

APPENDIX F

MGU PRO FORMA BALANCE SHEET
AND
INCOME STATEMENT

Missouri Gas Utility, Inc.
Pro Forma Operating Statement
No Additional Customers (Existing Gallatin & Hamilton, MO)

	<u>Units</u>	<u>Cost/Unit</u>	<u>Amount</u>
Gross Operating Revenues			
Meter Charge - Average Meter Count	740	\$ 12.98	\$ 115,287
Distribution Tariff / Dth - Residential	52,637	3.70	194,756
Distribution Tariff / Dth - Commercial	14,846	3.00	44,539
Commodity Tariff / Dth	71,333	5.00	356,665
Up-stream Transport Tariff / Dth	71,333	1.01	72,046
Gas Transport / Dth			
Governmental Customers	3,850	2.20	8,470
Premium Standard Foods	49,700	2.98	148,106
Gas Storage - Premium Standard Farms			19,332
Miscellaneous			2,840
Other Gas Revenues			464
Total Revenues			962,505
Cost of Gas	71,333	5.00	356,665
Cost Transport & Storage	71,333	0.96	68,480
Load Dispatching (Out Sourced to KTM @ .05 / Dth)	121,033	0.05	6,052
Total Cost of Gas			431,196
Net Operating Income			531,308
Operating Expenses	<u>Corporate</u>	<u>Missouri Direct</u>	<u>Total</u>
Personnel Expenses			
Manager (Part Time)		10,000	
Supervisor & Tech.		65,760	
Billing & Accounts Receivables	15,003		
FICA & Medicare	1,106	5,585	
Retirement	450	2,273	
Health & Life Insurance	2,698	13,622	
Workmen's Compensation	281	1,066	
Unemployment Insurance	86	435	
Total Personnel Expenses	19,624	98,741	118,365
Other Expenses			
Accounting	6,930		
Advertising		993	
Auditing & Regulatory Expenses	7,000		
Bad Debt Expenses		2,057	
Call Service	2,050	234	
CNG Corporate Supervision	18,000		
Equipment & Supplies		468	
Insurance		5,147	
Legal		4,708	
Membership Fees		350	
Meter Reading (First 4 month by towns)		4,400	
Miscellaneous		157	
Office Supplies		1,116	
System Maintenance		5,699	
System Supplies		9,818	
Rent - Office & Service Facility		12,000	
Telephone		2,687	
Tools		269	
Training & Safety Instruction	4,000	2,674	
Uniforms		1,434	
Vehicle Fuel (3)		6,662	
Vehicle Lease (1)		8,122	
Vehicle Repairs & Maintenance (3)		2,398	
Total Other Expenses	37,980	71,395	109,375
Total Expenses			227,740
Operating Income			303,568

Missouri Gas Utility, Inc.
Pro Forma Operating Statement
No Additional Customers

Operating Income (from page 1)		\$ 303,568		\$ 303,568
		Tax		Book/Utility
Deprecation of Utility Plant	20	104,005	30	69,337
Taxes Other Than Income (Property & St. Franchise Tax)		30,807		30,807
Interest Expense @	7.50%	85,943	7.50%	85,943
Amortization of Regulatory Assets - Bond Issuing Exp.	30	1,884	30	1,884
<i>Total Other Expenses</i>		222,639		187,971
Net Income Before Income Taxes		80,929		115,598
Income Taxes		Tax		
Federal (Deduction for state income tax)	35%	26,555		
State of Missouri - 6.25%	6.25%	5,058		
Net Income Before Income Taxes				115,598
Income Taxes				31,613
Net Income After Income Taxes				83,985
Earnings Per Share				1.39
Dividends				
Class B Dividend Paid CNG Holdings - Per Share	\$ 1.20	100.00%		72,902
Purchase Price				
		Hamilton	Gallatin	
Missouri Utility Plant, net of Accumulated Depr.		500,000	1,400,000	
Premium/Goodwill @	0.00%	-	-	1,900,000
Working Capital				179,652
Automated Meter Reading Equipment				100,300
Gas Line Relocation Under County Bridge				35,000
Regulatory Legal Fees & CNG Acquisition Costs				25,000
Financing Costs - Bonds & Equity @	2.75%	5.00%		117,892
Total Purchase Price				2,357,844
Financing				
	Price/Shr.	# of Shares	Debt:Equity	
Bonds			48.60%	1,145,912
Equity - CNG Holdings Common	\$ 20.00	60,597	51.40%	1,211,932
<i>Total</i>				2,357,844
Rate Base				
		MO. Direct	Corporate	Total
Net Utility Plant		1,900,000	-	1,900,000
Working Capital (Inventories, Gas Supplies & Receivables)		179,652	-	179,652
Capital Purchases - Meter Reading Equip.		135,300	-	135,300
Regulatory Legal Fees & CNG Acquisition Costs		25,000	-	25,000
Net Rate Base		2,239,952	-	2,239,952
Cash Flow:				
Net Income After Income Taxes				83,985
Plus: Depreciation				69,337
Less: Principal Payment (First Year)				11,082
Less: Annual Capital Replacement (2% of Gross Utility Plant)				44,799
Net First Year Cash Flow				97,440
Debt Service Coverage				
Net income After Income Taxes				83,985
Plus: Depreciation				69,337
Plus: Interest Expenses				85,943
Plus: Income Taxes				31,613
Less: Capital Replacement Costs (2% of Gross Utility Plant)				44,799
Net Available for Debt Service				226,079
Debt Service (First Year's Principal & Interest Payment)				97,026
Debt Service Coverage				129,053
Debt Service Coverage Ratio				2.33

Missouri Gas Utility, Inc.
Balance Sheet
Pro Forma No Additional Customers

ASSETS			
Current Assets			
Cash		\$	49,421
Receivable			80,177
Deposit with Gas Supplier			10,000
Inventories			89,475
Total Current Assets			229,073
Fixed Assets			
Utility Plant & Regulatory Assets	2,080,099		
Less Accumulated Depreciation	69,337		
Net Utility Plant			2,010,762
Regulatory Assets - Regulatory Legal & Unamortized Bond Issuing Exp.			54,629
Goodwill			-
Total Fixed Assets			2,065,391
Total Assets		\$	2,294,464
LIABILITIES & CAPITAL			
Current Liabilities			
Accounts Payable		\$	23,000
Current Portion of Long-Term Debt			11,914
Total Current Liabilities			34,914
Long-Term Liabilities			
Revenue Bonds (Less Current Portion)			1,122,916
Total Liabilities			1,157,830
Shareholders' Equity			
		<u>Class B</u>	
Common Stock, net of issuing costs	1,125,552		1,125,552
Annual Earnings	83,985		83,985
Less Dividends Paid	(72,902)		(72,902)
Retained Earnings	11,082		11,082
Total Shareholders' Equity	1,136,635		1,136,635
Total Liabilities & Shareholders' Equity		\$	2,294,464

Pro Forma No Additional Customers

Base Case
Pro Forma
Results

Operating Revenues	
Gas Revenues	783,293
Transportation Revenues	156,576
Other Revenues	22,636
Total Revenues	<u>962,505</u>

Operating Expenses	
Cost of Gas Supply	431,196
Operating & Maintenance Expenses	227,740
Depreciation	69,337
Taxes Other Than Income Taxes	30,807
Federal & State Income Taxes	31,613
Total Expenses	<u>790,693</u>

Return on Invested Capital	<u>171,812</u>
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Rate Base	
Beginning Balance	2,239,952
Additions	44,799
Depreciation	69,337
Ending Balance	<u>2,215,414</u>

Total Return on Rate Base	7.76%
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	Capital Invested	Debt : Equity Ratio	Return on Capital
Actual Return on Equity			
Debt / Interest Rate (Including Issuing Costs)	7.59%	1,106,827	49.96%
Equity / Actual Rate of Return on Equity	7.92%	1,108,587	50.04%
Total Capitalization / Rate of Return on Capital	2,215,414	100.00%	7.76%
Allowed Return on Capital			
Debt / Interest Rate (Including Issuing Costs)	7.59%	1,106,827	49.96%
Equity / Allowed Rate of Return	10.50%	1,108,587	50.04%
Total Capitalization / Rate of Return on Capital	2,215,414	100.00%	9.05%

Additional After Tax Net Revenue to Meet Allowed Return	\$ 28,617
Distribution Tariff Increase Required / Dth (Pre-Tax)	0.89

Capital Invested in Rate Base

Beginning Debt	1,145,912	
Principal Payments	11,082	
Additional Debt	-	
Ending Debt		1,134,830
Beginning Equity	1,125,552	
Earnings	83,985	
Additional Paid in Capital	-	
Less Dividends	72,902	
Ending Equity		1,136,635
Total		<u>2,271,464</u>
Less: Cash		49,421
Less: Non-allowed working capital		6,629
Total Capital Invested in Rate Base		<u>2,215,414</u>

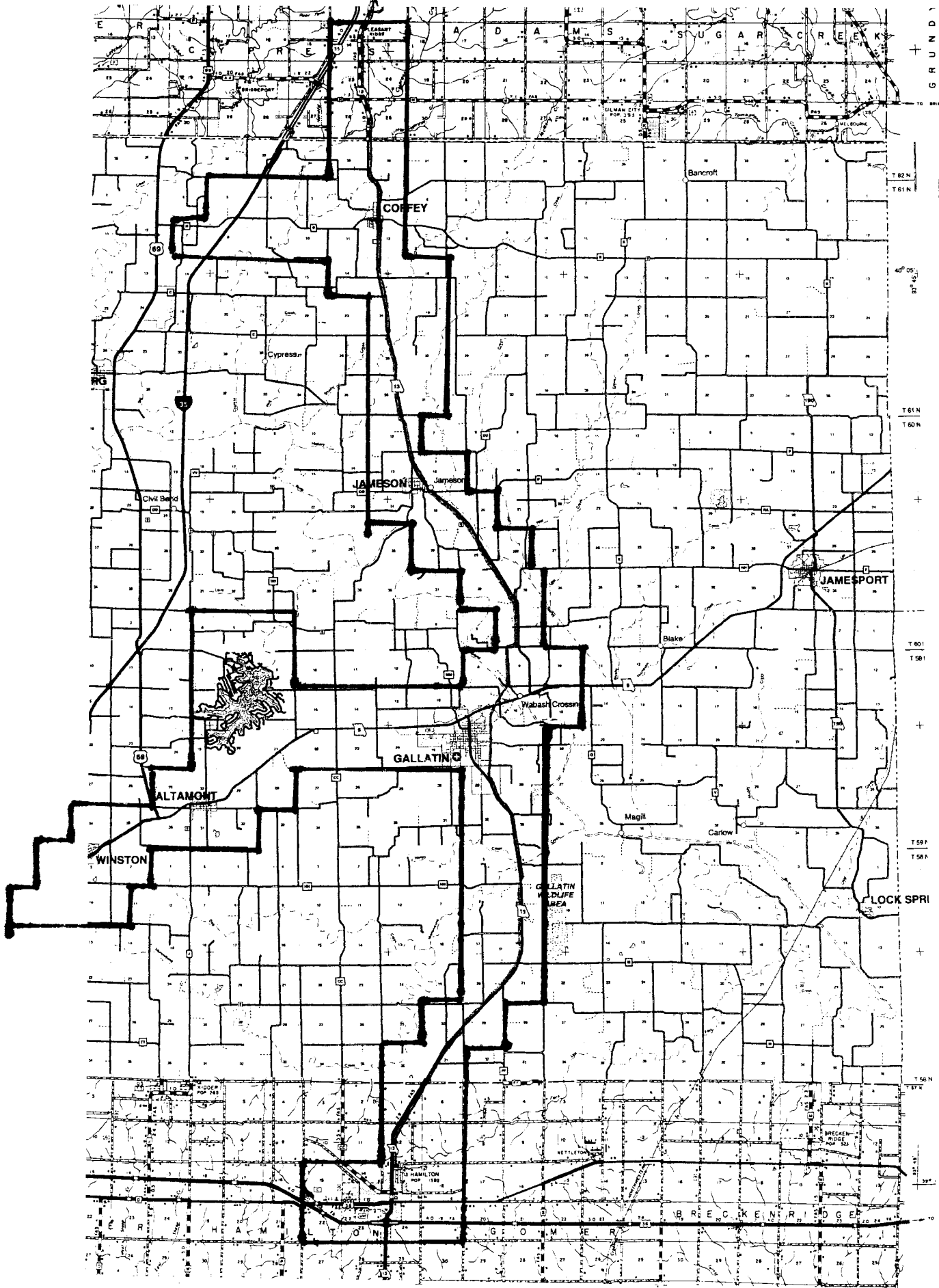
Debt : Equity Ratio

Debt	Capital	Ratio
Equity	1,134,830	49.96%
Total	1,136,635	50.04%
	<u>2,271,464</u>	

APPENDIX G

MAP OF PROPOSED CERTIFICATED AREA

To:
RIDGEWAY
AND
BROOKLANI



APPENDIX H

LEGAL DESCRIPTION OF AREA
TO BE CERTIFICATED

Legal Description for the Missouri Gas Utilities, Inc. Gallatin Service Territory

Township	Range	Sections
65 North	28 West	34, 35, 36
65 North	27 West	33, 34
64 North	28 West	1, 2, 3, 11, 12
64 North	27 West	3, 4, 5, 6, 7, 8, 9, 10, 15, 16, 17, 18, 21, 22, 27, 28, 33, 34
63 North	27 West	3, 4, 9, 10, 15, 16, 21, 22, 27, 28, 33, 34
62 North	28 West	1, 2, 11, 12, 13, 14, 23, 24, 25, 26, 35, 36
62 North	27 West	3, 4, 5, 6, 7, 8, 9, 10
61 North	29 West	12, 13, 24, 25, 26, 27, 34, 35, 36
61 North	28 West	1, 2, 7, 8, 9, 10, 11, 12, 13, 14, 18, 19, 24, 25 30, 31, 36
60 North	28 West	12, 13, 24
60 North	27 West	18, 19, 20, 28, 29, 30, 32, 33
59 North	29 West	25, 34, 35, 36
59 North	28 West	4, 5, 6, 7, 8, 9, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 28, 29, 30, 31, 32
59 North	27 West	4, 8, 9, 10, 15, 16, 17, 18, 19, 20, 21, 28, 29, 32, 33
58 North	29 West	2, 3, 4, 8, 9, 10
58 North	28 West	36
58 North	27 West	4, 5, 8, 9, 16, 17, 20, 21, 29, 30, 31
57 North	28 West	1, 12, 13, 14, 15, 22, 23, 24
57 North	27 West	6, 7, 18, 19

This territory includes the incorporated towns of Gallatin, Hamilton Altamont, Ridgeway and Coffey, and the villages of Jameson, and Winston.

APPENDIX I
FEASIBILITY STUDY

Missouri Gas Utility, Inc.
Pro Forma Rate of Return Calculation
66.7% Market Penetration

				Regulatory Pro Forma Oper. Statement
Operating Revenues				
Gas Revenues				1,367,768
Transportation Revenues				159,656
Other Revenues				22,636
Total Revenues				1,550,060
Operating Expenses				
Cost of Gas Supply				778,436
Operating & Maintenance Expenses				360,412
Depreciation				81,606
Taxes Other Than Income Taxes				30,950
Federal & State Income Taxes				59,765
Total Expenses				1,311,170
Return on Invested Capital				238,890
Rate Base				
Beginning Balance	2,670,095			
Additions	53,402			
Depreciation	81,606			
Ending Balance				2,641,891
Total Return on Rate Base				9.04%
Actual Return on Equity		Capital Invested	Debt : Equity Ratio	Return on Capital
Debt / Interest Rate (Including Issuing Costs)	7.59%	1,323,913	50.11%	3.80%
Equity / Actual Rate of Return on Equity	10.50%	1,317,978	49.89%	5.24%
Total Capitalization / Rate of Return on Capital		2,641,891	100.00%	9.04%
Allowed Return on Capital				
Debt / Interest Rate (Including Issuing Costs)	7.59%	1,323,913	50.11%	3.80%
Equity / Allowed Rate of Return	10.50%	1,317,978	49.89%	5.24%
Total Capitalization / Rate of Return on Capital		2,641,891	100.00%	9.04%
Additional After Tax Net Revenue to Meet Allowed Return				\$ 4.80
Distribution Tariff Increase Required / Dth (Pre-Tax)				0.00
Capital Invested in Rate Base				
Beginning Debt			1,370,180	
Principal Payments			13,251	
Additional Debt			-	
Ending Debt			1,356,929	1,356,929
Beginning Equity			1,337,595	
Earnings			134,037	
Additional Paid in Capital			-	
Less Dividends			120,786	
Ending Equity			1,350,846	1,350,846
Total			2,707,775	2,707,775
Less: Cash				61,293
Less: Non-allowed working capital				4,591
Total Capital Invested in Rate Base			2,641,891	2,641,891
Debt : Equity Ratio			Capital	Ratio
Debt			1,356,929	50.11%
Equity			1,350,846	49.89%
Total			2,707,775	

Missouri Gas Utility, Inc.
Pro Forma Operating Statement
66.7% Market Penetration (Existing Gallatin & Hamilton, MO)

	<u>Potential</u>	<u>Units</u>	<u>Cost/Unit</u>	<u>Amount</u>
Gross Operating Revenues	<u>Customers</u>			
Meter Charge-Meter Count 66.7% Mkt. Penetration	2,079	1,387	\$ 12.98	\$ 216,037
Distribution Tariff / Dth Residential & Commercial		125,260	3.00	375,780
Commodity Tariff / Dth		129,110	5.00	645,550
Up-stream Transport Tariff / Dth		129,110	1.01	130,401
Gas Transport / Dth				
Governmental Customers		3,850	3.00	11,550
Premium Standard Foods		49,700	2.98	148,106
Gas Storage - Premium Standard Farms				19,332
Miscellaneous				2,840
Other Gas Revenues				464
Total Revenues				1,550,060
Cost of Gas		129,110	5.00	645,550
Cost Transport & Storage		129,110	0.96	123,946
Load Dispatching (Out Sourced to KTM @ .05 / Dth)		178,810	0.05	8,940
Total Cost of Gas				778,436
Net Operating Income				771,624
Operating Expenses		<u>Corporate</u>	<u>Missouri Direct</u>	<u>Total</u>
Personnel Expenses				
Manager, Marketing & Sales			55,000	
Supervisor & Tech.			65,760	
Billing & Accounts Receivables		28,114		
FICA & Medicare		2,073	8,903	
Retirement		843	3,623	
Health & Life Insurance		5,055	21,713	
Workmen's Compensation		526	1,699	
Unemployment Insurance		161	693	
Total Personnel Expenses		36,773	157,391	194,164
Other Expenses				
Accounting		12,986		
Advertising & Promotion			11,340	
Auditing & Regulatory Expenses		7,000		
Bad Debt Expenses			3,801	
Call Service		3,750	234	
CNG Corporate Supervision		18,000		
Equipment & Supplies			876	
Insurance			9,645	
Legal			4,708	
Membership Fees			350	
Meter Reading (First 4 months by towns)			4,400	
Miscellaneous & Employee Re-location Expenses		15,000	157	
Office Supplies			2,092	
System Maintenance			10,680	
System Supplies			18,399	
Rent - Office & Service Facility			12,000	
Telephone			5,035	
Tools			503	
Training & Safety Instruction		4,000	2,674	
Uniforms			1,434	
Vehicle Fuel (3)			6,662	
Vehicle Lease (1)			8,122	
Vehicle Repairs & Maintenance (3)			2,398	
Total Other Expenses		60,736	105,512	166,248
Total Expenses				360,412
Operating Income				411,211

Missouri Gas Utility, Inc.
Pro Forma Operating Statement
66.7% Market Penetration

Operating Income (from page 1)	\$	411,211		\$	411,211
		<u>Tax</u>			<u>Book/Utility</u>
Deprecation of Utility Plant	20	122,409		30	81,606
Taxes Other Than Income (Property & St. Franchise Tax)		30,950			30,950
Interest Expense @	7.50%	102,764		7.50%	102,764
Amortization of Regulatory Assets - Bond Issuing Exp.	30	2,089		30	2,089
<i>Total Other Expenses</i>		<u>258,212</u>			<u>217,409</u>
Net Income Before Income Taxes		153,000			193,803
Income Taxes		<u>Tax</u>			
Federal (Deduction for state income tax)	35%	50,203			
State of Missouri - 6.25%	6.25%	9,562			
Net Income Before Income Taxes					193,803
Income Taxes					<u>59,765</u>
Net Income After Income Taxes					134,037
Earnings Per Share					1.86
Dividends					
Class A Dividend Paid CNG Holdings - Per Share	\$ 1.68	100.00%			120,786
Purchase Price		<u>Hamilton</u>	<u>Gallatin</u>		
Missouri Utility Plant, net of Accumulated Depr.		500,000	1,400,000		
Premium/Goodwill @	0.00%	<u>-</u>	<u>-</u>		1,900,000
Working Capital					250,320
Meter Reading & Cost Per New Customer @	\$ 500				459,775
Gas Line Relocation Under County Bridge					35,000
Regulatory Legal Fees & CNG Acquisition Costs					25,000
Financing Costs - Bonds & Equity @	2.75%	5.00%			140,531
Total Purchase Price					<u>2,810,626</u>
Financing	Price/Shr.	# of Shares		Debt:Equity	
Bonds				48.75%	1,370,180
Equity - CNG Holdings Common	\$ 20.00	72,022		51.25%	1,440,446
<i>Total</i>					<u>2,810,626</u>
Rate Base		<u>MO. Direct</u>	<u>Corporate</u>		<u>Total</u>
Net Utility Plant		1,900,000	-		1,900,000
Working Capital (Inventories, Gas Supplies & Receivables)		250,320	-		250,320
Capital Costs Auto. Meter, New Services & Line Relocation		494,775	-		494,775
Regulatory Legal Fees & CNG Acquisition Costs		25,000	-		25,000
Net Rate Base		<u>2,670,095</u>	<u>-</u>		<u>2,670,095</u>
Cash Flow:					
Net Income After Income Taxes					134,037
Plus: Depreciation					81,606
Less: Principal Payment (First Year)					13,251
Less: Annual Capital Replacement (2% of Gross Utility Plant)					53,402
Net First Year Cash Flow					<u>148,990</u>
Debt Service Coverage					
Net income After Income Taxes					134,037
Plus: Depreciation					81,606
Plus: Interest Expenses					102,764
Plus: Income Taxes					59,765
Less: Capital Replacement Costs (2% of Gross Utility Plant)					53,402
Net Available for Debt Service					<u>324,770</u>
Debt Service (First Year's Principal & Interest Payment)					116,015
Debt Service Coverage					<u>208,755</u>
Debt Service Coverage Ratio					<u>2.80</u>

*The approximate book value (cost net of depreciation) of the two system is \$5.3 million.

Missouri Gas Utility, Inc.
 Pro Forma Balance Sheet
 66.7% Market Penetration

ASSETS

Current Assets			
Cash		\$	61,293
Receivable			129,120
Deposit with Gas Supplier			10,000
Inventories			111,200
Total Current Assets			311,613
Fixed Assets			
Utility Plant & Regulatory Assets	2,448,177		
Less Accumulated Depreciation	81,606		
Net Utility Plant			2,366,571
Regulatory Assets - Regulatory & Unamortized Bond Issuing Expenses			60,591
Goodwill			-
Total Fixed Assets			2,427,162
Total Assets		\$	2,738,775

LIABILITIES & CAPITAL

Current Liabilities			
Accounts Payable		\$	31,000
Current Portion of Long-Term Debt			14,245
Total Current Liabilities			45,245
Long-Term Liabilities			
Revenue Bonds (Less Current Portion)			1,342,684
Total Liabilities			1,387,929
Shareholders' Equity			
		Class A	
Common Stock, net of issuing costs	1,337,595		1,337,595
Annual Earnings	134,037		134,037
Less Dividends Paid	(120,786)		(120,786)
Retained Earnings	13,251		13,251
Total Shareholders' Equity	1,350,846		1,350,846
Total Liabilities & Shareholders' Equity		\$	2,738,775

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APPENDIX J

LIST OF TEN PERSONS RESIDING IN THE AREA
TO BE CERTIFICATED
(AND THEIR ADDRESSES)

Rodney Knott
39658 E. State Hwy 13
Coffey, MO 64636

Gallatin Livestock Auction
P.O. Box 278
Gallatin, MO 64640

Bill Lewis
10498 State Hwy 13
P.O. Box 12
Coffey, MO 64636

Phil Tate
091 W. Grand St.
Gallatin, MO 64640

John Olds
20403 W. 230 Place
Ridgeway, MO 64481

John Rollheiser
20404 W. 230 Place
Ridgeway, MO 64481

Gallatin Truck and Tractor
24000 State Hwy 6
P.O. Box 232
Gallatin, MO 64640

Karen Creel
607 E. James St.
P.O. Box 302
Gallatin, MO 64640

Wideband Corporation
401 W. Grand St.
Gallatin, MO 64640
Attn: Don Fin

Darryl Wilkinson
402 E. Grand St.
Gallatin, MO 64640

Paul Acree
910 S. Grant St.
Gallatin, MO 64640

Kenneth King
211 E. Van Buren St.
P.O. Box 367
Gallatin, MO 64640

Ron Pollard
303 Circle Dr.
Hamilton, MO 64644

APPENDIX K

GALLATIN FRANCHISE

BILL NO. 2004-12**ORDINANCE NO. 1026-04**

An ordinance of the City of Gallatin, Missouri, granting to Missouri Gas Utility, Inc., its successors and assigns, the nonexclusive privilege to construct, maintain, and operate a gas system with all necessary mains, pipes, services, appliances and other appurtenances incidental thereto, in, under, across, and along the streets, lanes, and alleys of the City of Gallatin, Missouri for the purpose of furnishing gas to said City and the inhabitants thereof for a period of twenty years from the first day of December, 2004; establishing a franchise fee; and prescribing the terms and conditions of said grant; and to provide for publication and the effective date of this ordinance.

BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE CITY OF GALLATIN, MISSOURI:

SECTION 1. The nonexclusive privilege is hereby granted to Missouri Gas Utility, Inc., its successors and assigns, to construct, maintain and operate a gas system with all necessary mains, pipes, services, appliances and other appurtenances incidental thereto, in, under, across and along the streets, lanes and alleys of the City of Gallatin, Missouri, for the purpose of transmitting and furnishing gas for lighting, heating, industrial, and other purposes, to the City of Gallatin, Missouri, and its inhabitants and others, for a period of twenty (20) years from the first day of December, 2004, and to use and occupy the streets, lanes and alleys of said City for the aforementioned purpose, subject, however, to the reasonable and lawful control and regulation by the governing body of said City including the Missouri Municipal League Model Rights of Way Ordinance if adopted by the City.

SECTION 2. The Grantee, its successors and assigns, shall lay its pipes, mains, services and all other equipment and apparatus, and so locate the same in the streets, lanes and alleys of said City so not to unduly or unreasonably obstruct or interfere with any water pipes, sewers, drains, or other structures already installed or hereafter to be installed, and the Grantee shall, so far as may be practical, avoid interfering with the use of any street, lane, alley, bridge, or other public highway. In case of any disturbance in pavement, sidewalk, driveway, other surfacing, or other public improvement, Grantee shall, at its own cost and expense and in a manner satisfactory to the City, and subject to the jurisdiction of said City with respect thereto, replace and restore all paving, sidewalk, driveway, or surface of any street or alley so disturbed, or other public improvement, in as good condition as before said work was commenced, and shall maintain the restoration in an approved condition for a period of two (2) years.

Prior to commencing construction of any project requiring disruption of any alley, street, driveway, paving, water line, sewer line, or electric line, or other public improvement, Grantee shall first notify and obtain the consent of Grantor; provided, that in the case of any emergency requiring immediate action to protect the safety of persons or property, Grantee may commence construction immediately, but shall notify Grantor

of such action as soon as reasonably possible. In the event Grantee shall fail to complete restoration work as provided herein, Grantor may, upon ten (10) days notice to Grantee, complete such restoration, and the cost thereof, including a reasonable administration fee, shall be paid by Grantee.

SECTION 3. It is expressly understood and agreed by and between the Missouri Gas Utility, Inc. and the City of Gallatin that the Grantee shall save the City harmless, indemnify, and become responsible for any and all damages, judgments, decrees, costs, and expenses or demands whatsoever, including court costs and attorney's fees, which the City may legally suffer and incur, or which may be legally obtained against the City, for or by reason of the use and occupation of any street, alley, avenue or other public place in the City by the Grantee pursuant to the terms of this ordinance or legally resulting from the exercise by the Grantee of any privilege herein granted.

SECTION 4. Grantee shall at all times during the term hereof make such reasonable extension of its gas mains from time to time, and install such service connections to the curb lines in streets and to property lines in alleys, as may be reasonably required in order to furnish gas service to applicants located within the corporate limits of the City and all under such reasonable rules, regulations, and conditions, as the governing body of said City may from time to time prescribe.

Grantee shall supply the City of Gallatin and the inhabitants thereof, in accordance with the accepted standard of the industry, gas service to provide for their needs during the term of this franchise, unavoidable accidents and delays and other causes beyond the control of the Grantee excepted. In the event that such service is not given by the Grantee, all rights under this franchise may be terminated and be forfeited.

SECTION 5. The rates that shall be charged by the Grantee for gas shall be fair and reasonable and such as may from time to time hereafter be lawfully fixed by the Missouri Public Service Commission, all in accordance with law. Until such rates shall have been fixed and prescribed, the Grantee may charge such rates as are fair and reasonable.

SECTION 6. Gas within the meaning of this ordinance is defined as gas of a BTU heating value of not less than 900 BTU per cubic foot of gas calculated according to standard measurements.

SECTION 7. Missouri Gas Utility, Inc. agrees that it will, at its expense, furnish, install, maintain, and keep in proper adjustment and repair, meters of modern approved type upon the property of each consumer of gas, that the same shall be read regularly at intervals of approximately monthly and Grantee shall render monthly statements to each consumer based upon such meter readings. Grantee shall, upon request of the City, cooperate in the study of establishment of joint meter reading and billing with the utility department of the City upon reasonable terms and conditions. The Grantee shall maintain at its office accurate, complete, and detailed records of such meter readings, for a period of at least five years. The Grantee, at its own expense, shall make careful and accurate

tests of each meter at reasonable intervals, or as may otherwise be required by the Missouri Public Service Commission, at specific instances, and shall keep accurate records of the result of such tests. The City, by its authorized agents and representatives, shall have the right and authority to make tests of such gas meters and other equipment and to check the Grantee's tests and readings of meters at such times as it may see fit, and without charge, use Grantee's equipment to make such tests.

SECTION 8. The Grantee shall have powers of eminent domain and regulation of the method of doing business by the Grantee as may from time to time be provided for by law, as permitted by Missouri law.

SECTION 9 This grant shall expire and all rights hereby given to use or occupy the streets and other public ways and places of the City, and all other rights hereby granted or acquired hereunder or claimed by reason of operation or conduct hereunder, or in connection herewith shall fully, absolutely, and automatically terminate twenty-five (25) years from and after the first day of December 2004, and on such termination, or at any time thereafter upon the order of the governing body of the City, the Grantee, its successors or assigns, shall immediately discontinue all operation and neither the failure on the part of the City to order such discontinuance or removal, nor the failure of the Grantee, its successors or assigns, to discontinue operation and to remove its property from the public streets, ways, and places, nor the acceptance by the City of public service, nor the making of additional investments, the construction of extensions, the payment of taxes, fees, charges, nor the regulation of rates and service, nor any act or failure to act of the governing body or the officials of the City, shall confer any additional right whatever upon the Grantee.

SECTION 10. The Grantee may distribute gas to other persons or corporations beyond the corporate limits of the City by and through gas mains and pipes within the boundaries thereof, subject, however, at all times, to priority of right to continued satisfactory and adequate supply of gas to users and customers within the said City.

SECTION 11. The governing body of the City from time to time, may request such extensions of gas mains and service, or new mains and service, or supplemental or supplanting mains and service, as may be reasonably required for the convenient, efficient, continuing and adequate supply of gas throughout the City, consideration being given to the initial cost thereof, the resulting increased expense of operation, the usefulness of the proposed extension in connection with the system as a unit, and the length of the unexpired period of this grant. The Grantee may be required by ordinance to extend or construct its lines into or through any public park or ground. Before making such order, the governing body of the City shall give written notice to the Grantee, and an opportunity to be heard. The reasonableness of such regulations and ordinances may be determined by the courts. All such extensions shall be made, and all new mains shall be constructed in accordance with the provisions of such ordinances, as may from time to time be passed by the City of Gallatin, relating thereto, and said ordinances shall be reasonable in their provisions.

SECTION 12. The Grantee shall at all times keep and maintain complete books of accounts and records of its business and operations and such books of accounts and records shall be made available to the City or its duly authorized representatives on reasonable request and at reasonable times. The Grantee shall keep on record in its office in Missouri, for the use of the public and for public inspection, complete maps of all gas mains showing the established location thereof and properties of the time Grantee therein, and same shall be extended from time to time to show the addition of new gas mains.

SECTION 13. This ordinance shall be in full force and effect from and after its passage, approval, and publication as provided by law, and provided the Grantee files its unconditional written acceptance thereof within twenty (20) days after the publication hereof.

SECTION 14. The Grantee shall pay a franchise fee to the City equal to 6% of the gross receipts (exclusive of any sales or other taxes collected) derived from the sale of natural gas within the current or future city limits of the City during the term of this Franchise, subject to these provisions:

A. The tax shall be payable in arrears semiannually for the six month periods ending December 31 and June 30 of each year. The Grantee shall submit a statement computing the fee due and payment of the fee within 30 days from the end of each six month period.

B. Notwithstanding anything herein, the franchise fee shall not become effective, and the Grantee shall have no duty to pay such fee, until the City has enacted and made effective an ordinance requiring the payment, in the same percentage and calculated on the same basis, of franchise fees upon the competing hydrocarbon heating fuels of propane and fuel oil.

SECTION 15. All ordinances and parts of ordinances in conflict with this ordinance are hereby repealed.



PASSED this 25th day of October, 2004

John Thomas

Mayor

ATTEST:
Victoria Aree

City Clerk

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John Thomas

Mayor

ATTEST
Patricia Aree
City Clerk

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