

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

In re Missouri Gas Energy's Revised
Transportation Tariff.

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File No. GT-2010-0261

STIPULATION AND AGREEMENT

COME NOW Missouri Gas Energy, a division of Southern Union Company ("MGE"); the Staff of the Missouri Public Service Commission ("Staff"); Midwest Gas Users' Association ("MGUA"); Constellation NewEnergy-Gas Division, LLC ("Constellation"); and ONEOK Energy Marketing Company ("ONEOK") (collectively the "Signatories"), and respectfully submit the following Stipulation and Agreement ("Stipulation") to the Missouri Public Service Commission ("Commission"):

1. **Issues Settled.** This Stipulation is intended to settle all issues among the Signatories for purposes of Case No. GT-2010-0261. The Signatories recommend that the Commission accept this Stipulation and Agreement as a fair compromise of their respective positions on all issues.

2. **No Opposition.** Counsel for the Office of the Public Counsel ("Public Counsel") has indicated that while the Public Counsel does not join this Stipulation, it also does not oppose the Stipulation and does not request a hearing as to the settled issues.

3. **Previously Filed Transportation Tariffs Sheets.** The parties request and recommend the Commission reject the transportation tariffs filed by MGE on March 15, 2010 (Tracking No. JG-2010-0565).

4. **New Transportation Tariff Sheets.** MGE shall be authorized to file tariff sheets, effective September 15, 2010, to modify its transportation tariff provisions as follows:

a. Transportation service will be available to those customers whose annual usage exceeds 30,000 Ccf in the preceding year.

b. Telemetry will be required for all customers utilizing MGE's transportation service, except those schools exempted by statute.

c. Customers applying for transportation service must provide the Company with a Contract for Sale or Transportation of Natural Gas – LGS, Aggregation Agent Affidavit – LGS, and an Agent Aggregation Service Agreement – LGS.

d. Qualifying transportation customers will be added on a first-come, first-served basis, up to a maximum of 75 customers in the first year, but not less than 50 customers (if more than 50 customers apply and qualify for such service).

e. Additional customers will be allowed to go to transportation in future years up to a maximum of 100 customers per year, but not less than 50 customers per year (if more than 50 customers apply and qualify for such service).

f. After the effective date of the tariff sheets (September 15, 2010), MGE shall install telemetry equipment and provide transportation service as soon as is practicable after the submission of a proper application and offer the new LGS transportation Customer a contract extending until November 1, 2012, or a contract extending until November 1, 2011, at the customer's option, even if that period would be less than 12 months. Beginning in the third contract year (November 1, 2012 – October 31, 2013), Customers shall apply by May 1 of each year for service to begin no later than November 1 of the same year. Applications MGE receives after May 1 are subject to establishing a service date by mutual agreement. The minimum service period after November 1, 2012, is a Contract Year, which is a 12 month period starting November 1. MGE may provide

transportation service for more than a Contract Year, if service begins prior to November 1 in a given year, subject to FERC regulations regarding capacity release timeframes.

g. Notwithstanding the above limitations, if, in any year, MGE determines that it is feasible to convert more customers than specified above, MGE will do so on a first-come, first-served basis. Further, the Signatories acknowledge that the feasibility of MGE's obligation to connect a minimum of 50 customers in a year may be impacted by the timing of customer applications and may be waived or varied for good cause where necessary to address such timing.

h. Customers transferring from sales service to transportation service will be allowed to finance the cost of the telemetry equipment over a three-year period at an interest rate of five percent per annum.

i. As a condition of a customer being able to transfer from sales service to transportation service, the customer or pool operator must agree to accept a pro-rata release of MGE's applicable interstate pipeline's firm capacity, excluding storage capacity, until the expiration of MGE's existing capacity contract(s). This pro-rata share shall be based on the customer's peak month demand volume in order to pay the pipeline for that released capacity. The interstate pipeline transportation capacity cost will be derived from an average of MGE's interstate pipeline transportation contracts. After October 1, 2013, the sales customers that converted to transportation service prior to that date, or the customer's agent, will be responsible for acquiring transportation capacity for the customer and MGE will have no obligation to release pipeline capacity to those customers or pool operators.

j. The capacity will be released to the customer's agent and will be subject to recall in the event the customer reverts to sales service, changes to a different supplier, ceases operations, otherwise terminates service, or if the recall of capacity is necessary to maintain operational integrity of MGE's distribution system.

k. Any revenues or credits MGE receives from capacity release as a result of transfer of sales customers to LGS transportation service, prior to October 1, 2013, will not be included in the capacity release sharing grid and one-hundred percent of the revenue or credits from such capacity release shall be flowed to sales customers through MGE's ACA account.

l. If a Customer who has switched from sales service to transportation returns to MGE as a firm sales customer, the Company shall accept the customer as a firm sales service customer, provided MGE has sufficient interstate pipeline capacity. Customers must give the Company 12 months' written notice to switch from transportation service to a general sales service rate schedule, unless sales gas is otherwise available and the customer has paid the Company the incremental cost of providing such service in the period prior to when such notice would have otherwise become effective. Such costs may include incremental pipeline transportation and storage capacity and higher gas supply costs.

m. Customers desiring to change Agents shall provide the Company forty-five (45) days' notice prior to the effective date of the change in Agents. The effective date will be the first day of a calendar month. Company will consider notice complete only with the submission of a Customer Application to Change Agents; Notification to Agent of

Termination and Capacity Recall; Aggregation Agent Affidavit – LGS; Agent Aggregation Service Agreement – LGS.

n. Not less than forty-five (45) days prior to renewing the release of capacity for a customer for the next twelve-month period, MGE will provide notice to the customer and/or the customer's agent of the volumes to be released for such customer.

o. The transportation tariff concerning capacity released to transportation customers shall additionally contain the following language:

The capacity will be released as a non-biddable release to a marketer participating in a state-regulated retail access program pursuant to the requirements of the Federal Energy Regulatory Commission as set forth in 18 C.F.R. § 284.8(h)(4), as it may be amended, restated or revised from time to time. The release shall be at the average of MGE's Interstate Pipeline Transportation Capacity Costs.

p. The Signatories agree that they will seek to make the revised tariff sheets containing the agreed-to provisions effective for service rendered on or before November 1, 2010.

5. **Cost of Telemetry.** MGE shall charge the actual cost of installed telemetry equipment, consistent with past practice and MGE's existing tariffs. MGE shall continue to evaluate its use of telemetry and other equipment for its transportation customers, balancing operational requirements with the intent to reduce costs when reasonably possible. For example, as noted in MGE witness Randal Spector's testimony, MGE recently approved the use of new EGM/Telemetry equipment that will lower costs for this equipment by several hundred dollars.

6. **Costs of New Transportation Customers.** The entire incremental charges to an existing LGS sales customer of becoming a transportation customer under the revised tariffs agreed to herein will be made up of: (1) the cost of telemetry

equipment, including applicable taxes; (2) the cost of purchasing released capacity; and (3) the \$25 per month facilities charge under Tariff Sheet 71. New transportation customers shall also be subject to those General Terms and Conditions (GTC); Transportation Provisions (TRPR); and Infrastructure Replacement Surcharge (ISRS) provisions found in MGE's tariff. No other incremental charges will be billed to new LGS transportation customers unless so ordered by the Commission.

7. **Future Requirement for Telemetry.** The Signatories agree to enter in good faith into future discussions to determine whether telemetry equipment is necessary to provide adequate information for transportation customers to nominate volumes for usage and adequate information for MGE to assess the impact of this activity on the LDC system and pipeline assets serving sales customers. These discussions will commence no later than two (2) years after the effective date of tariffs resulting from this case. At the inception of these discussions, MGE shall provide the Signatories with usage data for those transportation customers who used between 30,000 to 50,000 Ccf of natural gas in the preceding year to facilitate discussions on the usage patterns of those customers. MGE shall further supply such available data as may be reasonably requested by the Signatories to further these discussions.

8. **Costs Related to Expansion, If Any.** MGE commits that, to the extent there are any costs resulting from expanding transportation availability as provided for in this Stipulation and Agreement, it shall separately account for those costs and associated volumes, and shall make this information available to Staff during the PGA/ACA review process, when requested in the normal course of discovery. The Signatories shall not

seek to shift any of those costs from LGS transportation customers to any other customer class.

9. **Testimony Received Into Evidence.** In the event the Commission approves this Stipulation without modification or condition, the prefiled testimony (including all exhibits, appendices, schedules, etc. attached thereto) of all witnesses in this case shall be received into evidence without the necessity of those witnesses taking the witness stand, unless called by the Commission to respond to questions.

General Provisions

10. This Stipulation is being entered into solely for the purpose of settling the issues specified in Case No. GT-2010-0261. Unless otherwise explicitly provided herein, none of the Parties to this Stipulation shall be deemed to have approved, accepted, agreed, consented or acquiesced to any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue-related methodology, cost of capital methodology or capital structure, rate design principle or methodology, or depreciation principle or methodology, and except as explicitly provided herein, none of the Parties shall be prejudiced or bound in any manner by the terms of this Stipulation (whether this Stipulation is approved or not) in this or any other proceeding, other than a proceeding limited to enforce the terms of this Stipulation.

11. This Stipulation has resulted from extensive negotiations among the Parties and the terms hereof are interdependent. If the Commission does not approve this Stipulation unconditionally and without modification, then this Stipulation shall be void and no Party shall be bound by any of the agreements or provisions hereof, except as explicitly provided herein.

12. If the Commission does not approve this Stipulation without condition or modification, and notwithstanding the provision herein that it shall become void; neither this Stipulation nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Party has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Parties shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval, and any suggestions, memoranda, testimony, or exhibits that have been offered or received in support of this Stipulation shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.

13. In the event the Commission approves the specific terms of this Stipulation without condition or modification, and as to the specified issues, the Parties waive their respective rights to call, examine, and cross-examine witnesses pursuant to § 536.070(2) RSMo 2000; present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to RSMo §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to §386.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000. These waivers apply only to a Commission order approving this Stipulation without condition or modification issued in this above-captioned proceeding and only to the issues that are resolved hereby. These waivers do not apply to any matters raised in any prior or subsequent Commission proceeding nor any matters not explicitly addressed by this Stipulation.

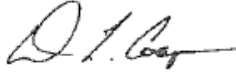
14. If requested by the Commission, the Staff may file suggestions or a memorandum in support of this Stipulation. Each of the Parties shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum, which shall also be served on all Parties. The contents of any suggestions or memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other Parties to this Stipulation, whether or not the Commission approves and adopts this Stipulation.

15. The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests; provided, that the Staff shall, to the extent reasonably practicable, provide the other Parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and

conditions of this Stipulation and Agreement.

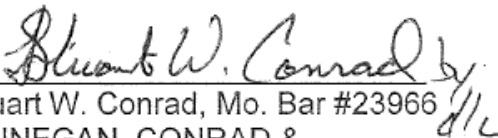
Respectfully submitted,



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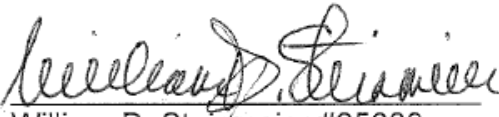
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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 27th day of August, 2010, to:

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