respectfully submitted,

/s/ Steven C. Reed
Steven C. Reed MBN 40616
Litigation Counsel

Attorney for the Staff of the
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
(573) 751-3015 (Telephone)
(573) 751-9285 (Fax)

/s/ James M. Fischer
James M. Fischer MBN 27543
Attorney at Law

Attorney for Southern Missouri Gas Company, L.P.
d/b/a Southern Missouri Natural Gas
Fischer & Dority, P.C.
101 Madison Street—Suite 400
Jefferson City, MO 65101
(573) 636-6758 (Telephone)
(573) 636-0383 (Fax)

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 26th day of November, 2007.

/s/ Steven C. Reed

Appendix A

Using Settlement of \$75,000 as adjustment to cost of gas			
Description	Company's Ending Balances Per Filing	Settlement Adjustments	Staff Recommended Ending Balances
Prior ACA Balance 8/31/05	232,412		232,412
Cost of Gas	6,709,644	(75,000)	6,634,644
Cost of Transportation	1,134,650		1,134,650
Revenues	(8,078,415)		(8,078,415)
Pipeline Refunds Received	0	(209) ¹	(209)
Interest on Under-recovered ACA Balance	15,835		15,835
Total ACA Balance 8/31/06	14,126	(75,209)	(61,083)

¹ This adjustment was accepted by SMNG in its Response to Staff Recommendation filed on July 19, 2007.