

WATSON BISHOP LONDON BROPHY, P.C.

ATTORNEYS AT LAW

106 East Sixth Street, Suite 700

Austin, Texas 78701

(512) 479-5900

(512) 479-5934/Facsimile

May 03, 2004

Eric Herschmann

Kasowitz, Benson, Torres & Friedman

1633 Broadway

New York NY 10019

FBI IDENTIFICATION NO. 74-2862000

In Reference To: Missouri Gas Energy

Invoice # 13801

Professional services

		Hours	Amount
04/01/04 CCD	Confs with E Herschmann re: Daubert issues and strategy; continue reading witness testimony; continue preparation of cross exam outline for Murray	5.20	1,378.00
04/02/04 CCD	Read testimony of Hill, Wright and McKiddy; tel confs with E Herschmann re: Murray strategy and Daubert timing; confs with M Fay re: Daubert issues	3.10	821.50
04/05/04 CCD	Continue reading Murray testimony from previous water and electric cases; read testimony of McKiddy	3.90	1,033.50
04/06/04 CCD	Continue reading testimony; tel call from R Hack re: upcoming conference call and meeting strategy and Daubert issues; prepare updated Murray testimony outline	6.10	1,616.50

BATCH #

133

INVOICE #

13801

DATE:

5-27-04

ENTERED BY:

CR

29081.24

Eric Herschmann

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		<u>Hours</u>	<u>Amount</u>
04/07/04 CCD	Prepare for conference call with client and expert; continue preparation of Murray and Dunn testimony summaries and cross-examination outline; confs with E Herschmann re: Murray strategy	2.80	742.00
04/13/04 CCD	Read witness testimony; prepare memos summarizing testimony; update outline re: Murray cross examination; begin preparation of Murray exhibit notebook; read articles from J Dunn re: capital structure; read materials re: proxy group companies	6.10	1,616.50
04/14/04 CCD	Read witness testimony; prepare memos summarizing testimony; confs with E Herschmann re: Murray deposition strategy	5.30	1,404.50
04/15/04 CCD	Read witness testimony; prepare memos summarizing testimony; confs with E Herschmann re: Murray deposition strategy; read Murray direct testimony in current MGE case; review schedules	6.20	1,643.00
04/16/04 CCD	Review and analysis of Staff and OPC testimony	3.60	954.00
04/19/04 CCD	Review and analysis of Staff and OPC testimony; memo to R Hack re: dividend question and Panhandle	5.30	1,404.50

Eric Herschmann

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		<u>Hours</u>	<u>Amount</u>
	equity allocation; confs with M Fay re: same; prepare agenda for April meeting; prepare summary of Staff testimony for E Herschmann		
04/20/04 CCD	Conf call with J Dunn, R Hack, R Marshall, E Herschmann and M Fay re: capital structure analysis; continue reading Staff testimony; memo to R Hack and M Fay re: previous Staff testimony adjusting for difference S&P ratings; read data requests from OPC to Dunn; continue preparation of Murray cross exam outline	4.70	1,245.50
04/21/04 CCD	Continue preparation for Murray deposition; confs with E Herschmann re: capital structure and rate of return analysis; confs with R Hack re: same	2.40	636.00
04/23/04 CCD	Conferences with E. Herschmann re Murray cross strategy; read memos from R. Hack and J. Dunn re strategy; telephone conference call with R. Hack, R. Marshall, E. Herschmann and M. Fay re capital structure issues.	3.80	1,007.00
04/24/04 CCD	Continue preparation of Murray cross-exam outline continue reading material from R. Hack and J. Dunn.	5.20	1,378.00

Eric Herschmann

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		<u>Hours</u>	<u>Amount</u>
04/25/04 CCD	Continue preparation of Murray cross exam outline; conference with E. Herschmann re strategy; read background materials.	5.90	1,563.50
04/26/04 CCD	Meeting with R. Hack, J. Dunn, J. Quain and E. Herschmann re Murray deposition and rate of return strategy.	8.40	2,226.00
04/27/04 CCD	Meeting with R. Marshall, J. Dunn, J. Quain & E. Herschmann re Murray deposition and capital structure strategy in light of Panhandle Agreement; pull quotes from prior Murray depositions to use.	9.80	2,597.00
04/28/04 CCD	Conf call with D Farr in Swearngen's office re: Missouri Daubert standard and strategy; conf call with M Fay and E Herschmann re: effect of Panhandle Agreement on capital structure issues; continue preparation for Murray deposition; communications with J Dunn re: applying Aquila criteria to Murray's proxy group	4.70	1,245.50
04/29/04 CCD	Continue preparation for Murray deposition; tel confs with R Hack, R Marshall and L Racker; review and edit Daubert motion; create additional Murray questions from motion; read financial	6.90	1,828.50

Eric Herschmann

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	<u>Hours</u>	<u>Amount</u>
materials provided to Murray; read materials from R Marshall; confs with E Herschmann re; Murray strategy		
04/30/04 CCD Continue preparation for Murray deposition	5.80	1,537.00
For professional services rendered Additional charges:	<u>105.20</u>	<u>\$27,878.00</u>
04/30/04 Copies		5.00
Delivery Charges - FedEx		87.58
Travel - (Chris Dodds) 4/26-4/27 to NYC for client meetings.		1,110.66
Total costs		<u>\$1,203.24</u>
Total amount of this bill		<u>\$29,081.24</u>
Previous balance		\$18,440.52 <i>Pd</i>
Balance due		<u><u>\$47,521.76</u></u>

User Summary			
<u>Name</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Christina Dodds	105.20	265.00	\$27,878.00

SOUTHERN UNION COMPANY

REQUEST FOR CHECK

REQUESTOR

Check Payable To:

Watson Bishop London Brophy, PC

Request Date

May 26, 2004

Dollar Amount

\$29,081.24

Payment Due Date

ASAP

Send Check To:

The Littlefield Building
106 E. Sixth St., Suite 700
Austin, TX 78701

Reason for Request

Legal fees regarding MGE

Account Code					Approvals	
Acct. Unit	Main Acct.	Subaccount	Activity	Amount/Percent	Requested By	Date
000	146023	0000	Rate Case	\$29,081.24	Denny Nallon	5/26/04
					Approved By Dennis K. Morgan	Date
					Approved By	Date
Total				\$29,081.24		

ACCOUNTS PAYABLE DEPARTMENT

Reviewed By	Invoice Number	Entered By	Date	Authorized By	Date

04/11/04 13:20 FAX 5124795934

** WBLB **

007

WATSON BISHOP LONDON BROPHY, P.C.

ATTORNEYS AT LAW

106 East Sixth Street, Suite 700

Austin, Texas 78701

(512) 479-5900

(512) 479-5934/Facsimile

April 01, 2004

ORIGINAL INVOICE

Eric Herschmann

Kasowitz, Benson, Torres & Friedman

1633 Broadway

New York NY 10019

TAX IDENTIFICATION NO. 74-2862000

In Reference To: Missouri Gas Energy

Invoice # 13742

Professional services

		Hours	Amount
03/04/04 CCD	Conf with E Herschmann re: case background; organize Bible and Schallenberg testimony and documents	1.80	477.00
03/09/04 CCD	Tel conf with R Hack re: case background and schedule; organize testimony for review	0.80	212.00
03/11/04 CCD	Telephone conference with E. Herschmann re strategy of witness review and preparation; begin reading witness statements, memos and depositions.	5.60	1,484.00
03/14/04 CCD	Continue reading materials.	3.20	848.00
03/17/04 CCD	Continue reading witness testimony; tel call from R Hack re: strategy; continue preparation of witness summary and cross examination outline	3.70	980.50

BATCH # 706

INVOICE # 13742

DATE

APPROVED BY: [Signature]

18440.52

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04/14/04 13:20 FAX 5124795934 ** WBLB **

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Eric Herschmann

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		<u>Hours</u>	<u>Amount</u>
03/18/04 CCD	Continue reading witness testimony; continue preparation of witness summary and cross examination outline	1.70	450.50
03/19/04 CCD	Continue reading witness testimony; continue preparation of witness summary and cross examination outline	5.10	1,351.50
03/22/04 CCD	Continue reading witness testimony; continue preparation of witness summary and cross examination outline	4.60	1,219.00
03/23/04 CCD	Continue reading witness testimony; tel confs with E Herschmann re: background issues and potential cross examination; prepare for client meeting	4.10	1,086.50
03/24/04 CCD	Prepare for client meeting; telephone conference with E. Herschmann re: witness summaries and cross-examination strategy; finalize points for cross; read deposition of Murray by Swearingen in Aquila case.	8.40	2,226.00
03/25/04 CCD	Meeting with R Hack, J Dunn, J Quain, D Morgan & E Herschmann re: fact background and strategy	9.10	2,411.50

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** WBLB **

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Eric Herschmann

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	<u>Hours</u>	<u>Amount</u>
03/26/04 CCD Meeting with R Hack, J Dunn, J Quain & E Herschmann re: cross examination strategy	7.80	2,067.00
03/28/04 CCD Read prior Bible depositions forwarded by D Morgan	3.10	821.50
03/30/04 CCD Read materials from client meeting; read testimony of D Broadwater and J Moore; continue reading Bible testimony; continue preparation of cross examination questions for Murray; prepare memo to E Herschmann and R Hack re: schedule and deadlines	5.10	1,351.50
03/31/04 CCD Conferences with M Fay re: Daubert motion strategy and capital structure issues; read testimony for similarities and boilerplate by Staff for each case; memo to R Hack re: risk adjustment issues	3.10	821.50
For professional services rendered Additional charges:	67.20	\$17,808.00
03/31/04 Postage		14.32
Travel - Chris Dodds 3/24-3/28 NYC		618.20
Total costs		\$632.52
Total amount of this bill		\$18,440.52

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** WBLB **

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Eric Herschmann

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Amount

Balance due

\$18,440.52

Name	User Summary	Hours	Rate	Amount
Christina Dodds		67.20	265.00	\$17,808.00

SOUTHERN UNION COMPANY

REQUEST FOR CHECK

REQUESTOR

Check Payable To:

Watson Bishop London Brophy, PC

Request Date

April 19, 2004

\$18,440.52

Payment Due Date

ASAP

Send Check To:

The Littlefield Building
106 E. Sixth St., Suite 700
Austin, TX 78701

Reason for Request

Legal fees regarding MGE

Account Code					Approvals	
Acct. Unit	Main Acct.	Subaccount	Activity	Amount/Percent	Requested By	Date
000	146023	0000		\$18,440.52	<i>Larry Dallen</i>	4/19/04
					Approved By <i>Dennis K. Morgan</i>	Date
					Approved By	Date
Total				\$18,440.52		

ACCOUNTS PAYABLE DEPARTMENT

Reviewed By	Invoice Number	Entered By	Date	Authorized By	Date

Form F1-10-002 (4/02)

UTILITY RESEARCH INTERNATIONAL

Utility Financial Consultants

***10403 Big Canoe
Jasper, GA 30143***

***706-579-1480
706-579-1481 fax
email: profmorin@msn.com***

May 19th, 2004

Kasowitz, Benson, Torres & Friedman
1633 Broadway
New York, NY
ATT.: Michael Fay

Dear Michael:

I am delighted that you have decided to retain my professional services to assist you and your client, Missouri Gas Energy (MGE), in your ongoing rate filing in the state of Missouri. My mandate will consist of submitting written and oral expert rebuttal testimony to Mr. Murray's (Missouri Public Service Commission Staff) rate of return testimony in the determination of a fair and reasonable rate of return on equity (ROE) on MGE's common equity capital.

My usual professional honorarium for this endeavor is a flat fee of \$30,000. If required, traveling, computer data bases, and clerical expenses will be compensated as well. The all-in fee includes: review of the company's financial situation, review of current docket and witness filings, analysis of prior relevant commission orders and policies, preparation of rebuttal rate of return testimony and exhibits, and assistance to legal counsels in cross-examination, and testimonial time. In the eventuality of a settlement prior to formal hearings, a rebate of \$5,000 is applicable.

With enthusiasm and anticipation, I look forward to working with you and your excellent staff. I welcome the opportunity and the challenges of working in

the Missouri jurisdiction again. I have very fond memories of my previous involvement and successes, both social and professional, in the state of Missouri. I can only anticipate that they will continue to be as successful. I trust the enclosed meets with your satisfaction. Looking forward to meeting with you and with the rate case team.

Sincerely,

Roger A. Morin, PhD

Distinguished Professor of Finance for Regulated Industry

MEMORANDUM

To: Tom Karam
From: Rob Hack
Date: 5/27/04
Re: Request for approval to hire Roger Morin to assist with MGE rate case.

Pursuant to Company Policy ("Policy"), I hereby request approval to hire Roger Morin to assist in rate of return matters related to the MGE rate case.

Following is the required Policy information.

- A. Requestor: Robert J. Hack, Vice President – Pricing & Regulatory Affairs, MGE.
- B. Purpose: To assist in supporting MGE rate of return position. Currently, the MPSC staff OPC are recommending overall rates of return less than 7.5% and returns on equity no higher than approximately 9.5%. If we are successful, MGE annual earnings would increase in the range of \$23 MM.
- C. Consultant: Roger Morin
- D. Duration: Approximately 3 months
- E. Consultant's Cost: Approximately \$30,000
- F. Written/Verbal Agreement: Written.
- G. Explanation of Preference: Due to the dollar magnitude of the issue and Professor Morin's distinguished qualifications, his outside assistance is needed to complete the required rebuttal testimony and research needed in a timely manner. Professor Morin has authored texts recognized as authoritative in the field and has expressed a desire to work on this project. Due to severe time constraints associated with testimony filing deadlines, I approved prior to obtaining formal, up-line approval.
- H. Replace Employee/Contractor?: It is not intended that this consultant would replace any existing employee or contractor.
- I. Approval by: MGE Counsel

/s/ Robert J. Hack

5/27/04

Signature

Date

J. Approval by: Jim Oglesby, President and COO

x *Jim O'Leary* 5/27/04
Signature Date

K. Approval by Thomas F. Karam

Signature	Date
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