

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Missouri Gas Energy's)	
Tariffs to Implement a General Rate)	Case No. GR-2004-0209
Increase for Natural Gas Service)	

MGE'S RESPONSE TO STAFF'S FILING REGARDING TEST YEAR

Comes now Missouri Gas Energy, a division of Southern Union Company ("MGE"), by counsel, and for its Response to Staff's Filing Regarding Test Year respectfully states as follows to the Missouri Public Service Commission ("Commission"):

1. MGE understands and agrees with the Staff that the test year for this case, as ordered by the Commission on December 9, 2003, is " . . . the twelve-month period ending June 30, 2003, updated for known and measurable changes through December 31, 2003." Further, MGE understands that it was directed by the Commission to update its case, said update to be accomplished by January 30, 2004.

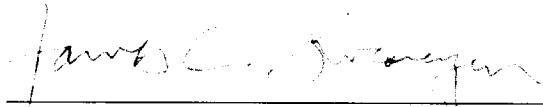
2. As a result of discussions with Staff representatives, both during the early prehearing conference held on December 8, 2003 and in the days prior to the submission of its updated case on January 30, 2004, MGE was under the impression that Staff understood the manner in which MGE intended to update its case and that this update was consistent with the Staff's interpretation of the Commission's directive. On January 30, 2004, when MGE filed its updated case based on the June 30, 2003 test year updated for known and measurable changes through December 31, 2003, all changes to all accounts through December 31, 2003, were known and measurable.

Therefore, MGE updated all accounts. This approach permitted audit and maintained an appropriate relationship of investment, expenses and revenues. MGE believes the update of the June test year for all known and measurable changes through December to be consistent with the Commission's December 9, 2003 Order Regarding Test Year and, based on conversations with representatives of the Staff prior to submitting its updated case, MGE also believed it to be consistent with the Staff's interpretation of the Commission directive in this case. MGE does not agree that it has attempted "to unilaterally change the test year" as alleged by Staff.

3. In any event, rather than engaging in an unproductive argument concerning the meaning of the Commission's test-year Order, MGE believes that the Staff's concerns regarding its January 30, 2004, update can be resolved through the submission of the document entitled Schedule of Adjustments to Reflect Known and Measurable Changes Occurring From June 30, 2003 to December 31, 2003, attached hereto as Appendix 1. Appendix 1, which corresponds to pages 3 through 8 of Schedule H of MGE witness Noack's Updated Test Year Direct Testimony, quantifies the amount of each adjustment, beginning with per books numbers as of June 30, 2003, so as to produce the revenue requirement supported by MGE's updated case as filed on January 30, 2004, and permit reconciliation with the Staff's revenue requirement presentation.

Respectfully submitted,

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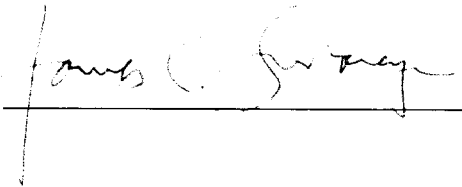


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ATTORNEYS FOR MISSOURI GAS ENERGY

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was hand-delivered, mailed by U.S. mail or electronically transmitted on this 23RD day of April, 2004, to all parties of record.



Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct	Description	June 30, 2003 Test Year Per Books	Adjustment to Reflect Known & Measurable Changes	Test Year Known & Measurable Changes	Adj. GL Rev to Test Year Margin	Normalize & Margin	Remove Purch. Gas Cost and GRT	Payroll Expense	Employee Benefits	Payroll Taxes	Insurance	Joint and Common Costs	Uncollectible Expense
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
OPERATING REVENUE														
1	480	Residential	\$340,727,514	\$26,685,855	\$367,413,369	(271,712,986)	2,346,482							
2	481	Commercial	138,675,790	5,901,733	144,577,523	(113,338,306)	(3,877,045)							
3	481	Industrial	3,930,121	110,799	4,040,920	(2,736,750)	0							
4	483	Sales for Resale	0	0	0	(104,856)	0							
5	487	Late Payment Charges	1,148,304	55,503	1,203,807	(58,447)	0							
6	488	Miscellaneous Service Revenue	2,313,358	(103,876)	2,209,482	1,352,215								
7	489	Transport	8,439,483	(157,318)	8,282,165	(53,748)								
8	493	Rent From Property	0	0	0									
9	495	Other Gas Revenue	(136,799)	(90,075)	(226,874)									
10		Total Operating Revenue	495,097,771	32,402,620	\$527,500,391	(387,951,345)	(232,096)	0	0	0	0	0	0	0
OPERATING & MAINTENANCE EXPENSE														
Operation Expense														
11	805	Other Gas Purchases	\$321,980,474	\$33,056,107	\$355,036,581			(355,036,581)						
12	807	Purchased Gas Expense	38,000	0	38,000									
13	859	Other Joint Expense	0	0	0									
14	870	Operation, Supervision and Engineering	506,443	72,696	579,139				334					
15	871	Distribution and Load Dispatching	13,427	(897)	12,530				158					
16	872	Compressor Station Labor and Expense	0	0	0				0					
17	874	Mains and Service Expenses	2,571,135	(85,585)	2,485,550				10,585					
18	875	Distributing Regulating Station Expenses	644,338	(51,628)	592,710				13,358					
19	876	Measuring and Regulating - Station Expenses	5,310	110	5,420				(435)					
20	877	Measuring and Regulating - Station Expenses	4,050	310	4,360				94					
21	878	Meter and House Regulator Expenses	4,258,435	168,935	4,427,370				104,109					
22	879	Customer Installation Expenses	2,248,341	253,827	2,502,168				77,636					
23	880	Other Expenses	1,107,496	114,059	1,221,555				34,389					
24	881	Rents	69,814	(5,291)	64,523									
25		Total Operation Expense	333,447,263	33,522,643	\$366,969,906	0	0	(355,036,581)	240,228	0	0	0	0	0
Maintenance Expense														
26	885	Maintenance Supervision and Engineering	\$780,481	\$99,322	\$879,803				73,335					
27	886	Maintenance of Structures and Improvements	139,484	17,467	156,951				3,477					
28	887	Maintenance of Mains	6,748,357	228,229	6,976,586				142,724					
29	889	Maint. of Measuring and Reg. Stat Equip - General	211,527	31,811	243,338				3,602					
30	890	Maint. of Measuring and Regulating Equipment	310,825	(4,178)	306,647				5,283					
31	891	Maint. of Measuring and Regulating Equipment	80,971	(20,383)	60,588				68					
32	892	Maintenance of Services	557,520	90,160	647,680				17,061					
33	893	Maintenance of Meters and House Regulators	859,716	44,609	904,325				22,708					
34	894	Maintenance of Other Equipment	227,498	(7,015)	220,483				1,577					
35		Total Maintenance Expense	9,916,379	480,022	\$10,396,401	0	0	0	269,835	0	0	0	0	0
36		Total Distribution Expense	343,363,642	34,002,665	\$377,366,307	0	0	(355,036,581)	510,063	0	0	0	0	0
Customer Accounts Expense														
37	901	Supervision	\$578,740	(\$148,516)	\$430,224				(2,709)					
38	902	Meter Reading Expense	630,162	42,183	672,345				23,907					
39	903	Customer Records and Collection Expense	9,623,169	(87,743)	9,535,426				306,318					
40	904	Uncollectible Accounts	6,602,056	355,709	6,957,765				0					2,216,705
41	905	Miscellaneous Customer Accounts Expense	85,374	22,563	107,937				0					
42		Total Customer Accounts Expense	17,519,501	184,196	\$17,703,697	0	0	0	327,516	0	0	0	0	2,216,705

Distribution of Revenue and Expense Adjustments by Account No.

Line No	Main Acct	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Customer Service and Informational Expense												
43	907	Supervision		\$0	\$0									
44	908	Customer Assistance	422,120	12,921	435,041									
45	909	Informational and Instructional Advertising Exp	43,018	5,529	48,547				(682)					
46	910	Miscellaneous Customer Accounts Expense	11,492	(6,542)	4,950									
47		Total Cust. Service and Informational Exp	476,630	11,908	\$488,538	0	0	0	(682)	0	0	0	0	0
		Sales and Advertising Expense												
48	911	Supervision		\$0	\$0									
49	912	Demonstrating and Selling Expenses	243,883	(30,851)	213,032				0					
50	913	Advertising Expenses		0	0				(1,557)					
51	916	Miscellaneous Sales Expenses	1,676	(725)	951									
52		Total Sales and Advertising Expenses	245,559	(31,576)	\$213,983	0	0	0	(1,557)	0	0	0	0	0
		Administrative and General Expense												
53	920	Administrative and General Salaries	\$3,718,333	\$1,281,663	\$4,999,996				51,553					
54	921	Office Supplies and Expenses	3,221,659	144,955	3,366,614				1,176					
55	922	Administrative Expenses Transferred	(165,936)	(1,372,292)	(1,538,228)									
56	923	Outside Services Employed	2,013,943	486,558	2,500,501									
57	924	Property Insurance	184,136	(30,790)	133,346								4,168,194	
58	925	Injuries and Damages	1,515,813	263,536	1,779,349				369				0	
59	926	Employee Pensions and Benefits	7,769,789	2,035,049	9,804,838					3,505,280			482,092	
60	927	Franchise Requirements	0	0	0									
61	928	Regulatory Commission Expense	1,854,587	(101,907)	1,752,680				0					
62	930	Miscellaneous General Expenses	(279,283)	(4,613)	(283,896)									
63	931	Rents	966,683	26,372	993,055									
64	932	Maintenance of General Plant	176,796	118,728	295,524									
65		Total Administrative and General Expense	20,946,520	2,847,259	\$23,793,779	0	0	0	53,098	3,505,280	0	482,092	4,168,194	0
66		Total O & M Expense	382,551,852	37,014,452	\$419,566,304	0	0	(355,036,561)	888,438	3,505,280	0	482,092	4,168,194	2,216,705
67	403	Depreciation	\$20,289,660	\$150,402	\$20,440,062									
68	404, 405	Amortization	2,401,441	370,790	2,772,231									
69	431	Interest on Customer Deposits	218,822	(16,804)	202,018									
70	408	Payroll Taxes (1***)	1,593,999	103,158	1,697,157									
71	408	Property Taxes (2****)	8,280,724	(747,191)	7,533,533						251,621			
72	408	Gross Receipts Tax (3300 + 4000)	30,058,800	1,984,945	32,043,745			(32,043,745)						
73	408	Other Taxes (41**)	108,025	(55,650)	52,375									
74	408	Taxes Other Than Income	40,041,548	1,285,262	\$41,326,810	0	0	(32,043,745)	0	0	251,621	0	0	0
75		TOTAL EXPENSES	445,503,323	38,804,102	\$484,307,425	0	0	(387,080,326)	888,438	3,505,280	251,621	482,092	4,168,194	2,216,705
76		OPERATING INCOME BEFORE INCOME TAX	49,594,448	(6,401,482)	\$43,192,966	(387,951,345)	(232,096)	387,080,326	(888,438)	(3,505,280)	(251,621)	(482,092)	(4,168,194)	(2,216,705)
77	409, 410	Income Taxes	11,248,450	(2,474,754)	8,773,696									
78		Note: per book & adjusted income tax computed on A-2												
		NET OPERATING INCOME	\$38,345,998	(\$3,926,728)	\$34,419,270	(387,951,345)	(232,096)	387,080,326	(888,438)	(3,505,280)	(251,621)	(482,092)	(4,168,194)	(2,216,705)

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct	Description	(a)	(b)	(c)	June 30, 2003 Test Year Per Books	Adjustment to Reflect Known & Measurable Changes	(e)	(c)	Test Year Adjusted for Known & Measurable Changes	H-10	H-11	H-12	H-13	H-14	H-15	H-16	H-17	H-18	H-19	
											Regulatory Commission Expense	Interest on Customer Deposits	Depreciation Expense	Amortization Expense	TWE Clearing	Stores Load Clearing	Paid Time Off Clearing	State Franchise Tax	Property Tax	Gas Supply	
OPERATING REVENUE																					
1	480	Residential				\$340,727,514	\$26,685,855		\$367,413,369												
2	481 1	Commercial				138,675,790	5,901,733		144,577,523												
3	481 2	Industrial				3,930,121	110,799		4,040,920												
4	483	Sales for Resale				0	0		0												
5	487	Late Payment Charges				1,148,304	55,503		1,203,807												
6	488	Miscellaneous Service Revenue				2,313,358	(103,876)		2,209,482												
7	489	Transport				8,439,483	(157,318)		8,282,165												
8	493	Rent From Property				0	0		0												
9	495	Other Gas Revenue				(136,799)	(90,075)		(226,874)												
10		Total Operating Revenue				495,097,771	32,402,620		\$527,500,391		0	0	0	0	0	0	0	0	0	0	
OPERATING & MAINTENANCE EXPENSE																					
Operation Expense																					
11	805	Other Gas Purchases				\$321,980,474	\$33,056,107		\$355,036,581												
12	807	Purchased Gas Expense				38,000	0		38,000												
13	859	Other Joint Expense				0	0		0												
14	870	Operation, Supervision and Engineering				506,443	72,696		579,139												
15	871	Distribution and Load Dispatching				13,427	(897)		12,530												
16	872	Compressor Station Labor and Expense				0	0		0												
17	874	Mains and Service Expenses				2,571,135	(85,585)		2,485,550												
18	875	Distributing Regulating Station Expenses				644,338	(51,628)		592,710												
19	876	Measuring and Regulating - Station Expenses				5,310	110		5,420												
20	877	Measuring and Regulating - Station Expenses				4,050	310		4,360												
21	878	Meter and House Regulator Expenses				4,258,435	168,935		4,427,370												
22	879	Customer Installation Expenses				2,248,341	253,827		2,502,168												
23	880	Other Expenses				1,107,496	114,059		1,221,555												
24	881	Rents				69,814	(5,291)		64,523												
25		Total Operation Expense				333,447,263	33,522,643		\$366,969,906		0	0	0	0	(7,512)	171	130,453	0	0	(38,000)	
Maintenance Expense																					
26	885	Maintenance Supervision and Engineering				\$780,481	\$99,322		\$879,803												
27	886	Maintenance of Structures and Improvements				139,484	17,467		156,951												
28	887	Maintenance of Mains				6,748,357	228,229		6,976,586												
29	889	Maint. of Measuring and Reg. Stat Equip. - General				211,527	31,811		243,338												
30	890	Maint. of Measuring and Regulating Equipment				310,825	(4,178)		306,647												
31	891	Maint. of Measuring and Regulating Equipment				80,971	(20,383)		60,588												
32	892	Maintenance of Services				557,520	90,160		647,680												
33	893	Maintenance of Meters and House Regulators				859,716	44,609		904,325												
34	894	Maintenance of Other Equipment				227,498	(7,015)		220,483												
35		Total Maintenance Expenses				9,916,379	480,022		\$10,396,401		0	0	0	0	(6,801)	412	119,312	0	0	0	
36		Total Distribution Expense				343,363,642	34,002,665		\$377,366,307		0	0	0	0	(14,313)	583	249,765	0	0	(38,000)	
Customer Accounts Expense																					
37	901	Supervision				\$578,740	(\$148,516)		\$430,224												
38	902	Meter Reading Expense				630,162	42,183		672,345												
39	903	Customer Records and Collection Expense				9,623,169	(87,743)		9,535,426												
40	904	Uncollectible Accounts				6,602,056	355,709		6,957,765												
41	905	Miscellaneous Customer Accounts Expense				85,374	22,563		107,937												
42		Total Customer Accounts Expenses				17,519,501	184,196		\$17,703,697		0	0	0	0	(2,086)	0	37,054	0	0	0	

Customer Service and Informational Expense

Note: per book & adjusted income tax computed on A-2

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct	Description	June 30, 2003 Test Year Per Books	Adjustment to Reflect Known & Measurable Changes	Test Year Adjusted for Known & Measurable Changes	H-20 Office Lease Expense	H-21 Incentive Compensation & Bonuses	H-22 Collection Costs	H-24 Shared Services Expense	H-25 Remove Non-utility Activities	H-26 Outside Services	H-27 Weatherization Fund	H-28 Environmental Response Fund	H-29 Information Technology Expenses
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
OPERATING REVENUE														
1	480	Residential	\$340,727,514	\$26,665,855	\$367,413,369									
2	481.1	Commercial	138,675,790	5,901,733	144,577,523									
3	481.2	Industrial	3,930,121	110,799	4,040,920									
4	483	Sales for Resale	0	0	0									
5	487	Late Payment Charges	1,148,304	55,503	1,203,807									
6	488	Miscellaneous Service Revenue	2,313,358	(103,876)	2,209,482									
7	489	Transport	8,439,483	(157,318)	8,282,165									
8	493	Rent From Property	0	0	0									
9	495	Other Gas Revenue	(136,799)	(90,075)	(226,874)									
10		Total Operating Revenue	495,097,771	32,402,620	\$527,500,391	0	0	0	0	0	0	0	0	0
OPERATING & MAINTENANCE EXPENSE														
Operation Expense														
11	805	Other Gas Purchases	\$321,980,474	\$33,056,107	\$355,036,581									
12	807	Purchased Gas Expense	38,000	0	38,000									
13	859	Other Joint Expense	0	0	0									
14	870	Operation, Supervision and Engineering	506,443	72,696	579,139			(959)						
15	871	Distribution and Load Dispatching	13,427	(897)	12,530			(19)						
16	872	Compressor Station Labor and Expense	0	0	0			0						
17	874	Mains and Service Expenses	2,571,135	(85,585)	2,485,550			(524)						
18	875	Distributing Regulating Station Expenses	644,338	(51,628)	592,710			(769)						
19	876	Measuring and Regulating - Station Expenses	5,310	110	5,420			(6)						
20	877	Measuring and Regulating - Station Expenses	310	310	4,360			(6)						
21	878	Meter and House Regulator Expenses	4,258,435	168,935	4,427,370			(5,645)						
22	879	Customer Installation Expenses	2,248,341	253,827	2,502,168			(3,539)						
23	880	Other Expenses	1,107,496	114,059	1,221,555			(1,339)						
24	881	Rents	69,814	(5,291)	64,523									
25		Total Operation Expense	333,447,263	33,522,543	\$366,969,806	0	0	(12,806)	0	0	0	0	0	0
Maintenance Expense														
26	885	Maintenance Supervision and Engineering	\$780,481	\$99,322	\$879,803			(1,619)						
27	886	Maintenance of Structures and Improvements	139,484	17,467	156,951			(180)						
28	887	Maintenance of Mains	6,748,357	228,229	6,976,586			(7,364)						
29	889	Maint. of Measuring and Reg. Stat Equip - General	211,527	31,811	243,338			(272)						
30	890	Maint. of Measuring and Regulating Equipment	310,825	(4,178)	306,647			(395)						
31	891	Maint. of Measuring and Regulating Equipment	80,971	(20,383)	60,588			(29)						
32	892	Maintenance of Services	557,520	90,160	647,680			(760)						
33	893	Maintenance of Meters and House Regulators	859,716	44,609	904,325			(1,151)						
34	894	Maintenance of Other Equipment	227,498	(7,015)	220,483			(75)						
35		Total Maintenance Expenses	9,916,379	480,022	\$10,396,401	0	0	(11,845)	0	0	0	0	0	0
36		Total Distribution Expense	343,363,642	34,002,665	\$377,366,307	0	0	(24,651)	0	0	0	0	0	0
Customer Accounts Expense														
37	901	Supervision	\$578,740	(\$148,516)	\$430,224			(717)						
38	902	Meter Reading Expense	630,162	42,183	672,345			(931)						
39	903	Customer Records and Collection Expense	9,623,169	(87,743)	9,535,426			(8,512)						
40	904	Uncollectible Accounts	6,602,056	355,709	6,957,765			(48,801)						
41	905	Miscellaneous Customer Accounts Expense	85,374	22,563	107,937									
42		Total Customer Accounts Expenses	17,519,501	184,196	\$17,703,697	0	0	(10,160)	0	0	0	0	0	0

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct	Description	June 30, 2003 Test Year Per Books	Adjustment to Reflect Known & Measurable Changes	Test Year Adjusted for Known & Measurable Changes	Office Lease Expense	Dues Expense	Incentive Compensation & Bonuses	Collection Costs	Shared Services Expense	Remove Non-utility Activities	Outside Services	Weatherization Fund	Environmental Response Fund	Information Technology Expenses
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
Customer Service and Informational Expense															
43	907	Supervision	\$0	\$0	\$0										
44	908	Customer Assistance	422,120	12,921	435,041										
45	909	Informational and Instructional Advertising Exp	43,018	5,529	48,547			(162)					160,000		
46	910	Miscellaneous Customer Accounts Expense	11,492	(6,542)	4,950										
47		Total Cust. Service and Informational Exp.	476,630	11,908	\$488,538	0	0	(162)	0	0	0	0	160,000	0	0
Sales and Advertising Expense															
48	911	Supervision	\$0	\$0	\$0			0							
49	912	Demonstrating and Selling Expenses	243,883	(30,851)	213,032			(332)							
50	913	Advertising Expenses	0	0	0										
51	916	Miscellaneous Sales Expenses	1,676	(725)	951										
52		Total Sales and Advertising Expenses	245,559	(31,576)	\$213,983	0	0	(332)	0	0	0	0	0	0	0
Administrative and General Expense															
53	920	Administrative and General Salaries	\$3,718,333	\$1,281,663	\$4,999,996			(8,592)							
54	921	Office Supplies and Expenses	3,221,659	144,955	3,366,614	(5,247)		(8)		105,314					
55	922	Administrative Expenses Transferred	(165,936)	(1,372,292)	(1,538,228)			(6)							
56	923	Outside Services Employed	2,013,943	486,558	2,500,501						828,469				
57	924	Property Insurance	164,136	(30,790)	133,346					137,119	(420,462)	20,500		750,000	
58	925	Injuries and Damages	1,515,813	263,536	1,779,349			(4)							
59	926	Employee Pensions and Benefits	7,769,789	2,035,049	9,804,838										
60	927	Franchise Requirements	0	0	0										
61	928	Regulatory Commission Expense	1,854,587	(101,907)	1,752,680										
62	930	Miscellaneous General Expenses	(279,283)	(4,613)	(283,896)		(80,000)			476,997					
63	931	Rents	956,683	26,372	983,055	(5,680)				344,368					
64	932	Maintenance of General Plant	176,796	118,728	295,524	(333)		0		171,506					
65		Total Administration and General Expense	20,946,520	2,847,259	\$23,793,779	(11,260)	(80,000)	(8,604)	0	1,235,303	408,007	20,500	0	750,000	0
66		Total O & M Expense	382,551,852	37,014,452	\$419,566,304	(11,260)	(80,000)	(43,909)	(48,801)	1,235,303	408,007	20,500	160,000	750,000	0
67	403	Depreciation	\$20,289,660	\$150,402	\$20,440,062										
68	404, 405	Amortization	2,401,441	370,790	2,772,231										
69	431	Interest on Customer Deposits	218,822	(16,804)	202,018										
70	408	Payroll Taxes (1***)	1,593,999	103,158	1,697,157										
71	408	Property Taxes (2****)	8,280,724	(747,191)	7,533,533										
72	408	Gross Receipts Tax (33000 + 4000)	30,058,800	1,984,945	32,043,745										
73	408	Other Taxes (41**)	108,025	(55,650)	52,375										
74	408	Taxes Other Than Income	40,041,548	1,285,262	\$41,326,810	0	0	0	0	0	0	0	0	0	0
75		TOTAL EXPENSES	445,503,323	38,804,102	\$484,307,425	(11,260)	(80,000)	(43,909)	(48,801)	1,235,303	408,007	20,500	160,000	750,000	0
76		OPERATING INCOME BEFORE INCOME TAX	49,594,448	(6,401,482)	\$43,192,966	11,260	80,000	43,909	48,801	(1,235,303)	(408,007)	(20,500)	(160,000)	(750,000)	0
77	409, 410	Income Taxes	11,248,450	(2,474,754)	8,773,696										
78		Note: per book & adjusted income tax computed on A-2													
		NET OPERATING INCOME	\$38,345,998	(\$3,926,728)	\$34,419,270	11,260	80,000	43,909	48,801	(1,235,303)	(408,007)	(20,500)	(160,000)	(750,000)	0

MISSOURI GAS ENERGY
A Division of Southern Union Company
June 30, 2003 Adjusted for Known Measurable Changes through December 31, 2003
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct	Description	(a)	(b)	(c)	June 30, 2003 Test Year Per Books	Adjustment to Reflect Known & Measurable Changes	(e)	(c)	Test Year Adjusted for Known & Measurable Changes	Income Tax Adjustment	Total Adjustments	(ah)	Test Year As Adjusted	(ai)
OPERATING REVENUE															
1	480	Residential				\$340,727,514	\$26,685,855		\$367,413,369			(269,366,504)		98,046,865	
2	481.1	Commercial				138,675,790	5,901,733		144,577,523			(117,215,352)		27,362,171	
3	481.2	Industrial				3,930,121	110,799		4,040,920			(2,736,750)		1,304,170	
4	483	Sales for Resale				0	0		0			(104,856)		(104,856)	
5	487	Late Payment Charges				1,148,304	55,503		1,203,807			(58,447)		1,145,360	
6	488	Miscellaneous Service Revenue				2,313,358	(103,876)		2,209,482			1,352,215		3,561,697	
7	489	Transport				8,439,483	(157,318)		8,282,165			(53,748)		8,228,417	
8	493	Rent From Property				0	0		0			0		0	
9	495	Other Gas Revenue				(136,799)	(90,075)		(226,874)			0		(226,874)	
10		Total Operating Revenue				495,097,771	32,402,620		\$527,500,391		0	(388,183,441)		139,316,951	
OPERATING & MAINTENANCE EXPENSE															
Operation Expense															
11	805	Other Gas Purchases				\$321,980,474	\$33,056,107		\$355,036,581			(355,036,581)		0	
12	807	Purchased Gas Expense				38,000	0		38,000			(38,000)		0	
13	859	Other Joint Expense				0	0		0			0		0	
14	870	Operation, Supervision and Engineering				506,443	72,696		579,139			(228)		578,911	
15	871	Distribution and Load Dispatching				13,427	(897)		12,530			237		12,767	
16	872	Compressor Station Labor and Expense				0	0		0			0		0	
17	874	Mains and Service Expenses				2,571,135	(85,585)		2,485,550			16,444		2,501,994	
18	875	Distributing Regulating Station Expenses				644,338	(51,628)		592,710			21,034		613,744	
19	876	Measuring and Regulating - Station Expenses				5,310	110		5,420			(362)		5,058	
20	877	Measuring and Regulating - Station Expenses				4,050	310		4,360			171		4,531	
21	878	Meter and House Regulator Expenses				4,258,435	169,935		4,427,370			166,622		4,593,992	
22	879	Customer Installation Expenses				2,248,341	253,827		2,502,168			109,882		2,612,050	
23	880	Other Expenses				1,107,496	114,059		1,221,555			36,734		1,258,289	
24	881	Rents				69,814	(5,291)		64,523			0		64,523	
25		Total Operation Expense				333,447,263	33,522,643		\$366,969,906		0	(354,724,047)		12,245,859	
Maintenance Expense															
26	885	Maintenance Supervision and Engineering				\$780,481	\$99,322		\$879,803			71,944		951,747	
27	886	Maintenance of Structures and Improvements				139,484	17,467		156,951			5,629		162,580	
28	887	Maintenance of Mains				6,748,357	228,229		6,976,586			216,898		7,193,484	
29	889	Maint. of Measuring and Reg. Stat Equip - General				211,527	31,811		243,338			5,642		248,980	
30	890	Maint. of Measuring and Regulating Equipment				310,825	(4,178)		306,647			7,805		314,452	
31	891	Maint. of Measuring and Regulating Equipment				80,971	(20,383)		60,588			352		60,940	
32	892	Maintenance of Services				557,520	90,160		647,680			24,174		671,854	
33	893	Maintenance of Meters and House Regulators				859,716	44,609		904,325			36,235		940,560	
34	894	Maintenance of Other Equipment				227,498	(7,015)		220,483			2,234		222,717	
35		Total Maintenance Expenses				9,916,379	480,022		\$10,396,401		0	370,913		10,767,314	
36		Total Distribution Expense				343,363,642	34,002,665		\$377,366,307		0	(354,353,134)		23,013,173	
Customer Accounts Expense															
37	901	Supervision				\$578,740	(\$148,516)		\$430,224			(3,426)		426,798	
38	902	Meter Reading Expense				630,162	42,183		672,345			32,783		705,128	
39	903	Customer Records and Collection Expense				9,623,169	(87,743)		9,535,426			274,166		9,809,592	
40	904	Uncollectible Accounts				6,602,056	355,709		6,957,765			2,216,705		9,174,470	
41	905	Miscellaneous Customer Accounts Expense				85,374	22,563		107,937			0		107,937	
42		Total Customer Accounts Expenses				17,519,501	184,196		\$17,703,697		0	2,520,228		20,223,925	

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description (b)	June 30, 2003 Test Year Per Books (c)	Adjustment to Reflect Known & Measurable Changes (e)	Test Year Adjusted for Known & Measurable Changes (c)	Income Tax Adjustment (ag)	Total Adjustments (ah)	Test Year As Adjusted (a)
Customer Service and Informational Expense								
43	907	Supervision	\$0	\$0	\$0			0
44	908	Customer Assistance	422,120	12,921	435,041		159,156	594,197
45	909	Informational and Instructional Advertising Exp.	43,018	5,529	48,547		0	48,547
46	910	Miscellaneous Customer Accounts Expense	11,482	(6,542)	4,950		0	4,950
47		Total Cust. Service and Informational Exp	476,630	11,908	\$488,538	0	159,156	647,694
Sales and Advertising Expense								
48	911	Supervision	\$0	\$0	\$0		0	0
49	912	Demonstrating and Selling Expenses	243,883	(30,851)	213,032		(1,934)	211,098
50	913	Advertising Expenses	0	0	0		0	0
51	916	Miscellaneous Sales Expenses	1,676	(725)	951		0	951
52		Total Sales and Advertising Expenses	245,559	(31,576)	\$213,983	0	(1,934)	212,049
Administrative and General Expense								
53	920	Administrative and General Expense	\$3,718,333	\$1,281,663	\$4,999,996		42,961	5,042,957
54	921	Office Supplies and Expenses	3,221,659	144,955	3,366,614		100,826	3,467,440
55	922	Administrative Expenses Transferred	(165,936)	(1,372,292)	(1,538,228)		828,469	(709,759)
56	923	Outside Services Employed	2,013,943	486,558	2,500,501		4,655,351	7,155,852
57	924	Property Insurance	164,136	(30,790)	133,346		0	133,346
58	925	Injuries and Damages	1,515,813	263,536	1,779,349		482,467	2,261,816
59	926	Employee Pensions and Benefits	7,769,789	2,035,049	9,804,838		3,505,280	13,310,118
60	927	Franchise Requirements	0	0	0		0	0
61	928	Regulatory Commission Expense	1,854,587	(101,907)	1,752,680		94,345	1,847,025
62	930	Miscellaneous General Expenses	(279,283)	(4,613)	(283,896)		396,997	113,101
63	931	Rents	956,683	26,372	983,055		338,688	1,321,743
64	932	Maintenance of General Plant	176,796	118,728	295,524		171,173	466,697
65		Total Administration and General Expense	20,946,520	2,847,259	\$23,793,779	0	10,616,556	34,410,335
66		Total O & M Expense	382,551,852	37,014,452	\$419,566,304	0	(341,059,129)	78,507,175
67	403	Depreciation	\$20,289,660	\$150,402	\$20,440,062		4,092,305	24,532,367
68	404, 405	Amortization	2,401,441	370,790	2,772,231		3,648,813	6,421,044
69	431	Interest on Customer Deposits	218,822	(16,804)	202,018		(81,567)	120,451
70	408	Payroll Taxes (1****)	1,593,999	103,158	1,697,157		251,621	1,948,778
71	408	Property Taxes (2****)	8,280,724	(747,191)	7,533,533		943,067	8,476,600
72	408	Gross Receipts Tax (3300 + 4000)	30,058,800	1,984,945	32,043,745		(32,043,745)	0
73	408	Other Taxes (41****)	108,025	(55,650)	52,375		206,705	259,080
74	408	Taxes Other Than Income	40,041,548	1,285,262	\$41,326,810	0	(30,642,352)	10,684,458
75		TOTAL EXPENSES	445,503,323	38,804,102	\$484,307,425	0	(364,041,930)	120,265,495
76		OPERATING INCOME BEFORE INCOME TAX	49,594,448	(6,401,482)	\$43,192,966	0	(24,141,511)	19,051,455
77	405 410	Income Taxes	11,248,450	(2,474,754)	8,773,696	(8,731,862)	(8,731,862)	41,834
78		NET OPERATING INCOME	\$38,345,998	(\$3,926,728)	\$34,419,270	8,731,862	(15,409,649)	19,009,621

Note: per book & adjusted income tax computed on A-2