

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 10, 2006

In Reply Refer To:
Docket Nos. GT95-11-007 and
GP02-1-000

Missouri Public Service Commission
Attn: Thomas R. Schwarz, Jr.
Attorney for Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

Re: Letter Order Accepting Uncontested Settlement

Ladies and Gentlemen:

1. On December 27, 2005, Missouri Public Service Commission (MoPSC), filed an offer of settlement (settlement) between MoPSC and E. E. Bowers and Bowers Drilling Company, Inc. (Bowers), in accordance with Rule 602 of the Commission's Rules of Practice and Procedure in the above proceeding. The proceeding involves a claim by Southern Star Central Gas Pipeline, Inc. (Southern Star) against Bowers, a producer/first seller of natural gas, for refund of reimbursements of Kansas *ad valorem* taxes paid by Southern Star to Bowers. The reimbursements resulted in Bowers receiving in first sales of natural gas in excess of the maximum lawful price under the Natural Gas Policy Act of 1978. Bowers disputed Southern Star's claim against it, and filed a petition in Docket No. GP02-1-000, seeking to be relieved of any *ad valorem* tax refund obligation.
2. MoPSC and Bowers have reached a settlement on the proper *ad valorem* tax refund amount that is due and payable by Bowers to Southern Star. The settlement requires Bowers to pay \$38,942 to Southern Star to resolve all Kansas *ad valorem* tax refund claims in this proceeding. Southern Star, in turn, will pass through the refund to its Missouri customers, who are set forth in the settlement.
3. You state that the parties have entered into the settlement as a compromise to avoid continued expense, burden and delay from continued litigation of the disputed claim.

4. Initial comments in support of the offer were filed on January 5, 2006, by Missouri Gas Energy, a Missouri customer entitled to receive the pass-through, and by Southern Star. No person filed comments in opposition to the settlement, and no reply comments were filed. Southern Star states it has already received from Bowers the payment called for under the settlement. Southern Star further states that upon final Commission approval of the settlement, it will promptly flow-through the refund to the Missouri customers set forth in the settlement.

5. The Commission finds that the settlement will permit the conservation of Commission resources while providing recovery to Missouri customers who paid the excess price. Further, the Commission finds the uncontested settlement fair, reasonable and in the public interest, and the settlement is hereby approved pursuant to section 385.602(g)(3) of the Commission's settlement rules (18 C.F.R. § 385.602(g)(3) (2005)). The Commission's approval of this settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding.

5. This letter terminates Docket No. GP02-1-000.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties