

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

In the matter of the Application of )  
Southern Missouri Gas Company, L.P. )  
d/b/a Southern Missouri Natural Gas )  
for Authority To Issue approximately \$10 Million )  
in Equity Capital and approximately \$50 Million In )  
Notes and Other Forms of Indebtedness. )

Case No. GF-2007-0215

**STIPULATION AND AGREEMENT**

**COME NOW** Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas ("SMNG" or "Company"), and Ozark Energy Partners, LLC ("OEP") (collectively, "the Parties"), submit this Stipulation and Agreement ("Stipulation and Agreement") for approval by the Missouri Public Service Commission ("Commission"). This Stipulation and Agreement resolves all remaining issues between SMNG and OEP in this proceeding as follows:

1. On December 12, 2006, SMNG filed an Application for financing which requested authority to issue approximately \$10 Million in equity capital and approximately \$50 million in notes and other forms of indebtedness in order to refinance its company and expand its service area. On December 17, 2007, SMNG filed its Second Amended Financing Application which provided more information related to the proposed financing, including the identity of the proposed investor and lender and the expected terms and conditions of the proposed financing.

2. On February 11, 2008, the Staff filed its Staff Recommendation/Memorandum to approve with conditions the Second Amended Financing Application of SMNG for authority to issue up to \$45 million of debt and up to \$15 million of equity. The Commission Staff made the following recommendation:

"Staff recommends that this Application for financing be approved with the following conditions:

1. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, which includes, but is not limited to the capital structure, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their effect on cost of capital, in any later proceeding.
2. That the Company file with the Commission all final terms and conditions of the proposed financing, including, but not limited to, the aggregate proceeds received, price information, and estimated expenses.
3. That the funds authorized pursuant to the debt instrument shall only be used for capital expenditures related to the proposed expansion of Lebanon, Houston, Licking, Hollister, Branson, Branson West and the existing SMNG natural gas distribution system and the funds shall not be used for the purposes of paying operating expenses.
4. That the Company file with the Commission any information concerning deviations from their stated use of the funds from the issuance(s) that would materially change the pro forma financial statements.
5. That the debt and equity investor shall be  
\*\* \_\_\_\_\_ \*\* as represented in the Second Amended Financing Application.
6. \*\* \_\_\_\_\_ \*\* agrees and warrants that as long as  
\*\* \_\_\_\_\_ \*\* is the noteholder of the debt instrument proposed in the Second Amended Financing Application, it will also continue to hold the majority equity interest. If the debt instrument proposed in the Second Amended Financing Application should be refinanced at some time in the future, SMNG will request Commission approval to do so.
7. That the approval is only for the proposed \$45 million of senior secured debt and not the \$12 million Revolving Credit Facility identified in the terms and conditions of the senior secured debt.
8. That the length of authority for this approval is for sixteen months following the effective date of the Commission's order approving the \$45 million of senior secured debt.
9. That SMNG will not seek an increased cost of capital as a result of financing decisions that are considered to be imprudent. SMNG understands that the Commission's authorization of this financing proposal is not an endorsement of the proposal for purposes of setting the

rate of return in future rate or complaint cases.” (Staff Recommendation/Memorandum, pp. 8-9)

3. SMNG filed its Response To Staff Recommendation on February 13, 2008, in which it indicated that SMNG has determined that the above-referenced Staff Recommendation for approval of its Second Amended Financing Application with proposed conditions is acceptable to SMNG, and should be approved by the Commission.

4. On February 15, 2008, the Commission issued its Order Setting Prehearing Conference And Directing Filing in which it scheduled a prehearing conference for February 25, 2008, and directed that the parties file a proposed procedural schedule by February 28, 2008. SMNG, Staff, Public Counsel and OEP were represented at the prehearing conference held on February 25, 2008.

5. On February, 28, 2008, the SMNG on behalf of the parties, filed a Proposed Procedural Schedule. The Commission issued its Order Approving Procedural Schedule issued on February 29, 2008.

6. Subsequently, SMNG and OEP initiated discussions to determine whether an amicable settlement of this matter was possible. As a result of those discussions, SMNG and OEP have now reached a resolution and settlement of the issues in this proceeding. SMNG and OEP agree that the Commission should approve SMNG's Second Amended Financing Application filed on December 17, 2007 with the above-referenced conditions recommended by the Commission Staff. OEP also specifically withdraws its opposition to the approval of SMNG's Second Amended Financing Application and its request for a hearing in this matter.

7. a. This Stipulation and Agreement has resulted from extensive negotiations among the Parties and the terms hereof are interdependent. In the event the Commission does

not adopt this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof. The stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the Parties to take other positions in other proceedings.

b. This Stipulation and Agreement is being entered into for the purpose of disposing of all issues between SMNG and OEP in this case. None of the Parties to this Stipulation and Agreement shall be deemed to have approved, accepted, agreed, consented or acquiesced to any accounting principle, prudence principle, ratemaking principle or cost of service determination underlying, or supposed to underlie any of the issues provided for herein.

8. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2) RSMo 2000 to call, examine and cross-examine witnesses; their respective rights to present oral argument or written briefs pursuant to Section 536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 2000; their respective rights to seek rehearing pursuant to Section 386.500 RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510 RSMo 2000.

**WHEREFORE**, the undersigned SMNG and OEP respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Stipulation and Agreement, and approve SMNG's Second Amended Financing Application with the conditions recommended by the Commission Staff in its Staff Recommendation filed on February 11, 2008.

Respectfully submitted,

/s/ James M. Fischer

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or e-mailed to all counsel of record this 27th day of March, 2008.

/s/ James M. Fischer

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James M. Fischer