

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

In the Matter of the General Rate Increase            )  
for Natural Gas Service Provided                    )  
by Missouri Gas Utility, Inc.                            )            Case No. GR-2008-0060

In the Matter of Missouri Gas Utility, Inc.'s        )  
Purchased Gas Adjustment (PGA) Factors            )  
To be Audited in Its 2005-2006 Actual Cost        )            Case No. GR-2007-0178  
Adjustment.

**UNANIMOUS  
STIPULATION AND AGREEMENT**

COME NOW Missouri Gas Utility, Inc. (MGU or Company), the Staff of the Missouri Public Service Commission (Staff), and the Office of the Public Counsel (Public Counsel), and respectfully state to the Missouri Public Service Commission (Commission) that, as a result of negotiations, the undersigned parties have reached the unanimous stipulations and agreements contained herein.

1.     **Issues Settled.** This Stipulation and Agreement is intended to settle among the Parties for purposes of the above captioned cases all issues previously identified through testimony in Case No. GR-2008-0060 and Case No. GR-2007-0178. The Signatories recommend that the Commission accept this Stipulation and Agreement as a fair compromise of their respective positions on these issues.

2.     **Annual Revenue Requirement.** MGU shall be authorized to file revised tariff sheets containing rate schedules for natural gas service designed to produce overall Missouri jurisdictional gross annual gas revenues, exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar fees or taxes, in the amount of \$878,201, an increase of \$301,000 annually. The revised specimen tariff sheets designed to implement this agreement are attached as **Appendix A**.

3. **Rate Design/Class Cost of Service.** The Parties agree that the revenue increase established in this case shall be allocated in accordance with the amounts set forth on **Appendix B** hereto. The tariff sheets set forth in Appendix A to this Agreement reflect the Parties' agreement as to the various components of the Cost of Service, including: use of transportation revenue in the amount of \$170,000, deducted from the revenue requirement, in order to solve for retail sales rates; an equal percentage increase in all classes' revenues for GS, CS and LVS; volume and customer count determinants per the Staff's case; a customer charge for General Service in the amount of \$15, and an equal percentage increase for all other classes' rate components; and, the use of the Conception, Missouri weather station for weather normalization.

4a. **MGU prospective accounting changes – capitalization of costs.** No later than April 1, 2008, the beginning of its next fiscal year, MGU will implement more detailed time coding for MGU employees in order to provide the ability to assign time to sales and promotion efforts. All costs incurred by MGU, or allocated to it by CNG Holdings, Inc. (CNG Holdings) or other affiliated entity, in relation to promotional, demonstrating, and selling activities, the object of which is to promote or retain the use of utility services by present and prospective customers of MGU, is to be charged to expense as incurred beginning no later than April 1, 2008. MGU shall fully abide by the provisions of the Uniform System of Accounts (USOA) - Gas Corporations (4 CSR 240-40.040), including the Gas Plant Instructions included therein. MGU shall not include in its plant in service balances any direct costs not specifically listed in section 20,043 of the USOA as being potentially subject to capitalization and that do not otherwise meet the USOA criteria for capitalization. MGU shall not include in its plant in service

balances any overhead costs that do not comply with the USOA criteria for capitalization of overhead costs in section 20,044 of the USOA. These provisions shall apply to MGU's plant accounting whether the costs are directly incurred by MGU or were allocated from CNG Holdings or other affiliated companies.

**4b. MGU Prospective Accounting Changes – Corporate Governance.** As of April 1, 2008, the beginning of its next fiscal year, MGU will implement more detailed time coding for CNG Holdings employees in order to provide the ability to track corporate governance efforts. "Corporate governance" shall be defined as those activities related to maintenance of CNG Holdings current corporate structure, or those activities related to consideration of or implementation of prospective changes in CNG Holdings' corporate ownership structure. Corporate governance costs shall include any incurred costs related to investigation of or implementation of merger/acquisition/purchase/sale opportunities affecting CNG Holdings or any of its affiliates, including MGU. All corporate governance costs incurred by CNG Holdings employees or its affiliates' employees shall be segregated and separately identified on CNG Holdings or its affiliates' books and records, and shall not be allocated to MGU for inclusion in MGU's financial statements. Any costs incurred directly by MGU employees relating to corporate governance activities shall likewise be segregated and separately identified on MGU's books and records .

**4c. MGU Prospective Accounting Changes – Regulatory Costs.** Beginning no later than April 1, 2008, MGU shall include all costs incurred by it, or allocated to it by CNG Holdings or other affiliates, in connection with formal cases before the Missouri Public Service Commission in USOA account 928, Regulatory

Commission Expenses. These costs shall not be capitalized into MGU's plant in service balances.

4d. **MGU Prospective Accounting Changes – Other.** Beginning no later than April 1, 2008, MGU will separately record disconnection revenues, reconnection revenues and occurrences of disconnection and reconnection on a going forward basis.

5. **Tariff changes.** The revised specimen tariff sheets attached as Appendix A include the following changes from MGU's existing tariff provisions: a disconnect charge, reconnect charge and trip charge in the amount of \$40 for each event; an insufficient funds charge in the amount of \$30; the removal of language in existing tariff sheet number 82 that provides that labor rates are subject to change without notice; and customer deposit interest language that is consistent with Staff's preference.

6. **Case No. GR-2007-0178.** MGU should be ordered to adjust the ACA account balance in its next ACA filing to reflect the following adjustments and to reflect the (over)/under-recovered ACA balance as found in the Staff Recommendation filed in Case No. GR-2007-0178 on August 16, 2007:

<b>Description</b>	<b>Company's ACA Balance Per Filing</b>	<b>Staff Adjustments</b>	<b>Staff Recommended ACA Balance</b>
Beginning Balance 9/1/05	\$(35,355)	\$(3,861)	\$(39,216)
Cost of Gas	\$628,142	\$(12,482)	\$615,660
Recoveries	\$(654,292)		\$(654,292)
Interest on Under- or (Over-)Recovery of ACA Gas Costs	\$370	\$(692)	\$(322)
Company	\$17		\$17

Adjustment Not in Ending Balance			
Ending Balance 8/31/06	\$(61,118)	\$(17,035)	\$(78,153)

7. **Class Cost of Service Study.** At the time it files its next general or small company rate case, MGU will provide to Staff and Public Counsel the items the parties need to perform a class cost of service study as identified in **Appendix C** attached hereto.

8. **One-Time Contribution of Conservation Funds.** Within thirty (30) days after the effective date of new rates resulting from this case, MGU will make a one-time contribution in the amount of \$3,717 to Green Hill Community Action Agency in order to promote conservation of natural gas usage. Public Counsel and Staff agree to not file any pleading seeking the right to pursue penalties against MGU for issues related to non-sufficient funds charges or disconnect and/or reconnect charges as referenced in the Direct Testimony of Public Counsel witness Barbara A. Meisenheimer, submitted January 18, 2008, at pages 3 through 7, line 7, only for the time period referenced.

9. **Annual Contribution of Conservation Funds.** On an annual basis, MGU will either make a contribution in the amount of \$9,000 to Green Hill Community Action Agency in order to promote conservation of natural gas usage for natural gas space heating customers or spend a like amount through a Commission-approved program for the same purpose.

10. **Rate Case Moratorium.** Each of the Parties agrees that before April 1, 2011, it will not file any tariff or pleading with the Commission, or encourage or assist in

the filing of any tariff or pleading with the Commission, which tariff or pleading seeks a general increase or decrease in the base rates of MGU unless a significant, unusual event that has a major impact on the Company occurs, including but not limited to: (i) terrorist activity or an act of God; (ii) a significant change in federal or state tax laws; or, (iii) a significant change in federal or state utility or environmental laws or regulations.

11. **Effective Date of Rates.** The Parties request that the Commission consider and approve this Stipulation and Agreement as soon as is reasonably practicable.

**Contingent Waiver of Rights**

12. This Stipulation and Agreement is being entered into solely for the purpose of settling the issues in the cases that are listed above. Unless otherwise explicitly provided herein, none of the Parties 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 or revenue-related methodology. Other than explicitly provided herein, none of the Parties shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in these or any other proceeding regardless of whether this Stipulation and Agreement is approved.

13. This Stipulation and Agreement has resulted from extensive negotiations among the Parties and the terms hereof are interdependent. If the Commission does not approve this Stipulation and Agreement unconditionally and without modification, then this Stipulation and Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof, except as explicitly provided herein.

14. If the Commission does not approve this Stipulation and Agreement without condition or modification, and notwithstanding the provision herein that it shall become void; neither this Stipulation and Agreement nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Party has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Parties shall retain all procedural and due process rights as fully as though this Stipulation and Agreement had not been presented for approval, and any suggestions, memoranda, testimony, or exhibits that have been offered or received in support of this Stipulation and Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.

15. In the event the Commission accepts the specific terms of this Stipulation and Agreement without condition or modification, the Parties waive their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to RSMo §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to §536.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000. This waiver applies only to a Commission order approving this Stipulation and Agreement without condition or modification issued in this proceeding and only to the issues that are resolved hereby. It does not apply to any matters raised in any prior or subsequent Commission proceeding nor any matters not explicitly addressed by this Stipulation and Agreement.

### **Right to Disclose**

16. The Staff may file suggestions or a memorandum in support of this Stipulation and Agreement. Each of the 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. The contents of any suggestions or memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

17. The Staff also 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; provided, that the Staff shall, to the extent reasonably practicable, provide the 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 the Staff. The 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 Commission Rule 4 CSR 240-2.135.

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,



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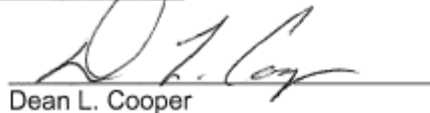
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**CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 3<sup>rd</sup> day of March, 2008, to:

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Dean L. Cooper