

Missouri Public Service Commission

FILED²

JUL 13 2004

Respond Data RequestMissouri Public
Service Commission

Data Request No. 0326
Company Name Missouri Gas Energy-Investor(Gas)
Case/Tracking No. GR-2004-0209
Date Requested 05/26/2004
Issue General Information and Miscellaneous - Other General Info & Misc.
Requested From Kimm Henzi
Requested By Chuck Hyneman
Brief Description
Description

1. Please provide a copy of all invoices submitted from Mr. Morin to Southern Union in the last 3 years. Please update as invoices are received. 2. Please explain how Southern Union Company accounts for and records in its books and records stock and debt "flotation costs" as defined in Mr. Morin's rebuttal testimony. Please provide a complete description including accounts where such costs are charged.

Response

1. Copies of Dr. Morin's invoices are attached. Dr. Morin has not been retained by Southern Union Company in the past three years, other than his involvement in this proceeding. 2. Debt "flotation costs" are accounted for as follows: All costs associated with the issuance of long-term debt of the Company are aggregated in Account 181 - Unamortized Debt Expense. The costs that are incurred with the issuance of long-term debt typically include underwriting fees, regulatory costs, legal and accounting expenses. These costs are then amortized over the life of the long-term debt instrument to which they are related. The amortization of debt expense is recorded through Account 428 - Amortization of Debt Discount and Expense. The amortization of debt is typically recovered through rates as part of the embedded cost rate of the long-term debt, which reflects the coupon rate of the debt as adjusted for the effect of debt issuance costs. Equity "flotation costs" are recorded directly to Account 207 - Premium on Capital Stock, as they serve to reduce the net proceeds received from the sale of such equity. Equity flotation costs have no impact on the Company's income statement.

Objections

NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **GR-2004-0209** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Missouri Gas Energy-Investor(Gas)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date

Exhibit No. 227
Case No(s). GR-2004-0209
Date 6-24-04 **Rptr** JS

written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Missouri Gas Energy-Investor(Gas)** and its employees, contractors, agents or others employed by or acting in its behalf.

Security : Public

Rationale : NA

With Proprietary and Highly Confidential Data Requests a Protective Order must be on file.

ACCOUNTS PAYABLE TRANSMITTAL DOCUMENT

(THIS FORM MUST HAVE AN ORIGINAL INVOICE ATTACHED)

ACCOUNTING PERIOD	
YR	MO
04	12

REMIT TO ADDRESS: Roger A. Morin
10403 Big Canoe
 CITY: Jasper STATE GA ZIP: 30143

INVOICE NUMBER: 051904
 INVOICE DATE: 5-19-04
 VENDOR NUMBER: _____
 TERMS: upon receipt
 DATE CHECK NEEDED: 6-10-04

SPECIAL HANDLING: ☐ CONTRACT PO# _____
☐ ATTACHMENT (Attach to front of form)
☐ RETURN CHECK _____

AMOUNT\$ \$30,000.00

CO # (3)	BUDGET AREA (6)	MAIN ACCT (4)	SUB ACCT (4)	TYPE CODE (3)	WORK AREA (6)	PROJECT/VEHICLE # (6)	RETIRE UNIT (8)	USER DEFINED (5)	SPECIAL PROJECT (5)	AMOUNT	DESCRIPTION
023	000000	1860	8804	000	000000				R0029	\$30,000.00	Professional
023											Services Rendered
023											for GR-2004-0209,
023											MGE Rate Case
023											
023											
023											
023											
TOTAL										\$30,000.00	

REQUESTED BY: Kimm Henzi DATE: 5/28/04 APPROVED BY: [Signature] DATE: 6/7/04
 (Please Print) (Signature)

LOCATION: Broadway - 7th floor PHONE: 360-5703 APPROVED BY: HACK
 (Please Print)

FORM MUST BE PRINTED CLEARLY WITH BLACK INK OR TYPED

UTILITY RESEARCH INTERNATIONAL

Utility Financial Consultants

*10403 Big Canoe
Jasper, GA 30143*

*706-579-1480
706-579-1481 fax
email: profmorin@msn.com*

May 19th, 2004

Kasowitz, Benson, Torres & Friedman
1633 Broadway
New York, NY
ATT.: Michael Fay

Dear Michael:

I am delighted that you have decided to retain my professional services to assist you and your client, Missouri Gas Energy (MGE), in your ongoing rate filing in the state of Missouri. My mandate will consist of submitting written and oral expert rebuttal testimony to Mr. Murray's (Missouri Public Service Commission Staff) rate of return testimony in the determination of a fair and reasonable rate of return on equity (ROE) on MGE's common equity capital.

My usual professional honorarium for this endeavor is a flat fee of \$30,000. If required, traveling, computer data bases, and clerical expenses will be compensated as well. The all-in fee includes: review of the company's financial situation, review of current docket and witness filings, analysis of prior relevant commission orders and policies, preparation of rebuttal rate of return testimony and exhibits, and assistance to legal counsels in cross-examination, and testimonial time. In the eventuality of a settlement prior to formal hearings, a rebate of \$5,000 is applicable.

With enthusiasm and anticipation, I look forward to working with you and your excellent staff. I welcome the opportunity and the challenges of working in

the Missouri jurisdiction again. I have very fond memories of my previous involvement and successes, both social and professional, in the state of Missouri. I can only anticipate that they will continue to be as successful. I trust the enclosed meets with your satisfaction. Looking forward to meeting with you and with the rate case team.

Sincerely,

Roger A. Morin, PhD

Distinguished Professor of Finance for Regulated Industry

INVOICE

TO: MISSOURI GAS ENERGY
KANSAS CITY, MO
ATT.: Michael Fay, Attorney

FROM: ROGER A. MORIN
10403 BIG CANOE
JASPER, GA 30143
TAX ID NO. 252-35-3103

RE: Expert Testimony: Rate of Return Rebuttal
Missouri Public Service Commission Case No. GR-2004-0209

PROFESSIONAL FEES

TOTAL PROFESSIONAL FEES

\$30,000

\$30,000

MEMORANDUM

To: Tom Karam
From: Rob Hack
Date: 5/27/04
Re: Request for approval to hire Roger Morin to assist with MGE rate case.

Pursuant to Company Policy ("Policy"), I hereby request approval to hire Roger Morin to assist in rate of return matters related to the MGE rate case.

Following is the required Policy information.

- A. Requestor: Robert J. Hack, Vice President – Pricing & Regulatory Affairs, MGE.
- B. Purpose: To assist in supporting MGE rate of return position. Currently, the MPSC staff OPC are recommending overall rates of return less than 7.5% and returns on equity no higher than approximately 9.5%. If we are successful, MGE annual earnings would increase in the range of \$23 MM.
- C. Consultant: Roger Morin
- D. Duration: Approximately 3 months.
- E. Consultant's Cost: Approximately \$30,000
- F. Written/Verbal Agreement: Written.
- G. Explanation of Preference: Due to the dollar magnitude of the issue and Professor Morin's distinguished qualifications, his outside assistance is needed to complete the required rebuttal testimony and research needed in a timely manner. Professor Morin has authored texts recognized as authoritative in the field and has expressed a desire to work on this project. Due to severe time constraints associated with testimony filing deadlines, I approved prior to obtaining formal, up-line approval.
- H. Replace Employee/Contractor?: It is not intended that this consultant would replace any existing employee or contractor.
- I. Approval by: MGE Counsel

/s/ Robert J. Hack

5/27/04

Signature

Date

J. Approval by: Jim Oglesby, President and COO

x Jim Oglesby 5/27/04
Signature Date

K. Approval by Thomas F. Karam

Signature Date