

General Terms and Conditions (hereinafter referred to as "Rule 9"), a copy of which is attached as **Appendix A**, as supplemented by this agreement, will control the general manner of deposits, refunds and contributions in aid of construction for any prospective customer anticipated to use less than 600 Mcf annually applying to the Company for main extensions for so long as Rule 9 remains in effect as it appears in Appendix A. This specifically includes builders or developers seeking main extensions to serve residential projects. This agreement has no application to prospective customers whose usage is anticipated to be in excess of 600 Mcf annually, as provided in Rule 9.04 and this agreement is not intended to and does not affect Rule 9.04 in any fashion.

2. Deposits

A. MGE shall prepare from time to time, as deemed appropriate by MGE, an engineering study to determine, based upon historically-experienced costs for main extensions, an average cost per foot to install the minimum size natural gas main necessary to serve prospective customers or new development projects with the characteristics described in Rule 9. The average cost shall be calculated following the provisions contained in Rule 9.03, except that two separate calculations shall be made in recognition of the general presence of rock in the southern portion of the service area of MGE and the general absence of rock in the northern portion. The boundary between the northern and southern portions for purposes of this agreement is hereby designated as a line commencing at the point where the southwest corner of Bates County and the northwest corner of Vernon County meet, and running due east from that point. The cost for purposes of this agreement (excluding unusual circumstances as addressed herein) shall be \$6.50 per foot of main in the northern area and \$9.80 per foot of main in the southern area. These cost amounts

shall be reviewed at least annually in such an engineering study, and may be modified by MGE based upon either actually experienced or contracted changes in costs. Upon request, MGE will make available to Staff, OPC, and a representative of the Complainants, the data and calculations it uses to compute the average costs.

B. Deposit calculation. Deposits for each contract for a main extension shall be calculated by multiplying the cost per foot, as determined by the most recent engineering study, by the length of the required extension.

C. For each unit (e.g., single family dwelling, unit of apartment or duplex if there is an individual meter) of the project which is ready for gas service to commence at the time the deposit is made, or which will be provided gas service within 60 days of the execution of the extension contract, the Company shall reduce the amount of the otherwise applicable deposit by an amount equal to the average cost of the main extension per unit proposed in the project. In no event shall the reduction from the otherwise applicable deposit exceed 75 times the average cost per foot. This reduction in the initial deposit amount means that the applicant is not entitled to any future refund of the deposit for those units.

D. The applicant must pay the amount of the deposit, as determined by the Company, before the Company will begin construction on the main extension.

E. If the total length of the main extension will exceed 75 feet per unit, the estimated cost of the extra length of main shall be collected by MGE from the applicant as a contribution in aid of construction.

F. Unusual construction conditions, including but not limited to, the presence of frozen ground, attachment to structures such as bridges, or unusual boring requirements such

as underneath highways, will result in an adjustment to the deposit amount to compensate for the expected cost of the unusual conditions. The cost of rock excavation by itself is not considered an unusual construction condition for purposes of this agreement since its cost is already factored into the rate per foot. The cost of dealing with the unusual conditions will not be subject to refund.

3. Refunds

A. The Company shall refund to the applicant for the main extension portions of the deposit for a period of up to five years from the date of execution of the contract, as provided in Rule 9 and herein.

B. For the applicant to qualify for a refund, a unit in the project covered by the contract must be connected directly to the main extension by a service line. After a gas meter is installed and service to the premises is billable, the applicant may apply to MGE for a refund of a portion of the deposit. Within five (5) business days of receipt of a request for a refund, MGE will confirm the circumstances represented. Within twenty (20) days after such confirmation, MGE shall refund to the applicant, for each unit so connected, an amount equal to the cost of main per unit proposed in the project, consistent with the calculation of the deposit. The refund shall not exceed 75 times the per foot cost specified in the contract.

C. Third parties may be required to make a contribution in aid of construction, based upon the main tap charge, when they connect to a main extension pursuant to the provisions of 9.03 as supplemented by this agreement. In such a case, the main tap charge amount shall be collected by MGE from the third party. MGE will pay that amount to the applicant, and that amount shall be treated as a refund for purposes of Rule 9.

D. In no instance shall the total of refunds provided to an applicant exceed the amount deposited with MGE by the applicant.

E. Deposits not refunded within the five year period shall be retained by MGE as contributions in aid of construction.

4. **Prospective Application.** MGE agrees to process and administer requests by applicants who are builders or developers of residential developments for extensions of its natural gas mains in accordance with the terms of Rule 9 as the same is supplemented by the policies and provisions set out herein. It is the intent of the parties that the provisions in this agreement contain procedural aspects which are not explicitly addressed in Rule 9. MGE shall administer Rule 9 in conjunction with the provisions herein, on a prospective basis, until such time as the provisions of Rule 9 may be changed pursuant to law as a result of a general rate case or other tariff filing. Examples of the calculations for the prospective application of this agreed-upon method are attached hereto as **Appendix B**(on-site) and **Appendix D** (off-site). The distinction between on-site and off-site in this instance refers to situations where the developer may have to extend the main for some distance to reach the particular subdivision (off-site) as opposed to an extension of a main that is already present at the subdivision (on-site).

5. **Retrospective Application.**

A. MGE will review each main extension contract it entered between February 1, 1994 and the date this agreement is approved by the Commission to determine whether it was calculated in the same manner as Western Resources was applying Rule 9 as of January 31, 1994. For those contracts which represent a departure from the Western Resources method, the deposit requirements will be recalculated by MGE by applying the provisions of this agreement.

B. If the payments (however denominated) actually made to MGE under the contract exceed the deposit calculated under this agreement, the difference shall be refunded by MGE as soon as practical but in no event more than ninety (90) days from the effective date of the Commission's order approving this settlement agreement, along with a letter providing notice of the existence of this settlement agreement and explaining why the refunds are being made. In circumstances where the applicant is owed a refund, but also owes undisputed amounts to MGE, MGE may use the amount of the refund as a set off to the amount it is owed.

C. MGE shall also recalculate the refunds which may be due as a result of new customers taking service from the main extension in the manner required by this agreement. If additional refunds are required, they shall be made as soon as practical but in no event more than ninety (90) days from the effective date of the Commission's order approving this settlement agreement. If MGE has overpaid refunds, it shall be allowed to set-off such overpayment against any other amounts due to be refunded.

D. MGE shall utilize the procedure required by this agreement in calculating deposits and refunds under applicable contracts until such time as Rule 9 may be changed pursuant to law. Examples of the calculations for the retrospective application of this agreed-upon method are attached hereto as **Appendix C**.

6. **Withdrawal of Discovery.** Staff and OPC agree to withdraw any pending data requests relating to main extensions which have been issued by either under the designation "GR-96-00" and agree that any future data requests to MGE concerning the main extensions covered by this settlement agreement shall only be for the purpose of monitoring the Company's administration of this settlement agreement or in connection with issues involving Rule 9 in

MGE's pending general rate case.

7. Complaints.

A. In consideration of MGE entering into this settlement agreement, the undersigned parties hereby waive any rights they may have to bring a complaint proceeding under Chapters 386 or 394 RSMo arising out of or otherwise involving the administration of Rule 9 during the period from February 1, 1994 through the date this settlement agreement was approved by the Commission. None of the undersigned parties shall assist anyone else in the instigation or processing of a formal complaint on the same grounds, except to the extent Staff or OPC may be required by Missouri statutes regarding access to public documents.

B. In consideration of MGE entering into this settlement agreement, and upon the approval of this settlement agreement by the Commission, the Complainants hereby agree to dismiss their complaint filed on March 4, 1996 with prejudice.

8. **Not an admission.** This settlement is the compromise of a disputed claim and the agreement by MGE to administer Rule 9 in the manner reflected in this agreement until such time as Rule 9 may be changed pursuant to law is not to be construed as an admission by MGE that its administration of Rule 9 was inappropriate, which is expressly denied by MGE.

9. **No Waiver of Right to Propose Changes.** This settlement agreement shall not be construed to prevent MGE or any other party from proposing any tariff provisions which pertain to this subject matter area. Each of the parties therefore expressly reserves the right, within the context of a general rate case before the Commission, and at any other subsequent times, to propose changes to Rule 9 which may significantly alter the provisions of Rule 9 as interpreted and applied through this settlement agreement. While each party shall have the right

to oppose any such proposed changes, they shall not have the right to cite this settlement agreement as a reason why changes to Rule 9 should not be allowed by the Commission. Staff and OPC shall have the right, however, to point out that Rule 9 generally reflects the practices followed by Western Resources, Inc. immediately prior to February 1, 1994, and MGE shall have the right to point out that continuance of those practices may not be in the best interests of the ratepayers. It is the intention of the parties that this settlement be a resolution of pending disputes but not an agreement that Rule 9, as supplemented by this settlement agreement, is suitable on a permanent basis.

10. **Compromise.** This is a compromise settlement of disputes and potential litigation and the parts hereof are interdependent. By entering into this agreement, no party shall be deemed to have endorsed or acquiesced in any legal or regulatory principle which underlies or allegedly underlies this agreement, the conditions of this settlement being unique to the circumstances herein.

11. **Entire Agreement.** This document sets forth the entire agreement of the parties relative to this compromise settlement. It shall not be modified except by written amendment executed in the same fashion as this agreement. The persons executing this agreement have the full authority of their respective entities to execute the agreement on behalf of such entity.

12. **Staff Memo.** If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this settlement agreement. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by

the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not bind or prejudice the party submitting such memorandum in any future proceeding. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to this agreement. The Staff shall also have the right to provide, at any agenda meeting at which this 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 required from Staff. Staff's oral explanation shall be subject to public disclosure.

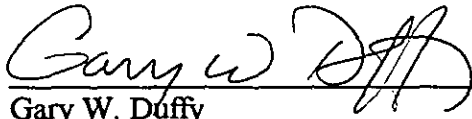
13. Duration of Agreement; Reporting.

A. The provisions of this settlement agreement which govern the manner in which MGE calculates and administers deposits and refunds for main extensions shall terminate whenever tariffs replacing Rule 9 are approved by the Commission. MGE shall, however, continue to administer contracts entered into between February 1, 1994 and the effective date of the order of the Commission approving this settlement agreement by means of the methods called for in this settlement agreement for so long as it is appropriate for each such contract, unless the approved tariff changes require MGE to perform otherwise with regard to contracts entered prior to the effective date of the new tariff language.

B. After MGE has completed its recalculation and made refunds under paragraph 5 of this agreement, it shall provide to any party to this agreement who requests same a summary of the refunds made.


14. **Arbitration.**

The parties to this settlement agreement hereby agree that if a dispute occurs involving the application or interpretation of this agreement, it shall be submitted to the Commission as arbitrators pursuant to §386.230 RSMo.



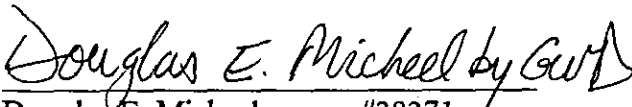
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P.S.C.MO. No. 1

Original

SHEET No. R-58

Missouri Gas Energy,
a Division of Southern Union Company

For

All Missouri

RECEIVED

GENERAL TERMS AND CONDITIONS FOR GAS SERVICE

MISSOURI

Public Service Commission

9. MAIN EXTENSION POLICY CONVENTIONAL

- 9.01 GENERAL: The Company will make extensions of its gas distribution mains where such extensions are necessary to serve an applicant(s) for service, whose premises are located within the Company's service area, in accordance with the terms and conditions hereinafter set forth. Applicant(s) as used in this Rule 9 shall mean a person(s) applying for gas service to a conventional establishment. Extension allowances and refunds for mobile homes which are connected directly to main extensions made under this Rule 9 shall be in accordance with the provisions of Rule 10 hereof.
- 9.02 EXTENSIONS NOT REQUIRING CUSTOMER DEPOSITS: Except as otherwise provided in these General Terms and Conditions for Gas Service, the Company will extend its gas distribution mains without cost to an applicant(s) whose total requirements are on a firm basis and where annual consumption is less than 600 MCF, provided the necessary extension is not greater than 75 feet of main per applicant applying for immediate service. Where the cost of making such extension is prohibitive due to unusual construction conditions or barriers, the Company may require a deposit even though the length of extension does not exceed 75 feet per applicant. This provision shall not be applicable to reinforcing high or intermediate pressure mains.

FILED

FEB 1 1994
94-40

MO. PUBLIC SERVICE COMM.

DATE OF ISSUE January 7 1994 DATE EFFECTIVE February 1 1994
month day year month day year

ISSUED BY F. Jay Cummings Vice President, Rates and Regulatory Affairs

P.S.C.MO. No. 1

Original

SHEET No. R-58a

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Missouri Gas Energy,
a Division of Southern Union CompanyFor All Missouri Service Areas

JAN 7 1994

GENERAL TERMS AND CONDITIONS FOR GAS SERVICE MISSOURI
Public Service Commission

9.03 EXTENSIONS REQUIRING CUSTOMER DEPOSITS: The Company will extend its gas distribution mains where the extension required is greater than 75 feet per applicant, whose total requirements are on a firm basis and where annual consumption is less than 600 MCF, provided the applicant(s) shall deposit in advance with the Company an amount sufficient to cover the cost of that portion of the extension in excess of 75 feet per applicant. Included in such cost shall be the Company's cost of labor, overheads and material used. For purposes of these rules, overheads shall include administrative and general salaries, payroll taxes and insurance, pensions and other employee benefits, and stores issuance expenses. Labor related overheads are transferred to construction based on the percentage relationship that construction payroll bears to total payroll while stores overheads are transferred to construction based on the percentage relationship that stores expense bears to the total cost of material. A copy of the Company's estimate showing the costs of labor, overheads and material required to perform the work hereunder shall be furnished to the customer upon request prior to construction.

Applicants requesting to be connected to a gas distribution main which was installed according to an agreement made after January 1, 1987, for which a construction deposit was required, shall pay as a nonrefundable sum a main tap charge if the request is made within a period of 5 years from the date of the main extension agreement. The main tap charge shall be an amount determined by dividing the total cost of the main extension by the number of potential customers reasonably expected to take service from the extension, less the cost-free allowance per potential customer as determined in Section 9.02. For purposes of this calculation, the number of potential customers shall be that number established by the Company based on, but not limited to, information supplied by the applicant, a legal description of the area, maps, and the Company's experience in similar developments.

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MO. PUBLIC SERVICE COMMISSION

DATE OF ISSUE January 7 1994 DATE EFFECTIVE February 1 1994
month day year month day yearISSUED BY F. Jay Cummings Vice President, Rates and Regulatory Affairs

APPENDIX A

Page 3 of 3

P.S.C.MO. No. 1

Original

SHEET No. R-59

Missouri Gas Energy,
a Division of Southern Union Company

For All Missouri Service Areas

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JAN - 7 1994

GENERAL TERMS AND CONDITIONS FOR GAS SERVICE

MISSOURI
Public Service Commission

If within a period of 5 years from the date of an agreement made prior to January 1, 1987, to install a main extension for which a deposit was required, additional customers are connected directly to the extension and not to a further extension, the Company shall refund to the customers who made the deposit an amount equal to the cost of 75 feet of main extension per additional customer added, but at no time shall the aggregate refunds exceed the original deposit. At the end of this 5 year period, any remaining portion of the customers' deposit shall become a nonrefundable contribution in aid of construction.

If, within a period of 5 years from the date of an agreement made on and after January 1, 1987, to install a main extension for which a deposit was required, additional customers are connected directly to the extension, and not to a further extension, the Company shall refund to the customers who made the deposit a pro rata share of an amount equal to the cost of 75 feet of main extension, plus the main tap charge collected from the additional customers as required by this Section. This refunding procedure is intended to equalize the required deposit per customer after all potential customers are connected to and served from the main extension within a period of 5 years from the date of the main extension agreement. At the end of this 5 year period, any remaining portion of customers' deposit shall become a nonrefundable contribution in aid of construction and no additional main tap charges from new applicants or extension allowances from the Company will be applicable to the extension.

9.04 EXTENSIONS TO INTERRUPTIBLE SERVICE AND LARGE FIRM SERVICE CUSTOMERS: When an extension of the Company's distribution system is requested by an applicant desiring to receive interruptible service or firm service in excess of 600 MCF annually, the amount of investment in distribution mains which the Company will make without a deposit, will be determined by the Company from an analysis of the character of service requested, the estimated revenue to be derived from the applicant, and the estimated expense of providing such service. A main extension necessary to provide interruptible or large firm service shall be subject to such other terms and conditions as may be mutually agreed to by the Company and the applicant.

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MO. PUBLIC SERVICE COMM.

DATE OF ISSUE January 7 1994 DATE EFFECTIVE February 1 1994
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ISSUED BY F. Jay Cummings Vice President, Rates and Regulatory Affairs

APPENDIX B

Sample Calculations For Prospective Residential Main Extension Projects

Example 1:

(A) # lots:	24
(B) footage:	1600
(C) avg. cost/foot:	\$6.50
(D) est. project cost (B * C):	\$10,400.00
(E) avg. cost/lot (D / A):	\$433.33
(F) avg. footage/lot (B / A):	66.67

Initial Payment Calculation:

Est. project cost:	\$10,400.00
Less allowance for 3 lots served in < 60 days (3 * C * F):	\$1,300.00
Net Payment As Refundable Deposit:	\$9,100.00

Refund Calculation:

Since average footage per lot is less than 75 feet, the refund per lot is the average cost per lot, or \$433.33. If, at the end of five years, 18 lots are served and 6 remain unserved, \$2,600.00 (6 * \$433.33) would be retained as a contribution in aid of construction.

Example 2:

(A) # lots:	24
(B) footage:	2040
(C) avg. cost/foot:	\$6.50
(D) est. project cost (B * C):	\$13,260.00
(E) avg. cost/lot (D / A):	\$552.50
(F) avg. footage/lot (B / A):	85.00

Initial Payment Calculation:

Est. Project Cost:	\$13,260.00
Less 3 lots served in < 60 days (3 * C * 75)	\$1,462.50
Payment:	\$11,797.50
Contribution for construction > 75 feet/lot:	\$1,560.00
Refundable Deposit:	\$10,237.50

Refund Calculation:

Since average footage per lot is greater than 75 feet, the refund per lot is the average cost per foot * 75 feet, or \$487.50. If all 24 lots are served prior to the end of five years, the developer would receive \$10,237.50 in refunds. \$1,560.00 of the initial payment is retained as a contribution in aid of construction for the difference between the 85 actual feet per lot and the 75 feet allowable for main extensions. As with example 1, any lots unserved at the end of five years would no longer be eligible for refunds.

APPENDIX C

Sample Calculations For Retrospective Residential Main Extension Projects

Example 1:

(A) # lots:	24
(B) footage:	1600
(C) avg. cost/foot:	\$6.50
(D) est. project cost (B * C):	\$10,400.00
(E) avg. cost/lot (D / A):	\$433.33
(F) avg. footage/lot (B / A):	66.67

Est. project cost:	\$10,400.00
Amount previously paid by developer:	\$10,600.00
Amount subject to immediate refund:	\$200.00
Refund per lot (\$10,400.00 / 24 lots):	\$433.33

Refund Calculation:

Since average footage per lot is less than 75 feet, the refund per lot is the average cost per lot, or \$433.33. If all 24 lots are being served, the developer is entitled to a complete refund of the entire \$10,600.00 previously paid.

Example 2:

(A) # lots:	24
(B) footage:	2040
(C) avg. cost/foot:	\$6.50
(D) est. project cost (B * C):	\$13,260.00
(E) avg. cost/lot (D / A):	\$552.50
(F) avg. footage/lot (B / A):	85.00

Est. Project Cost:	\$13,260.00
Amount previously paid by developer:	\$10,600.00
Contribution for construction > 75 feet/lot:	\$1,560.00
Maximum amount eligible for refund:	\$9,040.00

Refund Calculation:

Since average footage per lot is greater than 75 feet, the refund per lot is the amount previously paid by developer, less the contribution in aid of construction, divided by the number of lots, or \$376.67, up to the maximum amount eligible to be refunded. If all 24 lots have been completed, the developer should receive an immediate refund of \$9,040.00.

APPENDIX D

Sample Calculations For Prospective Residential Main Extension Projects Incorporating Main Tap Charge

Example 1:

This example assumes a subdivision of 100 lots requiring approximately 2 miles of main extension in an area where two additional subdivisions of 100 lots each are expected to take service from this same 2 mile extension.

Initial Development	(A) # lots:	100
	(B) footage:	10,560
	(C) avg. cost/foot:	\$6.50
	(D) est. project cost (B * C):	\$68,640.00
	(E) avg. cost/lot (D / A):	\$686.40
	(F) avg. footage/lot (B / A):	105.60
	(G) allowance/lot (75*\$6.50):	\$487.50

Initial Payment Calculation:

Est. project cost:	\$68,640.00
Less allowance for 3 lots served in < 60 days (3 * G)	\$1,462.50
Net Deposit:	\$67,177.50
Refundable amount from initial 100 lots (G * 97):	\$47,287.50
Amount subject to third party line tap charge:	\$19,890.00

Line tap charge (\$68,640.00 / 300 lots): \$228.80

Assuming all lots in original subdivision are developed by the end of year two, developer would have received \$487.50 per lot times 97 or \$47,287.70 (because deposit was reduced by the three lots that were to be served in less than 60 days). Developer would receive an additional \$228.80 per customer hooking up within the five year period. The amount refunded from the line tap charge would not exceed \$19,890.00.