

**Missouri Gas Energy**

Case No. GR-2004-0209

Revenue Requirement Reconciliation-Issues to be Heard

|          |                                                                   |              |                   |
|----------|-------------------------------------------------------------------|--------------|-------------------|
| Line No. |                                                                   |              |                   |
| 1        | MGE - Revenue Requirement                                         |              | <b>43,134,820</b> |
| 2        |                                                                   |              |                   |
| 3        | <b>Rate of Return &amp; Capital Structure</b>                     |              |                   |
| 4        | Value of Capital Structure Issue - Staff / Company                | (11,172,976) |                   |
| 5        | Value of Difference in Long-Term Debt Rates                       | (3,704,178)  |                   |
| 6        | Value of Difference in Preferred Stock Rates                      | (94,979)     |                   |
| 6        | Capital Structure impact on Interest Expense Deduction            | (2,328,336)  |                   |
| 7        | Value of Return on Equity                                         | (6,648,525)  |                   |
| 8        | <b>Sub-Total Rate of Return and Capital Structure Differences</b> |              | (23,948,994)      |
| 9        |                                                                   |              |                   |
| 10       | <b>Income Statement - Revenue Issues</b>                          |              |                   |
| 11       | Customer Growth                                                   | (1,617,321)  |                   |
| 12       | Weather Normalization                                             | (776,051)    |                   |
| 13       | Load Attrition                                                    | (1,629,718)  |                   |
| 14       | Capacity Release Revenues                                         | (1,340,400)  |                   |
| 15       | <b>Sub Total - Revenue Adjustments</b>                            |              | (5,363,489)       |
| 16       |                                                                   |              |                   |
| 17       | <b>Income Statement - Expense Issues</b>                          |              |                   |
| 18       | Bad Debt-Denial of Service                                        | (750,000)    |                   |
| 19       | Bad Debt Expense                                                  | (2,288,898)  |                   |
| 20       | Weatherization Program                                            | (160,000)    |                   |
| 21       | Environmental Response Fund                                       | (750,000)    |                   |
| 22       | Legislative/Lobbying Payroll Adjustment                           | (95,265)     |                   |
| 23       | Annualize Depreciation Expense                                    | (4,041,361)  |                   |
| 24       | Incentive Compensation                                            | (209,513)    |                   |
| 25       | Corporate Expenses                                                | (656,246)    |                   |
| 26       | <b>Sub Total - Expense Adjustments</b>                            |              | (8,951,283)       |
| 27       |                                                                   |              |                   |
| 28       | <b>Total Value of All Issues</b>                                  |              | (38,263,766)      |
| 29       |                                                                   |              |                   |
| 30       | Staff Revenue Requirement                                         |              | <b>4,871,054</b>  |
| 31       |                                                                   |              |                   |
| 32       | <b>OPC Issues:</b>                                                |              |                   |
| 33       | Return on Equity                                                  |              | (86,344)          |
| 34       | Capital Structure                                                 |              | 4,317,224         |
| 35       |                                                                   |              |                   |
| 36       | <b>Revenue:</b>                                                   |              |                   |
| 37       | Off System Sales/Capacity Release Revenue                         |              | (159,600)         |
| 38       |                                                                   |              |                   |
| 39       | <b>Expenses:</b>                                                  |              |                   |
| 40       | Weatherization Program                                            |              | 51,000            |
| 41       | Efficient Energy Program                                          |              | 126,156           |
| 42       | Legislative/Lobbying                                              |              | 35,017            |
| 43       | Low Income                                                        |              | 337,000           |
| 44       | OPC Revenue Requirement                                           |              | <b>9,154,507</b>  |

|              |                                                                                                                                        |                   |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| <b>NOTE:</b> | MGE has requested an additional 25 basis points added to ROR for Management Efficiency. The additional MGE revenue requirement impact: | <b>2,158,612</b>  |
|              | This results in an overall revenue requirement for MGE of:                                                                             | <b>45,293,432</b> |