

Exhibit No.: _____
Issues: Updated Revenue
Requirement
Witness: Michael R. Noack
Sponsoring Party: Missouri Gas Energy
Case No.: GR-2006-0422
Date Prepared: August 7, 2006

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2006-0422

UPDATED TEST YEAR DIRECT TESTIMONY OF
MICHAEL R. NOACK

Jefferson City, Missouri

August 7, 2006

UPDATED TEST YEAR DIRECT TESTIMONY OF MICHAEL R. NOACK

CASE NO. GR-2006-0422

August 7, 2006

1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

2 A. My name is Michael R. Noack and my business address is 3420 Broadway, Kansas City,
3 Missouri 64111.
4

5 **Q. ARE YOU THE SAME MICHAEL R. NOACK WHO FILED DIRECT TESTIMONY IN THIS**
6 **PROCEEDING ON MAY 1, 2006?**

7 A. Yes.
8

9 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

10 A. In its Order Establishing Procedural Schedule issued on July 13, 2006, the Commission
11 required MGE to update its revenue requirement to reflect the test year updated for known
12 and measurable items through June 30, 2006. The purpose of this testimony is to present
13 the revenue requirement prepared by MGE on the basis of the twelve-month period ending
14 December 31, 2005 updated for known and measurable items through June 30, 2006.
15

16 **Q. MR. NOACK, PLEASE DESCRIBE THE REVENUE DEFICIENCY SCHEDULES THAT ARE**
17 **APPENDED TO THIS TESTIMONY.**

18
19 A. The revenue deficiency schedules attached to this testimony update the revenue deficiency
20 schedules attached to my original direct testimony filed May 1, 2006. The revenue deficiency
21 summary attached to this testimony is based on the twelve-month period ending December
22 31, 2005 updated for known and measurable changes through June 30, 2006.
23

1 **Q. IN UPDATING THE TEST PERIOD FOR KNOWN AND MEASURABLE CHANGES**
2 **THROUGH JUNE 30, 2006, WAS IT NECESSARY TO ADD ANY SCHEDULES?**

3 A. Yes there is one addition to the schedules. Schedule H-26 details the amortization of costs
4 resulting from the Emergency Cold Weather Rule which was implemented from January 1,
5 2006 through March 31, 2006. In accordance with the Emergency Cold Weather Rule and
6 the Commission's Order in Case No. GX-2006-0181, MGE is applying for for an Accounting
7 Authority Order (AAO) through a motion to be filed in this case. Under the conditions of the
8 proposed AAO, MGE has identified costs resulting from the Emergency Cold Weather Rule
9 and is requesting amortization of those costs in this rate case over a 3 year period. All other
10 schedules correspond to the same schedules filed with my initial direct testimony.

11

12 **Q. DOES MGE CONTINUE TO BELIEVE THAT A TRUE-UP AUDIT IS NECESSARY AND**
13 **APPROPRIATE?**

14 A. MGE continues to believe that a true-up audit is necessary and appropriate in this
15 proceeding. MGE has budgeted approximately \$14,170,000 of capital investment that it
16 plans to place in service between June 30, 2006 and October 31, 2006. This investment
17 represents approximately \$2,000,000 of additional annual revenue requirement at the
18 requested rate of return. Second, MGE plans to hire approximately seven additional
19 customer service representatives during the proposed true-up period (in fact, a new class of
20 eight customer service representatives commenced working and training on July 31, 2006).
21 These additional personnel would add approximately \$450,000 to the Company's annual
22 revenue requirement. Other new employees may be hired during the true-up period as well.
23 Also, to the extent the Commission uses a capital structure based on the Company's actual
24 debt and equity, because MGE expects the equity ratio to increase during the true-up period
25 resulting in a higher revenue requirement, MGE would want that structure to reflect the
26 Company's the most current percentages. Using the true-up mechanism to recognize known
27 and measurable changes such as those listed above is the best way to mitigate regulatory
28 lag in this proceeding. Without a true-up, by the time rates go into effect (March 30, 2007

1 based on the operation of law date) MGE will already be experiencing a shortfall from the
2 authorized rate of return simply by not having the plant increases and expense increases
3 since June 2006 included in rates.

4

5 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

6 **A. Yes.**

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.

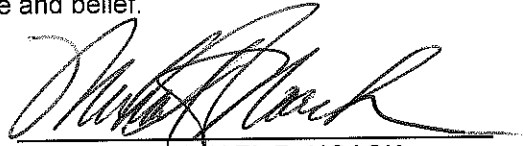
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Case No. GR-2006-0422

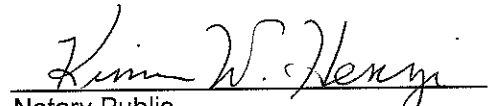
AFFIDAVIT OF MICHAEL R. NOACK

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss.

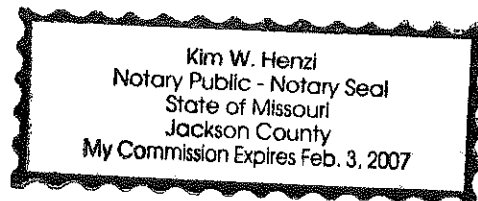
Michael R. Noack, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Updated Test Year Direct Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Updated Test Year Direct Testimony were given by him; 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 7th day of August 2006.


Notary Public

My Commission Expires: Feb. 3, 2007



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MISSOURI GAS ENERGY
A division of Southern Union Company

REVENUE DEFICIENCY SUMMARY
BASED ON TEST YEAR ENDED DECEMBER 31, 2005
UPDATED FOR KNOWN AND MEASURABLE CHANGES
THROUGH JUNE 30, 2006

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	\$599,265,526		
2	Rate of Return	F	<u>8.936%</u>		
3	Required Return		<u>\$53,550,367</u>	\$53,550,367	
4	Adjusted Test Year Net Operating Income	A-1		<u>24,904,257</u>	
5	Earnings Deficiency			<u>\$28,646,110</u>	\$28,646,110
6	Multiply by Income Tax Gross-up Factor				<u>1.630072</u>
7	Net Revenue Deficiency				<u><u>\$46,695,221</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	(\$508,272,975)	\$156,074,473
2	Other Utility Revenues	5,398,837	(540,572)	4,858,264
3	Total Operating Revenues	<u>\$669,746,284</u>	<u>(\$508,813,547)</u>	<u>\$160,932,737</u>
<u>OPERATING EXPENSES</u>				
4	Distribution Expense	\$493,795,707	(\$468,259,856)	\$25,535,851
5	Customer Accounts Expense	19,628,264	4,195,808	23,824,072
6	Customer Service and Information Expense	706,600	110,137	816,737
7	Sales Expense	99,913	5,804	105,717
8	Administrative and General Expense	26,732,865	12,005,794	38,738,659
9	Total Operating and Maintenance Expenses	<u>\$540,963,349</u>	<u>(\$451,942,314)</u>	<u>\$89,021,035</u>
10	Depreciation & Amortization Expense	\$26,415,703	\$8,409,965	\$34,825,668
11	Interest on Customer Deposits	147,252	28,066	175,318
12	Taxes Other Than Income	42,038,488	(32,738,512)	9,299,976
13	Total Operating Expenses	<u>\$609,564,792</u>	<u>(\$476,242,794)</u>	<u>\$133,321,998</u>
14	Operating Income Before Income Tax	\$60,181,492	(\$32,570,752)	\$27,610,739
15	Less: Income Tax Expense	15,685,799	(12,979,317)	2,706,482
16	Net Operating Income	<u>\$44,495,693</u>	<u>(\$19,591,435)</u>	<u>\$24,904,257</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	\$160,932,737
2	Total Operating Expenses	A-1	(609,564,792)	(133,321,998)
3	Net Operating Income	A-1	<u>\$60,181,492</u>	<u>\$27,610,739</u>
4	Equity Portion of SLRP Deferrals		\$1,474,210	\$0
5	Less: Interest on Long Term Debt		<u>(21,074,636)</u>	<u>(20,608,741)</u>
6	Total Tax Adjustments		<u>(\$19,600,426)</u>	<u>(\$20,608,741)</u>
7	Net Taxable Income		<u>\$40,581,066</u>	<u>\$7,001,998</u>
8	Income Tax		<u>\$15,685,799</u>	<u>\$2,706,482</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	C	\$27,644,634
2	Distribution Plant	C	768,216,438
3	General Plant	C	63,232,483
4	Gross Plant In Service		<u>\$859,093,555</u>
5	Accumulated Depreciation & Amortization	D	<u>(296,815,834)</u>
6	Net Plant in Service		<u>\$562,277,721</u>
7	SLRP Deferrals	B-1	\$10,753,310
8	Working Capital	E	117,670,867
9	Alternative Minimum Tax Credit		0
10	Customer Deposits	B-2	(4,072,284)
11	Customer Advances - Thirteen Month Average	B-3	(14,383,874)
12	Deferred Income Taxes - SLRP	B-1	(3,554,392)
13	Deferred Income Taxes - Other (Net of AMT)	B-4	<u>(69,425,823)</u>
14	Total Rate Base		<u><u>\$599,265,526</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			(974,216)
9	Order GO-97-301			(256,343)
10	Order GR-98-140			(1,804,162)
11	Order GR-2001-292			(519,671)
12	Total SLRP Deferred Taxes			<u>(\$3,554,392)</u>

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

Customer Deposits

Line No.	Month	Residential	Commercial & Industrial	Total
		Amount	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	Month	Amount
No.	(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	(\$69,311,001)
2	Deferred Taxes, Corporate Plant	<u>(114,822)</u>
3	Total Accumulated Deferred Income Taxes (Other than SLRP)	<u><u>(\$69,425,823)</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)	Amort & Depr Res Balance @ 6/30/06	Corporate Allocated Reserve	Plant Balance @ 6/30/06
INTANGIBLE PLANT										
1	(301) Organization	\$15,600	\$0	\$15,600	\$0	\$0	\$15,600			15,600.35
2	(302) Franchises	32,096	0	32,096	0	0	32,096			32,096.12
3	(303) Miscellaneous Intangible	34,339,066	31,945	34,371,011	0	(6,774,073)	27,596,938	17,540,874		34,339,066.45
4	Total Intangible Plant	\$34,386,762	\$31,945	\$34,418,707	\$0	(\$6,774,073)	\$27,644,634	\$17,540,874		34,386,762.92
DISTRIBUTION PLANT										
5	(374.1) Land	\$223,517	\$0	\$223,517	\$0	\$0	\$223,517			223,516.99
6	(374.2) Land Rights	1,665,693	0	1,665,693	0	0	1,665,693	392,428		1,665,693.22
7	(375.1) Structures	5,584,907	20,051	5,594,958	0	0	5,584,958	441,099		5,584,907.39
8	(375.2) Leasehold Improvements	0	0	0	0	0	0	0		0.00
9	(376) Mains	336,977,974	2,905,732	339,884,706	0	0	339,884,706	107,494,347		336,977,973.67
10	(378) Meas. & Reg. Station - General	11,573,332	60,917	11,634,249	0	0	11,634,249	3,530,032		11,573,332.19
11	(378) Meas. & Reg. Station - City Gate	3,039,284	18,967	3,058,251	0	0	3,058,251	805,846		3,039,283.52
12	(380) Services	269,642,120	14,242	269,656,362	0	(5,264,265)	264,392,097	134,817,684		269,642,120.32
13	(381) Meters	31,036,775	0	31,036,775	0	0	31,036,775	3,213,048		31,036,774.96
14	(382) Meter Installations	68,813,282	22,391	68,835,673	0	0	68,835,673	14,547,595		68,813,282.04
15	(383) House Regulators	11,558,045	0	11,558,045	0	0	11,558,045	2,203,266		11,558,044.55
16	(385) Electronic Gas Measuring	360,978	11,527	372,505	0	0	372,505	101,870		360,977.78
17	(387) Other Equipment	0	0	0	0	0	0	0		0.00
18	Total Distribution Plant	\$770,455,907	\$3,054,826	\$773,510,733	\$0	(\$5,264,265)	\$768,246,438	\$267,547,014		770,455,906.63
GENERAL PLANT										
19	(388) Land	\$773,880	\$0	\$773,880	\$0	\$0	\$773,880			773,880.42
20	(390.1) Structures	638,277	22,918	661,193	0	0	661,193	140,442		638,277.47
21	(390.2) Leasehold Improvements	1,546,597	0	1,546,597	2,036,884	0	3,583,281	651,879	125,089	1,546,597.00
22	(391) Furniture & Fixtures	6,970,421	0	6,970,421	209,405	0	7,179,826	986,119	73,030	6,970,421.40
23	(392) Transportation Equipment	5,043,979	0	5,043,979	8,004	0	5,051,983	2,266,393	5,087	5,043,979.14
24	(393) Stores Equipment	538,350	0	538,350	0	0	538,350	164,670		538,349.92
25	(394) Tools	5,146,737	7,733	5,154,470	0	0	5,154,470	1,018,259		5,146,737.14
26	(395) Laboratory Equipment	0	0	0	0	0	0	0		0.00
27	(396) Power Operated Equipment	243,807	0	243,807	0	0	243,807	(421,553)		243,806.82
28	(397.1) Communication Equipment - AMR	36,282,992	61,869	36,324,861	0	0	36,324,861	13,264,576		36,282,992.10
29	(397.0) Communication Equipment	3,286,012	3,335	3,289,347	0	0	3,289,347	(1,541,810)		3,286,011.80
30	(398) Miscellaneous Equipment	431,485	0	431,485	0	0	431,485	287,051		431,484.95
31	Total General Plant	\$60,882,537	\$65,853	\$60,978,390	\$2,254,093	\$0	\$63,232,483	\$16,819,025	\$203,215	\$60,882,538
32	Total Original Cost Plant in Service	\$865,725,206	\$3,182,624	\$868,907,830	\$2,254,093	(\$12,088,368)	\$859,093,555	\$301,906,914	\$203,215	\$865,725,208
33	Accumulated Depreciation and Amortization	(307,658,445)	0	(307,658,445)	0	10,842,612	(296,815,834)			
34	Net Plant In Service	\$558,066,761	\$3,182,624	\$561,249,385	\$2,254,093	(\$1,225,756)	\$562,277,721			

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

Line No.	Description (a)	Retire Inactive Services No. 1 (b)	Write-off Infinium Software No. 2 (c)	Total Adjustments (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>(203,215)</u>	<u>5,294,295</u>	<u>(278,623,081)</u>
3	Total Accumulated Reserves	<u>(\$307,455,230)</u>	<u>(\$203,215)</u>	<u>\$10,842,612</u>	<u>(\$296,815,834)</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	Write-off Infirmum Software	Total Adjustments
	(a)	(b)	(c)	No. 1	No. 2	(f)
INTANGIBLE PLANT						
	(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
DISTRIBUTION PLANT						
1	(374.1) Land		0.00%			
2	(374.2) Land Rights		Amort.			
3	(375.1) Structures		2.50%			
4	(375.2) Leasehold Improvements		Amort.			
5	(376) Mains & Mains - Cast Iron		2.27%			
6	(378) Meas. & Reg. Station - General		2.86%			
7	(379) Meas. & Reg. Station - City Gate		2.50%			
8	(380) Services	(5,294,295)	3.41%	5,294,295		5,294,295
9	(381) Meters		2.86%			
10	(382) Meter Installations		2.86%			
11	(383) House Regulators		2.86%			
12	(385) Electronic Gas Metering		3.33%			
13	(387) Other Equipment		6.25%			
14	Total Distribution Plant	(\$5,294,295)		\$5,294,295		\$5,294,295
GENERAL PLANT						
15	(389) Land		0.00%			
16	(390.1) Structures		2.50%			
17	(390.2) Leasehold Improvements		Amort.			
18	(391) Furniture & Fixtures		9.09%			
19	(392) Transportation Equipment		9.09%			
20	(393) Stores Equipment		3.33%			
21	(394) Tools		5.00%			
22	(395) Laboratory Equipment		6.00%			
23	(396) Power Operated Equipment		6.67%			
24	(397) Communication Equipment - AMR		5.00%			
25	(397) Communication Equipment		6.25%			
26	(398) Miscellaneous Equipment		5.00%			
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	13,514,397
5	Prepaid Pension	E-5	<u>5,506,673</u>
6	Total Working Capital		<u><u>\$117,670,867</u></u>

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

Line		Amount
No.	Month	
	(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	2,078,862
14	13 Month Total	<u>\$23,641,092</u>
15	13 Month Average	<u>\$1,818,546</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 & Benefits	47.59	(47.19)	0.40	0.0011	\$ 17,692,595	\$ 19,426
2	Payroll and Employee Withholdings	47.59	(11.00)	36.59	0.1003	28,843,897	2,891,813
3	Employer FICA Taxes	47.59	(11.00)	36.59	0.1003	2,212,389	221,793
4	Other Operations and Maintenance Expenses	47.59	(38.47)	9.12	0.0250	32,295,805	806,920
5	Federal Unemployment Taxes	47.59	(60.63)	(13.03)	(0.0357)	28,899	(1,032)
6	Corporation Franchise Taxes	47.59	69.83	117.42	0.3217	246,794	79,395
7	Property/Real Estate Taxes	47.59	(190.17)	(142.58)	(0.3906)	6,818,496	(2,663,451)
8	Sales Tax	47.59	(2.29)	45.30	0.1241	9,825,601	1,219,444
9	Use Tax	47.59	(83.98)	(36.39)	(0.0997)	2,037,860	(203,177)
10	Gross Receipts Taxes	47.59	(60.90)	(13.31)	(0.0365)	40,079,903	(1,461,792)
11	Federal Income Tax	47.59	(60.63)	(13.03)	(0.0357)	2,469,697	(88,189)
12	State Income Tax	47.59	(60.63)	(13.03)	(0.0357)	388,103	(13,859)
13	Interest Expense	47.59	4.72	52.31	0.1433	20,608,568	2,953,777
14	Fuel - Gas	47.59	(40.01)	7.58	0.0208	489,859,289	9,753,529
15	Uncollectible Expense	47.59	(47.59)	-	-	10,188,738	-
16	Total					\$ 643,596,634	\$ 13,514,397

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

Line No.	Year Ended (a)	Balance (b)
1	Balance 4/30/04	<u>\$7,975,181</u>
2	Monthly Amortization	\$94,943
3	Amortization since GR- 2004-0209	<u>\$2,468,508</u>
4	Balance 6/30/06	<u>\$5,506,673</u>

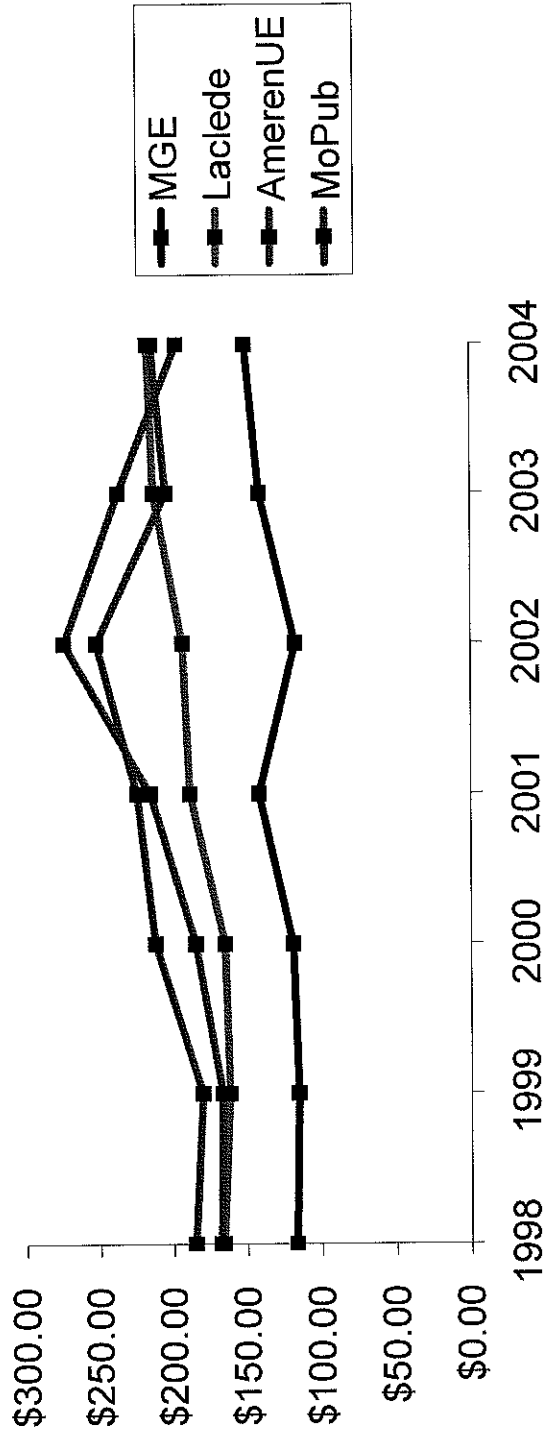
MISSOURI GAS ENERGY
A Division of Southern Union Company
Summary of Cost of Capital

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%	11.950%	<u>5.497%</u>
4	Total	<u>100.00%</u>		<u>8.936%</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

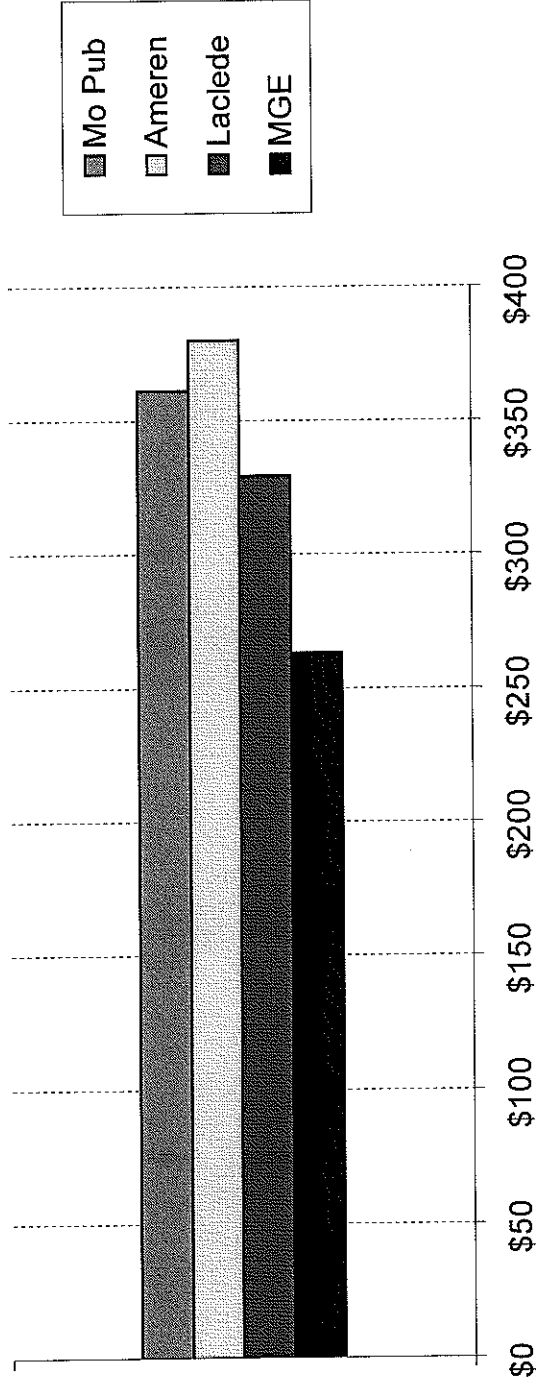


**COMPARISON OF MISSOURI LDCS
AVERAGE ANNUAL RESIDENTIAL BILL
(EXCLUDING PGA AND TAXES)**

	Normal Usage (Ccf)	MGE	Laclede	Ameren	Mo Pub
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

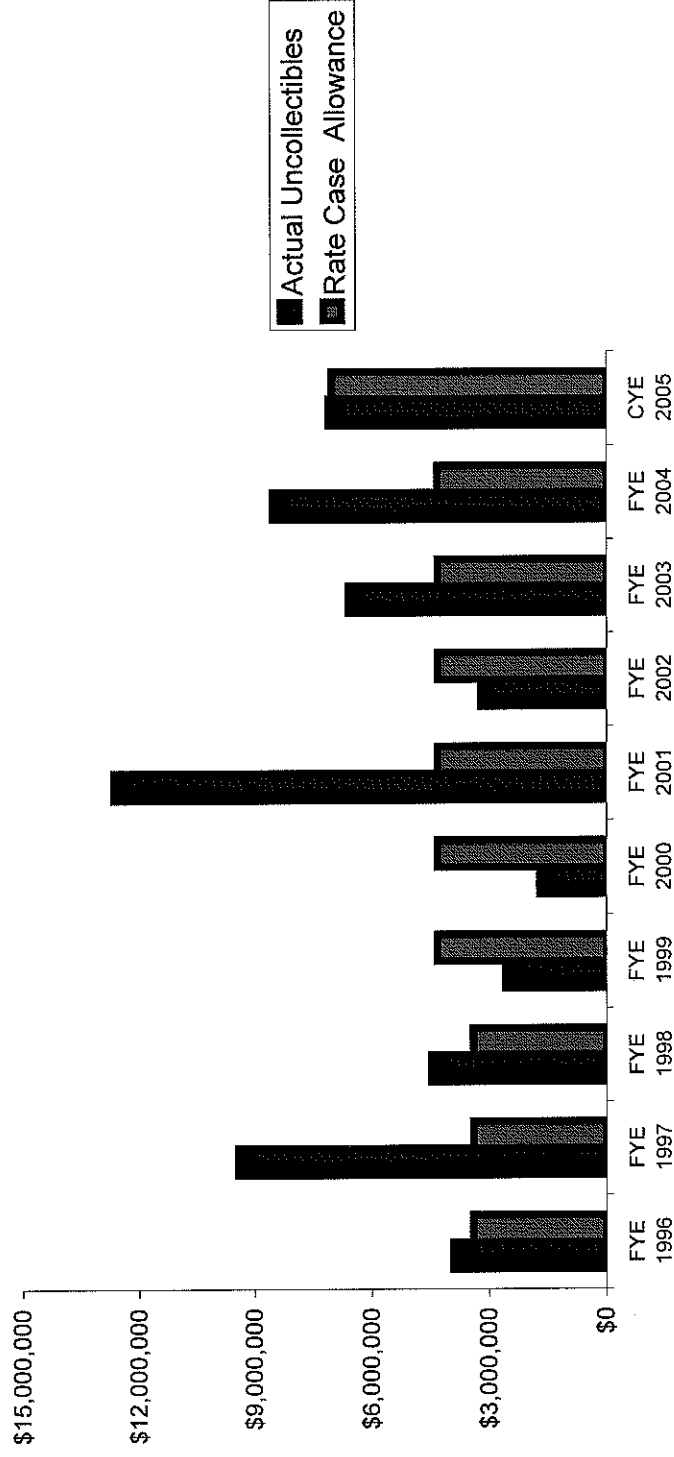
**Missouri Gas Energy
Average Annual Residential Bill
(Excluding PGA and Taxes)**



**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

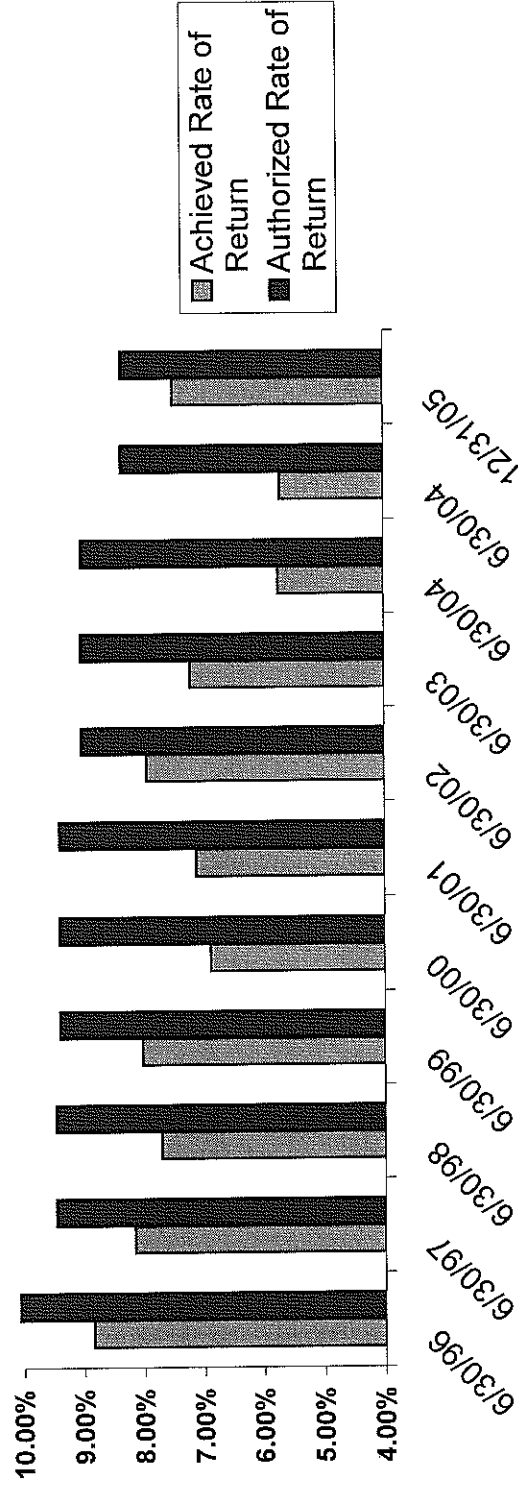


COMPARISON OF ACHIEVED RATE OF RETURN
VS. AUTHORIZED RATE OF RETURN

Description	6/30/1996 (000)	6/30/1997 (000)	6/30/1998 (000)	6/30/1999 (000)	6/30/2000 (000)	6/30/2001 (000)	6/30/2002 (000)	6/30/2003 (000)	6/30/2004 (000)	6/30/2005 (000)	12/31/2005 (000)
Net Sales Margin	\$ 119,105	\$ 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)	(49,838)	(51,176)	(46,683)	(53,967)	(61,294)	(70,534)	(63,995)
Uncollectible Expense	(3,906)	(9,443)	(4,470)	(2,585)	(1,697)	(12,654)	(3,211)	(6,602)	(8,537)	(10,212)	(7,109)
Corporate Allocated Expenses Per Rate 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	\$ 485,861	\$ 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)	(4,864)	(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	(\$351,992,626)	\$109,316,917
2	481.1	Commercial	183,202,124	(148,257,434)	34,944,691
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	118,820	10,321,102
8	493	Rent From Property	0	0	0
9	495	Other Gas Revenue	498,984	0	498,984
10		Total Operating Revenue	\$669,746,284	(\$508,813,547)	\$160,932,737
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	52,266	642,965
15	871	Distribution and Load Dispatching	8,756	209	8,965
16	872	Compressor Station Labor and Expense	0	0	0
17	874	Mains and Service Expenses	3,024,786	41,527	3,066,313
18	875	Distributing Regulating Station Expenses	682,700	57,218	739,918
19	876	Measuring and Regulating - Station Expenses	7,566	(134)	7,432
20	877	Measuring and Regulating - Station Expenses	4,798	437	5,235
21	878	Meter and House Regulator Expenses	4,291,777	362,846	4,654,623
22	879	Customer Installation Expenses	2,742,603	237,165	2,979,768
23	880	Other Expenses	1,702,382	76,615	1,778,997
24	881	Rents	96,433	0	96,433
25		Total Operation Expense	\$483,011,789	(\$469,031,140)	\$13,980,649
Maintenance Expense					
26	885	Maintenance Supervision and Engineering	\$1,075,603	\$52,188	\$1,127,791
27	886	Maintenance of Structures and Improvements	53,255	3,725	56,980
28	887	Maintenance of Mains	7,569,448	554,778	8,124,226
29	889	Maint. of Measuring and Reg. Stat Equip - General	292,800	23,262	316,062
30	890	Maint. of Measuring and Regulating Equipment	269,103	21,094	290,197
31	891	Maint. of Measuring and Regulating Equipment	14,725	1,161	15,886
32	892	Maintenance of Services	749,099	62,784	811,883
33	893	Maintenance of Meters and House Regulators	635,602	43,835	679,437
34	894	Maintenance of Other Equipment	124,283	8,457	132,740
35		Total Maintenance Expenses	\$10,783,918	\$771,284	\$11,555,202
36		Total Distribution Expense	\$493,795,707	(\$468,259,856)	\$25,535,851
Customer Accounts Expense					
37	901	Supervision	\$397,109	\$42,261	\$439,370
38	902	Meter Reading Expense	771,014	60,452	831,466
39	903	Customer Records and Collection Expense	11,293,811	1,012,639	12,306,450
40	904	Uncollectible Accounts	7,108,777	3,079,961	10,188,738
41	905	Miscellaneous Customer Accounts Expense	57,553	495	58,048
42		Total Customer Accounts Expenses	\$19,628,264	\$4,195,808	\$23,824,072
Customer Service and Informational Expense					
43	907	Supervision	\$0	\$0	\$0
44	908	Customer Assistance	644,078	110,137	754,215
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.	\$706,600	\$110,137	\$816,737
Sales and Advertising Expense					
48	911	Supervision	\$0	\$0	\$0
49	912	Demonstrating and Selling Expenses	96,757	5,804	102,561

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)
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>\$5,804</u>	<u>\$105,717</u>
Administrative and General Expense					
53	920	Administrative and General Salaries	\$6,049,155	\$302,782	\$6,351,937
54	921	Office Supplies and Expenses	2,562,258	226,582	2,788,840
55	922	Administrative Expenses Transferred	(431,962)	0	(431,962)
56	923	Outside Services Employed	1,733,396	3,632,725	5,366,121
57	924	Property Insurance	72,921	(15,808)	57,113
58	925	Injuries and Damages	3,368,391	(950,677)	2,417,714
59	926	Employee Pensions and Benefits	8,838,850	8,853,745	17,692,595
60	927	Franchise Requirements	0	0	0
61	928	Regulatory Commission Expense	2,264,862	(191,152)	2,073,710
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>\$12,005,794</u>	<u>\$38,738,659</u>
66		Total O & M Expense	<u>\$540,963,349</u>	<u>(\$451,942,314)</u>	<u>\$89,021,035</u>
67	403	Depreciation	23,435,869	1,936,027	25,371,896
68	404, 405	Amortization	2,979,834	6,473,939	9,453,773
69	431	Interest on Customer Deposits	147,252	28,066	175,318
70	408	Payroll Taxes	1,888,435	346,251	2,234,686
71	408	Property Taxes	(169,925)	6,988,421	6,818,496
72	408	Gross Receipts Tax	40,079,903	(40,079,903)	0
73	408	Other Taxes	240,075	6,719	246,794
74	408	Taxes Other Than Income	<u>\$42,038,488</u>	<u>(\$32,738,512)</u>	<u>\$9,299,976</u>
75		TOTAL EXPENSES	<u>\$609,564,792</u>	<u>(\$476,242,794)</u>	<u>\$133,321,998</u>
76		OPERATING INCOME BEFORE INCOME TAX	<u>\$60,181,492</u>	<u>(\$32,570,752)</u>	<u>\$27,610,739</u>
77	409,410	Income Taxes	15,685,799	(\$12,979,317)	\$2,706,482
78		NET OPERATING INCOME	<u>\$44,495,693</u>	<u>(\$19,591,435)</u>	<u>\$24,904,257</u>

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Line No.	Main Acct.	Description (a)	Test Year Per Books (c)	Adj. GL Rev to Test Year Margin (d)	Normalize & Adj. Test Year Margin (e)	Remove Purch. Gas 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)
OPERATING REVENUE														
1	480	Residential	461,309,542.92	(\$353,777,331)	\$1,784,705									
2	481.1	Commercial	183,202,124	(148,839,219)	591,785									
3	481.2	Industrial	9,633,497	(8,084,078)	50,966									
4	483	Sales for Resale	0	(108,923)	0									
5	487	Late Payment Charges	487,006	(540,572)	0									
6	488	Miscellaneous Service Revenue	4,412,846	0	0									
7	489	Transport	10,202,282		118,820									
8	493	Rent From Property	0											
9	495	Other Gas Revenue	458,984											
10		Total Operating Revenue	\$669,746,284	(\$511,349,823)	\$2,536,276	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING & MAINTENANCE EXPENSE														
Operation Expense														
11	805	Other Gas Purchases	\$469,859,289			(\$469,859,289)								
12	807	Purchased Gas Expense	0											
13	859	Other Joint Expense	0											
14	870	Operation, Supervision and Engineering	590,699				44,033							
15	871	Distribution and Load Dispatching	8,756				120							
16	872	Compressor Station Labor and Expense	0				0							
17	874	Mains and Service Expenses	3,024,786				29,303							
18	875	Distributing Regulating Station Expenses	682,700				39,649							
19	876	Measuring and Regulating - Station Expenses	7,565				(331)							
20	877	Measuring and Regulating - Station Expenses	4,798				314							
21	878	Meter and House Regulator Expenses	4,291,777				263,397							
22	879	Customer Installation Expenses	2,742,603				180,633							
23	880	Other Expenses	1,702,382				54,976							
24	881	Rents	96,433											
25		Total Operation Expense	\$483,011,789	\$0	\$0	(\$469,859,289)	\$812,094	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Maintenance Expense														
26	885	Maintenance Supervision and Engineering	\$1,075,603				\$40,409							
27	886	Maintenance of Structures and Improvements	53,255				2,701							
28	887	Maintenance of Mains	7,589,448				391,148							
29	889	Maint. of Measuring and Reg. Stat Equip - General	282,800				15,278							
30	890	Maint. of Measuring and Regulating Equipment	289,103				14,243							
31	891	Maint. of Measuring and Regulating Equipment	14,725				1,178							
32	892	Maintenance of Services	748,099				39,333							
33	893	Maintenance of Meters and House Regulators	635,602				27,190							
34	894	Maintenance of Other Equipment	124,283				1,239							
35		Total Maintenance Expenses	\$10,765,918	\$0	\$0	\$0	\$532,719	\$0	\$0	\$0	\$0	\$0	\$0	\$0
36		Total Distribution Expense	\$493,795,707	\$0	\$0	(\$469,859,289)	\$1,144,813	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Customer Accounts Expense														
37	901	Supervision	\$397,109				\$37,912							
38	902	Meter Reading Expense	771,014				44,031							
39	903	Customer Reports and Collection Expense	11,293,811				672,426					3,079,961		
40	904	Uncollectible Accounts	7,108,777											
41	905	Miscellaneous Customer Accounts Expense	57,593				(185)							
42		Total Customer Accounts Expenses	\$19,628,284	\$0	\$0	\$0	\$654,184	\$0	\$0	\$0	\$0	\$3,079,961	\$0	\$0

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Line No.	Main Acct.	Description (b)	Test Year Per Books (c)	Adj. G/L 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				8,611							
45	909	Informational and Instructional Advertising Exp.	58,979											
46	910	Miscellaneous Customer Accounts Expense	3,543											
47		Total Cust. Service and Information Exp.	\$706,600	\$0	\$0	\$0	\$8,611	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales and Advertising Expense														
48	911	Supervision	\$0					\$0						
49	912	Demonstrating and Selling Expenses	96,757				4,830							
50	913	Advertising Expenses	0											
51	916	Miscellaneous Sales Expenses	3,158											
52		Total Sales and Advertising Expenses	\$99,913	\$0	\$0	\$0	\$4,830	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative and General Expense														
53	920	Administrative and General Salaries	\$6,049,155				\$248,601							
54	921	Office Supplies and Expenses	2,562,258				(398)							
55	922	Administrative Expenses Transferred	(431,962)											
56	923	Outside Services Employed	1,733,396								3,301,762			
57	924	Property Insurance	72,921											
58	925	Injuries and Damages	3,369,391				(138)			(15,808)				
59	926	Employee Pensions and Benefits	8,838,850					8,853,745		(951,165)				
60	927	Franchise Requirements	0											
61	928	Regulatory Commission Expense	2,264,862										(191,152)	
62	930	Miscellaneous General Expenses	155,511											
63	931	Rents	925,288											
64	932	Maintenance of General Plant	1,194,197				(87)							
65		Total Administration and General Expense	\$26,732,865	\$0	\$0	\$0	\$247,978	\$8,853,745	\$0	(\$966,973)	\$3,301,762	\$0	(\$191,152)	\$0
66		Total O & M Expense	\$540,963,349	\$0	\$0	(\$469,859,289)	\$2,060,416	\$8,853,745	\$0	(\$966,973)	\$3,301,762	\$3,079,961	(\$191,152)	\$0
67	403	Depreciation	\$23,435,869											
68	404, 405	Amortization	2,979,634											
69	431	Interest on Customer Deposits	147,252											28,066
70	408	Payroll Taxes (1***)	1,888,435						346,251					
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	\$346,251	\$0	\$0	\$0	\$0	\$0
75		TOTAL EXPENSES	\$609,564,792	\$0	\$0	(\$509,939,192)	\$2,060,416	\$8,853,745	\$346,251	(\$966,973)	\$3,301,762	\$3,079,961	(\$191,152)	\$28,066
76		OPERATING INCOME BEFORE INCOME TAX	\$80,181,492	(\$511,349,823)	\$2,536,276	\$509,939,192	(\$2,060,416)	(\$8,853,745)	(\$346,251)	\$966,973	(\$3,301,762)	(\$3,079,961)	\$191,152	(\$28,066)
77	409,410	Income Taxes	15,685,799											
78		Note: per book & adjusted income tax computed on A-2	\$44,495,693	(\$511,349,823)	\$2,536,276	\$509,939,192	(\$2,060,416)	(\$8,853,745)	(\$346,251)	\$966,973	(\$3,301,762)	(\$3,079,961)	\$191,152	(\$28,066)
		NET OPERATING INCOME												

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Line No.	Main Acct.	Description	(a)	(b)	(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
					Test Year Per Books	Depreciation Expense	Amortization Expense	TWE Clearing	Stores Load Clearing	State Franchise Tax	Property Tax	Postage Increase	Office & Computer Lease Expense	Incentive Bonuses	Unrecovered Cost of Service	Pro-Forma Cost of Collectors	Remove Non-utility Activities
					(c)	(c)	(b)	(c)	(f)	(t)	(u)	(u)	(w)	(y)	(y)	(y)	(ab)
OPERATING REVENUE																	
1	480	Residential			461,309,542.92												
2	481.1	Commercial			183,202,124												
3	481.2	Industrial			9,633,497												
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			498,954												
10		Total Operating Revenue			\$663,746,284	\$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			590,699												
15	871	Distribution and Load Dispatching			8,756												
16	872	Compressor Station Labor and Expense			0												
17	874	Mains and Service Expenses			3,024,785												
18	875	Distributing Regulating Station Expenses			682,700												
19	876	Measuring and Regulating - Station Expenses			7,566												
20	877	Measuring and Regulating - Station Expenses			4,798												
21	878	Meter and House Regulator Expenses			4,291,777												
22	879	Customer Installation Expenses			2,142,603												
23	880	Other Expenses			1,702,362												
24	881	Rents			96,433												
25		Total Operation Expense			\$483,011,769	\$0	\$0	\$116,256	\$15,766	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Maintenance Expense																	
26	885	Maintenance Supervision and Engineering			\$1,075,603												
27	886	Maintenance of Structures and Improvements			53,255												
28	887	Maintenance of Mains			7,569,448												
29	889	Maint. of Measuring and Reg. Stat Equip - General			292,800												
30	890	Maint. of Measuring and Regulating Equipment			269,103												
31	891	Maint. of Measuring and Regulating Equipment			14,725												
32	892	Maintenance of Services			749,099												
33	893	Maintenance of Meters and House Regulators			535,602												
34	894	Maintenance of Other Equipment			124,283												
35		Total Maintenance Expenses			\$10,783,918	\$0	\$0	\$104,410	\$59,660	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
36		Total Distribution Expense			\$493,795,707	\$0	\$0	\$220,666	\$74,446	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Customer Accounts Expense																	
37	901	Supervision			\$397,109												
38	902	Meter Reading Expense			771,014												
39	903	Customer Records and Collection Expense			11,263,811												
40	904	Uncollectible Accounts			7,108,777												
41	905	Miscellaneous Customer Accounts Expense			57,553												
42		Total Customer Accounts Expenses			\$19,626,264	\$0	\$0	\$42,096	\$747	\$0	\$0	\$95,636	\$0	\$72,118	\$0	\$251,066	\$0

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Line No.	Main Acct.	Description	(a)	(c)	(o)	(p)	(n)	(r)	(t)	(b)	(u)	(w)	(y)	(y)	(ab)
Customer Service and Informational Expense															
43	907	Supervision		\$0											
44	908	Customer Assistance		644,078									1,526		
45	909	Informational and Instructional Advertising Exp.		58,979											
46	910	Miscellaneous Customer Accounts Expense		3,543											
47		Total Cust. Service and Informational Exp.		\$708,900	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,526	\$0	\$0
Sales and Advertising Expense															
48	911	Supervision		\$0									\$0		
49	912	Demonstrating and Selling Expenses		96,757				4					970		
50	913	Advertising Expenses		0											
51	916	Miscellaneous Sales Expenses		3,156											
52		Total Sales and Advertising Expenses		\$99,913	\$0	\$0	\$0	\$4	\$0	\$0	\$0	\$0	\$970	\$0	\$0
Administrative and General Expense															
53	920	Administrative and General Expense													
54	921	Administrative and General Salaries		\$5,049,155									\$54,181		
55	922	Office Supplies and Expenses		2,592,258			4,949	1,063				220,942	26		
56	923	Administrative Expenses Transferred		(431,962)											
57	924	Outside Services Employed		1,733,396				46							
58	925	Property Insurance		72,921											
59	926	Injuries and Damages		3,368,391				618					8		
60	927	Employee Pensions and Benefits		8,838,860											
61	928	Franchise Requirements		0											
62	930	Regulatory Commission Expense		2,264,882											
63	931	Miscellaneous General Expenses		155,511											
64	932	Rentals		925,286											
65		Maintenance of General Plant		1,194,197				36				(23,977)	0		
		Total Administration and General Expense		\$26,732,865	\$0	\$0	\$4,949	\$1,763	\$0	\$0	\$0	\$368,589	\$54,215	\$0	(\$169,083)
66		Total O & M Expense		\$540,963,349	\$0	\$0	\$267,711	\$76,960	\$0	\$0	\$95,636	\$368,589	\$288,337	\$0	(\$169,083)
67	403	Depreciation		\$23,435,869	\$1,936,027										
68	404, 405	Amortization		2,979,834		3,046,338									
69	431	Interest on Customer Deposits		147,262										3,127,157	
70	408	Payroll Taxes (****)		1,886,435											
71	408	Property Taxes (2****)		(169,925)						6,988,421	0				
72	408	Gross Receipts Tax (3300 + 4000)		40,079,903											
73	408	Other Taxes (41****)		240,075					6,719						
74	408	Taxes Other Than Income		\$42,038,488	\$0	\$0	\$0	\$0	\$6,719	\$6,988,421	\$0	\$0	\$0	\$0	\$0
75		TOTAL EXPENSES		\$609,564,792	\$1,936,027	\$3,046,338	\$267,711	\$76,960	\$6,719	\$6,988,421	\$95,636	\$368,589	\$288,337	\$3,127,157	(\$169,083)
76		OPERATING INCOME BEFORE INCOME TAX		\$60,181,492	(\$1,936,027)	(\$3,046,338)	(\$267,711)	(\$76,960)	(\$6,719)	(\$6,988,421)	(\$95,636)	(\$368,589)	(\$288,337)	(\$3,127,157)	\$169,083
77	408,410	Income Taxes		15,665,799											
78		Note: per book & adjusted income tax computed on A-2													
		NET OPERATING INCOME		\$44,495,693	(\$1,936,027)	(\$3,046,338)	(\$267,711)	(\$76,960)	(\$6,719)	(\$6,988,421)	(\$95,636)	(\$368,589)	(\$288,337)	(\$3,127,157)	\$169,083

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Line No.	Main Acct.	Description	Test Year Per Books	Weatherization Fund	Environmental Response Fund	ECWR	Income Tax Adjustment	Total Adjustments	Test Year As Adjusted
(a)		(b)	(c)	(ad)	(ae)	(ae)	(eg)	(ah)	(ai)
OPERATING REVENUE									
1	480	Residential	461,309,542.92					(\$351,992,026)	\$109,316,917
2	481.1	Commercial	183,202,124					(148,257,434)	34,944,691
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					118,820	10,321,102
8	493	Rent From Property	0					0	0
9	495	Other Gas Revenue	498,984					0	498,984
10		Total Operating Revenue	\$663,746,264	\$0	\$0	\$0	\$0	(\$508,813,547)	\$160,932,737
OPERATING & MAINTENANCE EXPENSE									
Operation Expense									
11	805	Other Gas Purchases	\$469,959,289					(\$469,959,289)	\$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					52,266	642,965
15	871	Distribution and Load Dispatching	8,756					209	8,965
16	872	Compressor Station Labor and Expense	0					0	0
17	874	Mains and Service Expenses	3,024,786					41,527	3,066,313
18	875	Distributing Regulating Station Expenses	682,700					57,218	739,918
19	876	Measuring and Regulating - Station Expenses	7,566					(134)	7,432
20	877	Measuring and Regulating - Station Expenses	4,798					437	5,235
21	878	Meter and House Regulator Expenses	4,291,777					362,846	4,654,623
22	879	Customer Installation Expenses	2,142,603					237,165	2,379,768
23	880	Other Expenses	1,702,382					76,615	1,778,997
24	881	Rents	96,433					0	96,433
25		Total Operation Expense	\$483,011,789	\$0	\$0	\$0	\$0	(\$469,031,140)	\$13,980,649
Maintenance Expense									
26	885	Maintenance Supervision and Engineering	\$1,075,603					\$52,188	\$1,127,791
27	886	Maintenance of Structures and Improvements	53,255					3,725	56,980
28	887	Maintenance of Mains	7,868,448					554,778	8,124,226
29	889	Maint. of Measuring and Reg. Stat Equip - General	232,800					23,262	316,062
30	890	Maint. of Measuring and Regulating Equipment	289,103					21,094	290,197
31	891	Maint. of Measuring and Regulating Equipment	14,725					1,161	15,886
32	892	Maintenance of Services	749,099					62,784	811,883
33	893	Maintenance of Meters and House Regulators	635,602					43,835	679,437
34	894	Maintenance of Other Equipment	124,283					8,457	132,740
35		Total Maintenance Expenses	\$10,763,918	\$0	\$0	\$0	\$0	\$771,284	\$11,555,202
36		Total Distribution Expense	\$493,795,707	\$0	\$0	\$0	\$0	(\$468,269,856)	\$25,535,851
Customer Accounts Expense									
37	901	Supervision	\$397,109					\$42,261	\$439,370
38	902	Meter Reading Expense	771,014					60,452	831,466
39	903	Customer Records and Collection Expense	11,293,811					1,012,639	12,306,450
40	904	Uncollectible Accounts	7,108,777					3,079,961	10,188,738
41	905	Miscellaneous Customer Accounts Expense	57,553					495	58,048
42		Total Customer Accounts Expenses	\$19,628,264	\$0	\$0	\$0	\$0	\$4,195,808	\$23,824,072

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Line No.	Main Acct.	Description	Test Year Per Books (c)	Weatherization Fund (ed)	Environmental Response Fund (ae)	ECWR Amortization (ee)	Income Tax Adjustment (ag)	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			110,137	754,215	754,215
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 Information Exp.	\$706,600	\$100,000	\$0	\$0	\$110,137	\$816,737	\$816,737
Sales and Advertising Expense									
48	911	Supervision	\$0				\$0	\$0	\$0
49	912	Demonstrating and Selling Expenses	96,757				5,804	102,561	102,561
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	\$5,804	\$105,717	\$105,717
Administrative and General Expense									
53	920	Administrative and General Salaries	\$5,049,155				\$302,782	\$6,351,937	\$6,351,937
54	921	Office Supplies and Expenses	2,562,258				226,582	2,788,840	2,788,840
55	922	Administrative Expenses Transferred	(431,962)				0	(431,962)	(431,962)
56	923	Outside Services Employed	1,733,396		500,000		3,632,725	5,366,121	5,366,121
57	924	Property Insurance	72,921				(15,808)	57,113	57,113
58	925	Injuries and Damages	3,360,391				(950,677)	2,417,714	2,417,714
59	926	Employee Pensions and Benefits	8,838,850				8,863,745	17,892,595	17,892,595
60	927	Franchise Requirements	0				0	0	0
61	928	Regulatory Commission Expense	2,264,862				(191,152)	2,073,710	2,073,710
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	\$12,005,794	\$38,738,659	\$38,738,659
66		Total O & M Expense	\$540,963,349	\$100,000	\$500,000	\$0	(\$451,942,314)	\$89,021,035	\$89,021,035
67	403	Depreciation	\$23,435,869				\$1,936,027	\$25,371,896	\$25,371,896
68	404, 405	Amortization	2,979,834			300,444	6,473,939	\$9,453,773	\$9,453,773
69	431	Interest on Customer Deposits	147,252				28,066	175,318	175,318
70	408	Payroll Taxes (1***)	1,888,435				346,251	2,234,686	2,234,686
71	408	Property Taxes (2***)	(169,925)				5,988,421	6,818,496	6,818,496
72	408	Gross Receipts Tax (3300 + 4000)	40,079,903				(40,079,903)	0	0
73	408	Other Taxes (41**)	240,075				6,719	246,794	246,794
74	408	Taxes Other Than Income	\$42,038,488	\$0	\$0	\$0	(\$32,738,512)	\$9,299,976	\$9,299,976
75		TOTAL EXPENSES	\$909,564,792	\$100,000	\$500,000	\$300,444	\$0	\$476,242,794	\$133,321,998
76		OPERATING INCOME BEFORE INCOME TAX	\$60,181,482	(\$100,000)	(\$500,000)	(\$300,444)	\$0	(\$32,570,752)	\$27,610,739
77	409,410	Income Taxes	15,665,799				(12,979,317)	(12,979,317)	2,706,482
78		NET OPERATING INCOME	\$44,485,683	(\$100,000)	(\$500,000)	(\$300,444)	\$12,979,317	(\$19,591,435)	\$24,904,257

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

		Main Account/Revenue Class				
Line		480	481.1	481.2	483, 489	
No.	Description (a)	21 (b)	22 & 23 (c)	25 (d)	28, 38 (e)	Total (g)
1	Total Revenue per Book	461,309,543	183,202,124	9,633,497	10,202,282	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)	(511,349,823)
3	Test Year Margin	107,532,212	34,362,906	1,549,419	10,093,659	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 22 & 23 (c)	Industrial Gas Sales 25 (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	1,627,949	544,695	50,968	118,820	0	2,342,430
3	Customer Growth Annualization	156,756	37,090	0	0	0	193,846
4	Total Adjustments	1,784,705	581,785	50,968	118,820	0	2,536,276
5	As Adjusted Test Year Margin	\$109,316,917	\$34,944,691	\$1,600,385	\$10,212,479	\$4,858,264	\$160,932,737

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	\$601,212	\$557,179	\$44,033
2	871	\$8,867	8,747	120
3	872	\$0	0	0
4	874	\$477,727	448,424	29,303
5	875	\$495,199	455,550	39,649
6	876	\$4,840	5,171	(331)
7	877	\$3,520	3,206	314
8	878	\$3,353,910	3,090,513	263,397
9	879	\$2,307,458	2,126,825	180,633
10	880	\$1,151,614	1,096,638	54,976
11	885	\$1,106,072	1,065,663	40,409
12	886	\$33,882	31,181	2,701
13	887	\$4,990,141	4,598,993	391,148
14	889	\$211,516	196,238	15,278
15	890	\$187,494	173,251	14,243
16	891	\$9,681	8,503	1,178
17	892	\$498,627	459,294	39,333
18	893	\$489,694	462,504	27,190
19	894	\$25,090	23,851	1,239
20	901	\$435,021	397,109	37,912
21	902	\$620,691	576,660	44,031
22	903	\$6,158,578	5,586,152	572,426
23	905	\$0	185	(185)
24	908	\$152,689	144,078	8,611
25	911	\$0	0	0
26	912	\$96,991	92,161	4,830
27	920	\$5,420,005	5,171,404	248,601
28	921	\$2,572	2,970	(398)
29	923	\$0	87	(87)
30	925	\$806	944	(138)
31	932	\$0	87	(87)
32	Total	\$28,843,897	\$26,783,568	\$2,060,329

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	\$8,300,000	
2	Retirement Power	476,742	
3	Life & AD&D Insurance	158,589	
4	Long Term Disability Insurance	185,670	
5	Medical / Dental Benefit	6,549,429	
6	FAS 106 - Accrual	1,641,953	
7	FAS 106 - Amortization of	2,664,792	
8	401K	1,112,829	
9	Supplemental Retirement	75,000	
10	FAS 123 - Accrual	358,758	
11	Total Proforma Benefits	\$21,523,962	
12	Payroll Expense Ratio	0.769063	
		16,553,283	
	Add amortization of prepaid pensions (amortized over a 6 year period)	1,139,312	
13		\$17,692,595	
14	Proforma Benefits Expense		
15	Less Test Year Benefits Expense	(\$8,838,850)	
16	Adjustment to Test Year Expense - Acct. 926		\$8,853,745

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	<u>\$2,876,980</u>
2	Payroll Taxes on Incentive Compensation Adjustment	<u>28,745</u>
5	Total Proforma Payroll Taxes	\$2,905,725
6	Payroll Expense Ratio	0.769063
7	Proforma Payroll Tax Expense	<u>\$2,234,686</u>
8	Less Test Year Payroll Tax Expense	<u>(1,888,435)</u>
9	Adjustment to Test Year Expense - Acct. 4081	<u><u>\$346,251</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	\$837,895	\$690,000	\$710,846	\$746,247			
2	Additional Accruals	0	0	1,500,000	500,000			
3	Auto & General Liability	1,043,044	274,243	569,651	628,979			
4	Total Proforma Claims	<u>\$1,880,939</u>	<u>\$964,243</u>	<u>\$2,780,497</u>	<u>\$1,875,226</u>	\$1,875,226	57,113	\$1,875,226
5	Insurance Premiums - 924							57,113
6	Insurance Premiums - 925					1,267,854		1,267,854
7	Total Proforma Insurance Cost					\$3,143,080	\$57,113	\$3,200,193
8	Test Year Payroll Expense Ratio					0.769063	1.000000	
9	Proforma Insurance Expense					<u>\$2,417,226</u>	<u>\$57,113</u>	<u>\$2,474,339</u>
10	Less Test Year Insurance Expense					(3,368,391)	(72,921)	(3,441,312)
11	Adjustment to Test Year - Accts. 924 and 925					<u>(\$951,165)</u>	<u>(\$15,808)</u>	<u>(\$966,973)</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 (a)	Amount (b)
1	Proforma Joint and Common Costs	\$4,743,849
2	Expense Capital Ratio	69.6009%
3	Proforma Joint and Common Expense	<u>\$3,301,762</u>
4	Less Test Year Expense Recorded on MGE's Books	<u>0</u>
5	Adjustment to Test Year - Acct. 923	<u><u>\$3,301,762</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 (a)	Amount (b)	Amount (c)
1	Twelve Months Ended June 30, 2005	\$11,059,738	
2	Twelve Months Ended June 30, 2006	<u>9,317,738</u>	
3	Two Year Average		\$10,188,738
4	Less Test Year Uncollectible Expense		(7,108,777)
5	Adjustment to Test Year - Acct. 904		<u><u>\$3,079,961</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 (a)	Amount (b)	Amount (c)
1	Estimate of current rate case expense	\$900,000	
2	Cost of GR-2004-0209 Appeal	\$448,685	
3	Remaining balance of GR-2004-0209	<u>\$223,456</u>	
4	Total Rate Case Balance	<u><u>1,572,141</u></u>	
5	Annual Amortization (3 years)		\$524,047
6	Normalized level of expense for depreciation study		\$6,878
7	Proforma NARUC Assessment - fiscal 7/1/04-6/30/05		6,198
8	Other Regulatory Commission Expenses		149,610
9	Proforma MPSC Assessment - fiscal 7/1/06-6/30/07		<u>1,386,977</u>
10	Total Proforma Regulatory Commission Expense		\$2,073,710
11	Less Test Year Regulatory Commission Expense		(2,264,862)
12	Adjustment to Test Year - Acct. 928		<u><u>(\$191,152)</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
Interest on Customer Deposits

Line No.	Description	Reference	Residential	Commercial & Industrial	Amount
	(a)	(b)	(c)	(d)	(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 (a)	Amount (b)	Current Depreciation Rate (c)	Annualized Depreciation (d)	Proposed Rate (e)	Proforma Total Depreciation (f)	Less Dep. Capitalized To Clearing Accts. (g)	Proforma Depreciation Expense (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	27,596,638	(see adj. H-13)	0	(see adj. H-13)	0	0	0
4	Total Intangible Plant	\$27,644,634		\$0		\$0	\$0	\$0
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	2.00%	33,314	0	33,314
7	(375.1) Structures	5,584,958	1.65%	92,152	2.50%	139,624	0	139,624
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	2.27%	7,715,383	0	7,715,383
10	(378) Meas. & Reg. Station - General	11,634,248	2.86%	332,740	2.86%	332,740	0	332,740
11	(379) Meas. & Reg. Station - City Gate	3,058,261	2.13%	65,141	2.50%	76,456	0	76,456
12	(380) Services	294,362,067	2.70%	7,947,776	3.41%	10,037,746	0	10,037,746
13	(381) Meters	31,036,775	2.86%	887,652	2.86%	887,652	0	887,652
14	(382) Meter Installations	68,835,673	2.88%	1,988,700	2.86%	1,988,700	0	1,988,700
15	(383) House Regulators	11,558,045	2.44%	282,016	2.86%	330,560	0	330,560
16	(385) Electronic Gas Metering	372,505	3.33%	12,404	3.33%	12,404	0	12,404
17	(387) Other Equipment	0	4.60%	0	6.25%	0	0	0
18	Total Distribution Plant	\$768,216,438		\$19,338,777		\$21,534,579	\$0	\$21,534,579
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	2.50%	16,530	0	16,530
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	9.09%	633,611	0	633,611
23	(392) Transportation Equipment	5,043,979	8.70%	438,826	9.09%	458,498	(458,498)	0
24	(393) Stores Equipment	538,350	2.70%	14,535	3.33%	17,927	0	17,927
25	(394) Tools	5,164,470	5.30%	273,187	5.00%	257,724	0	257,724
26	(395) Laboratory Equipment	0	6.00%	0	6.00%	0	0	0
27	(396) Power Operated Equipment	243,807	8.33%	20,309	6.67%	16,262	(16,262)	0
28	(397.1) Communication Equipment - AMR	36,324,661	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	6.25%	205,584	0	205,584
30	(398) Miscellaneous Equipment	431,485	3.85%	16,612	5.00%	21,574	0	21,574
31	Total Direct General Plant	\$60,978,390		\$3,360,336		\$3,443,853	(\$474,760)	\$2,969,193
GENERAL PLANT - CORPORATE								
32	(390) Structures	\$0		\$0		\$0	\$0	\$0
33	(390) Leasehold Impr.	2,036,684	Note	59,660	Note	59,660	0	59,660
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	\$2,254,093		\$97,085		\$97,085	\$0	\$97,085
39	Total Proforma Plant & Depreciation	\$859,093,555		\$22,796,198		\$25,075,617	(\$474,760)	\$24,600,857
40	Less Depreciation Charged to Clearing A/Cs			(459,135)		(474,760)		
41	Less Test Year Depreciation Expense			(\$23,435,869)		(\$22,796,198)		(\$23,435,869)
42	Cost of Removal/ Net Salvage			\$771,039				\$771,039
43	Adjustment to Test Year - Acct. 403			(\$327,767)		\$1,804,659		\$1,936,027

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	2,415,660	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 3</u>	<u>\$408,585</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>ECWRA AAO Amortization</u>				
26	Cost of the Emergency cold weather rule	<u>\$901,331</u>	<u>3</u>	<u>\$300,444</u>
27	Pro-Forma Amortization Expense			\$6,026,172
28	Less Test Year Amortization Expense			<u>(2,979,834)</u>
29	Adjustment to Test Year - Accts. 404 and 405			<u>\$3,046,338</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		<u>(4,289,431)</u>		
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	\$474,760	\$459,135	\$15,625	15,625
6	Total Adjusted Amount Under/(Over) Cleared				<u>\$358,127</u>

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

	Main Acct.	Amount	Percentage	Amount
7	870	\$26,621	0.006206	\$2,223
8	871	0	0.000000	0
9	872	0	0.000000	0
10	874	63,520	0.014808	5,303
11	875	109,881	0.025616	9,174
12	876	1,088	0.000254	91
13	877	530	0.000124	44
14	878	716,486	0.167033	59,819
15	879	389,145	0.090720	32,489
16	880	85,202	0.019883	7,113
17	885	8,644	0.002015	722
18	886	6,520	0.001520	544
19	887	1,005,321	0.234368	83,934
20	889	40,034	0.009333	3,342
21	890	31,481	0.007339	2,628
22	891	2,301	0.000536	192
23	892	91,428	0.021314	7,633
24	893	60,938	0.014206	5,088
25	894	3,913	0.000912	327
26	902	114,111	0.026602	9,527
27	903	381,973	0.089048	31,890
28	905	8,127	0.001895	679
29	921	59,282	0.013820	4,949
30	Total Adjustment to Test Year Expense	\$3,206,548	0.747532	\$267,711
31	Balance Sheet Accounts	1,082,954	0.252466	90,415
32	Total Test Year Clearing	\$4,289,501	0.999998	\$358,126

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
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	<u>1,482,047</u>	<u>1.00000</u>	<u>\$559,968</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
Missouri State Franchise Tax

Line No.	Description (a)	Amount (b)
1	Proforma State Franchise Tax & City Tax Expense	\$246,719
2	Less Test Year State Franchise Tax Expense	<u>(240,000)</u>
3	Adjustment to Test Year - Acct. 4081	<u><u>\$6,719</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	\$856,839,462
2	Less Intangible Plant	C	<u>(27,644,634)</u>
3	Proforma Plant, excluding Intangible Plant		\$829,194,828
4	Property tax rate		<u>0.79595%</u>
5	Proforma Property Tax Expense		\$6,599,975
6	Oklahoma Property Tax		218,521
7	Less Test Year Property Tax Expense		<u>(169,925)</u>
8	Adjustment to Test Year - Acct. 4081		<u><u>\$6,988,421</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	8,694,146
6	Total increase	\$ 95,636

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>

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	Incentive Compensation	Holiday Bonuses	Work Performance Bonuses	Total
	(a)	(b)	(c)	(d)	(e)
1	12 mos ended 6/30/04 Incentive and Bonus Payments	\$302,657	\$43,660	\$76,057	\$422,374
2	12 mos ended 6/30/05 Incentive and Bonus Payments	770,568	46,120	107,994	\$924,682
3	12 mos ended 6/30/06 Incentive and Bonus Payments	1,059,738	45,645	26,160	\$1,131,543
4	Total	<u>\$2,132,963</u>	<u>\$135,425</u>	<u>\$210,211</u>	<u>\$826,200</u>
5	Incentive Compensation & Bonuses 12/31/05				<u>(451,917)</u>
6	Adjustment				374,283
7	Expense Ratio				<u>0.769063</u>
8	Amount Charged to Expense				<u>\$287,847</u>

Missouri Gas Energy
Unrecovered Cost of Service
January through June 2006

Total Company

Line No	TARIFF	(a)		# of Reg billed Custs	Regular usage	Actual Avg per Cust	Usage used to Design Rates	(f)		Total Usage Shortfall / (Excess)	Revenue Shortfall / Excess
				(b)	(c)	(d)	(e)	(f)	(g)	(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	\$ 775,005	
LGSM				327	3,327,656	10,176	8717.7	(1,459)	(475,970.10)	\$ (68,748)	
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	24,558,666.00	\$ 3,238,683	
UGM				19	3,012	156					
SGSM				66,730	21,069,568	316	444.7	129	6,505,263.00	\$ 1,227,369	
LGSM				326	2,510,649	7,701	8888.1	1,197	390,131.60	\$ 48,063	
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	\$ 1,883,631	
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	\$ 66,878	
LVM				495	23,800,947	47,679	48911.9	1,233	610,443.50	\$ 24,965	
Apr-06											
RES				440,116	27,389,905	62.2	92.7	30.5	13,408,848.20	\$ 1,766,225	
UGM				18	1,794	96.7					
SGSM				65,322	11,445,040	175.2	234.9	59.7	3,899,097.80	\$ 555,128	
LGSM				324	1,293,925	3,993.6	4395.7	402.1	130,281.80	\$ 16,047	
LVM				494	17,621,229	35,870.5	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	1,773,506	2,358.3	5294.7	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	16,792,746	33,893.4	31632.6	(2,360.8)	(1,166,241.60)	\$ (47,676)	
										<u>\$ 15,635,784</u>	
Proposed Length of Amortization										5 Years	
Annual Amortization										<u>\$ 3,127,157</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
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	(15 collectors for 28 weeks at 40 hours per week)	16,800
4	Rate per hour	<u>\$28.00</u>
5	Pro forma cost of collectors	\$470,400
6	Actual cost of collectors	\$219,334
7	Adjustment	<u>\$251,066</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>(\$169,083)</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
Weatherization

Line No.	Description	Amount
	(a)	(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	Amount
	(a)	(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		80%
Amount which should have been Collected		1,661,150
Initial Payment Amount		759,819
Uncollected Amount Due to Rule Change	\$	901,331
Annual Amortization over 3 Years	\$	300,444