Missouri Gas Energy
Business Segment Information for
Southern Union Company for the Fiscal Years 1993, 1994 and 2005

| Business Segments | Segment SIC Codes | | Segment Sales ($ mill) | % Of Total | Segment Oper Inc ($ mill) | % Of Total | Segment Depr ($ mill) | % Of Total | Segment Cap Exp ($ mill) | % Of Total | Segment Assets ($ mill) | % Of Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year Ended: December 2005 | | | | | | | | | | | | |
| Distribution | 4924 | 4922 | $ 1,503.272 | 74 % | $ (43.928) | (19) % | $ 63.278 | 50 % | $ 84.896 | 31 % | $2,490.164 | 43 % |
| Transportation and Storage | 4922 | NA | $ 505.233 | 25 | $281.344 | 124 | $ 62.171 | 49 | $189.415 | 68 | $3,155.549 | 54 |
| Corporate & Other | 4911 | 8741 | $ 10.925 | 1 | $ (10.699) | (5) | $ 0.944 | 1 | $ 2.306 | 1 | $ 191.106 | 3 |
| Fiscal Year Ended: June 1994 | | | | | | | | | | | | |
| Nautral Gas Utility | 4924 | 4922 | $ 374.500 | 100 % | $ 32.000 | 100 % | $ 21.900 | 100 % | $ 38.200 | 100 % | $ 891.000 | 100 % |
| Fiscal Year Ended: June 1993 | | | | | | | | | | | | |
| Nautral Gas Utility | 4924 | 4922 | $ 209.000 | 100 % | $ 19.800 | 100 % | $ 14.400 | 100 % | $ 18.500 | 100 % | $ 416.200 | 100 % |

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Data Base

STANDARD & POOR'S

RESEARCH

Research Update:

# Southern Union And Unit Downgraded To 'BBB-', Off Watch Neg

**Publication date:** 29-Nov-2006
**Primary Credit Analyst:** Plana Lee, New York (1) 212-438-3119; plana_lee@standardandpoors.com

## Rationale

On Nov. 29, 2006, Standard & Poor's Ratings Services lowered its corporate credit ratings on Southern Union Co. and subsidiary Panhandle Eastern Pipe Line L.P. to 'BBB-' from 'BBB'. At the same time, Standard & Poor's removed the ratings from CreditWatch with negative implications.

The outlook is stable. The rating was originally placed on CreditWatch on Sept. 15, 2006.

The rating action reflects our assessment of the company's movement toward riskier business segments, coupled with an aggressive financial policy that liberally uses debt leverage. Together, these traits embody credit quality at the lower end of the 'BBB' category.

Houston, Texas-based Southern Union engages in natural gas transportation, storage, liquefied natural gas (LNG) terminaling, gathering and processing, and distribution.

The ratings are based on a business risk profile at the consolidated entity that is categorized as satisfactory and an aggressive financial risk profile. Southern Union's credit strengths include the cash flow stability of its regulated interstate natural gas pipeline assets, a hedging program designed to mitigate the commodity price exposure of its Southern Union Gas Services gathering and processing segment (SUGS), and its remaining low-risk gas distribution businesses in Missouri and Massachusetts.

Southern Union's pipeline assets (about 51% of total expected 2007 EBITDA) include wholly owned Panhandle Eastern Pipe Line and its subsidiaries (collectively Panhandle Energy), which transport gas from the Gulf Coast and Anadarko basin to the Midwest and Great Lakes markets. Subsequent to the closing of the currently pending transaction with Energy Transfer Partners, Southern Union will also have a 50% ownership interest in Florida Gas Transmission Co. The pipeline segments bring stability to cash flows due to generally favorable FERC regulation, access to multiple supply points, strong markets, and manageable re-contracting risk.

These strengths are partially offset by the weak business risk profile of the gathering and processing segment at SUGS (23% of total EBITDA). Southern Union's acquisition of SUGS for $1.6 billion in March 2006 increased its business and financial risk. SUGS' percent-of-proceeds contracts account for about 80% of its margins and expose the company to volatile commodity prices. Moreover, the purchase price was initially financed entirely with debt, which was later repaid with proceeds from $1.1 billion in utility asset sales and $600 million in junior subordinated debt.

SUGS' commodity price risk is somewhat mitigated through 2007 by a hedging program consisting of natural gas puts with an $11 floor for 2006 on 45,000 million Btu (mmBtu) per day (about 85% of equity volumes) and a $10 floor for 2007 on 25,000 mmBtu per day (about 50% of equity volumes). Furthermore, the company has added ethane, propane, and crude oil puts with an average $12.04 floor on 8,000 mmBtu per day for the remainder of 2006 and an average $11.40 floor on 26,000 mmBtu per day for 2007, resulting in an effective hedge position of about 90% for both years. SUGS also has a strong market-share position in the Texas and New Mexico region, where it has operated for more than 60 years.

At Southern Union's Trunkline LNG facility (12% of total EBITDA), capital costs are high and are expected to reach about $250 million for the LNG infrastructure enhancement project (IEP), which will add ambient air vaporization and natural gas liquids extraction capabilities to the terminal. IEP is fully contracted with BG Group under long-term contracts and should add an estimated $35 million in EBIT upon completion in 2008.

Following the sale of the Rhode Island and Pennsylvania utilities, Missouri Gas Energy (MGE) and New England Gas Co, (together 14% of total EBITDA) are Southern Union's remaining low-risk gas-distribution businesses. MGE makes up the bulk of this segment, and its strong business risk profile reflects reasonably favorable regulation by the Missouri Public Service Commission, a mostly residential customer base, the ability to recover fuel costs from customers as they are incurred, a franchise with Kansas City, Mo. that extends through 2010, and a perpetual franchise with St. Joseph, Mo.

Given Southern Union's movement away from natural gas utilities and toward the midstream industry, cash flows have become less predictable and, as a result, stronger credit-protection measures are expected to maintain ratings. However, at the same time, the company's credit protection measures have been stretched and its financial policy has been aggressive, with hybrid securities, preferred stock and convertible debt combined making up about 17% of the capital structure.

Southern Union's expected credit protection metrics at year-end 2006, including trailing twelve-month funds from operations to fully adjusted total debt of about 9%, adjusted total debt to EBITDA of about 5x, and adjusted total debt to capital of about 60%, are weak for the 'BBB-' rating. The ratings incorporate the expected equity issuance of $100 million in 2008 for the convertible notes issued in 2005, and the additional debt incurred as part of the pending transaction with Energy Transfer Partners. Going forward, the company will be required to guard its balance sheet and be less reliant on debt leverage to maintain the current ratings.

As part of the rating action, the rating on the company's $600 million junior subordinated notes was lowered to 'BB' from 'BB+'. The 'BB' rating is two notches below the corporate credit rating. The notching reflects Southern Union's investment grade corporate credit rating, the subordination of the hybrid issue, and the optional deferral of interest payments. The hybrid securities have a maturity of 60 years, are callable after five years, and have received intermediate (50%) equity credit for leverage purposes.

### Liquidity

Southern Union's liquidity is adequate. The company's primary liquidity source is cash flow from operations, which was $328 million for the nine months ended Sept. 30, 2006, and cash on hand was $6.9 million as of that date. The company also has access to a $400 million revolving credit facility maturing in May 2010, of which $195 million was outstanding as of Sept 30, 2006. Consolidated Southern Union's long-term debt maturities over the next several years are manageable at $455 million in 2007, $525 million in 2008, and $60 million in 2009.

## Outlook

The stable outlook reflects the higher risk of Southern Union's midstream business, somewhat offset by the stability afforded by its utility and pipeline transport segments. The stable outlook also incorporates expectations that the company will continue to mitigate commodity price exposure through active hedging beyond 2007. Rating improvement is possible if Southern Union mitigates its increased business risk through investments in lower-risk businesses, combined with a strengthening of its consolidated financial profile. Conversely, further downward rating movement could occur if the company continues to acquire higher-risk businesses that are financed by selling lower-risk assets and incurring additional debt.

## Ratings List

Downgraded, Off Watch Neg

| | To | From |
|---|---|---|
| Southern Union Co. | | |
| Corporate Credit Rating | BBB-/Stable/-- | BBB/Watch Neg/-- |
| Senior Unsecured | BBB- | BBB/Watch Neg |
| Junior Subordinated | BB | BB+/Watch Neg |
| Preferred Stock | BB | BB+/Watch Neg |

Panhandle Eastern Pipe Line LP

| | | |
|---|---|---|
| Corporate Credit Rating | BBB-/Stable/-- | BBB/Watch Neg/-- |
| Senior Unsecured | BBB- | BBB/Watch Neg |

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.

Missouri Gas Energy
Market-to-Book Ratios, Earnings / Book Ratios and
Inflation for Standard & Poor's Industrial Index and
the Standard & Poor's 500 Composite Index
from 1947 through 2005

| Year | Market-to-Book Ratio (1): S&P Industrial Index (3) | Market-to-Book Ratio (1): S&P 500 Composite Index (3) | Earnings/ Book Ratio (2): S&P Industrial Index (3) | Earnings/ Book Ratio (2): S&P 500 Composite Index (3) | Inflation (4) | Earnings / Book Ratio - Net of Inflation: S&P Industrial | Earnings / Book Ratio - Net of Inflation: S&P 500 Composite |
|---|---|---|---|---|---|---|---|
| 1947 | 1.23 % | NA | 13.0 % | NA | 9.0 % | 4.0 % | NA |
| 1948 | 1.13 | NA | 17.3 | NA | 2.7 | 14.6 | NA |
| 1949 | 1.00 | NA | 16.3 | NA | (1.8) | 18.1 | NA |
| 1950 | 1.16 | NA | 18.3 | NA | 5.8 | 12.5 | NA |
| 1951 | 1.27 | NA | 14.4 | NA | 5.9 | 8.5 | NA |
| 1952 | 1.29 | NA | 12.7 | NA | 0.9 | 11.8 | NA |
| 1953 | 1.21 | NA | 12.7 | NA | 0.6 | 12.1 | NA |
| 1954 | 1.45 | NA | 13.5 | NA | (0.5) | 14.0 | NA |
| 1955 | 1.81 | NA | 16.0 | NA | 0.4 | 15.6 | NA |
| 1956 | 1.92 | NA | 13.7 | NA | 2.9 | 10.8 | NA |
| 1957 | 1.71 | NA | 12.5 | NA | 3.0 | 9.5 | NA |
| 1958 | 1.70 | NA | 9.8 | NA | 1.8 | 8.0 | NA |
| 1959 | 1.94 | NA | 11.2 | NA | 1.5 | 9.7 | NA |
| 1960 | 1.82 | NA | 10.3 | NA | 1.5 | 8.8 | NA |
| 1961 | 2.01 | NA | 9.8 | NA | 0.7 | 9.1 | NA |
| 1962 | 1.83 | NA | 10.9 | NA | 1.2 | 9.7 | NA |
| 1963 | 1.94 | NA | 11.4 | NA | 1.7 | 9.7 | NA |
| 1964 | 2.18 | NA | 12.3 | NA | 1.2 | 11.1 | NA |
| 1965 | 2.21 | NA | 13.2 | NA | 1.9 | 11.3 | NA |
| 1966 | 2.00 | NA | 13.2 | NA | 3.4 | 9.8 | NA |
| 1967 | 2.05 | NA | 12.1 | NA | 3.0 | 9.1 | NA |
| 1968 | 2.17 | NA | 12.6 | NA | 4.7 | 7.9 | NA |
| 1969 | 2.10 | NA | 12.1 | NA | 6.1 | 6.0 | NA |
| 1970 | 1.71 | NA | 10.4 | NA | 5.5 | 4.9 | NA |
| 1971 | 1.99 | NA | 11.2 | NA | 3.4 | 7.8 | NA |
| 1972 | 2.16 | NA | 12.0 | NA | 3.4 | 8.6 | NA |
| 1973 | 1.96 | NA | 14.6 | NA | 8.8 | 5.8 | NA |
| 1974 | 1.39 | NA | 14.8 | NA | 12.2 | 2.6 | NA |
| 1975 | 1.34 | NA | 12.3 | NA | 7.0 | 5.3 | NA |
| 1976 | 1.51 | NA | 14.5 | NA | 4.8 | 9.7 | NA |
| 1977 | 1.38 | NA | 14.6 | NA | 6.8 | 7.8 | NA |
| 1978 | 1.25 | NA | 15.3 | NA | 9.0 | 6.3 | NA |
| 1979 | 1.23 | NA | 17.2 | NA | 13.3 | 3.9 | NA |
| 1980 | 1.31 | NA | 15.6 | NA | 12.4 | 3.2 | NA |
| 1981 | 1.24 | NA | 14.9 | NA | 8.9 | 6.0 | NA |
| 1982 | 1.17 | NA | 11.3 | NA | 3.9 | 7.4 | NA |
| 1983 | 1.45 | NA | 12.2 | NA | 3.8 | 8.4 | NA |
| 1984 | 1.46 | NA | 14.6 | NA | 4.0 | 10.6 | NA |
| 1985 | 1.67 | NA | 12.2 | NA | 3.8 | 8.4 | NA |
| 1986 | 2.02 | NA | 11.5 | NA | 1.1 | 10.4 | NA |
| 1987 | 2.50 | NA | 15.7 | NA | 4.4 | 11.3 | NA |
| 1988 | 2.13 | NA | 19.0 | NA | 4.4 | 14.6 | NA |
| 1989 | 2.56 | NA | 18.5 | NA | 4.7 | 13.8 | NA |
| 1990 | 2.63 | NA | 16.3 | NA | 6.1 | 10.2 | NA |
| 1991 | 2.77 | NA | 10.8 | NA | 3.1 | 7.7 | NA |
| 1992 | 3.29 | NA | 13.0 | NA | 2.9 | 10.1 | NA |
| 1993 | 3.72 | NA | 15.7 | NA | 2.8 | 12.9 | NA |
| 1994 | 3.73 | NA | 23.0 | NA | 2.7 | 20.3 | NA |
| 1995 | 4.06 | 2.64 | 22.9 | 16.0 % | 2.5 | 20.4 | 13.5 % |
| 1996 | 4.79 | 2.99 | 24.8 | 16.8 | 3.3 | 21.5 | 13.5 |
| 1997 | 5.88 | 3.53 | 24.6 | 16.3 | 1.7 | 22.9 | 14.6 |
| 1998 | 7.13 | 4.16 | 21.3 | 14.5 | 1.6 | 19.7 | 12.9 |
| 1999 | 8.27 | 4.76 | 25.2 | 16.7 | 2.7 | 22.5 | 14.0 |
| 2000 | 7.51 | 4.51 | 23.9 | 15.6 | 3.4 | 20.5 | 12.2 |
| 2001 | NA | 3.50 | NA | 15.0 | 1.6 | NA | 13.4 |
| 2002 | NA | 2.93 | NA | 8.3 | 2.4 | NA | 5.9 |
| 2003 | NA | 2.78 | NA | 14.1 | 1.9 | NA | 12.2 |
| 2004 | NA | 3.12 (5) | NA | 16.1 | 3.3 | NA | 12.8 |
| 2005 | NA | 3.35 (5) | NA | 19.9 | 3.4 | NA | 16.5 |
| Average | 2.34 % | 3.48 % | 14.9 % | 15.4 % | 3.9 % | 10.9 % | 12.9 % |

Notes: (1) Market-to-Book Ratio equals average of the high and low market price for the year divided by the average book value.

(2) Earnings/Book equals earnings per share for the year divided by the average book value.

(3) On January 2, 2001 Standard & Poor's released Global Industry Classification Standard (GICS) price indexes for all Standard & Poor's U.S. indexes. As a result, all S&P indexes have been calculated with a common base of 100 at a start date of December 31, 1994. Also, the GICS industrial sector is not comparable to the former S&P Industrial Index and data for the former S&P Industrial Index has been discontinued.

(4) As measured by the Consumer Price Index (CPI)

(5) Ratios for 2004 are based upon estimated book values using the actual average price and the estimated book value calculated by adding the 2004 or 2005 earnings per share to the 2003 and 2004 book value per share and then subtracting the 2004 and 2005 dividends per share as provided by Standard & Poor's Security Price Index Record, 2006 Edition. Pp. 471 and 473and 2005.

Source of Information: Standard & Poor's Security Price Index Record, 2000 Edition, p. 40
Standard & Poor's Statistical Service, Current Statistics, August 2001, p. 29
Standard & Poor's Statistical Service, Current Statistics, January 2001, p. 36
Standard & Poor's Current Statistics, June 2006, p. 29.
Standard & Poor's Security Price Index Record, 2006 Edition, pp. 1, 471 and 473
Standard & Poor's Compustat Services, Inc. PC Plus Research Insight Data Base
Ibbotson Associates, Stocks, Bonds, Bills and Inflation - Valuation Edition 2006 Yearbook, 2006

Missouri Gas Energy
Exchanges on Which the Common Shares of the Proxy Companies Relied upon by Mr. Hanley and Mr. Murray and Southern Union Co. are Traded

| Proxy Group of Four Gas Distribution Companies | Stock Exchange |
|---|---|
| Cascade Natural Gas Corporation | NYSE |
| NICOR Inc. | NYSE |
| Northwest Natural Gas Company | NYSE |
| Piedmont Natural Gas Co., Inc. | NYSE |
| | |
| **Proxy Group of Eight Value Line Gas Distribution Companies** | |
| Cascade Natural Gas Corporation | NYSE |
| The Laclede Group, Inc. | NYSE |
| New Jersey Resources Corp. | NYSE |
| NICOR Inc. | NYSE |
| Northwest Natural Gas Company | NYSE |
| Peoples Energy Corporation | NYSE |
| Piedmont Natural Gas Co., Inc. | NYSE |
| WGL Holdings, Inc. | NYSE |
| | |
| Southern Union Company | NYSE |
| | |
| **Witness Murray's Proxy Group of Six Comparable Natural Gas Distribution Companies for Missouri Gas Energy** | |
| AGL Resources Inc. | NYSE |
| New Jersey Resources Corp. | NYSE |
| Northwest Natural Gas Company | NYSE |
| Piedmont Natural Gas Co., Inc. | NYSE |
| South Jersey Industries, Inc. | NYSE |
| WGL Holdings, Inc. | NYSE |
| | |
| **Two Natural Gas Distribution Companies Identified by Witness Murray as Having Operations in Missouri** | |
| Atmos Energy Corporation | NYSE |
| The Laclede Group, Inc. | NYSE |

Source of Information: AUS Utility Reports
December 2006

# Stocks, Bonds, Bills, and Inflation

SBBI

## Valuation Edition
2006 Yearbook

ibbotson.

Table 7-14

**Size Effect within Industries**
Summary Statistics and Excess Returns

(Through Year-end 2005)

| SIC Code | Description | Years | Large Company Group Geometric Mean | Arithmetic Mean | Standard Deviation |
|---|---|---|---|---|---|
| 10 | Metal Mining | 80 | 7.87% | 11.47% | 29.09% |
| 13 | Oil and Gas Extraction | 43 | 11.41% | 14.34% | 26.13% |
| 15 | Building Construction-General Contractors & Op Builders | 34 | 12.93% | 19.66% | 39.85% |
| 16 | Hvy Construction Other than Bldg. Construction-Contractors | 35 | 7.28% | 10.93% | 30.54% |
| 20 | Food and Kindred Spirits | 80 | 10.88% | 12.52% | 18.98% |
| 22 | Textile Mill Products | 80 | 7.00% | 11.87% | 32.64% |
| 23 | Apparel & other Finished Products Made from Fabrics & Similar | 46 | 8.01% | 12.64% | 32.81% |
| 24 | Lumber and Wood Products, Except Furniture | 43 | 9.62% | 12.26% | 25.37% |
| 25 | Furniture and Fixtures | 36 | 10.11% | 12.46% | 22.37% |
| 26 | Paper & Allied Products | 76 | 10.29% | 13.68% | 28.09% |
| 27 | Printing, Publishing and Allied Products | 47 | 10.71% | 12.81% | 21.05% |
| 28 | Chemicals and Allied Products | 80 | 11.78% | 13.91% | 22.45% |
| 29 | Petroleum Refining & Related Industries | 80 | 11.40% | 13.50% | 21.34% |
| 30 | Rubber & Miscellaneous Plastics Products | 59 | 10.83% | 13.54% | 25.34% |
| 31 | Leather & Leather Products | 43 | 12.74% | 17.08% | 33.02% |
| 32 | Stone, Clay, Glass & Concrete Products | 77 | 8.66% | 12.46% | 31.50% |
| 33 | Primary Metal Industries | 80 | 8.08% | 12.01% | 30.39% |
| 34 | Fabricated Metal Products, Except Machinery & Trans. Equip. | 80 | 9.56% | 12.08% | 23.10% |
| 35 | Industrial & Commercial Machinery & Computer Equipment | 80 | 10.68% | 14.09% | 27.66% |
| 36 | Electrical Equipment & Components, Except Computer | 80 | 9.86% | 13.58% | 28.54% |
| 37 | Transportation Equipment | 80 | 10.82% | 15.07% | 32.08% |
| 38 | Measuring, Analyzing & Controlling Instruments | 69 | 12.04% | 14.14% | 21.96% |
| 39 | Miscellaneous Manufacturing Industries | 44 | 7.88% | 11.74% | 28.57% |
| 40 | Railroad Transportation | 80 | 9.65% | 12.67% | 24.86% |
| 42 | Motor Freight Transportation & Warehousing | 42 | 9.78% | 13.24% | 28.28% |
| 45 | Transport by Air | 60 | 7.26% | 11.67% | 32.37% |
| 48 | Communications | 43 | 8.89% | 11.20% | 22.08% |
| 49 | Electric, Gas & Sanitary Services | 80 | 8.78% | 10.89% | 21.48% |
| 50 | Wholesale Trade-Durable Goods | 60 | 10.12% | 12.34% | 22.64% |
| 51 | Wholesale Trade-Nondurable Goods | 38 | 9.94% | 12.89% | 24.91% |
| 53 | General Merchandise Stores | 80 | 9.88% | 13.09% | 26.56% |
| 54 | Food Stores | 49 | 11.29% | 13.79% | 23.37% |
| 56 | Apparel & Accessory Stores | 59 | 14.08% | 18.18% | 32.15% |
| 57 | Home Furniture, Furnishings, and Equipment Stores | 33 | 12.37% | 23.69% | 60.37% |
| 58 | Eating and Drinking Places | 37 | 10.85% | 15.36% | 33.13% |
| 59 | Miscellaneous Retail | 43 | 12.66% | 15.93% | 26.94% |
| 60 | Depository Institutions | 37 | 11.64% | 13.78% | 21.37% |
| 61 | Nondepository Credit Institutions | 56 | 12.83% | 15.66% | 26.45% |
| 62 | Security and Commod. Brokers, Dealers, Exchanges | 33 | 17.78% | 24.55% | 43.10% |
| 63 | Insurance Carriers | 37 | 10.63% | 12.51% | 20.39% |
| 64 | Insurance Agents, Brokers, and Service | 33 | 14.79% | 16.25% | 18.21% |
| 65 | Real Estate | 43 | 7.34% | 11.82% | 30.63% |
| 67 | Holding & Other Investment Offices | 76 | 10.00% | 13.17% | 25.21% |
| 70 | Hotels, Rooming Houses, Camps, & Other Lodging | 36 | 10.03% | 15.69% | 35.13% |
| 72 | Personal Services | 36 | 8.73% | 13.40% | 30.78% |
| 73 | Business Services | 43 | 10.20% | 15.01% | 32.56% |
| 78 | Motion Pictures | 55 | 12.11% | 16.67% | 33.13% |
| 79 | Amusement and Recreation Services | 33 | 12.44% | 16.16% | 27.50% |
| 80 | Health Services | 34 | 13.17% | 18.92% | 35.76% |

Source: Center for Research in Security Prices, University of Chicago.

Table 7-14 (continued)

**Size Effect within Industries**
Summary Statistics and Excess Returns

(Through Year-end 2005)

| | | Small Company Group | | | |
|---|---|---|---|---|---|
| SIC Code | Description | Geometric Mean | Arithmetic Mean | Standard Deviation | Excess Return |
| 10 | Metal Mining | 8.31% | 16.30% | 46.05% | 4.83% |
| 13 | Oil and Gas Extraction | 12.81% | 21.07% | 46.60% | 6.73% |
| 15 | Building Construction–General Contractors & Op. Builders | 6.64% | 15.87% | 43.37% | –3.79% |
| 16 | Hvy. Construction Other than Bldg. Construction–Contractors | 18.58% | 23.57% | 37.33% | 12.65% |
| 20 | Food and Kindred Spirits | 12.36% | 15.95% | 30.16% | 3.44% |
| 22 | Textile Mill Products | 9.77% | 15.35% | 34.60% | 3.49% |
| 23 | Apparel & other Finished Products Made from Fabrics & Similar | 5.72% | 11.52% | 37.95% | –1.12% |
| 24 | Lumber and Wood Products, Except Furniture | 11.02% | 21.19% | 53.51% | 8.93% |
| 25 | Furniture and Fixtures | 9.12% | 13.29% | 29.62% | 0.83% |
| 26 | Paper & Allied Products | 14.21% | 19.79% | 42.06% | 6.12% |
| 27 | Printing, Publishing and Allied Products | 16.30% | 19.15% | 24.91% | 6.34% |
| 28 | Chemicals and Allied Products | 13.38% | 18.87% | 39.59% | 4.95% |
| 29 | Petroleum Refining & Related Industries | 13.21% | 17.68% | 31.92% | 4.18% |
| 30 | Rubber & Miscellaneous Plastics Products | 12.60% | 17.05% | 32.93% | 3.52% |
| 31 | Leather & Leather Products | 11.75% | 16.79% | 34.22% | –0.29% |
| 32 | Stone, Clay, Glass & Concrete Products | 9.71% | 14.54% | 33.16% | 2.08% |
| 33 | Primary Metal Industries | 13.01% | 18.76% | 38.48% | 6.75% |
| 34 | Fabricated Metal Products, Except Machinery & Trans. Equip. | 11.77% | 17.41% | 37.42% | 5.33% |
| 35 | Industrial & Commercial Machinery & Computer Equipment | 12.20% | 17.59% | 35.60% | 3.50% |
| 36 | Electrical Equipment & Components, Except Computer | 12.01% | 20.02% | 45.90% | 6.44% |
| 37 | Transportation Equipment | 12.04% | 18.32% | 38.31% | 3.25% |
| 38 | Measuring, Analyzing & Controlling Instruments | 13.25% | 18.19% | 35.01% | 4.05% |
| 39 | Miscellaneous Manufacturing Industries | 8.07% | 12.55% | 31.90% | 0.82% |
| 40 | Railroad Transportation | 8.46% | 14.82% | 36.36% | 2.15% |
| 42 | Motor Freight Transportation & Warehousing | 7.21% | 13.19% | 38.93% | –0.04% |
| 45 | Transport by Air | 8.71% | 17.13% | 48.27% | 5.46% |
| 48 | Communications | 17.30% | 25.50% | 46.18% | 14.30% |
| 49 | Electric, Gas & Sanitary Services | 10.34% | 13.96% | 29.63% | 3.08% |
| 50 | Wholesale Trade–Durable Goods | 11.01% | 16.26% | 36.38% | 3.92% |
| 51 | Wholesale Trade–Nondurable Goods | 8.64% | 12.33% | 28.69% | –0.56% |
| 53 | General Merchandise Stores | 9.37% | 16.84% | 43.14% | 3.75% |
| 54 | Food Stores | 10.00% | 13.82% | 29.54% | 0.03% |
| 56 | Apparel & Accessory Stores | 11.87% | 18.02% | 38.93% | –0.16% |
| 57 | Home Furniture, Furnishings, and Equipment Stores | 15.82% | 26.33% | 51.19% | 2.64% |
| 58 | Eating and Drinking Places | 2.03% | 7.97% | 36.84% | –7.39% |
| 59 | Miscellaneous Retail | 12.11% | 17.66% | 36.52% | 1.74% |
| 60 | Depository Institutions | 15.33% | 17.99% | 25.10% | 4.21% |
| 61 | Nondepository Credit Institutions | 13.52% | 17.44% | 29.94% | 1.78% |
| 62 | Security and Commod. Brokers, Dealers, Exchanges | 14.58% | 21.59% | 42.10% | –2.96% |
| 63 | Insurance Carriers | 13.39% | 16.25% | 24.02% | 3.74% |
| 64 | Insurance Agents, Brokers, and Service | 11.82% | 19.26% | 43.80% | 3.01% |
| 65 | Real Estate | 6.72% | 11.65% | 34.85% | –0.16% |
| 67 | Holding & Other Investment Offices | 11.19% | 15.46% | 31.25% | 2.28% |
| 70 | Hotels, Rooming Houses, Camps, & Other Lodging | 6.42% | 12.53% | 37.23% | –3.16% |
| 72 | Personal Services | 18.06% | 22.49% | 32.80% | 9.09% |
| 73 | Business Services | 13.95% | 23.68% | 59.91% | 8.67% |
| 78 | Motion Pictures | 6.18% | 14.05% | 45.60% | –2.62% |
| 79 | Amusement and Recreation Services | 11.18% | 15.10% | 31.68% | –1.07% |
| 80 | Health Services | 15.59% | 22.05% | 40.75% | 3.13% |

Source: Center for Research in Security Prices, University of Chicago

Missouri Gas Energy
Decoupling Mechanisms, Conservation Adjustments and other Revenue Normalization Adjustment Clauses
for Mr. Hanley's Proxy Group of Four Gas Distribution Companies (1),
the Proxy Group of Eight Value Line Gas Distribution Companies (2)
and Southern Union Company
and Witness Murray's Proxy Group of Six Comparable Natural Gas Distribution Companies (3)
and Two Natural Gas Distribution Companies Identified by Witness Murray as Having Operations in Missouri (4)

| Companies | Decoupling Mechanisms, Conservation and Other Revenue Normalization Adjustment Clauses |
|---|---|
| AGL Resources, Inc. (3) | Yes (5) |
| Atmos Energy Corporation (4) | No |
| Cascade Natural Gas Corporation (1, 2) | No (6) |
| The Laclede Group, Inc. (2, 4) | No |
| New Jersey Resources Corp. (2, 3) | Yes (7) |
| NICOR Inc. (1, 2) | No |
| Northwest Natural Gas Company (1, 2, 3) | Yes (8) |
| Peoples Energy Corporation (2) | No |
| Piedmont Natural Gas Co., Inc. (1, 2, 3) | Yes (9) |
| South Jersey Industries, Inc. (3) | Yes (7) |
| WGL Holdings, Inc. (2, 3) | Yes (10) |
| Southern Union Company | No |

Notes: (1) The companies in Mr. Hanley's proxy group of four LDCs are Cascade, NICOR Inc., Natural Gas Corporation, Northwest Natural Gas Company and Piedmont Natural Gas Company.

(2) The companies in Mr. Hanley's proxy group of eight Value Line LDCs are Cascade, The Laclede Group, Inc., New Jersey Resources Corp., NICOR Inc., Northwest Natural Gas Company, Peoples Energy Corporation, Piedmont Natural Gas Company and WGL Holdings, Inc.

(3) The companies in Witness Murray's Proxy Group of Six Comparable Natural Gas Distribution Companies are AGL Resources Inc. New Jersey Resources Corp., Northwest Natural Gas Company, Piedmont Natural Gas Company, South Jersey Industries, Inc. and WGL Holdings, Inc.

(4) The Two companies identified by Witness Murray as having operations in Missouri are Atmos Energy Corporation and The Laclede Group, Inc.

(5) Straight-Fixed-Variable Rates Atlanta Gas Light's revenue is recognized under a straight-fixed-variable rate design whereby Atlanta Gas Light charges rates to its customers based primarily on monthly fixed charges. This mechanism minimizes the seasonality of revenues since the fixed charge is not volumetric and the monthly charges are not set to be directly weather dependent. Weather indirectly influences the number of customers that have active accounts during the heating season, and this has a seasonal impact on Atlanta Gas Light's revenues since generally more customers are connected in periods of colder weather than in periods of warmer weather.

(6) On October 10, 2006, Cascade Natural Gas, the Washington Utilities and Transportation Commission Staff, the Public Counsel section of the Washington Attorney General's Office, and others reached a settlement in Cascade's pending gas rate case proceeding (Docket No. UG-060256). The settlement does not specify traditional rate case parameters such as rate of return, but calls for CGC to implement a partial decoupling mechanism on a pilot basis for a three-year period. The mechanism would defer non weather-related margin variances (e.g., changes in usage related to conservation and energy efficiency improvements). The Commission has not approved the Mechanism yet. A WUTC decision is expected in January 2007.

(7) On October 12, 2006, the New Jersey Board of Public Utilities (BPU) approved a three-year pilot energy conservation programs and revenue decoupling mechanisms that had been proposed by New Jersey Natural Gas (NJNG) and South Jersey Gas (SJG). Under the programs, NJNG and SJG will implement enhanced customer education and energy conservation programs. In place of the existing weather normalization clauses, the companies will implement a conservation and usage adjustment (CUA) mechanism that is designed to remove the impact on company earnings and revenue of sales fluctuations due to weather variations and customer participation in the conservation programs. The CUA mechanism is to be implemented during the October 2006 billing cycle, with the first adjustment under the mechanism to become effective in October 2007. NJNG is a subsidiary of New Jersey Resources (NJR), and SJG is a subsidiary of South Jersey Industries (SJI).

(8) Northwest Natural Gas Company has a conservation tariff in the state of Oregon, which includes two components. The first component is a price elasticity adjustment, which adjusts for anticipated increases or decreases in consumption attributable to annual changes in commodity costs or periodic changes in its general rates The second component is a conservation adjustment calculated on a monthly basis to account for deviations between actual and expected volumes (decoupling adjustment). Additional or credits to customers resulting from the decoupling adjustment are recorded to a deferral account, which is included in the next year's annual PGA. Baseline consumption was determined by customer consumption data used in the 2003 Oregon general rate case, adjusted for added consumption resulting from new customers The Adjustment Clause was scheduled to expire in September 2005, but in 2005 was renewed by the Oregon Commission). The Commission approved the continuation of the conservation tariff for an additional four years, through September 30, 2009, and increased the mechanism's coverage from a partial decoupling of 90 percent of residential and commercial gas usage to a full decoupling of 100 percent.

(9) Piedmont Natural Gas Company has WNA Clauses in place in the states of South Carolina and Tennessee Furthermore, up to September 2006, the company had a WNA Clause in the state of North Carolina However, on September 14, 2006, the North Carolina Utilities Commission (NCUC) adopted a settlement reached by the Company and the North Carolina Attorney General on July 18, 2006, regarding the company's Customer Utilization Tracker (CUT). The CUT is a mechanism that decouples the recovery of authorized margins from sales levels. The CUT applies to changes in sales levels caused by any factor. The CUT was originally approved on November 3, 2005 as an experimental provision for three-years, which automatically will terminate on November 1, 2008, unless renewed by the NCUC and with the modifications approved on September 14, 2006, the NCUC concurrently eliminated the existing Weather Normalization Adjustment Clause.

(10) In August 2005, Washington Gas received approval from the Public Service Commission of Maryland to implement a Revenue Normalization Adjustment mechanism (RNA). The RNA is a billing adjustment mechanism that is designed to stabilize the level of distribution charge revenues received from Maryland customers as a result of deviations in customer usage caused by variations in weather from normal levels and other matters such as conservation.

Source of Information: Company Annual Reports to Shareholders and / or Forms 10-K
Company Provided Information
Regulatory Research Associates, Inc., An SNL Energy Company