

case. As a result of these discussions, all of the parties to the case have either agreed to this Stipulation and Agreement or indicated that they will not oppose it.

Specifically, the Signatory Parties (the ‘Parties’) have reached the following stipulations and agreements resolving all of the issues in this case and specifying all actions that will be taken as a result of such resolution. The Parties respectfully request that the Commission consider and approve this Stipulation and Agreement, effective May 1, 2014, and issue its Order that the applicable tariffs will become effective for service on and after the effective date of the Commission’s Report and Order resolving all issues in this case.

REVENUE REQUIREMENT

1. The Signatories recommend that the Company be permitted to increase its Missouri jurisdictional revenues by Seven Million, Eight Hundred Thousand Dollars (\$7,800,000), effective May 1, 2014, subject to the prospective rate design changes recommended in paragraph 2. With this increase, the Company’s Infrastructure System Replacement Surcharge (“ISRS”) shall be reset to zero. The revenue amounts referenced in this paragraph are exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar tax or taxes and inclusive of any increase in miscellaneous revenues from an increase in the delayed payment charge as set forth below.

PROSPECTIVE RATE DESIGN CHANGES

2. Pending the rate design changes addressed herein, the Parties agree and recommend that the increase be allocated to and collected from MGE’s customers in accordance with the rates and charges set forth in the specimen tariff sheets set forth in Attachment 1 hereto. These changes reflect a reduction in the total level of fixed costs currently being paid by Residential and Small General Service Customers (“SGS”). After necessary billing system

modifications are made, further reductions in the fixed charges being collected from these customers will be made effective October 1, 2014, through reductions in the fixed monthly charges for the Residential and SGS Customer Classes and the establishment of variable charges as set forth below:

(a) Residential

Prior to October 1, 2014, total fixed monthly charges reduced from \$28.10 to \$27.87.

On and after October 1, 2014:

- Fixed Monthly Charge: \$23.00 monthly
- Year round delivery charge: \$0.0738 per ccf

(b) SGS

Prior to October 1, 2014, total fixed monthly charges reduced from \$41.04 to \$40.74

On and after October 1, 2014:

- Fixed Monthly Charge: \$34.00 monthly
- Year round variable rate: \$0.0543 per ccf

Such changes are shown in the specimen tariff sheets set forth in Attachment 1 hereto. The revenue amounts referenced in this paragraph are exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar tax or taxes, and inclusive of any increase in miscellaneous revenues from an increase in the delayed payment charge as set forth below.

3. Except as otherwise expressly specified herein, none of the Signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or rate design principle.

In addition to the rate design changes recommended herein, the Parties agree within six months of Commission approval of this Stipulation and Agreement to meet on a monthly basis to:

(a) determine the customer usage, billing, financial, demographic and other data necessary to fully explore and present various rate design structures in MGE's next rate case proceeding, including information that would permit an assessment of the potential impact of such rate design structures on the Company and customers with different usage, cost causation, and demographic characteristics.

(b) work collaboratively to prepare and complete a report for submission to the Commission within 18 months of the completion of the case that will present in as factual and objective a manner as possible the results of the Parties' analysis regarding the operation and impacts of various rate design structures. Such report may also include individual sections where individual Parties may present their individual recommendations regarding appropriate rate design structures and any other complementary ratemaking mechanisms that Parties believe may be necessary or desirable to implement various structures. The Company shall have the responsibility to coordinate the preparation of the report.

(c) Parties are free to take whatever position they believe is appropriate in regard to such matters. It is expressly understood that all Parties reserve the right to propose continuation, elimination or modification of the variable component in MGE's next rate case.

TARIFF MODIFICATIONS

4. As part of this Stipulation and Agreement, MGE is no longer seeking approval of the tariff sheets and rate schedules that it filed in this case on September 16, 2013. Instead, the Parties agree that the Commission should approve the specimen tariff sheets and rate schedules set forth in Attachment 1, attached hereto and fully incorporated by reference, as complete replacements for the tariff sheets and rate schedules set forth in MGE's September 16, 2013 filing. The Attachment 1 tariff sheets contain the changes described above, together with tariff changes that:

(a) establish, subject to a tracking mechanism similar to that approved for Laclede, a new experimental "Red Tag" program for low income customers under which financial assistance is provided so that customers can make needed repairs to their equipment or piping where necessary to restore or avoid an interruption of service and, in the process, enhance safety;

(b) establish a new experimental "Red Tag" program for all customers under which the Company may make minimal repairs to customer piping or equipment while already at the customer's premises for another reason in order to avoid service interruptions and enhance customer safety;

(c) combine and reconcile certain reporting, meeting and other process elements of the respective energy efficiency programs of MGE and Laclede.

(d) increase the Company's delayed payment charge from .5% to 1.5% on the current 30-day past-due balance.

(e) modify one reporting-related provision of the Company's tariff language for its School Aggregation Program to make it more consistent with the tariff language applicable to Laclede's School Aggregation Program, all as discussed at page 21 of the pre-filed

Direct Testimony of MGE witness Michael Noack. (See specimen Tariff Sheet No. 55 in Attachment 1) and modify the Company's PGA language relating to the School Aggregation Program.

(f) modify tariff language in the Company's Economic Development Rider to clarify that the minimum bill waiver language does not apply to customer charges. (See specimen Tariff Sheet No. 73).

(g) include modifications to implement certain energy efficiency programs for MGE's customers, subject to the future retention of a program administrator. (See specimen Tariff Sheet No. 98-103.6)

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

5. The purpose of this section of this Stipulation and Agreement is to establish the ratemaking treatment applicable to pension costs and Other Post-Employment Benefits ("OPEBs") costs for MGE. The funds provided for pensions and OPEBs in the cost of service are designated specifically for reasonable and prudently incurred pensions and OPEBs costs, and will be fully tracked and reconciled in future proceedings. The mechanism of recovery through rates for both pensions and OPEBs costs is a tracking mechanism. The overall goal of this tracking mechanism is to ensure exact recovery of pension and OPEBs costs by MGE. For the purposes of this section of the Stipulation and Agreement, it is assumed that the amount in rates is the exact amount collected by the Company, and the amounts of amortizations are also the exact amounts collected by the Company or credited to customers. Amounts recovered in rates that are more than actual payments creates overfunding by customers and shall be returned to customers subsequently in the ratemaking process. Amounts recovered in rates that are less than actual payments creates underfunding by customers and shall be recovered by the Company

subsequently in the ratemaking process. To accomplish the objectives above, the Signatories agree to the following:

(a) MGE shall continue to be authorized to record as a regulatory asset/liability, as appropriate, the difference between the pension costs used in setting rates, Nine Million, Nine Hundred Twenty Thousand, Seven Hundred Twenty Dollars (\$9,920,720), before transfers, and the actual contributions to the pension trusts, and such difference shall be recovered from or returned to customers in future rates. The difference between the amount of pension costs included in MGE's rates and the amount funded by MGE shall be included in the Company's rate base in future rate proceedings either as a regulatory asset (increasing rate base) or liability (decreasing rate base).

(b) The Parties agree that the rates established in this rate case (GR-2014-0007—the 2014 rate case) include recovery of the amortization of prepaid pension assets and liabilities established in prior cases identified in the Pension section of the Stipulation and Agreement in Case No. GR-2009-0355 (the 2009 Stipulation) and the amortization of the prepaid pension asset established in this 2014 rate case as follows:

1. Case No. GR-2009-0355 – Tier 3 (Vintage 3)
 - a. Remaining Balance at December 31, 2013 of \$3,300,118.
2. Case No. GR-2014-0007 – Tier 4
 - a. Balance at December 31, 2013 of (\$5,483,060) [Negative]
 - b. The Balances of 1.a. and 2.a. above (Tier 3 and Tier 4) shall be combined for a net balance of (\$2,182,942) [Negative]. An amount has been deducted from rates to reverse this negative balance based on a five (5)

year amortization period beginning with the effective date of rates in this case.

- c. The balance of the amortizations of Tiers 1 and 2 over the amount of full recovery at August 31, 2013, or (\$3,321,689) [Negative] (referred to as Vintages 1 and 2 in the 2009 Stipulation).

(All amounts above, including the \$9,920,720, are stated prior to application of Operations & Maintenance (O&M) Factor (sometimes referred to as the “transfer rate”))

(c) The Company shall recognize a regulatory liability for the amount of (\$3,321,689) [Negative] pension value as of August 31, 2013, relating to the pension amortization of Tiers 1 and 2. This regulatory liability shall be amortized based on a five (5) year amortization period beginning with the effective date of rates in this proceeding. The Parties agree that the rates established in this case include amortization of this liability beginning with the effective date of rates in this case. This amount is stated prior to application of the O&M Factor. In future rate cases, any amount of the unamortized or over-amortized balance will be included in rate base as a regulatory asset or liability. In the event the amortization of the asset or liability becomes fully amortized between rate cases, the amount included in rates between the date it became fully amortized and the effective date of rates in the next rate case shall be returned to shareholders or ratepayers, as appropriate, over a time period not to exceed five years. The parties agree that other than amortization of the balance in this paragraph, no further adjustments shall be made to pension balances related to Tiers 1 and 2.

(d) The negative amortizations in Paragraph B.2.a (combination of Tiers 3 and 4) and Paragraph B.2.b (Tiers 1 and 2) shall continue until the balances are reduced to zero (\$0). After the balances have been reduced to zero, the Company shall record an accrual to a

regulatory asset each month until the rates based on these amortizations are changed. These assets will be combined with the current pension tracking mechanism for recovery from customers. In the event the amortization of the asset or liability becomes fully amortized between rate cases, the amount included in rates between the date it became fully amortized and the effective date of rates in the next rate case shall be returned to shareholders or ratepayers, as appropriate, over a time period not to exceed five years.

(e) The positive amount of Tier 3 currently being collected in rates (\$2,828,673 annually, \$235,723 monthly) from January 1, 2014 to the effective date of rates in this case shall be recorded as a regulatory liability. In future rate cases, this negative amount will be included in rate base as a regulatory liability (rate base offset) that will be combined with the tracking mechanism for the ongoing pension allowance in this case (see Paragraph 5A). This amount is stated prior to application of the O&M Factor.

6. The Parties agree that current rates reflect a gross pension expense (\$10 million annually, \$833,333 monthly) resulting from the 2009 Rate Case. The actual amounts contributed to the pension trusts from January 1, 2014 to the effective date of rates in this case will be tracked against the amount collected in rates through this time period. Any resulting asset (actual pension contributions higher than rate recovery) or liability (actual pension contributions lower than rate recovery) will be combined with the tracking mechanism for the ongoing pension allowance provided for in this case (see Paragraph 5A). This amount is stated prior to application of the O&M Factor.

7. The parties agree that it might be simpler to maintain one ongoing balance for the pension account, resulting in one pension asset or liability. The parties agree to consider such a simplification of pension tracking in MGE's next rate case.

8. The allowances recommended are based on meeting ERISA minimum funding requirements as calculated by the Company's actuaries. The Company shall continue to be allowed rate recovery for contributions it has made to its pension trust that exceed the ERISA minimum for any of the following reasons:

(a) the minimum required contribution is insufficient to avoid the benefit restrictions specified for at-risk plans pursuant to the Pension Protection Act of 2006, thereby causing an inability by MGE to pay out pension benefits to recipients in its normal and customary manner, including lump sum payments; and

(b) the minimum required contribution is not sufficient to avoid any Pension Benefit Guarantee Corporation ("PBGC") variable premiums.

Additional contributions made pursuant to this Paragraph will increase MGE's rate base by increasing the prepaid pension asset and/or reducing the accrued liability, and will receive regulatory treatment as described in Paragraph 5 of this Agreement. MGE shall inform the Staff and Public Counsel of contributions of additional amounts to its pension trust funds pursuant to this Paragraph in a timely manner. Such contributions will be examined in the context of future rate cases and a determination will be made at that time as to the appropriate and proper level recognized for ratemaking as a Net Prepaid Pension Asset.

9. The Parties further agree that the Company shall be authorized to record expense under ASC 715 (previously FAS 87 and FAS 88, or such standard as the FASB may issue to supersede, amend, or interpret the existing standards), for financial reporting purposes only, in a manner that does not require adjustment for amortization procedures that vary from FAS minimum amortization requirements, including without limitation, a five year amortization of the average of unrecognized gains or losses over the past five fiscal periods, subject to a minimum

amortization to the extent that the current unrecognized gains or losses fall outside of a 10% corridor as described in FAS 87 and FAS 106. The minimum amortization of unrecognized gains or losses falling outside of the 10% corridor shall be made over the average remaining service life of participants for financial reporting purposes.

10. The Parties agree that the rates resulting from this case also make provision for the recovery of OPEBs costs on a FAS 106 basis. The Parties further agree that the Company shall continue to be authorized to apply its accounting policy relative to the OPEBs consistent with that specified for FAS 87 above, for financial reporting purposes only. For ratemaking purposes, the OPEBs expense in this case was determined using a fair value method and a five-year amortization of the most recent five-year average of the balance of unrecognized gains and losses as calculated by the Company's actuary, subject to applying the minimum amortization requirements for unrecognized gains and losses as required under FAS 106.

11. The Company agrees that it shall fully fund its ongoing level of FAS 106 expense, as calculated above for ratemaking purposes, on a prospective basis.

12. The provisions of ASC 715 (previously FAS 158) require certain adjustments to the prepaid pension asset/OPEB asset and/or accrued liability with a corresponding adjustment to equity (i.e., decreases/increases to Other Comprehensive Income). The Company will continue to be allowed to maintain a regulatory asset/liability to offset any adjustments that would otherwise be recorded to equity caused by applying the provisions of ASC 715 or any other FASB statement or procedure that requires accounting adjustments to equity due to the funded status or other attributes of the pension or OPEB plans. The Parties acknowledge that the adjustments described in this paragraph will not increase or decrease rate base.

13. The Parties further agree that gains and losses for all pension lump-sum settlements shall continue to be calculated only to the minimum extent permitted by ASC 715 (previously FAS 88).

14. The Parties agree that the rates resulting from this case also make provision for the recovery of OPEBs costs on an ASC 715 (previously FAS 106) basis. The Parties further agree that the Company shall continue to be authorized to apply its accounting policy for OPEBs consistent with ASC 715 (previously FAS 87) for pensions, for financial reporting purposes. The Parties agree that the rates established in this case for ASC (previously FAS 106) expenses include an allowance of Zero Dollars (\$0.00) (amount stated prior to application of transfer rate). The Company will fund the trusts based on ASC 715 (previously FAS 106) as calculated for financial reporting purposes. The difference between the amount of OPEB expense included in MGE's rates and the amount funded by MGE shall be recorded in a regulatory asset/liability, as appropriate, and such difference shall be recovered from or returned to customers in future rates and included in the Company's rate base in future rate proceedings. MGE may consider the funded status of the OPEB trusts in determining the allocation of contributions to the trusts.

15. In the event that ASC 715 (previously FAS 106) OPEB expense becomes negative, the Company shall set up a regulatory liability to offset the negative expense. In future years, when such expense becomes positive again, the amount in rates will remain zero until the prepaid liability, if any, which was created by the negative expense, is reduced to zero. The regulatory liability will be reduced by the same rate as the prepaid asset. This regulatory liability is a non-cash item and should be excluded from rate base in future years.

AUTHORIZATIONS/RESERVATION OF RIGHTS

16. The Parties agree that MGE shall, for book purposes, be authorized to continue to normalize the income tax timing differences inherent in the recognition of pension costs, OPEB costs, and recoveries as authorized in Paragraphs 5-15 of this Stipulation and Agreement by recording and recognizing in any future rates deferred income tax expense for such differences, provided that the Parties shall have the right to review and propose a different treatment of such timing differences in MGE's next general rate case proceeding.

17. The Parties agree that the rates recommended herein do not include any costs associated with the February 19, 2013 explosion at JJ's Restaurant (the "Incident"). MGE shall be authorized to defer and record to its own subaccount of FERC Account No. 182 as a regulatory asset all costs incurred or payments received by MGE in connection with the Incident, including, but not limited to: (a) all legal fees, outside expert fees, consulting fees or other similar fees and expenses incurred by or on behalf of MGE relating to the investigation and assessment of the Incident and any litigation activities associated with the Incident; (b) all unreimbursed damages or costs incurred or paid by or assessed against MGE as a result of the Incident; (c) all costs incurred to recover such costs from potentially responsible third parties and insurance companies; and (d) all reimbursements and recoveries of costs and damages from third parties and insurance companies. MGE shall have the right to seek recovery of any deferred costs, net of third party recoveries, in its next general rate case proceeding, provided that other Parties shall have the right to review and propose a different treatment of such costs, including the right to oppose any rate recovery of such costs. The fact that such costs and reimbursements are being deferred pursuant to this Stipulation and Agreement shall not be raised by MGE as a

reason why such costs or reimbursements should be included in rates in a future rate case proceeding.

18. The Parties agree that the rates recommended herein include an allowance of One Million Six Hundred Thousand (\$1,600,000) for the amortization of MGE's current regulatory asset relating to the assessment of Kansas Ad Valorem Taxes and One Million Four Hundred Thousand (\$1,400,000) to reflect an annual ongoing level of Kansas Ad Valorem Taxes. MGE shall be authorized to record as a regulatory asset/liability, as appropriate, the difference between any Kansas Ad Valorem taxes paid by the Company and the allowances included in rates, and such difference shall be recovered from or returned to customers in future rates through a five year amortization of such difference, provided that if the Company prevails in its current appeal challenging the lawfulness of such tax assessments, the Company shall apply interest to any amounts recovered in rates at the Company's short term debt rate but shall seek approval as soon as reasonably practical to flow through any difference to customers through a separate tariff mechanism. In the event the amortization of the asset or liability becomes fully amortized between rate cases, the amount included in rates between the date it became fully amortized and the effective date of rates in the next rate case shall be returned to shareholders or ratepayers, as appropriate, over a time period not to exceed five years.

19. The parties agree that the rate base offset agreed to by the parties in and ordered by the Commission in the MGE/Laclede merger case, Case No. GM-2013-0254, in Section II, Paragraph 2, Page 8, shall be changed to \$118,326,358. The balance of this rate base offset as of December 31, 2013 is \$114,382,146, and this amount shall be amortized over the remainder of the previously authorized ten year amortization period.

MGE CALL CENTER

20. Laclede Gas Company, and its MGE and Laclede operating units (hereinafter defined as “Company” for purposes of paragraph 22) shall provide written notice to the Staff and OPC regarding progress on the implementation of major systems affecting customer service levels, including but not limited to customer billing, customer call center operations, credit and collections, connection, disconnection and reconnection, payment remittance, service order process and meter reading billing operations.

(a) The Company will notify Staff and OPC in writing and within one business day of any final decision regarding the utilization of third-party call center or billing providers. By signing this Stipulation and Agreement, Staff and OPC are not indicating that they support a decision to outsource call center or billing functions.

(b) Within ten business days after implementation of any such change resulting from such a decision, the Company shall provide Staff and/or OPC copies of any requests for proposal (“RFP”) and vendor responses to that RFP, together with complete copies of all associated contracts. Company shall also provide copies of any analyses and/or studies performed to evaluate and support its decision to outsource such call center or billing services functions.

1. The parties acknowledge that such information may contain highly sensitive pricing and other information that may be subject to confidentiality agreements between the potential vendor and MGE.

2. The Company shall include in all contracts with third party vendors provisions permitting the Company to provide to Staff and OPC, at the Commission’s offices or other reasonable location, all information related to the vendors’ performance

of services for the Company. Staff and OPC shall be provided reasonable access to the information on a highly confidential basis. The Company cannot object to providing such information under the Commission's discovery rules for the reasons that such information is not in the custody, control or possession of the Company or that there is no pending case open before the Commission.

(c) Customer Service Performance Reporting. In the event of partial or full outsourcing of any or all call center functions by the Company, those outsourced functions will have the same reporting obligations as detailed in paragraph 12.a of GM-2013-0254. In addition, the Staff and OPC may request additional periodic meetings with the Company to discuss customer service operating procedures and the level of service being provided to its customers.

(d) In the event that either of the Company's Call Centers are outsourced, the Staff and OPC will be provided a comprehensive listing of all call center performance metrics the outsourced call center(s) utilizes to measure the service Missouri regulated customers receive, specific explanation as to how all metrics are calculated, as well as all performance and service goals of the outsourced call center. An example of such metrics will include but are not limited to the outsourced center(s)' utilization of Virtual Hold, Call Back in Queue or other call deferral technologies, Average Speed of Answer (ASA), Abandoned Call Rate (ACR), Company specific call volume, specific staffing of the outsourced center utilized to address Missouri calls including whether or not the outsourced personnel respond to Missouri calls exclusively. Any changes to the outsourced Integrated Voice Response ("IVR") shall be discussed with Staff and OPC in advance and prior to implementation. Staff and OPC will also be provided a description of the

training process the outsourced call center representatives will complete prior to and while responding to Missouri regulated customer calls.

(e) Customer Service Operating Procedures. The Company will have the same obligations with respect to all outsourced call center functions as detailed in Paragraph 12.c (1) - (9) and (13) – (14) of the Stipulation and Agreement in GM-2013-0254. Any reports or information required pursuant to Paragraph 12.c (10)-(12) of that Stipulation and Agreement will remain in effect with respect to Laclede Gas Company and its MGE division. In particular, the Company shall ensure that it identifies management employee(s) accountable for ensuring outsourced employees are trained in and maintain a working knowledge of Missouri customer service rules and regulations.

(f) Consistent with the treatment afforded under Section 16.01, Sheet No. R-92 of the Company's existing tariff provisions applicable to the use of customer-specific data, any customer specific data provided by the Company to a third party vendor, or obtained by a third party vendor, may not be used for any purposes other than the Company's regulated natural gas service. Nothing herein shall be construed as limiting the Company's right, upon 30 days advance notice, to propose for the Commission's consideration potential changes to such tariff or other parties from opposing such changes.

(g) Laclede Gas Company and MGE will notify the Commission Staff and OPC in writing of all call center or billing outsourcing or consolidation decisions thirty days prior to implementation.

(h) Laclede Gas Company, its Laclede Gas operating unit and its MGE operating unit will comply with all prior Commission ordered service quality and call center reporting regardless of any future call center outsourcing. Should the Staff or OPC determine that

additional call center reporting is required to ensure service does not decline the Company agrees to make reasonable efforts to accommodate Staff's or OPC's request, provided that if the parties are unable to reach agreement, they may bring the issue to the Commission for resolution.

ISRS

21. As required by Commission rules, the Company's current ISRS shall be reset to zero upon the effective date of new rates in this proceeding. Plant in service additions for inclusion in a future ISRS shall be limited to additions subsequent to December 31, 2013.

22. The Parties agree that for any ISRS established or changed between the effective date of new rates in this proceeding and the effective date of new rates in the Company's next general rate case proceeding, the overall pre-tax weighted average cost of capital of 9.75% shall be used to calculate the amount of the ISRS filing.

RED TAG/ONE-TIME ENERGY AFFORDABILITY PROGRAMS

23. The Parties recommend that the Company be permitted to defer and recover in future rates an amount up to One Hundred Thousand Dollars (\$100,000) to fund the Company's experimental Low Income "Red Tag" Repair Program (See specimen Tariff Sheet No. R-89). The Company shall also be permitted to defer and recover in future rates up to Four Hundred Thousand Dollars (\$400,000) to fund the one-time energy affordability programs set forth in specimen Tariff Sheet No. R-93.

CONSERVATION AND ENERGY EFFICIENCY PROGRAMS

24. The Parties recommend that the Company's energy efficiency initiatives be continued in accordance with their terms, except as amended in the tariffs attached hereto and as set forth below.

(a) The amount of Conservation and Energy Efficiency Program funding currently reflected in rates, and the starting balances in the Conservation and Energy Efficiency Program asset account, to which additional deferrals on and after December 31, 2013 shall be added, is \$9,226,037. No interest or carrying costs shall be accrued on any existing or future balances of the Company's Conservation and Energy Efficiency Programs until such balances are included in future rates. The rates reflected herein also include an allowance of \$244,000 to begin amortization of the Company's energy efficiency asset. Such amortization shall begin with the effective date of rates in this case and remain in effect for five years.

(b) The rates recommended herein include Seven Hundred and Fifty Thousand Dollars (\$750,000) annually for MGE to continue its existing low-income weatherization program, beginning on the effective date of new rates resulting from this proceeding. Any funds not expended in a given year shall be carried forward to the subsequent year. The funds shall be allocated and the program shall be otherwise operated pursuant to the existing program terms and conditions set forth in MGE Tariff Sheet Nos. 96-97 contained in Attachment 1 hereto.

(c) MGE will continue to work with its Energy Efficiency Collaborative ("EEC") to develop cost-effective conservation and energy efficiency programs under the same terms and conditions as exist today, except that, for the 12 month period beginning October 1, 2014, the funding level goals as referenced herein shall be updated to Two Million Six Hundred Fifty Thousand Dollars (\$2,650,000), which is .5% of the annual average of the Company's Missouri jurisdictional gas distribution operating revenues for the MGE service territory, including cost of gas for the fiscal years ending 2011, 2012 and 2013. For the 12 month period beginning each January 1st thereafter, such target levels shall be updated to .5% of the moving average of these

revenues over the three previous years. This updating method shall remain in effect until the effective date of a Commission order mandating otherwise in a subsequent rate case or until the parties unanimously agree to request and the Commission approves a different method or target level amount.

(d) Subject to its continuing right to defer and recover such amounts in future rate case proceedings, MGE further agrees to fund energy efficiency programs up to target levels, as determined in the same manner as the target level of the period beginning October 1, 2014. It is expressly recognized that the Parties will seek to meet these targeted funding levels, subject to agreement by the EEC on appropriate program expenditures, provided that the EEC agrees that such target levels may be exceeded by up to 25%, and that the EEC or any of its individual members may apply to the Commission for approval of an increase above 25%. Such appropriate program expenditures for the development, implementation and evaluation of energy efficiency programs that are not funded through rates shall be accumulated in a regulatory asset account at the time such expenditures are made, subject to a review by any party, including charter members of the EEC, for prudence as to implementation and evaluation of such programs. Such expenditures will then be reflected in MGE's rate base in its next general rate case in the same manner as other rate base items, provided that a ten-year amortization shall be presumed for such expenditures. No Party has raised an issue in this case through pre-filed testimony regarding the prudence of the costs of the C & EE regulatory asset balance of \$9,226,037 as of December 31, 2013. Any incremental expenditures after December 31, 2013, have not been reviewed; however, Staff and OPC may raise prudence concerns in the future.

(e) Except for any matter related to the recommended target levels referenced herein, in the event the charter members of the EEC are unable to agree, after full and good faith

negotiations, on any aspect of the programs, then any charter member may take the disputed matter to the Commission for resolution.

(f) At the recommendation of MGE's EEC, implementation of the Company's proposed EnergyWise and Insulation Financing programs shall be deferred pending further discussions of the EEC.

(g) The Parties agree to reconcile and synchronize the meetings, reporting and other processes of the MGE and Laclede EECs. Specifically, the Parties agree that: (1) the MGE and Laclede EECs shall hold meetings on a joint basis; (2) the reports, minutes and other documentation prepared by or for each EEC shall be in a format and structure similar to the reports, minutes and documentation previously provided by or on behalf of Laclede's EEC; and (3) that such materials shall be provided to MGE and Laclede EEC members at the same time and pursuant to the same schedule.

(h) The Company will no longer divide program expenditures proportionally between the SGS (up to 10%) and Residential (up to 90%) classes, but rather will allocate expenditures as determined by the EEC. MGE shall track expenditures by customer class and with whatever greater granularity as may be agreed upon by the EEC.

(i) The Parties understand and agree that the Division of Energy was, and shall remain, a charter member of the EEC. The Division of Energy was formerly a part of the Department of Natural Resources ("DNR"), but was transferred to the Department of Economic Development ("DED") on August 29, 2013 by Executive Order 13-03. The Executive Order transfers "all authority, powers, duties, functions, records, personnel, property, contracts, budgets, matters pending, and other pertinent vestiges of the Division of Energy from the Missouri Department of Natural Resources to the Missouri Department of Economic

Development....” As stated above, the Division of Energy is a charter member of the EEC and continues in that role after its transfer to DED. References to DNR should be revised to refer to DED-Division of Energy accordingly.

(j) The Charter Members of the MGE EEC hereby agree and accept the MGUA as an appropriate party to participate in the EEC process and vote on MGE-related matters. MGUA shall provide to MGE and the other Charter Members contact information, including contact name(s), telephone number(s), and physical and electronic mailing addresses. The Charter Members shall provide the MGUA advance notice of EEC meetings and, subject to appropriate confidentiality agreements, other information pertaining to the EEC.

DEPRECIATION

25. The Parties agree and recommend that the Commission approve the depreciation rates and other depreciation proposals set forth in Schedule JAR (DEP)-1 from Appendix 3 of the Staff Cost of Service Report filed by Staff on January 29, 2014, as supplemented to provide a depreciation rate for the MGE-specific portion of the enterprise information management system that will be implemented for MGE in the next several years, as shown in Attachment 2 hereto. Upon receipt of additional information regarding the MGE-specific portion of the system, OPC or any other party shall be free to propose a different depreciation rate in the Company’s next general rate case proceeding. The Parties further recommend that such depreciation rates be reflected on MGE’s books and records effective with the beginning of Laclede Gas’ current fiscal year on October 1, 2013, provided that any future rate base determination shall be calculated as if the current depreciation rates had remained in effect through the effective date of new rates in this proceeding. This means that MGE’s book financial adjustments reflect the lower depreciation rates than those currently ordered for the period between October 1, 2013 and

the effective date of the Order approving this Stipulation and Agreement. These financial adjustments shall not result in any increase to rate base through a decrease to the depreciation reserve on a regulatory book basis and shall not have any future customer rate impact for any amortization of a future regulatory asset or liability associated with MGE's booked financial adjustments for the same period.

ADDITIONAL AGREEMENTS

26. MGE withdraws its proposal to establish a Gas Supply Incentive Plan in this case (Proposed Tariff Sheet Nos. 24.4-24.6), but reserves the right to propose such a Plan or other similar incentive mechanism at a later time consistent with the provisions of paragraph 14.f. of the Stipulation and Agreement in Case No. GM-2013-0254.

27. MGE agrees to meet with OPC and Staff and other interested parties upon conclusion of this proceeding to discuss potential capital structures or approaches that could be used for ratemaking purposes, provided that nothing herein shall be construed as an acquiescence by any party regarding what is the most appropriate and reasonable approach to this issue in the future.

28. MGE shall continue to provide to Staff and OPC monthly financial reporting as required by the Stipulation and Agreement in Case No. GM-2013-0524, that shall be consistent with SEC financial reporting requirements. Such monthly reports shall reflect financial results for MGE regulated and non-regulated operations on a separate basis. MGE shall also provide to Staff and OPC variance reporting reflecting all changes in all revenues, expenses and capital investment on a monthly basis.

OTHER PROVISIONS

29. Except as otherwise expressly specified herein, none of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation, depreciation or revenue-related method, or any service or payment standard; and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other Commission or judicial review or other proceeding, except as otherwise expressly specified herein. Nothing in this Stipulation and Agreement shall preclude the Staff in future proceedings from providing recommendations as requested by the Commission nor limit Staff's or OPC's access to information in any other proceedings, or limit Staff's or OPC's right to file an over-earnings complaint. Nothing in this Stipulation and Agreement shall be deemed a waiver of any statute or Commission regulation.

30. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event that the Commission does not approve this Stipulation and Agreement or approves this Stipulation and Agreement with modifications or conditions to which a Party to this proceeding objects, this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

31. 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 536.080.1 (RSMo. 2000) to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.070. (RSMo. 2000); and their respective

rights to judicial review of the Commission's Report and Order in this case pursuant to Section 386.510 (RSMo. 2000).

32. The Parties agree that all of the pre-filed testimony submitted in this case, as well as affidavits prepared and filed by any of the Parties in lieu of Memoranda in Support, that relates to any issue resolved by this Stipulation and Agreement shall be received into evidence without the necessity of the respective witnesses taking the stand.

33. The Staff 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. Staff shall, to the extent reasonably practicable, provide the other Parties with advanced notice of the agenda in which Staff will respond to the Commission's request for information. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged, highly confidential, or proprietary.

34. If the Commission so requests, the Staff shall file suggestions or a memorandum in support of this Stipulation and Agreement. Each of the other 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 to the case. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other Parties in this case, whether or not the Commission issues an Order approving this Stipulation and Agreement.

35. To assist the Commission in its review of this Stipulation and Agreement, the Parties also request that the Commission advise them of any additional information the

Commission may desire from the Parties relating to the matters addressed in this Stipulation and Agreement, including any procedures for furnishing such information to the Commission.

36. The non-signatory parties to this case have had an opportunity to review this Stipulation and Agreement and have indicated they will not object to it or request a hearing on the issues resolved.

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,

LACLEDE GAS COMPANY,
doing business as Missouri Gas Energy

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