

006

Exhibit No.:

Issue: Revenue Requirement
Seasonal Disconnects
Energy Conservation
Program

Witness: Michael R. Noack

Type of Exhibit: Rebuttal Testimony

Sponsoring Party: Missouri Gas Energy

Case No.: GR-2006-0422

Date Testimony Prepared: November 21, 2006

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2006-0422

FILED²

FEB 07 2007

Missouri Public
Service Commission

REBUTTAL TESTIMONY

OF

MICHAEL R. NOACK

Jefferson City, Missouri

November 2006

MGE Exhibit No. 6
Case No(s) GR-2006-0422
Date 1-8-07 Rptr 06

REBUTTAL TESTIMONY OF MICHAEL R. NOACK
ON BEHALF OF
MISSOURI GAS ENERGY
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REBUTTAL TESTIMONY OF MICHAEL R. NOACK
ON BEHALF OF
MISSOURI GAS ENERGY
NOVEMBER 2006

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Michael R. Noack. My business address is 3400 Broadway, Kansas City
3 Missouri, 64111.

4 **Q. DID YOU SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING?**

5 A. Yes I did.

6 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

7 A. In my rebuttal testimony I will:

- 8 1. Provide schedules showing the Company's revenue deficiency following changes
9 made as a result of the prehearing conference held from October 30 through
10 November 2, 2006;
11
12 2. Explain MGE's understanding concerning the agreed-upon true-up procedure to
13 be used in this case;
14
15 3. Rebut the direct testimony of Staff witness Allee regarding the addition of ACA
16 documentation requirements to MGE's PGA tariff;
17
18 4. Rebut the direct testimony of Staff witness Winter regarding the rate making
19 treatment of property tax refunds received by MGE during the test year;
20
21 5. Rebut the direct testimony of Staff witness Mapeka regarding rate recoverability
22 of rate case expense not only from this case but also the recoverability of the
23 unamortized portion of the rate case expense from GR-2004-0209;
24
25 6. Rebut the direct testimony of Staff witness Ensrud regarding Staff's proposal for
26 a "Seasonal Disconnect Charge" and address certain other positions he has taken
27 regarding other tariff language proposed by MGE;
28
29

1 7. Explain, in response to the direct testimony of Staff witness Anne Ross, why it is
2 reasonable for the cost of natural gas conservation initiatives implemented by
3 MGE to be included in the calculation of rates to be established in this case.
4

5 **1. MGE'S Revenue Deficiency after the Prehearing Conference**

6 **Q. PLEASE DESCRIBE THE REVENUE DEFICIENCY SCHEDULES ATTACHED**
7 **TO YOUR REBUTTAL TESTIMONY.**

8
9 A. During the prehearing conference held from October 30 through November 2, 2006, a
10 number of discussions took place among the parties concerning the issues in this case.
11 Many of these discussions focused on differences between the revenue deficiency
12 presented in MGE's updated direct testimony (filed on August 7, 2006) and the revenue
13 requirement presented in the direct testimony of the Staff (filed on October 13, 2006).
14 These discussions resulted in changes to MGE's revenue deficiency calculation as well as
15 changes to the calculation of Staff's revenue requirement. Included in the new revenue
16 requirement schedules is MGE's adoption, for purposes of this case, of several
17 accounting adjustments made by the Staff as well as several accounting adjustments
18 made by MGE which have been accepted by Staff for purposes of this case. Also as a
19 result of the settlement discussions which were held, at least a couple of issues were
20 settled to the satisfaction of both Company and Staff. MGE's current revenue
21 deficiency, as set forth in Rebuttal Schedule MRN-1 appended hereto, which does not
22 currently include the cost of funding natural gas conservation initiatives discussed in the
23 rebuttal testimony of MGE witness Hendershot amounts to **\$37,513,421**. Including the

1 \$750,000 funding for the natural conservation program would increase the revenue
2 deficiency to **\$38,263,421**.

3
4 **Q. WHAT SPECIFIC ADJUSTMENTS DID MGE INCLUDE IN THE NEW**
5 **REVENUE REQUIREMENT SCHEDULES?**

6 A. First, it is my understanding that the methodology for determining the value of all of the
7 components of rate base has been agreed upon between MGE, Staff and OPC for
8 purposes of this case. There will be some differences in the resulting value of cash
9 working capital due to the differences in property taxes, rate case expense and all other
10 expense items which remain in dispute but the revenue and expense lags used in the
11 computation have been agreed upon.

12
13 The other adjustments include the following:

14 Customer annualization revenue adjustment
15 Payroll and employee benefits including incentive compensation
16 Insurance and injuries & damages
17 Corporate allocation
18 Uncollectible expense, excluding the amortization of the cost of the ECWR
19 Clearing accounts
20 State franchise and local income taxes
21 Postage expense
22 Office lease expense
23 Customer collection costs
24 Non-recurring / non-utility activity
25 Amortization expense (excluding retired software)

26 MGE and Staff both have included the remaining unamortized balance of MGE's
27 accounting software (also know as Infinium) in rates through a a five-year amortization
28 period, and have also used a consistent methodology for calculating the cost of the

1 emergency cold weather rule ("ECWR") to be included in rates. It is my understanding
2 that OPC disputes the latter two items.

3
4 In addition to the above, it should also be noted that, at least for purposes of this case,
5 MGE is no longer requesting that gas cost-related bad debts be recovered through either
6 the PGA mechanism or through a tracker-type deferral mechanism. Consequently, these
7 proposals can be considered as not at issue for this case.

8
9 **2. True-up Procedure**

10 **Q. DO THE PARTIES DISPUTE MGE'S TRUE-UP DATE AND THE ITEMS TO BE**
11 **INCLUDED IN THE TRUE-UP?**

12 A. No, I do not believe so. The true-up was discussed among the parties during the
13 prehearing conference and, based on those discussions, it is my understanding that both
14 MGE and the Staff are recommending a true-up through October 31, 2006, to include the
15 following items:

16 Capital structure and related costs (unless a hypothetical capital structure is adopted)
17 Plant in service and reserve for depreciation
18 All other rate base components (excluding cash working capital)
19 Revenue for customer growth
20 Payroll – Employee levels, current wages and benefits including pensions
21 Rate case expense
22 Depreciation and amortization expense
23 Related income taxes

24
25 As I understand the true-up process, a party's methodology is not to change for the true-
26 up mechanism. I am not aware of any objections to the true-up process agreed to by
27 MGE and the Staff.

1
2 **3. ACA Documentation in the PGA**

3 **Q. PLEASE DESCRIBE THIS ISSUE.**

4
5 A. This issue concerns the recommendation by Staff witness Allee that MGE be required to
6 provide significant documentation regarding its gas procurement activity applicable to
7 each ACA period. By this proposal, the Staff is requesting that the Commission order
8 MGE to provide all documentation concerning the Company's gas purchasing decisions
9 to the Staff at the same time the Company makes its annual ACA filing each November.
10

11 **Q. DOES MGE AGREE WITH STAFF WITNESS ALLEE REGARDING THIS**
12 **RECOMMENDATION?**

13 A. No. Currently MGE provides to the Staff the workpapers used to prepare the annual
14 ACA filing at the time it makes that filing. Other information which the Staff requests is
15 then supplied as a response to a data request. Staff witness Allee has made no allegation
16 that the documentation currently provided by MGE is inadequate, that the annual filings
17 MGE makes to true-up its gas costs and revenues is otherwise insufficient, or that MGE
18 is not properly planning for its future gas needs. If the Staff believes MGE should be
19 required to provide additional documentation with the ACA filing, whether this
20 requirement is to be documented through a tariff sheet or in some other fashion, then the
21 Staff should initiate a rule making – which includes all of the LDCs in the State of
22 Missouri – for that purpose. This rate case is not the appropriate forum in which to
23 impose this type of requirement.

4. Property Tax Refunds

Q. WHAT IS THE ISSUE RELATED TO STAFF WITNESS WINTER'S TREATMENT OF PROPERTY TAX REFUNDS RECEIVED DURING THE TEST YEAR?

A. Staff witness Winter is proposing to set up a regulatory deferred credit for the \$5,554,068 of property tax refunds received during the test year and amortize this credit as an offset to property tax expense over the next five years in the amount of \$1,110,814 per year.

Q. DO YOU BELIEVE THAT IS THE PROPER TREATMENT OF THE REFUNDS FOR RATE MAKING PURPOSES?

A. No, I do not. Staff witness Winter properly recognizes that the refunds are non-recurring and adds back these refunds to the property tax account through Adjustment No. 60.1. He then makes a second adjustment to amortize the refunds over a five year period and reduce property tax expense.

Q. DO YOU CONSIDER STAFF WITNESS WINTER'S TREATMENT OF THESE REFUNDS RETROACTIVE RATEMAKING?

A. Yes I do. Mr. Winter is saying that since the property taxes for 2002, 2003 and 2004 have been included in rates and collected from ratepayers, the Commission should now reach back and adjust those property tax expenses because MGE subsequently got a refund of a portion of those taxes.

1 **Q. WHY DO YOU BELIEVE STAFF'S PROPOSED ADJUSTMENT S-60.1,**
2 **RELATING TO PROPERTY TAX REFUNDS, CONSTITUTES**
3 **IMPERMISSIBLE RETROACTIVE RATEMAKING?**

4 A. Retroactive ratemaking is defined as the setting of rates that permit a utility to recover
5 past losses or that require it to refund "excess profits" or "windfalls" that result when
6 actual expenses are less than had been assumed for ratemaking purposes. Although I am
7 not a lawyer, I am aware that as recently as 1979, in the case of State ex rel. Util.
8 Consumer Council of Missouri, Inc. v. Pub. Serv. Comm'n., 585 S.W.2d 41, the
9 Missouri Supreme Court re-affirmed that retroactive ratemaking is not permitted in
10 Missouri. In that case, the court declared that the Commission can consider any past
11 excess recovery only insofar as is necessary to determine what rate a utility should charge
12 to eliminate excess recovery in the future. The Commission cannot, however, order the
13 utility to return the excess recovery to customers if the recovery occurred as a result of
14 rates approved by the Commission.

15
16 During the test year in this case, MGE booked tax refunds totaling \$5,554,068 that relate
17 to property taxes paid in prior years. Staff is proposing that the full amount of these
18 refunds be set up as a deferred credit to be amortized as an offset to property tax expense
19 over a five-year period. But Staff's proposed adjustment asks the Commission to do what
20 the state Supreme Court has said the Commission cannot do – compel MGE to return to
21 customers an amount that the Company collected under approved rates. Customers have
22 no legitimate claim on the tax refunds that MGE received and it would be inappropriate

1 to reach into the past and use those refunds to artificially reduce property tax expense
2 used for setting rates to be charged in the future.
3

4 **Q. DO THE PROPERTY TAX REFUNDS THAT MGE RECEIVED IN 2005**
5 **REPRESENT “EXCESS PROFITS” OR A “WINDFALL” TO THE COMPANY,**
6 **AS STAFF’S ADJUSTMENT SEEMS TO SUGGEST?**

7 A. No, the tax refunds do not constitute either excess profits or a windfall for MGE. Rates
8 are set based on estimates of the levels of revenue, expense, and investment that a utility
9 will experience in the future. Generally, the estimates of individual elements of the cost
10 of service are not precisely accurate and, therefore, can be either too high or too low.
11 Seldom, if ever, do the estimates match a utility’s actual experience during the period the
12 rates are in effect. Unexpected gains in some expense categories – such as these property
13 tax refunds – are offset by unexpected shortfalls in others. So the tax refund must be
14 considered in context with other categories of expense where amounts collected from
15 customers were less than the costs actually incurred by MGE to provide service. And just
16 as it would be wrong to allow the Company, when it incurs a shortfall, to attempt to
17 recoup that shortfall through future rates, it would be equally wrong to require the
18 Company, when it realizes an unexpected gain, to return that gain to customers.
19

20 **Q. HAS STAFF WITNESS WINTER ALLEGED THAT MGE’S EARNINGS WERE**
21 **EXCESSIVE DURING THE YEARS IN QUESTION?**

22 A. No. In fact, Schedule G-4, Page 1 in my direct testimony establishes that MGE’s

1 earnings in 2002, 2003 and 2004 were, on a cumulative basis, \$32.4 million dollars lower
2 than the authorized level. Consequently, even if retroactive ratemaking was permitted in
3 Missouri, the facts do not warrant the adjustment proposed by the Staff for property tax
4 refunds obtained by MGE in 2005 that were attributable to the tax years 2002, 2003 and
5 2004.

6
7 **Q. IS STAFF'S PROPOSED AMORTIZATION OF PROPERTY TAXES FOR**
8 **YEARS 2002, 2003 AND 2004 THE CONSEQUENCE OF ANY PRIOR**
9 **ACCOUNTING AUTHORITY ORDER OF THE COMMISSION PROVIDING**
10 **FOR AN ASSOCIATED DEFERRED CREDIT?**

11 A. Staff did not request and the Commission did not grant any special accounting treatment
12 for the property tax refunds that would justify the regulatory amortization proposed by
13 Mr. Winter.

14
15 **5. Rate Case Expense**

16 **Q. PLEASE DESCRIBE THIS ISSUE.**

17
18 A. MGE has requested recovery of the unamortized portion of the rate case expense allowed
19 in GR-2004-0209. Staff has made an adjustment to eliminate this unamortized portion of
20 rate case expense. Staff's position is explained on page 28 of Witness Mapeka's direct
21 testimony at lines 13 and 14: "This exclusion is appropriate because the Staff's policy is
22 to recommend recovery in rates of normalized rate case expense only on a prospective
23 basis." However in the Commission's Order in Case No. GR-2004-0209, the

1 Commission first adjusted the total amount of rate case expense downward by reducing
2 the amount of legal fees allowed, finding allowable rate case expense to be \$893,823.75
3 and then concluded by stating that “[A]mortizing that amount over three years, results in
4 an annual amount of \$297,941.25.” (*Re: Missouri Gas Energy*, Report and Order dated
5 September 21, 2004, p. 78.) At the time the rates from this case go into effect, the
6 amortization of these rate case expenses will not be complete and so MGE has requested
7 the Commission to be allowed to amortize the remaining balance over the same term as
8 is allowed for the cost of prosecuting the current case. MGE is not asking for anything
9 more than to recover the amount of rate case expense the Commission found to be
10 appropriate in GR-2004-0209.

11 12 13 **6. Miscellaneous Tariff Changes**

14 **A. Seasonal Disconnects**

15 **Q. PLEASE BRIEFLY EXPLAIN MGE’S PROPOSAL TO CHARGE A SEASONAL**
16 **DISCONNECT CHARGE TO CUSTOMERS WHO LEAVE THE SYSTEM**
17 **SIMPLY TO AVOID PAYING THE PROPOSED BASIC SERVICE CHARGE.**

18 **A.** MGE has proposed that any customer, who voluntarily requests a disconnection of
19 service and then subsequently requests within seven months a reconnection of service at
20 the same address or premise, will be charge a reconnection charge equal to the greater of
21 the current \$45.00 reconnection charge or the number of months disconnected, up to
22 seven, times the basic service charge.

1

2 **Q. WHAT IS STAFF'S POSITION ON THIS NEW RECONNECTION CHARGE?**

3 A. Staff generally seems to be in agreement with the concept of the charge and the amount
4 proposed. However Staff Witness Ensrud in his direct testimony proposes four changes
5 to MGE's proposal. I will address each in the order listed on page 6 lines 14 through 31
6 of Mr. Ensrud's direct testimony.

7

8 **Q. WHAT IS STAFF'S FIRST PROPOSED CHANGE?**

9 A. The first proposal is to "Institute a two-component reconnection charge. First, MGE
10 should charge the traditional reconnection charge plus the monthly Customer charge (in
11 today's environment) or the Delivery Charge (in the proposed environment) that are
12 foregone during the disconnection period".

13

14 MGE believes this proposed change is reasonable.

15

16 **Q. WHAT IS STAFF'S SECOND PROPOSED CHANGE?**

17 A. On page 6 of his direct testimony, Staff witness Ensrud states: "In MGE's response to
18 Staff's DR No. 127, MGE asserts it will exempt customers from the proposed seven-
19 month back-billing provision if they are disconnected for reasons other than requesting a
20 seasonal disconnect. MGE proposes exemptions for "other" types of disconnection, such
21 as a disconnection for non-payment, from the cumulative recovery aspect. Whatever the

1 reason for the disconnection, the two-component reconnection fee should apply with no
2 exceptions, except as noted in this testimony.”

3
4 MGE is not trying to increase the reconnection charge in this case for those customers
5 who have been disconnected involuntarily. Those customers who have been shut off for
6 no-payment have trouble catching up with their gas balance now. To attach still more
7 charges to these customers would be counter productive, in my opinion. It would make it
8 harder for MGE to collect enough money to turn people back on and it would further
9 decrease the effectiveness of any government or charitable funds available to assist low
10 income customers. Once again it should be pointed out that MGE has not requested an
11 increase to the reconnection charge but rather proposed a new charge which would help
12 provide MGE with a reasonable chance of recovering its costs through rates.

13
14 **Q. WHAT IS STAFF'S THIRD PROPOSED CHANGE?**

15 A. On page 6 of his direct testimony, Staff witness Ensrud states: “Staff proposes that the
16 threshold to avoid the two-component charge should be for a period of at least 12-
17 months.”

18
19 By proposing to increase the threshold to 12 months or more, Staff is moving away from
20 the true purpose of MGE's proposal: to serve as a disincentive for customers to
21 disconnect during the non-heating months simply to avoid paying the Basic Service
22 Charge. The twelve-month proposal goes hand-in-hand with Staff's second adjustment

1 to MGE's seasonal disconnect proposal which would subject all disconnects to the
2 proposed seasonal disconnect rate.
3

4 **Q. WHAT IS STAFF'S FOURTH CHANGE?**

5 A. The fourth change proposed by the Staff is to "use the Delivery Charge in lieu of MGE's
6 proposed term of a "minimum bill" in its proposed language".
7

8 "Minimum bill" is not a new term being proposed by MGE but is rather an existing term
9 included in MGE's current tariffs. However MGE does not really care what the term is
10 called; minimum bill, delivery charge or basic service charge so long as the intent to
11 collect monthly charges missed during the time of voluntary disconnection is understood.
12

13 In summary, MGE recommends adoption of one of the changes proposed by the Staff and
14 rejection of the other three; the resulting tariff language would read as follows: "In the
15 event a customer orders a disconnection and a reconnection at the same premises within a
16 period of seven (7) months, Company will collect, as a reconnection charge, the sum of
17 such minimum bills as would have occurred during the period of disconnection plus the
18 reconnection charge provided for in Section 14, herein."
19
20
21

22 **B. Withdrawal of Certain Tariff Language Proposed by MGE**

1 **Q. THE STAFF HAS OPPOSED A NUMBER OF TARIFF LANGUAGE CHANGES**
2 **PROPOSED BY MGE, i.e., TARIFF SHEET NOS. R-6, R-7, R-8, R-9, R-10, R-14,**
3 **R-15 and R-26. WHAT IS THE COMPANY'S RESPONSE?**

4 A. Because the tariff language changes proposed by MGE in these tariff sheets were made in
5 anticipation of rule changes by the Commission that have not come to pass, MGE is not
6 asking the Commission to approve these changes.

7
8
9 **7. Natural Gas Conservation Initiatives**

10 **Q. HAS MGE PROPOSED TO IMPLEMENT NATURAL GAS CONSERVATION**
11 **INITIATIVES IN THIS CASE?**

12 A. Yes. MGE witness Hendershot has put forth a proposal in his rebuttal testimony where,
13 under certain conditions, MGE would implement natural gas conservation initiatives to
14 include the following elements:

- 15 • Communication and education regarding natural gas conservation and energy
16 efficiency; and
17 • Promotion of a water heater rebate program designed to encourage the
18 installation of energy efficient appliances and, therefore, improve natural gas
19 conservation efforts.
20

21 **Q. WHAT IS THE COST OF THESE NATURAL GAS CONSERVATION**
22 **INITIATIVES AND HOW DOES MGE PROPOSE THAT THEY SHOULD BE**
23 **FUNDED?**

24 A. The proposed cost, which would be included in the calculation of rates to be set in this
25 case, is \$750,000 annually.

1

2 **Q. WHY IS IT REASONABLE FOR MGE'S CUSTOMERS TO FUND THESE**
3 **INITIATIVES?**

4 A. These programs are designed to provide direct benefits to MGE's customers and
5 therefore should be funded through customer rates.

6

7 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY AT THIS TIME?**

8 A. Yes it does.

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.

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Case No. GR-2006-0422

AFFIDAVIT OF MICHAEL R. NOACK

STATE OF MISSOURI)

)

ss.

COUNTY OF JACKSON)

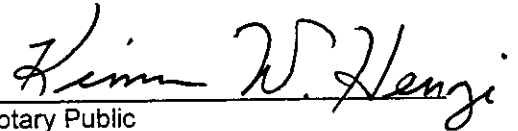
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Michael R. Noack, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Rebuttal Testimony 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.



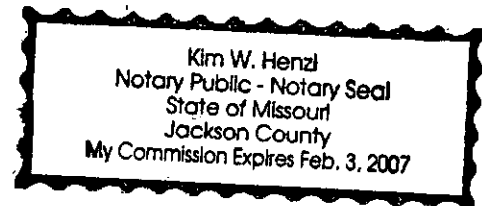
MICHAEL R. NOACK

Subscribed and sworn to before me this 13th day of November 2006.



Notary Public

My Commission Expires: Feb. 3, 2007



MISSOURI GAS ENERGY
A Division of Southern Union Company

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MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through June 30, 2006
Revenue Deficiency

Line No.	Description (a)	Ref. (b)	Required Return (c)	Earnings Deficiency (d)	Net Revenue Deficiency (e)
1	Rate Base	B	\$580,495,191		
2	Rate of Return	F	<u>8.844%</u>		
3	Required Return		<u>\$51,338,995</u>	\$51,338,995	
4	Adjusted Test Year Net Operating Income	A-1		<u>28,226,490</u>	
5	Earnings Deficiency			<u>\$23,112,505</u>	\$23,112,505
6	Multiply by Income Tax Gross-up Factor				<u>1.62308</u>
7	Net Revenue Deficiency				<u><u>\$37,513,421</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through June 30, 2006
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	\$664,347,447	(\$508,217,560)	\$156,129,888
2	Other Utility Revenues	5,398,837	(540,572)	4,858,264
3	Total Operating Revenues	<u>\$669,746,284</u>	<u>(\$508,758,132)</u>	<u>\$160,988,152</u>
<u>OPERATING EXPENSES</u>				
4	Distribution Expense	\$493,795,707	(\$469,410,277)	\$24,385,430
5	Customer Accounts Expense	19,628,264	2,047,421	21,675,685
6	Customer Service and Information Expense	706,600	104,602	811,202
7	Sales Expense	99,913	2,288	102,201
8	Administrative and General Expense	26,732,865	10,547,750	37,280,615
9	Total Operating and Maintenance Expenses	<u>\$540,963,349</u>	<u>(\$456,708,216)</u>	<u>\$84,255,133</u>
10	Depreciation & Amortization Expense	\$26,415,703	\$7,765,392	\$34,181,095
11	Interest on Customer Deposits	147,252	28,066	175,318
12	Taxes Other Than Income	42,038,488	(33,037,035)	9,001,453
13	Total Operating Expenses	<u>\$609,564,792</u>	<u>(\$481,951,793)</u>	<u>\$127,612,999</u>
14	Operating Income Before Income Tax	\$60,181,492	(\$26,806,339)	\$33,375,153
15	Less: Income Tax Expense	15,578,544	(10,429,881)	5,148,663
16	Net Operating Income	<u>\$44,602,948</u>	<u>(\$16,376,458)</u>	<u>\$28,226,490</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through June 30, 2006
Income Tax

Line No.	Description (a)	Reference (b)	Per Books (c)	As Adjusted (d)
1	Total Operating Revenues	A-1	\$669,746,284	\$160,988,152
2	Total Operating Expenses	A-1	<u>(609,564,792)</u>	<u>(127,612,999)</u>
3	Net Operating Income	A-1	<u>\$60,181,492</u>	<u>\$33,375,153</u>
4	Equity Portion of SLRP Deferrals		\$1,474,210	\$0
5	Less: Interest on Long Term Debt		<u>(21,074,636)</u>	<u>(19,963,230)</u>
6	Total Tax Adjustments		<u>(\$19,600,426)</u>	<u>(\$19,963,230)</u>
7	Net Taxable Income		<u>\$40,581,066</u>	<u>\$13,411,923</u>
8	Income Tax		<u>\$15,578,544</u>	<u>\$5,148,663</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through June 30, 2006
Rate Base

Line No.	Description (a)	Reference (b)	Amount (c)
1	Intangible Plant		
2	Distribution Plant	C	\$27,644,634
3	General Plant	C	768,216,438
4	Gross Plant In Service	C	61,608,637
			<u>\$857,469,709</u>
5	Accumulated Depreciation & Amortization	D	(296,706,704)
6	Net Plant in Service		<u>\$560,763,005</u>
7	Working Capital	E	109,968,938
8	Net Cost of Removal Balance		507,724
9	Customer Deposits		(4,072,284)
10	Customer Advances - Thirteen Month Average	B-2	(14,383,874)
11	Deferred Income Taxes - SLRP	B-3	(3,530,078)
12	Deferred Income Taxes - Other (Net of AMT)	B-1	(68,758,240)
		B-4	<u>(68,758,240)</u>
13	Total Rate Base		<u><u>\$580,495,191</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
SLRP Deferrals and Deferred Taxes
Updated through June 30, 2006

Line No.	Description	Gross Deferral	Accumulated Amortization	Amount
	(a)	(b)	(c)	(d)
<u>SLRP Deferrals</u>				
1	Order GO-92-185 (Deferred Balance @ 5/31/98)	\$5,776,280	4,218,612	\$1,557,668
2	Order GO-94-234 (Deferred Balance @ 5/31/98)	12,399,117	9,878,702	2,520,415
3	Order GO-97-301 (Deferred Balance @ 5/31/98)	3,060,876	2,397,686	663,190
4	Order GR-98-140	9,182,136	4,514,550	4,667,586
5	Order GR-2001-282	1,629,639	285,187	1,344,452
6	Total SLRP Deferrals	<u>\$32,048,048</u>	<u>\$21,294,738</u>	<u>\$10,753,310</u>
7	Annual Amortization	<u>\$3,204,805</u>		
<u>SLRP Deferred Taxes</u>				
7	Order GO-92-185			0
8	Order GO-94-234			(967,552)
9	Order GO-97-301			(254,589)
10	Order GR-98-140			(1,791,821)
11	Order GR-2001-292			(516,116)
12	Total SLRP Deferred Taxes			<u>(\$3,530,078)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated Thirteen Months Ending June 30, 2006

Customer Deposits

Line No.	Month	Commercial & Industrial		Total Amount
		Residential Amount	Amount	
	(a)	(b)	(c)	(d)
1	Jun-05	(1,055,160)	(2,878,076)	(\$3,933,236)
2	Jul-05	(1,018,450)	(2,884,576)	(3,903,026)
3	Aug-05	(999,410)	(2,936,562)	(3,935,972)
4	Sep-05	(993,141)	(2,954,086)	(3,947,227)
5	Oct-05	(1,000,891)	(2,995,802)	(3,996,693)
6	Nov-05	(981,674)	(3,050,293)	(4,031,967)
7	Dec-05	(996,557)	(3,077,940)	(4,074,497)
8	Jan-06	(1,018,188)	(3,119,300)	(4,137,488)
9	Feb-06	(1,071,750)	(3,173,305)	(4,245,055)
10	Mar-06	(1,092,448)	(3,179,638)	(4,272,086)
11	Apr-06	(1,003,580)	(3,177,024)	(4,180,604)
12	May-06	(980,237)	(3,185,233)	(4,165,470)
13	Jun-06	<u>(949,398)</u>	<u>(3,166,972)</u>	<u>(4,116,370)</u>
14	13 Month Total	<u>(\$13,160,884)</u>	<u>(\$39,778,807)</u>	<u>(\$52,939,691)</u>
15	13 Month Average	<u>(\$1,012,376)</u>	<u>(\$3,059,908)</u>	<u>(\$4,072,284)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated Thirteen Months Ending June 30, 2006

Customer Advances

Line No.	Month	Amount
	(a)	(b)
1	Jun-05	(13,734,601)
2	Jul-05	(13,445,726)
3	Aug-05	(13,791,034)
4	Sep-05	(14,196,205)
5	Oct-05	(14,307,951)
6	Nov-05	(14,315,473)
7	Dec-05	(14,354,685)
8	Jan-06	(14,378,041)
9	Feb-06	(14,660,534)
10	Mar-06	(14,576,503)
11	Apr-06	(14,794,016)
12	May-06	(15,103,412)
13	Jun-06	<u>(15,332,182)</u>
14	13 Month Total	<u><u>(\$186,990,363)</u></u>
15	13 Month Average	<u><u>(\$14,383,874)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through June 30, 2006

Deferred Taxes (Other than SLRP)

Line No.	Description (a)	Amount (b)
1	Deferred Taxes, MGE Direct Plant as of 6/30/06	(\$68,726,136)
2	Deferred Taxes, Corporate Plant	<u>(32,104)</u>
3	Total Accumulated Deferred Income Taxes (Other than SLRP)	<u><u>(\$68,758,240)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Plant in Service
Updated through June 30, 2006

Line No.	Description (a)	Direct (b)	Completed Not Classified (c)	Total Direct & Completed (d)	Corporate Allocated (e)	Total Adjustments (f)	Total As Adjusted (g)
INTANGIBLE PLANT							
1	(301) Organization	\$15,800	\$0	\$15,800	\$0	\$0	\$15,800
2	(302) Franchises	32,086	0	32,086	0	0	32,086
3	(303) Miscellaneous Intangible	34,339,066	31,945	34,371,011	0	(6,774,073)	27,596,938
4	Total Intangible Plant	\$34,386,762	\$31,945	\$34,418,707	\$0	(\$6,774,073)	\$27,644,634
DISTRIBUTION PLANT							
5	(374.1) Land	\$223,517	\$0	\$223,517	\$0	\$0	\$223,517
6	(374.2) Land Rights	1,665,693	0	1,665,693	0	0	1,665,693
7	(375.1) Structures	5,564,907	20,051	5,584,958	0	0	5,584,958
8	(375.2) Leasehold Improvements	0	0	0	0	0	0
9	(376) Mains	336,977,974	2,906,732	339,884,706	0	0	339,884,706
10	(378) Meas. & Reg. Station - General	11,573,332	60,917	11,634,249	0	0	11,634,249
11	(379) Meas. & Reg. Station - City Gate	3,039,284	18,967	3,058,251	0	0	3,058,251
12	(380) Services	299,642,120	14,242	299,656,362	0	(5,294,295)	294,362,067
13	(381) Meters	31,036,775	0	31,036,775	0	0	31,036,775
14	(382) Meter Installations	68,813,282	22,391	68,835,673	0	0	68,835,673
15	(383) House Regulators	11,558,045	0	11,558,045	0	0	11,558,045
16	(385) Electronic Gas Measuring	360,978	11,527	372,505	0	0	372,505
17	(387) Other Equipment	0	0	0	0	0	0
18	Total Distribution Plant	\$770,455,907	\$3,054,826	\$773,510,733	\$0	(\$5,294,295)	\$768,216,438
GENERAL PLANT							
19	(389) Land	\$773,880	\$0	\$773,880	\$0	\$0	\$773,880
20	(390.1) Structures	638,277	22,916	661,193	0	0	661,193
21	(390.2) Leasehold Improvements	1,546,597	0	1,546,597	412,834	0	1,959,431
22	(391) Furniture & Fixtures	6,970,421	0	6,970,421	209,405	0	7,179,826
23	(392) Transportation Equipment	5,043,979	0	5,043,979	8,004	0	5,051,983
24	(393) Stores Equipment	538,350	0	538,350	0	0	538,350
25	(394) Tools	5,146,737	7,733	5,154,470	0	0	5,154,470
26	(395) Laboratory Equipment	0	0	0	0	0	0
27	(396) Power Operated Equipment	243,807	0	243,807	0	0	243,807
28	(397.1) Communication Equipment - AMR	36,262,992	61,869	36,324,861	0	0	36,324,861
29	(397.0) Communication Equipment	3,286,012	3,335	3,289,347	0	0	3,289,347
30	(398) Miscellaneous Equipment	431,485	0	431,485	0	0	431,489
31	Total General Plant	\$60,882,537	\$95,853	\$60,978,390	\$630,242	\$0	\$61,608,637
32	Total Original Cost Plant in Service	\$865,725,206	\$3,182,624	\$868,907,830	\$630,242	(\$12,068,368)	\$857,469,709
33	Accumulated Depreciation and Amortization	(307,549,315)	0	(307,549,315)	0	10,842,612	(296,706,704)
34	Net Plant in Service	\$558,175,891	\$3,182,624	\$561,358,515	\$630,242	(\$1,225,756)	\$560,763,005

MISSOURI GAS ENERGY
A Division of Southern Union Company
Plant in Service
Updated through June 30, 2006

Line No.	Description	Retire Inactive Services No. 1	Write-off Infinium Software No. 2	Total Adjustments
	(a)	(b)		(d)
<u>INTANGIBLE PLANT</u>				
1	(301) Organization			
2	(302) Franchises			
3	(303) Miscellaneous Intangible		(6,774,073)	(6,774,073)
4	Total Intangible Plant	\$0	(\$6,774,073)	(\$6,774,073)
<u>DISTRIBUTION PLANT</u>				
5	(374.1) Land			
6	(374.2) Land Rights			
7	(375.1) Structures			
8	(375.2) Leasehold Improvements			
9	(376) Mains & Mains - Cast Iron			
10	(378) Meas. & Reg. Station - General			
11	(379) Meas. & Reg. Station - City Gate			
12	(380) Services	(5,294,295)		(5,294,295)
13	(381) Meters			
14	(382) Meter Installations			
15	(383) House Regulators			
16	(385) Electronic Gas Metering			
17	(387) Other Equipment			
18	Total Distribution Plant	(\$5,294,295)	\$0	(\$5,294,295)
<u>GENERAL PLANT</u>				
19	(389) Land			
20	(390.1) Structures			
21	(390.2) Leasehold Improvements			
22	(391) Furniture & Fixtures			
23	(392) Transportation Equipment			
24	(393) Stores Equipment			
25	(394) Tools			
26	(395) Laboratory Equipment			
27	(396) Power Operated Equipment			
28	(397) Communication Equipment - AMR			
29	(397) Communication Equipment			
30	(398) Miscellaneous Equipment			
31	Total General Plant	\$0	\$0	\$0
32	Total Original Cost Plant In Service	(\$5,294,295)	(\$6,774,073)	(\$12,068,368)

MISSOURI GAS ENERGY
A Division of Southern Union Company
Accumulated Reserves for Depreciation and Amortization
Updated through June 30, 2006

Line No.	Description (a)	Test Year Direct (b)	Corporate (c)	Proforma Adjustments (d)	Test Year As Adjusted (e)
1	Intangible Plant Reserve	(\$23,741,069)	\$0	\$5,548,317	(\$18,192,752)
2	Distribution & General Plant Reserve	<u>(283,714,161)</u>	<u>(94,085)</u>	<u>5,294,295</u>	<u>(278,513,951)</u>
3	Total Accumulated Reserves	<u>(\$307,455,230)</u>	<u>(\$94,085)</u>	<u>\$10,842,612</u>	<u>(\$296,706,704)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Accumulated Reserves for Depreciation and Amortization
Updated through June 30, 2006

Line No.	Description	Adjustments to Plant in Service	Deprec. Rates	Retire Inactive Services No. 1	Write-off Infinitum Software No. 2	Total Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)
	<u>INTANGIBLE PLANT</u>					
	(301) Organization					
	(302) Franchises					
	(303) Miscellaneous Intangible	(\$6,774,073)			\$5,548,317	\$5,548,317
	Total Intangible Plant	(\$6,774,073)			\$5,548,317	\$5,548,317
	<u>DISTRIBUTION PLANT</u>					
1	(374.1) Land		0.00%			
2	(374.2) Land Rights		Amort.			
3	(375.1) Structures		2.19%			
4	(375.2) Leasehold Improvements		Amort.			
5	(376) Mains & Mains - Cast Iron		2.43%			
6	(378) Meas. & Reg. Station - General		2.89%			
7	(379) Meas. & Reg. Station - City Gate		2.64%			
8	(380) Services	(5,294,295)	3.41%	5,294,295		5,294,295
9	(381) Meters		2.96%			
10	(382) Meter Installations		2.92%			
11	(383) House Regulators		2.34%			
12	(385) Electronic Gas Metering		3.29%			
13	(387) Other Equipment		6.25%			
14	Total Distribution Plant	(\$5,294,295)		\$5,294,295		\$5,294,295
	<u>GENERAL PLANT</u>					
15	(389) Land		0.00%			
16	(390.1) Structures		1.21%			
17	(390.2) Leasehold Improvements		Amort.			
18	(391) Furniture & Fixtures		9.10%			
19	(392) Transportation Equipment		8.19%			
20	(393) Stores Equipment		3.35%			
21	(394) Tools		5.01%			
22	(395) Laboratory Equipment		6.00%			
23	(396) Power Operated Equipment		5.36%			
24	(397) Communication Equipment - AMR		5.00%			
25	(397) Communication Equipment		6.27%			
26	(398) Miscellaneous Equipment		4.93%			
27	Total General Plant	\$0		\$0		\$0
28	Total Adjustment	(\$5,294,295)		\$5,294,295	\$5,548,317	\$10,842,612

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through June 30, 2006
Working Capital

Line No.	Description (a)	Reference (b)	Amounts (c)
1	Materials and Supplies Inventory	E-1	\$1,818,546
2	Prepayments - Thirteen Month Average	E-2	246,749
3	Gas Inventory - Volumes and Price	E-3	96,584,503
4	Cash Working Capital	E-4	1,795,967
5	Prepaid Pension	E-5	<u>9,523,173</u>
6	Total Working Capital		<u><u>\$109,968,938</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated Thirteen Months Ending June 30, 2006
Materials & Supplies

Line			
No.	Month	Amount	
	(a)	(b)	
1	Jun-05	1,546,390	
2	Jul-05	1,500,716	
3	Aug-05	1,473,137	
4	Sep-05	1,575,133	
5	Oct-05	1,619,117	
6	Nov-05	1,815,326	
7	Dec-05	1,886,984	
8	Jan-06	2,004,456	
9	Feb-06	2,031,248	
10	Mar-06	2,036,752	
11	Apr-06	2,035,592	
12	May-06	2,037,379	
13	Jun-06	<u>2,078,862</u>	
14	13 Month Total	<u><u>\$23,641,092</u></u>	
15	13 Month Average	<u><u>\$1,818,546</u></u>	

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated Thirteen Months Ending June 30, 2006
Prepayments

Line No.	Month	Amount
	(a)	(b)
1	Jun-05	114,990
2	Jul-05	136,748
3	Aug-05	144,005
4	Sep-05	3,176
5	Oct-05	103,697
6	Nov-05	128,562
7	Dec-05	649,898
8	Jan-06	562,505
9	Feb-06	471,073
10	Mar-06	370,816
11	Apr-06	373,288
12	May-06	111,293
13	Jun-06	<u>37,683</u>
14	13 Month Total	<u><u>\$3,207,733</u></u>
15	13 Month Average	<u><u>\$246,749</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated Thirteen Months Ending June 30, 2006
Gas Inventory

Line No.	Month	Dollars
	(a)	(b)
1	Jun-05	82,091,045
2	Jul-05	93,052,291
3	Aug-05	101,336,153
4	Sep-05	106,543,327
5	Oct-05	117,284,371
6	Nov-05	114,847,089
7	Dec-05	92,678,911
8	Jan-06	97,447,881
9	Feb-06	81,248,833
10	Mar-06	79,748,344
11	Apr-06	89,139,925
12	May-06	97,297,862
13	Jun-06	102,882,503
14	13 Month Average	<u>\$96,584,503</u>

Missouri Gas Energy
A Division of Southern Union Gas Company
Cash Working Capital Requirement
Updated through June 30, 2006

Line No.	Description (A)	Revenue Lag (B)	Expense Lag (C)	Net Lag (D)	CWC Factor (E)	Test Year Operations and Maintenance Expense at Proposed Rates (F)	Cash Working Capital Requirement (G)
1	Pensions	43.00	(57.50)	(14.50)	(0.0397)	\$ 8,198,546	\$ (325,696)
	Vacation Nonunion	43.00	(182.50)	(139.50)	(0.3822)	175,934	(67,241)
	Vacation Expense Union	43.00	(365.00)	(322.00)	(0.8822)	329,043	(290,279)
	Employee Benefits	43.00	(39.35)	3.65	0.0100	6,495,376	64,954
2	Payroll and Employee Withholdings	43.00	(12.38)	30.62	0.0839	27,657,750	2,320,220
3	Employer FICA Taxes	43.00	(12.38)	30.62	0.0839	2,533,772	212,559
4	Other Operations and Maintenance Expenses	43.00	(30.30)	12.70	0.0348	32,154,831	1,118,812
5	Federal & State Unemployment Taxes	43.00	(60.13)	(17.13)	(0.0469)	36,400	(1,708)
6	Corporation Franchise Taxes	43.00	78.00	121.00	0.3315	246,719	81,789
7	Property/Real Estate Taxes	43.00	(182.00)	(139.00)	(0.3808)	6,818,496	(2,596,633)
8	Sales Tax	33.38	(33.79)	(0.41)	(0.0011)	9,825,601	(11,172)
9	Use Tax	33.38	(61.63)	(28.26)	(0.0774)	166,222	(12,867)
10	Gross Receipts Taxes	33.38	(38.03)	(4.66)	(0.0128)	40,079,903	(511,156)
11	Federal & State Income Tax	43.00	(60.13)	(17.13)	(0.0469)	5,148,663	(241,635)
12	Interest Expense	43.00	(87.55)	(44.55)	(0.1221)	19,963,230	(2,436,608)
13	Fuel - Gas	43.00	(39.51)	3.49	0.0096	469,859,289	4,492,627
14	Uncollectible Expense	43.00	(43.00)	-	-	8,928,517	-
15	Total					\$ 638,618,292	\$ 1,795,967

MISSOURI GAS ENERGY
A Division of Southern Union Company
Prepaid Pension
Updated through June 30, 2006

Line		
No.	Year Ended	Balance
	(a)	(b)
1	Balance 4/30/04	<u>\$7,975,181</u>
2	Monthly Amortiztion	\$94,943
	Amotization since GR-	
3	2004-0209	<u>\$2,468,508</u>
4	New prepaid asset	<u>\$4,016,500</u>
4	Balance 6/30/06	<u>\$9,523,173</u>

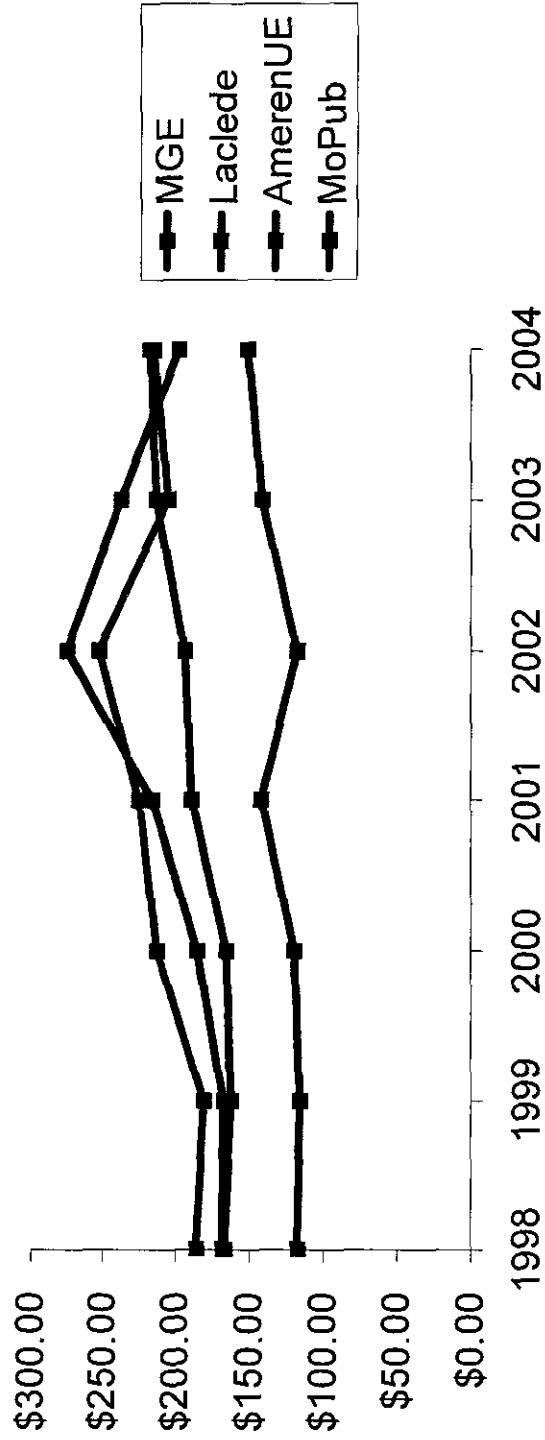
MISSOURI GAS ENERGY
A Division of Southern Union Company
Summary of Cost of Capital

Line No.	Description (a)	Ratio (c)	Cost Rate (d)	Weighted Composite Rate (e)
1	Long-Term Debt	44.09%	6.570%	2.897%
2	Short-Term Debt	9.91%	5.470%	0.542%
3	Common Equity	46.00%	11.750%	<u>5.405%</u>
4	Total	<u>100.00%</u>		<u>8.844%</u>

**Missouri Gas Energy
Comparison of FERC Form 2 Information
Expense Per Customer**

	MGE	Laclede	AmerenUE	MoPub
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
2003	\$141.04	\$212.95	\$237.04	\$204.56
2004	\$150.58	\$216.96	\$197.07	\$214.26

Missouri Gas Energy Comparison of FERC Form 2 Information Expense Per Customer

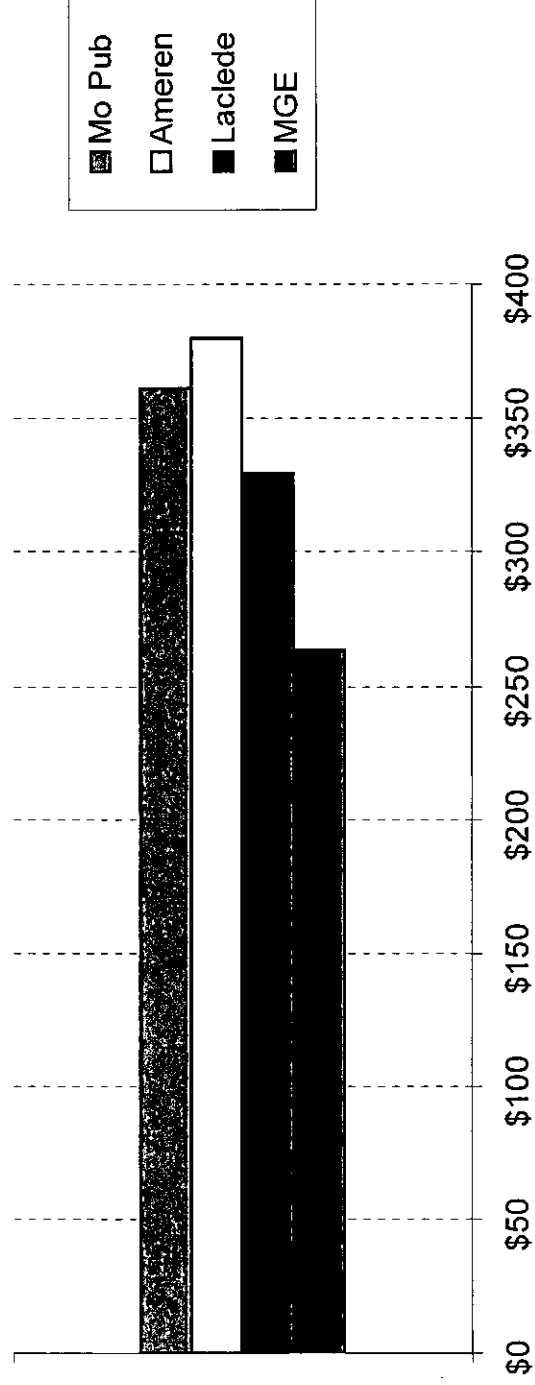


**COMPARISON OF MISSOURI LDCS
AVERAGE ANNUAL RESIDENTIAL BILL
(EXCLUDING PGA AND TAXES)**

	<u>Normal Usage (Ccf)</u>	<u>MGE</u>	<u>Laclede</u>	<u>Ameren</u>	<u>Mo Pub</u>
January	180.90	\$35.87	\$39.13	\$61.81	\$59.01
February	174.50	35.02	39.13	59.98	57.26
March	137.10	30.09	39.13	49.31	47.02
April	92.70	24.23	39.13	36.65	34.87
May	50.80	18.71	21.87	24.69	23.40
June	22.10	14.92	16.29	16.51	15.55
July	19.20	14.54	15.73	15.68	14.76
August	16.60	14.20	15.22	14.94	14.04
September	18.30	14.42	15.55	15.42	14.51
October	26.70	15.53	17.19	17.82	16.81
November	47.20	18.23	31.70	23.67	22.42
December	<u>116.50</u>	<u>27.37</u>	<u>39.13</u>	<u>43.44</u>	<u>41.39</u>
Average Annual Residential Bill	<u>902.60</u>	<u>\$263.15</u>	<u>\$329.23</u>	<u>\$379.91</u>	<u>\$361.04</u>
Tariff Effective Date	<u>1/29/2006</u>	<u>10/1/2005</u>	<u>2/15/2004</u>	<u>7/1/2004</u>	

Source: AGA Rate Service
Missouri Public Service Commission

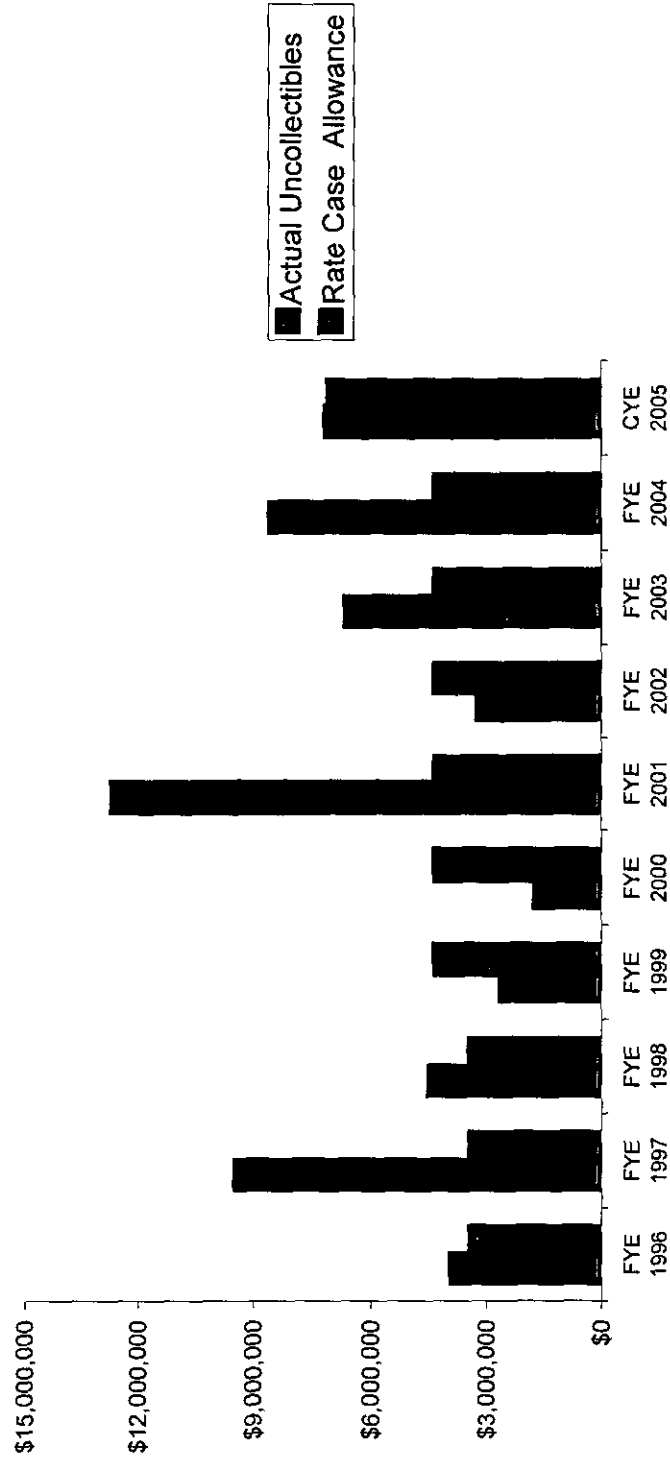
Missouri Gas Energy Average Annual Residential Bill (Excluding PGA and Taxes)



**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	6,602,056	4,323,292	(2,278,764)
FYE 2004	8,537,318	4,323,292	(4,214,026)
CYE 2005	<u>7,108,777</u>	<u>7,042,000</u>	<u>(66,777)</u>
 Total	 <u>\$ 60,213,929</u>	 <u>\$ 43,215,862</u>	 <u>\$ (16,998,067)</u>
Cumulative difference between actual and rate case allowance		<u>\$ (16,998,067)</u>	
 Average difference between actual and rate case allowance per year		 <u>\$ (1,699,807)</u>	

Missouri Gas Energy Actual Uncollectibles Versus Uncollectibles Included in Rates



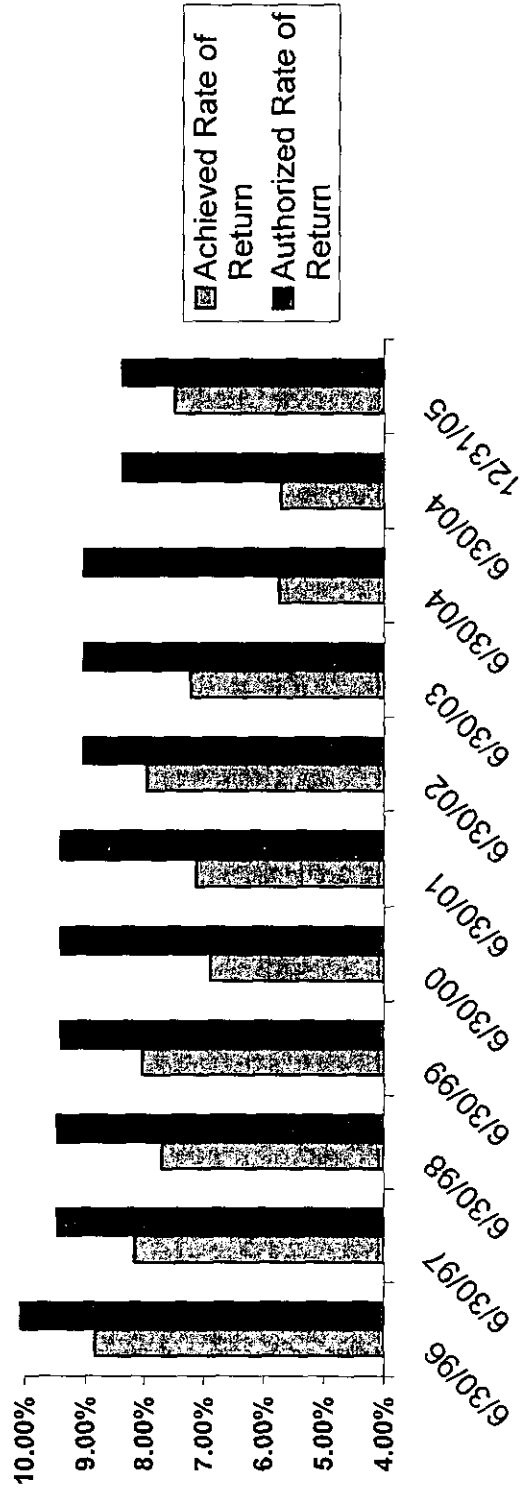
**COMPARISON OF ACHIEVED RATE OF RETURN
VS. AUTHORIZED RATE OF RETURN**

<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>6/30/2004</u> <u>(000)</u>	<u>6/30/2005</u> <u>(000)</u>	<u>12/31/2005</u> <u>(000)</u>
Net Sales Margin	\$ 119,106	\$ 121,390	\$ 123,759	\$ 130,859	\$ 125,088	\$ 141,971	\$ 136,311	\$ 144,483	\$ 142,799	\$ 154,167	\$ 159,807
Operating Expenses excluding											
Uncollectible Expense	(50,688)	(48,037)	(47,390)	(49,273)	(49,638)	(51,176)	(46,693)	(53,967)	(61,294)	(70,534)	(63,995)
Corporate Allocated Expenses Per Rate	(3,906)	(9,443)	(4,470)	(2,585)	(1,697)	(12,654)	(3,211)	(6,602)	(8,537)	(10,212)	(7,109)
Case	(5,612)	(5,612)	(5,991)	(5,991)	(5,991)	(5,991)	(6,935)	(6,935)	(6,935)	(1,762)	(1,762)
Taxes Other than Income Taxes	(6,406)	(5,730)	(7,084)	(7,341)	(8,267)	(9,263)	(10,759)	(9,983)	(10,097)	(11,115)	(10,108)
Depreciation & Amortization	(14,806)	(16,344)	(19,131)	(21,740)	(22,439)	(22,986)	(20,015)	(22,691)	(23,787)	(26,400)	(26,416)
Income Taxes	(6,843)	(5,732)	(6,763)	(7,999)	(4,972)	(5,821)	(8,553)	(6,449)	(1,614)	(3,368)	(9,523)
Total Operating Expenses	88,261	90,898	90,829	94,929	93,004	107,891	96,166	106,627	112,264	123,391	118,913
Net Operating Income	\$ 30,845	\$ 30,492	\$ 32,930	\$ 35,930	\$ 32,084	\$ 34,080	\$ 40,145	\$ 37,856	\$ 30,535	\$ 30,776	\$ 40,894
Net plant from most recent rate case	\$ 359,290	\$ 359,290	\$ 431,152	\$ 431,152	\$ 431,152	\$ 431,152	\$ 503,192	\$ 503,192	\$ 503,192	\$ 531,291	\$ 531,291
Net Plant Balance at x/xx/xx	360,288	384,986	440,251	460,145	478,794	491,271	505,412	525,495	532,473	547,463	554,457
Increase in plant since most recent rate case	\$ 998	\$ 25,696	\$ 9,099	\$ 28,993	\$ 47,642	\$ 60,119	\$ 2,220	\$ 22,303	\$ 29,281	\$ 16,172	\$ 23,166
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	\$ 531,711	\$ 538,944	\$ 545,938
Achieved Rate of Return	8.84%	8.16%	7.71%	8.03%	6.89%	7.12%	7.95%	7.21%	5.74%	5.71%	7.49%
Authorized Rate of Return	10.54%	9.46%	9.46%	9.40%	9.40%	9.40%	9.03%	9.03%	9.03%	8.36%	8.36%
Date Rates Went into Effect	1-Feb-94	1-Feb-97		2-Sep-98			6-Aug-01	6-Aug-01	6-Aug-01	1-Oct-04	1-Oct-04
Return Deficiency	-1.70%	-1.30%	-1.75%	-1.37%	-2.51%	-2.28%	-1.08%	-1.82%	-3.29%	-2.65%	-0.87%
Earnings Deficiency	\$ (5,944)	\$ (4,884)	\$ (7,494)	\$ (6,108)	\$ (11,707)	\$ (10,883)	\$ (5,425)	\$ (9,528)	\$ (17,479)	\$ (14,279)	\$ (4,747)
Revenue Deficiency	\$ (9,682)	\$ (7,923)	\$ (12,207)	\$ (9,950)	\$ (19,070)	\$ (17,728)	\$ (8,837)	\$ (15,520)	\$ (28,471)	\$ (23,260)	\$ (7,732)
Cumulative Earnings Deficiency											\$ (98,458)
Cumulative Revenue Deficiency											\$ (160,378)

(1) - excludes property tax refunds for the years 2002-2004

* - High end of Staff recommendation implicit in the settlement

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



MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
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)
OPERATING REVENUE					
1	480	Residential	\$461,309,543	(\$351,977,407)	\$109,332,136
2	481.1	Commercial	183,202,124	(148,280,682)	34,921,443
3	481.2	Industrial	9,633,497	(8,033,112)	1,600,385
4	483	Sales for Resale	0	(108,623)	(108,623)
5	487	Late Payment Charges	487,006	(540,572)	(53,566)
6	488	Miscellaneous Service Revenue	4,412,846	0	4,412,846
7	489	Transport	10,202,282	182,264	10,384,546
8	493	Rent From Property	0	0	0
9	495	Other Gas Revenue	498,984	0	498,984
10		Total Operating Revenue	<u>\$669,746,284</u>	<u>(\$508,758,132)</u>	<u>\$160,988,152</u>
OPERATING & MAINTENANCE EXPENSE					
Operation Expense					
11	805	Other Gas Purchases	\$469,859,289	(\$469,859,289)	\$0
12	807	Purchased Gas Expense	0	0	0
13	859	Other Joint Expense	0	0	0
14	870	Operation, Supervision and Engineering	590,699	29,754	620,453
15	871	Distribution and Load Dispatching	8,756	(235)	8,521
16	872	Compressor Station Labor and Expense	0	0	0
17	874	Mains and Service Expenses	3,024,786	6,032	3,030,818
18	875	Distributing Regulating Station Expenses	682,700	25,385	708,085
19	876	Measuring and Regulating - Station Expenses	7,566	(410)	7,156
20	877	Measuring and Regulating - Station Expenses	4,798	190	4,988
21	878	Meter and House Regulator Expenses	4,291,777	146,802	4,438,579
22	879	Customer Installation Expenses	2,742,603	(8,791)	2,733,812
23	880	Other Expenses	1,702,382	20,858	1,723,240
24	881	Rents	96,433	0	96,433
25		Total Operation Expense	<u>\$483,011,789</u>	<u>(\$469,639,704)</u>	<u>\$13,372,085</u>
Maintenance Expense					
26	885	Maintenance Supervision and Engineering	\$1,075,603	(\$27,907)	\$1,047,696
27	886	Maintenance of Structures and Improvements	53,255	1,794	55,049
28	887	Maintenance of Mains	7,569,448	195,433	7,764,881
29	889	Maint. of Measuring and Reg. Stat Equip - General	292,800	10,602	303,402
30	890	Maint. of Measuring and Regulating Equipment	269,103	11,430	280,533
31	891	Maint. of Measuring and Regulating Equipment	14,725	604	15,329
32	892	Maintenance of Services	749,099	15,644	764,743
33	893	Maintenance of Meters and House Regulators	635,602	14,812	650,414
34	894	Maintenance of Other Equipment	124,283	7,016	131,299
35		Total Maintenance Expenses	<u>\$10,783,918</u>	<u>\$229,427</u>	<u>\$11,013,345</u>
36		Total Distribution Expense	<u>\$493,795,707</u>	<u>(\$469,410,277)</u>	<u>\$24,385,430</u>
Customer Accounts Expense					
37	901	Supervision	\$397,109	\$26,488	\$423,597
38	902	Meter Reading Expense	771,014	17,651	788,665
39	903	Customer Records and Collection Expense	11,293,811	483,584	11,777,395
40	904	Uncollectible Accounts	7,108,777	1,519,296	8,628,073
41	905	Miscellaneous Customer Accounts Expense	57,553	403	57,956
42		Total Customer Accounts Expenses	<u>\$19,628,264</u>	<u>\$2,047,421</u>	<u>\$21,675,685</u>
Customer Service and Informational Expense					
43	907	Supervision	\$0	\$0	\$0
44	908	Customer Assistance	644,078	104,602	748,680
45	909	Informational and Instructional Advertising Exp.	58,979	0	58,979
46	910	Miscellaneous Customer Accounts Expense	3,543	0	3,543
47		Total Cust. Service and Information Exp.	<u>\$706,600</u>	<u>\$104,602</u>	<u>\$811,202</u>
Sales and Advertising Expense					
48	911	Supervision	\$0	\$0	\$0

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
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)
49	912	Demonstrating and Selling Expenses	96,757	2,288	99,045
50	913	Advertising Expenses	0	0	0
51	916	Miscellaneous Sales Expenses	3,156	0	3,156
52		Total Sales and Advertising Expenses	<u>\$99,913</u>	<u>\$2,288</u>	<u>\$102,201</u>
Administrative and General Expense					
53	920	Administrative and General Salaries	\$6,049,155	\$87,953	\$6,137,108
54	921	Office Supplies and Expenses	2,562,258	225,796	2,788,054
55	922	Administrative Expenses Transferred	(431,962)	0	(431,962)
56	923	Outside Services Employed	1,733,396	2,491,394	4,224,790
57	924	Property Insurance	72,921	(15,808)	57,113
58	925	Injuries and Damages	3,368,391	(1,268,372)	2,100,019
59	926	Employee Pensions and Benefits	8,838,850	9,219,906	18,058,756
60	927	Franchise Requirements	0	0	0
61	928	Regulatory Commission Expense	2,264,862	(340,713)	1,924,149
62	930	Miscellaneous General Expenses	155,511	0	155,511
63	931	Rents	925,286	(23,977)	901,309
64	932	Maintenance of General Plant	1,194,197	171,573	1,365,770
65		Total Administration and General Expense	<u>\$26,732,865</u>	<u>\$10,547,750</u>	<u>\$37,280,615</u>
66		Total O & M Expense	<u>\$540,963,349</u>	<u>(\$456,708,216)</u>	<u>\$84,255,133</u>
67	403	Depreciation	23,435,869	1,653,786	25,089,655
68	404, 405	Amortization	2,979,834	6,111,606	9,091,440
69	431	Interest on Customer Deposits	147,252	28,066	175,318
70	408	Payroll Taxes	1,888,435	237,357	2,125,792
71	408	Property Taxes	(169,925)	6,769,900	6,599,975
72	408	Gross Receipts Tax	40,079,903	(40,079,903)	0
73	408	Other Taxes	240,075	35,611	275,686
74	408	Taxes Other Than Income	<u>\$42,038,488</u>	<u>(\$33,037,035)</u>	<u>\$9,001,453</u>
75		TOTAL EXPENSES	<u>\$609,564,792</u>	<u>(\$481,951,793)</u>	<u>\$127,612,999</u>
76		OPERATING INCOME BEFORE INCOME TAX	<u>\$60,181,492</u>	<u>(\$26,806,339)</u>	<u>\$33,375,153</u>
77	409,410	Income Taxes	\$15,578,544	(\$10,429,881)	\$5,148,663
78		NET OPERATING INCOME	<u>\$44,602,948</u>	<u>(\$16,376,458)</u>	<u>\$28,226,490</u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending December 31, 2005

Updated through June 30, 2006

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
			Test Year Per Books	Adj. GL Rev to Test Year Margin	Normalize & Adj. Test Year Margin	Remove Purch. Cost and GRT	Payroll Expense	Employee Benefits	Payroll Taxes	Insurance	Common Costs	Uncollectible Expense	Regulatory Commission Expense	Interest on Customer Deposits		
OPERATING REVENUE																
1	480	Residential	461,309,542.92	(\$353,777,331)	\$1,798,924											
2	481.1	Commercial	183,202,124	(148,839,219)	568,537											
3	481.2	Industrial	9,633,497	(9,084,079)	50,966											
4	483	Sales for Resale	0	(108,623)	0											
5	487	Late Payment Charges	487,006	(540,572)	0											
6	488	Miscellaneous Service Revenue	4,412,846		0											
7	489	Transport	10,202,282		182,264											
8	493	Rent From Property	0													
9	495	Other Gas Revenue	498,984													
10		Total Operating Revenue	\$669,746,284	(\$511,349,823)	\$2,591,691	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
OPERATING & MAINTENANCE EXPENSE																
Operation Expense																
11	805	Other Gas Purchases	\$468,859,289			(\$468,859,289)										
12	807	Purchased Gas Expense	0													
13	859	Other Joint Expense	0													
14	870	Operation, Supervision and Engineering	590,699				34,295									
15	871	Distribution and Load Dispatching	8,756				(141)									
16	872	Compressor Station Labor and Expense	0				0									
17	874	Mains and Service Expenses	3,024,786				4,249									
18	875	Distributing Regulating Station Expenses	682,700				19,198									
19	876	Measuring and Regulating - Station Expenses	7,566				(496)									
20	877	Measuring and Regulating - Station Expenses	4,798				145									
21	878	Meter and House Regulator Expenses	2,291,777				124,118									
22	879	Customer Installation Expenses	2,742,603				(14,774)									
23	880	Other Expenses	1,702,382				23,939									
24	881	Rents	96,433													
25		Total Operation Expense	\$483,011,789	\$0	\$0	(\$469,859,289)	\$190,533	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Maintenance Expense																
26	885	Maintenance Supervision and Engineering	\$1,076,603				(\$17,076)									
27	886	Maintenance of Structures and Improvements	53,256				1,541									
28	887	Maintenance of Mains	7,569,448				144,905									
29	889	Maint. of Measuring and Reg. Stat Equip - General	282,800				7,410									
30	890	Maint. of Measuring and Regulating Equipment	269,103				8,798									
31	891	Maint. of Measuring and Regulating Equipment	14,725				846									
32	892	Maintenance of Services	749,099				3,267									
33	893	Maintenance of Meters and House Regulators	635,602				8,903									
34	894	Maintenance of Other Equipment	124,283				358									
35		Total Maintenance Expense	\$10,783,918	\$0	\$0	\$0	\$158,953	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
36		Total Distribution Expense	\$493,795,707	\$0	\$0	(\$469,859,289)	\$349,486	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Customer Accounts Expense																
37	901	Supervision	\$397,109				\$31,167									
38	902	Meter Reading Expense	771,014				15,194									
39	903	Customer Records and Collection Expense	11,293,811				323,696									
40	904	Uncollectible Accounts	7,108,777													
41	905	Miscellaneous Customer Accounts Expense	\$7,553				(185)					1,519,296				
42		Total Customer Accounts Expenses	\$19,628,264	\$0	\$0	\$0	\$589,872	\$0	\$0	\$0	\$0	\$1,519,296	\$0	\$0		

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated through June 30, 2008
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	(a)	(b)	H-1	H-2	H-3	H-4	H-5	H-6	H-7	H-8	H-9	H-10	H-11
			Test Year Per Books (c)	Adj. GL Rev to Test Year Margin (d)	Normalize & Adj. Test Year Margin (e)	Remove Purch. Cost and GRT (f)	Payroll Expense (g)	Employee Benefits (h)	Payroll Taxes (i)	Insurance (j)	Joint and Common Costs (k)	Uncollectible Expense (l)	Regulatory Commission Expense (m)	Interest on Customer Deposits (n)	
Customer Service and Informational Expense															
43	907	Supervision	\$0												
44	908	Customer Assistance	644,078				6,244								
45	909	Informational and Instructional Advertising Exp.	58,979												
46	910	Miscellaneous Customer Accounts Expense	3,543												
47		Total Cust. Service and Informational Exp.	\$706,600	\$0	\$0	\$0	\$6,244	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales and Advertising Expense															
48	911	Supervision	\$0												
49	912	Demonstrating and Selling Expenses	96,757				\$0								
50	913	Advertising Expenses	0				3,327								
51	916	Miscellaneous Sales Expenses	3,156												
52		Total Sales and Advertising Expenses	\$99,913	\$0	\$0	\$0	\$3,327	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative and General Expense															
53	920	Administrative and General Salaries	\$6,049,155				\$146,049								
54	921	Office Supplies and Expenses	2,562,258				(460)								
55	922	Administrative Expenses Transferred	(431,962)												
56	923	Outside Services Employed	1,733,396				(87)								
57	924	Property Insurance	72,921								2,572,012				
58	925	Injuries and Damages	3,368,391				(162)			(15,808)					
59	926	Employee Pensions and Benefits	8,838,850					9,219,906		(1,268,820)					
60	927	Franchise Requirements	0												
61	928	Regulatory Commission Expense	2,284,862										(340,713)		
62	930	Miscellaneous General Expenses	165,511												
63	931	Rents	925,286												
64	932	Maintenance of General Plant	1,194,197				(87)								
65		Total Administration and General Expense	\$26,732,865	\$0	\$0	\$0	\$145,253	\$9,219,906	\$0	(\$1,284,628)	\$2,572,012	\$0	(\$340,713)	\$0	\$0
66		Total O & M Expense	\$540,963,349	\$0	\$0	\$0	\$874,182	\$9,219,906	\$0	(\$1,284,628)	\$2,572,012	\$1,519,296	(\$340,713)	\$0	\$0
67	403	Depreciation	\$23,435,869												
68	404, 405	Amortization	2,979,834												
69	431	Interest on Customer Deposits	147,252						237,357						28,066
70	408	Payroll Taxes (1****)	1,888,435												
71	408	Property Taxes (2****)	(169,925)												
72	408	Gross Receipts Tax (3300 + 4000)	40,079,903			(40,079,903)									
73	408	Other Taxes (41****)	240,075												
74	408	Taxes Other Than Income	\$42,038,488	\$0	\$0	(\$40,079,903)	\$0	\$0	\$237,357	\$0	\$0	\$0	\$0	\$0	\$0
75		TOTAL EXPENSES	\$609,564,792	\$0	\$0	(\$509,939,192)	\$874,182	\$9,219,906	\$237,357	(\$1,284,628)	\$2,572,012	\$1,519,296	(\$340,713)	\$28,066	
76		OPERATING INCOME BEFORE INCOME TAX	\$60,181,492	(\$511,349,823)	\$2,591,691	\$509,939,192	(\$874,182)	(\$9,219,906)	(\$237,357)	\$1,284,628	(\$2,572,012)	(\$1,519,296)	\$340,713	(\$28,066)	
77	409,410	Income Taxes	15,578,544												
78		Note: per book & adjusted income tax computed on A-2	\$44,602,948	(\$511,349,823)	\$2,591,691	\$509,939,192	(\$874,182)	(\$9,219,906)	(\$237,357)	\$1,284,628	(\$2,572,012)	(\$1,519,296)	\$340,713	(\$28,066)	
		NET OPERATING INCOME													

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

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated through June 30, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description (b)	Test Year Per Books (c)	H-12	H-13	H-14	H-15	H-16	H-17	H-18	H-19	H-20	H-21	H-22	H-23	(ab)
				(a)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
OPERATING REVENUE																
1	480	Residential	461,309,542.92													
2	481.1	Commercial	183,202,124													
3	481.2	Industrial	9,633,487													
4	483	Sales for Resale	0													
5	487	Late Payment Charges	487,006													
6	488	Miscellaneous Service Revenue	4,412,846													
7	489	Transport	10,202,282													
8	493	Rent From Property	0													
9	495	Other Gas Revenue	496,994													
10		Total Operating Revenue	\$669,746,284	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING & MAINTENANCE EXPENSE																
Operation Expense																
11	805	Other Gas Purchases	\$469,859,289													
12	807	Purchased Gas Expense	0													
13	859	Other Joint Expense	0													
14	870	Operation, Supervision and Engineering	590,999			1,921										
15	871	Distribution and Load Dispatching	8,756			0										
16	872	Compressor Station Labor and Expense	0			0										
17	874	Main and Service Expenses	3,024,766			4,584										
18	875	Distributing Regulating Station Expenses	682,700			7,929										
19	876	Measuring and Regulating - Station Expenses	7,566			79										
20	877	Measuring and Regulating - Station Expenses	4,786			38										
21	878	Meter and House Regulator Expenses	4,291,777			51,703										
22	879	Customer Installation Expenses	2,742,603			28,081										
23	880	Other Expenses	1,702,382			6,148										
24	881	Rents	96,433													
25		Total Operation Expense	\$483,011,789	\$0	\$0	\$100,463	\$15,796	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Maintenance Expense																
26	885	Maintenance Supervision and Engineering	\$1,075,603			\$524	\$0									
27	886	Maintenance of Structures and Improvements	53,255			470										
28	887	Maintenance of Mains	7,569,448			72,546	29,812									
29	889	Maint. of Measuring and Reg. Stat Equip - General	282,800			2,889	2,528									
30	890	Maint. of Measuring and Regulating Equipment	269,103			2,272	2,349									
31	891	Maint. of Measuring and Regulating Equipment	14,725			166	(306)									
32	892	Maintenance of Services	749,099			6,597	10,834									
33	893	Maintenance of Meters and House Regulators	635,602			4,397	6,662									
34	894	Maintenance of Other Equipment	124,283			282	6,640									
35		Total Maintenance Expenses	\$10,785,918	\$0	\$0	\$90,243	\$36,650	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
36		Total Distribution Expense	\$493,795,707	\$0	\$0	\$190,726	\$74,446	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Customer Accounts Expense																
37	901	Supervision	\$397,109													
38	902	Meter Reading Expense	771,014			8,234	689									
39	903	Customer Records and Collection Expense	11,293,811			27,564	57									
40	904	Uncollectible Accounts	7,108,777													
41	905	Miscellaneous Customer Accounts Expense	57,563			587	1									
42		Total Customer Accounts Expenses	\$19,628,264	\$0	\$0	\$36,385	\$747	\$0	\$0	\$81,485	\$0	\$0	\$0	\$115,340	\$0	\$0

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated through June 30, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	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	Customer Service and Informational Expense																										
44	908	Supervision	\$0																									
45	909	Customer Assistance	644,078																									
46	910	Informational and Instructional Advertising Exp.	58,979																									
47		Miscellaneous Customer Accounts Expense	3,943																									
		Total Cust. Service and Informational Exp.	\$706,000																									
48	911	Sales and Advertising Expense																										
49	912	Supervision	\$0																									
50	913	Demonstrating and Selling Expenses	96,757																									
51	916	Advertising Expenses	0																									
52		Miscellaneous Sales Expenses	3,156																									
		Total Sales and Advertising Expenses	\$99,913																									
53	920	Administrative and General Expense																										
54	921	Administrative and General Salaries	\$6,049,155																									
55	922	Office Supplies and Expenses	2,562,258																									
56	923	Administrative Expenses Transferred	(431,962)																									
57	924	Outside Services Employed	1,733,386																									
58	925	Property Insurance	72,921																									
59	926	Injuries and Damages	3,368,391																									
60	927	Employee Pensions and Benefits	8,838,850																									
61	928	Franchise Requirements	0																									
62	930	Regulatory Commission Expense	2,264,862																									
63	931	Miscellaneous General Expenses	155,511																									
64	932	Rents	925,296																									
65		Maintenance of General Plant	1,194,197																									
		Total Administration and General Expense	\$26,732,865																									
66		Total O & M Expense	\$540,963,349																									
67	403	Depreciation	\$23,435,869																									
68	404, 405	Amortization	2,979,834																									
69	431	Interest on Customer Deposits	147,252																									
70	408	Payroll Taxes (1****)	1,888,435																									
71	408	Property Taxes (2****)	(186,925)																									
72	408	Gross Receipts Tax (3300 + 4000)	40,079,903																									
73	408	Other Taxes (4****)	240,075																									
74	408	Taxes Other Than Income	\$42,038,488																									
75		TOTAL EXPENSES	\$609,564,792																									
76		OPERATING INCOME BEFORE INCOME TAX	\$60,181,492																									
77	406,410	Income Taxes	15,578,544																									
78		NET OPERATING INCOME	\$44,602,948																									

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

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated through June 30, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acc.	Description	Test Year Per Books	H-24 Weatherization Fund	H-25 Environmental Response Fund	ECWR Amortization	Income Tax Adjustment	Total Adjustments	Test Year As Adjusted
(a)		(b)	(c)	(ad)	(ae)	(se)	(aq)	(ah)	(al)
OPERATING REVENUE									
1	480	Residential	461,309,542.92					(\$351,977,407)	\$109,332,136
2	481.1	Commercial	183,202,124					(148,280,682)	34,921,443
3	481.2	Industrial	9,633,497					(8,033,112)	1,600,385
4	483	Sales for Resale	0					(108,823)	(108,823)
5	487	Late Payment Charges	487,006					(540,572)	(63,566)
6	488	Miscellaneous Service Revenue	4,412,846					0	4,412,846
7	489	Transport	10,202,282					102,264	10,304,546
8	493	Rent From Property	0					0	0
9	493	Other Gas Revenue	498,984					0	498,984
10		Total Operating Revenue	\$688,746,284	\$0	\$0	\$0	\$0	(\$508,758,132)	\$180,988,152
OPERATING & MAINTENANCE EXPENSE									
Operation Expense									
11	805	Other Gas Purchases	\$469,859,289					(\$469,859,289)	\$0
12	807	Purchased Gas Expense	0					0	0
13	859	Other Joint Expense	0					0	0
14	870	Operation, Supervision and Engineering	590,699					29,754	620,453
15	871	Distribution and Load Dispatching	8,756					(235)	8,521
16	872	Compressor Station Labor and Expense	0					0	0
17	874	Mains and Service Expenses	3,024,786					6,032	3,030,818
18	875	Distributing Regulating Station Expenses	682,700					25,385	708,085
19	876	Measuring and Regulating - Station Expenses	7,566					(410)	7,156
20	877	Measuring and Regulating - Station Expenses	4,281,777					190	4,988
21	878	Meier and House Regulator Expenses	2,742,603					146,802	4,438,579
22	879	Customer Installation Expenses	1,702,382					(8,781)	2,733,812
23	880	Other Expenses	96,433					20,858	1,723,240
24	881	Rents						0	96,433
25		Total Operation Expense	\$483,011,789	\$0	\$0	\$0	\$0	(\$469,639,704)	\$13,372,085
Maintenance Expense									
26	885	Maintenance Supervision and Engineering	\$1,075,603					(\$27,907)	\$1,047,696
27	886	Maintenance of Structures and Improvements	53,255					1,794	55,049
28	887	Maintenance of Mains	7,589,448					195,433	7,784,881
29	889	Maint. of Measuring and Reg. Stat Equip - General	282,800					10,602	303,402
30	890	Maint. of Measuring and Regulating Equipment	289,103					11,430	280,533
31	891	Maint. of Measuring and Regulating Equipment	14,725					604	15,329
32	892	Maintenance of Services	749,099					15,644	764,743
33	893	Maintenance of Meters and House Regulators	635,502					14,812	650,414
34	894	Maintenance of Other Equipment	124,283					7,016	131,299
35		Total Maintenance Expenses	\$10,783,918	\$0	\$0	\$0	\$0	\$228,427	\$11,013,345
36		Total Distribution Expense	\$493,795,707	\$0	\$0	\$0	\$0	(\$469,410,277)	\$24,385,430
Customer Accounts Expense									
37	901	Supervision	\$397,109					\$28,489	\$425,597
38	902	Meter Reading Expense	771,014					17,651	788,665
39	903	Customer Records and Collection Expense	11,283,811					483,584	11,777,395
40	904	Uncollectible Accounts	7,108,777					1,519,298	8,628,075
41	905	Miscellaneous Customer Accounts Expense	57,553					403	57,956
42		Total Customer Accounts Expenses	\$19,628,264	\$0	\$0	\$0	\$0	\$2,047,421	\$21,675,685

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated through June 30, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description (b)	Test Year Per Books (c)	Weatherization Fund (ad)	Environmental Response Fund (ae)	ECWR Amortization (ae)	Income Tax Adjustment (eg)	Total Adjustments (ah)	Test Year As Adjusted (ai)
Customer Service and Informational Expense									
43	907	Supervision	\$0				\$0	\$0	\$0
44	908	Customer Assistance	644,078	100,000			104,602	748,680	748,680
45	909	Informational and Instructional Advertising Exp.	58,979				0	58,979	58,979
46	910	Miscellaneous Customer Accounts Expense	3,543				0	3,543	3,543
47		Total Cust. Service and Informational Exp.	\$706,600	\$100,000	\$0	\$0	\$104,602	\$811,202	\$811,202
Sales and Advertising Expense									
48	911	Supervision	\$0				\$0	\$0	\$0
49	912	Demonstrating and Selling Expenses	96,757				2,288	99,045	99,045
50	913	Advertising Expenses	0				0	0	0
51	916	Miscellaneous Sales Expenses	3,156				0	3,156	3,156
52		Total Sales and Advertising Expenses	\$99,913	\$0	\$0	\$0	\$2,288	\$102,201	\$102,201
Administrative and General Expense									
53	920	Administrative and General Salaries	\$6,048,155				\$87,953	\$6,137,108	\$6,137,108
54	921	Office Supplies and Expenses	2,562,258				225,796	2,788,054	2,788,054
55	922	Administrative Expenses Transferred	(431,962)				0	(431,962)	(431,962)
56	923	Outside Services Employed	1,733,398		500,000		2,491,394	4,224,790	4,224,790
57	924	Property Insurance	72,921				(15,808)	57,113	57,113
58	925	Injuries and Damages	3,368,391				(1,268,372)	2,100,019	2,100,019
59	926	Employee Pensions and Benefits	8,838,850				9,219,908	18,058,758	18,058,758
60	927	Franchise Requirements	0				0	0	0
61	928	Regulatory Commission Expense	2,264,862				(340,713)	1,924,149	1,924,149
62	930	Miscellaneous General Expenses	155,511				0	155,511	155,511
63	931	Rents	925,286				(23,977)	901,309	901,309
64	932	Maintenance of General Plant	1,194,197				171,573	1,365,770	1,365,770
65		Total Administration and General Expense	\$26,732,865	\$0	\$500,000	\$0	\$10,547,750	\$37,280,615	\$37,280,615
66		Total O & M Expense	\$540,963,349	\$100,000	\$500,000	\$0	\$0	\$84,255,133	\$84,255,133
67	403	Depreciation	\$23,435,869				\$1,653,786	\$25,089,655	\$25,089,655
68	404, 405	Amortization	2,979,834			0	6,111,806	\$9,091,440	\$9,091,440
69	431	Interest on Customer Deposits	147,252				28,066	175,318	175,318
70	408	Payroll Taxes (1****)	1,888,435				237,357	2,125,792	2,125,792
71	408	Property Taxes (2****)	(169,925)				6,789,900	6,599,975	6,599,975
72	408	Gross Receipts Tax (3300 + 4000)	40,079,803				(40,078,903)	0	0
73	408	Other Taxes (41****)	240,075				35,611	275,686	275,686
74	408	Taxes Other Than Income	\$42,038,488	\$0	\$0	\$0	\$0	\$42,038,488	\$42,038,488
75		TOTAL EXPENSES	\$609,564,792	\$100,000	\$500,000	\$0	\$0	\$127,612,999	\$127,612,999
76		OPERATING INCOME BEFORE INCOME TAX	\$60,181,402	(\$100,000)	(\$500,000)	\$0	\$0	\$33,375,153	\$33,375,153
77	409,410	Income Taxes	15,578,544				(10,429,881)	5,148,663	5,148,663
78		NET OPERATING INCOME	\$44,602,948	(\$100,000)	(\$500,000)	\$0	\$10,429,881	\$28,226,490	\$28,226,490

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

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Test Year Margin Revenue

Line No.	Description (a)	Main Account/Revenue Class					Total (g)
		480	481.1	481.2	483, 489		
		21 (b)	22 & 23 (c)	25 (d)	28, 38 (e)	487, 488, 493, 495 (f)	
1	Total Revenue per Book	461,309,543	183,202,124	9,633,497	10,202,282	5,398,837	669,746,284
2	Less: GRT Revenue, Unbilled Revenue, PGA Revenue, and Miscellaneous Adjustments	(353,777,331)	(148,839,219)	(8,084,078)	(108,623)	(540,572)	(511,349,823)
3	Test Year Margin	107,532,212	34,362,906	1,549,419	10,093,659	4,858,264	158,396,461

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending December 31, 2005

Updated for Known and Measurable Adjustments through June 30, 2006

Revenue Adjustments

Line No.	Description (a)	Main Account/Revenue Class					Total (g)
		Residential Gas Sales (b)	Commercial Gas Sales (c)	Industrial Gas Sales (d)	Transportation Revenues (e)	Service Charges and Other (f)	
1	Test Year Margin	\$107,532,212	\$34,362,906	\$1,549,419	\$10,093,659	\$4,858,264	\$158,396,461
2	Weather Normalize						
3	Rate Switching Adjustments	1,627,949	544,695	50,966	118,820	0	2,342,430
4	Customer Growth Annualization		(23,248)		63,444		40,196
5	Total Adjustments	171,975	37,090	0	0	0	209,065
		1,799,924	558,537	50,966	182,264	0	2,591,691
6	As Adjusted Test Year Margin	\$109,332,136	\$34,921,443	\$1,600,385	\$10,275,923	\$4,858,264	\$160,988,152

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Remove Purchase Gas Costs and Gross Receipts Tax

Line No.	Description (a)	Amount (b)
1	Purchase Gas Costs (Acct. 805)	(\$469,859,289)
2	Gross Receipts Tax (Acct. 4081)	(40,079,903)
3	Total Adjustment	<u>(\$469,859,289)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Payroll Adjustment

Line No.	Main Acct.	Proforma Payroll Expense	Payroll Expense Per Book	Adjustment to Test Year
	(a)	(b)	(c)	(d)
1	870	\$591,474	\$557,179	\$34,295
2	871	\$8,606	8,747	(141)
3	872	\$0	0	0
4	874	\$452,673	448,424	4,249
5	875	\$474,748	455,550	19,198
6	876	\$4,675	5,171	(496)
7	877	\$3,351	3,206	145
8	878	\$3,214,631	3,090,513	124,118
9	879	\$2,112,051	2,126,825	(14,774)
10	880	\$1,120,577	1,096,638	23,939
11	885	\$1,048,588	1,065,663	(17,075)
12	886	\$32,722	31,181	1,541
13	887	\$4,743,898	4,598,993	144,905
14	889	\$203,648	196,238	7,410
15	890	\$182,049	173,251	8,798
16	891	\$9,349	8,503	846
17	892	\$462,561	459,294	3,267
18	893	\$471,407	462,504	8,903
19	894	\$24,209	23,851	358
20	901	\$428,276	397,109	31,167
21	902	\$591,854	576,660	15,194
22	903	\$5,909,848	5,586,152	323,696
23	905	\$0	185	(185)
24	908	\$150,322	144,078	6,244
25	911	\$0	0	0
26	912	\$95,488	92,161	3,327
27	920	\$5,317,453	5,171,404	146,049
28	921	\$2,510	2,970	(460)
29	923	\$0	87	(87)
30	925	\$782	944	(162)
31	932	\$0	87	(87)
32	Total	\$27,657,750	\$26,783,568	\$874,182

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Employee Benefits

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Pension	\$9,179,009	
2	Retirement Power	476,742	
3	Life & AD&D Insurance	154,551	
4	Long Term Disability Insurance	180,605	
5	Medical / Dental Benefit	6,549,429	
6	FAS 106 - Accrual	1,641,953	
7	FAS 106 - Amortization of	2,664,792	
8	401K	1,086,877	
9	Other Misc Benefits	66,120	
10			
11	Total Proforma Benefits	\$22,000,078	
12	Payroll Expense Ratio	0.7690630	
		<u>16,919,446</u>	
	Add amortization of prepaid pensions (amortized over a 6 year		
13	period)	1,139,310	
14	Proforma Benefits Expense	<u>\$18,058,756</u>	
15	Less Test Year Benefits Expense	<u>(\$8,838,850)</u>	
16	Adjustment to Test Year Expense - Acct. 926		<u><u>\$9,219,906</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Payroll Taxes

Line No.	Description (a)	Amount (b)
1	Total Proforma Payroll Taxes	\$2,759,602
2	Payroll Taxes on Incentive Compensation Adjustment	<u>4,531</u>
5	Total Proforma Payroll Taxes	\$2,764,133
6	Payroll Expense Ratio	0.769063
7	Proforma Payroll Tax Expense	<u>\$2,125,792</u>
8	Less Test Year Payroll Tax Expense	<u>(1,888,435)</u>
9	Adjustment to Test Year Expense - Acct. 4081	<u><u>\$237,357</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Insurance / Injuries & Damages

Line No.	Description (a)	June 30, 2004 (b)	June 30, 2005 (c)	June 30, 2006 (d)	3 Year Avg. (e)	925 Amount (f)	924 Amount (g)	Total Amount (h)
MGE Claims:								
1	Workers Compensation claims paid	\$1,893,712	\$197,706	\$340,871	\$810,763			
2								
3	Auto & General Liability	693,178	722,988	749,151	721,772			
4	Total Proforma Claims	<u>\$2,586,890</u>	<u>\$920,694</u>	<u>\$1,090,022</u>	<u>\$1,532,535</u>	\$1,532,535		\$1,532,535
5	Insurance Premiums - 924						57,113	57,113
6	Insurance Premiums - 925					1,197,503		1,197,503
7	Total Proforma Insurance Cost					\$2,730,038	\$57,113	\$2,787,151
8	Test Year Payroll Expense Ratio					0.769063	1.000000	
9	Proforma Insurance Expense					\$2,099,571	\$57,113	\$2,156,684
10	Less Test Year Insurance Expense					(3,368,391)	(72,921)	(3,441,312)
11	Adjustment to Test Year - Accts. 924 and 925					<u>(\$1,268,820)</u>	<u>(\$15,808)</u>	<u>(\$1,284,628)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Corporate Allocation

Line No.	Description	Amount
	(a)	(b)
1	Proforma Joint and Common Costs	\$3,695,369
2	Expense Capital Ratio	69.6009%
3	Proforma Joint and Common Expense	<u>\$2,572,012</u>
4	Less Test Year Expense Recorded on MGE's Books	<u>0</u>
5	Adjustment to Test Year - Acct. 923	<u><u>\$2,572,012</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Uncollectible Expense

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Twelve Months Ended June 30, 2002	\$9,168,320	
2	Twelve Months Ended June 30, 2003	5,427,035	
3	Twelve Months Ended June 30, 2004	8,174,818	
4	Twelve Months Ended June 30, 2005	11,059,738	
5	Twelve Months Ended June 30, 2006	<u>9,310,454</u>	
6	Five Year Average		\$8,628,073
7	Less Test Year Uncollectible Expense		(7,108,777)
8	Adjustment to Test Year - Acct. 904		<u><u>\$1,519,296</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Regulatory Commission Expense

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Estimate of current rate case expense	\$900,000	
2	Remaining balance of GR-2004-0209	\$223,456	
3	Total Rate Case Balance	<u>1,123,456</u>	
4	Annual Amortization (3 years)		\$374,485
5	Normalized level of expense for depreciation study		\$6,878
6	Proforma NARUC Assessment - fiscal 7/1/04-6/30/05		6,198
7	Other Regulatory Commission Expenses		149,610
8	Proforma MPSC Assessment - fiscal 7/1/06-6/30/07		<u>1,386,977</u>
9	Total Proforma Regulatory Commission Expense		\$1,924,149
10	Less Test Year Regulatory Commission Expense		(2,264,862)
11	Adjustment to Test Year - Acct. 928		<u>(\$340,713)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Interest on Customer Deposits

Line No.	Description (a)	Reference (b)	Residential (c)	Commercial & Industrial (d)	Amount (e)
1	Customer Deposits	B-2	\$1,012,376	\$3,059,908	\$4,072,284
2	Interest Rate		8.25%	3.00%	4.31%
3	Proforma Interest on Customer Deposits		<u>\$83,521</u>	<u>\$91,797</u>	<u>\$175,318</u>
4	Less Test Year Interest on Customer Deposits				<u>(147,252)</u>
5	Adjustment to Test Year - Acct. 431				<u><u>\$28,066</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Depreciation Expense

Line No.	Description	Amount	Current Depreciation Rate	Annualized Depreciation	Proposed Rate	Proforma Total Depreciation	Less Depr. Capitalized To Clearing Accts.	Proforma Depreciation Expense
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
INTANGIBLE PLANT								
1	(301) Organization	\$15,600	0.00%	\$0	0.00%	\$0	\$0	\$0
2	(302) Franchises	32,096	0.00%	0	0.00%	0	0	0
3	(303) Miscellaneous Intangible	27,596,938	(see adj. H-13)	0	(see adj. H-13)	0	0	0
4	Total Intangible Plant	<u>\$27,644,634</u>		<u>\$0</u>		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
DISTRIBUTION PLANT								
5	(374.1) Land	\$223,517	0.00%	\$0	0.00%	\$0	\$0	\$0
6	(374.2) Land Rights	1,665,693	2.09%	34,813	2.10%	34,980	0	34,980
7	(375.1) Structures	5,584,958	1.65%	92,152	2.19%	122,311	0	122,311
8	(375.2) Leasehold Improvements	0	(see adj. H-13)	0	(see adj. H-13)	0	0	0
9	(376) Mains & Mains - Cast Iron	339,884,706	2.27%	7,715,383	2.43%	8,259,198	0	8,259,198
10	(378) Meas. & Reg. Station - General	11,634,249	2.86%	332,740	2.89%	336,230	0	336,230
11	(379) Meas. & Reg. Station - City Gate	3,058,251	2.13%	65,141	2.64%	80,738	0	80,738
12	(380) Services	294,362,067	2.70%	7,947,776	3.41%	10,037,748	0	10,037,748
13	(381) Meters	31,036,775	2.86%	887,652	2.96%	918,689	0	918,689
14	(382) Meter Installations	68,835,673	2.86%	1,968,700	2.92%	2,010,002	0	2,010,002
15	(383) House Regulators	11,558,045	2.44%	282,016	2.34%	270,458	0	270,458
16	(385) Electronic Gas Metering	372,505	3.33%	12,404	3.29%	12,255	0	12,255
17	(387) Other Equipment	0	4.60%	0	6.25%	0	0	0
18	Total Distribution Plant	<u>\$768,216,438</u>		<u>\$19,338,777</u>		<u>\$22,082,607</u>	<u>\$0</u>	<u>\$22,082,607</u>
GENERAL PLANT - DIRECT								
19	(389) Land	\$773,880	0.00%	\$0	0.00%	\$0	\$0	\$0
20	(390.1) Structures	661,193	2.00%	13,224	1.21%	8,000	0	8,000
21	(390.2) Leasehold Impr.	1,546,597	(see adj. H-13)	0	(see adj. H-13)	0	0	0
22	(391) Furniture & Fixtures	6,970,421	8.06%	561,816	9.10%	634,308	0	634,308
23	(392) Transportation Equipment	5,043,979	8.70%	438,626	8.19%	413,102	(413,102)	0
24	(393) Stores Equipment	538,350	2.70%	14,535	3.35%	18,035	0	18,035
25	(394) Tools	5,154,470	5.30%	273,187	5.01%	258,239	0	258,239
26	(395) Laboratory Equipment	0	6.00%	0	6.00%	0	0	0
27	(396) Power Operated Equipment	243,807	8.33%	20,309	5.36%	13,068	(13,068)	0
28	(397.1) Communication Equipment - AMR	36,324,881	5.00%	1,816,243	5.00%	1,816,243	0	1,816,243
29	(397.0) Communication Equipment - Other	3,289,347	6.25%	205,584	6.27%	206,242	0	206,242
30	(398) Miscellaneous Equipment	431,489	3.85%	16,612	4.93%	21,272	0	21,272
31	Total Direct General Plant	<u>\$60,978,394</u>		<u>\$3,360,336</u>		<u>\$3,388,509</u>	<u>(\$426,170)</u>	<u>\$2,962,339</u>
GENERAL PLANT - CORPORATE								
32	(390) Structures	\$0		\$0		\$0	\$0	\$0
33	(390) Leasehold Impr.	412,834	Note	7,285	Note	7,285	0	7,285
34	(391) Furniture & Fixtures	209,405	"	33,905	"	33,905	0	33,905
35	(392) Transportation Equipment	8,004	"	3,520	"	3,520	0	3,520
36	(397) Communication Equipment	0		0		0	0	0
37	(398) Miscellaneous Equipment	0		0		0	0	0
38	Total Corporate General Plant	<u>\$630,242</u>		<u>\$44,709</u>		<u>\$44,709</u>	<u>\$0</u>	<u>\$44,709</u>
39	Total Proforma Plant & Depreciation	<u>\$857,469,709</u>		<u>\$22,743,822</u>		<u>\$25,515,825</u>	<u>(\$426,170)</u>	<u>\$25,089,655</u>
40	Less Depreciation Charged to Clearing A/Cs			(459,135)		(426,170)		
41	Less Test Year Depreciation Expense			(\$23,435,869)		(\$22,743,822)		(\$23,435,869)
42	Adjustment to Test Year - Acct. 403			<u>(\$1,151,182)</u>		<u>\$2,345,633</u>		<u>\$1,653,786</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
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	1,546,597	8,362	100,342
3	Sub Total	<u>\$1,546,597</u>	<u>\$8,362</u>	<u>\$100,342</u>
4	(303) Misc. Intangible - Work Force Automation (1000)	\$3,785,364	21,024	\$252,287
5	(303) Misc. Intangible - Corrosion Control Mgmt System (4000)	1,117,800	0	0
6	(303) Misc. Intangible - Landbase Digitized Mapping (4500)	1,701,543	0	0
7	(303) Misc. Intangible - Premise Data System (5000)	985,196	0	0
8	(303) Misc. Intangible - AMR Project - Programming (5500)	469,443	2,764	33,166
9	(303) Misc. Intangible - Facility Priority Index (6000)	894,795	0	0
10	(303) Misc. Intangible - Geographic Information System (6500)	1,006,719	7,125	85,500
11	(303) Misc. Intangible - Customer Service System (7000)	3,786,000	20,921	251,048
12	(303) Misc. Intangible - CSS Enhancements (7100)	7,588,221	63,235	758,822
13	(303) Misc. Intangible - Mainframe Software (7200)	1,912,642	15,939	191,264
14	(303) Misc. Intangible - Website (7600)	485,944	4,051	48,615
15	(303) Misc. Intangible - Stoner Low Pressure/Intermediate Model (8000)	279,672	2,457	29,481
16	(303) Misc. Intangible - BASIC (8500)	294,516	3,005	36,063
17	(303) Misc. Intangible - TCS System (9000)	189,193	1,592	19,106
18	(303) Misc. Intangible - GEO Tax Software (9500)	79,294	661	7,929
19	(303) Misc. Intangible - Oracle Software	2,415,860	20,117	241,409
20	(303) Misc. Intangible - Power Plant Software	187,288	1,561	18,729
21	(303) Misc. Intangible - Virtual Hold Call Center	191,000	1,592	19,103
22	(303) Misc. Intangible - Witness Software (9600)	194,706	1,623	19,474
23	Sub Total - Acct. 303	<u>\$27,564,994</u>	<u>\$167,666</u>	<u>\$2,011,996</u>
<u>Amortization of Infinium Software:</u>				
24	Unamortized balance of replaced software	<u>\$1,225,756</u>	<u>Amort. Period 5</u>	<u>\$245,151</u>
<u>SLRP Amortization:</u>				
25	SLRP Deferrals Subject to Amortization	<u>\$32,048,048</u>	<u>10</u>	<u>\$3,204,805</u>
<u>Cost of Removal Amortization</u>				
26	Net Cost of Removal Balance	<u>\$507,724</u>	<u>5</u>	<u>\$101,545</u>
<u>ECWRA AAO Amortization</u>				
27	Cost of the Emergency cold weather rule	<u>\$901,331</u>	<u>3</u>	<u>\$300,444</u>
28	Pro-Forma Amortization Expense			\$5,964,283
29	Less Test Year Amortization Expense			<u>(2,979,834)</u>
30	Adjustment to Test Year - Accts. 404 and 405			<u>\$2,984,449</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
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 18400210		\$4,631,933		
2	Less Test Year Amounts Cleared Out of Account 18400210		(4,289,431)		
3	Test Year Amount Under/(Over) Cleared		<u>\$342,502</u>		\$342,502
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 18400210:				
		Proforma	Test Year	Adjustment	
5	Depreciation	\$426,170	\$459,135	(\$32,965)	(32,965)
6	Total Adjusted Amount Under/(Over) Cleared				<u>\$309,537</u>

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

	Main Acct.	Amount	Percentage	Amount
7	870	\$26,621	0.006206	\$1,921
8	871	0	0.000000	0
9	872	0	0.000000	0
10	874	63,520	0.014808	4,584
11	875	109,881	0.025616	7,929
12	876	1,088	0.000254	79
13	877	530	0.000124	38
14	878	716,486	0.167033	51,703
15	879	389,145	0.090720	28,081
16	880	85,202	0.019863	6,148
17	885	8,644	0.002015	624
18	886	6,520	0.001520	470
19	887	1,005,321	0.234368	72,546
20	889	40,034	0.009333	2,889
21	890	31,481	0.007339	2,272
22	891	2,301	0.000536	166
23	892	91,428	0.021314	6,597
24	893	60,938	0.014206	4,397
25	894	3,913	0.000912	282
26	902	114,111	0.026602	8,234
27	903	381,973	0.089048	27,564
28	905	8,127	0.001895	587
29	921	59,282	0.013820	4,278
30	Total Adjustment to Test Year Expense	\$3,206,548	0.747532	\$231,389
31	Balance Sheet Accounts	1,082,954	0.252466	78,148
32	Total Test Year Clearing	\$4,289,501	0.999998	\$309,537

MISSOURI GAS ENERGY
A Division of Southern Union Company
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Updated for Known and Measurable Adjustments through June 30, 2006
Stores Clearing

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into Stores Account 1630		\$2,043,068		
2	Less Test Year Amounts Cleared Out of Account 1630		(1,483,099)		
3	Test Year Amount Under/(Over) Cleared		<u>\$559,969</u>		<u>\$559,969</u>

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

	Main Acct.	Amount	Percentage	Amount
4	874	\$5,677	0.00383	\$2,145
5	875	9,117	0.00615	3,445
6	876	155	0.00010	58
7	877	116	0.00008	44
8	878	16,153	0.01090	6,103
9	879	2,586	0.00175	977
10	880	7,976	0.00538	3,014
11	885	0	0.00000	0
12	886	374	0.00025	141
13	887	78,902	0.05324	29,812
14	889	6,692	0.00452	2,528
15	890	6,217	0.00420	2,349
16	891	(811)	-0.00055	(306)
17	892	28,674	0.01935	10,834
18	893	17,632	0.01190	6,662
19	894	17,572	0.01186	6,640
20	902	1,825	0.00123	689
21	903	151	0.00010	57
22	905	1	0.00000	1
23	912	11	0.00001	4
24	921	2,815	0.00190	1,063
25	923	123	0.00008	46
26	925	1,635	0.00110	618
27	932	96	0.00007	36
28	Total Adjustment to Test Year Expense	203,689	0.13744	76,960
29	Balance Sheet Accounts	1,278,358	0.86256	483,008
30	Total Test Year Clearing	1,482,047	1.00000	\$559,968

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Missouri State Franchise Tax

Line No.	Description	Amount
	(a)	(b)
1	Proforma State Franchise Tax & City Tax Expense	\$246,719
2	Kansas City Income taxes paid	28,892
3	Less Test Year State Franchise Tax Expense	<u>(240,000)</u>
4	Adjustment to Test Year - Acct. 4081	<u><u>\$35,611</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Property Tax Expense

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
	Proforma Total Plant in Service excluding Corporate		
1	Allocated Plant	C	\$856,839,466
2	Less Intangible Plant	C	<u>(27,644,634)</u>
3	Proforma Plant, excluding Intangible Plant		\$829,194,832
4	Property tax rate		<u>0.79595%</u>
5	Proforma Property Tax Expense		\$6,599,975
6	Oklahoma Property Tax		0
7	Less Test Year Property Tax Expense		<u>(169,925)</u>
8	Adjustment to Test Year - Acct. 4081		<u><u>\$6,769,900</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Postage Increase

Line No.	Description (a)	Amount (b)
1	Average Postage cost per item	
2	2005	\$ 0.280
3	2006- with postage increase	\$ 0.291
4	Increase in postage cost per item	\$ 0.011
5	2005 total items mailed	<u>7,408,675</u>
6	Total increase	<u>\$ 81,495</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Office & Computer Lease Expense

Line No.	Description (a)	Amount (b)
	OFFICE LEASE	
1	Proforma Broadway rent - Rent	\$516,814
2	Proforma Broadway Taxes	195,160
3	Less: Proforma rent from subleases	<u>(316,145)</u>
4	Total proforma rent expense - Acct. 931	395,829
5	Actual rent expense - Acct. 931	<u>419,806</u>
6	Adjustment to Acct. 931	<u><u>(\$23,977)</u></u>
7	Net proforma Broadway building utility costs	\$193,919
8	Less: Actual Broadway building utility costs	<u>124,496</u>
9	Adjustment to Test Year - Acct. 921.00014	<u><u>\$69,423</u></u>
7	Net proforma Broadway supplies expense	\$36,321
8	Actual Broadway supplies expense	<u>23,318</u>
9	Adjustment to Test Year - Acct. 921.00017	<u><u>\$13,003</u></u>
7	Net proforma Broadway building maintenance expense	\$386,917
8	Actual Broadway building maintenance expense	<u>248,401</u>
9	Adjustment to Test Year - Acct. 921.00014	<u><u>\$138,516</u></u>
	COMPUTER LEASE	
10	Current monthly lease with IBM for the mainframe	\$33,051
11	Monthly lease with IBM after increase	<u>47,353</u>
12	Increase per month	<u><u>14,302</u></u>
13	Adjustment to Test Year - Acct. 932.00003	<u><u>\$171,624</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Incentive Compensation and Bonuses

Line No.	Description (a)	Work Performance Bonuses (d)	Total (e)
1	Work performance bonuses allowed	<u>\$59,000</u>	<u>\$59,000</u>
2	Total	<u>\$59,000</u>	<u>\$59,000</u>
3	Incentive Compensation & Bonuses 12/31/05		<u>(451,917)</u>
4	Adjustment		<u>(392,917)</u>
5	Expense Ratio		<u>0.769063</u>
6	Amount Charged to Expense		<u>(\$302,178)</u>

Missouri Gas Energy
Unrecovered Cost of Service
January through June 2006

Total Company

Line No	TARIFF (a)	# of Reg billed Custs (b)	Regular usage (c)	Actual Avg per Cust (d)	Usage used to Design Rates (e)	Per customer Usage Shortfall / (Excess) (f)	Total Usage Shortfall / (Excess) (g)	Revenue Shortfall / Excess (h)
Jan-06								
RES		442,397	59,221,094	134	180.9	47	20,808,523.30	\$ 2,744,020
UGM		19	2,469	130				
SGSM		66,943	24,670,279	369	449.8	81	5,440,682.40	\$ 776,005
LGSM		327	3,327,658	10,178	8717.7	(1,459)	(476,970.10)	\$ (58,748)
LVM		495	25,137,432	50,783	65422.9	14,640	7,246,903.50	\$ 296,253
Feb-06								
RES		443,146	52,769,311	119	174.5	55	24,559,686.00	\$ 3,238,683
UGM		19	3,012	159				
SGSM		66,730	21,069,568	316	444.7	129	8,605,263.00	\$ 1,227,369
LGSM		328	2,510,649	7,701	8898.1	1,187	390,131.60	\$ 48,053
LVM		495	24,845,804	50,194	53266.8	3,073	1,521,262.00	\$ 62,189
Mar-06								
RES		442,626	46,400,023	105	137.1	32	14,284,001.60	\$ 1,883,831
UGM		19	2,494	131				
SGSM		66,163	19,000,872	287	354.9	68	4,480,376.70	\$ 639,036
LGSM		327	2,034,863	6,223	7883.3	1,660	542,976.10	\$ 68,678
LVM		495	23,600,947	47,679	48911.9	1,233	610,443.50	\$ 24,955
Apr-06								
RES		440,116	27,389,905	62.2	92.7	30.5	13,408,848.20	\$ 1,768,225
UGM		18	1,794	99.7				
SGSM		65,322	11,445,040	175.2	234.9	58.7	3,899,097.80	\$ 556,128
LGSM		324	1,293,925	3,993.6	4395.7	402.1	130,281.80	\$ 18,047
LVM		494	17,821,229	35,670.5	42365.3	6,694.8	3,307,229.20	\$ 135,200
May-06								
RES		435,331	11,935,063	27.4	50.8	23.4	10,179,751.80	\$ 1,342,404
UGM		19	1,553	81.7				
SGSM		63,647	5,214,307	81.9	132.5	50.6	3,218,920.50	\$ 459,115
LGSM		328	773,508	2,358.3	6294.7	3,936.5	1,291,155.60	\$ 159,032
LVM		493	18,347,642	37,216.3	35721.3	(1,495.0)	(737,041.10)	\$ (30,130)
Jun-06								
RES		430,930	8,407,453	19.5	22.1	2.6	1,116,100.00	\$ 147,180
UGM		18	1,426	79.2				
SGSM		62,662	4,181,351	66.7	70.5	3.8	236,320.00	\$ 33,706
LGSM		327	809,942	2,476.9	6157.2	3,680.3	1,203,462.40	\$ 148,230
LVM		494	18,792,746	33,993.4	31632.6	(2,360.8)	(1,166,241.60)	\$ (47,676)
								\$ 15,635,784
Proposed Length of Amortization								5 Years
Annual Amortization								\$ 3,127,157

MISSOURI GAS ENERGY
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Twelve Months Ending December 31, 2005
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Customer Collection Costs

Line No.	Description (a)	Total (b)
1	Scheduled number of collectors for 2006	<u>15</u>
2	Total number of hours to be worked	
3	Actual hours worked 12 months ended June 30, 2006	11,802
4	Rate per hour	<u>\$28.00</u>
5	Pro forma cost of collectors	\$330,449
6	Actual cost of collectors	\$215,109
7	Adjustment	<u><u>\$115,340</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Non-recurring / Non-Utility Activity

Line No.	Description (a)	Total (b)
1	Remove non-recurring / non-utility activity from account 923	<u><u>(\$580,577)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
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Weatherization

Line No.	Description (a)	Amount (b)
1	Increase Weatherization to \$600,000	<u>\$100,000</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Environmental Response Fund

Line No.	Description (a)	Amount (b)
1	Environmental Response Fund	<u>\$500,000</u>

Environmental Response Fund:

An Environmental Response Fund shall be established to create a mechanism to fund the recovery of "Environmental Response Costs" as defined below.

(a) Definition of "Environmental Response Costs". "Environmental Response Costs" are all the reasonable and prudently incurred costs associated with evaluation, remedial and clean-up obligations of Missouri Gas Energy arising out of utility-related ownership and/or operation of manufactured gas plants and sites associated with the operation and disposal activities from such gas plants. In addition to the actual remedial and clean-up costs, "Environmental Response Costs" also include costs of acquiring property associated with the clean up of such sites as well as litigation costs, claims, judgments, expenditures made in efforts to obtain insurance reimbursements, and settlements—including the costs of obtaining such settlements—associated with such sites. The Company will use best efforts to satisfy its obligation to minimize the Environmental Response Costs charged to the fund consistent with applicable regulatory requirements and sound environmental policies and to minimize litigation costs that may arise.

Fifty percent (50%) of any applicable insurance proceeds and/or contributions obtained from Westar Energy (the successor of Western Resources, Inc.) and/or contributions obtained from potentially responsible parties, net of costs associated with obtaining such proceeds and/or contributions, shall be credited to the fund. The fund shall also be given credit for the accrued liability in the amount of \$3,000,000 recorded on Southern Union Company's books following the acquisition of the Missouri property (which was to become Missouri Gas Energy) from Western Resources, Inc.

(b) Funding. The fund shall be maintained in an interest bearing trust account and shall be credited at the annual target amount of approximately \$500,000 (the current amount reflected in rates for such costs). The actual amount of the credit shall be based on the actual billed revenues produced by the discrete rate element included in the basic service charge or delivery charge of all customer classes. Any cash expenditures shall be charged to the fund as long as the costs that are incurred or previously deferred are Environmental Response Costs, as defined above.

(c) Annual Reports. Missouri Gas Energy shall file an annual report with the Commission (and serve the Parties with copies) on a Highly Confidential basis providing a summary and accounting of all costs incurred during such year which have been applied to the fund. A separate account shall be maintained on the Company's books for accruals and expenditures for environmental response costs. Each of the Parties retain their right to review and challenge any costs that they believe do not fall within the definition of "Environmental Response Costs", as defined in subparagraph (a) above.

(d) Reservation of Rights. In the Company's next general rate case to establish rates after the approval of this Agreement, all parties reserve their rights to take any position they deem appropriate regarding (i) the level of funding to be permitted in rates on a prospective basis to recover costs charged to the fund as of the date of such case, and/or (ii) whether the fund should continue as designed for the recovery of prospective costs.

Missouri Gas Energy
Cost of ECWR
Pay Agreement Summary
January 2006 - March 2006

Final Accounts Written Off	2,976	2,076,437
Percent Payment Required Under Old Rule		<u>80%</u>
Amount which should have been Collected		1,661,150
Initial Payment Amount		<u>759,819</u>
Uncollected Amount Due to Rule Change	\$	<u>901,331</u>
Annual Amortization over 3 Years	\$	<u>300,444</u>
Adjustment is already reflected in amortization		