

ATTACHMENT B

Case No. GM-2005-0136

During the original application by Tartan Energy Company, LC d/b/a SMGC which was later sold to DTE, Tartan agreed to bear the risk for any missed or overstatement in estimates of the construction and operational costs that were identified in the Stipulation and Agreement filed in Case No. GA-94-127. As a condition of the Stipulation and Agreement, the Commission Order in Case No. GA-94-127 states, “Tartan bears most of the risk if it has underestimated the economic feasibility of its project, and the public benefit outweighs the potential for underestimating these costs.”

In the matter of the application of Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, for a certificate of convenience and necessity authorizing it to construct, install, own, operate, control, manage and maintain gas facilities and to render gas service in and to residents of certain areas of Wright, Texas, Howell, Webster, Greene and Douglas Counties, including the incorporated municipalities of Seymour, Cabool, Houston, Licking, Mountain Grove, Mountain View, West Plains, Ava, Mansfield, Marshfield and Willow Springs, Missouri. 3 Mo. P.S.C. 3d 173, 189 (1995).

Staff believes as part of the transfer of property in this case, resulting from Case No. GA-94-127, Company agreed to “bear most of the risk” of building the system even though economic feasibility was a concern. The original application assumed that “Company would bear most of the risk” that the system might not meet revenue expectation or the system might cost more to build than was originally estimated. The risk was accepted and agreed to by the original applicant in securing authorization to build the system and Staff believes this risk should remain on Sendero and not on

SMGC's customers. Sendero does not agree with Staff's position and reserves the right to take a different position.

Staff further believes that the condition concerning the imputation of revenues for customer volumes expected to be achieved in the original estimate should remain as agreed to in the original application to provide service in Case No. GA-94-127, or at least until such time as SMGC files a rate case and the Commission issues an Order approving the termination of the revenue imputation.

NOTE: In the event that anything in this Attachment B conflicts with the Commission order noted above, the Order shall control.