M E M O R A N D U M

TO: Missouri Public Service Commission Official Case File,
Case No. GO-2005-0120, Missouri Gas Utility, a division of CNG Holdings, Inc.

FROM: Staff of the Missouri Public Service Commission

/s/ Dave M. Sommerer
Staff Coordinator / 11/18/04

/s/ Robert Franson
General Counsel's Office / 11/18/04

SUBJECT: Staff Recommendation On Missouri Gas Utility, Inc. Application For A Certificate Of Public Convenience And Necessity

DATE: November 18, 2004

On October 29, 2004, Missouri Gas Utility, Inc. (MGU) filed an Application. This Application seeks: approval of the acquisition of the Gallatin and Hamilton, Missouri natural gas system assets; a certificate of convenience and necessity (CCN) to construct, install, own, operate, control, manage and maintain a system for the provision of natural gas service to the public; authorizing MGU to file tariffs to establish rates, rules and regulations as described in the Application; authority to encumber those assets in connection with the acquisition; and authorizing MGU to do other acts necessary to fully effectuate the Transaction.

On November 4, 2004, the Missouri Public Service Commission (Commission) issued an order directing filings, which among other things ordered Staff to file its recommendation and memorandum no later than November 18, 2004. Responses, if any, to Staff's recommendation and memorandum were to be filed no later than November 22, 2004.

The November 4 order noted that the City of Gallatin Natural Gas Distribution System serves the City of Gallatin and the surrounding communities of Coffey, Jameson, and Brooklyn, Missouri. The system currently has approximately 460 customers. Construction of the Gallatin system was financed through the use of a lease-purchase agreement. Under the agreement, Gallatin leased and operated the system. MGU indicates that Gallatin has defaulted on the lease agreement.

The City of Hamilton Natural Gas Distribution System serves the City of Hamilton and surrounding areas. The system currently serves 277 customers. Construction of the Hamilton system was also financed through the use of a lease-purchase agreement under which Hamilton leased and operated the system. MGU also notes that Hamilton has defaulted on the lease agreement.

Colorado Natural Gas (CNG, CNG Holdings, Inc.) Organization

CNG is a holding Company that historically conducted its operations in Colorado. The Company has a Local Distribution operation known as "Colorado Natural Gas, Inc." and a Heating and Appliance operation.

According to the Company's website describing Colorado operations:

> Colorado Natural Gas, Inc., a Colorado corporation, was formed in May 1997 to provide natural gas to residential and commercial customers in authorized service areas through natural gas distribution systems constructed and installed by Colorado Natural Gas, Inc. As of January 1, 2004, the Company has 1,391,280 feet of gas main lines and 688,700 feet of service lines. There are more than 6,297 contracted customers.

The following provides the Staff's discussion of proposed conditions for approval of this application. Conditions are summarized in an attachment for ease of reference. The Staff also notes that a foreclosure sale is scheduled for late November 2004, which may result in a multiple bidders for this property.

<u>Service Quality Conditions</u>

The Company will respond to inquiries from the Commission's Consumer Services Department within three (3) business days, except for interruption of service issues, to which it will respond within one (1) business day.

The Company agrees to provide written notice to all customers in the acquired systems regarding the change in company management and ownership including the Company's address and phone number. The written notice should include information that the systems will be subject to regulation by the Missouri Public Service Commission for all matters including rates and service and that customers may reach the Consumer Services Department of the Missouri Public Service Commission at 1-800-392-4211.

The Company agrees to adhere to all Commission rules and regulations as they relate to service, including abiding by provisions of the Cold Weather Rule, which, among other things, specifies bill payment options and Company responsibility with respect to service disconnections from November 1st through March 31st.

<u>Depreciation</u>

The Company for purposes of accruing depreciation expense will use the rates set forth in the attached Depreciation Schedule (Schedule 2). Given that the Commission does not have specifics regarding what assets the Company will actually possess, it is recommended that the Company use depreciation rates from Aquila gas (GR-2004-0072) that operates in a similar geographic environment.

<u>Gas Safety</u>

CNG must have the following in place, prior to operating the system:.

> Operations and Maintenance Plan
> Emergency Plan
> Operator Qualification Plan
> Anti-Drug and Alcohol Misuse Plan
> Damage Prevention Program
> Membership in Missouri One Call

In addition to having an Operator Qualification Plan, the operator will have to be qualified to operate the Gallatin and Hamilton systems. In addition to having a Drug and Alcohol Plan, the Company must be set-up to conduct pre-employment testing of new personnel, and ready to conduct random testing.

Currently, city personnel at Gallatin and Hamilton take the emergency, leak and odor calls from the public (at a city number) and the gas personnel are contacted to respond. CNG must have a process to receive and respond to emergency, leak and odor calls, at any time (24 hours a day, 7 days a week, 365 days a year). The cities could have an agreement to temporarily transfer calls to CNG, or if CNG is going to have a new telephone contact number for emergency/leak/odor calls, CNG will need to **widely** advertise that number to the public prior to operation.

CNG must be able to receive, dispatch and respond to emergency, leak and odor calls as required in the MoPSC Regulations (within one hour for inside odor calls and two hours for outside odor calls). Customers and the public must be informed of the 24-hour emergency number to be used.

Gas Supply

MGU states that there are currently no natural gas supply contracts in place to serve this system for the 2004/2005 winter (DR5003 and DR5006). The city and trustee do not appear to have plans to acquire gas for the winter independent of a bailout from a purchaser for the system. MGU states that until approval of MGU's acquisition of the Gallatin – Hamilton system by the MoPSC, and the transaction is closed, it is unclear what entity has the legal responsibility for obtaining firm gas supply. MGU further states that although it is not its responsibility, MGU has taken steps to assist with the gas supply situation. MGU states that it will begin purchasing gas each day beginning Monday, November 15. However, MGU is not willing to enter into an arrangement for December unless and until it has MoPSC approval of the acquisition of the system. The Company states that it believes it would not be prudent to commit to an expenditure expected to exceed $200,000 without approval of the underlying transaction or confirmation of the conditions that might be placed on such approval. (Data Request No. 5016 and Data Request No. 5021)

The transportation service contracted for with ANR is known as "Small Transportation Service" (STS). This service is a carryover from FERC Order 636 where very small gas companies were allowed a "pay as you go" no-notice type of service. This service generally presumes that a related storage feature is available to absorb the swings of demand that are characteristic of residential weather sensitive use, allowing for storage withdrawals when customer demand exceeds natural gas nominations and storage injections when customer demand is less than the gas nominated. Gallatin and Hamilton would typically rely on withdrawal of natural gas from storage for a large part of the overall winter supply, but storage was only filled to 26% at the start of the winter season (Data Request Nos. 5003 and 5004). The decision to only fill storage to 26% at the start of the winter season could have a negative effect on costs to customers in the coming months, meaning that the cost of gas could be much higher than if storage had been filled to a reasonable level.

Lack of firm gas supply to meet the heating season requirements of the natural gas customers of Gallatin and Hamilton is of grave concern to Staff. While MGU and Gallatin and Hamilton are contemplating where natural gas supplies will be obtained for the current month and the remaining winter months, customers are consuming the last of the gas that was previously injected into storage. If no additional natural gas purchases are made in November, the natural gas currently in storage will be depleted in early December 2004. Spot supply contracts may be considered, but spot supply is generally priced in a daily market where prices can be much more volatile than a monthly index, especially if the weather turns cold. Additionally without firm contracts, there is no guarantee that spot gas will be available for purchase should the weather turn cold.

To address the concerns of gas supply for the winter months of 2004/2005, Staff recommends that MGU provide the following information: (a) provide within 10 working days of Commission approval MGU's plans and analyses confirming that adequate natural gas supplies will be in place for each of the winter months of December 2004 through March 2005 for customer requirements for normal weather and cold weather, including requirements for a historic peak cold day; (b) provide within 10 working days of the end of each month of November 2004 through March 2005 the end of month storage balance; and (c) in recognition that the 2004/2005 supply situation is not a normal situation because of the current storage level, Staff recommends that MGU provide by July 15, 2005 its plans and analyses for providing adequate natural gas supplies for its customers for normal weather for the winter months of 2005/2006 and how that plan will be revised to provide for customer requirements for cold weather, including requirements for a historic peak cold day.

In terms of expertise, CNG's existing service territories do not rely on pipeline storage service, and are thus unfamiliar with storage operations as part of a gas supply resource. CNG has no experience with ANR's tariffed services. CNG has no gas supply department and generally outsources its needs through independent "aggregators" who in turn assist with procuring gas supply and transportation services.

Traditionally, the City of Gallatin has relied on one person to coordinate its gas supply function. Gallatin, like CNG, has also historically relied heavily on the use of independent gas "aggregators".

As with all Missouri Local Distribution Companies (LDCs), there will be the standard ACA review of actual gas costs and billed revenues, a reliability review, as well as a prudence review regarding all aspects of decisions impacting the level of actual gas costs.

Franchise Agreements

The Company has provided signed "non-exclusive" franchise agreements for the Cities of Gallatin and Hamilton. They have indicated that an agreement is necessary for Coffey but will not be available until December 1, 2004. The Company has not specified if franchise agreements are necessary in other communities it proposed to serve.

Service Territory

The Company includes several communities that are not piped for gas in its proposed service territory. It is unclear how many of these communities would require a franchise agreement. It is also unclear about the economic feasibility of building pipe to and within those communities. The only communities piped for gas are Coffey, Jameson, Gallatin, and Hamilton. Those are the only communities that Staff suggests be certificated at this time.

Tariff

The Company must file a full set of tariffs within 30 days of Commission approval with a territory description section, a rates section and a rules and regulations section that fully explains the services provided by the Company. The description section of the tariff incorporates the description of the service territory the gas utility is authorized to provide gas services. This can include copies of maps and legal descriptions of the area. The rates section of the tariff incorporates the various customer classes and corresponding qualifications and rate charges for each. There is a section that needs to be included in the rate section relating to the Purchased Gas Adjustment Clause (PGA). The PGA tariff describes the process and abilities of the Company when procuring their gas supplies. The rules and regulations portion of the tariff incorporates the rules that are prescribed by the Commission. These tariff sheets govern the standards, practices and requirements that an gas utility must abide by. This portion of the tariff incorporates the statutes and rules and regulations prescribed by the Commission. The Company can include a section for riders, that are used for items such as promotional practices, interruptible service, average payment plans and low-income programs. These tariffs usually target certain retail customers and assist these customers in ways of enabling them to pay their utility bills. The Staff has no objection to the non-gas rates proposed in the application to set initial rates. If existing rate schedules are to be used on an interim basis, the Company must specify the gas cost portion of the rate versus the non-gas (margin) part of the rate. The existing gas cost rate embedded in the current Gallatin rate schedules appears to be $6.95/Mcf which is analogous to a PGA rate for a traditional LDC operation. Absent an acceptable PGA clause, the Company should not exceed this embedded gas cost rate. If a PGA clause is to be established prior to the start of service, then gas costs must be removed from the existing rate structure of Gallatin and Hamilton.

Uniform System of Accounts

The Staff recommends that the Commission order the Company to keep their account numbers as stated in the General Instruction No. 3(C) of Part 201 (Uniform System of Accounts) of the Accounting and Reporting Requirements for Natural Gas Companies, which states the following:

> The numbers prefixed to account titles are to be considered as part of the titles. Each utility, however, may adopt for its own purposes a different system of account numbers (See also general instruction 2D) provided that the numbers herein prescribed shall appear in the descriptive headings of the ledger accounts and in various sources of original entry; however, if a utility uses a different group of account numbers and it is not practicable to show the prescribed account numbers in the various sources of original entry, such reference to the prescribed account numbers may be omitted from the various sources of original entry.

> Moreover, each utility using different account numbers for its own purposes shall keep readily available a list of such account numbers which it uses and a reconciliation of such account numbers with the account numbers provided herein. It is intended that the utility's records shall be so kept as to permit ready analysis by prescribed accounts (by direct reference to sources of original entry to the extent practicable) and to permit preparation of financial and operating statements directly from such records at the end of each accounting period according to the prescribed accounts.

Corporate Allocation Issues

The Staff is concerned that MGU only receive an appropriate share of CNG's corporate overhead costs (also referred to as joint and common costs) in the future as a result of this acquisition. The Staff recommends that CNG allocate corporate costs based on factors that faithfully and accurately represent, to the greatest extent possible, the level of actual corporate involvement in the corporate services provided and the actual business unit beneficiaries of the incurred costs.

Acquisition Costs

CNG has incurred certain costs, commonly known as "transaction costs," as a result of its proposed acquisition of the Gallatin and Hamilton gas distribution systems. These transaction costs include, but are not limited to, such items as bankers fees and consulting costs. The Staff recommends that all transaction costs incurred by CNG in relation to its acquisition of the Gallatin and Hamilton gas distribution systems be booked below-the-line by CNG, and that CNG agree not to seek recovery in customer rates of these costs in any future Missouri proceeding.

The Staff recommends that CNG maintain its books and records so that all acquisition costs (including the transaction costs associated with the instant application, as well as any future CNG merger and acquisition transactions) are segregated and recorded separately. The Staff recommends that, during MGU's next general rate proceeding, CNG be ordered to disclose to the Staff, OPC, and other interested parties, subject to a Commission protective order, all acquisition, merger, transition, and transaction costs recorded in CNG's books and records in the appropriate test year. .

Accounting for Plant

MGU's pro forma financial statements, included as part of its Application, and its Feasibility Study reflect valuation of the Gallatin and Hamilton plant in service assets at the purchase price paid by MGU. The economics of this transaction, as well as MGU's level of proposed customer rates, are based upon the purchase price paid by MGU for these properties of ** __________ **. Accordingly, the Staff recommends that MGU be ordered to book its actual paid investment in the Gallatin and Hamilton plant assets in its plant in service accounts for regulatory accounting purposes. The Staff will work with MGU to develop appropriate valuation of its plant assets for booking purposes on an account-by-account basis.

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Affiliate Transactions

Staff must have access to information adequate to determine whether CNG is in compliance with the Commission's affiliate transactions rules. The Staff recommends that CNG maintain data related to affiliate transactions and corporate allocation of costs between the regulated and nonregulated operations of CNG. This will allow Staff to audit CNG's compliance with the Commission's affiliate transactions rules in the future.

Surveillance

Upon approval of this transaction, Staff recommends that MGU begin providing "surveillance reports", or periodic reports of earnings. The surveillance reporting, which is considered confidential, is currently provided on a standardized form to the Commission Staff monthly, quarterly, semiannually or annually by approximately twenty other Missouri utility companies. A copy of a surveillance report is attached as Schedule 3. The surveillance reporting establishes financial reporting requirements that utility companies under Commission jurisdiction must follow to allow the Staff to monitor their earnings. Staff will work with the Company to determine an appropriate reporting schedule.

Financial Analysis

Colorado Natural Gas Holdings Inc. (CNG Holdings) has proposed to acquire the Gallatin and Hamilton systems with Missouri Gas Utility Inc. (MGU) remaining as a subsidiary with CNG Holdings being the surviving corporation. CNG Holdings and MGU have agreed to a purchase price of ** __________ **. Company states in its response to Staff Data Request No. 3801:

> ** ____
> ____
> ____
> ____
> ____
> ____ **

Staff reviewed the proposed acquisition application and exhibits along with Company data responses.

In addition to reviewing these reports, Staff reviewed the consolidated capital structure of CNG Holdings on a pre- and post-acquisition basis. As of March 31, 2004, CNG Holdings reported a pre-acquisition consolidated capital structure consisting of 33.72 percent common equity and 66.28 percent long-term debt. On a consolidated 2005 pro forma basis taking into consideration the MGU purchase, Staff has determined CNG Holdings consolidated capital structure is expected to consist of 33.50 percent common equity and 66.50 percent long-term debt.

Standard and Poor's currently does not assign corporate credit ratings to CNG Holdings or any of CNG Holdings' subsidiaries. Since Standard and Poor's currently does not assign corporate credit ratings to CNG Holdings, Staff used Laclede Gas's (Laclede) business risk profile to determine appropriate Standard and

Poor's benchmark ratios to compare to CNG Holdings ratios. Three primary benchmark ratios that are published by Standard and Poor's include Funds From Operations to Interest Coverage, Funds from Operations to Total Debt, and Total Debt to Total Capital. As of August 2, 2004, Standard and Poor's assigned a business profile of "3" for Laclede on a consolidated basis. Based on a business profile of "3" for a "BBB" rated company, Standard and Poor's benchmark ranges for Funds From Operations to Interest Coverage is 1.5 times to 2.5 times, Funds From Operations to Total Debt is 10 percent to 15 percent, and Total Debt to Total Capital is 55 percent to 65 percent.

The same three ratios reveal that CNG Holdings, on a stand alone basis, are below the benchmark range of a company with a "BBB" credit rating and a business profile of "3". The Funds From Operations to Interest Coverage is 1.26 times, the Funds From Operations to Total Debt is 3.06 percent, and Total Debt to Total Capital is 66.28 percent.

The 2005 pro-forma ratios are based on assumptions made by CNG Holdings, two of which are, potential growth in customers in Missouri and Colorado and the issuance of common equity in the first quarter of 2005.

On a consolidated 2005 pro-forma basis (including MGU purchase) CNG Holdings' Funds from Operations to Interest Coverage is 2.73 times, which is above the benchmark range for a company with a credit rating of "BBB" and a business profile of "3". CNG Holdings' Funds from Operations to Total Debt is 8.75 percent, which is below the benchmark range for a company with a credit rating of "BBB" and a business profile of "3". CNG Holdings' Total Debt to Total Capital ratio is 66.50 percent, which is below the benchmark range for a company with a credit rating of "BBB" and a business profile of "3". CNG Holdings is highly leveraged with 66 percent debt on a pre- and post-acquisition.

After review of CNG Holdings on a consolidated pre- and post-acquisition, the company does not have the financial ratios consistent for an investment grade rating of "BBB" and may be rated "junk" status if the company were rated by a credit rating agency. Based on this analysis of CNG Holdings, Staff would normally not recommend approval of this transaction. If Staff were to recommend disapproval of this acquisition, it would become a detriment to Missouri Gas Utility customers, as there would not be a company to provide gas service through the winter months. At this time CNG Holdings is currently the only buyer and Staff recommends Commission approval of this acquisition with conditions attached.

Conclusion

Attached as Schedule 1 is a summary list of the Staff's proposed conditions.

The Staff has reviewed this Application and for the following reasons is of the opinion that granting this Application with the proposed conditions herein would be in the public interest:

1. MGU is willing and able to provide the requested service under existing Gallatin and Hamilton rate schedules,

2. Existing owners do not appear to have a plan in place for obtaining firm natural gas supply for existing customers absent a sale of the system. MGU appears willing to

procure firm gas supply, although plans have not been finalized pending approval from the Commission that is acceptable to MGU.

3. No interveners have objected to this certificate request,

4. The main part of this system has already been built and has operated for over 5 years.

5. The requested service area has projected growth, and

6. Franchise agreements have been obtained, with the exception of Coffey, for the towns that are already piped for natural gas.

Therefore, Staff recommends that MGU be granted a certificate to serve the requested areas in the Missouri Counties of Harrison, Daviess and Caldwell Counties but limited to towns with approved franchise agreements that are already piped for natural gas. Staff also recommends the Company file revised tariff sheets reflecting this proposed CCN in this case within thirty (30) days of the Commission's Order approving this Application.

Copies: Director - Utility Operations Division
Director - Utility Services Division
General Counsel
Manager - Financial Analysis Department
Manager - Procurement Analysis Department
Manager - Energy Department
Manager – Engineering – Management Services
Dean L. Cooper – Attorney with Brydon, Swearengen & England P.C. (MGU)
Office of the Public Counsel (Doug Micheel)

SUMMARY OF CONDITIONS

1. Service Quality Conditions

   a. The Company will respond to inquiries from the Commission's Consumer Services Department within three (3) business days, except for interruption of service issues, to which it will respond within one (1) business day.

   b. The Company agrees to provide written notice to all customers in the acquired systems regarding the change in company management and ownership including the Company's address and phone number. The written notice should include information that the systems will be subject to regulation by the Missouri Public Service Commission for all matters including rates and service. Customers may reach the Consumer Services Department of the Missouri Public Service Commission at 1-800-392-4211.

   c. The Company agrees to adhere to all Commission rules and regulations as they relate to service, including abiding by provisions of the Cold Weather Rule, which, among other things, specifies bill payment options and Company responsibility with respect to service disconnections from November 1st through March 31st.

2. Depreciation

   a. The Company for purposes of accruing depreciation expense will use the rates set forth in the attached Depreciation Schedule.

   b. Given that the Commission does not have specifics regarding what assets the Company will actually possess, it is recommended that the Company use depreciation rates from Aquila gas (GR-2004-0072) that operate in a similar geographic environment.

3. Gas Safety

   a. CNG must have the following in place, prior to operating the system.
      Operations and Maintenance Plan
      Emergency Plan
      Operator Qualification Plan
      Anti-Drug and Alcohol Misuse Plan
      Damage Prevention Program
      Membership in Missouri One Call

   b. In addition to having an Operator Qualification Plan, the operator will have to be qualified to operate the Gallatin and Hamilton systems. In addition to having a Drug and Alcohol Plan, the Company must be set-up to conduct pre-employment testing of new personnel, and ready to conduct random testing.

   c. CNG must have a process to receive and respond to emergency, leak and odor calls, at any time (24 hours a day, 7 days a week, 365 days a year). The cities could have an agreement to temporarily transfer calls to CNG, or if CNG is going to have a new telephone contact number for emergency/leak/odor calls, CNG will need to widely advertise that number to the public prior to operation.

d. CNG must be able to receive, dispatch and respond to emergency, leak and odor calls as required in the MoPSC Regulations (within one hour for inside odor calls and two hours for outside odor calls). Customers and the public must be informed of the 24-hour emergency number to be used.

4. Gas Supply

a. MGU will provide within 10 working days of Commission approval MGU's plans and analyses confirming that adequate natural gas supplies will be in place for each of the winter months of December 2004 through March 2005 for customer requirements for normal weather and cold weather, including requirements for a historic peak cold day.

b. MGU will provide within 10 working days of the end of each month of November 2004 through March 2005 the end of month storage balance.

c. MGU will provide by September 15, 2005 its plans and analyses for providing adequate natural gas supplies for its customers for normal weather for the winter months of 2005/2006 and how that plan will be revised to provide for customer requirements for cold weather, including requirements for a historic peak cold day.

5. Service Territory

The only communities piped for gas are Coffey, Jameson, Gallatin, and Hamilton. Those are the only communities that Staff suggests be certificated at this time. A final franchise agreement must be submitted for Coffey prior to approval of a certificate.

6. Tariff

The Company must file a full set of tariffs within 30 days of Commission approval with a territory description section, a rates section and a rules and regulations section that fully explains the services provided by the Company.

7. Uniform System of Accounts

The Company will keep their account numbers as stated in the General Instruction No. 3(C) of Part 201 (Uniform System of Accounts) of the Accounting and Reporting Requirements for Natural Gas Companies.

8. Corporate allocation issues

CNG will allocate corporate costs based on factors that faithfully and accurately represent, to the greatest extent possible, the level of actual corporate involvement in the corporate services provided and the actual business unit beneficiaries of the incurred costs.

9. Acquisition Costs

a. All transaction costs incurred by CNG in relation to its acquisition of the Gallatin and Hamilton gas distribution systems will be booked below-the-line by CNG, and CNG agrees not to seek recovery in customer rates of these costs in any future Missouri proceeding.

b. CNG will maintain its books and records so that all acquisition costs (including the transaction costs associated with the instant application, as well as any future CNG merger and acquisition transactions) are segregated and recorded separately.

c. During MGU's next general rate proceeding, CNG will disclose to the Staff, OPC, and other interested parties, subject to a Commission protective order, all acquisition, merger, transition, and transaction costs recorded in CNG's books and records in the appropriate test year. .

10. Accounting for Plant

MGU's plant in service accounts will reflect plant costs calculated based upon MGU's actual investment in Gallatin and Hamilton plant in service facilities.

11. Affiliate Transactions

The Staff recommends that CNG maintain data related to affiliate transactions and corporate allocation of costs between the regulated and nonregulated operations of CNG.

12. Surveillance

Upon approval of this transaction, Staff recommends that MGU begin providing "surveillance reports", or periodic reports of earnings.

13. PGA/ACA review

As with all Missouri Local Distribution Companies (LDCs), there will be the standard ACA review of actual gas costs and billed revenues, a reliability review, as well as a prudence review regarding all aspects of decisions impacting the level of actual gas costs.

14. Risk of project success

The Company's owners shall be at risk for the failure of this system to achieve forecasted conversion rates and/or its inability to successfully compete against propane.

15. Financial Issues

Staff has concerns about the possibility that CNG Holdings' Missouri ratepayers may end up paying for higher capital costs because of CNG Holdings' non-regulated subsidiaries Colorado's Best Heating & Appliance and CNG Government Services, Inc. Therefore, Staff is conditioning its approval on CNG Holdings not passing on higher capital costs as a result of this transaction and providing documented proof that any higher costs are not a result of this transaction.

16. Diversify

If CNG Holdings wishes to diversify outside of its current natural gas distribution business, whether it is directly or indirectly through one of its subsidiaries, then it will ask for approval from the Commission to do so.

Missouri Gas Utility, Incorporated (Gas)
CASE NO. GO-2005-0120

ACCOUNT NUMBER	ACCOUNT	Depreciation Rates (%)
	GO-2005-0120	
	TRANSMISSION PLANT	
366.0	Structures and Improvements	2.22
367.0	Mains-Metallic	1.67
369.0	Measuring and Regulating Station Eq.	2.27
	DISTRIBUTION PLANT	
375.0	Structures and Improvements	2.22
376.1	Mains-Metallic	2.22
376.2	Mains-Nonmetallic	2.22
378.0	Measuring and Regulating Station Eq.-General	2.27
379.0	Measuring and Regulating Station Eq.-City Gate	2.27
380.0	Services-Metallic	2.22
380.1	Services-Nonmetallic	2.22
381.0	Meters	2.50
383.0	House Regulators	2.50
385.0	Measuring and Regulating Station Eq.-Industrial	2.27
387.0	Other Eq.	0.00
	GENERAL PLANT	
390.0	Structures and Improvements	2.22
391.1	Office Furniture and Eq.	4.55
391.3	Computer Hardware	14.29
391.4	Computer Software	14.29
391.5	Computer Systems Development	14.29
392.0	Transportation Eq.	8.33
393.0	Stores Eq.	3.70
394.0	Tools, Shop and Garage Eq.	3.70
395.0	Laboratory Eq.	3.45
396.0	Power Operated Eq.	6.25
397.0	Communication Eq.	3.45
398.0	Miscellaneous Eq.	4.35

MISSOURI PUBLIC SERVICE COMMISSION

Public Utility Earnings Surveillance-Monitoring Report

TOTAL COMPANY
FINANCIAL DATA

COMPANY NUMBER ________
COMPANY NAME:

____

____
(Month - Year)

Line No.		Amount (in dollars)	Amount (in dollars)
	Total Company Rate Base		
101	Total Plant in Service (1)		
102	Less: Depreciation Reserve		
103	Net Plant in Service		
104	Add: Materials and Supplies		
105	Less: Advances for Construction		
106	Less: Contributions in Aid of Construction		
107	Less: Deferred Income Taxes		
108	Less: Unamortized Investment Tax Credits Prior to 1971		
109	Total Company Rate Base		
110	Construction Work in Progress		
111	Total Including CWIP		
	Total Company Capitalization		
112	Common Stock Equity, Net		
113	Preferred Stock (Par or stated value outstanding)		
114	Long-term Debt (including current maturities)		
115	Subtotal		
116	Short-term Debt		
117	Total		

(1) Includes completed construction not classified

Prepared by R. McKiddy
August 1999

MoPSC Form MoPSC.SURTS

MISSOURI PUBLIC SERVICE COMMISSION

Public Utility Earnings Surveillance-Monitoring Report

TOTAL COMPANY
FINANCIAL DATA

COMPANY NUMBER ________
COMPANY NAME:

____
(Month - Year)

Line No.		Amount (in dollars)	Amount (in dollars)
	Total Company Operating Statement		
201	Operating Revenues		
202	Operating Expenses		
203	Maintenance Expenses		
204	Depreciation & Amortization Expenses		
205	Taxes, Other Than Income Taxes		
206	Income Taxes - Current, Federal and State		
207	Provision for Deferred Income Taxes, Net		
208	Investment Tax Credit Adj., Net		
209	Total Operating Expenses		
210	Net Operating Income		
211	Non-Operating Income/Expenses, Net (1)		
212	Gross Income		
213	Interest on Long-Term Debt		
214	Amortization Debt Discount/Premium, Net		
215	Interest on Short-term Debt		
216	Other Interest		
217	Gross Interest Expense		
	Allowance for Funds Used During Construction-Credit: (2)		
218	Equity Component		
219	Debt Component		
220	Total AFUDC		
221	Net Interest Expense		
222	Extraordinary Items, Net (1)		
223	Net Income		
224	Preferred Dividend Requirements		
225	Amount Available for Common Equity		
226	Twelve Months-Ended Common Dividend Declarations		

(1) ( ) Denotes loss or decrease

(2) Present detail where applicable. Prior to the Twelve Months-Ended January 31, 1977, show Total AFUDC only.

MISSOURI PUBLIC SERVICE COMMISSION

Public Utility Earnings Surveillance-Monitoring Report

MISSOURI JURISDICTIONAL FINANCIAL DATA

COMPANY NUMBER ________
COMPANY NAME:

____

(Month - Year)

Line No.		Amount (in dollars)	Amount (in dollars)
	Missouri Jurisdictional Rate Base		
101	Total Plant in Service (1)		
102	Less: Depreciation Reserve		
103	Net Plant in Service		
104	Add: Materials and Supplies		
105	Less: Advances for Construction		
106	Less: Contributions in Aid of Construction		
107	Less: Deferred Income Taxes		
108	Less: Unamortized Investment Tax Credits Prior to 1971		
109	Missouri Jurisdictional Rate Base		
	Missouri Jurisdictional Operating Income		
201	Operating Revenues		
202	Operating Expenses		
203	Maintenance Expenses		
204	Depreciation & Amortization Expenses		
205	Taxes, Other Than Income Taxes		
206	Income Taxes-Current, Federal & State		
207	Provision for Deferred Income Taxes, Net		
208	Investment Tax Credit Adj., Net		
209	Total Operating Expenses		
210	Net Operating Income		

Source of Allocation Factors: ________________

Date of Allocation Factors: ________________

(1) Includes completed construction not classified.