

**COMPANY/STAFF AGREEMENT REGARDING DISPOSITION
OF SMALL NATURAL GAS COMPANY REVENUE INCREASE REQUEST**

**SOUTHERN MISSOURI GAS COMPANY
d/b/a SOUTHERN MISSOURI NATURAL GAS**

MO PSC FILE NO. GR-2010-0347

BACKGROUND

Southern Missouri Gas Company d/b/a Southern Missouri Natural Gas ("SMNG") submitted a letter to the Secretary of the Missouri Public Service Commission ("Commission") in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"), initiating this small company revenue increase request ("Request"). The Company provides service to approximately 8,000 customers. In its May 21, 2010 letter, SMNG requested an increase of \$1,000,000 in its annual gas service operating revenues. Staff initiated an audit of SMNG's books and records and a review of SMNG's existing tariff. (Hereinafter referred to as "Staff's Investigation.")

Upon completion of Staff's Investigation, Staff provided its results to both SMNG and the Office of the Public Counsel ("OPC") with Staff's initial recommendations for the resolution of SMNG's Request, and other information regarding Staff's Investigation.

RESOLUTION OF SMNG'S RATE INCREASE REQUEST

Staff and SMNG agree to the following:

The purpose of implementing the agreements set out herein:

- (1) That SMNG shall file proposed tariff revisions with the Commission containing the rates, charges, and language set out in the specimen tariff sheets attached (Attachment A).
- (2) That within thirty (30) days of the effective date of a Commission order approving this Disposition Agreement, SMNG shall implement the following provisions and provide proof of implementation to the Manager of the Commission's Auditing Department:
 - a. The Company shall develop and maintain detailed vehicle logs for all Company owned vehicles. The vehicle logs shall include all supporting documentation including, but not limited to: the name(s) of the driver(s), the dates the vehicle is used, the mileage, and why the vehicle was used.

- b. The Company shall implement method(s) to track incidents and associated revenues of the following: (a) disconnects billed, (b) disconnects collected, (c) reconnects during business hours, (d) reconnects after business hours, (e) reconnects, by type, billed according to missed months, (f) collection trips, special meter reading charges billed, and (g) returned check charges billed.
- c. That the Company shall record all employee benefits expense in the Uniform System of Accounts Account Number 926, Employee pensions and benefits.
- d. That the schedule of depreciation rates attached hereto as Attachment B and incorporated herein, which includes the depreciation rates used by Staff in its revenue requirement analysis, shall be the prescribed schedule of gas plant depreciation rates for the Company

(3) SMNG shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after the Commission Order approving the terms of this Company/Staff Disposition Agreement is issued. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill. When SMNG mails the notice to its customers, it shall also send a copy to the Staff Case Coordinator who will file a copy in this case.

(4) That Staff will conduct follow-up reviews to ensure that the Company has complied with the provisions of this Disposition Agreement.

(5) That Staff may file a formal complaint against SMNG, if the Company does not comply with the provisions of this Disposition Agreement, or any other applicable law, rule, or order.

(6) That, to settle Staff's complaint regarding returned check or insufficient funds charges, which was consolidated with this rate case, within thirty (30) days of the effective date of an order approving this Disposition Agreement, SMNG shall contribute \$21,360 of shareholder funds to the Community Action Agencies serving the counties in which SMNG provides service with the exception of its Lebanon and Branson service areas. The contribution shall be conditioned on the disbursement of funds to only SMNG customers under the same conditions and terms applicable to the disbursement of LIHEAP funds. The allocation of the funds shall be based upon the Company's customer count in each county. Within ten (10) days of such contribution, Staff shall file to dismiss its complaint, Case No. GC-2011-0045.

(7) That SMNG agrees that it has read the foregoing Company/Staff Agreement Regarding Disposition of Small Natural Gas Company Revenue Increase Request; that upon SMNG's best knowledge and belief the facts stated therein are true; that

the foregoing conditions accurately reflect the agreement reached between SMNG and Staff; and that SMNG freely and voluntarily enters into this agreement.

(8) That the above agreements satisfactorily resolve all issues identified by the Staff and SMNG regarding SMNG's Request, except as otherwise specifically stated herein.

ADDITIONAL MATTERS

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between all parties. In arriving at the amount of the annual operating revenue increase specified herein neither party has agreed to any particular ratemaking principle.

SMNG acknowledges that the Staff will be filing this Company/Staff Disposition Agreement and the attachments hereto, in the existing case after SMNG files the proposed tariff revisions mandated by this agreement. SMNG also acknowledges that Staff may make other filings in this case.

Additionally, SMNG agrees that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Disposition Agreement at any agenda meeting at which that case is noticed to be considered by the Commission. Staff will be available to answer Commission questions regarding this Company/Staff Disposition Agreement. To the extent reasonably practicable, Staff shall provide SMNG with advanced notice of any such agenda meeting so that they may have the opportunity to also be represented at the meeting.

EFFECTIVE DATE AND SIGNATURES

This Disposition Agreement shall be considered effective as of the date that the Company files the proposed tariff revisions required herein with the Commission.

Agreement Signed and Dated:

/s/ David Moody
David Moody
Chief Executive Officer
Southern Missouri Gas Company

November 17, 2010
Date

/s/ Lera Shemwell
Lera Shemwell
Deputy Counsel
Office of the Chief Staff Counsel Attorney for the
Missouri Public Service Commission Staff

November 17, 2010
Date

List of Attachments

Attachment A – Example Tariff Sheets

Attachment B – Depreciation Rates