

FILED<sup>4</sup>

JUL 13 2004

Missouri Public  
Service Commission

Exhibit No.:

9

Issues: Updated Revenue  
Requirement

Witness: Michael R. Noack

Sponsoring Party: Missouri Gas Energy

Case No.: GR-2004-0209

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2004-0209

UPDATED TEST YEAR DIRECT TESTIMONY OF

MICHAEL R. NOACK

Jefferson City, Missouri

January 30, 2004

**UPDATED TEST YEAR DIRECT TESTIMONY OF MICHAEL R. NOACK**

**CASE NO. GR-2004-0209**

**January 30, 2004**

1    **Q.    WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

2    A.    My name is Michael R. Noack and my business address is 3420 Broadway, Kansas  
3           City, Missouri 64111.

4

5    **Q.    ARE YOU THE SAME MICHAEL R. NOACK WHO FILED DIRECT**  
6           **TESTIMONY IN THIS PROCEEDING ON NOVEMBER 4, 2003?**

7    A.    Yes.

8

9    **Q.    WHAT IS THE PURPOSE OF THIS TESTIMONY?**

10   A.    In its Order Establishing Procedural Schedule issued on December 9, 2003, the  
11           Commission required MGE to update its revenue requirement to reflect the test year  
12           updated for changes through December 31, 2003. The purpose of this testimony is to  
13           present the revenue requirement prepared by MGE on the basis of the twelve-month  
14           period ending June 30, 2003 updated through December 31, 2003.

15

16   **Q.    MR. NOACK, PLEASE DESCRIBE THE REVENUE DEFICIENCY**  
17           **SCHEDULES THAT ARE APPENDED TO THIS TESTIMONY.**

18

1 A. The revenue deficiency schedules attached to this testimony update the revenue  
2 deficiency schedules attached to my original filed November 4, 2003. The revenue  
3 deficiency summary attached to this testimony is based on the twelve-month period  
4 ending June 30, 2003 rolled forward to the twelve months ending December 31, 2003.

5  
6 **Q. BESIDES ROLLING FORWARD THE TEST PERIOD TO DECEMBER 31,**  
7 **ARE THERE ANY OTHER CHANGES IN THIS UPDATED FILING?**

8 A. Only two. The schedules correspond to the same schedules filed with my initial direct  
9 testimony. One small change was made that eliminated the averaging of the last three  
10 years of regulatory commission expenses. Because of rate case costs included in this  
11 account, it is more accurate to simply take the test year expense, eliminate those costs  
12 included in the account and use the remaining balance as the proper test year level.  
13 A second change is to add an additional \$750,000 to uncollectible expenses to  
14 recognize an estimated increase in the level of uncollectible expense due to the  
15 provisions of the denial of service rule changes that are expected to be implemented  
16 as a result of Case No. AX-2003-0574 prior to the 2004-2005 heating season. As a  
17 result of these changes, MGE will incur an additional amount of bad debt write-offs  
18 from not being able to collect past-due amounts from some customers MGE was  
19 previously able to collect from.

20

21 **Q. DOES MGE CONTINUE TO BELIEVE THAT A TRUE-UP AUDIT IS**  
22 **NECESSARY AND APPROPRIATE?**

23

1 A. As stated on page 4 of my direct testimony, MGE continues to believe that a true-up  
2 audit is necessary and appropriate in this proceeding. Using such a mechanism to  
3 recognize known and measurable changes in the level of plant, salaries and  
4 employees, capital structure and deferred taxes to mention a few is the best way to  
5 mitigate regulatory lag in this proceeding. As examples, MGE expects to make  
6 approximately \$8 million in plant additions in the first four months of 2004 and a  
7 union wage increase is scheduled to take effect pursuant to contract on May 1, 2004.  
8 Without a true-up, by the time rates go into effect (early October based on the  
9 operation of law date) MGE will already be experiencing a shortfall from the  
10 authorized rate of return simply by not having the plant increases and expense  
11 increases since December 2003 included in rates.

12

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes.

15

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's  
Tariff Sheets Designed to Increase Rates  
for Gas Service in the Company's Missouri  
Service Area.

)  
)  
)  
)

Case No. GR-2004-0209

AFFIDAVIT OF MICHAEL R. NOACK

STATE OF MISSOURI )

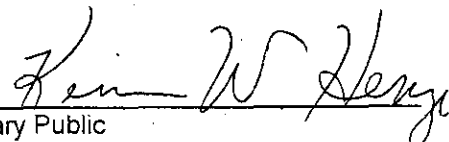
) ss.

COUNTY OF JACKSON )

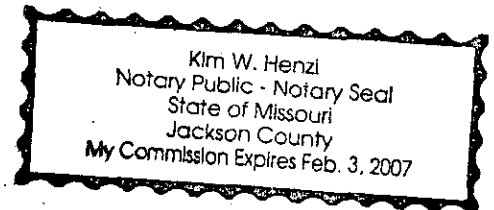
Michael R. Noack, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Updated Test Year Direct Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Updated Test Year Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
MICHAEL R. NOACK

Subscribed and sworn to before me this 30th day of January 2004.

  
Notary Public

My Commission Expires: Feb. 3, 2007



1  
2  
3  
4  
5  
6  
7  
8  
9

**MISSOURI GAS ENERGY**

**A division of Southern Union Company**

**REVENUE DEFICIENCY SUMMARY**

**BASED ON UPDATED TEST YEAR**

**Twelve Months Ended December 31, 2003**

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company

**Index of Schedules**

<u>Schedule</u>	<u>Description</u>
A	Revenue Deficiency
A-1	Summary Of Revenues & Expenses, Per Books and Adjusted
A-2	Income Tax
B	Rate Base
B-1	SLRP Deferrals and Deferred Taxes
B-2	Customer Deposits
B-3	Customer Advances
B-4	Deferred Taxes (Other than SLRP)
C	Plant In Service
D	Accumulated Reserves for Depreciation and Amortization
E	Working Capital
E-1	Materials & Supplies
E-2	Prepayments
E-3	Gas Inventory
E-4	Cash Working Capital
E-5	Deferred Pension
F	Summary Of Cost Of Capital
F-1	Long Term Debt
F-2	Equity Capital
G-1	Comparison of FERC Form 2 Information
G-2	Comparison of Missouri LDC's Average Annual Residential Bill
G-3	Comparison of Actual Uncollectibles and Uncollectibles Included in Rates
G-4	Comparison of Achieved Rate of Return versus Authorized Rate of Return
H	Distribution of Revenue and Expense Adjustments by Account No.
H-1	Adjust Test Year Revenue per Book to Test Year Margin
H-2	Test Year Margin Adjustments
H-3	Remove Purchase Gas Costs and Gross Receipts Tax
H-4	Payroll Expense
H-5	Employee Benefits
H-6	Payroll Taxes
H-7	Insurance - Accounts 924 & 925
H-8	Corporate Allocated Costs
H-9	Uncollectible Expense
H-10	Regulatory Commission Expense
H-11	Interest on Customer Deposits
H-12	Depreciation Expense
H-13	Amortization Expense
H-14	Transportation and Work Equipment Clearing
H-15	Stores Clearing
H-16	Paid Time Off Clearing
H-17	Missouri State Franchise Tax
H-18	Property Tax Expense
H-19	Gas Supply Expenses
H-20	Office Lease Expense
H-21	Dues Expense
H-22	Incentive Compensation and Bonuses
H-23	Customer Collection Costs
H-24	Shared Services Expense
H-25	Non-utility Activity
H-26	Outside Services - Tax Services
H-27	Weatherization
H-28	Environmental Response Fund
H-29	Information Technology Expenses
T-1	Example of PGA Tariff Sheets

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Revenue Deficiency**

Line No.	Description (a)	Ref. (b)	Required Return (c)	Earnings Deficiency (d)	Net Revenue Deficiency (e)
1	Rate Base	B	\$553,971,275		
2	Rate of Return	F	9.354%		
3	<b>Required Return</b>		<u>\$51,818,473</u>	\$51,818,473	
4	Adjusted Test Year Net Operating Income	A-1		<u>19,009,621</u>	
5	<b>Earnings Deficiency</b>			<u>\$32,808,852</u>	\$32,808,852
6	Multiply by Income Tax Gross-up Factor				<u>1.629800</u>
7	<b>Net Revenue Deficiency - Gross of Tax</b>				<u>\$53,471,867</u>
8	Multiply by Uncollectibles Gross-up Factor				<u>1.01597055</u>
9	<b>Revenue Deficiency before Late Pay Fee Gross Down</b>				<u>\$54,325,842</u>
10	Multiply by Late Pay Fee Gross-down Factor				<u>0.997718</u>
11	<b>Net Revenue Deficiency</b>				<u>\$54,201,865</u>



**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Summary of Net Operating Income  
Per Books and Adjusted**

Line No.	Description (a)	Per Books (b)	Adjustments (c)	As Adjusted (d)
<u>REVENUES</u>				
1	Operating Base Revenues	\$519,445,100	(\$388,129,693)	\$131,315,407
2	Other Utility Revenues	8,055,291	(53,748)	8,001,543
3	Total Operating Revenues	<u>\$527,500,391</u>	<u>(\$388,183,441)</u>	<u>\$139,316,951</u>
<u>OPERATING EXPENSES</u>				
4	Distribution Expense	\$377,366,307	(\$354,353,134)	\$23,013,173
5	Customer Accounts Expense	17,703,697	2,520,228	20,223,925
6	Customer Service and Information Expense	488,538	159,156	647,694
7	Sales Expense	213,983	(1,934)	212,049
8	Administrative and General Expense	<u>23,793,779</u>	<u>10,616,556</u>	<u>34,410,335</u>
9	Total Operating and Maintenance Expenses	<u>\$419,566,304</u>	<u>(\$341,059,129)</u>	<u>\$78,507,175</u>
10	Depreciation & Amortization Expense	\$23,212,293	\$7,741,118	\$30,953,411
11	Interest on Customer Deposits	202,018	(81,567)	120,451
12	Taxes Other Than Income	<u>41,326,810</u>	<u>(30,642,352)</u>	<u>10,684,458</u>
13	Total Operating Expenses	<u>\$484,307,425</u>	<u>(\$364,041,930)</u>	<u>\$120,265,495</u>
14	Operating Income Before Income Tax	\$43,192,966	(\$24,141,511)	\$19,051,455
15	Less: Income Tax Expense	8,773,696	(8,731,862)	41,834
16	Net Operating Income	<u>\$34,419,270</u>	<u>(\$15,409,649)</u>	<u>\$19,009,621</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Income Tax**

Line No.	Description (a)	Reference (b)	Per Books (c)	As Adjusted (d)
1	Total Operating Revenues	A-1	\$527,500,391	\$139,316,951
2	Total Operating Expenses	A-1	(484,307,425)	(120,265,495)
3	Net Operating Income	A-1	<u>\$43,192,966</u>	<u>\$19,051,455</u>
4	Equity Portion of SLRP Deferrals		\$1,352,192	\$0
5	Less: Interest on Long Term Debt		(21,074,636)	(18,176,306)
6	Total Tax Adjustments		<u>(\$19,722,444)</u>	<u>(\$18,176,306)</u>
7	Net Taxable Income		<u>\$23,470,522</u>	<u>\$875,149</u>
8	Income Tax		\$9,070,059	\$338,197
9	Less: Income Tax Reduction per Case No. GM-94-40		(296,363)	(296,363)
10	Net Income Tax		<u>\$8,773,696</u>	<u>\$41,834</u>

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
 Twelve Months Ending December 31, 2003

**Rate Base**

Line No.	Description (a)	Reference (b)	Amount (c)
1	Intangible Plant	C	\$32,348,320
2	Distribution Plant	C	701,827,671
3	General Plant	C	55,597,904
4	Gross Plant In Service		<u>\$789,773,895</u>
5	Accumulated Depreciation & Amortization	D	<u>(259,117,549)</u>
6	Net Plant in Service		\$530,656,346
7	SLRP Deferrals	B-1	\$17,949,024
8	Working Capital	E	76,147,761
9	Alternative Minimum Tax Credit		12,782,852
10	Customer Deposits	B-2	(3,619,432)
11	Customer Advances - Thirteen Month Average	B-3	(10,575,798)
12	Unamortized Deferred Credit per Case No. GM-94-40		0
13	Deferred Income Taxes - SLRP	B-1	(5,930,866)
14	Deferred Income Taxes - Other	B-4	(63,438,612)
#REF!	<b>Total Rate Base</b>		<u><u>\$553,971,275</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**SLRP Deferrals and Deferred Taxes**

Line No.	Description (a)	Gross Deferral (b)	Accumulated Amortization (c)	Amount (d)
<u>SLRP Deferrals</u>				
1	Order GO-92-185 (Deferred Balance @ 5/31/98)	\$5,776,280	3,174,512	\$2,601,768
2	Order GO-94-234 (Deferred Balance @ 5/31/98)	12,399,117	6,778,922	5,620,195
3	Order GO-97-301 (Deferred Balance @ 5/31/98)	3,060,876	1,632,467	1,428,409
4	Order GR-98-140	9,182,136	2,219,016	6,963,120
5	Order GR-2001-282	1,335,532	0	1,335,532
6	Total SLRP Deferrals	<u>\$31,753,941</u>	<u>\$13,804,917</u>	<u>\$17,949,024</u>
 <u>SLRP Deferred Taxes</u>				
7	Order GO-92-185			0
8	Order GO-94-234			2,171,895
9	Order GO-97-301			552,001
10	Order GR-98-140			2,690,861
11	Order GR-2001-292			516,109
12	Total SLRP Deferred Taxes			<u>\$5,930,866</u>

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
 Thirteen Months Ending December 31, 2003

**Customer Deposits**

Line No.	Month	Residential Amount	Commercial & Industrial		Total Amount
			Amount	Amount	
	(a)	(b)	(c)		(d)
1	Dec-02	(\$1,534,317)	(\$2,111,623)		(\$3,645,940)
2	Jan-03	(1,544,250)	(2,124,060)		(3,668,310)
3	Feb-03	(1,530,320)	(2,151,447)		(3,681,767)
4	Mar-03	(1,522,115)	(2,140,489)		(3,662,604)
5	Apr-03	(1,506,298)	(2,125,956)		(3,632,254)
6	May-03	(1,463,678)	(2,124,531)		(3,588,209)
7	Jun-03	(1,417,912)	(2,153,752)		(3,571,664)
8	Jul-03	(1,401,151)	(2,174,196)		(3,575,348)
9	Aug-03	(1,365,340)	(2,198,304)		(3,563,644)
10	Sep-03	(1,357,012)	(2,212,457)		(3,569,469)
11	Oct-03	(1,342,133)	(2,248,184)		(3,590,317)
12	Nov-03	(1,318,844)	(2,287,965)		(3,606,809)
13	Dec-03	(1,333,389)	(2,362,887)		(3,696,276)
14	13 Month Total	<u>(\$18,636,759)</u>	<u>(\$28,415,851)</u>		<u>(\$47,052,610)</u>
15	13 Month Average	<u>(\$1,433,597)</u>	<u>(\$2,185,835)</u>		<u>(\$3,619,432)</u>

## SCHEDULE B-3

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
Thirteen Months Ending December 31, 2003

**Customer Advances**

Line No.	Month (a)	Amount (b)
1	Dec-02	(\$10,382,694)
2	Jan-03	(10,408,714)
3	Feb-03	(10,381,355)
4	Mar-03	(10,419,364)
5	Apr-03	(10,431,656)
6	May-03	(10,611,023)
7	Jun-03	(10,564,904)
8	Jul-03	(10,549,375)
9	Aug-03	(10,566,872)
10	Sep-03	(10,525,281)
11	Oct-03	(10,852,291)
12	Nov-03	(10,930,960)
13	Dec-03	(10,860,888)
14	13 Month Total	<u>(\$137,485,377)</u>
15	13 Month Average	<u>(\$10,575,798)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Deferred Taxes (Other than SLRP)**

Line No.	Description (a)	Amount (b)
1	Deferred Taxes, MGE Direct Plant as of 12/31/03	(\$63,438,612)
2	Deferred Taxes, Corporate Plant	<u>0</u>
3	Total Accumulated Deferred Income Taxes (Other than SLRP)	<u><u>(\$63,438,612)</u></u>

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

Plant in Service

Line No.	Description	Direct	Completed Not Classified	Total Direct & Completed	Corporate Allocated	Total Adjustments	Total As Adjusted
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>INTANGIBLE PLANT</u>							
1	(301) Organization	\$15,600	\$0	\$15,600	\$0	\$0	\$15,600
2	(302) Franchises	34,630	0	34,630	0	0	34,630
3	(303) Miscellaneous Intangible	32,298,090	0	32,298,090	0	0	32,298,090
4	Total Intangible Plant	<u>\$32,348,320</u>	<u>\$0</u>	<u>\$32,348,320</u>	<u>\$0</u>	<u>\$0</u>	<u>\$32,348,320</u>
<u>DISTRIBUTION PLANT</u>							
5	(374.1) Land	\$240,448	\$0	\$240,448	\$0	\$0	\$240,448
6	(374.2) Land Rights	1,374,600	0	1,374,600	0	0	1,374,600
7	(375.1) Structures	6,065,252	221	6,065,473	0	0	6,065,473
8	(375.2) Leasehold Improvements	0	0	0	0	0	0
9	(376) Mains	307,070,687	3,073,090	310,143,777	0	0	310,143,777
10	(378) Meas. & Reg. Station - General	11,150,728	11,479	11,162,207	0	0	11,162,207
11	(379) Meas. & Reg. Station - City Gate	3,211,758	0	3,211,758	0	0	3,211,758
12	(380) Services	272,942,883	1,060,774	274,003,657	0	(3,912,754)	270,090,903
13	(381) Meters	29,203,779	3,869	29,207,668	0	0	29,207,668
14	(382) Meter Installations	59,140,845	335,971	59,476,816	0	0	59,476,816
15	(383) House Regulators	10,465,234	42,930	10,508,164	0	0	10,508,164
16	(385) Electronic Gas Measuring	345,857	0	345,857	0	0	345,857
17	(387) Other Equipment	0	0	0	0	0	0
18	Total Distribution Plant	<u>\$701,212,071</u>	<u>\$4,528,354</u>	<u>\$705,740,425</u>	<u>\$0</u>	<u>(\$3,912,754)</u>	<u>\$701,827,671</u>
<u>GENERAL PLANT</u>							
19	(389) Land	\$468,315	\$0	\$468,315	\$0	\$0	\$468,315
20	(390.1) Structures	535,053	64,149	599,202	165,772	0	764,974
21	(390.2) Leasehold Improvements	1,389,409	0	1,389,409	0	0	1,389,409
22	(391) Furniture & Fixtures	5,422,630	386,888	5,809,518	126,142	(1,014,662)	4,920,998
23	(392) Transportation Equipment	4,589,780	0	4,589,780	37,268	0	4,627,048
24	(393) Stores Equipment	541,448	0	541,448	0	0	541,448
25	(394) Tools	4,796,124	15,796	4,811,920	0	0	4,811,920
26	(395) Laboratory Equipment	0	0	0	0	0	0
27	(396) Power Operated Equipment	330,903	0	330,903	0	0	330,903
28	(397.1) Communication Equipment - AMR	34,571,357	143,923	34,715,280	0	0	34,715,280
29	(397.0) Communication Equipment	2,831,250	0	2,831,250	0	0	2,831,250
30	(398) Miscellaneous Equipment	196,359	0	196,359	0	0	196,359
31	Total General Plant	<u>\$55,672,628</u>	<u>\$610,756</u>	<u>\$56,283,384</u>	<u>\$329,182</u>	<u>(\$1,014,662)</u>	<u>\$55,597,904</u>
32	Total Original Cost Plant in Service	<u>\$789,233,019</u>	<u>\$5,139,110</u>	<u>\$794,372,129</u>	<u>\$329,182</u>	<u>(\$4,927,416)</u>	<u>\$789,773,895</u>
33	Accumulated Depreciation and Amortization	<u>(261,547,198)</u>	<u>0</u>	<u>(261,547,198)</u>	<u>(57,218)</u>	<u>2,486,868</u>	<u>(259,117,549)</u>
34	Net Plant In Service	<u>\$527,685,821</u>	<u>\$5,139,110</u>	<u>\$532,824,931</u>	<u>\$271,963</u>	<u>(\$2,440,548)</u>	<u>\$530,656,346</u>



**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Plant in Service**

Line No.	Description	Retire Inactive Services No. 1	Texas Related CSS Enhancements No. 2	Total Adjustments
	(a)	(b)	(c)	(d)
<u>INTANGIBLE PLANT</u>				
1	(301) Organization	\$0	\$0	\$0
2	(302) Franchises	0	0	0
3	(303) Miscellaneous Intangible	0	0	0
4	Total Intangible Plant	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>DISTRIBUTION PLANT</u>				
5	(374.1) Land	\$0	\$0	\$0
6	(374.2) Land Rights	0	0	0
7	(375.1) Structures	0	0	0
8	(375.2) Leasehold Improvements	0	0	0
9	(376) Mains & Mains - Cast Iron	0	0	0
10	(378) Meas. & Reg. Station - General	0	0	0
11	(379) Meas. & Reg. Station - City Gate	0	0	0
12	(380) Services	(3,912,754)	0	(3,912,754)
13	(381) Meters	0	0	0
14	(382) Meter Installations	0	0	0
15	(383) House Regulators	0	0	0
16	(385) Electronic Gas Metering	0	0	0
17	(387) Other Equipment	0	0	0
18	Total Distribution Plant	<u>(\$3,912,754)</u>	<u>\$0</u>	<u>(\$3,912,754)</u>
<u>GENERAL PLANT</u>				
19	(389) Land	\$0	\$0	\$0
20	(390.1) Structures	0	0	0
21	(390.2) Leasehold Improvements	0	0	0
22	(391) Furniture & Fixtures	0	(1,014,662)	(1,014,662)
23	(392) Transportation Equipment	0	0	0
24	(393) Stores Equipment	0	0	0
25	(394) Tools	0	0	0
26	(395) Laboratory Equipment	0	0	0
27	(396) Power Operated Equipment	0	0	0
28	(397) Communication Equipment - AMR	0	0	0
29	(397) Communication Equipment	0	0	0
30	(398) Miscellaneous Equipment	0	0	0
31	Total General Plant	<u>\$0</u>	<u>(\$1,014,662)</u>	<u>(\$1,014,662)</u>
32	Total Original Cost Plant in Service	<u>(\$3,912,754)</u>	<u>(\$1,014,662)</u>	<u>(\$4,927,416)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Accumulated Reserves for Depreciation and Amortization**

Line No.	Description	Test Year Direct	Corporate	Proforma Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Intangible Plant Reserve	(\$17,166,356)	\$0	\$0	(\$17,166,356)
2	Distribution Reserve	<u>(244,380,842)</u>	<u>(57,218)</u>	2,486,868	<u>(241,951,193)</u>
3	Total Accumulated Reserves	<u>(\$261,547,198)</u>	<u>(\$57,218)</u>	<u>\$2,486,868</u>	<u>(\$259,117,549)</u>

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

Accumulated Reserves for Depreciation and Amortization

Line No.	Description	Adjustments to Plant in Service	Deprec. Rates	Retire Inactive Services No. 1	Texas Related CSS Enhancements No. 2	Remove Debit Balances and Correct Entry No. 3	Total Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
<b>DISTRIBUTION PLANT</b>							
1	(374.1) Land	\$0	0.00%				\$0
2	(374.2) Land Rights	0	Amort.				0
3	(375.1) Structures	0	2.01%				0
4	(375.2) Leasehold Improvements	0	Amort.				0
5	(376) Mains & Mains - Cast Iron	0	2.10%				0
6	(378) Meas. & Reg. Station - General	0	3.19%				0
7	(379) Meas. & Reg. Station - City Gate	0	2.56%				0
8	(380) Services	(3,912,754)	4.58%	3,912,754			3,912,754
9	(381) Meters	0	2.46%				0
10	(382) Meter Installations	0	2.47%				0
11	(383) House Regulators	0	2.27%				0
12	(385) Electronic Gas Metering	0	5.00%				0
13	(387) Other Equipment	0	4.60%				0
14	Total Distribution Plant	<u>(\$3,912,754)</u>		<u>\$3,912,754</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,912,754</u>
<b>GENERAL PLANT</b>							
15	(389) Land	\$0	0.00%				\$0
16	(390.1) Structures	0	2.52%				0
17	(390.2) Leasehold Improvements	0	Amort.				0
18	(391) Furniture & Fixtures	(1,014,662)	6.67%		658,973	(828,469)	(169,496)
19	(392) Transportation Equipment	0	10.69%				0
20	(393) Stores Equipment	0	4.17%				0
21	(394) Tools	0	7.00%				0
22	(395) Laboratory Equipment	0	6.00%				0
23	(396) Power Operated Equipment	0	6.46%			(343,830)	(343,830)
24	(397) Communication Equipment - AMR	0	5.00%				0
25	(397) Communication Equipment	0	5.59%			(912,561)	(912,561)
26	(398) Miscellaneous Equipment	0	5.63%				0
27	Total General Plant	<u>(\$1,014,662)</u>		<u>\$0</u>	<u>\$658,973</u>	<u>(\$2,084,859)</u>	<u>(\$1,425,886)</u>
28	Total Adjustment	<u>(\$4,927,416)</u>		<u>\$3,912,754</u>	<u>\$658,973</u>	<u>(\$2,084,859)</u>	<u>\$2,486,868</u>

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Working Capital**

Line No.	Description (a)	Reference (b)	Amounts (c)
1	Materials and Supplies Inventory	E-1	\$2,577,795
2	Prepayments - Thirteen Month Average	E-2	645,601
3	Gas Inventory - Volumes and Price	E-3	56,500,521
4	Cash Working Capital	E-4	7,148,663
5	Prepaid Pension	E-5	<u>9,275,181</u>
6	Total Working Capital		<u><u>\$76,147,761</u></u>

## SCHEDULE E-1

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
Thirteen Months Ending December 31, 2003

**Materials & Supplies**

Line No.	Month (a)	Amount (b)
1	Dec-02	\$2,231,396
2	Jan-03	2,251,402
3	Feb-03	2,369,635
4	Mar-03	2,514,833
5	Apr-03	2,660,089
6	May-03	2,534,254
7	Jun-03	2,582,297
8	Jul-03	2,596,277
9	Aug-03	2,592,242
10	Sep-03	2,757,455
11	Oct-03	2,864,960
12	Nov-03	2,802,746
13	Dec-03	<u>2,753,745</u>
14	13 Month Total	<u><u>\$33,511,331</u></u>
15	13 Month Average	<u><u>\$2,577,795</u></u>

## SCHEDULE E-2

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
Thirteen Months Ending December 31, 2003

**Prepayments**

Line No.	Month (a)	Amount (b)
1	Dec-02	532,890
2	Jan-03	416,994
3	Feb-03	517,005
4	Mar-03	331,282
5	Apr-03	331,313
6	May-03	210,091
7	Jun-03	160,988
8	Jul-03	789,001
9	Aug-03	1,174,049
10	Sep-03	1,160,825
11	Oct-03	977,317
12	Nov-03	951,685
13	Dec-03	<u>839,369</u>
14	13 Month Total	<u><u>\$8,392,808</u></u>
15	13 Month Average	<u><u>\$645,601</u></u>

SCHEDULE E-3

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
Thirteen Months Ending December 31, 2003

**Gas Inventory**

Line No.	Month (a)	Volumes (b)
1.	Dec-02	11,595,451
2	Jan-03	6,199,269
3	Feb-03	1,604,779
4	Mar-03	1,793,568
5	Apr-03	4,843,104
6	May-03	9,205,812
7	Jun-03	12,451,375
8	Jul-03	13,914,784
9	Aug-03	15,189,442
10	Sep-03	16,457,594
11	Oct-03	17,460,027
12	Nov-03	14,562,734
13	Dec-03	<u>12,013,048</u>
14	13 Month Average	10,560,845
15	Current Injection Prices	<u>\$5.350</u>
16	Inventory Value	<u><u>\$56,500,521</u></u>

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

Cash Working Capital

Line No.	Description	Test Year Expenses	Revenue Lag	Expense Lead	Net Lag (C-D)	Factor (E/365)	CWC Requirement (B*F)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>Operation &amp; Maintenance Expense</u>							
1	Cash Vouchers	\$32,876,420	46.8029	23.1000	23.7029	0.0649	\$2,134,977
2	Bad Debt Expense	9,174,470	46.8029	46.8029	-	-	0
3	Net Payroll Expense	17,079,089	46.8029	12.5000	34.3029	0.0940	1,605,103
4	Fica Withheld	1,837,774	46.8029	9.6000	37.2029	0.1019	187,317
5	Federal Income Tax Withheld	2,985,421	46.8029	15.5900	31.2129	0.0855	255,298
6	State Income Tax Withheld	974,745	46.8029	48.7600	(1.9571)	(0.0054)	(5,226)
7	City Tax Withheld	140,668	46.8029	20.2200	26.5829	0.0728	10,245
8	Resident State Tax Withheld	0	46.8029	30.7271	16.0758	0.0440	0
9	Vacation Expense - Nonunion	452,948	46.8029	182.5000	(135.6971)	(0.3718)	(168,394)
10	Vacation Expense - Union	876,515	46.8029	388.1500	(341.3471)	(0.9352)	(819,715)
11	Sick Leave	537,443	46.8029	68.6400	(21.8371)	(0.0598)	(32,154)
12	Pensions	3,202,729	46.8029	46.8029	-	-	0
13	Medical Expense	7,047,211	46.8029	-	46.8029	0.1282	903,644
14	Purchased Gas	355,036,581	46.8029	38.6946	8.1083	0.0222	7,886,970
15	Building Rents and Leases	1,321,743	46.8029	(14.6500)	61.4529	0.1684	222,534
16	Total Operation & Maintenance Expense	<u>433,543,756</u>					<u>12,180,598</u>
<u>Taxes</u>							
17	Property Taxes	8,476,600	46.8029	182.0000	(135.1971)	(0.3704)	(3,139,758)
18	Franchise Taxes	259,080	46.8029	59.4100	(12.6071)	(0.0345)	(8,949)
19	Gross Receipts Taxes	30,161,789	46.8029	59.4100	(12.6071)	(0.0345)	(1,041,788)
20	Employer Portion of FICA	1,837,774	46.8029	9.6000	37.2029	0.1019	187,317
21	Federal and State Unemployment	37,939	46.8029	87.8200	(41.0171)	(0.1124)	(4,263)
22	Use Taxes	169,306	46.8029	76.1200	(29.3171)	(0.0803)	(13,599)
23	Sales Taxes	7,336,089	46.8029	24.9700	21.8329	0.0598	438,817
24	Total Taxes	<u>48,278,577</u>					<u>(3,582,223)</u>
25	Total Cash Working Capital Requirement						8,598,375
26	Estimated Interest Expense Offset	18,407,834	46.8029	75.6000	(28.7971)	(0.0789)	(1,452,378)
27	Estimated Income Tax Offset	544,065	46.8029	45.0000	1.8029	0.0049	2,666
28	Net Cash Working Capital						<u>\$7,148,663</u>



SCHEDULE E-5

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
 Twelve Months Ending December 31, 2003

**Deferred Pension**

Line No.	Year Ended (a)	Balance (b)
1	December 31, 2003	<u>\$9,275,181</u>

SCHEDULE F

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Summary of Cost of Capital**

Line No.	Description	Reference	Ratio	Cost Rate	Weighted Composite Rate
	(a)	(b)	(c)	(d)	(e)
1	Long-Term Debt	F-1	47.17%	7.29%	3.439%
2	Preferred Equity	F-2	10.24%	7.86%	0.805%
3	Common Equity	F-2	<u>42.58%</u>	12.00%	<u>5.110%</u>
4	Total		<u><u>100.00%</u></u>		<u><u>9.354%</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Long Term Debt**

Line No.	Description	Outstanding June 30, 2003	Ann Int Rate	Annual Interest
	(a)	(b)	(c)	(d)
1	7.6% Senior notes	359,765,000	7.600%	27,342,000
2	8.25% Senior notes	300,000,000	8.250%	24,750,000
3	Term note	161,086,956	2.205%	3,552,000
4	Bank Debt	0	2.375%	0
5	5.75% Equity Units	125,000,000	5.750%	7,188,000
6	9.34% Mortgage bonds	15,000,000	9.340%	1,401,000
7	9.44% Mortgage (FR)	6,500,000	9.440%	614,000
8	7.99% Mortgage (FR)	7,000,000	7.990%	559,000
9	7.24% Mortgage (FR)	6,000,000	7.240%	434,000
10	Mortgage bonds (PR) M	1,363,000	10.250%	140,000
11	Mortgage bonds (PR) N	10,000,000	9.630%	963,000
12	Mortgage bonds (PR) O	11,875,000	8.460%	1,005,000
13	Mortgage bonds (PR) P	12,500,000	8.090%	1,011,000
14	Mortgage bonds (PR) R	15,000,000	7.500%	1,125,000
15	Mortgage bonds (PR) S	14,464,000	6.820%	986,000
16	Mortgage bonds (PR) T	13,802,000	6.500%	897,000
17	Other	0	7.000%	0
18	Total long term debt	1,059,355,956		71,967,000
19	Unamort debt costs-181	(16,443,534)		2,455,932
20	Unamortized debt costs - 189	(16,317,491)		667,368
21	Unamortized gain - 257	2,096,133		(104,372)
22	Net long term debt	<u>\$1,028,691,064</u>		<u>\$74,985,928</u>
26	EFFECTIVE INTEREST RATE		7.2895%	

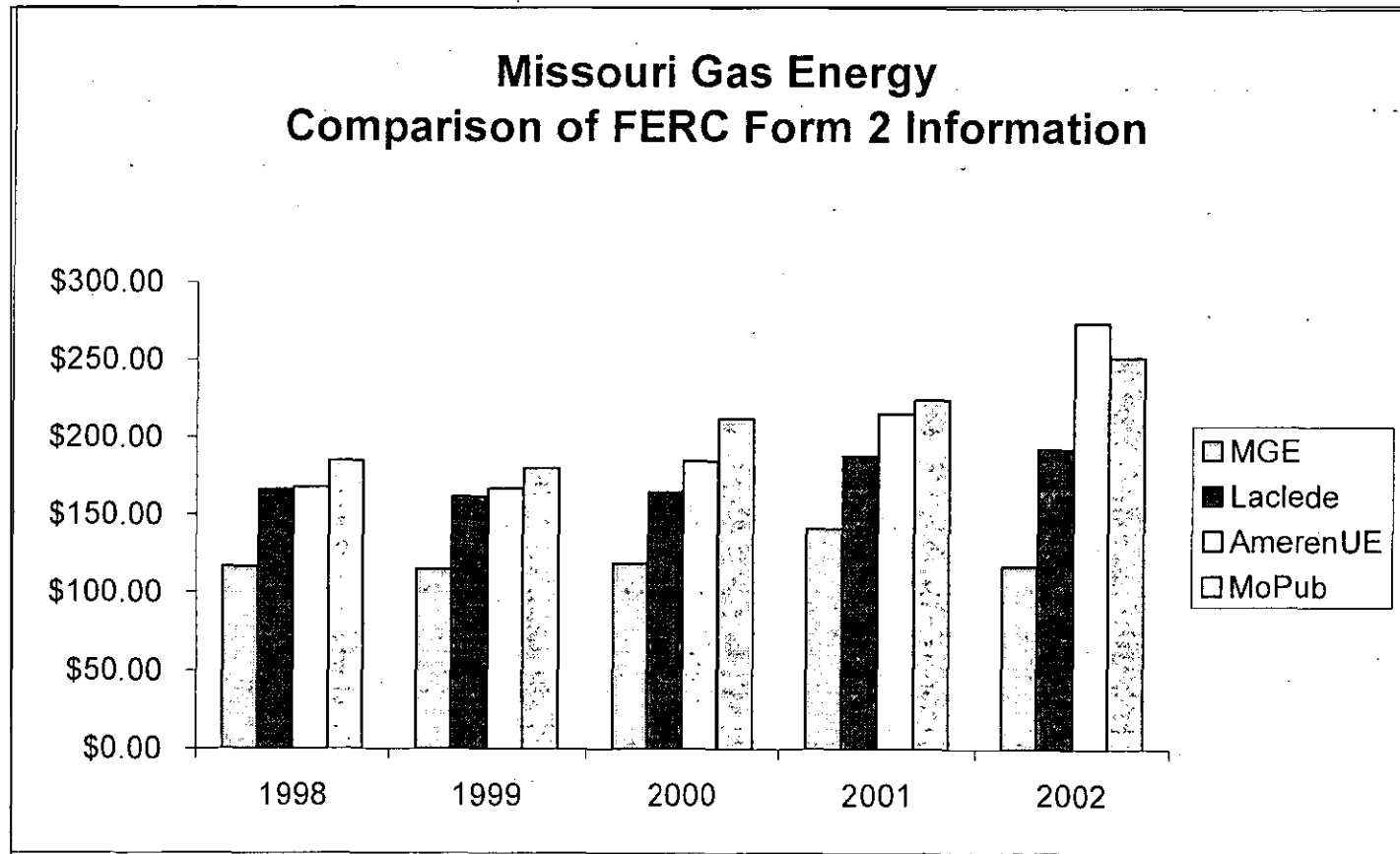
**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Equity Capital**

Line No.	Description (a)	Cost Rate (b)	Ratio (c)	Composite Cost Rate (d)
<b>Preferred Equity</b>				
1	\$230,000,000 of 7.55% Preferred Stock			
2	Issuance Cost Amortization			
3	Preferred Equity	7.860%		
	Preferred Equity as Proportion of Total			
4	Capitalization		<u>10.24%</u>	
5	Composite Preferred Cost Rate			<u>0.805%</u>
<b>Common Equity</b>				
6	Common Equity			
7	Required Return on Common Equity	12.000%		
	Common Equity as Proportion of Total			
8	Capitalization		<u>42.6%</u>	
9	Composite Common Cost Rate			<u>5.110%</u>
10	<b>Total Equity Capital</b>			<u><u>5.915%</u></u>

**Missouri Gas Energy**  
**Comparison of FERC Form 2 Information**

	<b>MGE</b>	<b>Laclede</b>	<b>AmerenUE</b>	<b>MoPub</b>
1998	\$116.85	\$166.35	\$167.82	\$185.21
1999	\$115.37	\$162.00	\$167.01	\$180.30
2000	\$119.18	\$164.89	\$184.86	\$212.23
2001	\$141.59	\$188.43	\$215.26	\$224.42
2002	\$117.35	\$193.29	\$274.22	\$252.15



**COMPARISON OF MISSOURI LDCS  
AVERAGE ANNUAL RESIDENTIAL BILL  
(EXCLUDING PGA AND TAXES)**

MGE Rate Case

Normal

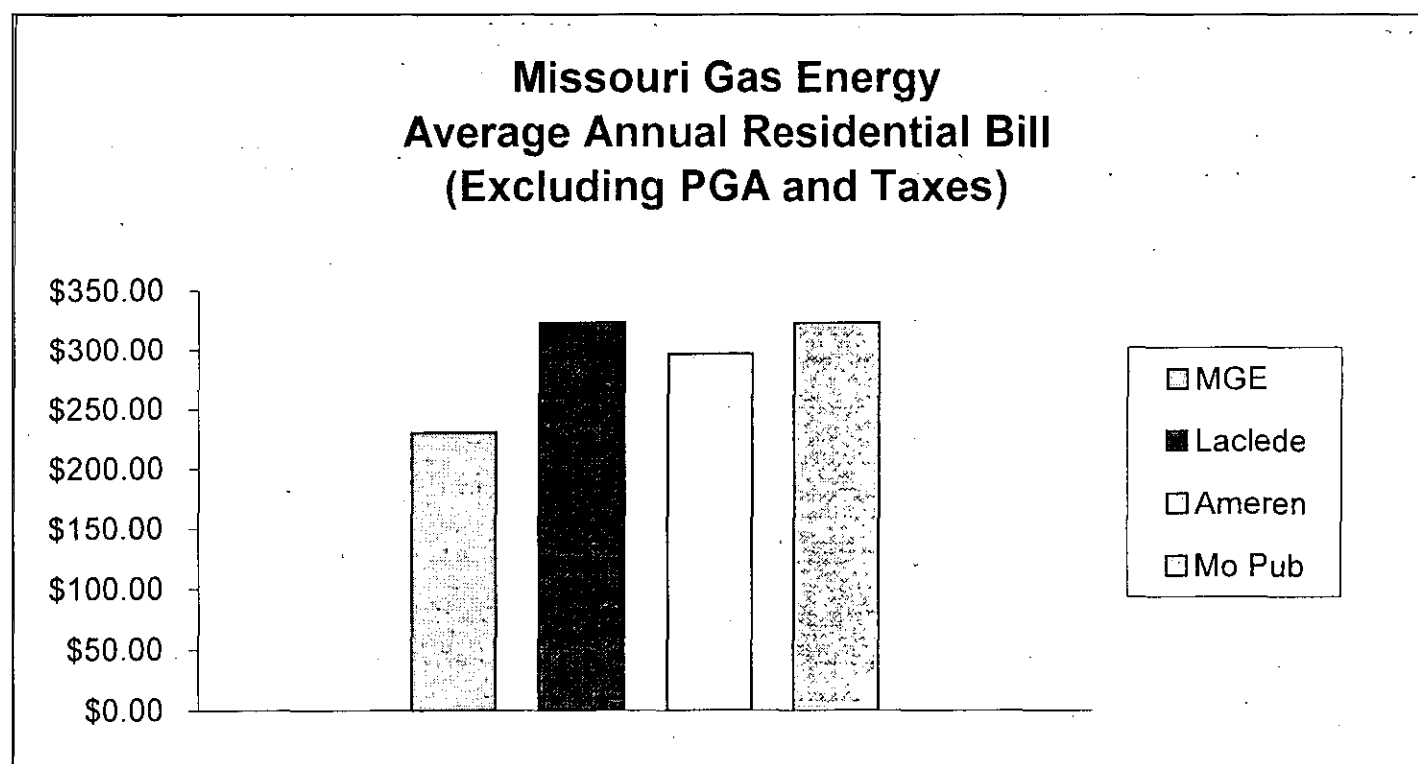
	<u>Usage (Ccf)</u>	<u>MGE</u>	<u>Laclede</u>	<u>Ameren</u>	<u>Mo Pub</u>	
January	195.80	\$32.42	\$37.44	\$47.30	\$52.65	\$35.72
February	179.95	30.61	37.44	44.20	49.12	\$35.72
March	135.95	25.58	37.44	35.59	39.31	\$35.72
April	89.11	20.23	37.44	26.43	28.87	\$24.11
May	51.27	15.91	20.47	19.03	20.43	\$21.51
June	27.92	13.24	16.61	14.46	15.22	\$17.88
July	20.28	12.37	15.35	12.97	13.52	\$16.70
August	18.44	12.16	15.05	12.61	13.11	\$16.41
September	19.19	12.24	15.17	12.75	13.28	\$16.53
October	24.31	12.83	16.02	13.76	14.42	\$17.32
November	65.85	17.57	37.44	21.88	23.68	\$35.02
December	<u>136.66</u>	<u>25.66</u>	<u>37.44</u>	<u>35.73</u>	<u>39.47</u>	\$35.72

Average Annual Residential Bill	<u>964.72</u>	<u>\$230.80</u>	<u>\$323.29</u>	<u>\$296.70</u>	<u>\$323.09</u>	<u>\$308.35</u>
---------------------------------	---------------	-----------------	-----------------	-----------------	-----------------	-----------------

Tariff Effective Date	<u>8/6/2001</u>	<u>12/9/2002</u>	<u>3/14/2002</u>	<u>6/13/2000</u>	133.60%
-----------------------	-----------------	------------------	------------------	------------------	---------

Source: AGA Rate Service

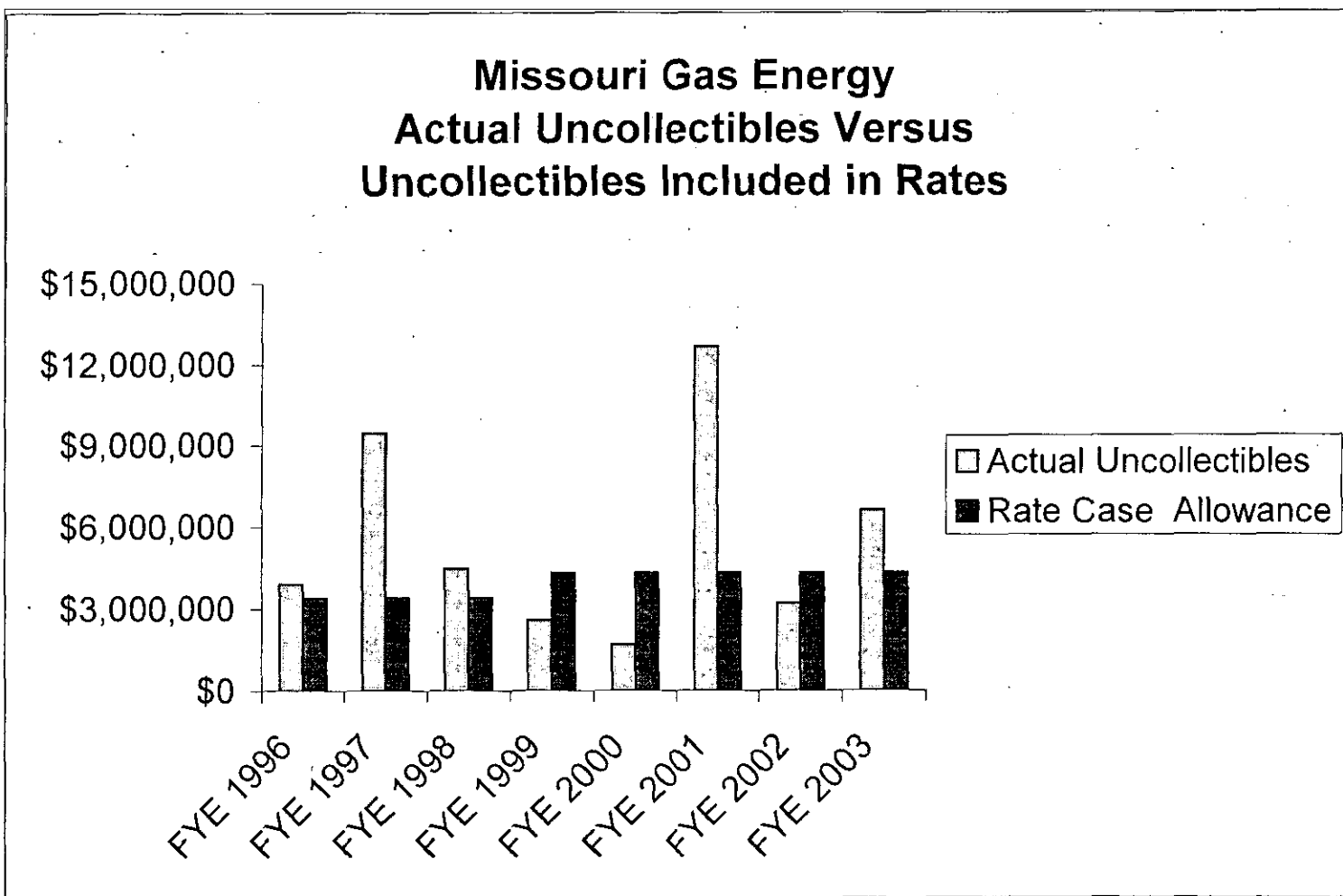
Missouri Public Service Commission





**MISSOURI GAS ENERGY  
COMPARISON OF ACTUAL UNCOLLECTIBLES  
AND UNCOLLECTIBLES INCLUDED IN RATES**

	<u>Actual Uncollectibles</u>	<u>Rate Case Allowance</u>	<u>Difference</u>
FYE 1996	\$ 3,906,455	\$ 3,409,662	\$ (496,793)
FYE 1997	9,442,692	3,409,662	(6,033,030)
FYE 1998	4,469,856	3,409,662	(1,060,194)
FYE 1999	2,584,998	4,325,000	1,740,002
FYE 2000	1,696,606	4,325,000	2,628,394
FYE 2001	12,653,781	4,325,000	(8,328,781)
FYE 2002	3,211,390	4,323,292	1,111,902
FYE 2003	<u>6,602,056</u>	<u>4,323,292</u>	<u>(2,278,764)</u>
Total	<u>\$ 44,567,834</u>	<u>\$ 31,850,570</u>	<u>\$ (12,717,264)</u>
Cumulative difference between actual and rate case allowance		<u>\$(12,717,264)</u>	
Average difference between actual and rate case allowance per year		<u>\$ (1,589,658)</u>	



**Missouri Gas Energy**  
**COMPARISON OF ACHIEVED RATE OF RETURN**  
**VS. AUTHORIZED RATE OF RETURN**

<u>Description</u>	<u>6/30/1996</u> <u>(000)</u>	<u>6/30/1997</u> <u>(000)</u>	<u>6/30/1998</u> <u>(000)</u>	<u>6/30/1999</u> <u>(000)</u>	<u>6/30/2000</u> <u>(000)</u>	<u>6/30/2001</u> <u>(000)</u>	<u>6/30/2002</u> <u>(000)</u>	<u>6/30/2003</u> <u>(000)</u>	<u>Cumulative</u> <u>(000)</u>
Net Sales Margin	\$ 119,106	\$ 121,390	\$ 123,759	\$ 130,859	\$ 125,088	\$ 141,971	\$ 136,311	\$ 144,483	
Operating Expenses excluding									
Uncollectible Expense	(50,688)	(48,037)	(47,390)	(49,273)	(49,638)	(51,176)	(46,693)	(53,967)	
Uncollectible Expense	(3,906)	(9,443)	(4,470)	(2,585)	(1,697)	(12,654)	(3,211)	(6,602)	
Corporate Allocated Expenses									
from GR-98-140	(5,612)	(5,612)	(5,991)	(5,991)	(5,991)	(5,991)	(6,935)	(6,935)	
Taxes Other than Income Taxes	(6,406)	(5,730)	(7,084)	(7,341)	(8,267)	(9,263)	(10,759)	(9,983)	
Depreciation & Amortization	(14,806)	(16,344)	(19,131)	(21,740)	(22,439)	(22,986)	(20,015)	(22,691)	
Income Taxes	(6,843)	(5,732)	(6,763)	(7,999)	(4,972)	(5,821)	(8,553)	(6,449)	
Total Operating Expenses	88,261	90,898	90,829	94,929	93,004	107,891	96,166	106,627	
Net Operating Income	\$ 30,845	\$ 30,492	\$ 32,930	\$ 35,930	\$ 32,084	\$ 34,080	\$ 40,145	\$ 37,856	
Net plant from most recent rate case	\$ 359,290	\$ 359,290	\$ 431,152	\$ 431,152	\$ 431,152	\$ 431,152	\$ 503,192	\$ 503,192	
Net Plant Balance at 6/30/XX	360,288	384,986	440,251	460,145	478,794	491,271	505,412	525,495	
Increase in plant since most recent rate case	\$ 998	\$ 25,696	\$ 9,099	\$ 28,993	\$ 47,642	\$ 60,119	\$ 2,220	\$ 22,303	
Total rate base from most recent case updated for annual plant increases	\$ 349,040	\$ 373,738	\$ 427,318	\$ 447,212	\$ 465,861	\$ 478,338	\$ 504,650	\$ 524,733	
Achieved Rate of Return	8.84%	8.16%	7.71%	8.03%	6.89%	7.12%	7.95%	7.21%	
Authorized Rate of Return	10.54%	9.46%	9.46%	9.40%	9.40%	9.40%	9.03%	9.03%	
Date Rates Went into Effect	1-Feb-94	1-Feb-97		2-Sep-98			6-Aug-01	6-Aug-01	
Return Deficiency	-1.70%	-1.30%	-1.75%	-1.37%	-2.51%	-2.28%	-1.08%	-1.82%	
Earnings Deficiency	\$ (5,944)	\$ (4,864)	\$ (7,494)	\$ (6,108)	\$ (11,707)	\$ (10,883)	\$ (5,425)	\$ (9,528)	\$ (61,953)
Revenue Deficiency	\$ (9,682)	\$ (7,923)	\$ (12,207)	\$ (9,950)	\$ (19,070)	\$ (17,728)	\$ (8,837)	\$ (15,520)	\$ (100,916)

\* - High end of Staff recommendation implicit in the settlement

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Distribution of Revenue and Expense Adjustments by Account No.**

Line No.	Main Acct.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(d)	(e)
<b>OPERATING REVENUE</b>					
1	480	Residential	\$367,413,369	(\$269,366,504)	\$88,046,865
2	481.1	Commercial	144,577,523	(117,215,352)	27,362,171
3	481.2	Industrial	4,040,920	(2,736,750)	1,304,170
4	483	Sales for Resale	0	(104,856)	(104,856)
5	487	Late Payment Charges	1,203,807	(58,447)	1,145,360
6	488	Miscellaneous Service Revenue	2,209,482	1,352,215	3,561,697
7	489	Transport	8,282,165	(53,748)	8,228,417
8	493	Rent From Property	0	0	0
9	495	Other Gas Revenue	(226,874)	0	(226,874)
10		Total Operating Revenue	\$527,500,391	(\$388,183,441)	\$139,316,951
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
<b>Operation Expense</b>					
11	805	Other Gas Purchases	\$355,036,581	(\$355,036,581)	\$0
12	807	Purchased Gas Expense	38,000	(38,000)	0
13	859	Other Joint Expense	0	0	0
14	870	Operation, Supervision and Engineering	578,139	(228)	578,911
15	871	Distribution and Load Dispatching	12,530	237	12,767
16	872	Compressor Station Labor and Expense	0	0	0
17	874	Mains and Service Expenses	2,485,550	16,444	2,501,994
18	875	Distributing Regulating Station Expenses	582,710	21,034	613,744
19	876	Measuring and Regulating - Station Expenses	5,420	(362)	5,058
20	877	Measuring and Regulating - Station Expenses	4,360	171	4,531
21	878	Meter and House Regulator Expenses	4,427,370	166,622	4,593,992
22	879	Customer Installation Expenses	2,502,168	109,882	2,612,050
23	880	Other Expenses	1,221,555	36,734	1,258,289
24	881	Rents	64,523	0	64,523
25		Total Operation Expense	\$366,969,906	(\$354,724,047)	\$12,245,859
<b>Maintenance Expense</b>					
26	885	Maintenance Supervision and Engineering	\$879,803	\$71,944	\$951,747
27	886	Maintenance of Structures and Improvements	156,951	5,629	162,580
28	887	Maintenance of Mains	6,976,586	216,898	7,193,484
29	889	Maint. of Measuring and Reg. Stat Equip - General	243,338	5,642	248,980
30	890	Maint. of Measuring and Regulating Equipment	306,647	7,805	314,452
31	891	Maint. of Measuring and Regulating Equipment	60,588	352	60,940
32	892	Maintenance of Services	647,680	24,174	671,854
33	893	Maintenance of Meters and House Regulators	904,325	36,235	940,560
34	894	Maintenance of Other Equipment	220,483	2,234	222,717
35		Total Maintenance Expenses	\$10,396,401	\$370,913	\$10,767,314
36		Total Distribution Expense	\$377,366,307	(\$354,353,134)	\$23,013,173
<b>Customer Accounts Expense</b>					
37	901	Supervision	\$430,224	(\$3,426)	\$426,798
38	902	Meter Reading Expense	672,345	32,783	705,128
39	903	Customer Records and Collection Expense	9,535,426	274,166	9,809,592
40	904	Uncollectible Accounts	6,957,765	2,216,705	9,174,470
41	905	Miscellaneous Customer Accounts Expense	107,937	0	107,937
42		Total Customer Accounts Expenses	\$17,703,697	\$2,520,228	\$20,223,925

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

*Distribution of Revenue and Expense Adjustments by Account No.*

Line No.	Main Acct.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(d)	(e)
<b>Customer Service and Informational Expense</b>					
43	907	Supervision	\$0	\$0	\$0
44	908	Customer Assistance	435,041	159,156	594,197
45	909	Informational and Instructional Advertising Exp.	48,547	0	48,547
46	910	Miscellaneous Customer Accounts Expense	4,950	0	4,950
47		Total Cust. Service and Information Exp.	<u>\$488,538</u>	<u>\$159,156</u>	<u>\$647,694</u>
<b>Sales and Advertising Expense</b>					
48	911	Supervision	\$0	\$0	\$0
49	912	Demonstrating and Selling Expenses	213,032	(1,934)	211,098
50	913	Advertising Expenses	0	0	0
51	916	Miscellaneous Sales Expenses	951	0	951
52		Total Sales and Advertising Expenses	<u>\$213,983</u>	<u>(\$1,934)</u>	<u>\$212,049</u>
<b>Administrative and General Expense</b>					
53	920	Administrative and General Salaries	\$4,999,996	\$42,961	\$5,042,957
54	921	Office Supplies and Expenses	3,366,614	100,826	3,467,440
55	922	Administrative Expenses Transferred	(1,538,228)	828,469	(709,759)
56	923	Outside Services Employed	2,500,501	4,655,351	7,155,852
57	924	Property Insurance	133,346	0	133,346
58	925	Injuries and Damages	1,779,349	482,467	2,261,816
59	926	Employee Pensions and Benefits	9,804,838	3,505,280	13,310,118
60	927	Franchise Requirements	0	0	0
61	928	Regulatory Commission Expense	1,752,680	94,345	1,847,025
62	930	Miscellaneous General Expenses	(283,896)	396,997	113,101
63	931	Rents	983,055	338,688	1,321,743
64	932	Maintenance of General Plant	295,524	171,173	466,697
65		Total Administration and General Expense	<u>\$23,793,779</u>	<u>\$10,616,556</u>	<u>\$34,410,335</u>
66		Total O & M Expense	<u>\$419,566,304</u>	<u>(\$341,059,129)</u>	<u>\$78,507,175</u>
67	403	Depreciation	20,440,062	4,092,305	24,532,367
68	404, 405	Amortization	2,772,231	3,648,813	6,421,044
69	431	Interest on Customer Deposits	202,018	(81,567)	120,451
70	408	Payroll Taxes	1,697,157	251,621	1,948,778
71	408	Property Taxes	7,533,533	943,057	8,476,600
72	408	Gross Receipts Tax	32,043,745	(32,043,745)	0
73	408	Other Taxes	52,375	206,705	259,080
74	408	Taxes Other Than Income	<u>\$41,326,810</u>	<u>(\$30,642,352)</u>	<u>\$10,684,458</u>
75		TOTAL EXPENSES	<u>\$484,307,425</u>	<u>(\$364,041,930)</u>	<u>\$120,265,495</u>
76		OPERATING INCOME BEFORE INCOME TAX	<u>\$43,192,966</u>	<u>(\$24,141,511)</u>	<u>\$19,051,455</u>
77	409,410	Income Taxes	\$8,773,696	(\$8,731,862)	\$41,834
78		NET OPERATING INCOME	<u>\$34,419,270</u>	<u>(\$15,409,649)</u>	<u>\$19,009,621</u>

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-1 Adj. GL Rev to Test Year Margin	H-2 Normalize & Adj. Test Year Margin	H-3 Remove Purch. Gas Cost and GRT	H-4 Payroll Expense	H-5 Employee Benefits	H-6 Payroll Taxes	H-7 Insurance	H-8 Joint and Common Costs	H-9 Uncollectible Expense	H-10 Regulatory Commission Expense	H-11 Interest on Customer Deposits
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
<b>OPERATING REVENUE</b>														
1	480	Residential	367,413,369	(271,712,986)	2,346,482									
2	481.1	Commercial	144,577,523	(113,338,306)	(3,877,045)									
3	481.2	Industrial	4,040,920	(2,736,750)	0									
4	483	Sales for Resale	0	(104,856)	0									
5	487	Late Payment Charges	1,203,807	(58,447)	0									
6	488	Miscellaneous Service Revenue	2,209,482		1,352,215									
7	489	Transport	8,282,165		(53,748)									
8	493	Rent From Property	0											
9	495	Other Gas Revenue	(226,874)											
10		Total Operating Revenue	527,500,391	(387,951,345)	(232,096)	0	0	0	0	0	0	0	0	0
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>														
<b>Operation Expense</b>														
11	805	Other Gas Purchases	355,036,581			(355,036,581)								
12	807	Purchased Gas Expense	38,000											
13	859	Other Joint Expense	0											
14	870	Operation, Supervision and Engineering	579,139				334							
15	871	Distribution and Load Dispatching	12,530				158							
16	872	Compressor Station Labor and Expense	0				0							
17	874	Mains and Service Expenses	2,485,550				10,585							
18	875	Distributing Regulating Station Expenses	592,710				13,358							
19	876	Measuring and Regulating - Station Expenses	5,420				(435)							
20	877	Measuring and Regulating - Station Expenses	4,360				94							
21	878	Meter and House Regulator Expenses	4,427,370				104,109							
22	879	Customer Installation Expenses	2,502,168				77,836							
23	880	Other Expenses	1,221,555				34,389							
24	881	Rents	64,523											
25		Total Operation Expense	366,969,906	0	0	(355,036,581)	240,228	0	0	0	0	0	0	0
<b>Maintenance Expense</b>														
26	885	Maintenance Supervision and Engineering	879,803				73,335							
27	886	Maintenance of Structures and Improvements	156,951				3,477							
28	887	Maintenance of Mains	6,976,586				142,724							
29	889	Maint. of Measuring and Reg. Stat Equip - General	243,338				3,602							
30	890	Maint. of Measuring and Regulating Equipment	306,647				5,283							
31	891	Maint. of Measuring and Regulating Equipment	60,588				68							
32	892	Maintenance of Services	647,680				17,061							
33	893	Maintenance of Meters and House Regulators	904,325				22,708							
34	894	Maintenance of Other Equipment	220,483				1,577							
35		Total Maintenance Expenses	10,396,401	0	0	0	269,835	0	0	0	0	0	0	0
36		Total Distribution Expense	377,366,307	0	0	(355,036,581)	510,063	0	0	0	0	0	0	0
<b>Customer Accounts Expense</b>														
37	901	Supervision	430,224				(2,709)							
38	902	Meter Reading Expense	672,345				23,907							
39	903	Customer Records and Collection Expense	9,535,426				306,318							
40	904	Uncollectible Accounts	6,957,765									2,216,705		
41	905	Miscellaneous Customer Accounts Expense	107,937				0							
42		Total Customer Accounts Expenses	17,703,697	0	0	0	327,516	0	0	0	0	2,216,705	0	0

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

SCHEDULE H  
Page 4 of 8

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-1 Adj. GL Rev to Test Year Margin	H-2 Normalize & Adj. Test Year Margin	H-3 Remove Purch. Gas Cost and GRT	H-4 Payroll Expense	H-5 Employee Benefits	H-6 Payroll Taxes	H-7 Insurance	H-8 Joint and Common Costs	H-9 Uncollectible Expense	H-10 Regulatory Commission Expense	H-11 Interest on Customer Deposits
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
<b>Customer Service and Informational Expense</b>														
43	907	Supervision	0											
44	908	Customer Assistance	435,041				(682)							
45	909	Informational and Instructional Advertising Exp.	48,547											
46	910	Miscellaneous Customer Accounts Expense	4,950											
47		Total Cust. Service and Information Exp.	488,538	0	0	0	(682)	0	0	0	0	0	0	0
<b>Sales and Advertising Expense</b>														
48	911	Supervision	0				0							
49	912	Demonstrating and Selling Expenses	213,032				(1,557)							
50	913	Advertising Expenses	0											
51	916	Miscellaneous Sales Expenses	951											
52		Total Sales and Advertising Expenses	213,983	0	0	0	(1,557)	0	0	0	0	0	0	0
<b>Administrative and General Expense</b>														
53	920	Administrative and General Salaries	4,999,996				51,553							
54	921	Office Supplies and Expenses	3,366,614				1,176							
55	922	Administrative Expenses Transferred	(1,538,228)											
56	923	Outside Services Employed	2,500,501								4,168,194			
57	924	Property Insurance	133,346							0				
58	925	Injuries and Damages	1,779,349				369			482,092				
59	926	Employee Pensions and Benefits	9,804,838					3,505,280						
60	927	Franchise Requirements	0											
61	928	Regulatory Commission Expense	1,752,680										94,345	
62	930	Miscellaneous General Expenses	(283,896)											
63	931	Rents	983,055											
64	932	Maintenance of General Plant	295,524				0							
65		Total Administration and General Expense	23,793,779	0	0	0	53,098	3,505,280	0	482,092	4,168,194	0	94,345	0
66		Total O & M Expense	419,566,304	0	0	(355,036,581)	888,438	3,505,280	0	482,092	4,168,194	2,216,705	94,345	0
67	403	Depreciation	20,440,062											
68	404, 405	Amortization	2,772,231											
69	431	Interest on Customer Deposits	202,018											(81,567)
70	408	Payroll Taxes (1***)	1,697,157						251,621					
71	408	Property Taxes (2***)	7,533,533											
72	408	Gross Receipts Tax (3300 + 4000)	32,043,745			(32,043,745)								
73	408	Other Taxes (41**)	52,375											
74	408	Taxes Other Than Income	41,326,810	0	0	(32,043,745)	0	0	251,621	0	0	0	0	0
75		TOTAL EXPENSES	484,307,425	0	0	(387,080,326)	888,438	3,505,280	251,621	482,092	4,168,194	2,216,705	94,345	(81,567)
76		OPERATING INCOME BEFORE INCOME TAX	43,192,966	(387,951,345)	(232,096)	387,080,326	(888,438)	(3,505,280)	(251,621)	(482,092)	(4,168,194)	(2,216,705)	(94,345)	81,567
77	409, 410	Income Taxes	8,773,696											
78		NET OPERATING INCOME	34,419,270	(387,951,345)	(232,096)	387,080,326	(888,438)	(3,505,280)	(251,621)	(482,092)	(4,168,194)	(2,216,705)	(94,345)	81,567

Note: per book & adjusted income tax computed on A-2

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-12 Depreciation Expense	H-13 Amortization Expense	H-14 TWE Clearing	H-15 Stores Load Clearing	H-16 Paid Time Off Clearing	H-17 State Franchise Tax	H-18 Property Tax	H-19 Gas Supply	H-20 Office Lease Expense	H-21 Dues Expense	H-22 Incentive Compensation & Bonuses	H-23 Collection Costs
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
<b>OPERATING REVENUE</b>															
1	480	Residential	367,413,369												
2	481.1	Commercial	144,577,523												
3	481.2	Industrial	4,040,920												
4	483	Sales for Resale	0												
5	487	Late Payment Charges	1,203,807												
6	488	Miscellaneous Service Revenue	2,209,482												
7	489	Transport	8,282,165												
8	493	Rent From Property	0												
9	495	Other Gas Revenue	(226,874)												
10		Total Operating Revenue	527,500,391	0	0	0	0	0	0	0	0	0	0	0	0
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>															
<b>Operation Expense</b>															
11	805	Other Gas Purchases	355,036,581												
12	807	Purchased Gas Expense	38,000								(38,000)				
13	859	Other Joint Expense	0												
14	870	Operation, Supervision and Engineering	579,139			(23)		420						(959)	
15	871	Distribution and Load Dispatching	12,530			(8)		106						(19)	
16	872	Compressor Station Labor and Expense	0			0		0						0	
17	874	Mains and Service Expenses	2,485,550			(373)	11	6,745						(524)	
18	875	Distributing Regulating Station Expenses	592,710			(508)	17	8,936						(769)	
19	876	Measuring and Regulating - Station Expenses	5,420			(5)	0	84						(6)	
20	877	Measuring and Regulating - Station Expenses	4,360			(4)	0	87						(6)	
21	878	Meter and House Regulator Expenses	4,427,370			(4,019)	121	72,056						(5,645)	
22	879	Customer Installation Expenses	2,502,168			(2,091)	6	37,870						(3,539)	
23	880	Other Expenses	1,221,555			(481)	16	4,149						(1,339)	
24	881	Rents	64,523												
25		Total Operation Expense	368,969,906	0	0	(7,512)	171	130,453	0	0	(38,000)	0	0	(12,806)	0
<b>Maintenance Expense</b>															
26	885	Maintenance Supervision and Engineering	879,803			(1)	0	229						(1,619)	
27	886	Maintenance of Structures and Improvements	156,951			(139)	1	2,470						(180)	
28	887	Maintenance of Mains	6,976,586			(4,968)	219	86,287						(7,364)	
29	889	Maint. of Measuring and Reg. Stat Equip - General	243,338			(137)	16	2,433						(272)	
30	890	Maint. of Measuring and Regulating Equipment	306,647			(176)	15	3,078						(395)	
31	891	Maint. of Measuring and Regulating Equipment	60,588			(17)	22	308						(29)	
32	892	Maintenance of Services	647,680			(451)	47	8,277						(760)	
33	893	Maintenance of Meters and House Regulators	904,325			(874)	19	15,533						(1,151)	
34	894	Maintenance of Other Equipment	220,483			(38)	73	697						(75)	
35		Total Maintenance Expenses	10,396,401	0	0	(6,801)	412	119,312	0	0	0	0	0	(11,845)	0
36		Total Distribution Expense	377,366,307	0	0	(14,313)	583	249,765	0	0	(38,000)	0	0	(24,651)	0
<b>Customer Accounts Expense</b>															
37	901	Supervision	430,224											(717)	
38	902	Meter Reading Expense	672,345			(590)	0	10,397						(931)	
39	903	Customer Records and Collection Expense	9,535,426			(1,496)	0	26,657						(8,512)	(48,801)
40	904	Uncollectible Accounts	6,957,765												
41	905	Miscellaneous Customer Accounts Expense	107,937												
42		Total Customer Accounts Expenses	17,703,697	0	0	(2,086)	0	37,054	0	0	0	0	0	(10,160)	(48,801)



Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)	(z)
43	907	Supervision	0																									
44	908	Customer Assistance	435,041																									
45	909	Informational and Instructional Advertising Exp.	48,547																									
46	910	Miscellaneous Customer Accounts Expense	4,950																									
47		Total Cust. Service and Information Exp.	488,538																									
48	911	Supervision	0																									
48	912	Demonstrating and Selling Expenses	213,032																									
50	913	Advertising Expenses	0																									
51	916	Miscellaneous Sales Expenses	951																									
52		Total Sales and Advertising Expenses	213,983																									
53	920	Administrative and General Expense	4,898,996																									
54	921	Office Supplies and Expenses	3,366,614																									
55	922	Administrative Expenses Transferred	(1,538,228)																									
56	923	Outside Services Employed	2,500,501																									
57	924	Property Insurance	133,346																									
58	925	Injuries and Damages	1,779,349																									
59	926	Employee Pensions and Benefits	9,804,838																									
60	927	Franchise Requirements	0																									
61	928	Regulatory Commission Expense	1,752,880																									
62	930	Miscellaneous General Expenses	(283,896)																									
63	931	Rents	983,055																									
64	932	Maintenance of General Plant	295,524																									
65		Total Administration and General Expense	23,793,779																									
66		Total O & M Expense	419,566,304																									
67	403	Depreciation	20,440,062																									
68	404, 405	Amortization	2,772,231																									
69	431	Interest on Customer Deposits	202,018																									
70	408	Payroll Taxes (1**)	1,697,157																									
71	408	Property Taxes (2**)	7,533,533																									
72	408	Gross Receipts Tax (300 + 4000)	32,043,745																									
73	408	Other Taxes (41**)	52,375																									
74	408	Taxes Other Than Income	41,326,810																									
75		TOTAL EXPENSES	484,307,425																									
76		OPERATING INCOME BEFORE INCOME TAX	43,192,966																									
77	409, 410	Income Taxes	8,773,696																									
78		NET OPERATING INCOME	34,419,270																									

Note: per book & adjusted income tax computed on A-2

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

SCHEDULE H  
Page 7 of 8

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-24 Shared Services Expense	H-25 Remove Non-utility Activities	H-26 Outside Services	H-27 Weatherization Fund	H-28 Environmental Response Fund	H-29 Information Technology Expenses	Income Tax Adjustment	Total Adjustments	Test Year As Adjusted
(a)	(b)	(c)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)	(ah)	(ai)	
OPERATING REVENUE												
1	480	Residential	367,413,369								(269,366,504)	98,046,865
2	481.1	Commercial	144,577,523								(117,215,352)	27,362,171
3	481.2	Industrial	4,040,920								(2,736,750)	1,304,170
4	483	Sales for Resale	0								(104,856)	(104,856)
5	487	Late Payment Charges	1,203,807								(58,447)	1,145,360
6	488	Miscellaneous Service Revenue	2,209,482								1,352,215	3,561,697
7	489	Transport	8,282,165								(53,748)	8,228,417
8	493	Rent From Property	0								0	0
9	495	Other Gas Revenue	(226,874)								0	(226,874)
10		Total Operating Revenue	527,500,391	0	0	0	0	0	0	0	(388,183,441)	139,316,951
OPERATING & MAINTENANCE EXPENSE												
Operation Expense												
11	805	Other Gas Purchases	355,036,581								(355,036,581)	0
12	807	Purchased Gas Expense	38,000								(38,000)	0
13	859	Other Joint Expense	0								0	0
14	870	Operation, Supervision and Engineering	579,139								(228)	578,911
15	871	Distribution and Load Dispatching	12,530								237	12,767
16	872	Compressor Station Labor and Expense	0								0	0
17	874	Mains and Service Expenses	2,485,550								16,444	2,501,994
18	875	Distributing Regulating Station Expenses	592,710								21,034	613,744
19	876	Measuring and Regulating - Station Expenses	5,420								(362)	5,058
20	877	Measuring and Regulating - Station Expenses	4,360								171	4,531
21	878	Meter and House Regulator Expenses	4,427,370								166,622	4,593,992
22	879	Customer Installation Expenses	2,502,168								109,882	2,612,050
23	880	Other Expenses	1,221,555								36,734	1,258,289
24	881	Rents	64,523								0	64,523
25		Total Operation Expense	366,969,906	0	0	0	0	0	0	0	(354,724,047)	12,245,859
Maintenance Expense												
26	885	Maintenance Supervision and Engineering	879,803								71,944	951,747
27	886	Maintenance of Structures and Improvements	156,951								5,629	162,580
28	887	Maintenance of Mains	6,976,588								216,898	7,193,484
29	889	Maint. of Measuring and Reg. Stat Equip - General	243,338								5,642	248,980
30	890	Maint. of Measuring and Regulating Equipment	306,647								7,805	314,452
31	891	Maint. of Measuring and Regulating Equipment	60,588								352	60,940
32	892	Maintenance of Services	647,680								24,174	671,854
33	893	Maintenance of Meters and House Regulators	904,325								36,235	940,560
34	894	Maintenance of Other Equipment	220,483								2,234	222,717
35		Total Maintenance Expenses	10,396,401	0	0	0	0	0	0	0	370,913	10,767,314
36		Total Distribution Expense	377,366,307	0	0	0	0	0	0	0	(354,353,134)	23,013,173
Customer Accounts Expense												
37	901	Supervision	430,224								(3,426)	426,798
38	902	Meter Reading Expense	672,345								32,783	705,128
39	903	Customer Records and Collection Expense	9,535,426								274,166	9,809,592
40	904	Uncollectible Accounts	6,957,765								2,216,705	9,174,470
41	905	Miscellaneous Customer Accounts Expense	107,937								0	107,937
42		Total Customer Accounts Expenses	17,703,697	0	0	0	0	0	0	0	2,520,228	20,223,925

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

SCHEDULE H  
Page 8 of 8

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-24 Shared Services Expense	H-25 Remove Non-utility Activities	H-26 Outside Services	H-27 Weatherization Fund	H-28 Environmental Response Fund	H-29 Information Technology Expenses	Income Tax Adjustment	Total Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)	(ah)	(ai)
<b>Customer Service and Informational Expense</b>												
43	907	Supervision	0								0	0
44	908	Customer Assistance	435,041				160,000				159,156	594,197
45	909	Informational and Instructional Advertising Exp.	48,547								0	48,547
46	910	Miscellaneous Customer Accounts Expense	4,950								0	4,950
47		Total Cust. Service and Information Exp.	488,538	0	0	0	160,000	0	0	0	159,156	647,694
<b>Sales and Advertising Expense</b>												
48	911	Supervision	0								0	0
49	912	Demonstrating and Selling Expenses	213,032								(1,934)	211,098
50	913	Advertising Expenses	0								0	0
51	916	Miscellaneous Sales Expenses	951								0	951
52		Total Sales and Advertising Expenses	213,983	0	0	0	0	0	0	0	(1,934)	212,049
<b>Administrative and General Expense</b>												
53	920	Administrative and General Salaries	4,999,996								42,961	5,042,957
54	921	Office Supplies and Expenses	3,366,614	105,314							100,826	3,467,440
55	922	Administrative Expenses Transferred	(1,538,228)		828,469						828,469	(709,759)
56	923	Outside Services Employed	2,500,501	137,119	(420,462)	20,500		750,000			4,655,351	7,155,852
57	924	Property Insurance	133,346								0	133,346
58	925	Injuries and Damages	1,779,349								482,467	2,261,816
59	926	Employee Pensions and Benefits	9,804,838								3,505,280	13,310,118
60	927	Franchise Requirements	0								0	0
61	928	Regulatory Commission Expense	1,752,680								94,345	1,847,025
62	930	Miscellaneous General Expenses	(283,896)	476,997							396,997	113,101
63	931	Rents	963,055	344,368							338,688	1,321,743
64	932	Maintenance of General Plant	295,524	171,506							171,173	466,897
65		Total Administration and General Expense	23,793,779	1,235,303	408,007	20,500	0	750,000	0	0	10,616,556	34,410,335
66		Total O & M Expense	419,566,304	1,235,303	408,007	20,500	160,000	750,000	0	0	(341,059,129)	78,507,175
67	403	Depreciation	20,440,062								4,092,305	24,532,367
68	404, 405	Amortization	2,772,231								3,648,813	6,421,044
69	431	Interest on Customer Deposits	202,018								(81,567)	120,451
70	408	Payroll Taxes (1***)	1,697,157								251,621	1,948,778
71	408	Property Taxes (2***)	7,533,533								943,067	8,476,600
72	408	Gross Receipts Tax (3300 + 4000)	32,043,745								(32,043,745)	0
73	408	Other Taxes (41**)	52,375								206,705	259,080
74	408	Taxes Other Than Income	41,326,810	0	0	0	0	0	0	0	(30,642,352)	10,684,458
75		TOTAL EXPENSES	484,307,425	1,235,303	408,007	20,500	160,000	750,000	0	0	(364,041,930)	120,265,495
76		OPERATING INCOME BEFORE INCOME TAX	43,192,966	(1,235,303)	(408,007)	(20,500)	(160,000)	(750,000)	0	0	(24,141,511)	19,051,455
77	409,410	Income Taxes	8,773,696							(8,731,862)	(8,731,862)	41,834
78		NET OPERATING INCOME	34,419,270	(1,235,303)	(408,007)	(20,500)	(160,000)	(750,000)	0	8,731,862	(15,409,649)	19,009,621

Note: per book & adjusted income tax computed on A-2

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Adjust Test Year Revenue per Book to Test Year Margin**

Line No.	Description	Main Account/Revenue Class					Total
		480	481.1	481.2	483, 489	487, 488, 493, 495	
	(a)	21 (b)	22 & 23 (c)	25 (d)	28, 38 (e)	(f)	(g)
1	Total Revenue per Book	367,413,369	144,577,523	4,040,920	8,282,165	3,186,402	527,500,378
2	Less: GRT Revenue, Unbilled Revenue, PGA Revenue, and Miscellaneous Adjustments	(271,712,986)	(113,338,306)	(2,736,750)	(104,856)	(58,447)	(387,951,345)
3	Test Year Margin	95,700,383	31,239,216	1,304,170	8,177,309	3,127,956	139,549,034

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Test Year Margin Adjustments**

Line No.	Description	Main Account/Revenue Class					Total
		Residential Gas Sales	Commercial Gas Sales	Industrial Gas Sales	Transportation Revenues	Service Charges and Other	
		480	481.1	481.2	489, 483	487, 488, 493, 495	
		21	22 & 23	25	38, 28		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Test Year Margin	\$95,700,383	\$31,239,216	\$1,304,170	\$8,177,309	\$3,127,956	\$139,549,034
2	Weather Normalize	863,248	225,180		40,380	0	1,128,808
3	Customer Growth Annualization	(566,444)	(67,624)				(634,069)
	Experimental Low Income Program	(273,299)					(273,299)
4	Apartment/Rental Unit Reclassification	3,092,917	(3,703,133)				(610,217)
5	Load Attrition	(769,939)	(303,317)				(1,073,256)
6	Annualize Flex Credits				1,417		1,417
7	Economic Development Discounts				2,834		2,834
8	General Service - Large Volume Switching		(28,150)		(98,379)		(126,529)
9	Service Charge Changes					1,352,215	1,352,215
10	Total Adjustments	2,346,482	(3,877,045)	0	(53,748)	1,352,215	(232,096)
11	As Adjusted Test Year Margin	\$98,046,865	\$27,362,171	\$1,304,170	\$8,123,561	\$4,480,170	\$139,316,937

NOTE: Large Volume customer charges are accounted for in 481.1 and 481.2.

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Remove Purchase Gas Costs and Gross Receipts Tax**

Line No.	Description	Amount
	(a)	(b)
1	Purchase Gas Costs (Acct. 805)	(\$355,036,581)
2	Gross Receipts Tax (Acct. 4081)	(32,043,745)
3	Total Adjustment	<u>(\$387,080,326)</u>

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
 Twelve Months Ending December 31, 2003

**Payroll Expense**

Line No.	Main Acct.	Proforma Payroll Expense	Payroll Expense Per Book	Adjustment to Test Year
	(a)	(b)	(c)	(d)
1	870	\$558,071	\$557,737	\$334
2	871	10,994	10,836	158
3	872	0	0	0
4	874	304,867	294,282	10,585
5	875	447,583	434,225	13,358
6	876	3,636	4,071	(435)
7	877	3,254	3,160	94
8	878	3,286,360	3,182,251	104,109
9	879	2,060,097	1,982,461	77,636
10	880	779,369	744,980	34,389
11	885	942,694	869,359	73,335
12	886	104,769	101,292	3,477
13	887	4,287,263	4,144,539	142,724
14	889	158,428	154,826	3,602
15	890	230,097	224,814	5,283
16	891	16,833	16,765	68
17	892	442,197	425,136	17,061
18	893	669,933	647,225	22,708
19	894	43,917	42,340	1,577
20	901	417,522	420,231	(2,709)
21	902	542,278	518,371	23,907
22	903	4,955,749	4,649,431	306,318
23	905	0	0	0
24	908	94,360	95,042	(682)
25	911	0	0	0
26	912	193,375	194,932	(1,557)
27	920	5,002,356	4,950,803	51,553
28	921	4,656	3,480	1,176
29	925	2,306	1,937	369
30	932	0	0	0
31	Total	\$25,562,964	\$24,674,526	\$888,438

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Employee Benefits**

Line No.	Description (a)	Amount (b)	Amount (c)
1	Pension	\$3,202,729	
2	Retirement Power	521,551	
3	Life & AD&D Insurance	187,746	
4	Long Term Disability Insurance	171,695	
5	Medical / Dental Benefit	7,088,787	
6	FAS 106 - Accrual	1,070,750	
7	FAS 106 - Amortization of	2,664,792	
8	401K	1,061,754	
9	Supplemental Retirement	30,224	
10	Other Benefits	103,695	
	Add amortization of prepaid pensions (amortized over a		
11	6 year period)	<u>1,545,864</u>	
12	Total Proforma Benefits	<u>\$17,649,586</u>	
13	Payroll Expense Ratio	0.754132	
14	Proforma Benefits Expense	<u>\$13,310,118</u>	\$13,310,118
15	Less Test Year Benefits Expense	(\$9,804,838)	
16	Adjustment to Test Year Expense - Acct. 926		<u><u>\$3,505,280</u></u>



**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Payroll Taxes**

Line No.	Description (a)	Amount (b)
1	Total Proforma Payroll Taxes	\$2,588,606
2	Payroll Taxes on Incentive Compensation Adjustment	<u>(4,472)</u>
5	Total Proforma Payroll Taxes	\$2,584,134
6	Payroll Expense Ratio	0.754132
7	Proforma Payroll Tax Expense	<u>\$1,948,778</u>
8	Less Test Year Payroll Tax Expense	<u>(1,697,157)</u>
9	Adjustment to Test Year Expense - Acct. 4081	<u><u>\$251,621</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Insurance - Accounts 924 & 925**

Line								
No.	Description	2001	2002	2003	3 Year Avg.	925 Amount	924 Amount	Total Amount
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	MGE Claims:							
1	Workers Compensation claims paid	\$977,730	\$827,769	\$693,178	\$832,892			
2	Auto & General Liability	903,757	326,462	522,462	584,227			
3	Total Proforma Claims	<u>\$1,881,487</u>	<u>\$1,154,231</u>	<u>\$1,215,640</u>	<u>\$1,417,119</u>	\$1,417,119		\$1,417,119
4	Insurance Premiums - 924						133,346	133,346
5	Insurance Premiums - 925					1,581,615		1,581,615
6	Total Proforma Insurance Cost					\$2,998,734	\$133,346	\$3,132,080
7	Test Year Payroll Expense Ratio					0.754132	1.000000	
8	Proforma Insurance Expense					\$2,261,441	\$133,346	\$2,394,787
9	Less Test Year Insurance Expense					(1,779,349)	(133,346)	(1,912,695)
10	Adjustment to Test Year - Accts. 924 and 925					<u>\$482,092</u>	<u>\$0</u>	<u>\$482,092</u>

## SCHEDULE H-8

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Corporate Allocated Costs**

Line No.	Description (a)	Amount (b)
1	Proforma Joint and Common Costs	\$5,033,493
2	Expense Capital Ratio	82.8092%
3	Proforma Joint and Common Expense	<u>\$4,168,194</u>
4	Less Test Year Expense Recorded on MGE's Books	<u>0</u>
5	Adjustment to Test Year - Acct. 923	<u><u>\$4,168,194</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Uncollectible Expense**

Line No.	Description	Amount (b)	Amount (c)
1	YE Ended December 31, 2001 Charge Offs	\$14,666,837	
2	YE Ended December 31, 2002 Charge Offs	5,544,382	
3	YE Ended December 31, 2003 Charge Offs	<u>5,062,190</u>	
4	Three Year Average		\$8,424,470
5	Add Estimated Amount Associated with New Denial of Service Rules		750,000
6	Less Test Year Uncollectible Expense		(6,957,765)
7	Adjustment to Test Year - Acct. 904		<u><u>\$2,216,705</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Regulatory Commission Expense**

Line No.	Description	Amount (b)	Amount (c)
1	Proforma, Current Rate Case	\$600,000	
2	Normalization Period (years)	<u>3</u>	
3	Normalization - Current Case		\$200,000
4	Normalized level of expense for depreciation study ( <b>Note 1</b> )		\$7,444
5	Proforma NARUC Assessment - fiscal 7/1/03-6/30/04		6,198
6	Proforma Other Regulatory Commission Expenses		213,793
7	Proforma MPSC Assessment - fiscal 7/1/03-6/30/04		<u>1,419,590</u>
8	Total Proforma Regulatory Commission Expense		\$1,847,025
9	Less Test Year Regulatory Commission Expense		(1,752,680)
10	Adjustment to Test Year - Acct. 928		<u><u>\$94,345</u></u>

**Note 1:**

	Total charges from Black & Veatch for the depreciation study	\$37,218
11	Amortization period (years)	<u>5</u>
12	Annual amortization	<u><u>\$7,444</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Interest on Customer Deposits**

Line No.	Description (a)	Reference (b)	Residential (c)	Commercial & Industrial (d)	Amount (e)
1	Customer Deposits	B-2	\$1,433,597	\$2,185,835	\$3,619,432
2	Interest Rate		5.00%	3.00%	3.79%
3	Proforma Interest on Customer Deposits		<u>\$71,680</u>	<u>\$65,575</u>	<u>\$137,255</u>
4	Less Test Year Interest on Customer Deposits				<u>(218,822)</u>
5	Adjustment to Test Year - Acct. 431				<u><u>(\$81,567)</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

Depreciation Expense								
Line No.	Description	Amount	Settled Rate GR-2001-282	Annualized Depreciation	Proposed Rate	Proforma Total Depreciation	Less Depr. Capitalized To Clearing Accts.	Proforma Depreciation Expense
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<u>INTANGIBLE PLANT</u>								
1	(301) Organization	\$15,600	0.00%	\$0	0.00%	\$0	\$0	\$0
2	(302) Franchises	34,630	0.00%	0	0.00%	0	0	0
3	(303) Miscellaneous Intangible	32,298,090	(see adj. H-13)	0	(see adj. H-13)	0	0	0
4	Total Intangible Plant	<u>\$32,348,320</u>		<u>\$0</u>		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>DISTRIBUTION PLANT</u>								
5	(374.1) Land	\$240,448	0.00%	\$0	0.00%	\$0	\$0	\$0
6	(374.2) Land Rights	1,374,600	2.09%	28,729	2.09%	28,729	0	28,729
7	(375.1) Structures	6,065,473	1.65%	100,080	2.01%	121,916	0	121,916
8	(375.2) Leasehold Improvements	0	(see adj. H-13)	0	(see adj. H-13)	0	0	0
9	(376) Mains & Mains - Cast Iron	310,143,777	2.27%	7,040,264	2.10%	6,513,019	0	6,513,019
10	(378) Meas. & Reg. Station - General	11,162,207	2.86%	319,239	3.19%	356,074	0	356,074
11	(379) Meas. & Reg. Station - City Gate	3,211,758	2.13%	68,410	2.56%	82,221	0	82,221
12	(380) Services	270,090,903	2.27%	6,131,063	4.58%	12,370,163	0	12,370,163
13	(381) Meters	29,207,668	2.86%	835,339	2.46%	718,509	0	718,509
14	(382) Meter Installations	59,476,816	2.86%	1,701,037	2.47%	1,469,077	0	1,469,077
15	(383) House Regulators	10,508,164	2.44%	256,399	2.27%	238,535	0	238,535
16	(385) Electronic Gas Metering	345,857	3.33%	11,517	5.00%	17,293	0	17,293
17	(387) Other Equipment	0	4.60%	0	4.60%	0	0	0
18	Total Distribution Plant	<u>\$701,827,671</u>		<u>\$16,492,077</u>		<u>\$21,915,536</u>	<u>\$0</u>	<u>\$21,915,536</u>
<u>GENERAL PLANT - DIRECT</u>								
19	(389) Land	\$468,315	0.00%	\$0	0.00%	\$0	\$0	\$0
20	(390.1) Structures	599,202	2.00%	11,984	2.52%	15,100	0	15,100
21	(390.2) Leasehold Impr.	1,389,409	(see adj. H-13)	0	(see adj. H-13)	0	0	0
22	(391) Furniture & Fixtures	4,794,856	8.06%	386,465	8.67%	319,817	0	319,817
23	(392) Transportation Equipment	4,589,780	8.70%	399,311	10.69%	490,647	(490,647)	0
24	(393) Stores Equipment	541,448	2.70%	14,619	4.17%	22,578	0	22,578
25	(394) Tools	4,811,920	2.38%	114,524	7.00%	336,834	0	336,834
26	(395) Laboratory Equipment	0	6.00%	0	6.00%	0	0	0
27	(396) Power Operated Equipment	330,903	8.33%	27,564	6.46%	21,376	(21,376)	0
28	(397.1) Communication Equipment - AMR	34,715,280	5.00%	1,735,764	5.00%	1,735,764	0	1,735,764
29	(397.0) Communication Equipment - Other	2,831,250	6.25%	176,953	5.59%	158,267	0	158,267
30	(398) Miscellaneous Equipment	196,359	3.85%	7,560	5.63%	11,055	0	11,055
31	Total Direct General Plant	<u>\$55,268,722</u>		<u>\$2,874,744</u>		<u>\$3,111,438</u>	<u>(\$512,023)</u>	<u>\$2,599,415</u>
<u>GENERAL PLANT - CORPORATE</u>								
32	(390) Structures	\$165,772	2.00%	\$3,315	2.79%	\$4,625	\$0	\$4,625
33	(390) Leasehold Impr.	0	(amortized)	0	(amortized)	0	0	0
34	(391) Furniture & Fixtures	126,142	10.00%	12,614	10.14%	12,791	0	12,791
35	(392) Transportation Equipment	37,268	10.00%	3,727	11.55%	4,304	(4,304)	0
36	(397) Communication Equipment	0	6.25%	0	4.75%	0	0	0
37	(398) Miscellaneous Equipment	0	3.85%	0	3.92%	0	0	0
38	Total Corporate General Plant	<u>\$329,182</u>		<u>\$19,656</u>		<u>\$21,720</u>	<u>(\$4,304)</u>	<u>\$17,416</u>
39	Total Proforma Plant & Depreciation	<u>\$789,773,895</u>		<u>\$19,386,477</u>		<u>\$25,048,694</u>	<u>(\$516,327)</u>	<u>\$24,532,367</u>
40	Less Depreciation Charged to Clearing A/Cs			(426,875)		(512,023)		
41	Less Test Year Depreciation Expense			(\$20,440,062)		(\$19,386,477)		(\$20,440,062)
42	Adjustment to Test Year - Acct. 403			<u>(\$1,480,460)</u>		<u>\$5,150,194</u>		<u>\$4,092,305</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Amortization Expense**

Line No.	Description	Original Cost Plant	Monthly Test Year Amortization Expense	Proforma Amortization Expense
	(a)	(b)	(c)	(d)
<u>MGE Direct Non-SLRP Amortization:</u>				
1	(375.2) Leasehold Improvements	\$0	\$0	\$0
2	(390.2) Leasehold Improvements	1,389,409	6,020	72,243
3	Sub Total	<u>\$1,389,409</u>	<u>\$6,020</u>	<u>\$72,243</u>
4	(303) Misc. Intangible - Work Force Automation (1000)	\$3,785,364	21,030	\$252,358
5	(303) Misc. Intangible - MGE Share of Corporate Plant (1100)	0	0	0
6	(303) Misc. Intangible - Corrosion Control Mgmt System (4000)	1,117,800	9,555	114,665
7	(303) Misc. Intangible - Landbase Digitized Mapping (4500)	1,701,543	16,432	197,190
8	(303) Misc. Intangible - Premise Data System (5000)	985,196	0	0
9	(303) Misc. Intangible - AMR Project - Programming (5500)	469,443	2,762	33,148
10	(303) Misc. Intangible - Facility Priority Index (6000)	894,795	7,465	89,583
11	(303) Misc. Intangible - Geographic Information System (6500)	1,006,719	7,191	86,296
12	(303) Misc. Intangible - Customer Service System (7000)	3,786,000	21,035	252,426
13	(303) Misc. Intangible - CSS Enhancements (7100)	8,360,981	69,675	836,098
14	(303) Misc. Intangible - Mainframe Software (7200)	1,912,642	15,939	191,264
15	(303) Misc. Intangible - Infinium Enhancement (7300)	6,774,073	56,451	677,407
16	(303) Misc. Intangible - Licensing Office Pro2000 (7500)	54,012	450	5,401
17	(303) Misc. Intangible - Website (7600)	485,944	4,051	48,615
18	(303) Misc. Intangible - Stoner Low Pressure/Intermediate Model (8000)	279,872	2,431	29,166
19	(303) Misc. Intangible - BASIC (8500)	294,516	3,005	36,063
20	(303) Misc. Intangible - TCS System (9000)	189,193	1,592	19,106
21	(303) Misc. Intangible - GEO Tax Software (9500)	79,294	661	7,929
22	(303) Misc. Intangible - Witness Software (9600)	194,706	1,623	19,471
23	Sub Total - Acct. 303	<u>\$32,371,891</u>	<u>\$241,349</u>	<u>\$2,896,186</u>
<u>SLRP Amortization:</u>				
24	SLRP Deferrals Subject to Amortization	<u>\$31,753,941</u>	<u>10</u>	<u>\$3,175,394</u>
25	Amortize Debit Accumulated Depreciation Reserve Balances	<u>\$1,386,107</u>	<u>5</u>	<u>\$277,221</u>
26	Pro-Forma Amortization Expense			\$6,421,044
27	Less Test Year Amortization Expense			<u>(2,772,231)</u>
28	Adjustment to Test Year - Accts. 404 and 405			<u>\$3,648,813</u>



**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Transportation and Work Equipment Clearing**

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into TWE Clearing Account 1841		\$4,007,234		
2	Less Test Year Amounts Cleared Out of Account 1841		(4,015,524)		
3	Test Year Amount Under/(Over) Cleared		<u>(\$8,290)</u>		(\$8,290)
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 1841:				
		Proforma	Test Year	Adjustment	
5	Depreciation	\$516,327	\$412,860	\$103,467	
6	Lease Costs	1,460,326	1,578,505	(118,179)	
7	Other	2,015,869	2,015,869	0	
8	Total	<u>\$3,992,522</u>	<u>\$4,007,234</u>	<u>(\$14,712)</u>	(14,712)
9	Total Adjusted Amount Under/(Over) Cleared				<u>(\$23,002)</u>

Spread Under/(Over) Clearing to Main Accounts based on Test Year Clearing:

	Main Acct.	Amount	Percentage	Amount
10	870	\$4,097	0.001020	(\$23)
11	871	1,434	0.000357	(8)
12	872	0	0.000000	0
13	874	65,058	0.016202	(373)
14	875	88,756	0.022103	(508)
15	876	954	0.000238	(5)
16	877	765	0.000190	(4)
17	878	701,560	0.174712	(4,019)
18	879	365,024	0.090903	(2,091)
19	880	83,908	0.020896	(481)
20	885	139	0.000035	(1)
21	886	24,180	0.006022	(139)
22	887	867,241	0.215972	(4,968)
23	889	23,999	0.005976	(137)
24	890	30,761	0.007660	(176)
25	891	2,936	0.000731	(17)
26	892	78,762	0.019614	(451)
27	893	152,607	0.038004	(874)
28	894	6,552	0.001632	(38)
29	902	103,041	0.025661	(590)
30	903	261,232	0.065056	(1,496)
31	912	7,816	0.001946	(45)
32	921	73,025	0.018186	(418)
33	<b>Total Adjustment to Test Year Expense</b>	<b>\$2,943,845</b>	<b>0.733116</b>	<b>(\$16,862)</b>
34	Balance Sheet Accounts	1,071,679	0.266884	(6,139)
35	Total Test Year Clearing	<u>\$4,015,524</u>	<u>1.000000</u>	<u>(\$23,001)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Stores Clearing**

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into Stores Account 1630		\$1,910,085		
2	Less Test Year Amounts Cleared Out of Account 1630		<u>(1,906,214)</u>		
3	Test Year Amount Under/(Over) Cleared		<u>\$3,871</u>		\$3,871
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 1630:				
		Proforma	Test Year	Adjustment	
5	Other	1,910,085	1,910,085	0	
6	Total	<u>\$1,910,085</u>	<u>\$1,910,085</u>	<u>\$0</u>	0
7	Total Adjusted Amount Under/(Over) Cleared				<u>\$3,871</u>

Spread Under/(Over) Clearing to Main Accounts based on Test Year Clearing:

	Main Acct.	Amount	Percentage	Amount	
8	874	\$5,650	0.002964	\$11	
9	875	8,272	0.004339	17	
10	876	2	0.000001	0	
11	877	(22)	-0.000012	0	
12	878	59,527	0.031229	121	
13	879	2,962	0.001554	6	
14	880	8,054	0.004225	16	
15	885	0	0.000000	0	
16	886	473	0.000248	1	
17	887	107,889	0.056600	219	
18	889	7,700	0.004040	16	
19	890	7,508	0.003939	15	
20	891	10,791	0.005661	22	
21	892	23,209	0.012176	47	
22	893	9,325	0.004892	19	
23	894	35,918	0.018843	73	
24	902	14	0.000007	0	
25	903	6	0.000003	0	
26	921	4,471	0.002346	9	
27	925	4,692	0.002462	10	
28	Total Adjustment to Test Year Expense		296,442	0.155517	602
29	Balance Sheet Accounts		1,609,708	0.844481	3,269
30	Total Test Year Clearing		1,906,149	0.999998	3,871

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Paid Time Off Clearing**

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into Paid Time Off Account 1846		\$5,119,790		
2	Less Test Year Amounts Cleared Out of Account 1846		(4,729,329)		
3	Test Year Amount Under/(Over) Cleared		<u>\$390,461</u>		\$390,461
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 1846:				
		Proforma	Test Year	Adjustment	
5	Other	5,119,790	5,119,790	0	
6	Total	<u>\$5,119,790</u>	<u>\$5,119,790</u>	<u>\$0</u>	0
7	Total Adjusted Amount Under/(Over) Cleared				<u>\$390,461</u>

Spread Under/(Over) Clearing to Main Accounts based on Test Year Clearing:

	Main Acct.	Amount	Percentage	Amount
8	870	\$5,091	0.001076	420
9	871	1,283	0.000271	106
10	872	0	0.000000	0
11	874	81,695	0.017274	6,745
12	875	108,237	0.022886	8,936
13	876	1,013	0.000214	84
14	877	1,052	0.000222	87
15	878	872,748	0.184541	72,056
16	879	458,686	0.096988	37,870
17	880	50,259	0.010627	4,149
18	885	2,770	0.000586	229
19	886	29,916	0.006326	2,470
20	887	1,045,116	0.220987	86,287
21	889	29,471	0.006232	2,433
22	890	37,278	0.007882	3,078
23	891	3,727	0.000788	308
24	892	100,256	0.021199	8,277
25	893	188,142	0.039782	15,533
26	894	8,449	0.001786	697
27	902	125,932	0.026628	10,397
28	903	322,872	0.068271	26,657
29	<b>Total Adjustment to Test Year Expense</b>	<b>3,473,992</b>	<b>0.734566</b>	<b>286,819</b>
30	Balance Sheet Accounts	1,255,312	0.265433	103,641
31	Total Test Year Clearing	<u>4,729,304</u>	<u>0.999999</u>	<u>390,460</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Missouri State Franchise Tax**

Line No.	Description	Amount
	(a)	(b)
1	Proforma State Franchise Tax Expense	\$259,080
2	Less Test Year State Franchise Tax Expense	<u>(52,375)</u>
3	Adjustment to Test Year - Acct. 4081	<u><u>\$206,705</u></u>

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
 Twelve Months Ending December 31, 2003

**Property Tax Expense**

Line No.	Description (a)	Reference (b)	Amount (c)
1	Proforma Total Plant in Service excluding Corporate Allocated Plant	C	\$789,773,895
2	Less Intangible Plant	C	<u>(32,348,320)</u>
3	Proforma Plant, excluding Intangible Plant		\$757,425,575
4	Property tax rate		<u>1.11913%</u>
5	Proforma Property Tax Expense		\$8,476,600
6	Less Test Year Property Tax Expense		<u>(7,533,533)</u>
7	Adjustment to Test Year - Acct. 4081		<u><u>\$943,067</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Gas Supply Expenses**

Line		Account Number	Amount
No.	Description		
	(a)	(b)	(c)
1	Reclassification of \$38,000 paid to Planalytics and recorded in A/C 807.4 Other Gas Purchases - Gas Hedging Software	807	<u>(\$38,000)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Office Lease Expense**

Line No.	Description (a)	Amount (b)
1	Net Proforma Broadway and PBO Office Lease Expense	\$404,067
2	Less Test Year Broadway and PBO Office Lease Expense	<u>(409,747)</u>
3	Adjustment to Test Year - Acct. 931	<u>(\$5,680)</u>
4	Net Proforma Broadway Utilities, Outside Services & Supplies Expense	\$373,201
5	Less Test Year Broadway Utilities, Outside Services & Supplies Expense	<u>(378,448)</u>
6	Adjustment to Test Year - Acct. 921	<u>(\$5,247)</u>
7	Net Proforma Broadway Maintenance Expense	\$23,686
8	Less Test Year Broadway Maintenance Expense	<u>(24,019)</u>
9	Adjustment to Test Year - Acct. 932	<u>(\$333)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Dues Expense**

Line No.	Description (a)	Amount (b)
1	Remove Certain Expense from Acct. 930.2	<u>(\$80,000)</u>



**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Incentive Compensation and Bonuses**

Line No.	Description	Incentive Compensation	Bonuses	Gas Supply & IT Bonuses	Total
	(a)	(b)	(c)	(d)	(e)
1	2001 Incentive and Bonus Payments	\$122,402	\$142,840	\$136,377	\$401,619
2	2002 Incentive and Bonus Payments	143,586	97,510	51,553	292,649
3	2003 Incentive and Bonus Payments	<u>302,657</u>	<u>131,811</u>	<u>0</u>	<u>434,468</u>
4	Three-Year Average	<u>\$189,548</u>	<u>\$124,054</u>	<u>\$62,643</u>	\$376,245
5	Test Year Incentive and Bonus Payments				<u>(434,468)</u>
6	Adjustment				(58,223)
7	Expense Ratio				<u>0.754132</u>
8	Amount Charged to Expense				<u>(\$43,908)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Customer Collection Costs**

Line No.	Description (a)	Total (b)
<b><u>Proforma Charges</u></b>		
1	Brazen Software, Inc.	590,873
<b><u>Actual Charges</u></b>		
2	Brazen Software, Inc.	639,674
3	Adjustment	<u><u>(\$48,801)</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Shared Services Expense**

Line No.	Description (a)	Account Number (b)	Total (c)
1	Payments to Oneok	930.2	(\$166,679)
2	Payments received from Oneok	921	105,314
3	Payments received from Oneok	923	137,119
4	Payments received from Oneok	931	344,368
5	Payments received from Oneok	930.2	643,676
6	Payments received from Oneok	932	<u>171,506</u>
7	Net payments from Oneok		<u><u>\$1,235,303</u></u>
8	Total Net Adjustment		<u><u>\$1,235,303</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Non-recurring / Non-Utility Activity**

Line No.	Description (a)	Total (b)
	<b><u>ACCOUNT 923 - OUTSIDE SERVICES</u></b>	
	Remove non-utility activity from account	
1	9230	(\$95,713)
2	Remove non-recurring expenses	(225,781)
	Remove costs associated with current rate	
3	case	(98,968)
4	Total A/C 923 non-recurring / non-utility costs	<u>(\$420,462)</u>
	<b><u>ACCOUNT 922 - ADMIN EXP TRANSFERRED</u></b>	
	Correct entry made to intercompany account	
5	for depreciation on common plant	<u>\$828,469</u>

SCHEDULE H-26

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Outside Services - Tax Services**

Line No.	Description (a)	Total (b)
1	Sales, use and franchise tax compliance (12 months at \$3,000 per month)	\$36,000
2	Property tax compliance (two payments of \$17,500 per year)	<u>35,000</u>
3	Total proforma costs	\$71,000
4	Actual test year costs	<u>\$50,500</u>
5	Adjustment	<u><u>\$20,500</u></u>

SCHEDULE H-27

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Weatherization**

Line No.	Description (a)	Amount (b)
1	Increase Weatherization to \$500,000	<u>\$160,000</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Environmental Response Fund**

Line No.	Description (a)	Amount (b)
1	Environmental Response Fund	<u>\$750,000</u>

SCHEDULE H-29

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
Twelve Months Ending December 31, 2003

**Information Technology Expenses**

Line No.	Description (a)	Total (b)	Account Number (c)
1	Total Adjustment	<u>\$0</u>	