

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

In the Matter of Southern Union Company)
d/b/a Missouri Gas Energy, Sigma Acquisition)
Corporation and Energy Transfer Equity, L.P.)
for an Order Authorizing them to Perform in)
Accordance with a Merger Agreement and)
to Undertake Related Transactions)

Case No. GM-2011-0412

NON-UNANIMOUS STIPULATION AND AGREEMENT

COMES NOW the Staff of the Commission (“Staff”) on behalf of the Applicant, Southern Union Company d/b/a Missouri Gas Energy, and Energy Transfer Equity LP and Sigma Acquisition Company, and files the attached Non-Unanimous Stipulation (“Non-Unanimous Stipulation”) and Agreement.

1. The Signatory Parties to the Non-Unanimous Stipulation are the Staff of the Commission, Southern Union Company d/b/a Missouri Gas Energy, Sigma Acquisition Corporation, and Energy Transfer Equity.

2. The Office of the Public Counsel has indicated that, it will not be a Signatory Party, it will not oppose the Non-Unanimous Stipulation nor will it request a hearing.

3. Under Commission Rule 4 CSR 240-2.115(2), if no one objects to a non-unanimous stipulation and agreement within seven (7) days, the Commission may treat the stipulation and agreement as unanimous.

WHEREFORE, Staff submits the attached Non-Unanimous Stipulation and Agreement for Commission consideration.

Respectfully Submitted

/s/ Lera Shemwell

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by electronic mail to all counsel of record this 16th day of February 2012.

/s/ Lera L. Shemwell

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I. Procedural History

1. Southern Union Company d/b/a Missouri Gas Energy (“Southern Union” or “MGE”), Sigma Acquisition Corporation (“Sigma”) and Energy Transfer Equity, L.P. (“ETE”) (collectively “Applicants”) are parties to the July 19, 2011 Second Amended and Restated Agreement and Plan of Merger as amended by Amendment No. 1 dated September 14, 2011 (the “Merger Agreement”).

2. On July 13, 2011, the Applicants filed an application with the Missouri Public Service Commission (the “Commission”) seeking an order authorizing the Applicants to perform in accordance with the terms and conditions of the Merger Agreement and to undertake related transactions, the results of which would cause ETE to acquire the equity interests of Southern Union, including its subsidiaries. Missouri Gas Energy is a division of Southern Union. On July 14, 2011, the Commission issued its Order Directing Staff to File Recommendation. On August 15, 2011, the Commission Staff (“Staff”) filed its Report in Response to Commission Order wherein it notified the Commission that it was reviewing the application and suggested a date of September 15, 2011, for an additional report.

On August 16, 2011, the Commission issued its Order Directing Staff to File its Recommendation or a Status Report on or before September 15, 2011.

3. Thereafter, on September 15, 2011, Southern Union, Sigma, and ETE filed their Amended Application (the "Amended Application") in this docket. Also on September 15, 2011, the Staff filed its Report in Response to Commission Order in which it indicated that it was beginning its review of the Amended Application. On September 19, 2011, the Commission issued its Order Directing Staff to File a Recommendation regarding the proposed transaction or a status report indicating when it would be able to file its recommendation. On October 11, 2011, Southern Union, Sigma and ETE filed their Motion indicating that they had filed their Amended Application and were prepared to proceed with the processing of this case and requested that the Commission direct that customary notice of the Amended Application be provided to the public and that an intervention deadline be established. Thereafter, on October 12, 2011, the Commission issued its Order Directing Notice and Establishing an Intervention Date of November 1, 2011.

4. No entities sought leave to intervene in this proceeding.

5. On October 28, 2011, the Staff filed its Update in Response to Commission Order. Also, on October 28, 2011, Southern Union filed the verified direct testimony and schedules of Robert J. Hack and ETE and Sigma filed the verified direct testimony and schedules of Martin Salinas, Jr., all in support of the Amended Application.

6. On November 9, 2011, after the filing of direct testimony, representatives of Southern Union, Sigma and ETE met informally with representatives of the Staff and

representatives of the Office of the Public Counsel (“OPC”). As a result of these and related discussions, the direct testimony and discovery responses, the Signatories have reached the following agreements, which are set forth in this Stipulation and Agreement and which dispose of all issues in this case.

II. The Applicants

1. Southern Union is a Delaware “C” Corporation, authorized to do business in and in good standing in all respects with the State of Missouri, with its principal office and place of business at 5051 Westheimer Road, Houston, Texas 77056. Securities of Southern Union are publicly traded on the New York Stock Exchange under the ticker symbol “SUG.” Generally, Southern Union and its subsidiaries are engaged in the transportation, storage, gathering, processing and distribution of natural gas. Through its subsidiaries it operates one of the nation’s largest natural gas pipeline systems with more than 20,000 miles of gathering and transportation pipelines and one of North America’s largest liquefied natural gas import terminals. Southern Union also serves over 500,000 industrial, commercial and residential end-use customers through local distribution companies in Missouri (the MGE operating division) and Massachusetts (the New England Gas Company operating division).

2. MGE, an operating division of Southern Union, is a public utility engaged in the distribution of natural gas to the public and conducts such business in Missouri in those areas of the state certificated to it by the Commission. Southern Union is a “gas corporation” and a “public utility” as those terms are defined in §386.020(18) and (43) RSMo 2000, respectively. As such, it is subject to the supervision of the Commission as provided by law.

3. ETE is a Delaware limited partnership, authorized to do business in and in good standing in all respects with the State of Missouri, with its principal place of business located at 3738 Oak Lawn Avenue, Dallas, Texas 75219. Securities of ETE are publicly traded on the New York Stock Exchange under the ticker symbol "ETE." ETE owns the general partner and 100 percent (100%) of the incentive distribution rights (IDRs) of Energy Transfer Partners, L.P. ("ETP") and approximately 50.2 million ETP limited partner units. ETE also owns the general partner and 100 percent (100%) of the IDRs of Regency Energy Partners LP ("RGP") and approximately 26.3 million RGP limited partner units.

4. Sigma is a newly-formed Delaware corporation and wholly-owned subsidiary of ETE with its principal place of business located at 3738 Oak Lawn Avenue, Dallas, Texas 75219. Sigma has conducted no operations as of the date of the Amended Application.

III. The Transaction

1. On July 19, 2011, Southern Union, ETE and Sigma entered the Merger Agreement whereby ETE will acquire Southern Union for, as of July 19, 2011, \$9.4 billion, including \$5.7 billion in cash and ETE common units and including assumed debt (the "Transaction"). Under the terms of the Merger Agreement, stockholders of Southern Union can elect to exchange their shares of common stock for either \$44.25 in cash or 1.000 x ETE common unit, subject to proration.

2. The Merger Agreement provides for the merger of Sigma with and into Southern Union with Southern Union continuing as the surviving corporation as a subsidiary of ETE.

3. Incident to the Merger Agreement and the transactions contemplated thereby, ETP and ETE are parties to an Amended and Restated Agreement and Plan of Merger, as amended by Amendment No. 1 dated as of September 14, 2011 (the "Citrus Merger Agreement").

4. The Citrus Merger Agreement provides that Southern Union, CrossCountry Energy, LLC ("CrossCountry"), PEPL Holdings, LLC ("PEPL Holdings") and Citrus ETP Acquisition, L.L.C. ("Citrus ETP") will become parties thereto by joinder at a time immediately prior to closing of the Transaction.

5. Pursuant to the Citrus Merger Agreement, CrossCountry will be merged with and into Citrus ETP with CrossCountry as the surviving entity (the "Citrus Merger") and a subsidiary of ETP.

6. Immediately prior to the Citrus Merger, Southern Union will contribute its ninety-nine percent (99%) interest in Panhandle Eastern Pipe Line Company, LP and its 100 percent (100%) membership interest in Southern Union Panhandle, LLC to PEPL Holdings. PEPL Holdings is a wholly owned subsidiary of CCE Acquisition, LLC.

7. PEPL Holdings will guarantee payment, on a contingent recourse basis, of up to \$2.0 billion of indebtedness of ETP related to the Citrus Merger (or, in the alternative, will indemnify a subsidiary of ETP for payments made by such subsidiary with respect to a guarantee of up to \$2.0 billion of indebtedness of ETP by such subsidiary). Southern Union shall never be an obligor with respect to the guarantee and this guarantee shall otherwise be non-recourse to Southern Union.

8. On December 9, 2011, at a special meeting of shareholders, Southern Union's shareholders voted overwhelmingly in favor of the Transaction.

The parties intend to close the Transaction as soon as practicable after all consents and approvals have been obtained.

9. The MGE operating division will remain a gas corporation and public utility subject to the regulation of the Commission as provided by law after the Transaction is completed. Following the closing of the Transaction, Southern Union will be a wholly owned subsidiary of ETE.

IV. Approval of the Transaction

The Signatories agree that the Commission should issue its Order in this matter:

A. Finding that, subject to the terms set forth in this Stipulation and Agreement, which shall bind Southern Union and its parent companies (and any successors to or assigns thereof) as well as the terms of the Stipulation and Agreement in GM-2003-0238, which, except as expressly addressed in this Stipulation and Agreement and approved by the Commission shall continue to bind Southern Union (and which Southern Union's parent companies (and successors and assigns thereof) shall not cause Southern Union to contravene), the Transaction is not detrimental to the public interest;

B. Authorizing Southern Union, ETE and Sigma to perform in accordance with, or as may be permitted by or result from, the terms of the Merger Agreement, which, among other things, will result in the effectuation of the Transaction;

C. To the extent necessary under the terms of the Stipulation and Agreement approved by the Commission in Case No. GM-2003-0238 and/or under the terms of the Stipulation and Agreement approved by the Commission in GO-2005-0019, authorizing: Southern Union to: (1) cause the Citrus Merger to occur through the

merger of Citrus ETP with and into CrossCountry and (2) cause PEPL Holdings to guarantee payment, on a contingent recourse basis, of up to \$2.0 billion of indebtedness of ETP (or, in the alternative, to indemnify a subsidiary of ETP for payments made by such subsidiary with respect to a guarantee of up to \$2.0 billion of indebtedness of ETP by such subsidiary);

D. To order that Southern Union shall never be an obligor with respect to the guarantee and this guarantee shall otherwise be non-recourse to Southern Union;

E. Granting such other relief as may be necessary and appropriate to accomplish the purposes of the Transaction and the Amended Application and to consummate the Transaction and related undertakings in accordance with the Merger Agreement.

V. Conditions of Approval

1. CUSTOMER SERVICE

In addition to the terms and conditions of the Stipulation and Agreement in GM-2000-43, Southern Union shall continue its commitment to customer service performance measures and customer service operating procedures as follows:

A. Customer Service Performance Measures (“Customer Service Measures”)

(1) Average Abandoned Call Rate (“ACR”) shall not exceed 7.5% on an annual basis plus a 100 basis point variance (a maximum allowable level of 8.5%).

(2) Average Speed of Answer (“ASA”) shall not exceed 65 seconds plus a 15 percent variance of 10 seconds annually (a maximum allowable level of 75 seconds).

(3) The base measurements of 7.5% and 65 seconds were developed in Case No. GM-2000-43 and represented MGE's average actual performance during a twenty-four month period during that time.

B. Southern Union Response to Customer Service Measures¹

(1) MGE shall provide Staff and OPC monthly reports (within 30 days of month-end) on its conformity with the Customer Service Measures. Statistics for the measures shall be tracked and displayed monthly, reported to Staff and OPC on a monthly basis and assessed by MGE annually for compliance. Within ninety (90) days after the end of the calendar year, MGE shall file a report in Case No. GM-2000-43 that shall include actual performance measures for the year, explanation of any deviation above the measures, actions to be undertaken to eliminate the deviations above the measures and estimates of the cost of such actions.

C. Virtual Hold Reporting

MGE agrees to continue to provide to Staff the Monthly Virtual Hold Executive Summary Reports that shall include information on Eligible Calls, Return Calls Selected and Continue Hold Options. In the event that MGE utilizes an alternative call back technology in the future, comparable reporting metrics shall continue to be required.

¹ MGE shall continue to provide reports in a form substantially similar to the report attached hereto as Exhibit A.

D. Customer Complaints/Inquiries to Staff

For purposes of this section, customer complaints/inquiries include contacts the Staff receives from MGE's customers, but are not necessarily the result of MGE's violation of its tariffs or Commission rules. Significant increases in the number of complaints/inquiries shall be explained by MGE and/or may prompt an investigation by the Staff and/or OPC. The impact of events beyond MGE's control shall be taken into account in MGE's explanation and in any investigation by the Staff and/or OPC.

E. Customer Service Operating Procedures

The present practices of MGE in the following areas shall be continued to ensure that customers do not experience a decline in service levels:

(1) MGE shall follow credit and collection practices consistent with Commission rules.

(2) MGE shall restore service consistent with Commission rules.

(3) MGE shall use bill test procedures to ensure bill accuracy.

(4) MGE shall take appropriate steps to maintain the operation of its automated meter reading system.

(5) MGE shall notify Staff and OPC of substantive changes in customer service procedures in call center operations and staffing, customer billing, meter reading, customer remittance, credit and collections, and connections and disconnection.

(6) MGE shall identify: (a) personnel responsible for handling Commission complaints and ensure they have proper authority, (b) after hours

contact personnel, and (c) management employee(s) accountable for ensuring MGE employees are trained in and maintain a working knowledge of Missouri customer service rules and regulations.

(7) MGE shall continue its participation in LIHEAP.

(8) MGE shall provide the Staff and OPC monthly reports (within 30 days of month-end) containing: monthly information regarding abandoned call rate and average speed of answer performance, customer service organization charts, customer service staffing, number of estimated bills (including consecutive estimates), a list of customer pay station locations, and actual Missouri jurisdictional bad debt write-off by customer class, including the dollar amount written off, number of accounts written off and revenue by customer class.

(9) The Staff may request periodic meetings with the Company to discuss customer service operating procedures and the level of service being provided to the customer.

2. ETE's COMMITMENTS TO SOUTHERN UNION'S MGE OPERATING DIVISION

A. Southern Union and ETE commit to take all reasonable efforts to eliminate any potential detriment that may result from the Transaction. Additionally, Southern Union shall ensure that the retail distribution rates² for MGE ratepayers shall not increase as a result of the Transaction, and Southern Union agrees never to recommend (and ETE agrees never to cause Southern Union to recommend) an increase to the cost of service for MGE as a result of this Transaction.

² "Retail rates" shall be read to include fixed monthly charges, volumetric delivery charges, Purchase Gas Adjustment and Actual Cost Adjustment rates.

B. Southern Union and ETE acknowledge that Southern Union's credit ratings³ are a function of its current consolidated business and financial risk. If the proposed acquisition is consummated, Southern Union's credit ratings may be downgraded due to its affiliation with ETE. The Signatories recognize that the proposed transaction may limit the ability of Southern Union's credit rating to improve due to its affiliation with a lower rated parent company. The Signatories agree that this deserves consideration by the Commission when determining a fair and reasonable allowed return for MGE in appropriate proceedings.

C. The Signatories acknowledge that the Commission has authority to consider, in appropriate proceedings, whether this Transaction has resulted in cost increases for Southern Union. In addition to the foregoing, Southern Union and ETE agree that:

1. Southern Union shall be owned and operated as a separate subsidiary of ETE, and, unless otherwise approved by the Commission, shall maintain itself as a separate legal entity from ETE and shall observe organizational formalities.
2. Following the closing of the Transaction, Southern Union shall not, directly or indirectly, without Commission approval:
 - (1) Allow any affiliate's debt to be recourse to Southern Union;
 - (2) Pledge Southern Union equity as collateral or security for any affiliate or non-affiliate debt;⁴
 - (3) Give, transfer, invest, contribute, or loan any assets constituting the whole

³ For purposes of this Stipulation and Agreement, "credit rating" shall be defined as Southern Union's senior unsecured debt ratings as issued by Standard and Poor's, Moody's, Inc. and Fitch Ratings, Inc.

⁴ This condition does not require ETE to request Commission approval to pledge the equity of entities other than Southern Union.

or any part of the franchise, works, or system necessary or useful in the performance of Southern Union's duties to the public in Missouri as provided in Section 393.190.1 RSMo.

(4) Give, transfer, invest, contribute or loan, any assets or cash of Southern Union, other than those specified in Section V.2.C.2(3) above, if any such transaction would result in an impairment to Southern Union's ability to access capital for MGE's capital needs, including capital expenditures for maintenance capital, growth capital and working capital requirements, as necessary to continue operating the business efficiently and effectively. For purposes of this Section V.2.C.2(4), Southern Union's capital access is not impaired if at least two of the three rating agencies maintain Southern Union's investment grade credit rating; or in the alternate, if Southern Union and/or ETE dedicates a portion of Southern Union's existing credit facility for the exclusive use for MGE's operations or otherwise obtains a new revolving credit facility for the exclusive benefit for MGE's operations, in each case sufficient to meet MGE's capital needs, including capital expenditures for maintenance capital, growth capital and working capital requirements, as necessary to continue operating the business efficiently and effectively. Southern Union shall not seek to include in MGE rates any incremental cost of capital related to such revolving credit facility in excess of the capital costs reasonably expected for a company with the risk profile of a natural gas distribution company with financial risk similar to that possessed by Southern Union. Southern Union shall provide notice to the

Staff and OPC of any such transaction, including in such notice how Southern Union is complying with the provisions of this Section V.2.C.2.(4).

a. Assuming compliance with the provisions of this Section V.2.C.2(4), Southern Union shall be allowed to pay legally-declared dividends to its parent companies without Commission approval.

(5) Enter into any “make well” agreements, or guarantee the notes, debentures, debt obligations or other securities of any entity; or

(6) Adopt, indemnify, guarantee, or assume responsibility for payment of any of the current or future liabilities of any entity.

D. Southern Union shall not commingle, and its parent companies (including any successors or assigns thereof) shall not cause Southern Union to commingle, Southern Union’s franchise, works, or system necessary or useful in the performance of Southern Union’s duties to the public with any other entity, or maintain such franchise, works or system such that it would be costly or difficult to segregate assets from those of any affiliate. Southern Union shall maintain records separate and apart from its affiliates and shall prepare and maintain separate tax returns.

E. In the event that Standard & Poor’s (“S&P”) Moody’s, or Fitch downgrade Southern Union’s credit rating⁵, Southern Union and its parent companies (including

⁵ Southern Union and ETE acknowledge that adequate access to capital is necessary for MGE to meet its public service obligations. Southern Union and ETE are taking steps, including measures to provide separateness between ETE and Southern Union, to ensure that no ratings agency will downgrade Southern Union’s credit rating following closing of the Transaction. Nevertheless, Southern Union and ETE believe that the worst-case scenario would be that only one ratings agency (S&P) would downgrade Southern Union’s credit rating following closing of the Transaction. If only one credit ratings agency downgrades Southern Union’s credit rating following closing of the Transaction, the impact would be immaterial because no additional interest expense would result immediately. However, if this worst-case scenario is wrong, and both S&P and Moody’s downgrade Southern Union’s credit rating following closing

successors or assigns thereof) hereby commit to file:

1. Notice with the Commission with copies to Staff and to the OPC within five (5) business days;
2. A pleading with the Commission within 60 days which shall include the following:
 - a. A plan identifying all reasonable steps, taking into account the costs, benefits and expected outcomes of such actions, that will be taken to restore Southern Union's credit rating to investment grade status. If Southern Union's plan does not involve taking steps to restore its credit rating to investment grade status, then Southern Union shall concisely state why the cost of such steps is not reasonable or necessary;
 - b. Additionally, Southern Union shall specifically address the impact, or lack thereof, it believes the non-investment grade credit rating has had and will have on its capital costs;
 - c. Documentation, including, but not limited to, a cost of capital study showing how Southern Union proposes to honor its commitment that it

of the Transaction, the impact would not be substantial because the only immediate additional interest expense that would result relates to the revolving credit facility and this impact is easily identifiable for purposes of excluding it from customer rates in compliance with Section V.2.F. of this Stipulation and Agreement. Because of this and because of ETE's experience in obtaining adequate access to capital while possessing a credit rating that is below investment grade, Southern Union will commit, as provided in Section V.3.A., that the Transaction shall have no adverse effect on MGE's budget and funds to meet MGE's capital needs. There should be no concerns that MGE might change its business practices due to restricted access to capital because – in addition to the commitment in Section V.2.F that Southern Union shall ensure that the retail distribution rates for MGE ratepayers shall not increase as a result of the Transaction – any such changes will be readily identifiable because of the familiarity the Staff and OPC have gained with MGE's practices over the course of numerous rate cases and Actual Cost Adjustment audits they have undertaken regarding MGE since 1994 and Southern Union shall specifically identify any such changes in any rate or ACA case filed. **The contents of this footnote 5 are provided by Southern Union and ETE for an understanding of the basis for their opinions regarding Southern Union's adequate access to capital following closing of the Transaction, and the contents of this footnote 5 shall not be construed as binding the Staff or OPC in any way.**

shall not pass along higher capital costs to its Missouri customers, directly or indirectly, due to the downgrade caused by Southern Union's affiliation with ETE and its affiliates.

d. File with the Commission, every 45 days thereafter until Southern Union has regained its investment grade rating, a status report with respect to the implementation of steps to restore its investment grade credit rating and a study that estimates the increased cost of capital, if any, Southern Union has incurred due to a non-investment grade credit rating.

e. If the Commission determines that Southern Union's non-investment grade credit rating has caused MGE's service to decline, Southern Union shall be required to file a report that demonstrates to the Commission that it can adequately safeguard capital produced and secured by MGE's assets. If Southern Union cannot sufficiently demonstrate this ability, then Southern Union shall execute reasonable steps to restore investment grade status for the entity in which MGE's assets may be held.

F. Southern Union shall never recommend an increase to the cost of capital for MGE as a result of this Transaction. Any increases in cost of capital Southern Union seeks for MGE shall be supported by documented proof: (a) that the increases are a result of factors not associated with the Transaction; (b) that the increases are not a result of changes in business, market, economic or other conditions for MGE caused by the Transaction; and (c) that the increases are not a result of changes in the risk profile of MGE caused by the Transaction. Notwithstanding any other paragraph of this

Stipulation and Agreement, Southern Union shall ensure that the retail distribution rates for MGE ratepayers shall not increase as a result of the Transaction. The provisions of this Section V.2.F. are intended to recognize the Commission's authority to consider, in appropriate proceedings, whether this Transaction has resulted in capital cost increases for Southern Union – due to a credit ratings downgrade or any other factor resulting from the Transaction – and to disallow such capital cost increases from recovery in MGE's retail distribution rates.

G. Southern Union acknowledges that it is expected to use good faith efforts to fulfill the foregoing commitment as well as all of its other commitments in this Stipulation and Agreement and that failure to comply may expose it to penalties as provided by law.

3. FURTHER COMMITMENTS

Southern Union agrees that:

A. Southern Union shall ensure that the Transaction shall have no adverse effect on MGE's budget and funds necessary to meet MGE's capital needs, including but not limited to: service line and main replacement programs. Southern Union remains committed to the safety line replacement program schedules for MGE currently in effect and approved by the Commission in its Case No. GO-2002-0050.

B. The amount of any asserted acquisition premium (i.e. the amount of the total purchase price and transaction above net book value) paid for Southern Union in connection with the Transaction shall be treated below the line for ratemaking purposes in Missouri and not recovered in retail distribution rates. Southern Union shall not seek, and its parent companies (including any successors or assigns thereof) shall not cause

Southern Union to seek, either direct or indirect rate recovery or recognition of any acquisition premium in connection with the Transaction, including transaction and transition costs, through any purported acquisition savings adjustment (or similar adjustment) in any future proceeding of any type in Missouri. In addition, Southern Union shall not seek to recover in Missouri, and Southern Union's parent companies (including any successors or assigns thereof) shall not cause Southern Union to seek to recover in Missouri, the amount of any asserted acquisition premium in the Transaction as being a "stranded cost" regardless of the terms of any legislation permitting the recovery of stranded cost from Missouri ratepayers.

C. Total joint and common costs allocated to MGE for purposes of setting retail distribution rates shall not increase as a result of the Transaction above the levels authorized by the Commission in Case No. GR-2009-0355 and proposed in the Surrebuttal Testimony of Michael R. Noack, dated October 14, 2009. Schedule H-8 - Corporate Allocation, of Mr. Noack's testimony reflects pro forma joint and common costs before application of the Expense Capital Rates of \$5,087,099. Net corporate plant allocated to MGE is \$669,314 per Schedule C, page 1 of 2, column e, line 35. It is understood, however, that joint and common costs allocated to MGE for purpose of setting retail distribution rates may increase or decrease for reasons that are not a result of the Transaction (including, but not limited to, factors such as wages and salaries increasing over time, labor efficiencies and technological efficiencies). Southern Union agrees that, in any MGE-initiated general rate proceeding, it has the burden of proving the reasonableness of any allocated or assigned cost to MGE from any Southern Union or ETE affiliate, division, or subsidiary including all corporate overhead allocations.

D. Southern Union shall retain all documentation relative to the analysis of the Transaction. This documentation shall include but not be limited to a list of: (1) all Southern Union and MGE personnel, consultants, legal and financial and accounting advisers; (2) the time (in hours) spent by those individuals on related work; (3) other expenses, costs or expenditures incurred or recognized by Southern Union that are related to the Transaction; (4) business entity (corporate, subsidiary and division) where the costs were booked, including account number, account description and amount; and (5) description of the nature of the work performed and costs incurred.

E. Southern Union shall maintain its books and records so that all acquisition costs related to the Transaction are segregated and recorded separately. Subject to the protections found in 4 CSR 240-2.135 and/or 4 CSR-240- 2.085, during MGE's next general rate proceeding, Southern Union agrees to disclose to the Staff, OPC, and other interested and authorized parties the acquisition, merger, transition, and transaction costs recorded in Southern Union's books and records in the appropriate test year. This condition does not restrict Southern Union's right to seek rate recovery of merger and acquisition costs related to future transactions. Other parties may oppose recovery of merger and acquisition costs related to future transactions.

F. Southern Union agrees to create and maintain records listing the names of Southern Union employees whose costs are allocable to Missouri jurisdictional operations, number of hours worked, type of work performed and travel and other expenses incurred for all work related to all merger and acquisition activities related to the Transaction through the end of the test year, updated test year or true-up test year in MGE's next general rate case.

G. Southern Union shall submit to the Staff electronically in EFIS as a filing to this case and to OPC verified journal entries reflecting the recording of the Transaction on Southern Union's books and records within forty-five (45) days of closing.

H. Within six (6) months of the closing of the Transaction, Southern Union shall perform, provide, and discuss with all interested and authorized parties a study of the impact of the acquisition of Southern Union by ETE on Southern Union's structure, organization, and costs. Southern Union shall verify the accuracy of corporate administrative and general ("A&G") allocations to MGE, including the specific impacts of the acquisition of Southern Union by ETE on Southern Union's A&G expense and cost allocation methodology and identify the process used to allocate A&G costs and expenses to its regulated, merger and acquisition, sale and non-regulated functions of its regulated divisions as well as its non-regulated subsidiaries. Within six (6) months of the completion and submission of the cost allocation study, Southern Union shall submit its revised cost allocation manual (CAM) to the Commission for approval.

4. INTERSTATE AND INTRASTATE TRANSPORTATION AND STORAGE COSTS

A. MGE shall withdraw Case No. GE-2011-0282 with prejudice upon Commission approval of this Stipulation and Agreement becoming final and non-appealable.

B. In making decisions regarding interstate or intrastate pipeline transportation and storage capacity, MGE shall continue to evaluate alternatives with the objective of minimizing cost while obtaining adequate assurances of reliability without regard to whether such services are being provided by an interstate or intrastate pipeline that is an affiliate of MGE or by an interstate or intrastate pipeline that has a management

agreement in effect with an affiliate of MGE. MGE shall formally conduct a comprehensive evaluation as deemed necessary by MGE but no less frequently than every three years. This evaluation shall be submitted and presented to Staff, OPC, and other interested parties subject to the protections found in 4 CSR 240-2.135 and/or 4 CSR 240-2.085.

C. MGE shall notify OPC, Staff, and other interested parties, subject to the protections found in 4 CSR 240-2.135 and/or 4 CSR 240-2.085, when MGE is considering the addition of new pipeline capacity or a switch in the current mix of pipeline capacity and shall keep and provide OPC and Staff, appropriate documentation regarding such decisions. This documentation shall include, but not be limited to: all proposed terms, including rates (and any discounts), amount of capacity, delivery and take points, any storage capabilities, maximum storage quantities, maximum daily withdrawal quantities, maximum daily injection quantities, whether the capacity is firm, interruptible, etc., capacity release and off-system sales opportunities, the reason for the additional capacity or switch. This information shall be provided upon request within the time normally provided for discovery under the Commission's rules. However, in no event shall the providing of this data constitute preapproval by OPC or Staff or any other proper party.

5. ASSUMPTION OF EXECUTION RISK

Southern Union shall not include in its retail distribution rates charged to Missouri consumers any costs related to its execution risk associated with the Transaction.

6. ADHERENCE TO COMMISSION RULES

Southern Union shall comply with all Commission rules, including the Affiliated Transactions Rule, 4 CSR 240-40.015, and 4 CSR 240-40.016 reporting requirements and other practices, and its filed and approved tariffs. This paragraph 6 shall not be construed as a waiver of any rights or remedies available to Southern Union under the law. No conditions or agreements entered into between parties to this case shall restrict or limit Southern Union's compliance with Commission rules.

7. NO DETRIMENTAL IMPACT

Southern Union acknowledges and agrees that the Transaction shall not have any detrimental effect on MGE's utility customers, including, but not limited to increased rates or any effect on quality of service, but agrees that, should such detrimental effects nevertheless occur, Southern Union shall promptly take all necessary actions to eliminate any detriment related to quality of service, and take all reasonable steps, taking into account the costs, benefits and expected outcomes of such actions, to eliminate any other detriment resulting from the Transaction, and nothing in the approval or implementation of the proposed acquisition shall impair the Commission's ability to protect such customers from such detrimental effects. MGE's Purchased Gas Adjustment Clause ("PGA") provides (on Sheet No. 16) for the recovery of "charges for performance or surety bonds or letters of credit as required in gas supply contracts," among other things. Prior to the Transaction, MGE's commodity suppliers have not required MGE and/or Southern Union to obtain performance or surety bonds or letters of credit to secure payment to those commodity suppliers. To the extent that the Transaction causes MGE's commodity suppliers to require that MGE and/or

Southern Union obtain performance or surety bonds or letters of credit, MGE and Southern Union agree not to seek recovery of the costs associated with those performance or surety bonds or letters of credit from MGE customers. MGE shall file for Commission approval of tariff Sheet No. 16 (attached hereto as Exhibit B).

8. COMMISSION AUTHORITY

Southern Union acknowledges that the Commission has, and shall continue to have, the authority after the proposed Transaction to regulate, through the lawful exercise of its statutory powers, and ensure the provision of service, instrumentalities and facilities as shall be safe and adequate and in all respects just and reasonable and not jeopardize the ability of Southern Union or MGE to meet its Missouri utility obligations, including MGE's service line replacement program. Southern Union also agrees that the Commission has the authority, through the lawful exercise of its ratemaking powers, to ensure that the rates charged by MGE for regulated utility service are not increased as a result of the unregulated and/or non-jurisdictional activities of Southern Union's affiliates and Southern Union agrees, consistent with such standard, that rates should not be increased due to such unregulated and/or non-jurisdictional activities.

9. ACCESS TO INFORMATION

A. Southern Union shall provide the Staff and OPC with access, upon written notice, to all information necessary to determine the propriety of allocation of costs to MGE and verification of Southern Union and ETE compliance with the terms of this Stipulation and Agreement. Nothing in this condition shall be deemed to be a waiver of Southern Union's or MGE's right to seek protection of privileged information.

B. Upon request, Southern Union and ETE agree to make available to Staff and OPC, upon written notice all books, records, and employees of Southern Union, ETE, MGE, and its affiliates as may be reasonably required to verify compliance with this Stipulation and Agreement.

C. Southern Union, ETE and MGE shall not object to the provision of information on the basis that such records and personnel of affiliates or subsidiaries are not within the possession or control of Southern Union.

10. COMMITMENTS ARE MISSOURI JURISDICTIONAL

The conditions set forth herein are intended to apply only in the context of Missouri jurisdictional regulatory activities and are not intended to restrict in any way the ability of Southern Union to take any position whatsoever regarding matters covered herein in proceedings before the FERC or any other non-Missouri jurisdictional regulatory authority.

11. COMMISSION JURISDICTION

A. With respect to the jurisdiction of the Commission and Southern Union's obligations under this Stipulation and Agreement, "Southern Union," refers to the Delaware C Corporation generally and its operating division "Missouri Gas Energy" specifically, as opposed to Southern Union Company on a consolidated basis. Accordingly, "Southern Union," with respect to Commission jurisdiction and the Conditions of Approval set forth in Section V, *infra*, is not intended to include its operating divisions, affiliates or subsidiaries, including without limitation CCE Acquisition, LLC; Panhandle Eastern Pipe Line Company, LP; Southern Union Gas Services, Ltd.; PEI Power; or New England Gas Company; or any operating divisions,

subsidiaries, or equity interests owned by such affiliates or subsidiaries or, following the closing of the Transaction (as hereinafter defined), ETE or any of its operating divisions, affiliates or subsidiaries (other than Southern Union).

B. ETE, (and any successors to or assigns thereof) agrees to be bound by all provisions of this Stipulation and Agreement.

C. The Commission shall have jurisdiction over any and all affiliate transactions in which Southern Union, as it is defined in this Section, engages.

12. APPLICABILITY UPON CHANGE IN OWNERSHIP OF MGE.

The Signatories agree that the provisions of this Stipulation and Agreement apply only as long as Southern Union owns Missouri jurisdictional utility assets.

13. EFFECT OF THIS STIPULATION

A. The Staff enters into this Stipulation in reliance on information provided to it by Southern Union and ETE and this Stipulation is explicitly predicated upon the truth of representations made by Southern Union and ETE.

B. This Stipulation does not constitute a contract with the Commission. Commission approval of this Stipulation shall not constitute an agreement by the Commission to forego any investigative or other Commission power. Nothing in this Stipulation is intended to impinge upon, restrict, or limit, in any manner the Commission's exercise of any statutory right, including access to information, or any statutory obligation.

C. Upon Commission approval, this Stipulation shall constitute a binding agreement among the Signatories hereto. The Signatories shall cooperate in defending the validity and enforceability of this Stipulation and the operation of the Stipulation

according to its terms. No Signatory shall take any action to amend the provisions of the Stipulation.

VI. Prefiled Testimony to be Received into Evidence

The prefiled direct testimony and schedules of Robert J. Hack and Martin Salinas, Jr. shall be received into evidence without the necessity of the witnesses taking the stand.

VII. Contingent Waiver of Rights

This Stipulation and Agreement is being entered into solely for the purpose of settling the issues in this case. Unless otherwise explicitly provided herein, none of the Signatories 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.

This Stipulation and Agreement has resulted from extensive negotiations among the Signatories, 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 Signatory shall be bound by any of the agreements or provisions hereof.

If the Commission does not approve this Stipulation and Agreement without condition or modification, and notwithstanding the provision herein that it shall become void, (1) 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 Signatory has for a decision in accordance with RSMo. §536.080 or Article V, Section 18 of the Missouri Constitution, and (2) the Signatories 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.

In the event the Commission accepts the specific terms of this Stipulation and Agreement without condition or modification, the Signatories waive their respective rights to present oral argument and written briefs pursuant to RSMo. §536.080.1, their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2, their respective rights to seek rehearing pursuant to §536.500, and their respective rights to judicial review pursuant to §386.510. 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.

VIII. OPC's Position

The OPC has indicated to counsel for the Staff, Southern Union, Sigma and ETE that while it has elected not to execute the subject Stipulation and Agreement, it will not object to or otherwise oppose same and will not request a hearing with respect thereto.

WHEREFORE, the Signatories respectfully request that the Commission issue its order:

A. Finding that, subject to the terms set forth in this Stipulation and Agreement, which shall bind Southern Union and its parent companies (and any successors or assigns thereof) as well as the terms of the Stipulation and Agreement in GM-2003-0238, which, except as expressly addressed in this Stipulation and Agreement and approved by the Commission shall continue to bind Southern Union (and which Southern Union's parent companies (and successors or assigns thereof) shall not cause Southern Union to contravene), the Transaction is not detrimental to the public interest;

B. Authorizing Southern Union, ETE and Sigma to perform in accordance with, or as may be permitted by or result from, the terms of the Merger Agreement, which, among other things, shall result in the effectuation of the Transaction;

C. To the extent necessary under the terms of the Stipulation and Agreement approved by the Commission in Case No. GM-2003-0238 and/or the terms of the Stipulation and Agreement approved by the Commission in Case No. GO-2005-0019, authorizing: Southern Union to: (1) cause the Citrus Merger to occur through the merger of Citrus ETP with and into CrossCountry and (2) cause PEPL Holdings to guarantee payment, on a contingent recourse basis, of up to \$2.0 billion of indebtedness of ETP (or, in the alternative, to indemnify a subsidiary of ETP for payments made by such subsidiary with respect to a guarantee of up to \$2.0 billion of indebtedness of ETP by such subsidiary);

D. To order that Southern Union shall never be an obligor with respect to the guarantee and this guarantee shall otherwise be non-recourse to Southern Union;

E. Granting such other relief as may be necessary and appropriate to accomplish the purposes of the Transaction and the Amended Application and to consummate the Transaction and related undertakings in accordance with the Merger Agreement.

Respectfully submitted,

/s/ Lera Shemwell

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by electronic mail to all counsel of record this 16th day of February 2012.

/s/ Lera L. Shemwell