

Missouri Gas Utility, Inc.

Schedule KDT - 4

Missouri Gas Utility, Inc.
Adjusting Entries to Test Year ended March 31, 2007
Adjustment #1 - Regulatory Commission expense (Acct 928) and Misc deferred debits (Acct 186)

The purpose of this adjustment is to calculate the amount of deferred expense related to this filing and amortize the total over three years.

Balance in Acct 186 at March 31, 2007 (Schedule KDT-3)	\$ 5,997
Budget for legal counsel	60,000
Budget for expert witness	<u>40,500</u>
Total misc deferred debits - Acct 186	<u>\$ 106,497</u>
Two year average balance to Working Capital, Sch KDT-1, Sheet 10	<u>\$ 70,998</u>
Annual expense assigned to O&M Acct 928, Sch KDT-1, Sheet 5	<u>\$ 35,499</u>

Missouri Gas Utility, Inc.
Adjusting Entries to Test Year ended March 31, 2007
Adjustment #2 - Salary and Benefits Increases effective April 1, 2007
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Line No	Particulars	Reference	Amount	Line No
Calculations				
1	Gross pay for FY 2007	see salary detail below	\$ 117,517	1
2	Gross pay for FY 2007 booked to O&M	Sch KDT-1, Sheet 5	<u>\$ 75,867</u>	2
3	percentage booked to expense	line 2 ÷ line 1	<u>64.56%</u>	3
4	FY 08 gross pay	see salary detail below	175,400	4
5	percentage to expense	line 3	<u>64.56%</u>	5
6	FY 08 gross pay booked to expense	line 4 * line 5	<u>113,235</u>	6
7	Adjustment to Sch KDT-1, Sheet 4	line 6 - line 2	<u>\$ 37,368</u>	7
8	Benefits @ 30% of gross to Sch KDT-1, Sheet 5	line 7 * 30%	<u>\$ 11,210</u>	8

Missouri Gas Utility, Inc.
Adjusting Entries to Test Year ended March 31, 2007
Adjustment # 3 - Revision to Bad Debt Expense

FY 2007 amount Account 904 from auditor's trial balance \$ 25,534

Test Year estimated bad debts at 1/2 of one percent of total revenues

approximate MGU revenue requirement		\$ 1,060,000
Natural gas costs subject to bad debts		
annual sale volumes (Dt)	121,446	
ave. projected natural gas cost	<u>\$ 7.80</u>	
		<u>947,279</u>
Total annual revenue		<u><u>\$ 2,007,279</u></u>
one-half of one percent		<u>\$ 10,036</u>
Adjustment to Sch KDT-1, Sheet 4		<u>\$ (15,498)</u>

Missouri Gas Utility, Inc.
Adjusting Entries to Test Year ended March 31, 2007
Adjustment # 4 - Addition to Gross Plant to Reflect Addition of Landmark

	Mains 376	Reg. Station 378	Services 380	Meters/ Stations 381/383	Total
Direct	\$ 338,528	\$ 11,000	\$ 6,600	\$ 5,245	\$ 361,373
Allocated Costs	35,158	4,392	2,635	2,094	44,279
Total MGU Cost to Sch KDT-1, Sheet 7	\$ 373,686	\$ 15,392	\$ 9,235	\$ 7,339	\$ 405,652
Landmark CIAC					100,000
Total Project Cost					\$ 505,652

Missouri Gas Utility, Inc.
Adjusting Entries to Test Year ended March 31, 2007
Adjustment # 5 - Addition to Gross Plant to Reflect Negative Acquisition Adjustment

Gallatin and Hamilton System Utility Plant Proposal (Note 3)					
Line No		Gallatin	Hamilton	Combined	Line No
1					1
2	Original System Cost	\$4,702,740 (1)	\$2,140,000 (2)	\$6,842,740	2
3	Depreciation From Audits	(736,613)	(275,687)	(1,012,300)	3
4	Depreciated Value from Audits	\$3,966,127	\$1,864,313	\$5,830,440	4
5	Estimated Depreciation at Acquisition	(943,534)	(322,767)	(1,266,301)	5
6	Estimated Depreciated Value at Acquisition	\$3,759,206	\$1,817,233	\$5,576,439	6
7	Original Design number of Service Lines	900	818	1,718	7
8	Number of Service Lines at Acquisition			774	8
	Service Lines Originally Projected but never installed, Line 6 less Line 7			944	
9					
10	System Purchase Price			\$1,900,000	9
11	Negative Acquisition Premium, Line 5 less Line 9			\$3,676,439	10
	Negative Acquisition Premium per Uninstalled Original Projected Service Line, Line 10 divided by Line 8			\$3,894.53	11
Effect of the Proposal on the current books of Missouri Gas Utility, Inc.:					
12					
13	Service Lines added, January 1, 2005 through March 31, 2007			231	12
14	Proposed Addition from the Negative Acquisition Premium Account to Utility Plant Account 101-376			\$899,637	13
	Remaining Balance in the Negative Acquisition Premium Account, April 1, 2007			\$2,776,802	14

Amount to
Schedule KDT-1,
Sheet 7

Notes:

This calculation sets forth the information as of January 1, 2005, the date of acquisition by MGU.

(1) Gallatin numbers were taken from the 2002 City Audit. The City of Gallatin did not include the gas system in their 2003 or 2004 City Audits because those documents were prepared after the Board of Aldermen voted to not appropriate funds for the lease payments on the system.

(2) Hamilton numbers were taken from the 2003 City Audit, which did include the Hamilton gas system. The City of Hamilton did not include the gas system in the 2004 City Audit because that document was prepared after the Board of Aldermen voted to not appropriate funds for the lease payments on the system.

(3) Proposal:

- a) Begin the Utility Plant accounts at the Utility Plant at Acquisition amount shown on Line 9.
- b) Record the Negative Acquisition Premium shown on Line 10 to a designated account that would not be part of Utility Plant, probably Acct 106. MGU would not be allowed to earn AFUDC on this account.
- c) All the Negative Acquisition Premium is attributable to the value of the natural gas main lines, since by definition all service lines acquired were used and useful.
- d) MGU would be allowed to add the amount shown on Line 11 to Account 101-376 per service line installed after acquisition until the Negative Acquisition Premium Account is depleted.

Missouri Gas Utility, Inc.
Adjusting Entries to Test Year ended March 31, 2007
Adjustment # 6 - Allocation of Parent Company Plant, Res for Dep, and Depreciation

Line No						Line No
1	Customer Count allocation factor to MGU (note 1)		10.34%			1
	Account name & number	Total Cost	Allocated to MGU	Accum Deprec	Allocated to MGU	
2	Office Furniture (acct 391)	\$ 287,527	\$ 29,735	\$ 99,650	\$ 10,306	2
3	Transportation (acct 392)	137,816	14,253	42,225	4,367	3
4	Structures & Improvements (acct 375)	-		-		4
5	Communications Equipment (acct 397)	90,166	9,325	64,558	6,676	5
6	Total per Depreciation Schedule	<u>\$ 515,510</u>	<u>\$ 53,313</u>	<u>\$ 206,434</u>	<u>\$ 21,349</u>	6
			to KDT-1 Sheet 7		to KDT-1 Sheet 8	
	Notes: (1)					
		Total	Colorado Natural Gas	Missouri Gas Utility	Colorado Water Utility	Wolf Creek Energy
	Customer Count	8,925	7,760	923	239	3
	Percent of total	100.00%	86.95%	10.34%	2.68%	0.03%

Missouri Gas Utility, Inc.
Adjusting Entries to Test Year ended March 31, 2007
Adjustment #7 - Regulatory Commission expense (Acct 928) and Misc deferred debits (Acct 186)

The purpose of this adjustment is to adjust the deferred start-up cost balance for prior period amortization and adjust the annual amortization of the balance to a twenty year recovery period.

Acct 186

Balance in Acct 186-9050 at March 31, 2007 (Schedule KDT-3)	\$ 131,015
Balance in Acct 182-0000 at March 31, 2007 (Schedule KDT-3)	5,903
subtotal	<u>\$ 136,918</u>
Less: previous amount amortized	(12,492)
net unamortized balance of start-up costs	<u>\$ 124,426</u>
Adjustments for prior period amortization (186-9050), Sch KDT-1, Sheet 9	(1,765)
Adjustments for prior period amortization (182-0000), Sch KDT-1, Sheet 9	<u>(524)</u>
Total misc deferred debits - Acct 186 - start-up costs	<u><u>\$ 122,137</u></u>

Acct 928

Test period amortization of start-up costs per KDT-3	\$ 5,375
Adjustment to accelerate amortization from 23 years to 20 year recovery period see KDT-1, Sheet 5	1,471
Revised annual amortization	<u><u>\$ 6,846</u></u>