

Southern Missouri Gas Company

Unanimous Stipulation and Agreement

Case: GC-2006-0180

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

Office of the Public Counsel)	
)	
Complainant,)	
)	
v.)	Case No. GC-2006-0180
)	
Southern Missouri Gas Company, L.P.)	
)	
Respondent.)	

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW Office of the Public Counsel ("Public Counsel"), the Staff of the Missouri Public Service Commission ("Staff") and Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas ("SMNG" or "Company")(collectively referred to as "Signatory Parties"), by and through their respective counsel, and pursuant to 4 CSR 240-2.115, submit the following Stipulation And Agreement which, if approved by the Missouri Public Service Commission ("Commission"), will dispose of all issues in this proceeding:

Procedural History

1. The Public Counsel filed a complaint against SMNG on October 21, 2005, alleging that the Company has failed to comply with Commission Rule 4 CSR 240-40.018. The Commission issued its Notice of Complaint on October 24, 2005, and the Company timely filed its Answer and Motion To Dismiss on November 23, 2005. The Commission issued its Order Denying Motion To Dismiss on December 22, 2005.

2. A prehearing conference was held on December 13, 2005. The parties also met to

discuss the issues in this case on January 18, 2006 and informally thereafter.

Agreed Upon Terms and Conditions

3. As a result of settlement negotiations, Public Counsel, Staff and SMNG hereby offer the following stipulations and agreements to resolve the issues that are the subject of the Public Counsel's Complaint in this proceeding:

a. The Signatory Parties agree that it is reasonable and appropriate to establish a formal process for SMNG to provide the Commission, Commission Staff and Public Counsel with information regarding natural gas physical purchases and hedging provided each spring and updates provided each summer and early fall. This process will include provisions for notification to the Commission, Commission Staff and Public Counsel if any substantial changes to plans are made prior to a scheduled update. Any review of SMNG's plan and any resulting comments of Staff or Public Counsel shall not be construed as pre approval of SMNG's gas purchasing plans or practices and shall in no way be a substitute for Staff's PGA/ACA audit process and may not be used as a defense of SMNG's decision making concerning either its reliability planning or the prudence of its hedging or other gas buying decisions.

b. In order to initiate the process discussed in Paragraph 3a. above, SMNG agrees to prepare a gas supply plan that will include how management plans to implement its natural gas physical purchases and hedging strategies for the upcoming winter of 2006-2007. The gas supply plan will use a planning horizon of at least three years. The gas supply plan shall be submitted to the Commission, Commission Staff and Public Counsel by April 1, 2006. The plan shall be updated on July 1, 2006 and October 1, 2006. In the event that there

are substantial changes to SMNG's gas supply plan between scheduled updates, SMNG will provide notice to the Commission, Commission Staff and Public Counsel and submit a follow-up status report outlining the changes, the actual status of hedges in place, and explaining any reasons SMNG changed its gas supply plan or otherwise deviated from its plan.

c. Unless ordered by the Commission, SMNG agrees to prepare a gas supply plan consistent with the process discussed in Paragraph 3b. above, each year until the effective date for new rates approved in the Company's next general rate case, or until the Signatory Parties hereto otherwise mutually agree that the filing of such plans are no longer necessary.

d. The Signatory Parties agree that SMNG's initial gas supply purchasing and hedging strategies plan to be filed on April 1, 2006, for the 06-07 winter heating season shall adhere to the following requirements: (1) SMNG will secure a minimum of 20% of normal winter heating-season gas supply at fixed prices or otherwise hedged against market exposure, no later than April 30, 2006, unless good cause is shown for deviating from this benchmark; (2) SMNG will secure a minimum of 40% normal winter heating-season gas supply at fixed prices or otherwise hedged against market exposure, no later than July 15 of 2006, unless good cause is shown for deviating from this benchmark; (3) SMNG will secure a minimum of 55% of normal winter heating-season gas supply at fixed prices or otherwise hedged against market exposure, no later than October 1, 2006, unless good cause is shown for deviating from this benchmark. Notwithstanding these minimum hedging percentage requirements, the Company shall still be responsible for making prudent decisions

concerning but not limited to: the timing of any hedges, the quantity hedged, and the type of hedging instrument used and the terms of the hedging instrument. Review of the plan by Staff or Public Counsel shall not be considered to be pre-approval of the plan nor shall it be construed in any way to replace the staff's PGA/ACA audit process and may not be used as a defense of SMNGC's decision making concerning either its reliability planning or the prudence of its hedging or other gas buying decisions.

e. The terms "fixed prices" and "otherwise hedged against market exposure" shall not include so-called "first-of-month (FOM)" pricing or "basis hedging".

f. The term "normal winter heating-season" shall mean normal weather for the five months of November, December, January, February, and March. The minimum requirements shall be achieved on a monthly basis for each month of the "normal winter heating-season".

g. Non-winter months shall mean the months of April through October. These months should be evaluated by the Company for prudent hedges but no minimums are stated for the purposes of this Stipulation and Agreement.

h. The Signatory Parties agree that SMNG's gas supply purchasing and hedging strategies plans filed by April 1, of each year subsequent to April 1, shall adhere to the guidelines set forth in 3 d (1)-(3) unless good cause is shown for deviating from these benchmarks.

i. SMNG retains all responsibility for its decisions regarding gas purchasing and hedging and will remain subject to prudence reviews as part of the annual PGA/ACA processes, and any rate case and complaint proceedings. Public Counsel and the

Commission Staff shall retain the ability to challenge the prudence of any gas purchasing or hedging activities undertaken by SMNG.

j. The Signatory Parties also agree that it is reasonable and appropriate to establish a process by which SMNG will receive comments on its gas purchasing and hedging plan submissions in a timely manner so as to not delay SMNG's implementation of its plan. Public Counsel and Staff agree to provide SMNG with any comments in writing within thirty (30) days after SMNG submits an initial plan, regular update or notice and follow-up status report to Public Counsel and Staff. Public Counsel's and Staff's comments, however, will be informal and preliminary only and shall not be considered to constitute a review of SMNG's prudence or reliability for ACA/PGA reviews, and may not be used as a defense of SMNGC's decision making concerning either its reliability planning or the prudence of its hedging or other gas buying decisions.

5. SMNG also agrees it will permit customers to enter into payment arrangement that would recover any arrearages above the minimum payment requirement under 4 CSR 240-13.055 to be re-connected to the natural gas system over an eighteen (18) month period rather than the twelve (12) month period currently required by 4 CSR 240-13.055. SMNG will inform customers inquiring about reconnection of this option. SMNG will annually advertise the availability of this option through newspaper or radio announcements, and provide a copy of the advertisement to Public Counsel and Staff.

6. SMNG agrees to initiate a rebate program designed to encourage the installation of new energy efficient, ENERGY STAR[®] qualified natural gas furnaces in the Company's service area. SMNG agrees to file with the Commission tariff sheets which implement an expanded rebate

program for new energy efficient, ENERGY STAR[®] qualified natural gas furnaces and new natural gas water heaters within ten (10) days of the effective date of the Order Approving Stipulation And Agreement. (See Sample Tariff in Attachment No. 1).

7. The Complaint filed on October 21, 2005 in this matter will be dismissed without further action of the parties upon the approval of the Stipulation And Agreement by the Commission. The parties agree that the case may be closed following the approval of the Stipulation And Agreement herein.

General Provisions

8. This Stipulation and Agreement shall become effective upon Commission approval without modification by final Commission order. Such order becomes "final" either by issuance of a Commission order on rehearing or, if no rehearing request is filed, upon the effective date of the Commission's order approving the Stipulation And Agreement.

9. 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. Specifically, this Stipulation and Agreement shall not limit in any way, nor be used by any party to limit any party's review, audit or the recommendations made in any current or future PGA/ACA case. Further this Stipulation and Agreement shall not be used to defend against any disallowances any party may propose or recommendations that any party may make in any current or future ACA/PGA proceeding.

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

11. All parties further understand and agree that the provisions of this Stipulation and Agreement relate only to the specific matters referred to in the Stipulation and Agreement and no Party waives any claim or right which it otherwise may have with respect to any matters not expressly provided for in this Stipulation. All parties further reserve the right to withdraw their support for the settlement in the event that the Commission modifies the Stipulation and Agreement in a manner which is adverse to the party withdrawing its support and further, all parties reserve the right to contest any such Commission order modifying the settlement in a manner which is adverse to the party contesting such Commission order. Additionally all parties agree that the stipulations and agreements reached in this case have no precedential effect in any future case filed or other case pending in front of this Commission.

12. 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. If this

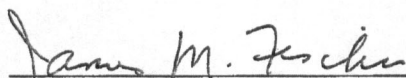
Stipulation and Agreement is not approved by the Commission, the Parties request that a procedural schedule be established which provides for a hearing, to include the opportunity for cross-examination.

13. Staff shall, within seven (7) business days of the filing of this Stipulation and Agreement, file with the Commission suggestions or a memorandum in support of this Stipulation and Agreement and the other parties shall have the right to file responsive suggestions within five (5) days of receipt of Staff's memorandum.

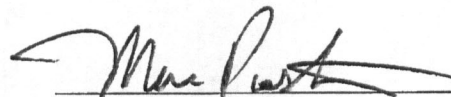
14. The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, promptly provide other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

WHEREFORE, the undersigned parties respectfully request that the Commission issue its Order approving all of the terms and conditions of this Unanimous Stipulation and Agreement.

Respectfully submitted,



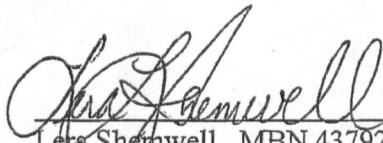
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Natural Gas

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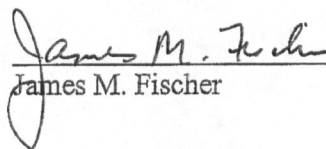
Attorney for the Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been
hand-delivered, emailed or mailed, First Class, postage prepaid, this 10th day of March, 2006, to:
13th

Lewis Mills
Office of the Public Counsel
P.O. Box 2230
Jefferson City, MO 65102

Lera Shemwell
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102



James M. Fischer

FORM NO. 13 P.S.C.

No. 1

(original)

Sheet No. 72

Cancelling P.S.C. MO

No. 1

1st (revised)

(original)

Sheet No. 72

(revised)

Southern Missouri Gas Company, L.P.

d/b/a Southern Missouri Natural Gas

Name of Issuing Corporation

All Communities and Rural Areas

For Receiving Natural Gas Service

Community, Town or City

Experimental Water Heater and Furnace Rebate Program**Application:**

The Experimental Water Heater and Furnace Rebate Program (Program) offered by Southern Missouri Gas Company, LP d/b/a Southern Missouri Natural Gas (SMNG or Company) to customers in its designated service area is designed to encourage more effective utilization of natural gas by encouraging energy efficiency improvements. The program provides rebates to current and new residential and commercial customers who purchase and install new, more energy efficient natural gas water heaters and Energy Star® Qualified Furnaces to replace existing less efficient equipment. The program encourages effective utilization of natural gas in new construction in the Company's service area by providing rebates to builders, developers, sub-contractors and that sell and/or install new, more energy efficient, natural gas water heaters and Energy Star® Qualified Furnaces in residential and commercial units under construction or renovation. The Company plans to contract with certain appliance stores in their service area to provide point of purchase rebates on natural gas water heaters and Energy Star® Qualified Furnaces as a convenience to participants in the Program. The Company will provide installation of water heaters for the safety and convenience of participants in the Program. This Program is pursuant to the Unanimous Stipulation and Agreement approved by the Missouri Public Service Commission in Case No. GC-2006-0180.

Definitions:

Administrator: Company will administer the Program.

Funds: The Program is funded by the Company.
The Company anticipates 100-150 participants annually, so the estimated cost of the Program would be \$10,000 - \$20,000 annually.

Participant: Current residential customer or new residential customer in the SMNG service area who purchases and installs a new natural gas water heater and/or new Energy Star natural gas furnace. To qualify for the rebate the customer must complete and submit the SMNG application for the rebate and allow SMNG personnel to inspect the new installation. If the new water heater or new furnace is replacing existing equipment the customer must also allow SMNG to inspect the equipment replaced.

DATE OF ISSUE March, 2006
month day year

DATE EFFECTIVE April, 2006
month day year

ISSUE BY Randal T. Maffett
name of officer

Managing Partner
title

301 E. 17th Street, Mountain Grove, MO 65711
address

— Attachment No. 1 —

FORM NO. 13 P.S.C. No. 1

(original)

Sheet No. 73

Cancelling P.S.C. MO No. 1

1st (revised)

Sheet No. 73

Southern Missouri Gas Company, L.P.

d/b/a Southern Missouri Natural Gas

Name of Issuing Corporation

All Communities and Rural Areas

For Receiving Natural Gas Service

Community, Town or City

Current commercial customer or commercial residential customer in the SMNG service area who purchases and installs a new natural gas water heater and/or new Energy Star® natural gas furnace. To qualify for the rebate the customer must complete and submit the SMNG application for the rebate and allow SMNG personnel to inspect the new installation. If the new water heater or new furnace is replacing existing equipment the customer must also allow SMNG to inspect the equipment replaced.

Builder, developer, or sub-contractor of new or renovated residential or commercial units in the SMNG service area who purchases and installs a new natural gas water heater and/or new Energy Star® natural gas furnace. To qualify for the rebate the builder, developer, or sub-contractor must complete and submit the SMNG application for the rebate and allow SMNG personnel to inspect the new installation. If the new water heater or new furnace is replacing existing equipment the builder, developer, or sub-contractor must also allow SMNG to inspect the equipment replaced.

Purpose:

This Program is intended to promote the use of energy efficient natural gas water heaters and Energy Star® qualified natural gas furnaces.

Availability:

This voluntary program is available to current and new residential and commercial customers in the SMNG service area. The voluntary program is also available to builders, developers, sub-contractor installing natural gas water heaters and Energy Star® qualified furnaces in newly-constructed or renovated residential and commercial units in the Company's service area. This Program is available for buildings which heat exclusively with natural gas.

Rebates:

Residential:

- 1) The Administrator will rebate \$40 as a credit on the participant's SMNG bill for a current or new customer replacing an existing natural gas water heater with a new, more energy efficient natural gas water heater.
- 2) The Administrator will rebate \$100 as a credit on the participant's SMNG bill for a current or new customer replacing an electric water heater with a new, more

DATE OF ISSUE March, 2006
month day year

DATE EFFECTIVE April, 2006
month day year

ISSUE BY Randal T. Maffett
name of officer

Managing Partner
title

301 E. 17th Street, Mountain Grove, MO 65711
address

FORM NO. 13 P.S.C.

No. 1

(original)

Sheet No. 74

Cancelling P.S.C. MO

No. 1

1st (revised)

(original)

Sheet No. 74

Southern Missouri Gas Company, L.P.

d/b/a Southern Missouri Natural Gas

Name of Issuing Corporation

For All Communities and Rural Areas

Receiving Natural Gas Service

Community, Town or City

energy efficient natural gas water heater.

- 3) The Administrator will rebate \$250 as a credit on the participant's SMNG bill for a current or new customer replacing an existing furnace with an Energy Star® qualified natural gas furnace.

Commercial:

- 1) The Administrator will rebate \$40 as a credit on the participant's SMNG bill for an current or new customer replacing an existing natural gas water heater with a new, more energy efficient natural gas water heater.
- 2) The Administrator will rebate \$100 as a credit on the participant's SMNG bill for a current or new customer replacing an electric water heater with a new, more energy efficient natural gas water heater.
- 3) The Administrator will rebate \$250 as a credit on the participant's SMNG bill for current or new customer replacing an existing electric furnace with an Energy Star® qualified natural gas furnace.

Builder, Developer, or Sub-Contractor

- 1) The Administrator will rebate \$150 as cash, check or credit payment to a Participant for installing a new, more energy efficient natural gas water heater in any newly-constructed or renovated residential or commercial unit.
- 2) The Administrator will rebate \$250 as cash, check or credit payment for a Participant installing a new Energy Star® qualified furnace in any newly-constructed or renovated residential or commercial unit.

Point of Purchase Rebates

The Company plans to contract with certain appliance stores that serve customers located in the Company's service area to provide point of purchase rebates on natural gas water heaters and Energy Star® furnaces as a convenience to qualified participants in the Program.

DATE OF ISSUE March, 2006
month day year

DATE EFFECTIVE April, 2006
month day year

ISSUE BY Randal T. Maffett
name of officer

Managing Partner
title

301 E. 17th Street, Mountain Grove, MO 65711
address

FORM NO. 13 P.S.C. No. 1

(original)
1st (revised)

Sheet No. 75

Cancelling P.S.C. MO No. 1

(original)
(revised)

Sheet No. 75

Southern Missouri Gas Company, L.P.
d/b/a Southern Missouri Natural Gas
Name of Issuing Corporation

All Communities and Rural Areas
For Receiving Natural Gas Service
Community, Town or City

Company Installation of Water Heaters

The Company will provide installation of water heaters for the safety and convenience of participants in the Program.

Terms of Rebate:

- 1) A complete application form must be submitted to SMNG and a Company inspection is required of participants.
- 2) The rebate applies to all participants and the rebate is between the Company and the participant.
- 3) Rebates must be redeemed through the Administrator.
- 4) All rebates are subject to review by the Administrator.
- 5) The customer will not be required to reimburse an appliance store which provided a point of purchase rebate in the event that the customer is subsequently determined not to be eligible to be a participant in the rebate program.

Term of Program:

The Program will conclude on December 31, 2008, unless it is extended by the Company before that date.

On October 1, of every year that the Program is in effect, the Company will provide the Commission Staff and the Office of the Public Counsel with detailed information to evaluate the success of the program.

Within three months of the Program's conclusion, the Company will provide to the Commission Staff and the Office of the Public Counsel a final report detailing the overall success of the Program.

DATE OF ISSUE March, 2006
month day year

DATE EFFECTIVE April, 2006
month day year

ISSUE BY Randal T. Maffett
name of officer

Managing Partner
title

301 E. 17th Street, Mountain Grove, MO 65711
address

FORM NO. 13 P.S.C. No. 1

(original)
1st (revised)

Sheet No. 70

Cancelling P.S.C. MO No. 1

(original)
(revised)

Sheet No. 70

Southern Missouri Gas Company, L.P.

d/b/a Southern Missouri Natural Gas

Name of Issuing Corporation

For All Communities and Rural Areas

Receiving Natural Gas Service

Community, Town or City

RULES AND REGULATIONS (cont.)

(34) Special Meter Readings

At the customer's request, the Company will read a customer's meter at a special time by appointment when the meter cannot be read or is not being read by the regular meter reader. When such a meter reading is made, a special meter reading charge shall be made.

(35) Collection Trip Charge

When the Company makes a service trip for the purpose of disconnection of service because of non-payment, and customer pays Company's personnel, at customer's premises, to prevent said disconnect, an additional charge (a trip charge) will be billed to the customer for the recovery of the expense of Company personnel traveling to customer's premises.

(36) Average Payment Plan

By mutual agreement between the customer and the Company, any customer in all customer classifications may be billed on the Average Payment Plan (the Plan), providing the customer satisfies the Company's credit requirements. Although customers may enter the Plan program any month of the year by contacting the business office, the Company will encourage customers to enter the program during the month of July each year. During July, customers will be notified of the Plan by the Company issuing a bill containing two amounts for current Average Plan Customers, the actual amount and the payment due under the Plan. If the customer elects to go with the Plan, he pays the average amount.

The Company will calculate the customer's total annual bill based on twelve months of historical usage as adjusted for any significant rate change, abnormal weather conditions or other factors. The first average amount due will be that total divided by twelve. If the customer is new and historical data is not available, the customer will be billed on the most accurate information that is available at the time of the request. Southern Missouri will use one of two methods to estimate the annual usage, either the average Ccf usage stated in the Feasibility Study or on the average actual annual usage of all residential customers in service.

DATE OF ISSUE April 6, 2006
month day year

DATE EFFECTIVE May 6, 2006
month day year

ISSUE BY Randal T. Maffett Managing Partner 301 E. 17th Street, Mountain Grove, MO 65711
name of officer title address

FORM NO. 13 P.S.C.

No. 1

(original)

Sheet No. 71

Cancelling P.S.C. MO

No. 1

3rd (revised)

(original)

Sheet No. 71

2nd (revised)

All Communities and Rural Areas

Southern Missouri Gas Company, L.P.

d/b/a Southern Missouri Natural Gas

Name of Issuing Corporation

For Receiving Natural Gas Service

Community, Town or City

RULES AND REGULATIONS (cont.)

Typically, the Company will adjust the average billing during the fourth and eighth months of each twelve month period under the Plan, if the recalculated average payment amount reflects an increase of \$5.00 or more. Settlement of accounts will occur when participation in the Plan is terminated. No interest shall be due from or payable to the customer on the difference between actual and average usage.

(37) Promotional Practices

In compliance with rules prescribed by 4 CSR 240-14.010(1), a schedule is herein set forth prescribing all promotional practices being engaged in by the utility as of the effective date which are not in violation of 4 CSR 240-14.

Conversion Policy

A variance to 4 CSR 240-14.020(5) was granted by the Missouri Public Service Commission in Case No. GR-94-127, and extended in Case No. G0-98-172. This promotional practice is being provided on a uniform basis to the residential and commercial classes of customers as described in the terms and conditions contained in Section 29 - Free Conversion Rules and Regulations of Southern Missouri's Natural Gas Tariff Number 1.

The purpose of this promotional practice is to encourage the connection of more customers, some of whom may not be able to afford the conversion, and should result in safer, more cost-saving construction and lower rates to all customers. This promotional practice is provided by the Company pursuant to its Tariff Sheets No 63-67.

The program will conclude on December 31, 2009, unless it is extended by the Company before that date.

DATE OF ISSUE November 9, 2005
month day yearDATE EFFECTIVE December 9, 2005
month day year

December 23, 2005

ISSUE BY Randal T. MaffettManaging Partner301 E. 17th Street, Mountain Grove, MO 65711

name of officer

title

address

FILED**MO PSC**

BAM SUP DIR-1 Page 57