

Riverside I (46,332)
Firm Gas Transportation Service Agreement

This Agreement ("Agreement"), made and entered into this 24 day of February, 1995, by and between Missouri Gas Energy, a division of Southern Union Company, a Delaware corporation (herein referred to as "Shipper"), and Riverside Pipeline Company, L.P., a Kansas limited partnership (herein referred to as "Transporter").

WHEREAS, Mid-Kansas Gas Gathering Company, L.P. and the Kansas Power and Light Company entered into a Gas Purchase Agreement dated January 15, 1990 (the "Mid-Kansas Purchase Agreement"); and

WHEREAS, all right, title and interest to the Mid-Kansas Purchase Agreement held on behalf of Mid-Kansas Gas Gathering Company, L.P. was conveyed to Mid-Kansas Partnership; and

WHEREAS, said Mid-Kansas Purchase Agreement dated January 15, 1990 was amended on October 3, 1991; and

WHEREAS, Riverside Pipeline Company, L.P. and the Kansas Power and Light Company entered into a Transportation Agreement, Rate Schedule FT on January 15, 1990 (the "1990 Riverside Transportation Agreement"); and

WHEREAS, Shipper received an assignment from Western Resources, Inc. (formerly, Kansas Power and Light Company) of the above-described Mid-Kansas Purchase Agreement, as amended, and the 1990 Riverside Transportation Agreement; and

WHEREAS, upon Shipper's request the Shipper and Transporter have agreed to terminate the Mid-Kansas Purchase Agreement and 1990 Riverside Transportation Agreement effective as of May 31, 1995; and

WHEREAS, in consideration of such termination, Shipper and Transporter desire to enter into this new transportation arrangement providing for the movement of natural gas supplies from Oklahoma and Kansas into Kansas City, Missouri, and its environs (the "Kansas City Metro Area"); and

WHEREAS, to provide this transportation service, Transporter will have as of the Effective Date entered into contracts with KansOk Partnership, Kansas Natural Partnership, and Kansas Pipeline Partnership, as necessary to provide upstream transportation capacity to enable Transporter to effect service hereunder; and

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WHEREAS, Transporter shall hereafter provide this transportation service to Shipper and Shipper agrees to pay Transporter for such service at a fixed rate subject to certain adjustments as further provided herein; and

WHEREAS, Transporter is able to provide transportation of natural gas on a firm basis comparable to firm transportation provided by other transporters of natural gas into the Kansas City Metro Area; and

WHEREAS, based on such agreements and representations, Shipper and Transporter desire to enter into this Agreement under terms and conditions which shall govern such transportation services;

NOW, THEREFORE, in consideration of the mutual representations, covenants and conditions herein contained, Transporter and Shipper agree as of the date first above written as follows:

ARTICLE I

Definitions

1.1 As used herein, the following terms shall have the following meaning:

- (a) The abbreviation "Btu" means British thermal unit.
- (b) The term "day" means the 24-hour period commencing at seven o'clock a.m., Central Time (7:00 a.m.), on one calendar day and ending at 7:00 a.m. on the following calendar day.
- (c) "Delivery Point" shall have the meaning set forth in Section 3.4 hereto.
- (d) "Effective Date" shall have the meaning set forth in Section 4.1 hereof.
- (e) "Fuel Gas" shall mean a quantity of gas equal to (i) 2.36% of the quantity of gas delivered by Shipper to Transporter for transportation hereunder, which Transporter in turn causes to be transported on the pipeline systems of Kansas Pipeline Partnership, Riverside Pipeline Company, L.P., Kansas Natural Partnership, and that portion of the pipeline facilities of KansOk Partnership that do not include the leased capacity held by

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KansOk Partnership on the pipeline system of Transok, Inc.; plus (ii) 1.5% of the quantity of gas delivered by Shipper to Receipt Points on the pipeline system of Transok, Inc., or such percent as may at any time become effective pursuant to the Amended and Restated Agreement of Lease and Amended and Restated Operating Agreement between KansOk Partnership and Transok, Inc., dated April 24, 1992, as further amended on March 1, 1994 and August 25, 1994 ("Transok Lease"). Such "Fuel Gas" quantity shall remain fixed as calculated pursuant to the terms of (i) and (ii) above for the term of this Agreement, without regard to any increases or decreases in the amount of Fuel Gas authorized to be retained by Transporter for any of the services it provides to any of its other customers, except that the quantity of Fuel Gas shall be adjusted upon the assignment of the Transok Lease as provided in Section 10.2 hereof.

- (f) "Firm Basis" shall mean pursuant to the conditions (i) that the transportation service being provided shall not be curtailed, withheld, delayed, or otherwise interrupted due to any claim by another user or another class of service on the same physical pipeline facilities as are sought to be used by Shipper, or as a result of the oversubscription by the owners of such facilities of the physical capacity to transport and deliver gas in such facilities, or for any other reason unrelated to an event of force majeure (as defined herein) affecting the operational or then physical capacity of the pipeline facilities through which such services are being provided, and (ii) that in the event interruption otherwise occurs, that the transportation service being provided shall receive as favorable a priority as that provided to any other user of such facilities.
- (g) "Firm Transportation" shall mean transportation provided on a Firm Basis.
- (h) "Firm Transportation Agreements" shall mean transportation agreements providing for the transportation of gas on a Firm Basis.
- (i) "Maximum Daily Quantity" shall be the amount set forth in Section 2.2 herein.

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- (j) "MMBtu" shall mean million Btu.
- (k) The term "month" means the period commencing at seven o'clock a.m., Central Time (7:00 a.m.), on the first day of a calendar month and ending at 7:00 a.m. on the first day of the next calendar month.
- (l) "Gas" or "Natural Gas" means gas from gas wells, casinghead gas produced with crude oil, and residue gas resulting from the processing of either gas well gas or casinghead gas or both.
- (m) The abbreviation "Psia" means pounds per square inch, absolute. "Psig" means pounds per square inch, gauge.
- (n) "Relevant Facilities" shall have the meaning set forth in Section 2.3 hereto.
- (o) "Receipt Points" shall have the meaning set forth in Section 3.1 hereof.
- (p) "Transok Lease" shall have the meaning set forth in Section 1.1(e) hereof. Transporter represents and warrants that the form of the Transok Lease in effect as of February 1, 1995 is the Amended and Restated Agreement of Lease and Amended and Restated Operating Agreement between KansOk Partnership and Transok, Inc. ("Transok"), dated April 24, 1992, as amended on March 1, 1994, and August 25, 1994. Shipper represents and warrants that it has received a copy of this form of Transok Lease from Transporter and has fully reviewed the terms thereof.
- (q) "Transok System" shall mean the pipeline system of Transok, Inc., as described in Sections 1.1 and 1.2 of the Transok Lease.

ARTICLE II

Scope of Gas Transportation Services

2.1 Subject to the terms and conditions of this Agreement from and after the Effective Date, Transporter shall on each day during the term hereof occurring after the Effective Date (i) receive at each Receipt Point such quantity of natural gas, if any, as may be tendered or caused to be tendered by Shipper to or

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for the account of Transporter, although not to exceed the physical capacity of each Receipt Point, and (ii) transport (or cause others to transport) and deliver the same quantity for the account of Shipper, less the amount retained by Transporter as Fuel Gas, on a Firm Basis to the Delivery Point.

2.2 Shipper shall not be entitled to tender or cause to be tendered at the Receipt Point(s) for transportation on any given day a quantity of gas greater than the Maximum Daily Quantity, plus such additional volume associated therewith to be retained by Transporter as Fuel Gas. Transporter shall not be obligated to transport (or cause others to transport) and deliver to the Delivery Point on any given day a quantity of gas greater than the Maximum Daily Quantity. The Maximum Daily Quantity shall be 46,332 MMBtu's per day.

2.3 If, on any given day the transportation capacity on any of the lines or laterals necessary to move gas from the Receipt Point to the Delivery Point (the "Relevant Facilities") is insufficient to transport all volumes of natural gas tendered under this Agreement, Transporter shall ensure that all such capacity as may be available in the Relevant Facilities is allocated on a ratable basis giving consideration to Shipper's Maximum Daily Quantity entitlement to capacity in the Relevant Facilities as compared to the maximum daily entitlements of other, similarly situated shippers holding Firm Transportation Agreements for use of the Relevant Facilities.

2.4 In consideration of the commitments made by Shipper hereunder, should any customer served by Shipper or capable of being served by Shipper directly from its distribution system become interconnected with (other than through Shipper) and contract for firm service to be received through the pipeline system of Transporter at any time during the term of this Agreement, Shipper shall have the unilateral right to reduce by notice to Transporter the Maximum Daily Quantity otherwise then applicable hereunder. The amount of such reduction of the Maximum Daily Quantity shall be equal to the amount of firm service which such customer has contracted to receive through Transporter.

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ARTICLE III

Receipt Point(s), Delivery Point(s), Delivery Pressures and Measurement

3.1 Receipt Points.

- (a) The Receipt Point(s) at which Shipper shall tender or cause natural gas to be tendered to Transporter for transportation hereunder shall include any point or points at which either Transporter or any of the pipelines listed on Schedule 3.1 hereto receive gas into their systems located in the states of Oklahoma and Kansas. Transporter represents and warrants that (i) when taken together, Transporter and the pipelines listed on Schedule 3.1 are capable of transporting the Maximum Daily Quantity from the Receipt Points to the Delivery Point on a Firm Basis in the manner provided by this Agreement, and (ii) these pipelines are the only pipelines for which costs are included in the rates set forth in Section 4.1(a) hereof. Transporter represents and warrants that it will have as of the Effective Date entered into, and thereafter shall maintain in good standing for the remaining term of this Agreement, such agreements and contracts with such pipelines as are necessary to enable Transporter, at its own expense and cost, to receive and transport through such pipelines on a Firm Basis, and pursuant to the terms and conditions of this Agreement, all gas tendered by Shipper for transportation hereunder, up to the Maximum Daily Quantity. Such agreements and contracts shall additionally ensure that Transporter shall continue to retain such a right in the facilities currently owned by such pipelines, in the event, if any, such facilities subsequently are sold or transferred to others.
- (b) Transporter and Shipper expressly recognize and agree that the Receipt Point(s) at which Shipper shall be entitled to tender or cause natural gas to be tendered hereunder shall include those points on the intrastate pipeline system of Transok, Inc., into which KansOk Partnership, or its successors or assigns ("KansOk"), are entitled to deliver gas pursuant to the terms of the Transok Lease. The receipt of gas at such Receipt Point(s) shall be subject to the terms and

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conditions regarding receipts of gas into Transok's facilities which are set forth in the Transok Lease. Transporter shall ensure at its own expense and cost that the Transok Lease is maintained in good standing for the term of this Agreement on terms and conditions no less favorable to Shipper than exist as of the date this Agreement is executed; provided, however, that Shipper agrees that the Transok Lease may be modified to eliminate the provision for seasonal exchanges contained therein.

3.2 The parties recognize that, from time to time, other shippers may contract with Transporter and the other pipelines used by Transporter to provide service hereunder for transportation service from the Receipt Point(s), or that the other pipelines used by Transporter to provide service hereunder may use such Receipt Point(s) for their own account to acquire gas for use in connection with their sales service. In order to make certain that Shipper's right to tender gas at the Receipt Point(s), when compared with such other potential uses, are clear, Transporter and Shipper hereby agree as follows:

- (a) Shipper's right to use the capacity to receive gas at the Receipt Point(s) listed on Schedule 3.2 hereof (the "Primary Receipt Points") other than those for the receipt of gas into the Transok System shall be superior to that of any other person. Any use of such capacity by any other person shall be subordinate to its use by Shipper.
- (b) Shipper's right to use the capacity to receive gas at Primary Receipt Point(s) into the Transok System shall be equal to the rights of KansOk under the Transok Lease. If both Shipper and KansOk seek to use the capacity available under the Transok Lease to receive gas at a given Receipt Point or on a given portion of the Transok System and the capacity available under the Transok Lease is insufficient to meet the combined nominations of Shipper and KansOk, then forty-eight and 77/100 percent (48.77%) of the capacity available under the Transok Lease shall be allocated on a Firm Basis to Shipper and fifty-one and 23/100 percent (51.23%) of the capacity available under the Transok Lease shall be allocated on a Firm Basis to KansOk.
- (c) At all other Receipt Point(s) which Shipper may nominate for use hereunder ("Secondary Receipt

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Point(s)"), Shipper's right to use the capacity shall be subordinate to the use of that capacity by any other person who on or before the date that Shipper requests that such point be made a Primary Receipt Point hereunder (i) has specifically identified such Receipt Point by written contract as a point at which it is to receive gas on a Firm Basis, and (ii) is paying the maximum lawful rate for firm service from such Receipt Point. In addition, Shipper's right to use the remaining capacity available at the Receipt Point designated at Schedule 3.2(ii) hereof (PEPL Meter No. 5234) over and above that reserved by Shipper for use as a Primary Receipt Point shall be subordinate to the use of up to 45,000 MMBtu's/day of that capacity by Kansas Pipeline Partnership and/or Kansas Natural Partnership as may be necessary for such pipelines to receive supplies, if any, purchased by such pipelines for resale by them under and on the terms of, gas sales contracts providing for the sale of gas by such pipelines which were in effect on February 1, 1995. Shipper's right to use the capacity to receive gas at any such Secondary Receipt Point shall be superior to any person other than a person meeting the criteria stated above.

- (d) Transporter shall enter into and maintain in good standing such agreements and contracts with the pipelines listed on Schedule 3.1 hereof as are necessary to ensure Shipper's ability to use the Primary and Secondary Receipt Point(s) in the manner provided above.

3.3 The quantities tendered or caused to be tendered by Shipper at each Receipt Point shall be tendered at such pressure as exists from time to time in the facilities used by Shipper to deliver the gas to the receiving pipeline, but in any event at a pressure adequate to enter the receiving pipeline's facilities under current operating conditions without modification. Neither Transporter nor any pipeline listed on Schedule 3.1 shall operate its transmission facilities or compression facilities in any manner which discriminates against Shipper and its ability to deliver gas at Shipper's selected Receipt Point(s).

3.4 Delivery Points. The Delivery Point(s) at which Transporter shall redeliver gas tendered hereunder shall be as follows:

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(a) The Delivery Point existing for service between the facilities of Transporter and the facilities of Shipper, known as the Riverside Station, located in Section 8, Township 50 N, Range 33 E, Platte County, Missouri.

(b) Any other mutually agreeable point.

3.5 The pressure at which gas will be delivered to Shipper at such Delivery Point(s) shall be that existing from time to time in the facilities of Transporter at such point, in any event at pressures adequate to enter the facilities of Shipper, but in no event shall that pressure be required to be in excess of 250 Psig. Such delivery pressure shall be adjusted by Transporter to ensure continuous capability to deliver into Shipper's facilities at various times of the year including such times as Shipper may be required to increase the pressure in its facilities in order to accommodate its peak day demand. Transporter shall pay for and maintain any additional facilities as may be necessary to ensure its ability to deliver at the Delivery Point(s) the Maximum Daily Quantity hereunder at the pressures described above. In no event shall Transporter deliver at pressures which exceed the maximum allowable operating pressure of Shipper's facilities at the Delivery Point.

3.6 The measurement, metering and quality of the gas received and delivered by Transporter hereunder shall be in accordance with the provisions of Transporter's FERC Gas Tariff.

3.7 Transporter shall make provisions for reading the meter(s) and other related equipment used to receive and deliver gas hereunder at regular intervals. The charts or records related to such receipts and deliveries will be accessible to Shipper for inspection and examination at all reasonable times upon reasonable notice.

3.8 At least once each year, Transporter and Shipper shall review the capacity of all Receipt and/or Delivery Point(s). In the event the parties mutually agree to modify, enhance or upgrade the capacity or deliverability of such facilities, such costs shall be borne according to the following principles:

(a) The cost of facilities constructed at any Delivery Point in order to increase the total quantities of gas above the Maximum Daily Quantity specified herein delivered solely to Shipper, and constructed at Shipper's request, for its use in its purchase and resale activities, shall be borne by Shipper;

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- (b) The cost of new Receipt Point facilities utilized and operated exclusively for the receipt of Shipper's gas to be transported under the Agreement, and constructed at Shipper's request, shall be borne by Shipper; and
- (c) The cost of all other facilities shall be borne by Transporter.

Unless otherwise agreed to in writing, all such facilities shall be owned, operated and maintained by Transporter or its designee. Notwithstanding any other provision hereof, Transporter shall have the obligation under this Agreement to install any additional facilities necessary for the purpose of permitting deliveries at any Delivery Point where such volumes are within the existing Maximum Daily Quantity hereunder.

3.9 When Transporter has the right to provide Shipper with access to the appropriate facilities, Shipper shall be entitled to install at every Receipt and Delivery Point(s) such telemetry units or other volume and/or pressure information devices at its sole cost and expense as are necessary in Shipper's sole opinion to insure adequate balancing of the volumes dispatched under this Agreement. When Transporter has the right to provide Shipper with access to the appropriate facilities, Transporter additionally shall provide Shipper with signals from transducers or other electronic devices as may be installed at any Receipt or Delivery Point, or, in the alternative, the right to install such equipment at such points, in order to provide Shipper with appropriate access to remote pressure information about gas flowing through the Receipt and/or Delivery Point(s). Where Receipt Points are located on facilities not owned by Transporter, Transporter shall use its reasonable efforts, exercised in good faith and with due diligence, to provide for such rights by contract with the pipelines owning the relevant facilities when requested by Shipper. Shipper shall fully indemnify Transporter for operation of any of Shipper's equipment located on sites owned or contractually provided for by Transporter.

3.10 Shipper and Transporter agree that in the event storage facilities are developed or are contracted for or by Shipper which are capable of being tied into the Relevant Facilities, at Shipper's election, the Receipt and/or Delivery Point(s) necessary to effect injections into and/or withdrawals from such storage facilities shall be incorporated into the Receipt and Delivery Point(s) reflected in this Agreement, on such reasonable operating terms and conditions as may be appropriate under the circumstances in Transporter's reasonable discretion. Notwithstanding anything to the contrary in this Section 3.10,

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however, nothing in this provision shall require Transporter to undertake without its advance consent any actions which will increase its costs.

ARTICLE IV

Rates

4.1 Subject to the other provisions hereof, the rates charged under this Agreement shall be as follows:

- (a) From June 1, 1995, or, if later, the date on which the approvals provided for under Section 4.2(b) hereof are received (the "Effective Date"), the rates for such service shall be as follows:

Demand Rate: \$15.5860 per MMBtu of Maximum
Daily Quantity per month

Commodity Rate: \$0.0695 per MMBtu transported

- (b) The rates stated in Section 4.1(a) above represent the sum of Transporter's current rates, plus the rates to be paid by Transporter for upstream transportation on each of the pipelines listed on Schedule 3.1 hereto to effect the total transportation service contemplated hereunder. As of February 1, 1995, each of the rates to be paid by Transporter for upstream transportation is the subject of regulatory review in the dockets listed on Schedule 4.1(b) hereto. As each such review progresses and orders are issued in such dockets which change these rates, the rate stated in paragraph (a) above shall be adjusted upwards or downwards, as may be the case, by the difference, if any, between the rate in effect for such pipeline on February 1, 1995, and the rate approved by such order in such docket, and all appropriate refunds, if any, shall be paid to Shipper. Once final orders are issued in all such dockets and the relevant proceedings are closed, no further adjustment shall be made in the rate charged to Shipper hereunder, except as provided either in paragraph (c) below or in Sections 4.3(c) or 10.2 hereof.

- (c) Subject to Section 8.1 hereof, effective on June 1, 1998, and on each third anniversary thereafter for the term of this Agreement, the

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demand and commodity rates set forth in 4.1(a), as thereafter adjusted pursuant to Sections 4.1(b), 4.3(c), and 10.2 hereof, shall be increased by an amount equal to 2% of the rate applicable prior to the day of such increase.

- 4.2 (a) The rates provided for herein shall be fixed, contractually specified rates with respect to the services to be provided. Neither party shall seek to change, nor support any effort by any other person to change, such rates by filing with the FERC or any other agency or commission. Transporter shall bear any charges allocated to Shipper above the rates fixed herein, including, without limitation, surcharges of any kind, charges for gas supply realignment costs, stranded investment, take-or-pay costs, environmental remediation costs, charges for fuel gas, line loss or unaccounted for gas in excess of the allowance made for Fuel Gas hereunder, or other similar or dissimilar charges, to the extent such charges result in rates to Shipper in excess of the rates set forth herein. Any changes in Transporter's generally applicable rates or any other rates shall not operate to change the contractually specified rates applicable to this Agreement.
- (b) The parties recognize that Transporter may require advance regulatory approval in order to include the costs to be incurred by Transporter for upstream transportation on other pipelines in the calculation of its rates. Shipper agrees to support the filings necessary to obtain such approvals. Transporter shall pursue such approvals in good faith and with due diligence, including by (i) seeking rehearing and appealing any orders denying such approvals, (ii) accepting any orders issuing such approvals with modification or conditions, if such modifications or conditions do not reduce the rates then applicable under this Agreement by any greater than five percent (5%), and (iii) refile for such approvals in the event they are not granted when first requested, modified as necessary to meet any objections or concerns expressed by the appropriate regulatory agency in denying such approval when first requested, to the extent such modifications do not reduce the rates then applicable under this Agreement by any greater than five percent (5%). Transporter also shall

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have the right, but not the obligation, to accept any regulatory approvals or orders on less favorable terms and conditions to Transporter than provided above, that it deems appropriate in its sole discretion. In the event such approvals are not received as of June 1, 1995, Transporter shall have the right to defer the commencement date for service hereunder until such approvals are received; provided, however, that any such deferral shall not operate to extend the term of this Agreement. Once Transporter commences service hereunder, Transporter shall be obligated to provide the full range of transportation services provided for in Article II hereof, including providing for the transportation of Shipper's gas on the specified upstream pipelines at Transporter's own expense and cost, regardless of the manner in which such costs subsequently are treated for purposes of calculating Transporter's rates.

4.3 Regulatory Disallowance.

- (a) Should any regulatory authority having jurisdiction over Shipper at any time deny Shipper the right to recover any amount paid to Transporter hereunder, Shipper shall notify Transporter of such denial within thirty days thereof, and Transporter shall reimburse Shipper for the amount of such denial, with interest, with such reimbursement retroactive to the first day of service for which recovery is denied. Such funds will be paid by Transporter to Shipper at the times and in the same manner as Shipper is required to refund such amounts to its customers (regardless of whether or not such denial may at such times be subject to appellate review).
- (b) If the term of this Agreement has not by then expired, then simultaneously with the payment of funds to Shipper pursuant to paragraph (a) the remaining term of this Agreement shall be adjusted to ensure that the overall revenues generated hereunder are adequate to allow Transporter to recover Transporter's costs of operation and its financing costs, including principal, interest, and applicable financing fees, associated with the above level of service. An example of the manner in which the parties intend these paragraphs (a)

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and (b) to operate in the event of such a denial is attached hereto at Schedule 4.3(b).

- (c) Simultaneous with any extension of term pursuant to Section 4.3(b) above, Transporter and Shipper additionally shall establish an escrow account, pursuant to the Escrow Agreement of even date herewith, attached hereto as Schedule 4.3(c). Within five (5) business days of presentation of notification of the denial described in Section 4.3(a) above, Transporter shall deposit into the escrow account created pursuant to the Escrow Agreement an amount equal to the amount which Transporter would be required to refund to Shipper for the period extending from the end of the period for which Shipper was denied recovery of amounts paid to Transporter hereunder to the then-current date, as if the same denial (in terms of dollars ordered to be refunded) as was ordered for the previous period is ordered for the immediately succeeding period. Thereafter, Shipper shall continue to pay for service hereunder at the rates provided for in Article IV, provided, however, that Shipper shall pay that portion of the rates for which it previously has been denied recovery (in terms of dollars ordered to be refunded) directly into the escrow account. If the Shipper again is denied recovery by the same regulatory body of rates paid to Transporter in the immediately succeeding audit year to an audit year in which a similar disallowance also has occurred, then the funds in the escrow account equal to an amount required to reimburse the Buyer for such denial, with interest at the rate provided in paragraph (c) of Schedule 4.3(b) of this Agreement, shall be released out of escrow to Shipper. Any funds applicable to such year remaining thereafter in the escrow account shall be paid out of escrow to Transporter, and in such event, Shipper shall thereafter submit payment directly to Transporter (without diversion to escrow) for such portion of the rates not disallowed. In the event rates paid by Shipper to Transporter are disallowed for two consecutive audit years (for purposes of this sentence disallowances of rates paid by Buyer under the Mid-Kansas Purchase Agreement shall not be considered), then Transporter will reduce the rates effective as of the last date of funding of such refund obligations into the escrow account to

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Shipper for the effected service for the remaining term of the Agreement to the level approved for such recovery. Simultaneous with such permanent reductions, the term of this Agreement shall be adjusted in the manner provided in Schedule 4.3(b) to account for the aggregate amount of such rate reduction over the remaining term of this Agreement.

- (d) If the term of this Agreement, as may be extended, has expired at the time any regulatory authority having jurisdiction over Shipper denies Shipper the right to recover any amount paid to Transporter hereunder, the obligation of Transporter stated in (a) above shall be modified, such that Transporter shall reimburse Shipper for only one-half of the amount of such denial, with interest, and Shipper shall bear the remainder of such costs without reimbursement by Transporter. No extension of service shall be made in such event.
- (e) Should the Federal Energy Regulatory Commission ("FERC") at any time not approve for collection from Shipper any rate authorized to be charged pursuant to Section 4.1 hereof, then simultaneously with the payment to Transporter of each such reduced amount the remaining term of this Agreement shall be adjusted in the same manner and to the same extent as if such reduction was as the result of the disallowance of the recovery of such an amount by Shipper pursuant to Section 4.3(a) hereof.
- (f) As necessary from time to time, the parties shall seek to obtain whatever authority and approvals as may be required, if any, to maintain the rates charged under this Agreement at the contractually specified levels.

ARTICLE V

Conditions

5.1 Except as expressly waived herein, the transportation arrangements provided in this Agreement are subject to the provisions of 18 C.F.R. Part 284 (1984), as amended from time to time. The parties agree that the pipeline capacity made available hereunder pursuant to the Transok Lease shall be used

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only for the rendition of intrastate and/or NGPA Section 311(a)(2) transportation and/or services, and shall be subject to the provisions of Section 2.3 of the Transok Lease.

5.2 Transporter and Shipper each recognize that their continuing ability to meet their financial obligations hereunder is a material element of this Agreement. Accordingly, if at the time of execution of this Agreement, at the Effective Date, during the term of this Agreement or during any extension provided by Section 4.3 hereof, (i) such party or the party obligated to make such payments, fails to pay principal or interest when due on any debt for which such party's assets are pledged as security, or for which such party is the guarantor ("Relevant Debt"), and any related grace period has expired, or (ii) the holder of Relevant Debt declares such debt due prior to its stated maturity because of such party's default thereunder and any related grace period has expired, then such event also shall constitute a breach hereunder.

5.3 Financial Information.

(a) Shipper. (i) The Shipper will at all times maintain complete and accurate (in all material respects) books of account and records. The Shipper will furnish, at the Shipper's expense, as soon as available, and in any event within 90 days after the end of each fiscal year, complete audited financial statements of the Shipper together with all notes thereto, prepared in accordance with generally accepted accounting principles, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by one of the six largest nationally recognized firms of independent certified public accountants selected by the Shipper, stating such financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Shipper in conformity with generally accepted accounting principles (the "Independent Accountant's Opinion"). The Independent Accountant's Opinion may not be a qualified, adverse or disclaimer of opinion as defined in Statement on Auditing Standards Number 58, nor contain explanatory language stating there is substantial doubt about the Shipper's ability to continue as a going concern.

(ii) The Shipper will also furnish, at the Shipper's expense, as soon as available, and in any event within 45 days after the end of the first semi-annual accounting period of each fiscal year, an unaudited financial report of the Shipper as of the end of such

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semi-annual period, containing a balance sheet, statement of operations, and statement of cash-flows, all in reasonable detail and certified by a financial officer of the Shipper to have been prepared in conformity with the basis of accounting described above.

- (b) Transporter. (i) The Transporter will at all times maintain complete and accurate (in all material respects) books of account and records. The Transporter will furnish, at the Transporter's expense, as soon as available, and in any event within 90 days after the end of each fiscal year, complete audited financial statements of the Transporter together with all notes thereto, prepared in accordance with requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, or prepared in accordance with generally accepted accounting principles, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by one of the six largest nationally recognized firms of independent certified public accountants selected by the Transporter, stating such financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Transporter in conformity with the basis of accounting described above (the "Independent Accountant's Opinion"). The Independent Accountant's Opinion may not be a qualified, adverse or disclaimer of opinion as defined in Statement on Auditing Standards Number 58, nor contain explanatory language stating there is substantial doubt about the Transporter's ability to continue as a going concern.

(ii) The Transporter will also furnish, at the Transporter's expense, as soon as available, and in any event within 45 days after the end of the first semi-annual accounting period of each fiscal year, an unaudited financial report of the Transporter as of the end of such semi-annual period, containing a balance sheet, statement of operations, and statement of cash-flows, all in reasonable detail and certified by a financial officer of the Transporter to have been prepared in conformity with the basis of accounting described above.

- (c) Each party agrees to maintain any financial report, statement, and notes received pursuant to the

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provisions of paragraphs (a) and (b) above as confidential, unless and until such time as such information becomes public through other disclosure.

ARTICLE VI

Term

6.1 This Agreement shall become effective upon its execution, and shall run and continue in full force and effect for a primary term ending October 31, 2009, and thereafter from year to year until terminated by written notice so stating given no less than 365 days in advance of end of the primary term, or extension thereof, by either party to the other, or unless terminated earlier, or extended pursuant to other provisions of this Agreement; provided, however, that the provisions of Section 4.3 shall survive the termination of this Agreement and shall remain in full force and effect thereafter until the recovery of any of the amounts paid by Shipper to Transporter hereunder is no longer subject to regulatory review.

6.2 Transporter waives its right to effect pre-granted abandonment of transportation service upon the expiration of this Agreement. As of the date of this Agreement, such right is codified in 18 C.F.R. § 284.221(d).

6.3 In the event Transporter seeks to terminate service under this Agreement, prior to such termination Transporter shall file for authorization for the abandonment of the transportation service contemplated hereunder pursuant to Section 7(b) of the Natural Gas Act or any successor statute, and shall not terminate such service unless and until it shall have received such abandonment authorization. Shipper shall have the right to oppose such abandonment. Transporter shall not apply for or otherwise seek FERC approval for abandonment of the service provided hereunder prior to the date Transporter notifies Shipper of its intent to terminate this Agreement as provided herein.

ARTICLE VII

Notices

7.1 Except as otherwise specifically provided herein, all communication hereunder shall be in writing and shall be sent by registered or certified mail, telegraph, facsimile or overnight courier or delivered in person to:

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Transporter: Riverside Pipeline Company, L.P.
Attn: Transportation and Supply
8325 Lenexa Drive, Suite 400
Lenexa, Kansas 66214
Telephone: (913) 888-7139
Telecopy: (913) 599-2573

Shipper: Missouri Gas Energy, a division
of Southern Union Company
504 Lavaca, Suite 800
Austin, Texas 78701
Attn: Gas Supply
Telephone: (512) 370-8275
Telecopy: (512) 476-4966

or to such other address as a party shall designate by formal written notice. Notices shall be deemed to have been given when received.

7.2 The accounting month hereunder shall be the calendar month. Transporter shall furnish to Shipper within ten (10) days after the end of each accounting month a statement of the charges computed pursuant to Article IV. Payments by Shipper to Transporter herein shall be made by Shipper no later than fifteen (15) days following receipt by Shipper of Transporter's invoice each month for gas delivered during the preceding accounting month. A statement of the full details of Transporter's measurement records at the Delivery Point hereunder shall be transmitted to Shipper when Transporter submits its bill each month to Shipper. A statement of the full details of Transporter's measurement records at the Receipt Point(s) hereunder shall be transmitted to Shipper when they shall become available to Transporter. In the event Shipper in good faith disputes Transporter's charges, Shipper may withhold from payment the amount in dispute until a resolution is reached. Any amount found to be properly charged shall be paid within five days thereafter, together with interest at the prevailing prime rate as published in the *Wall Street Journal*, from the original due date of such payment.

ARTICLE VIII

Breach

8.1 Any breach of Sections 2.1, 2.3, 3.1, 3.2, 3.3, 3.5, 4.2 or 4.3 hereof, shall be deemed a material breach. In the event of a breach of any such provision, the non-breaching party shall receive from the breaching party as liquidated damages for such breach, the full amount of any and all costs incurred by the

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non-breaching party for alternate gas supplies, alternate gas transportation service, additional use of existing transportation services, or other direct or indirect expenses actually incurred and paid by or on behalf of the non-breaching party in covering such breach, and, in addition, reimbursement for any additional loss, cost or expense incurred by the non-breaching party as a consequence of such breach or related to any third party costs or claims against the non-breaching party arising out of such material breach by the breaching party (collectively, "Costs"). If, within any continuous five (5)-year period during the term of this Agreement the breaching party has more than two (2) events which would be deemed a material breach under this provision, then (i) the non-breaching party will be entitled, upon the occurrence of each such subsequent breach, to recover from the breaching party twice the level of Costs incurred by the non-breaching party arising out of such breach, and in addition (ii) in the case where the breaching party is Transporter, the provisions of Section 4.1(c) hereof shall thereupon terminate and cease to be of any further force and effect, such that any further escalation of rates otherwise therein provided shall not occur.

8.2 In the event that any party believes that the other party is in breach of any of the other terms not set forth in Section 8.1 hereof for any reason, the party claiming such breach shall provide written notice of such purported breach describing such breach with particularity (in fact and in legal impact) and the purported breaching party shall be granted thirty (30) days from its actual receipt of such notice to cure said breach if it concurs that the acts or omissions described in the notice constitute a breach, or it may elect to provide a cure to the complaining party's contended breach even if the purported breaching party is of the belief that the facts or omissions described in the notice do not constitute a breach hereof, and if so cured by the purported breaching party, the contended breach shall be deemed to have never occurred. In the event the parties cannot agree as to whether the acts or omissions described in the notice constitute a breach of the terms hereof, or the purported breaching party does not cure the alleged breach to the reasonable satisfaction of the complaining party within such thirty day period, then the complaining party shall have the right to seek all legal remedies set forth in Section 8.1, and in the event of the insufficiency of such remedies under the circumstances, then all other legal remedies available under the law.

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ARTICLE IX

Force Majeure

9.1 The term "force majeure" as employed herein shall mean acts and events not within the control of the party claiming suspension and shall include act of God, strikes, lockouts or other industrial disturbances, wars, riots, insurrections, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of rules and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipelines, and any other cause not within the control of the party claiming suspension and which, by the exercise of reasonable best efforts, such party is unable to overcome. It is understood and agreed, however, that the settlement of strikes, lockouts, or other labor disturbances shall be entirely within the discretion of the party having the difficulty, and that the above requirements that are force majeure shall be remedied with all reasonable dispatch, and shall not require the settlement of strike or lockouts by acceding to the demands of an opposing party when such course is inadvisable in the discretion of the party having the difficulty.

9.2 Such event of force majeure affecting the performance by either party shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use reasonable diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such event of force majeure relieve either party of liability otherwise unless such party shall give notice and full particulars of the same to the other party as soon as possible after the occurrence relied upon.

9.3 In the event that either Transporter or Shipper is rendered unable by force majeure to carry out its obligations, either in whole or in part, under the provisions of this Agreement, the obligations of the party affected by such force majeure, other than the obligation to make payments hereunder, shall be suspended during the continuance of any such event of force majeure but for no longer period, and such event of force majeure shall, so far as possible, be remedied with all reasonable dispatch.

9.4 For purposes of this Article IX, Transporter shall not be permitted to claim any failure by any of the pipelines listed on Schedule 3.1 to perform in such a manner as is necessary to enable Transporter to meet its obligations to Shipper hereunder as an event of force majeure sufficient to excuse the suspension of Transporter's performance hereunder, except to the extent that the failure of such upstream pipeline to perform in such manner

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would be treated as an event of force majeure sufficient to justify the suspension of its performance in accordance with this Article IX.

ARTICLE X

Assignment of Transok Lease

10.1 If Shipper has not by then previously obtained assignment of the portion of the Transok Lease as provided herein, subsequent to the Effective Date and upon the request of Shipper and with the consent of Transok, Transporter agrees to cause its affiliate KansOk Partnership, or its successors or assigns ("KansOk"), to assign to Shipper in a form mutually agreeable to both parties 43,893 MMBtu's of the capacity entitlements held by KansOk under the Transok Lease, which represents Shipper's full allocation of such capacity entitlements subject to (i) Shipper assuming an identical allocation of the charges, obligations, restrictions and liabilities under said Transok Lease existing at the time of such assignment; (ii) Shipper indemnifying and holding Transporter harmless from any and all causes of action, claims or liabilities of any kind, including reasonable attorney fees and reasonably foreseeable consequential damages, proximately caused by Shipper's failure to honor its obligations to Transporter and Transok, Inc. by virtue of such an assignment to Shipper of such a portion of the Transok Lease; and (iii) KansOk receiving from Transok, in a form and content which is acceptable to KansOk in its reasonable discretion, a full release and novation from and after the date such assignment shall become effective, from any and all claims, liabilities or obligations of any kind arising out of the portion of the capacity entitlements assigned to Shipper. After receiving such a request from Shipper, Transporter will cause KansOk Partnership to seek written consent for such an assignment from Transok, Inc. within thirty (30) days of receiving such a request and shall keep Shipper reasonably informed regarding the status of Transok, Inc.'s responses to such a request. Transporter shall cause KansOk to pursue the consent of Transok to such assignment in good faith and with due diligence, such that the assignment can be achieved as soon as practicable following the request of Shipper. Nothing herein, however, shall require Transporter to accept any changes or modifications to the Transok Lease in order to obtain Transok, Inc.'s consent to such an assignment, nor shall Transporter or KansOk be obligated to pursue any litigation against Transok in the event Transok fails to give its consent to any assignment requested hereunder. Shipper may request Transporter to pursue and, upon such request, Transporter shall cause KansOk to pursue, the assignment of the Transok Lease hereunder from time to time

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and at any subsequent times, should Transok not consent to such assignment when first requested.

10.2 Effective as of the date of any assignment made pursuant to Section 10.1 above, the rates then applicable pursuant to Article IV hereof and the amount of Fuel Gas retained by Transporter hereunder shall be reduced for the remaining term of this Agreement by an amount equal to the amounts then being paid by KansOk to and retained by Transok with respect to that portion of the capacity being assigned to Shipper, plus, if such assignment occurs after June 1, 1998, any escalation of such rates made pursuant to Section 4.1(c) attributable to the amounts theretofore paid by Transporter to Transok.

10.3 Effective as of the date of any assignment made pursuant to Section 10.1 hereof: (i) Schedule 3.1 is amended so as to eliminate Transok, Inc., and (ii) the Receipt Point(s) on the pipeline facilities of the KansOk Partnership at which Shipper thereafter shall be entitled to tender natural gas to Transporter for transportation hereunder shall exclude that portion of the Transok System into which KansOk is entitled to deliver gas pursuant to the terms of the Transok Lease.

ARTICLE XI

Miscellaneous

11.1 This Agreement and all disputes hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Missouri, without regard to principles of conflict of laws. All actions or proceedings in any way, manner or respect arising out of or from or related to this Agreement or any other agreement contemplated hereby shall be litigated if jurisdictional to such court, in the United States District Court for the Western District of Missouri, Western Division, and if not, in an appropriate Missouri state court with venue for Jackson County, Missouri. Transporter and Shipper hereby consent and submit to the jurisdiction of such courts located within said state. Transporter and Shipper hereby waive any right either may have to transfer or change the venue of any litigation brought with respect to this Agreement.

11.2 In the event the laws and/or regulations pertaining to the natural gas industry change so as to (i) result in a material adverse effect on the financial condition, results or operations or business of either party hereto (a "Material Adverse Effect"), and (ii) such legal or regulatory change does not provide a remedy to alleviate the Material Adverse Effect, and (iii) the change was not a change known or reasonably foreseeable at the

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time this Agreement was entered into, the party adversely affected by such Material Adverse Effect may request adjustments in this Agreement to make it consistent with such changed circumstances. If either party gives notice to the other hereunder of a Material Adverse Effect affecting this Agreement, Shipper and Transporter shall negotiate in good faith in an effort to make adjustments in this Agreement to make it consistent with such changed circumstances; provided, however, that neither party shall be obligated to agree upon the requested adjustments to this Agreement if, after such good faith negotiations, such party determines in its sole discretion that such adjustments are not in its best interests. If the parties are not able to agree upon the requested adjustments after such good faith negotiations, this provision shall not serve to give any party any greater legal rights or remedies in law or equity against the other than it otherwise would have had absent this provision; rather, the parties' legal rights and obligations shall be the same as if this provision had not existed.

11.3 The parties recognize that the general terms and conditions of Transporter's tariff as filed with and approved by the Federal Energy Regulatory Commission ("Transporter's Tariff") shall apply to the transportation services provided hereunder. In the event of a conflict between this Agreement and Transporter's Tariff, however, the terms of this Agreement shall govern.

11.4 Transporter and Shipper will have the right at all reasonable times, upon reasonable notice, to examine the books and records of the other party to the extent necessary to verify the accuracy of any computation or demand made on any statement, bill or invoice rendered under or pursuant to this Agreement.

11.5 This Agreement may be amended, modified or supplemented only by an instrument in writing executed by both parties.

11.6 Neither this Agreement nor any right created hereby shall be assignable by either party hereto without the prior written consent of the other party hereto, which consent shall not be unreasonably withheld; provided, however, that no consent shall be required for an assignment by either Shipper or Transporter of this Agreement in its entirety, to: (i) an entity that has the same beneficial owners as the assigning party, pursuant to a corporate reorganization by merger, consolidation or assignment and assumption agreement with that entity, provided that such entity obtains substantially all of the assets of, and at the effective time of such reorganization has a net worth no less than, the assigning party, or (ii) an entity that is

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controlled by the same person or group of persons that controls the assigning party.

11.7 If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future terms effective during the term hereof, such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. In lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement, a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be reasonably possible and be legal, valid and enforceable.

11.8 The parties acknowledge that money damages may not be an adequate remedy for violations of this Agreement and that any party may, in its sole discretion, apply to a court for specific performance or injunctive or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof, and to the extent permitted by applicable law and to the extent the party seeking such relief would be entitled on the merits to obtain such relief, each party waives any objection to the imposition of such relief.

11.9 This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

11.10 Each party agrees to take all reasonable actions, including interventions, as may be appropriate to support the terms and conditions of this Agreement and the performance and retention of the rights, duties and obligations of each party hereunder in any regulatory proceedings in which such matters may be at issue.

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IN WITNESS HEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the day and year first set forth herein.

Riverside Pipeline Company, L.P.
"Transporter"

By: Riverside Pipeline Partnership,
its general partner

By: Synergy Pipeline Partnership,
L.P., its managing general
partner

By: Bishop Pipeline Company, its
general partner

WITNESS:

Jennifer L. Bacon
Gracie C. Thompson

By:

Mark H. Bolding
Title: EXECUTIVE VICE PRESIDENT

Missouri Gas Energy, a division of
Southern Union Company
"Shipper"

WITNESS:

Robert L. Smith
Arnold J. Anderson

By:

Chris R. Meyer
Title: Vice President

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Schedule 3.1

Upstream Transporters

To the Firm Gas Transportation Service Agreement between MISSOURI GAS ENERGY, a division of Southern Union Company (Shipper) and Riverside Pipeline Company, L.P. (Transporter), made effective as of June 1, 1995.

Kansas Natural Partnership
Kansas Pipeline Partnership
KansOk Partnership
Transok, Inc.*

*Transok shall be considered a pipeline subject to Section 3.1 hereof to the extent that capacity on the Transok system is made available under the terms of the Transok Lease, as the same is in effect on February 1, 1995; provided, however, that the Transok Lease may be modified by KansOk to eliminate the provision for seasonal exchanges contained therein.

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Schedule 3.2

Primary Receipt Points

	<u>Location</u>	<u>Maximum Daily Quantity</u>
(i)	(a) Prior to the assignment of the Transok Lease provided for in Article X hereof, points on the intrastate pipeline system of Transok, Inc. that are designated as Receipt Points pursuant to the Transok Lease.	43,893 MMBtu's, plus applicable Fuel Gas
	(b) On and after the date of the assignment of the Transok Lease provided for in Article X hereof, the point of interconnection between the facilities of KansOk Partnership and Transok, Inc., known as the "Pawnee Interconnect," as provided for in the Transok Lease as in effect on February 1, 1995.	
(ii)	The point of interconnection between the facilities of Kansas Pipeline Partnership and Panhandle Eastern Pipeline Company located in Franklin County, Kansas (PEPL Meter No. 5234).	2,439 MMBtu's, plus appli- cable Fuel Gas
(iii)	Such other points as Shipper and Transporter may agree from time to time.	To be determined

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Schedule 4.1(b)

Current Rate Proceedings

Rate Proceeding

Pipeline(s) Affected

1. Kansas Corporation Commission
Docket No. 190,362-U

Kansas Pipeline Partnership
Kansas Natural Partnership

2. Federal Energy Regulatory Commission
Docket No. RP94-3

KansOk Partnership

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Schedule 4.3(b)

Example of Implementation
of Sections 4.3(a) and (b)

Assume that in year 5 of the Agreement the Missouri Public Service Commission (the "Commission") denies Shipper the right to recover \$1 million annually of the amount paid to Transporter in years 3 and 4 of the Agreement.

(a) Transporter shall fulfill its obligation to Shipper pursuant to Section 4.3(a) of the Agreement by reducing its rates and charges to Shipper by \$1 million annually retroactive to the beginning of year 3. Transporter shall pay the cumulative total of such retroactive reduction, plus interest, to Shipper at the times and in the same manner as Shipper is required to refund such amounts to its customers.

(b) Upon Shipper's receipt of the payment provided for in paragraph (a) above, the term of the Agreement automatically shall be extended according to the following formula:

$$M = \frac{(A \div B)}{46,332 \text{ MMBtu's}}$$

where, M shall equal the number of months by which the term of the Agreement shall be extended;

A shall equal the cumulative amount as of the end of the otherwise applicable term of the Agreement which Transporter has paid to Shipper pursuant to the terms of Section 4.3, plus interest; and

B shall equal the demand rate per MMBtu of Contract Demand in effect as of the last day of the otherwise applicable term of the Agreement.

(c) In calculating the interest to be applied to the amounts due Shipper under paragraph (a) above, and the amounts to be attributed to Transporter pursuant to paragraph (b), factor "A", above, the rate shall be the rate required to be used from time to time by the Commission for refunds made by jurisdictional utilities, and the cumulative amount shall be determined by compounding the then-outstanding total of such amounts annually.

(d) In the event during any extension of the term of the Agreement provided for pursuant to Section 4.3 the Commission shall deny Shipper the right to recover any portion of the factor "B" rate used in the calculation made pursuant to paragraph (b)

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above, Transporter shall be obligated to pay the disallowed amount to Shipper, and the term of the Agreement shall be extended further, in the same manner as if such denial had occurred during the otherwise applicable term of the Agreement.

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Schedule 4.3(c)
to
Firm Gas Transportation Service Agreement

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "Agreement") is made effective as of the first day of June, 1995, among MISSOURI GAS ENERGY, a division of Southern Union Company, a Delaware corporation (the "Shipper"), RIVERSIDE PIPELINE COMPANY, L.P., a Kansas limited partnership (the "Transporter"), and Boatmen's First National Bank of Kansas City, N.A., as escrow agent and as collateral agent (in such capacities, the "Escrow Agent").

RECITALS:

WHEREAS, the Shipper and the Transporter are parties to a Firm Gas Transportation Service Agreement dated February __, 1995 (as amended, supplemented, extended, replaced or otherwise modified from time to time, the "Transportation Agreement"); and

WHEREAS, it is a requirement of the Transportation Agreement that the Shipper and the Transporter enter into this Agreement;

NOW THEREFORE, for valuable consideration hereby acknowledged, the parties hereto agree as follows:

1. Appointment of Escrow Agent and Collateral Agent. The Shipper and the Transporter hereby appoint the Escrow Agent as escrow agent with respect to all funds, and earnings thereon, deposited with the Escrow Agent pursuant to this Agreement (the "Escrow Funds"). The Shipper and the Transporter each hereby appoint the Escrow Agent as its collateral agent for purposes of perfection of the security interest granted under Section 5 hereof. The Escrow Agent hereby accepts its appointment as escrow agent and as collateral agent.
2. Deposit of Escrow Funds. If at any time any regulatory authority having jurisdiction over Shipper (a "Regulatory Authority") denies Shipper the right to recover any amount paid by the Shipper to the Transporter under the Transportation Agreement (such right herein referred to as "Pass Through Authority"), immediately upon receipt of notification from the Shipper of such denial, the Transporter shall deposit into an account established with the Escrow Agent and subject to the control of the Escrow Agent (the "Escrow Account") funds in an

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amount equal to the amount Transporter would be required to refund to the Shipper for the period extending from the end of the period which the Shipper was denied Pass Through Authority to the then-current date, as if the same denial of Pass Through Authority (in terms of dollars ordered to be refunded) as was ordered for the previous period is ordered for the immediately succeeding period. In addition, until the applicable Regulatory Authority next allows or denies the Shipper Pass Through Authority, on each date that the Shipper pays the Transporter for gas service under the Transportation Agreement, a portion of such payment equal to that portion of the prior payment denied Pass Through Authority (in terms of dollars ordered to be refunded) shall be deposited with the Escrow Agent. The Escrow Funds shall be held, invested and disbursed by the Escrow Agent in accordance with the terms of this Agreement. The Escrow Agent shall acknowledge its receipt of such funds by written notice to the Shipper and the Transporter.

3. Investment of Escrow Funds. The Escrow Funds shall be invested in accordance with the written directions (or oral directions immediately confirmed in writing) of the undersigned representative of the Shipper (or any other person designated in writing to the Escrow Agent by the Shipper) in one or more of the following investments: (a) investments which are direct obligations of or are fully guaranteed by the United States or its agencies, and which mature within 30 days, (b) certificates of deposit issued by national banks (including the Escrow Agent), which are fully insured by the Federal Deposit Insurance Corporation and mature within 30 days, (c) fully collateralized direct repurchase agreements secured by the government investments described in clause (a) above which are pledged with the Escrow Agent or with a third party bank or securities dealer, and which agreements mature within 30 days, or (d) an SEC-registered, no-load money market mutual fund with a dollar-weighted average portfolio maturity of 120 days or less whose assets consist exclusively of the investments described in clauses (a) and (c) above and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share. The term "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and then sell back at a future date, the government obligations described in clause (a) above, in market value of not less than the principal amount of the funds disbursed, and includes direct security repurchase agreements and reverse security repurchase agreements. The Shipper agrees with the Transporter that the Shipper shall keep the Escrow Funds fully invested at all times. The Escrow Agent shall have no responsibility for any investments made in accordance with the foregoing or for keeping the Escrow Funds fully invested at all times.

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4. Disbursement of Escrow Funds. Upon the determination by the applicable Regulatory Authority regarding the Pass Through Authority for the Shipper for the period immediately succeeding the period for which the Shipper was denied Pass Through Authority, the Escrow Funds shall be disbursed by the Escrow Agent as follows: (a) if the Regulatory Authority again denies the Shipper Pass Through Authority, upon receipt by the Escrow Agent of written notification from the Shipper of such denial, together with a copy of the Regulatory Authority's decision, Escrow Funds in an amount required to reimburse the Shipper for such denial, with interest at the rate provided in paragraph (c) of Schedule 4.3(b) of the Transportation Agreement, shall be paid to the Shipper and any Escrow Funds applicable to such period remaining thereafter shall be paid to the Transporter; and (b) if the Regulatory Authority does not deny the Shipper Pass Through Authority, upon receipt by the Escrow Agent of written notification thereof from the Shipper, together with a copy of the Regulatory Authority's decision, the Escrow Funds shall be paid to the Transporter. The Escrow Agent shall verify the signature of each person signing a notice under this Section, by comparison with the signature of such person in the signature blocks of this Agreement or on an incumbency certificate hereafter delivered. Payment to any party shall be made in the manner and to the address specified by such party at such time.

5. Grant of Security Interest. It is the intent of the parties hereto to create a true escrow account. To the extent such escrow account is ever deemed to be property of the Transporter or Shipper, notwithstanding this Agreement, for value received, the party who is deemed to own the escrow account grants to the other a security interest in the Escrow Account and the Escrow Funds and all moneys, instruments, checks, investments and items of any kind held by the Escrow Agent from time to time with respect to the Escrow Account and the Escrow Funds, together with all rights related thereto and other property to which such party may become entitled by reason of ownership thereof, and proceeds, earnings and distributions relating thereto (collectively, the "Collateral"). The Collateral and security interest hereby granted shall secure payment of any amount owed by the party who is deemed to own the escrow account to the other together with interest thereon (the "Obligations"). All costs and expenses, including reasonable attorneys' fees, incurred or paid by the party who is not deemed to own the escrow account in exercising or enforcing any right or remedy in connection with this Agreement shall become part of the Obligations, and shall be secured hereby. Each party shall execute any documents, instruments, financing statements and notices and take any action required to effect the delivery and transfer of the Collateral and to evidence or perfect the security interest hereby given. Each of the following constitutes a default hereunder: (a) a

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default in the payment of either party's obligations under the Transportation Agreement, (b) a petition or complaint in bankruptcy or for arrangement or reorganization or for relief under any insolvency law is filed by or against either party, or in the case of Transporter, the general partner, (c) either party admits its inability to pay its debts as they mature, and (d) a receiver is appointed for either party. During the continuance of any default, at the option of the non-defaulting party and without demand or notice, the non-defaulting party shall have all rights and remedies available by law, in equity or under any agreements, and the non-defaulting party may demand immediate payment of all Obligations. All rights and remedies of either party under this Agreement or otherwise shall be cumulative of all other rights and remedies available to such party.

6. The Escrow Agent. The Shipper and the Transporter agree that the following provisions shall control with respect to the rights, duties and liabilities of the Escrow Agent:

(a) The Escrow Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement. No implied obligations shall be read into this Agreement against the Escrow Agent.

(b) No provision of this Agreement shall require the Escrow Agent to expend or risk its funds or otherwise incur any financial liability in the performance of any of its duties, rights or powers hereunder, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) The Escrow Agent acts hereunder as a depository only, and is not responsible or liable in any manner whatever for the sufficiency, correctness, genuineness or validity of any documents delivered to it hereunder, or for the form or execution thereof, or for the identity or authority of any person delivering the same. The Escrow Agent may rely and shall be protected in acting upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney, or other paper or document which the Escrow Agent in good faith, and following the exercise of due diligence, believes to be genuine and to have been signed or presented by the proper person(s).

(d) The Escrow Agent may consult with legal counsel in the event of any dispute or question as to the construction of any provision hereof or the Escrow Agent's duties hereunder, and it shall be fully protected in acting in accordance with the opinion and instructions of such counsel.

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(e) The Escrow Agent is not a party to, and is not bound by, or charged with notice of, the Transportation Agreement or any other agreement out of which this escrow may arise, nor any default or breach thereunder.

(f) If the Escrow Funds include a check, draft or other order for the payment of money, the Escrow Agent shall deposit any such item for collection in accordance with prevailing bank practices. The Escrow Agent shall not be accountable for the proceeds of such item until they are received by the Escrow Agent in finally collected funds.

(g) In the event of any disagreement among the Shipper, the Transporter, and/or any other person resulting in adverse claims or demands being made with respect to the Escrow Funds, the Escrow Agent may, at its option, file an interpleader action or refuse to comply with any claims or demands on it, or refuse to take any other action hereunder, so long as such disagreement continues. In such event, the Escrow Agent shall not be liable in any way for its failure to act, and shall be entitled to continue to refrain from acting until (i) the rights of all parties shall have been fully and finally adjudicated by a court of competent jurisdiction, or (ii) all differences shall have been adjusted and all doubt resolved by agreement among all of the interested persons, and the Escrow Agent shall have been notified thereof in writing signed by all such persons.

(h) If the Escrow Agent becomes involved in any dispute, demand, claim or litigation with respect to the Escrow Funds, the Shipper and the Transporter agree to indemnify and save the Escrow Agent harmless from all suits, claims, losses, costs, damages, expenses and attorney's fees suffered or incurred by the Escrow Agent as a result thereof, except any of the foregoing resulting from the negligence or misconduct of the Escrow Agent.

(i) Any fee charged by the Escrow Agent for its services hereunder shall be paid in accordance with its standard published fee schedule. The Shipper and the Transporter shall each pay one-half of any such fee.

(j) The Escrow Agent may resign at any time by giving 30 days written notice to the Shipper and the Transporter. Upon such resignation, the Escrow Agent shall deliver the Escrow Funds upon the joint written instructions of the Shipper and the Transporter.

(k) Provided, however, that nothing herein shall be construed as a release by either party of a claim it may have regarding the escrowed funds by virtue of an act or omission of the Escrow Agent.

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7. Termination. Upon the earlier of (a) resignation of the Escrow Agent as provided in Section 6(j) hereof, or (b) five years from the date of termination of the Transportation Agreement if no Regulatory Authority has denied the Shipper Pass Through Authority during such time, this Agreement shall terminate, and the Escrow Agent shall be discharged from all duties and liabilities hereunder.

8. Notices. All notices and other communications hereunder shall be sent or delivered to the applicable party at its address set forth below (or such other address specified by the party in writing to the other parties), and shall be effective only upon the actual receipt thereof.

9. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. In making proof hereof, it shall not be necessary to produce or account for any counterpart other than one signed by the party against which enforcement is sought.

10. Parties in Interest. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto. No party hereto may assign, transfer or hypothecate any of its rights or interests hereunder without the written consent of the other parties; provided, however, that no consent shall be required for an assignment by either Shipper or Transporter of this Agreement in its entirety, to: (i) an entity that has the same beneficial owners as the assigning Party, pursuant to a corporate reorganization by merger, consolidation or assignment and assumption agreement with that entity, provided that such entity obtains substantially all of the assets of, and at the effective time of such reorganization has net worth no less than, the assigning Party, or (ii) an entity that is controlled by the same person or group of persons that controls the assigning Party; and provided, further, that the Escrow Agent may resign as provided in Section 6(j) hereof.

11. This Agreement and all disputes hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Missouri, without regard to principles of conflict of laws. All actions or proceedings in any way, manner or respect arising out of or from or related to this Agreement or any other agreement contemplated hereby shall be litigated if jurisdictional to such court, in the United States District Court for the Western District of Missouri, Western Division, and if not, in an appropriate Missouri state court with venue for Jackson County, Missouri. Transporter and Shipper hereby consent and submit to the jurisdiction of such courts located within said state. Transporter and Shipper hereby waive any right either may

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have to transfer or change the venue of any litigation brought with respect to this Agreement.

IN WITNESS WHEREOF, this Escrow Agreement is executed as of the date first set forth above.

Address:

Missouri Gas Energy, a
division of Southern Union
Company

504 Lavaca, Suite 800

Austin, Texas 78701

Attn: Gas Supply

Telephone: (512) 370-8275

Telecopy: (512) 476-4966

MISSOURI GAS ENERGY, a division
of Southern Union Company

By: _____

Name:

Title:

Address:

Riverside Pipeline Company,
L.P.

Attn: Transportation and
Supply

8325 Lenexa Drive, Suite 400

Lenexa, Kansas 66214

Telephone: (913) 888-7139

Telecopy: (913) 599-2573

Riverside Pipeline Company, L.P.
"Transporter"

By: Riverside Pipeline
Partnership, its general
partner

By: Syenergy Pipeline
Partnership, L.P., its
managing general partner

By: Bishop Pipeline Company, its
general partner

By: _____

Title: _____

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BOATMEN'S FIRST NATIONAL BANK OF
KANSAS CITY, N.A.

Address:

Attn: _____

By: _____

Title: _____

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Riverside II (150,000)
Firm Gas Transportation Service Agreement

This Agreement ("Agreement"), made and entered into this 24 day of February, 1995, by and between Missouri Gas Energy, a division of Southern Union Company, a Delaware corporation (herein referred to as "Shipper"), and Riverside Pipeline Company, L.P., a Kansas limited partnership (herein referred to as "Transporter").

WHEREAS, Shipper contemplates that, from time to time, it shall arrange for the increased transportation of gas for its account on the system of Panhandle Eastern Pipe Line Company to a location south of Kansas City, Missouri; and

WHEREAS, in order to effect the ultimate delivery of such increased gas to Shipper, new facilities must be constructed to connect the Panhandle System to Shipper's facilities located in Kansas City, Missouri, and its environs (the "Kansas City Metro Area"); and

WHEREAS, Shipper is currently receiving pipeline transmission service from Transporter into the Kansas City Metro Area and Transporter desires to expand such service in order to provide for the additional facilities described above; and

WHEREAS, to provide for these expanded services, Transporter shall, pursuant to this Agreement, either construct and place into service a new pipeline lateral extending between the Panhandle System and Shipper's Kansas City Metro Area distribution system, or otherwise provide for the same service hereunder through agreements with other pipelines; and

WHEREAS, Transporter is able to provide transportation of natural gas on a firm basis comparable to firm transportation provided by other transporters of natural gas into the Kansas City Metro Area; and

WHEREAS, based on such agreements and representations, Shipper and Transporter desire to enter into this Agreement under terms and conditions which shall govern the expanded services;

NOW, THEREFORE, in consideration of the mutual representations, covenants and conditions herein contained, Transporter and Shipper agree as of the date first above written as follows:

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ARTICLE I

Definitions

1.1 As used herein, the following terms shall have the following meaning:

- (a) The abbreviation "Btu" means British thermal unit.
- (b) The term "day" means the 24-hour period commencing at seven o'clock a.m., Central Time (7:00 a.m.), on one calendar day and ending at 7:00 a.m. on the following calendar day.
- (c) "Delivery Point" shall have the meaning set forth in Section 3.3 hereto.
- (d) "Effective Date" shall have the meaning set forth in Section 2.3(c) hereof.
- (e) "Firm Basis" shall mean pursuant to the conditions (i) that the transportation service being provided shall not be curtailed, withheld, delayed, or otherwise interrupted due to any claim by another user or another class of service on the same physical pipeline facilities as are sought to be used by Shipper, or as a result of the oversubscription by the owners of such facilities of the physical capacity to transport and deliver gas in such facilities, or for any other reason unrelated to an event of force majeure (as defined herein) affecting the operational or then physical capacity of the pipeline facilities through which such services are being provided, and (ii) that in the event interruption otherwise occurs, that the transportation service being provided shall receive as favorable a priority as that provided to any other user of such facilities.
- (f) "Firm Transportation" shall mean transportation provided on a Firm Basis.
- (g) "Firm Transportation Agreements" shall mean transportation agreements providing for the transportation of gas on a Firm Basis.
- (h) "Fuel Gas" shall mean a quantity of gas equal to 0.0% of the quantity of gas delivered by Shipper to Transporter for transportation hereunder which Transporter in turn causes to be transported on the new

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facilities to be constructed hereunder. Such "Fuel Gas" quantity shall remain fixed for the term of this Agreement without regard to any increases or decreases in the amount of Fuel Gas authorized to be retained by Transporter for any of the services it provides to any of its other customers.

- (i) "Maximum Daily Quantity" shall be the amount elected by Transporter, up to 150,000 MMBtu's per day, at the time Transporter provides its notice of its intention to commence service hereunder pursuant to Section 2.3(a) hereof.
- (j) "MMBtu" shall mean million Btu.
- (k) The term "month" means the period commencing at seven o'clock a.m., Central Time (7:00 a.m.), on the first day of a calendar month and ending at 7:00 a.m. on the first day of the next calendar month.
- (l) "Gas" or "Natural Gas" means gas from gas wells, casinghead gas produced with crude oil, and residue gas resulting from the processing of either gas well gas or casinghead gas or both.
- (m) "Notice Date" shall have the meaning set forth in Section 2.3(a) hereof.
- (n) "Panhandle System" shall mean the pipeline system of Panhandle Eastern Pipe Line Company ("Panhandle").
- (o) The abbreviation "Psia" means pounds per square inch, absolute. "Psig" means pounds per square inch, gauge.
- (p) "Receipt Point" shall have the meaning set forth in Section 3.1 hereof.
- (q) "Relevant Facilities" shall have the meaning set forth in Section 2.4 hereto.
- (r) "Service Proof Date" shall have the meaning set forth in Section 2.3(b) hereof.

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ARTICLE II

Scope of Gas Transportation Services

2.1 Subject to the terms and conditions of this Agreement from and after the Effective Date, Transporter shall on each day during the term hereof occurring after the Effective Date

(i) receive at the Receipt Point such quantity of natural gas, if any, as may be tendered or caused to be tendered by Shipper to or for the account of Transporter, although not to exceed the physical capacity of the Receipt Point, and (ii) transport (or cause others to transport) and deliver the same quantity for the account of Shipper, less the amount, if any, retained by Transporter as Fuel Gas, on a Firm Basis to the Delivery Point.

2.2 Shipper shall not be entitled to tender or cause to be tendered at the Receipt Point for transportation on any given day a quantity of gas greater than the Maximum Daily Quantity, plus such additional volume, if any, associated therewith to be retained by Transporter as Fuel Gas. Transporter shall not be obligated to transport (or cause others to transport) and deliver to the Delivery Point on any given day a quantity of gas greater than the Maximum Daily Quantity.

2.3 Shipper and Transporter each acknowledge that adequate facilities do not presently exist to effect service hereunder. To effect such service, Transporter shall: (i) construct and/or acquire pipeline facilities adequate to effect service hereunder, (ii) enter into and maintain in good standing such agreements and contracts with other pipeline(s) as are necessary to enable Transporter, at its own expense and cost, to receive and transport through such other pipeline(s) on a Firm Basis, and pursuant to the terms and conditions of this Agreement, all gas tendered by Shipper for transportation hereunder, up to the Maximum Daily Quantity, or (iii) perform some combination of (i) and (ii) above, and (iv) arrange for and enter into any necessary interconnect agreements or operation and balancing agreements with the Panhandle System as necessary to enable Panhandle to deliver and Transporter, at its sole expense and cost, to receive and transport on a Firm Basis for Shipper's account through such interconnect facilities all gas tendered by Shipper for transportation hereunder, up to the Maximum Daily Quantity. This Agreement and Shipper's obligation to make any payments hereunder shall be subject to and conditioned on Transporter's ability to demonstrate its capability to provide service hereunder in the following manner:

- (a) Notice Date. Transporter shall provide notice of its intention to commence service hereunder on or before

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October 1, 1995, if it intends to commence service on October 1, 1996, or on or before October 1, 1996, if it intends to commence service on October 1, 1997. Transporter shall provide notice of its intention to commence service hereunder on or before the relevant Notice Date by (i) identifying the level of service, up to 150,000 MMBtu's, which Transporter intends to provide hereunder, and (ii) providing Shipper verifiable evidence of the following: (A) that Transporter and/or any upstream pipeline which Transporter intends to use in providing service hereunder owns or has the enforceable right to purchase right of way sufficient for the construction of facilities necessary to provide service hereunder and the ability to construct and place into operation on or before the relevant Service Proof Date the necessary facilities to provide the services contemplated hereunder; and (B) that Transporter and/or any upstream pipeline which Transporter intends to use in providing service hereunder has received authority from any and all regulatory authorities whose consent is necessary in order for such construction and for the provision of service hereunder.

- (b) Service Proof Date. Transporter shall provide proof of the capability of the facilities to be used by Transporter hereunder to provide service to Shipper (i) on or before May 1, 1996, if it intends to commence service on October 1, 1996, or (ii) on or before May 1, 1997, if it intends to commence service on October 1, 1997; provided, however, that in the event Transporter provides Shipper with notice on or before October 1, 1995, of its intention to commence service on October 1, 1996, but does not provide proof of the capability of the facilities to be used by Transporter hereunder to provide service to Shipper on or before May 1, 1996, Transporter shall automatically have the right to commence service on October 1, 1997; provided, further, that in such event Transporter must provide proof of the capability of the facilities to be used by Transporter hereunder to provide service to Shipper on or before March 15, 1997, and, if it fails to do so, this Agreement will terminate. Transporter shall provide proof of the capability of the facilities to be used by Transporter hereunder to provide service to Shipper on or before the relevant date specified above (the "Service Proof Date") by flowing gas to Shipper through such facilities for a continuous 24-hour period under such operating conditions and subject to such

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inspection as Shipper may prescribe, not to exceed the operating limits specified in this Agreement.

- (c) Effective Date. The Effective Date for service hereunder shall be (a) October 1, 1996, if Transporter provides notice of its intention to commence service hereunder on that date on or before October 1, 1995, and provides proof of the capability of the facilities to be used by Transporter hereunder to provide service to Shipper in the manner contemplated by Section 2.3(b) hereof on or before May 1, 1996; or (b) October 1, 1997, if Transporter provides notice of its intention to commence service hereunder on that date on or before October 1, 1996, and provides proof of the capability of the facilities to be used by Transporter hereunder to provide service to Shipper in the manner contemplated by Section 2.3(b) hereof on or before May 1, 1997, or March 15, 1997, as applicable.
- (d) Termination. Transporter acknowledges that the demonstration of its capability to provide service hereunder in the manner and on the dates provided in Sections 2.3(a) and (b) above is critical to Shipper's ability to ensure consistent reliable service into its service area. Should Transporter be unable to demonstrate its capability to provide service hereunder in the manner provided in Sections 2.3(a) or (b) above on the relevant Notice and Service Proof Dates set forth therein, Shipper may terminate this Agreement upon ten (10) days notice to Transporter with no further obligation or liability of Shipper to Transporter.
- (e) Shipper's Actions. Shipper shall take all actions with respect to the construction and operation of Shipper's system and the delivery of gas by Panhandle to Transporter (or such other pipeline(s) as Transporter may use to provide service hereunder pursuant to Section 2.3(ii) hereof) at the Receipt Point as may be necessary to enable Transporter to meet all of its obligations and duties under this Section 2.3, including, without limitation, by designating the interconnect point selected by Transporter hereunder as a delivery point under Shipper's transportation agreement with Panhandle.

2.4 If, on any given day the transportation capacity on any of the lines or laterals necessary to move gas from the Receipt Point to the Delivery Point (the "Relevant Facilities") is

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insufficient to transport all volumes of natural gas tendered under this Agreement, Transporter shall ensure that all such capacity as may be available in the Relevant Facilities is allocated on a ratable basis giving consideration to Shipper's Maximum Daily Quantity entitlement to capacity in the Relevant Facilities as compared to the maximum daily entitlements of other, similarly situated shippers holding Firm Transportation Agreements for use of the Relevant Facilities.

2.5 In consideration of the commitments made by Shipper hereunder, should any customer served by Shipper or capable of being served by Shipper directly from its distribution system become interconnected with (other than through Shipper) and contract for firm service to be received through any of the Relevant Facilities, Shipper shall have the unilateral right to reduce by notice to Transporter the Maximum Daily Quantity otherwise then applicable hereunder. The amount of such any reduction of the Maximum Daily Quantity shall be equal to the amount of firm service which such customer has contracted to receive through Transporter.

ARTICLE III

Receipt Point, Delivery Point, Delivery Pressures and Measurement

3.1 The Receipt Point at which Shipper shall tender or cause natural gas to be tendered to Transporter for transportation hereunder shall be at the point of interconnection located in or near the Kansas City Metro Area in either of the states of Kansas or Missouri between the Panhandle System and the pipeline lateral to be constructed and/or acquired hereunder either by Transporter, or if Transporter arranges for service hereunder in all or part through agreements and contracts with an upstream pipeline, such upstream pipeline. In the event Transporter elects to arrange for service hereunder in part through agreements and contracts with an upstream pipeline, Transporter shall provide in such agreements that Transporter shall continue to retain its rights in the facilities owned or constructed by such pipelines, in the event, if any, such facilities subsequently are sold or transferred to others.

3.2 The quantities tendered or caused to be tendered by Shipper at the Receipt Point shall be tendered at such pressure as exists from time to time in the facilities used by Shipper to deliver the gas to the receiving pipeline but in any event at a pressure adequate to enter the receiving pipeline's facilities under current operating conditions without modification. Neither Transporter nor any pipeline which is receiving such gas shall

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operate its transmission facilities or compression facilities in any manner which discriminates against Shipper and its ability to deliver gas at Shipper's selected Receipt Point.

3.3 The Delivery Point at which Transporter shall redeliver gas tendered hereunder shall be the interconnection to be established at or near 107th Street and Elm Street in Jackson County, Missouri ("107th and Elm") between the proposed facilities of Transporter and the facilities of Shipper. Transporter and Shipper shall specify the exact physical location on or before June 1, 1995. Transporter (i) shall own the physical site at which such interconnect will take place, unless Shipper owns an existing site which can be utilized, in which event Shipper shall own the site at which such interconnect will take place, and (ii) shall reimburse Shipper for all necessary pressure regulation equipment to be located on such site required to safely inject the gas to be delivered hereunder into Shipper's downstream distribution facilities. Transporter shall design such interconnect facilities to provide for overpressure protection of Shipper's facilities at the Delivery Point. Transporter and Shipper each shall grant to the other all easements necessary to accomplish such interconnect. Shipper shall hold title and own all facilities downstream of the measurement facilities to be constructed at the Delivery Point.

3.4 The pressure at which gas will be delivered to Shipper at the Delivery Point shall be that existing from time to time in the facilities of Transporter at such point, but in any event at pressures adequate to enter the facilities of Shipper and not less than 350 psig. Such delivery pressure shall be adjusted by Transporter to ensure continuous capability to deliver into Shipper's facilities at various times of the year including such times as Shipper may be required to increase the pressure in its facilities in order to accommodate its peak day demand. Transporter shall pay for and maintain any additional facilities as may be necessary to ensure its ability to deliver at the Delivery Point(s) the Maximum Daily Quantity hereunder at the pressures described above. In no event shall Transporter deliver at pressures which exceed the maximum allowable operating pressure of Shipper's facilities at the Delivery Point.

3.5 The measurement, metering and quality of the gas received and delivered by Transporter hereunder shall be in accordance with the provisions of Transporter's FERC Gas Tariff.

3.6 Transporter will make provisions for reading the meter(s) and other related equipment used to receive and deliver gas hereunder at regular intervals. The charts or records related to such receipts and deliveries will be accessible to

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Shipper for inspection and examination at all reasonable times upon reasonable notice.

3.7 At least once each year, Transporter and Shipper shall review the capacity of the Receipt and Delivery Points. In the event the parties mutually agree to modify, enhance or upgrade the capacity or deliverability of such facilities, such costs shall be borne according to the following principles:

- (a) The cost of facilities constructed at any Delivery Point in order to increase the total quantities of gas above the Maximum Daily Quantity specified herein delivered solely to Shipper, and constructed at Shipper's request, for its use in its purchase and resale activities, shall be borne by Shipper;
- (b) The cost of new Receipt Point facilities utilized and operated exclusively for the receipt of Shipper's gas to be transported under the Agreement, and constructed at Shipper's request, shall be borne by Shipper; and
- (c) The cost of all other facilities shall be borne by Transporter.

Unless otherwise agreed to in writing, all such facilities shall be owned, operated and maintained by Transporter or its designee. Notwithstanding any other provision hereof, Transporter shall have the obligation under this Agreement to install any additional facilities necessary for the purpose of permitting deliveries at any Delivery Point where such volumes are within the existing Maximum Daily Quantity hereunder.

3.8 When Transporter has the right to provide Shipper with access to the appropriate facilities, Shipper shall be entitled to install at the Receipt and Delivery Points such telemetry units or other volume and/or pressure information devices at its sole cost and expense as are necessary in Shipper's sole opinion to insure adequate balancing of the volumes dispatched under this Agreement. When Transporter has the right to provide Shipper with access to the appropriate facilities, Transporter additionally shall provide Shipper with signals from transducers or other electronic devices as may be installed at the Receipt or Delivery Point, or, in the alternative, the right to install such equipment at such points, in order to provide Shipper with appropriate access to remote pressure information about gas flowing through the Receipt and/or Delivery Point. Where the Receipt Point is located on facilities not owned by Transporter, Transporter shall use its reasonable efforts, exercised in good faith and with due diligence, to provide for such rights by

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contract with the pipelines owning the relevant facilities when requested by Shipper. Shipper shall fully indemnify Transporter for operation of any of Shipper's equipment located on sites owned or contractually provided for by Transporter.

3.9 Shipper and Transporter agree that in the event storage facilities are developed or are contracted for or by Shipper which are capable of being tied into the Relevant Facilities, at Shipper's election, the Receipt and/or Delivery Point necessary to effect injections into and/or withdrawals from such storage facilities shall be incorporated into the Receipt and Delivery Point reflected in this Agreement on such reasonable operating terms and conditions as may be appropriate under the circumstances in Transporter's reasonable discretion. Notwithstanding anything to the contrary in this Section 3.9, however, nothing in this provision shall require Transporter to undertake without its advance consent any actions which will increase its costs.

ARTICLE IV

Rates

4.1 Subject to the other provisions hereof, the rates charged under this Agreement shall be as follows:

- (a) From the Effective Date, the rates for all service hereunder shall be as follows:

Demand Rate: \$3.90 per MMBtu of Maximum
Daily Quantity per month

Commodity Rate: \$0.0090 per MMBtu transported

- (b) Subject to Section 8.1 hereof, effective on the third anniversary of the Effective Date and on each third anniversary thereafter for the term of this Agreement, the demand and commodity rates set forth in Section 4.1(a) shall be increased by an amount equal to 2% of the rate applicable prior to the day of such increase.

4.2 The rates provided for herein shall be fixed, contractually specified rates with respect to the services to be provided. Neither party shall seek to change, nor support any effort by any other person to change, such rates by filing with the FERC or any other agency or commission. Transporter shall bear any charges allocated to Shipper above the rates fixed

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herein, including, without limitation, surcharges of any kind, charges for gas supply realignment costs, stranded investment, take-or-pay costs, environmental remediation costs, charges for fuel gas, line loss or unaccounted for gas in excess of the allowance made for Fuel Gas hereunder, or other similar or dissimilar charges, to the extent such charges result in rates to Shipper in excess of the rates set forth herein. Any changes in Transporter's generally applicable rates or any other rates shall not operate to change the contractually specified rates applicable to this Agreement. As necessary and from time to time, the parties shall seek to obtain whatever authority and approvals as may be required, if any, to maintain the rates charged under this Agreement at the contractually specified levels.

ARTICLE V

Conditions

5.1 Except as expressly waived herein, the transportation arrangements provided in this Agreement are subject to the provisions of 18 C.F.R. Part 284 (1984), as amended from time to time.

5.2 Transporter acknowledges that Shipper has existing, long-term Firm Transportation Agreements with Williams Natural Gas Company (the "Williams Contracts") providing for service to the Kansas City Metro Area under which Shipper must make certain elections by June 1996 and/or 1997. Accordingly, Transporter acknowledges that time is of the essence in performing its obligations and exercising its options available hereunder.

5.3 Transporter and Shipper each recognize that their continuing ability to meet their financial obligations hereunder is a material element of this Agreement. Accordingly, if at the time of execution of this Agreement, at the Effective Date or during the term of this Agreement, (i) such party or the party obligated to make such payments, fails to pay principal or interest when due on any debt for which such party's assets are pledged as security, or for which such party is the guarantor ("Relevant Debt"), and any related grace period has expired, or (ii) the holder of Relevant Debt declares such debt due prior to its stated maturity because of such party's default thereunder and any related grace period has expired, then such event also shall constitute a breach hereunder.

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5.4 Financial Information.

- (a) Shipper. (i) The Shipper will at all times maintain complete and accurate (in all material respects) books of account and records. The Shipper will furnish, at the Shipper's expense, as soon as available, and in any event within 90 days after the end of each fiscal year, complete audited financial statements of the Shipper together with all notes thereto, prepared in accordance with generally accepted accounting principles, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by one of the six largest nationally recognized firms of independent certified public accountants selected by the Shipper, stating such financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Shipper in conformity with generally accepted accounting principles (the "Independent Accountant's Opinion"). The Independent Accountant's Opinion may not be a qualified, adverse or disclaimer of opinion as defined in Statement on Auditing Standards Number 58, nor contain explanatory language stating there is substantial doubt about the Shipper's ability to continue as a going concern.
- (ii) The Shipper will also furnish, at the Shipper's expense, as soon as available, and in any event within 45 days after the end of the first semi-annual accounting period of each fiscal year, an unaudited financial report of the Shipper as of the end of such semi-annual period, containing a balance sheet, statement of operations, and statement of cash-flows, all in reasonable detail and certified by a financial officer of the Shipper to have been prepared in conformity with the basis of accounting described above.
- (b) Transporter. (i) The Transporter will at all times maintain complete and accurate (in all material respects) books of account and records. The Transporter will furnish, at the Transporter's expense, as soon as available, and in any event within 90 days after the end of each fiscal year, complete audited financial statements of the Transporter together with all notes thereto, prepared in accordance with requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases,

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or prepared in accordance with generally accepted accounting principles, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by one of the six largest nationally recognized firms of independent certified public accountants selected by the Transporter, stating such financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Transporter in conformity with the basis of accounting described above (the "Independent Accountant's Opinion"). The Independent Accountant's Opinion may not be a qualified, adverse or disclaimer of opinion as defined in Statement on Auditing Standards Number 58, nor contain explanatory language stating there is substantial doubt about the Transporter's ability to continue as a going concern.

(ii) The Transporter will also furnish, at the Transporter's expense, as soon as available, and in any event within 45 days after the end of the first semi-annual accounting period of each fiscal year, an unaudited financial report of the Transporter as of the end of such semi-annual period, containing a balance sheet, statement of operations, and statement of cash-flows, all in reasonable detail and certified by a financial officer of the Transporter to have been prepared in conformity with the basis of accounting described above.

- (c) Each party agrees to maintain any financial report, statement, and notes received pursuant to the provisions of paragraphs (a) and (b) above as confidential, unless and until such time as such information becomes public through other disclosure.

ARTICLE VI

Term

6.1 This Agreement shall become effective upon its execution and shall run and continue in full force and effect for a primary term ending October 1, 2016, and thereafter from year to year until terminated by written notice so stating given no less than 365 days in advance of end of the primary term, or extension thereof, by either party to the other, or unless terminated earlier, or extended pursuant to other provisions of this Agreement.

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6.2 Transporter waives its right to effect pre-granted abandonment of transportation service upon the expiration of this Agreement. As of the date of this Agreement, such right is codified in 18 C.F.R. § 284.221(d).

6.3 In the event Transporter seeks to terminate service under this Agreement, prior to such termination Transporter shall file for authorization for the abandonment of the transportation service contemplated hereunder pursuant to Section 7(b) of the Natural Gas Act or any successor statute, and shall not terminate such service unless and until it shall have received such abandonment authorization. Shipper shall have the right to oppose such abandonment. Transporter shall not apply for or otherwise seek FERC approval for abandonment of the service provided hereunder prior to the date Transporter notifies Shipper of its intent to terminate this Agreement as provided herein.

ARTICLE VII

Notices

7.1 Except as otherwise specifically provided herein, all communication hereunder shall be in writing and shall be sent by registered or certified mail, telegraph, facsimile or overnight courier or delivered in person to:

Transporter: Riverside Pipeline Company, L.P.
Attn: Transportation and Supply
8325 Lenexa Drive, Suite 400
Lenexa, Kansas 66214
Telephone: (913) 888-7139
Telecopy: (913) 599-2573

Shipper: Missouri Gas Energy, a division
of Southern Union Company
504 Lavaca, Suite 800
Austin, Texas 78701
Attn: Gas Supply
Telephone: (512) 370-8275
Telecopy: (512) 476-4966

or to such other address as a party shall designate by formal written notice. Notices shall be deemed to have been given when received.

7.2 The accounting month hereunder shall be the calendar month. Transporter shall furnish to Shipper within ten (10) days after the end of each accounting month a statement of the charges

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computed pursuant to Article IV. Payments by Shipper to Transporter herein shall be made by Shipper no later than fifteen (15) days following receipt by Shipper of Transporter's invoice each month for gas delivered during the preceding accounting month. A statement of the full details of Transporter's measurement records at the Delivery Point hereunder shall be transmitted to Shipper when Transporter submits its bill each month to Shipper. A statement of the full details of Transporter's measurement records at the Receipt Point(s) hereunder shall be transmitted to Shipper when they shall become available to Transporter. In the event Shipper in good faith disputes Transporter's charges, Shipper may withhold from payment the amount in dispute until a resolution is reached. Any amount found to be properly charged shall be paid within five days thereafter, together with interest at the prevailing prime rate as published in the *Wall Street Journal*, from the original due date of such payment.

ARTICLE VIII

Breach

8.1 Any breach of Sections 2.1, 2.4, 3.1, 3.2, 3.4 or 4.2 hereof, shall be deemed a material breach. In the event of a breach of any such provision, the non breaching party shall receive from the breaching party as liquidated damages for such breach, the full amount of any and all costs incurred by the non breaching party for alternate gas supplies, alternate gas transportation service, additional use of existing transportation services, or other direct or indirect expenses actually incurred and paid by or on behalf of the non breaching party in covering such breach, and, in addition, reimbursement for any additional loss, cost or expense incurred by the non breaching party as a consequence of such breach or related to any third party costs or claims against the non breaching party arising out of such material breach by the breaching party (collectively, "Costs"). If, within any continuous five (5)-year period during the term of this Agreement the breaching party has more than two (2) events which would be deemed a material breach under this provision, then (i) the non breaching party will be entitled, upon the occurrence of each such subsequent breach, to recover from the breaching party twice the level of Costs incurred by the non breaching party arising out of such breach, and, in addition (ii) in the case where the breaching party is Transporter the provisions of Section 4.1(b) hereof shall thereupon terminate and cease to be of any further force and effect, such that any further escalation of rates otherwise therein provided shall not occur.

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8.2 In the event that any party believes that the other party is in breach of any of the other terms not set forth in Section 8.1 hereof for any reason, the party claiming such breach shall provide written notice of such purported breach describing such breach with particularity (in fact and in legal impact) and the purported breaching party shall be granted thirty (30) days from its actual receipt of such notice to cure said breach if it concurs that the acts or omissions described in the notice constitute a breach, or it may elect to provide a cure to the complaining party's contended breach even if the purported breaching party is of the belief that the facts or omissions described in the notice do not constitute a breach hereof, and if so cured by the purported breaching party, the contended breach shall be deemed to have never occurred. In the event the parties cannot agree as to whether the acts or omissions described in the notice constitute a breach of the terms hereof, or the purported breaching party does not cure the alleged breach to the reasonable satisfaction of the complaining party within such thirty day period, then the complaining party shall have the right to seek all legal remedies set forth in Section 8.1, and in the event of the insufficiency of such remedies under the circumstances, then all other legal remedies available under the law.

ARTICLE IX

Force Majeure

9.1 The term "force majeure" as employed herein shall mean acts and events not within the control of the party claiming suspension and shall include act of God, strikes, lockouts or other industrial disturbances, wars, riots, insurrections, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of rules and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipelines, and any other cause not within the control of the party claiming suspension and which, by the exercise of reasonable best efforts, such party is unable to overcome. It is understood and agreed, however, that the settlement of strikes, lockouts, or other labor disturbances shall be entirely within the discretion of the party having the difficulty, and that the above requirements that are force majeure shall be remedied with all reasonable dispatch, and shall not require the settlement of strike or lockouts by acceding to the demands of an opposing party when such course is inadvisable in the discretion of the party having the difficulty.

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9.2 Such event of force majeure affecting the performance by either party shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use reasonable diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such event of force majeure relieve either party of liability otherwise unless such party shall give notice and full particulars of the same to the other party as soon as possible after the occurrence relied upon.

9.3 In the event that either Transporter or Shipper is rendered unable by force majeure to carry out its obligations, either in whole or in part, under the provisions of this Agreement, the obligations of the party affected by such force majeure, other than the obligation to make payments hereunder, shall be suspended during the continuance of any such event of force majeure but for no longer period, and such event of force majeure shall, so far as possible, be remedied with all reasonable dispatch.

9.4 For purposes of this Article IX, Transporter shall not be permitted to claim any failure by any of the upstream pipelines used by Transporter to meet its obligations hereunder to perform in such a manner as is necessary to enable Transporter to meet its obligations to Shipper hereunder as an event of force majeure sufficient to excuse the suspension of Transporter's performance hereunder, except to the extent that the failure of such upstream pipeline to perform in such manner would be treated as an event of force majeure sufficient to justify the suspension of its performance in accordance with this Article IX.

ARTICLE X

Miscellaneous

10.1 This Agreement and all disputes hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Missouri, without regard to principles of conflict of laws. All actions or proceedings in any way, manner or respect arising out of or from or related to this Agreement or any other agreement contemplated hereby shall be litigated if jurisdictional to such court, in the United States District Court for the Western District of Missouri, Western Division, and if not, in an appropriate Missouri state court with venue for Jackson County, Missouri. Transporter and Shipper hereby consent and submit to the jurisdiction of such courts located within said state. Transporter and Shipper hereby waive any right either may

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have to transfer or change the venue of any litigation brought with respect to this Agreement.

10.2 In the event the laws and/or regulations pertaining to the natural gas industry change so as to (i) result in a material adverse effect on the financial condition, results or operations or business of either party hereto (a "Material Adverse Effect"), and (ii) such legal or regulatory change does not provide a remedy to alleviate the Material Adverse Effect, and (iii) the change was not a change known or reasonably foreseeable at the time this Agreement was entered into, the party adversely affected by such Material Adverse Effect may request adjustments in this Agreement to make it consistent with such changed circumstances. If either party gives notice to the other hereunder of a Material Adverse Effect affecting this Agreement, Shipper and Transporter shall negotiate in good faith in an effort to make adjustments in this Agreement to make it consistent with such changed circumstances; provided, however, that neither party shall be obligated to agree upon the requested adjustments to this Agreement if, after such good faith negotiations, such party determines in its sole discretion that such adjustments are not in its best interests. If the parties are not able to agree upon the requested adjustments after such good faith negotiations, this provision shall not serve to give any party any greater legal rights or remedies in law or equity against the other than it otherwise would have had absent this provision; rather, the parties' legal rights and obligations shall be the same as if this provision had not existed.

10.3 The parties recognize that the general terms and conditions of Transporter's tariff as filed with and approved by the Federal Energy Regulatory Commission ("Transporter's Tariff") shall apply to the transportation services provided hereunder. In the event of a conflict between this Agreement and Transporter's Tariff, however, the terms of this Agreement shall govern.

10.4 Transporter and Shipper will have the right at all reasonable times, upon reasonable notice, to examine the books and records of the other party to the extent necessary to verify the accuracy of any computation or demand made on any statement, bill or invoice rendered under or pursuant to this Agreement.

10.5 This Agreement may be amended, modified or supplemented only by an instrument in writing executed by both parties.

10.6 Neither this Agreement nor any right created hereby shall be assignable by either party hereto without the prior

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IN WITNESS HEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers the day and year first set forth herein.

Riverside Pipeline Company, L.P.
"Transporter"

By: Riverside Pipeline Partnership,
its general partner

By: Synergy Pipeline Partnership,
L.P., its managing general
partner

By: Bishop Pipeline Company, its
general partner

WITNESS:

Jennifer Lile Bacon
Yvette Samplins

By: Mark H. Bolding
Title: EXECUTIVE VICE PRESIDENT

Missouri Gas Energy, a division of
Southern Union Company
"Shipper"

WITNESS:

Robert H. Smith
Arnold E. Enders

By: Carin R. Mc
Title: Vice President

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written consent of the other party hereto, which consent shall not be unreasonably withheld; provided, however, that no consent shall be required for an assignment by either Shipper or Transporter of this Agreement in its entirety, to: (i) an entity that has the same beneficial owners as the assigning party, pursuant to a corporate reorganization by merger, consolidation or assignment and assumption agreement with that entity, provided that such entity obtains substantially all of the assets of, and at the effective time of such reorganization has a net worth no less than, the assigning party, or (ii) an entity that is controlled by the same person or group of persons that controls the assigning party.

10.7 If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future terms effective during the term hereof, such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. In lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement, a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be reasonably possible and be legal, valid and enforceable.

10.8 The parties acknowledge that money damages may not be an adequate remedy for violations of this Agreement and that any party may, in its sole discretion, apply to a court for specific performance or injunctive or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof, and to the extent permitted by applicable law and to the extent the party seeking such relief would be entitled on the merits to obtain such relief, each party waives any objection to the imposition of such relief.

10.9 This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

10.10 Each party agrees to take all reasonable actions, including interventions, as may be appropriate to support the terms and conditions of this Agreement and the performance and retention of the rights, duties and obligations of each party hereunder in any regulatory proceedings in which such matters may be at issue.

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas)
Energy's Gas Cost Adjustment)
Tariff Revisions to be Reviewed) Case No. GR-96-450
in its 1996-1997 Annual)
Reconciliation Adjustment Account)

DEPOSITION OF MICHAEL T. LANGSTON,

a witness, sworn and examined on the 27th day of
October, 1998, between the hours of 8:00 a.m. and
6:00 p.m. of that day at the law office of Brydon,
Swearengen & England, 312 East Capitol Avenue, in the
City of Jefferson, County of Cole, State of Missouri,
before

KRISTAL R. MURPHY, CSR, RPR, CCR
ASSOCIATED COURT REPORTERS, INC.
714 West High Street
Post Office Box 1308
JEFFERSON CITY, MISSOURI 65102
(573) 636-7551

Notary Public, within and for the State of Missouri,
in the above-entitled cause, on the part of the MGE,
taken pursuant to agreement.

1

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1 correct.

2 Okay. What I'd like to do, Mr. Langston, is
3 talk a little bit about the differences between
4 Mid-Kansas II and Mid-Kansas I, and you don't
5 necessarily need to refer to the contract unless
6 you -- unless you want to. I'm going to try to be
7 broad enough where we can talk about concepts.

8 Is it fair to describe the commodity charge
9 under the Mid-Kansas II agreement as a price equal to
10 105 percent of what is referred to as a TRANSOK spot
11 index?

12 A. Yes, for any base load quantities that we
13 nominated for the month.

14 Q. And with respect to the Mid-Kansas I
15 contract, do you recall that the commodity cost there
16 was 114 percent of an average spot of certain
17 Mid-Kansas -- or Mid-Continent pipelines?

18 A. I don't recall the specifics, but that very
19 well could have been the pricing provision.

20 Q. Okay. Do you recall the price provision
21 under -- let me ask it this way: In your opinion, was
22 the pricing provision of the Mid-Kansas II contract as
23 to commodity better than the commodity pricing under
24 the Mid-Kansas I agreement?

25 A. Yes.

PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the Matter of Missouri Gas)
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Reconciliation Adjustment) October 28, 1998
Account.) Jefferson City, Mo.

DEPOSITION OF THOMAS SHAW,

a witness, produced, sworn and examined on the 28th
day of October, 1998, between the hours of 8:00 a.m.
and 6:00 p.m. of that day at the law offices of
Brydon, Swearengen & England, 312 East Capitol, in the
City of Jefferson, County of Cole, State of Missouri,
before

KELLEN FEDDERSEN, CSR, RPR
ASSOCIATED COURT REPORTERS, INC.
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2 A. Well, I think Staff should look at the
3 information that was known and available to the LDC
4 company in this instance when it's time to execute a
5 new contract and get some type of assurance or level
6 of security that that is the best alternative out
7 there considering all the other options available.

8 Q. So I guess I'll ask the question again.
9 Would MGE -- is it your testimony that MGE would have
10 been prudent if the Mid-Kansas reservation charge was
11 10 percent higher than Williams?

12 A. I cannot answer that question on a
13 percentage basis or anything. I'm trying to tell you
14 it's not the difference in the rates. It's the
15 decision-making process that we're interested in.

16 MR. MONALDO: Would you read back that
17 answer.

18 THE REPORTER: "Answer: I cannot answer
19 that question on a percentage basis or anything. I'm
20 trying to tell you it's not the difference in the
21 rates. It's the decision-making process that we're
22 interested in."

23 BY MR. MONALDO:

24 Q. Mr. Shaw, in your experience as a staff
25 member of the MPSC, have you ever seen a pipeline

1 company totally release an LDC from its contractual
2 obligations without some form of penalty with damages
3 or payment, compensation?

4 A. Not that I'm aware of.

5 Q. You've testified that you believe
6 Panhandle's reservation charges to MGE are higher than
7 Williams, is that correct?

8 A. That's correct.

9 Q. Okay. Are you aware that in this particular
10 ACA proceeding the Staff has not recommended a
11 disallowance of charges paid by MGE to Panhandle?

12 A. In my review of the Staff recommendation
13 filed, I don't recall that disallowance being in
14 there.

15 Q. Well, if the reservation charge is higher,
16 why wouldn't there be a disallowance?

17 A. Again, I was not asked for input. I did not
18 do any work in GR-94-450 prior to the Staff
19 recommendation being filed.

20 Q. So you're saying -- let me ask it this way.
21 Are you intending for your testimony to review the
22 Panhandle contract and its rates and charges and to
23 determine whether or not there should be a
24 disallowance on that?

25 A. No, that's not my expectation.

1 BEFORE THE PUBLIC SERVICE COMMISSION
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1 purchase price/purchase arrangement, per se, with
2 Western Resources. I was involved with the review of
3 the gas supply and transportation contracts that were
4 assigned as part of that transaction.

5 Q. You actually answered the question I should
6 have asked. I was just trying to lay some groundwork
7 to -- you understood the contracts that were being
8 acquired by -- by MGE.

9 During the period when the negotiations were
10 going on, do you recall having knowledge that the term
11 of the contract, the Mid-Kansas I contract, expired
12 around the year 2009?

13 A. Yes.

14 Q. Do you have any knowledge that would lead
15 you to believe that Mid-Kansas/Riverside in
16 renegotiating Mid-Kansas I would simply allow MGE to
17 no longer have any obligations under the Mid-Kansas I
18 agreement/Riverside agreement?

19 A. I don't think under a reasonable business
20 position that Mid-Kansas/Riverside would take that
21 position any more than Williams Gas Pipeline Central
22 or Panhandle Eastern Pipeline Company or any supplier
23 would.

24 Q. Okay. Now, under -- let me go back to --
25 let me clear up the record.

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1 time, do a comparison of the Mid-Kansas 1 contract and
2 the Mid-Kansas 2 contract?

3 A. No, I've not made such a comparison.

4 Q. Are you intending to do so in your
5 testimony?

6 A. No, I don't believe.

7 Q. Have you read Mid-Kansas 1?

8 A. Yes, I have read it.

9 Q. You answered some questions, I believe, that
10 Mr. Duffy had asked regarding the lower commodity
11 costs and fixed transportation rates. Do you recall
12 those questions?

13 A. Yes.

14 Q. Do you recall indicating that the commodity
15 price and transportation terms were more favorable to
16 MGE under Mid-Kansas 2 than under Mid-Kansas 1?

17 A. I did make that statement.

18 Q. I don't recall if Mr. Duffy asked this
19 question. Are you familiar with the fact that under
20 Mid-Kansas 1 there was a buying limitation of takes to
21 4 BCF a year, but under Mid-Kansas 2 that volume
22 limitation was eliminated and MGE had the right to
23 take 46,332 MMBtu every day?

24 A. I'm aware of that fact, yes.

25 Q. Will you agree that is a favorable provision

1 for MGE as the LDC to have the buying limitation
2 lifted?

3 A. Certainly since they had access to a cheaper
4 gas supply, a historically cheaper gas supply, it made
5 sense to transport as much of that cheaper gas supply
6 as you possibly could to offset the cost of the
7 reservation.

8 Q. And that historically cheaper gas you're
9 referring to is the gas off the TRANSOK system,
10 correct?

11 A. That's right.

12 Q. When you say historically low cost supply,
13 is that -- would you agree that TRANSOK supplies has
14 historically been cheaper than, say, the Williams
15 supply or Panhandle supply or Mid-Continent supply in
16 general?

17 A. Certainly through the time where I testified
18 on the gas supply incentive case, that was the case.
19 I have not kept up with any differential in the
20 indices after that point in time.

21 Q. It wouldn't surprise you, then, would it, if
22 that historical trend continued forward?

23 A. No, that would not surprise me.

24 Q. Are you intending to do a comparative
25 analysis of those commodity prices for your testimony?

1 for the previous 12 months that there was
2 approximately that same amount, 8 to 9 BCF, taken?

3 A. Probably in that same ball park, yes.

4 Q. Okay. You referenced that under the
5 Mid-Kansas II agreement that MGE acquired an option to
6 take assignment of the TRANSOK lease; is that correct?

7 A. Yes.

8 Q. Do you recall whether MGE had that option
9 under Mid-Kansas I?

10 A. No, we did not.

11 Q. In your opinion, do you view having the
12 option to acquire the TRANSOK lease as adding or
13 detracting from, say, the flexibility that MGE had
14 under the respective agreements?

15 A. We feel it adds value.

16 Q. Adds value to MGE?

17 A. Yes.

18 Q. At the beginning of my questions, I
19 identified a contract called Riverside I. And is it
20 generally accurate to refer to Riverside I as
21 basically converting Mid-Kansas II from a contract
22 with a merchant function was held by Mid-Kansas to a
23 transportation-only agreement where MGE would be
24 purchasing the gas itself.

25 A. Yes, that's correct.

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1 to the Mid-Kansas 1 contract that was less favorable
2 to MGE and -- rather than more favorable?

3 Let me clarify. Is there any provision in
4 the Mid-Kansas 2 contract that was to the detriment of
5 MGE that wasn't in the Mid-Kansas 1 contract?

6 A. I need to qualify my answer and the fact
7 that when I read the Mid-Kansas 2 contract, that was
8 subsequent to the ACA period that was under review and
9 that we were discussing settlement of.

10 Although I was aware, generally aware of the
11 changes that were made from prior to February '95 to
12 subsequent to February of '95, we were aware that
13 there was ratepayer benefits associated with that
14 compared to the previous contract that was in effect.

15 Can I go back and say -- go through every
16 provision and say it is detrimental to the ratepayer?
17 I don't have that type of familiarity with the
18 contract. I've not even, I don't believe, looked at
19 the contract to any great extent subsequent to the
20 settlement negotiations.

21 Q. So sitting here today, you cannot think of
22 one single detriment to the ratepayers that's embodied
23 in the Mid-Kansas 2 contract compared to the
24 Mid-Kansas 1 contract?

25 A. I can't think of one, no.

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a witness, sworn and examined on the 27th day of
October, 1998, between the hours of 8:00 a.m. and
6:00 p.m. of that day at the law office of Brydon,
Swearengen & England, 312 East Capitol Avenue, in the
City of Jefferson, County of Cole, State of Missouri,
before

KRISTAL R. MURPHY, CSR, RPR, CCR
ASSOCIATED COURT REPORTERS, INC.
714 West High Street
Post Office Box 1308
JEFFERSON CITY, MISSOURI 65102
(573) 636-7551

Notary Public, within and for the State of Missouri,
in the above-entitled cause, on the part of the MGE,
taken pursuant to agreement.

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from as many alternative pipelines as are available in our service territories. Now, that may be with or without any contractual commitment to them, but we do want to have them as interconnected pipelines.

Q. We have described Riverside I, generally speaking, as the transportation-only version of Mid-Kansas II where MGE makes the purchasing decisions and the pipe -- and I'll refer to the Riverside pipe as all of the pipe from Oklahoma to Missouri -- only transports it.

Is the role of being the purchaser of the commodity, the gas, something that MGE and Southern Union generally prefer to have, rather than have the merchant function held by a third party?

A. Generally, that's true.

Q. Okay. I believe you -- in answering questions posed by the MPSC Staff counsel, you were present and directly involved in negotiations surrounding the execution of the Mid-Kansas II agreement; is that correct?

A. Yes.

Q. And, generally speaking, were you involved in the negotiations regarding the acquisition of the Western Local Distribution Company?

A. I was not involved in the negotiation of the