

Additional Insulating Conditions Proposed
By Southern Union Company

I. Approval of the Transaction

In the event the Transaction is not closed, the conditions offered through this Application shall be void and Southern Union shall not be bound by any of the provisions hereof.

II. Conditions of Approval

1. CUSTOMER SERVICE STANDARDS

A. Southern Union will, through its Missouri Gas Energy ("MGE") operating division, continue uninterrupted its commitment to customer service performance measures and customer service operating procedures originally agreed to by Southern Union, through MGE, and approved by the Commission in its October 21, 1999, Order Approving Stipulation and Agreement in Case No. GM-2000-43 (and also agreed to by Southern Union and approved by the Commission in Case Nos. GM-2000-500, GM-2000-502, GM-2000-503 and GM-2003-0238) for a period of three full calendar years beyond the conclusion of the calendar year in which the Transaction closes. The data should continue to be presented in a monthly format and provided on a quarterly basis and may be transmitted to the Staff in an electronic format. The MGE response to the customer service measures will remain as agreed to in Case No. GM-2000-43.

B. Southern Union will also continue to provide information on two additional service level indicators. The first indicator pertains to MGE's ability to meet its service appointments. This may be expressed as a percent of appointments kept. The second

indicator is the maintenance of the average response time that it takes for MGE to respond to Commission-forwarded complaints. This should initially be maintained and provided by MGE. In the future, the Staff and MGE will evaluate the ability and effectiveness of the Commission's Electronic Filing and Information System ("EFIS") to make the information available on an automated basis.

C. Other reporting requirements of the Commission orders in Case Nos. GM-2000-43, GM-2000-500, GM-2000-502, GM-2000-503 and GM-2003-0238 are not affected by the provisions of this reporting.

D. All obligations run through to Southern Union Company.

2. INSULATION OF SOUTHERN UNION'S MGE OPERATING DIVISION FROM CROSSCOUNTRY BUSINESS

To insulate MGE from the Transaction, Southern Union agrees that:

CCE Holdings and Successor Entities or any direct or indirect subsidiary of Southern Union that acquires or owns any equity interests in CrossCountry, will be owned and operated as a separate subsidiary of Southern Union. Southern Union and MGE will not, directly or indirectly, allow any debt of CrossCountry or any of its subsidiaries, to be recourse to them; pledge Southern Union or MGE equity as collateral or security for the debt of CrossCountry or any of its subsidiaries; give, transfer, invest, contribute or loan to CrossCountry or any of its subsidiaries, any equities or cash without Commission approval. Southern Union will not transfer to CCE and Successor Entities or any subsidiary thereof, directly or indirectly, assets necessary and useful in providing service to MGE's Missouri customers without Commission approval. Southern Union will not enter, directly or indirectly, into any "make-well" agreements, or guarantee the notes, debentures, debt obligations or other securities of CrossCountry or

any of its subsidiaries without Commission approval. Southern Union will not adopt, indemnify, guarantee or assume responsibility for payment of, either directly or indirectly, any of the current or future liabilities of CrossCountry or any of its subsidiaries without Commission approval. Southern Union will exercise its best efforts to insulate MGE from any adverse consequences from its other operations or the activities of any of its affiliates. Southern Union will submit reports certifying its compliance with this paragraph 2 on a quarterly basis to Staff, Public Counsel, and other interested parties that are subject to a Commission protective order until the Commission determines that MGE is insulated from Southern Union's other operations and the activities of any of its affiliates or that the requirement is no longer needed.

3. CONDITIONS TO FURTHER INSULATE SOUTHERN UNION'S MISSOURI CUSTOMERS FROM ANY POSSIBLE ADVERSE CONSEQUENCES ASSOCIATED WITH THE TRANSACTION

To insulate MGE from the Transaction, Southern Union agrees that:

A. Southern Union will ensure that the Transaction will 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. Southern Union remains committed 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 by Southern Union in connection with the transaction shall be treated below the line for ratemaking purposes in Missouri and not recovered in retail distribution rates. Southern Union shall not 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. Southern Union reserves the right to seek Missouri rate recovery for internal payroll costs necessary to obtain Missouri regulatory approval of the Transaction, to the extent it can be shown that the savings achieved and allocated to MGE as a result of the Transaction are equal to or in excess of such costs. Other parties to any such proceeding will not be precluded from opposing rate recovery of such costs, regardless of any asserted acquisition savings. In addition, Southern Union shall not 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 Missouri for purposes of setting retail distribution rates will not increase as a result of the Transaction above the latest levels proposed by MGE in Case No. GR-2004-0209. Southern Union agrees to make available to the Staff and the Public Counsel, at reasonable times and places, all books and records and employees and officers of Southern Union and any affiliate, division or subsidiary of Southern Union as provided under applicable law and Commission rules. Southern Union agrees that, in any MGE-initiated general rate proceeding, it has the burden of proving the reasonableness of any allocated or assigned cost to MGE from any Southern Union affiliate, division or subsidiary including all corporate overhead allocations.

D. Southern Union will retain all documentation relative to the analysis of the Transaction and all merger, acquisition, and sale activity that has occurred since May 1,

2004. This documentation will include a list of: (1) all Southern Union 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 Southern Union 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. Southern Union will maintain its books and records so that all acquisition costs (including the Transaction and future Southern Union merger and acquisition transactions) are segregated and recorded separately. During MGE's next general rate proceeding, Southern Union agrees to disclose to the Staff Public Counsel, and other interested parties subject to a Commission protective order acquisition, merger, transition, and transaction costs recorded in Southern Union's books and records in the appropriate test year. This condition does not restrict Southern Union's right to seek rate recovery of merger and acquisition costs related to future transactions. Other parties to this proceeding may oppose recovery of merger and acquisition costs related to future transactions. Southern Union agrees to create and maintain records listing the names of Southern Union employees, number of hours worked, type of work performed and travel and other expenses incurred for all work related to CrossCountry after the closing of the Transaction through the end of the test year, updated test year or true-up test year in MGE's next general gas rate case. Southern Union will submit to the Commission's accounting department and Public Counsel verified journal entries reflecting the recording of the Transaction and all other

merger, acquisition since May 1, 2004 of Southern Union's books and records within forty-five (45) days of closing.

E. Southern Union will not recommend an increase or claim Staff should make an adjustment to increase the cost of capital for MGE as a result of the Transaction. Any increases in cost of capital Southern Union 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. Southern Union will ensure that the retail distribution rates for MGE ratepayers will not increase as a result of the Transaction.

F. Southern Union agrees that any Stipulation and Agreement to which Southern Union is a signatory with regard to any MGE Actual Cost Adjustment ("ACA") case that occurs prior to the closing of the Transaction will be adhered to by Southern Union.

G. Southern Union agrees that within six (6) months of the closing of the Transaction, it shall perform, provide, and discuss with all interested parties subject to a Commission protective order a study of the impact of the acquisition and operation of CrossCountry and its Successor Entities on Southern Union's structure, organization, and costs. This study will address the specific impacts of the acquisition and operation of CrossCountry and its Successor Entities on Southern Union's administrative and general ("A&G") expense and cost allocation methodology. Southern Union will specifically 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. Southern Union agrees that the types and availability of raw data necessary to perform allocations of corporate overhead costs shall be discussed at the meeting to occur within six (6) months of the close of the Transaction. The raw data to be discussed should include, but not be limited to, regulated and non-regulated information concerning customer numbers and billing information, revenue data, asset information (gross and net plant, etc.), management work time allocations, employee numbers and other payroll data, and the Missouri jurisdictional rate of return on investment ("ROR") and return on equity ("ROE"). The allocation procedures to be disclosed shall include, but need not be limited to, the use of cost allocation manuals, timesheets, time studies, and/or other means of tracking and allocating costs. The allocation procedures agreed upon should provide a means to identify and substantiate the portions of each individual corporate employee's time and associated payroll cost being allocated to Southern Union's regulated divisions.

4. ASSUMPTION OF RISKS

Southern Union agrees that it will not include in its retail distribution rates charged to Missouri consumers any costs related to its execution risk of completing the purchase of CrossCountry. Southern Union accepts the risks of the costs associated with obtaining funds to be used to make the acquisition. Southern Union represents that it has and will maintain the financial resources to protect Missouri consumers from the adverse consequences of these risks. The parties to this agreement are not requesting the Commission to approve the steps that Southern Union will use to

implement this Transaction after the Commission approves the Transaction. Southern Union understands that there are risks associated with closing this Transaction after it receives Commission approval. Southern Union accepts full responsibility of these risks. The acquisition and sources of the monies needed to close this Transaction are beyond the scope of the Commission approval in this case.

5. ADHERENCE TO MISSOURI RULES

Southern Union agrees to comply with all Missouri Commission rules, reporting requirements and other practices, and its filed and approved tariffs. This paragraph 5 shall not be construed as a waiver of any rights or remedies available to Southern Union under the law.

6. NO DETRIMENTAL IMPACT

Southern Union represents that it does not intend to take any action that has a material possibility of having a detrimental effect on MGE's utility customers, 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.

7. COMMISSION AUTHORITY

Southern Union agrees that the Commission has, and will continue to have, the authority after the proposed acquisition to regulate, through the lawful exercise of its current 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 Southern Union or MGE to meet its Missouri utility obligations, including MGE's service line replacement program. Southern Union 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 nonjurisdictional activities of Southern Union's affiliates and Southern Union agrees, consistent with such standard, that rates should not be increased due to such activities.

8. ACCESS TO INFORMATION

A. Southern Union shall provide the Staff and Public Counsel 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, which directly or indirectly pertains to Southern Union or any affiliate that exercises influence or control over MGE or has affiliate transactions with 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 Southern Union'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.

B. Upon request, MGE and Southern Union agree to make available to Staff and Public Counsel, upon written notice during normal working hours and subject to appropriate confidentiality and discovery procedures, all books, records and employees of Southern Union, MGE and its affiliates as may be reasonably required to verify

compliance with the conditions set forth in this Stipulation and Agreement. MGE and Southern Union shall also provide Staff and Public Counsel any other such information (including access to employees) relevant to the Commission's ratemaking, financing, safety, quality of service and other regulatory authority over MGE; provided that MGE and any affiliate or subsidiary of Southern Union shall have the right to object to such production of records or personnel on any basis under applicable law and Commission rules, excluding any objection that such records and personnel of affiliates or subsidiaries; (a) are not within the possession or control of MGE; or (b) are either not relevant or are not subject to the Commission's jurisdiction and statutory authority by virtue of or as a result of the implementation of the proposed acquisition.

9. COMMITMENTS AND REPRESENTATIONS ARE MISSOURI JURISDICTIONAL

The commitments and representations made by Southern Union herein are intended to apply only in the context of Missouri jurisdictional regulatory activities. Commission approval of this Application is not intended, and shall not be construed, to restrict in any way the ability of either the Commission, Southern Union or any party hereto to take any position whatsoever regarding matters covered by this Application in proceedings before the FERC or any other non-Missouri jurisdictional regulatory authority.