

**CONDITIONS OF APPROVAL**

**1. CUSTOMER SERVICE**

MGE will continue its commitment to customer service performance measures and customer service operating procedures as follows:

**(1) Customer Service Performance Measures**

(1) Average Abandoned Call Rate (ACR) is not to exceed 7.5% on an annual basis plus a 100 basis point variance (a maximum allowable level of 8.5%).

(2) Average Speed of Answer (ASA) is not to exceed 65 seconds plus a 15 percent variance of 10 seconds annually (a maximum allowable level of 75 seconds).

(3) The base measurements of 7.5% and 65 seconds were developed in Case No. GM-2000-43 and represented MGE's average actual performance during a twenty-four month period during that time.

**(2) Company Response to Customer Service Measures**

(1) MGE shall provide the Commission's Staff ("Staff") and the Office of the Public Counsel ("OPC") monthly reports (within 30 days of month-end) on its conformity with the Customer Service Measures. Statistics for the measures shall be tracked and displayed monthly, reported to Staff and OPC on a monthly basis and assessed by MGE annually for compliance. Within ninety (90) days after the end of the calendar year, MGE shall file a report in Case No. GM-2000-43 that shall include actual performance measures for the year, explanation of any deviation above the measures, actions to be undertaken to eliminate the deviations above the measures and estimates of the cost of such actions.

**(3) Virtual Hold Reporting**

MGE agrees to continue to provide to Staff the Monthly Virtual Hold Executive Summary Reports that shall include information on Eligible Calls, Return Calls Selected and Continue Hold Options. In the event that MGE utilizes an alternative call back technology in the future, comparable reporting metrics shall continue to be required.

**(4) Customer Complaints/Inquiries to Staff**

For purposes of this section, customer complaints/inquiries include contacts the Staff

receives from MGE's customers, but are not necessarily the result of MGE's violation of its tariffs or Commission rules. Significant increases in the annual average number of complaints/inquiries shall be explained by MGE and/or may prompt an investigation by the Staff and/or OPC. The impact of events beyond the Company's control will be taken into account in the Company's explanation and in any investigation by the Staff and/or OPC.

(5) Customer Service Operating Procedures

The present practices of MGE in the following areas will be continued, or improved upon to ensure that customers do not experience a decline in service levels:

- (1) MGE shall follow credit and collection practices consistent with Commission rules.
- (2) MGE shall restore service consistent with Commission rules.
- (3) MGE shall use bill test procedures to ensure bill accuracy.
- (4) MGE shall take appropriate steps to maintain the operation of its automated meter reading system.
- (5) MGE shall notify Staff and OPC of substantive changes in customer service procedures in call center operations and staffing, customer billing, meter reading, customer remittance, credit and collections, and connections and disconnection.
- (6) MGE shall identify: (a) personnel responsible for handling Commission complaints and ensure they have proper authority, (b) after hours contact personnel, and (c) management employee(s) accountable for ensuring MGE employees are trained in and maintain a working knowledge of Missouri customer service rules and regulations.
- (7) MGE shall continue its participation in LIHEAP.
- (8) MGE shall provide the Staff and OPC monthly reports (within 30 days of month-end) containing: monthly information regarding abandoned call rate and average speed of answer performance, customer service organization charts, customer service staffing, number of estimated bills (including consecutive estimates), a list of customer pay station locations, and actual Missouri jurisdictional bad debt write-off by customer class, including the dollar amount written off, number of accounts written off and revenue by customer class.

(9) The Staff and/or OPC may request periodic meetings with the Company to discuss customer service operating procedures and the level of service being provided to the customer.

**2. INSULATION OF MGE FROM LACLEDE GROUP (LG) BUSINESS**

To insulate MGE from the Transaction, LG agrees that:

- A. MGE will be owned and operated as a division of Laclede Gas, which shall remain a separate subsidiary of LG, unless otherwise approved by the Commission.
- B. Laclede Gas shall not transfer to LG or any subsidiary thereof, directly or indirectly, assets necessary and useful in providing service to MGE's Missouri customers without Commission approval.
- C. Laclede Gas will diligently exercise its best efforts to insulate MGE from any adverse consequences from its other operations or the activities of any of its affiliates.
- D. LG will submit reports certifying its compliance with this paragraph on a quarterly basis to the Staff electronically through the Commission's Electronic Filing and Information System ("EFIS") and to OPC, and other interested parties that are permitted to receive proprietary or confidential information as contemplated by applicable Commission rules or orders until the Commission determines that MGE is insulated from LG other operations and the activities of any of its affiliates or that the requirement is no longer needed.

**3. FURTHER INSULATING CONDITIONS**

To further insulate MGE from the Transaction, Laclede Gas agrees that:

- A. The Transaction shall have no adverse effect on MGE's budget and funds to meet MGE's capital needs, including but not limited to service line and main replacement programs. Laclede Gas affirms its commitment to the safety line replacement program schedules for MGE currently in effect and approved by the Commission in its Case No. GO-2002-0050.

- B. The amount of any asserted acquisition premium (i.e. the amount of the total purchase price and transaction above net book value) paid for MGE in connection with the transaction shall be treated below the line for ratemaking purposes in Missouri and not recovered in retail distribution rates. Neither Laclede Gas nor its MGE division shall seek either direct or indirect rate recovery or recognition of any acquisition premium, including transaction costs, through any purported acquisition savings adjustment (or similar adjustment) in any future general ratemaking proceeding in Missouri. In addition, neither Laclede Gas nor its MGE division shall seek to recover in Missouri the amount of any asserted acquisition premium in the Transaction as being a "stranded cost" regardless of the terms of any legislation permitting the recovery of stranded cost from Missouri ratepayers.
- C. Total joint and common costs allocated to the MGE division for purposes of setting retail distribution rates will not increase as a result of the Transaction above the levels authorized by the Commission in Case No. GR-2009-0355 and proposed in the Surrebuttal Testimony of Michael R. Noack, dated October 14, 2009. Schedule H-8 - Corporate Allocation, of Mr. Noack's testimony reflects pro forma joint and common costs before application of the Expense Capital Rates of \$5,087,099. Net corporate plant allocated to MGE is \$669,314 per Schedule C, page 1 of 2, column e, line 35. It is understood, however, that joint and common costs allocated to MGE for purposes of setting retail distribution rates may increase or decrease for reasons that are not a result of the Transaction (including, but not limited to, factors such as wages and salaries increasing over time, organizational differences which result in a function being provided at the corporate level versus at the business unit or vice versa, labor efficiencies and technological efficiencies. Laclede Gas agrees that in any MGE-initiated rate proceeding, it has the burden of proving the reasonableness of any allocated or assigned cost to MGE from any L G affiliate, including all corporate overhead allocations.
- D. LG shall retain all documentation relative to the analysis of the Transaction. This documentation will include a list of: (1) all Laclede Gas and MGE personnel, consultants, legal and financial and accounting advisers; (2) the time (in hours) spent by those individuals on related work; (3) other expenses, costs or expenditures

incurred or recognized by Laclede Gas that are related to the Transaction; (4) business entity (corporate, subsidiary and division) where the costs were booked, including account number, account description and amount; and (5) description of the nature of the work performed and costs incurred.

- E. Laclede Gas shall maintain its books and records so that all acquisition costs related to the Transaction are segregated and recorded separately. Subject to the protections found in 4 CSR 240-2.135 and/or 4 CSR-240- 2.085, during MGE's next general rate proceeding, Laclede Gas agrees to disclose to the Staff, OPC, and other interested and authorized parties the acquisition, merger, transition, and transaction costs recorded in Laclede Gas's books and records in the appropriate test year. This condition does not restrict Laclede Gas' right to seek rate recovery of merger and acquisition costs related to future transactions. Other parties may oppose recovery of merger and acquisition costs related to future transactions.
- F. Laclede Gas agrees to create and maintain records listing the names of LG employees whose costs are allocable to Missouri jurisdictional operations, number of hours worked, type of work performed and travel and other expenses incurred for all work related to all merger and acquisition activities related to the Transaction through the end of the test year, updated test year or true-up test year in MGE's next general rate case.
- G. Laclede Gas will submit to the Commission's Staff electronically in EFIS as a filing to this case and to OPC verified journal entries reflecting the recording of the Transaction on Laclede Gas' books and records within forty-five (45) days of closing.
- H. Laclede Gas shall not recommend an increase to the overall cost of capital for MGE as a result of the Transaction. Any increases in cost of capital Laclede Gas seeks for MGE will be supported by documented proof: (1) that the increases are a result of factors not associated with the Transaction; (2) that the increases are not a result of changes in business, market, economic or other conditions for MGE caused by the Transaction; or (3) that the increases are not a result of changes in the risk profile of MGE caused by the Transaction. Laclede Gas will ensure that the retail distribution rates for MGE ratepayers will not increase as a result of the Transaction.
- I. Within six (6) months of the closing of the Transaction, Laclede Gas will perform, provide, and discuss with all interested and authorized parties a study of the impact of

the acquisition of MGE by Laclede Gas on Laclede Gas' structure, organization, and costs. Laclede Gas will verify the accuracy of corporate administrative and general ("A&G") allocations to MGE, including the specific impacts of the acquisition of MGE by Laclede Gas on Laclede Gas' A&G expense and cost allocation methodology and identify the process used to allocate A&G costs and expenses to its regulated, merger and acquisition, sale and non-regulated functions of its regulated divisions as well as its non-regulated subsidiaries.

**4. INTERSTATE AND INTRASTATE TRANSPORTATION AND STORAGE COSTS**

In making decisions regarding interstate or intrastate pipeline transportation and storage capacity, MGE will continue to evaluate alternatives with the objective of minimizing cost while obtaining adequate assurances of reliability. MGE will formally conduct a comprehensive evaluation as deemed necessary by MGE but no less frequently than every three years. This evaluation will be submitted and presented to Staff, OPC, and other interested parties subject to the protections found in 4 CSR 240-2.135 and/or 4 CSR 240-2.085.

**5. ASSUMPTION OF EXECUTION RISK**

Laclede Gas will not include in its retail distribution rates charged to Missouri consumers any costs related to its execution risk associated with the Transaction.

**6. ADHERENCE TO MISSOURI RULES**

Laclede Gas and MGE shall comply with all Missouri Commission rules, including the Affiliated Transactions Rule, 4 CSR 240-40.015, reporting requirements and other practices, and its filed and approved tariffs. This paragraph 6 shall not be construed as a waiver of any rights or remedies available to Laclede Gas under the law. No conditions or agreements entered into between parties to this case shall restrict or limit LG's compliance with Missouri Commission rules.

**7. NO DETRIMENTAL IMPACT**

Laclede Gas acknowledges that this transaction will not have any detrimental effect on

MGE's utility customers, including, but not limited to: increased rates or any effect on quality of service, but agrees that, should such detrimental effects nevertheless occur, nothing in the approval or implementation of the proposed acquisition shall impair the Commission's ability to protect such customers from such detrimental effects.

**8. COMMISSION AUTHORITY**

Laclede Gas acknowledges that the Commission has, and will continue to have, the authority after the proposed acquisition to regulate, through the lawful exercise of its statutory powers, and ensure the provision of service, instrumentalities and facilities as shall be safe and adequate and in all respects just and reasonable and not jeopardize the ability of Laclede Gas or MGE to meet its Missouri utility obligations, including MGE's service line replacement program. Laclede Gas also agrees that the Commission has the authority, through the lawful exercise of its ratemaking powers, to ensure that the rates charged by MGE for regulated utility service are not increased as a result of the unregulated and/or non-jurisdictional activities of LG' affiliates and LG agrees, consistent with such standard, that rates should not be increased due to such activities.

**9. ACCESS TO INFORMATION**

LG and Laclede Gas will provide the Staff and OPC with access, upon reasonable written notice during normal working hours and subject to appropriate confidentiality and discovery procedures, to all written information provided to common stock, bond, or bond rating analysts, that directly or indirectly pertains to Laclede Gas or any affiliate that has affiliate transactions with MGE or with Laclede Gas to the extent such transaction(s) with Laclede Gas affect the allocation of costs to MGE. Such information includes, but is not limited to: reports provided to, and presentations made to, common stock analysts and bond rating analysts. For purposes of this condition, "written" information includes but is not limited to: any written and printed material, audio and videotapes, computer disks and electronically stored information. Nothing in this condition shall be deemed to be a waiver of LG's or Laclede Gas's or MGE's right to seek protection of the information or to object, for purposes of submitting such information as evidence in

any evidentiary proceeding, to the relevancy or use of such information by any party.

**10. COMMITMENTS ARE MISSOURI JURISDICTIONAL**

The conditions set forth herein are intended to apply only in the context of Missouri jurisdictional regulatory activities and are not intended to restrict in any way the ability of LG or Laclede Gas to take any position whatsoever regarding matters covered herein in proceedings before the Federal Energy Regulatory Commission or any other non-Missouri jurisdictional regulatory authority.