TRUE-UP TESTIMONY

OF

TRAVIS ALLEN

MISSOURI GAS ENERGY

A DIVISION OF SOUTHERN UNION COMPANY

CASE NO. GR-2004-0209

INTRODUCTION

Q. Please state your name and business address.

A. Travis Allen, 200 Madison St., P.O. Box 2230, Jefferson City Mo., 65102.

Q. Are you the same Travis Allen who filed Direct, Rebuttal, and Surrebuttal testimony in this case?

A. Yes, I am.

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to true-up my recommended capital structure, embedded cost of preferred stock, embedded cost of long-term debt, and embedded cost of short-term debt to April 30, 2004.

CAPITAL STRUCTURE

Q. What is your trued-up recommended capital structure?

A. My trued-up recommended capital structure is as follows;

	Amount	Percent
Common Stock Equity	$ 1,048,146,000.00	28.37%
Preferred Stock	$ 223,828,509.00	6.06%
Long-Term Debt	$ 2,208,550,102.00	59.77%
Short-Term Debt	$ 214,413,665.00	5.80%
	$ 3,694,938,276.00	100.00%

Q. Is the methodology that you used to develop this capital structure consistent with the methodology you used to develop the capital structure you recommended in your direct testimony?

A. Yes.

Q. Are you still recommending that short-term debt be included into the capital structure?

A. Yes.

Q. Why?

A. Southern Union has consistently maintained a short-term debt, less construction-work-in-progress, balance that is greater than 2% of their overall capital structure. Southern Union has not, throughout the course of this hearing, demonstrated that its policy with regard to the future use of short-term debt has changed. Consequently, I believe that it should appropriately be included in the capital structure.

EMBEDDED COST RATES

Q. What is the trued-up embedded cost of preferred stock?

A. The trued-up embedded cost of preferred stock is 7.758%.

Q. Is the methodology that you used to develop this trued-up embedded cost of preferred stock consistent with the methodology you used in your direct testimony?

A. Yes.

Q. Have you attached a schedule illustrating this calculation?

A. Yes, this calculation is illustrated in True-Up Schedule TA-2.

Q. What is the trued-up embedded cost of long-term debt?

A. The trued-up embedded cost of long-term debt is 7.397%.

Q. Is the methodology that you used to develop this trued-up embedded cost of long-term debt consistent with the methodology you used in your direct testimony?

A. Yes.

Q. Have you attached a schedule illustrating this calculation?

A. Yes, this calculation is illustrated in True-Up Schedule TA-3.

Q. What is the trued-up embedded cost of short-term debt?

A. The trued-up embedded cost of short-term debt is 1.87%.

Q. Is the methodology that you used to develop this trued-up embedded cost of short-term debt consistent with the methodology you used in your direct testimony?

A. Yes.

Q. Have you attached a schedule illustrating this calculation?

A. Yes, this calculation is illustrated in True-Up Schedule TA-4.

WEIGHTED AVERAGE COST OF CAPITAL

Q. What is your recommended trued-up weighted average cost of capital, (WACC) range?

A. The following is my recommended trued-up weighted average cost of capital range;

	Common Equity	Preferred	Long-Term Debt	Short-Term Debt
$WACC_L$ =	(.2837 * .0901) +	(.0606 * .07758) +	(.5977 * .07397) +	(.0580 * .0187)

$WACC_L$ = 7.56%

	Common Equity	Preferred	Long-Term Debt	Short-Term Debt
$WACC_H$ =	(.2837 * .0934) +	(.0606 * .07758) +	(.5977 * .07397) +	(.0580 * .0187)

$WACC_H$ = 7.65%

Q. Is the methodology that you used to develop this trued-up weighted average cost of capital consistent with the methodology you used in your direct testimony?

A. Yes.

Q. Have you attached a schedule illustrating this calculation?

A. Yes, this calculation is illustrated in True-Up Schedule TA-5.

Q. What pre-tax coverage ratio is implied by your trued-up recommendation?

A. Based on a WACC of 7.56% and an assumed overall tax factor of 1.6136, as suggested by the Company, the pre-tax coverage ratio is approximately 2.69x. Based on a WACC of 7.65% and assuming the same overall tax factor, the pre-tax coverage ratio is approximately 2.72x.

Q. Does this conclude your True-Up Testimony?

A. Yes, it does.