

Missouri Gas Energy  
Case No. GR-2004-0209  
**Revenue Requirement Reconciliation**

Line No.	Description	(a)	(b)	Amount	(c)
1	MGE - Updated through June 30, 2006 Revenue Requirement			\$	46,695,221
2					
3	<b>Rate of Return &amp; Capital Structure</b>				
4	Value of Capital Structure Issue - Staff / Company	\$	2,587,265		
5	Capital Structure impact on Interest Expense Deduction		(3,061,036)		
6	Rev. Req. Value of Return on Equity		(10,601,949)		
7	<b>Sub-Total Rate of Return and Capital Structure Differences</b>			\$	(11,075,720)
8					
9	<b>Rate Base Issues :</b>				
10	To remove unused portions of Scranton Offices - Plant	\$	(150,463)		
11	To remove New York Office leasehold improvements - Plant		(63,287)		
12	To remove unused portions of Scranton Offices - Reserve		(1,594)		
13	To remove New York Office leasehold improvements _ Reserve		(12,745)		
14	Depr. Reserve not at issue		28,704		
15	Cash Working Capital		(2,302,105)		
16	Prepaid Pension Asset		528,699		
17	Total SLRP		(1,415,478)		
18	Income Tax Offsets		(90,764)		
19	Interest Offset		(430,074)		
20	Customer Advances		(30)		
21	Deferred Taxes SLRP		3,200		
22	Deferred Taxes- Non SLRP Plant		75,535		
23	Deferred Taxes- Allocated Plant		10,888		
24	Deferred Taxes-Other Timing Differences		1,451		
25	<b>Sub Total - Rate Base Issues</b>			\$	(3,818,062)
26					
27	<b>Income Statement - Revenue Issues</b>				
28	Customer Growth	\$	(30,438)		
29	Weather Normalization		(2,884,206)		
30	SGS Rate Switching		11,624		
31	LGS Rate Switching		11,624		
32	Transportation Rate Switching		(63,444)		
33	<b>Sub Total - Revenue Adjustments</b>			\$	(2,954,840)
34					
35	<b>Income Statement - Expense Issues</b>				
36	Total Oper.& Maint. Expense - Unadjusted	\$	(75)		
37	Annualization of Pension Expense		676,015		
38	Annualization of 401k Expense		(66,314)		
39	Annualization of Life & AD&D Insurance		(158,434)		
40	Long Term Disability Insurance		138,897		
41	FAS 123 Accrual		(275,909)		
42	Annualization of Other Benefits		(6,830)		
43	Amortization of Prepaid Pension		(2)		
44	To remove payments to lobbyists		86,697		
45	Remove Non-Utility Expenses (Lobbyists)		(17,318)		
46	To remove promotional give-aways		(5,254)		
47	Normalize Bad Debt Expense		(1,560,669)		
48	Annualize KC income taxes paid		28,892		
49	Remove property Tax refunds		4,759,690		
50	Amortize Property Taxes		(1,108,017)		
51	Annualize Property Taxes		(5,024,804)		
52	To annualize Collection Expense		(226,388)		
53	Weatherization Expense		(100,000)		
54	Environmental Response Fund		(500,001)		
55	To adjust postage expense to reflect postage increase		(14,141)		
56	Total MEDA		(3,043)		
57	To remove severance payments		(300,001)		
58	Annualized Lease Expense (Broadway Ford)		(380,926)		
59	Cost of removal/salvage		(52,663)		
60	Rate Case Expense		(403,341)		
61	Annualize Payroll Taxes		(256,514)		
62	Annualize Insurance Expense		(15,808)		
63	Injuries & Damages		(299,544)		

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	(a)	(b)
		(c)
64	Payroll Annualization	(972,965)
65	Regulatory Commission Expense	(132,093)
66	Advertising Expense	(7,656)
67	Miscellaneous Expenses	(27,258)
68	Dues & Donations	(17,588)
69	Transportation Depreciation Clearing Acct	(733,723)
70	Amortization Expense	(305,532)
71	Annualize Depreciation Expense	(2,755,305)
72	Annualize Incentive Compensation/Bonus	(627,121)
73	Corporate Total	(729,754)
74	Customer and Governmental Relations Dept	(118,815)
75	Un-recovered Cost of Service	(3,127,164)
76	<b>Sub Total - Expense Adjustments</b>	<b>\$ (14,640,778)</b>
77		
78	Add Tax Factor Gross Up Difference	\$ (199,394)
79	Unreconciled Difference - Staff's Case	48,814
80	<b>Sub Total - Income Tax Differences</b>	<b>\$ (150,580)</b>
81		
82	<b>TOTAL Value of All Issues</b>	<b>\$ (32,639,979)</b>
83		
84	<b>Staff Revenue Requirement</b>	<b>\$ 14,055,242</b>
85		
86	<b>OPC Issues:</b>	
87	To eliminate the effects of the Emergency Cold Weather Rule	\$ 487,645
88		
89	<b>OPC Revenue Requirement</b>	<b>\$ 14,542,886</b>

**NOTE:** (1) MGE's rate increase is limited to its initial filing of \$41,651,345.