

AN ANALYSIS OF THE COST OF CAPITAL

FOR

MISSOURI GAS ENERGY

CASE NO. GR-2004-0209

SCHEDULES

BY

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UTILITY SERVICES DIVISION

MISSOURI PUBLIC SERVICE COMMISSION

APRIL 2004

List of Schedules

Schedule Number	Description of Schedule
1	List of Schedules
2-1	Federal Reserve Discount Rate Changes
2-2	Graph of Federal Reserve Discount Rates
3-1	Average Prime Interest Rates
3-2	Graph of Average Prime Interest Rates
4-1	Rate of Inflation
4-2	Graph of Rate of Inflation
5-1	Average Yields on Mergent's Public Utility Bonds
5-2	Average Yields on Thirty-Year U.S. Treasury Bonds
5-3	Graph of Average Yields on Mergent's Public Utility Bonds and Thirty-Year U.S. Treasury Bonds
5-4	Graph of Monthly Spreads Between Yields on Mergent's Public Utility Bonds and Thirty-Year U.S. Treasury Bonds
6	Economic Estimates and Projections, 2003 - 2005
7	Historical Capital Structures for Southern Union Company
8	Selected Financial Ratios for Southern Union Company
9	Capital Structure as of December 31, 2003 for Southern Union Company
10	Embedded Cost of Long-Term Debt as of December 31, 2003 for Southern Union Company
11	Embedded Cost of Preferred Stock as of December 31, 2003 for Southern Union Company
12	Weighted Average Cost of Short-Term Debt as of December 31, 2003
13	Criteria for Selecting Comparable Natural Gas Distribution Companies
14	Eight Comparable Natural Gas Distribution Companies
15-1	Ten-Year Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates for the Eight Comparable Natural Gas Distribution Companies
15-2	Five-Year Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates for the Eight Comparable Natural Gas Distribution Companies
15-3	Average of Ten and Five-Year Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates for the Eight Comparable Natural Gas Distribution Companies
16	Historical and Projected Growth Rates for the Eight Comparable Natural Gas Distribution Companies
17	Average High / Low Stock Price for October 2003 through January 2004 for the Eight Comparable Natural Gas Distribution Companies
18	DCF Estimated Costs of Common Equity for the Eight Comparable Natural Gas Distribution Companies
19	Capital Asset Pricing Model (CAPM) Costs of Common Equity Estimates for the Eight Comparable Natural Gas Distribution Companies
20-1	Average Risk Premium Above the Yields of 30-Year U.S. Treasury Bonds for AGL Resources' Expected Returns on Common Equity
20-2	Average Risk Premium Above the Yields of 30-Year U.S. Treasury Bonds for Cascade's Expected Returns on Common Equity
20-3	Average Risk Premium Above the Yields of 30-Year U.S. Treasury Bonds for New Jersey's Expected Returns on Common Equity
20-4	Average Risk Premium Above the Yields of 30-Year U.S. Treasury Bonds for Northwest Natural Gas' Expected Returns on Common Equity
20-5	Average Risk Premium Above the Yields of 30-Year U.S. Treasury Bonds for People's Expected Returns on Common Equity
20-6	Average Risk Premium Above the Yields of 30-Year U.S. Treasury Bonds for Piedmont's Expected Returns on Common Equity
20-7	Average Risk Premium Above the Yields of 30-Year U.S. Treasury Bonds for South Jersey's Expected Returns on Common Equity
20-8	Average Risk Premium Above the Yields of 30-Year U.S. Treasury Bonds for WGL Holding's Expected Returns on Common Equity
21	Risk Premium Cost of Equity Estimates for the Eight Comparable Natural Gas Distribution Companies
22	Selected Financial Ratios for the Eight Comparable Natural Gas Distribution Companies
23	Pro Forma Pre-Tax Interest Coverage Ratios for Southern Union Company
24	Public Utility Revenue Requirement or Cost of Service
25	Weighted Cost of Capital as of December 31, 2003 for Missouri Gas Energy

Federal Reserve Discount Rate Changes

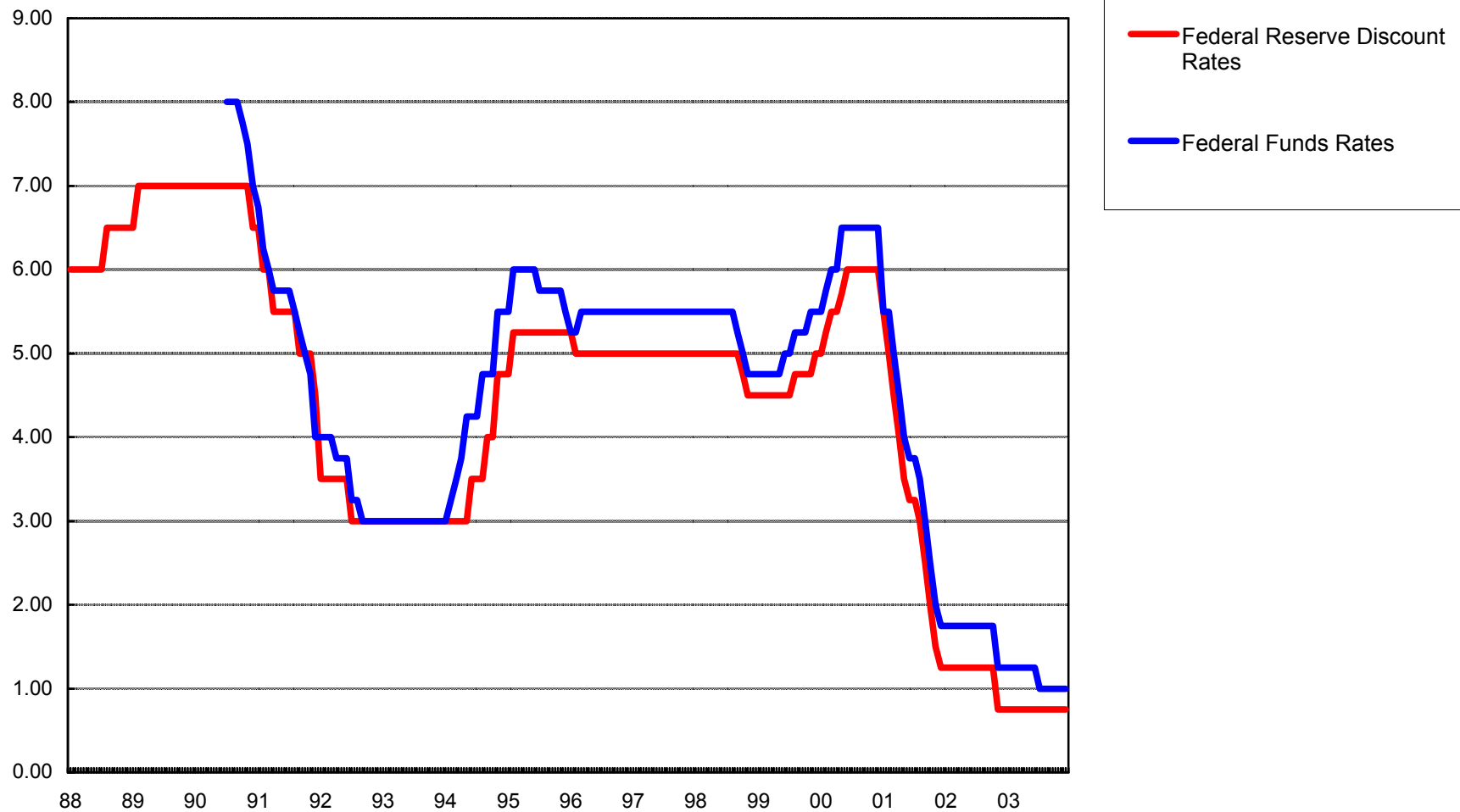
Date	Discount Rate	Federal Reserve Rate
05/20/85	7.50%	
03/07/86	7.00%	
04/21/86	6.50%	
07/11/86	6.00%	
08/21/86	5.50%	
09/04/87	6.00%	
08/09/88	6.50%	
02/24/89	7.00%	
07/13/90		8.00% *
10/29/90		7.75%
11/13/90		7.50%
12/07/90		7.25%
12/18/90		7.00%
12/19/90	6.50%	
01/09/91		6.75%
02/01/91	6.00%	6.25%
03/08/91		6.00%
04/30/91	5.50%	5.75%
08/06/91		5.50%
09/13/91	5.00%	5.25%
10/31/91		5.00%
11/06/91	4.50%	4.75%
12/06/91		4.50%
12/20/91	3.50%	4.00%
04/09/92		3.75%
07/02/92	3.00%	3.25%
09/04/92		3.00%
01/01/93		
12/31/93	No Changes	No Changes
02/04/94		3.25%
03/22/94		3.50%
04/18/94		3.75%
05/17/94	3.50%	4.25%
08/16/94	4.00%	4.75%
11/15/94	4.75%	5.50%
02/01/95	5.25%	6.00%
07/06/95		5.75%
12/19/95		5.50%
01/31/96	5.00%	5.25%
03/25/97		5.50%
12/12/97	5.00%	
01/09/98	5.00%	
03/06/98	5.00%	
09/29/98		5.25%
10/15/98	4.75%	5.00%
11/17/98	4.50%	4.75%
06/30/99	4.50%	5.00%
08/24/99	4.75%	5.25%
11/16/99	5.00%	5.50%
02/02/00	5.25%	5.75%
03/21/00	5.50%	6.00%
05/16/00	5.50%	6.50%
05/19/00	6.00%	
01/03/01	5.75%	6.00%
01/04/01	5.50%	
01/31/01	5.00%	5.50%
03/20/01	4.50%	5.00%
04/18/01	4.00%	4.50%
05/15/01	3.50%	4.00%
06/27/01	3.25%	3.75%
08/21/01	3.00%	3.50%
09/17/01	2.50%	3.00%
10/02/01	2.00%	2.50%
11/06/01	1.50%	2.00%
12/11/01	1.25%	1.75%
01/11/02	1.25%	
02/01/02	1.25%	
11/06/02	0.75%	1.25%
06/25/03		1.00%

* Began tracking the Federal Funds Rate.

Sources: Federal Reserve Bank of New York: <http://www.ny.frb.org/pihome/statistics/dlyrates/fedrate.html>
[Historical Changes of the Fed Fund and Discount Rate - Statistics - Federal Reserve Bank of New York](#)

Federal Reserve Discount Rates and Federal Funds Rates

1988 - 2003



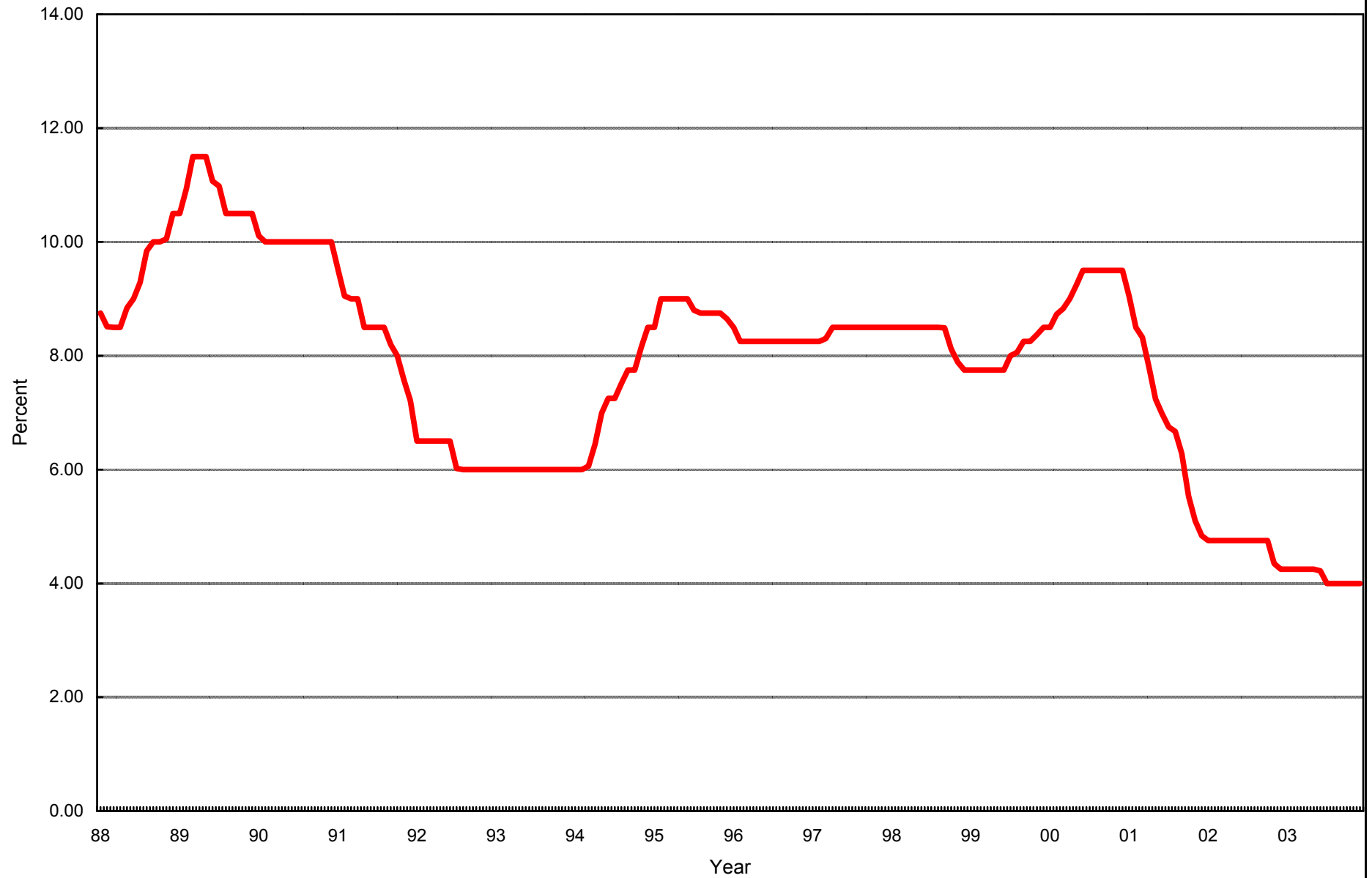
Average Prime Interest Rates

<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>
Jan 1988	8.75	Jan 1992	6.50	Jan 1996	8.50	Jan 2000	8.50
Feb	8.51	Feb	6.50	Feb	8.25	Feb	8.73
Mar	8.50	Mar	6.50	Mar	8.25	Mar	8.83
Apr	8.50	Apr	6.50	Apr	8.25	Apr	9.00
May	8.84	May	6.50	May	8.25	May	9.24
Jun	9.00	Jun	6.50	Jun	8.25	Jun	9.50
Jul	9.29	Jul	6.02	Jul	8.25	Jul	9.50
Aug	9.84	Aug	6.00	Aug	8.25	Aug	9.50
Sep	10.00	Sep	6.00	Sep	8.25	Sep	9.50
Oct	10.00	Oct	6.00	Oct	8.25	Oct	9.50
Nov	10.05	Nov	6.00	Nov	8.25	Nov	9.50
Dec	10.50	Dec	6.00	Dec	8.25	Dec	9.50
Jan 1989	10.50	Jan 1993	6.00	Jan 1997	8.26	Jan 2001	9.05
Feb	10.93	Feb	6.00	Feb	8.25	Feb	8.50
Mar	11.50	Mar	6.00	Mar	8.30	Mar	8.32
Apr	11.50	Apr	6.00	Apr	8.50	Apr	7.80
May	11.50	May	6.00	May	8.50	May	7.24
Jun	11.07	Jun	6.00	Jun	8.50	Jun	6.98
Jul	10.98	Jul	6.00	Jul	8.50	Jul	6.75
Aug	10.50	Aug	6.00	Aug	8.50	Aug	6.67
Sep	10.50	Sep	6.00	Sep	8.50	Sep	6.28
Oct	10.50	Oct	6.00	Oct	8.50	Oct	5.53
Nov	10.50	Nov	6.00	Nov	8.50	Nov	5.10
Dec	10.50	Dec	6.00	Dec	8.50	Dec	4.84
Jan 1990	10.11	Jan 1994	6.00	Jan 1998	8.50	Jan 2002	4.75
Feb	10.00	Feb	6.00	Feb	8.50	Feb	4.75
Mar	10.00	Mar	6.06	Mar	8.50	Mar	4.75
Apr	10.00	Apr	6.45	Apr	8.50	Apr	4.75
May	10.00	May	6.99	May	8.50	May	4.75
Jun	10.00	Jun	7.25	Jun	8.50	Jun	4.75
Jul	10.00	Jul	7.25	Jul	8.50	Jul	4.75
Aug	10.00	Aug	7.51	Aug	8.50	Aug	4.75
Sep	10.00	Sep	7.75	Sep	8.49	Sep	4.75
Oct	10.00	Oct	7.75	Oct	8.12	Oct	4.75
Nov	10.00	Nov	8.15	Nov	7.89	Nov	4.35
Dec	10.00	Dec	8.50	Dec	7.75	Dec	4.25
Jan 1991	9.52	Jan 1995	8.50	Jan 1999	7.75	Jan 2003	4.25
Feb	9.05	Feb	9.00	Feb	7.75	Feb	4.25
Mar	9.00	Mar	9.00	Mar	7.75	Mar	4.25
Apr	9.00	Apr	9.00	Apr	7.75	Apr	4.25
May	8.50	May	9.00	May	7.75	May	4.25
Jun	8.50	Jun	9.00	Jun	7.75	Jun	4.22
Jul	8.50	Jul	8.80	Jul	8.00	Jul	4.00
Aug	8.50	Aug	8.75	Aug	8.06	Aug	4.00
Sep	8.20	Sep	8.75	Sep	8.25	Sep	4.00
Oct	8.00	Oct	8.75	Oct	8.25	Oct	4.00
Nov	7.58	Nov	8.75	Nov	8.37	Nov	4.00
Dec	7.21	Dec	8.65	Dec	8.50	Dec	4.00

Sources: Federal Reserve, <http://www.stls.frb.org/fred/data/irates/mprime>

Average Prime Interest Rate

1988 - 2003



MISSOURI GAS ENERGY
CASE NO. GR-2004-0209

Rate of Inflation

Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)
Jan 1988	4.00	Jan 1992	2.60	Jan 1996	2.70	Jan 2000	2.70
Feb	3.90	Feb	2.80	Feb	2.70	Feb	3.20
Mar	3.90	Mar	3.20	Mar	2.80	Mar	3.70
Apr	3.90	Apr	3.20	Apr	2.90	Apr	3.00
May	3.90	May	3.00	May	2.90	May	3.20
Jun	4.00	Jun	3.10	Jun	2.80	Jun	3.70
Jul	4.10	Jul	3.20	Jul	3.00	Jul	3.70
Aug	4.00	Aug	3.10	Aug	2.90	Aug	3.40
Sep	4.20	Sep	3.00	Sep	3.00	Sep	3.50
Oct	4.20	Oct	3.20	Oct	3.00	Oct	3.40
Nov	4.20	Nov	3.00	Nov	3.30	Nov	3.40
Dec	4.40	Dec	2.90	Dec	3.30	Dec	3.40
Jan 1989	4.70	Jan 1993	3.30	Jan 1997	3.00	Jan 2001	3.70
Feb	4.80	Feb	3.20	Feb	3.00	Feb	3.50
Mar	5.00	Mar	3.10	Mar	2.80	Mar	2.90
Apr	5.10	Apr	3.20	Apr	2.50	Apr	3.30
May	5.40	May	3.20	May	2.20	May	3.60
Jun	5.20	Jun	3.00	Jun	2.30	Jun	3.20
Jul	5.00	Jul	2.80	Jul	2.20	Jul	2.70
Aug	4.70	Aug	2.80	Aug	2.20	Aug	2.70
Sep	4.30	Sep	2.70	Sep	2.20	Sep	2.60
Oct	4.50	Oct	2.80	Oct	2.10	Oct	2.10
Nov	4.70	Nov	2.70	Nov	1.80	Nov	1.90
Dec	4.60	Dec	2.70	Dec	1.70	Dec	1.60
Jan 1990	5.20	Jan 1994	2.50	Jan 1998	1.60	Jan 2002	1.10
Feb	5.30	Feb	2.50	Feb	1.40	Feb	1.10
Mar	5.20	Mar	2.50	Mar	1.40	Mar	1.50
Apr	4.70	Apr	2.40	Apr	1.40	Apr	1.60
May	4.40	May	2.30	May	1.70	May	1.20
Jun	4.70	Jun	2.50	Jun	1.70	Jun	1.10
Jul	4.80	Jul	2.90	Jul	1.70	Jul	1.50
Aug	5.60	Aug	3.00	Aug	1.60	Aug	1.80
Sep	6.20	Sep	2.60	Sep	1.50	Sep	1.50
Oct	6.30	Oct	2.70	Oct	1.50	Oct	2.00
Nov	6.30	Nov	2.70	Nov	1.50	Nov	2.20
Dec	6.10	Dec	2.80	Dec	1.60	Dec	2.40
Jan 1991	5.70	Jan 1995	2.90	Jan 1999	1.70	Jan 2003	2.60
Feb	5.30	Feb	2.90	Feb	1.60	Feb	3.00
Mar	4.90	Mar	3.10	Mar	1.70	Mar	3.00
Apr	4.90	Apr	2.40	Apr	2.30	Apr	2.20
May	5.00	May	3.20	May	2.10	May	2.10
Jun	4.70	Jun	3.00	Jun	2.00	Jun	2.10
Jul	4.40	Jul	2.80	Jul	2.10	Jul	2.10
Aug	3.80	Aug	2.60	Aug	2.30	Aug	2.20
Sep	3.40	Sep	2.50	Sep	2.60	Sep	2.30
Oct	2.90	Oct	2.80	Oct	2.60	Oct	2.00
Nov	3.00	Nov	2.60	Nov	2.60	Nov	1.80
Dec	3.10	Dec	2.50	Dec	2.70	Dec	2.50

Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index - All Urban Cc
Change for 12-Month Period, Bureau of Labor Statistics, <ftp://ftp.bls.gov/pub/special.requests>

Rate of Inflation

1988 - 2003



MISSOURI GAS ENERGY
CASE NO. GR-2004-0209

Average Yields on Mergent's Public Utility Bonds

<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>
Jan 1988	10.75	Jan 1992	8.67	Jan 1996	7.20	Jan 2000	8.22
Feb	10.11	Feb	8.77	Feb	7.37	Feb	8.10
Mar	10.11	Mar	8.84	Mar	7.72	Mar	8.14
Apr	10.53	Apr	8.79	Apr	7.88	Apr	8.14
May	10.75	May	8.72	May	7.99	May	8.55
Jun	10.71	Jun	8.64	Jun	8.07	Jun	8.22
Jul	10.96	Jul	8.46	Jul	8.02	Jul	8.17
Aug	11.09	Aug	8.34	Aug	7.84	Aug	8.05
Sep	10.56	Sep	8.32	Sep	8.01	Sep	8.16
Oct	9.92	Oct	8.44	Oct	7.76	Oct	8.08
Nov	9.89	Nov	8.53	Nov	7.48	Nov	8.03
Dec	10.02	Dec	8.36	Dec	7.58	Dec	7.79
Jan 1989	10.02	Jan 1993	8.23	Jan 1997	7.79	Jan 2001	7.76
Feb	10.02	Feb	8.00	Feb	7.68	Feb	7.69
Mar	10.16	Mar	7.85	Mar	7.92	Mar	7.59
Apr	10.14	Apr	7.76	Apr	8.08	Apr	7.81
May	9.92	May	7.78	May	7.94	May	7.88
Jun	9.49	Jun	7.68	Jun	7.77	Jun	7.75
Jul	9.34	Jul	7.53	Jul	7.52	Jul	7.71
Aug	9.37	Aug	7.21	Aug	7.57	Aug	7.57
Sep	9.43	Sep	7.01	Sep	7.50	Sep	7.73
Oct	9.37	Oct	6.99	Oct	7.37	Oct	7.64
Nov	9.33	Nov	7.30	Nov	7.24	Nov	7.61
Dec	9.31	Dec	7.33	Dec	7.16	Dec	7.86
Jan 1990	9.44	Jan 1994	7.31	Jan 1998	7.03	Jan 2002	7.69
Feb	9.66	Feb	7.44	Feb	7.09	Feb	7.62
Mar	9.75	Mar	7.83	Mar	7.13	Mar	7.83
Apr	9.87	Apr	8.20	Apr	7.12	Apr	7.74
May	9.89	May	8.32	May	7.11	May	7.76
Jun	9.69	Jun	8.31	Jun	6.99	Jun	7.67
Jul	9.66	Jul	8.47	Jul	6.99	Jul	7.54
Aug	9.84	Aug	8.41	Aug	6.96	Aug	7.34
Sep	10.01	Sep	8.65	Sep	6.88	Sep	7.23
Oct	9.94	Oct	8.88	Oct	6.88	Oct	7.43
Nov	9.76	Nov	9.00	Nov	6.96	Nov	7.31
Dec	9.57	Dec	8.79	Dec	6.84	Dec	7.20
Jan 1991	9.56	Jan 1995	8.77	Jan 1999	6.87	Jan 2003	7.13
Feb	9.31	Feb	8.56	Feb	7.00	Feb	6.92
Mar	9.39	Mar	8.41	Mar	7.18	Mar	6.80
Apr	9.30	Apr	8.30	Apr	7.16	Apr	6.68
May	9.29	May	7.93	May	7.42	May	6.35
Jun	9.44	Jun	7.62	Jun	7.70	Jun	6.21
Jul	9.40	Jul	7.73	Jul	7.66	Jul	6.54
Aug	9.16	Aug	7.86	Aug	7.86	Aug	6.78
Sep	9.03	Sep	7.62	Sep	7.87	Sep	6.58
Oct	8.99	Oct	7.46	Oct	8.02	Oct	6.50
Nov	8.93	Nov	7.40	Nov	7.86	Nov	6.44
Dec	8.76	Dec	7.21	Dec	8.04	Dec	6.35

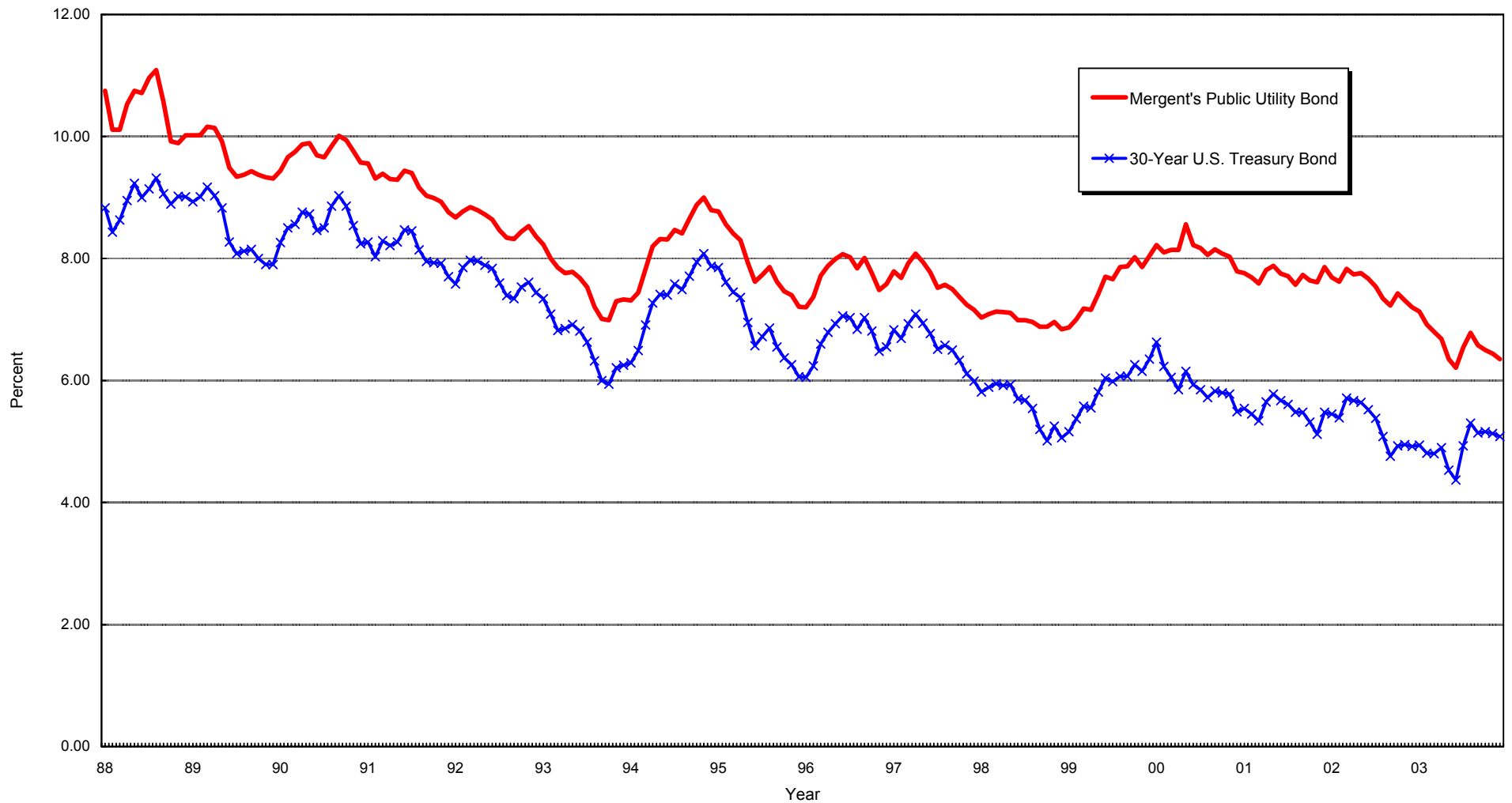
Source: Mergent Bond Record

Average Yields on Thirty-Year U.S. Treasury Bonds

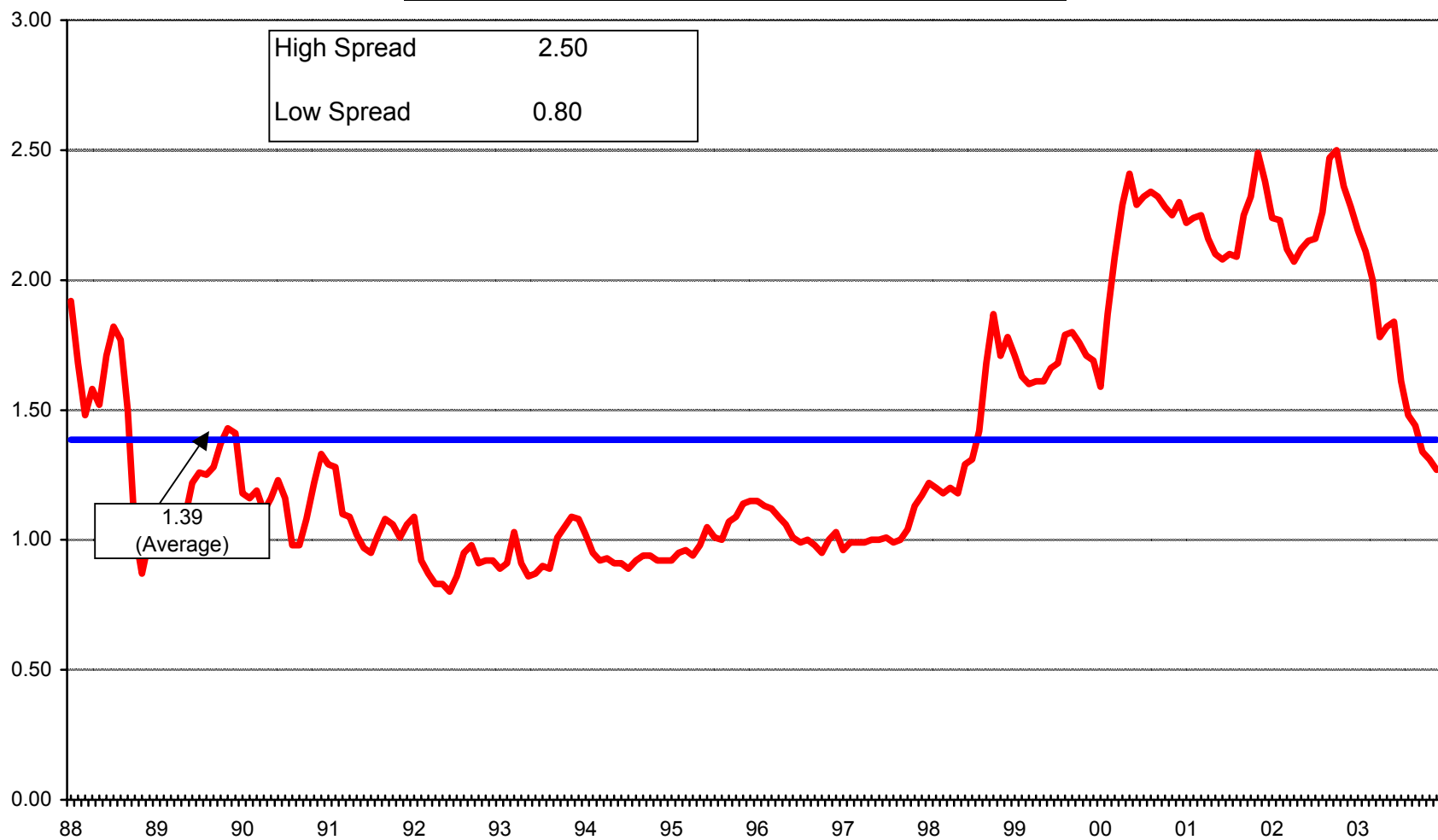
<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>
Jan 1988	8.83	Jan 1992	7.58	Jan 1996	6.05	Jan 2000	6.63
Feb	8.43	Feb	7.85	Feb	6.24	Feb	6.23
Mar	8.63	Mar	7.97	Mar	6.60	Mar	6.05
Apr	8.95	Apr	7.96	Apr	6.79	Apr	5.85
May	9.23	May	7.89	May	6.93	May	6.15
Jun	9.00	Jun	7.84	Jun	7.06	Jun	5.93
Jul	9.14	Jul	7.60	Jul	7.03	Jul	5.85
Aug	9.32	Aug	7.39	Aug	6.84	Aug	5.72
Sep	9.06	Sep	7.34	Sep	7.03	Sep	5.83
Oct	8.89	Oct	7.53	Oct	6.81	Oct	5.80
Nov	9.02	Nov	7.61	Nov	6.48	Nov	5.78
Dec	9.01	Dec	7.44	Dec	6.55	Dec	5.49
Jan 1989	8.93	Jan 1993	7.34	Jan 1997	6.83	Jan 2001	5.54
Feb	9.01	Feb	7.09	Feb	6.69	Feb	5.45
Mar	9.17	Mar	6.82	Mar	6.93	Mar	5.34
Apr	9.03	Apr	6.85	Apr	7.09	Apr	5.65
May	8.83	May	6.92	May	6.94	May	5.78
Jun	8.27	Jun	6.81	Jun	6.77	Jun	5.67
Jul	8.08	Jul	6.63	Jul	6.51	Jul	5.61
Aug	8.12	Aug	6.32	Aug	6.58	Aug	5.48
Sep	8.15	Sep	6.00	Sep	6.50	Sep	5.48
Oct	8.00	Oct	5.94	Oct	6.33	Oct	5.32
Nov	7.90	Nov	6.21	Nov	6.11	Nov	5.12
Dec	7.90	Dec	6.25	Dec	5.99	Dec	5.48
Jan 1990	8.26	Jan 1994	6.29	Jan 1998	5.81	Jan 2002	5.45
Feb	8.50	Feb	6.49	Feb	5.89	Feb	5.39
Mar	8.56	Mar	6.91	Mar	5.95	Mar	5.71
Apr	8.76	Apr	7.27	Apr	5.92	Apr	5.67
May	8.73	May	7.41	May	5.93	May	5.64
Jun	8.46	Jun	7.40	Jun	5.70	Jun	5.52
Jul	8.50	Jul	7.58	Jul	5.68	Jul	5.38
Aug	8.86	Aug	7.49	Aug	5.54	Aug	5.08
Sep	9.03	Sep	7.71	Sep	5.20	Sep	4.76
Oct	8.86	Oct	7.94	Oct	5.01	Oct	4.93
Nov	8.54	Nov	8.08	Nov	5.25	Nov	4.95
Dec	8.24	Dec	7.87	Dec	5.06	Dec	4.92
Jan 1991	8.27	Jan 1995	7.85	Jan 1999	5.16	Jan 2003	4.94
Feb	8.03	Feb	7.61	Feb	5.37	Feb	4.81
Mar	8.29	Mar	7.45	Mar	5.58	Mar	4.80
Apr	8.21	Apr	7.36	Apr	5.55	Apr	4.90
May	8.27	May	6.95	May	5.81	May	4.53
Jun	8.47	Jun	6.57	Jun	6.04	Jun	4.37
Jul	8.45	Jul	6.72	Jul	5.98	Jul	4.93
Aug	8.14	Aug	6.86	Aug	6.07	Aug	5.30
Sep	7.95	Sep	6.55	Sep	6.07	Sep	5.14
Oct	7.93	Oct	6.37	Oct	6.26	Oct	5.16
Nov	7.92	Nov	6.26	Nov	6.15	Nov	5.13
Dec	7.70	Dec	6.06	Dec	6.35	Dec	5.08

Source: Federal Reserve, <http://www.stls.frb.org/fred/data/irates/gs30>

**Average Yields on Mergent's Public Utility Bonds and
Thirty-Year U.S. Treasury Bonds (1988 - 2003)**



**Monthly Spreads Between Yields on Mergent's
Public Utility Bonds
and Thirty-Year U.S. Treasury Bonds (1988 - 2003)**



Economic Estimates and Projections, 2003 - 2005

Source	Inflation Rate			Real GDP			Unemployment			3-Mo. T-Bill Rate			30-Yr. T-Bond Rate		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Value Line Investment Survey (11/28/03)	2.10%	2.00%	2.10%	2.90%	4.20%	3.60%	6.10%	6.00%	5.80%	1.00%	1.20%	1.70%	4.90%	5.50%	6.00%
The Budget and Economic Outlook FY2005-2014 (01/31/04)	2.30%	1.60%	1.70%	3.20%	4.80%	4.20%	6.00%	5.80%	5.30%	1.00%	1.30%	3.00%	N.A.	N.A.	N.A.
Current rate	1.90%			4.10% *			5.60% **			0.94%			4.71%		

Notes: N.A. = Not Available.
* Reflects 2003 Fourth Quarter Growth.
**Rate reported by Bureau of Labor Statistics for the period ending February 2004.

Sources of Current Rates: The Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers, 12-Month Period Ending January 31, 2004.
Federal Reserve website, <http://research.stlouisfed.org/fred2/data/GS3M.txt>, February 2004.
U.S. Department of Commerce, Bureau of Economic Analysis, for 2003 Fourth Quarter.
The Bureau of Labor Statistics, Employment Situation Summary, February 2004.
30-Year Treasury Bond Rates as reported on Investopedia website: <http://www.investopedia.com/offsite.asp?URL=http://quote.yahoo.com/q?s=%5ETYS&d=1y>, as of March 15, 2004.

Other Sources: The Congressional Budget Office, The Budget and Economic Outlook: Fiscal Years 2005-2014, January 2004,
<http://www.cbo.gov/showdoc.cfm?index=1824&sequence=0>

Historical Capital Structures for Southern Union Company
Consolidated Basis
(Thousands of Dollars)

Capital Components	1999	2000	2001	2002	2003
Common Equity	\$301,058	\$735,854	\$721,857	\$685,346	\$920,418
Preferred Stock	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Long-Term Debt	\$392,457	\$735,967	\$1,335,544	\$1,190,413	\$2,346,405
Short-Term Debt	\$21,003	\$3	\$190,600	\$131,800	\$251,500
Total	<u>\$814,518</u>	<u>\$1,571,824</u>	<u>\$2,348,001</u>	<u>\$2,107,559</u>	<u>\$3,618,323</u>

Capital Structure	1999	2000	2001	2002	2003
Common Equity	36.96%	46.82%	30.74%	32.52%	25.44%
Preferred Stock	12.28%	6.36%	4.26%	4.74%	2.76%
Long-Term Debt	48.18%	46.82%	56.88%	56.48%	64.85%
Short-Term Debt	2.58%	0.00%	8.12%	6.25%	6.95%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Notes: The amount of Long-Term Debt includes Current Maturities.

Source: Southern Union Company's Stockholders 2001 and 2003 Annual Reports.

**Selected Financial Ratios for Southern Union Company
Consolidated Basis**

Financial Ratios	1999	2000	2001	2002	2003
Return on Common Equity	3.50%	1.50%	1.80%	5.30%	4.70%
Earnings Per Common Share	\$0.28	\$0.22	\$0.21	\$0.61	\$0.74
Cash Dividends Per Common Share	NA	NA	NA	NA	NA
Common Dividend Payout Ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Market Price Per Common Share	\$20.71 *	\$15.81 *	\$18.86 **	\$16.50 **	\$18.40 **
Book Value Per Common Share	\$9.83 *	\$15.17 *	\$12.26 ***	\$11.89 ***	\$12.60 ***
Year-End Market to Book Ratio	2.11 x	1.04 x	1.54 x	1.39 x	1.46 x
Senior Debt Rating	BBB+	BBB+	BBB+	BBB+	BBB

Notes: Common Dividend Payout Ratio = Cash Dividends Per Common Share / Earnings Per Common Share.

Market to Book Ratio = Market Price Per Common Share / Book Value Per Common Share.

Year-End Market Price Per Common Share has been adjusted for stock splits and stock dividends.

Sources: *Southern Union Company's Stockholders Annual Reports.

**Standard & Poor's Stock Guide, December 2001, 2002, and 2003.

***Value Line Investment Survey: Ratings and Reports, December 19, 2003

Standard & Poor's RatingsDirect for credit ratings.

Value Line Investment Survey: Ratings and Reports, December 19, 2003 for return on common equity and earnings per common share.

**Capital Structure as of December 31, 2003
for Southern Union Company**

Capital Component	Amount in Dollars	Percentage of Capital
Common Stock Equity	\$920,418,000	25.38%
Preferred Stock	223,828,509	6.17%
Long-Term Debt	2,216,067,767 *	61.10%
Short-Term Debt	266,599,601 **	7.35%
Total Capitalization	<u>\$3,626,913,877</u>	<u>100.00%</u>

**Gas Distribution Financial Ratio Benchmarks
Total Debt / Total Capital - Including Preferred Stock**

	Lower Quartile	Median	Upper Quartile
Standard & Poor's Corporation's Utility Rating Service, Financial Statistics as of July 7, 2000 (median)	BBB 52%	BBB 56%	BBB 61%

Note: * See Schedule 10 for the amount of Long-Term Debt at December 31, 2003.

**Short-term debt balance equals short-term debt as of December 31, 2003 less
Construction Work in Progress (CWIP)

Source: Southern Union Company's response to Staff's Data Request No. 0102.

MISSOURI GAS ENERGY
CASE NO. GR-2004-0209

**Embedded Cost of Long-Term Debt as of December 31, 2003
for Southern Union Company (Consolidated)**

Southern Union Company Parent Only Embedded Cost of Long-Term Debt

Description	Issuance Date	Maturity Date	Original Issue	Outstanding as of December 31	Ann Int Rate	Ann Int Costs	Interest Pmt Dates	Issuance Costs (Orig)	Unamortized Issuance Costs & Discounts as of December 31	Embedded Rate
7.6% Senior Notes	2/1/1994	2/1/2024	475,000,000	359,765,000	7.60%	27,342,140	2/1 & 8/1	(5,386,788) \$	(2,766,840.80)	7.697%
8.25% Senior Notes	11/4/1999	11/15/2029	300,000,000	300,000,000	8.25%	24,750,000	5/15 & 11/15	(6,659,906) \$	(5,724,512.47)	8.486%
PGE MTG Notes 9.34%	11/4/1999	9/1/2019	15,000,000	15,000,000	9.34%	1,401,000	3/1 & 9/1	(639,460) \$	(270,839.21)	9.629%
Providence Series M 10.25%	9/28/2000	7/31/2008	10,000,000	1,363,000	10.25%	139,708	1/31 & 7/31	(80,531) \$	(48,112.07)	11.424%
Providence Series N 9.63%	9/28/2000	5/30/2020	10,000,000	10,000,000	9.63%	963,000	5/31 & 11/30	(284,477) \$	(244,135.84)	10.023%
Providence Series O 8.46%	9/28/2000	9/30/2022	12,500,000	11,875,000	8.46%	1,004,625	3/31 & 9/30	(678,625) \$	(587,448.76)	9.178%
Providence Series P 8.09%	9/28/2000	9/30/2022	12,500,000	12,500,000	8.09%	1,011,250	3/31 & 9/30	(323,564) \$	(284,266.16)	8.402%
Providence Series R 7.5%	9/28/2000	12/15/2025	15,000,000	15,000,000	7.50%	1,125,000	6/15 & 12/15	(367,971) \$	(330,904.32)	7.772%
Providence Series S 6.82%	9/28/2000	4/1/2018	15,000,000	14,464,000	6.82%	986,445	4/1 & 10/1	(391,911) \$	(328,976.38)	7.142%
Providence Series T 6.5%	9/28/2000	2/1/2029	15,000,000	13,802,000	6.50%	897,130	2/1 & 5/1 & 8/1 & 11/1	(2,485,117) \$	(2,201,910.25)	8.491%
Fall River 9.44%	9/28/2000	2/15/2020	6,500,000	6,500,000	9.44%	613,600	2/15 & 8/15	(226,342) \$	(189,990.69)	9.911%
Fall River 7.99%	9/28/2000	12/15/2026	7,000,000	7,000,000	7.96%	559,300	3/15 & 9/15	(135,410) \$	(118,676.84)	8.204%
Fall River 7.24%	9/28/2000	12/15/2027	6,000,000	6,000,000	7.24%	434,400	6/15 & 12/15	(109,972) \$	(97,057.45)	7.428%
Mandatory Convertibles 5.75%	6/11/2003	8/16/2006	125,000,000	125,000,000	5.75%	7,187,500	8/16, 11/16, 2/16 & 5/16	(411,010) \$	(348,211.67)	5.871%
Term Loan	7/15/2002	8/26/2005	311,086,956	161,086,956	LIBOR+87.5bp	3,552,303	monthly	(1,470,798) \$	(1,057,448.21)	2.616%
Acct 189 unamortized issue costs/discounts									\$ (16,317,490.52)	
Acct 257 unamortized premiums									\$ 2,096,132.78	
Totals for Southern Union Company			1,335,586,956	1,059,355,956		71,967,400		(19,651,882)	(28,820,689)	7.170%

Panhandle Eastern Pipe Line Company Embedded Cost of Long-Term debt

Description	Issuance Date	Maturity Date	Original Issue	Outstanding as of December 31	Ann Int Rate	Ann Int Costs	Interest Pmt Dates	Issuance Costs (Orig)	Unamortized Issuance Costs & Discounts as of December 31	Embedded Rate
A										
6.125% Senior Notes	3/15/1994	3/15/2004	300,000,000	146,080,000	6.125%	8,947,400	3/15 & 9/15	(5,386,788) \$	(39,997.00)	6.237%
7.875% Senior Notes	8/15/1994	8/15/2004	100,000,000	52,455,000	7.875%	4,130,831	2/15 & 8/15	(6,659,906) \$	(27,122.00)	8.437%
6.50% Senior Notes	7/15/1999	7/15/2009	200,000,000	60,623,000	6.500%	3,940,495	1/15 & 7/15	(342,871) \$	(507,191.00)	6.511%
8.25% Senior Notes	4/1/2000	4/1/2010	100,000,000	40,500,000	8.250%	3,341,250	4/1 & 10/1	(80,531) \$	(26,739.00)	8.257%
7.00% Senior Notes	7/15/1999	7/15/1999	300,000,000	66,305,000	7.000%	4,641,350	1/15 & 7/15	(284,477) \$	(1,343,312.00)	7.007%
4.80% Senior Notes	8/15/1994	9/30/2022	300,000,000	300,000,000	4.800%	14,400,000	2/15 & 8/15	(678,625) \$	(2,459,614.00)	4.811%
6.05% Senior Notes	8/18/2003	9/30/2022	250,000,000	250,000,000	6.050%	15,125,000	2/15 & 8/15	(323,564) \$	(2,238,934.00)	6.058%
Term Loan	12/21/2001	1/31/2007	290,000,000	269,569,500	4.464%	12,033,582	1/31, 4/30, 7/31, 10/31	(10,937,822) \$	(8,203,366.50)	4.639%

**Embedded Cost of long-term debt for Panhandle
Eastern Pipe Line Company**

			1,840,000,000	1,185,532,500		66,559,909		(24,694,584)	(14,846,276)	5.698%
Total consolidated embedded cost of long-term debt for Southern Union Company			3,175,586,956	2,244,888,456		138,527,309		(44,346,466)	(43,666,964)	6.383%

Long-Term Debt Balance for Capital Structure in Schedule 9 **2,216,067,767**

Source: Company Response to Data Request 0102.

**Embedded Cost of Preferred Stock as of December 31, 2003
for Southern Union Company**

			(1)	(2)			Annualized Cost to Company (1 * 2)
Preferred Stock	Issuance Date	Original Issue	Outstanding as of 12/31/2003	Annual Interest Rate	Unamortized Issuance Cost		
7.55% Preferred Securities	10/1/03	230,000,000	\$230,000,000	7.55%	\$ (6,171,490.72)		\$17,365,000
			<u>\$230,000,000</u>				<u>\$17,365,000</u>

							\$17,365,000

							\$223,828,509
							7.76%

Notes:

Source: Southern Union Company's response to Staff's Data Request 0102

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Weighted Average Cost of Short-Term Debt as of December 31, 2003
for Southern Union Company**

Month	Average STD Balance During Month	Interest Cost per Month
1/31/2003	\$272,950,000.00	\$472,152.00
2/28/2003	\$255,179,030.00	\$402,215.00
3/31/2003	\$232,129,030.00	\$388,815.00
4/30/2003	\$217,550,000.00	\$346,911.00
5/31/2003	\$260,150,000.00	\$433,367.00
6/30/2003	\$272,250,000.00	\$443,540.00
7/31/2003	\$282,750,000.00	\$463,353.00
8/30/2003	\$314,250,000.00	\$598,575.00
9/30/2003	\$319,150,000.00	\$510,053.00
10/31/2003	\$272,950,000.00	\$306,112.00
11/30/2003	\$283,825,000.00	\$386,934.00
12/31/2003	\$295,175,000.00	\$421,571.00
	\$273,192,338.33	5,173,598
AVERAGE	\$ 273,192,338.33	\$ 431,133.17
		= 1.89%

Source: Southern Union's response to DR 0102

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

Criteria for Selecting Comparable Natural Gas Distribution Companies

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Stock Publicly Traded	Distribution Revenues to Total Revenue >90%	Information Printed In Value Line	Positive DPS Annualized Compound Growth Rate (1992 - 2002)	No Missouri Regulated Operations	10-Years of Data Available	Total Capitalization <5 Billion	Comparable Company Met All Criteria
Natural Gas Distribution Companies								
AGL Resources, Inc.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Atmos Energy Corporation	Yes	Yes	Yes	Yes	No			
Cascade Natural Gas Corporation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Delta Natural Gas Company, Inc.	Yes	Yes	No					
Energy West	Yes	Yes	No					
Energysouth, Inc.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Laclede Gas Company	Yes	Yes	Yes	Yes	No			
New Jersey Resources Corporation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Northwest Natural Gas Company	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Peoples Energy Corporation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Piedmont Natural Gas Company, Inc.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
RGC Resources, Inc.	Yes	Yes	Yes	Yes	Yes	No		
South Jersey Industries, Inc.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Southern Union Company	Yes	Yes	Yes	Yes	No			
WGL Holdings, Inc.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Sources: Columns 1, 3, 4, and 6 = The Value Line Investment Survey: Ratings & Reports, December 19, 2003.

Column 2 and 7 = Edward Jones' Natural Gas Industry Summary, December 31, 2003.

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Eight Comparable Natural Gas Distribution Companies
For Missouri Gas Energy**

Number	Ticker Symbol	Company Name
1	ATG	AGL Resources, Inc.
2	CGC	Cascade Natural Gas
3	NJR	New Jersey Resources Corporation
4	NWN	Northwest Natural Gas
5	PGL	Peoples Energy Corporation
6	PNY	Piedmont Natural Gas Company, Inc.
7	SJI	South Jersey Industries, Inc.
8	WGL	WGL Holdings, Inc.

Note: Removed Energysouth, Inc. because of lack of projected information in Value Line.

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Ten-Year Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates
for the Natural Gas Distribution Industry Companies**

Company Name	Dividends Per Share		Earnings Per Share		Book Value Per Share	
	1992	2002	1992	2002	1992	2002
AGL Resources, Inc.	\$1.03	\$1.08	\$1.13	\$1.82	\$9.70	\$12.52
Cascade Natural Gas	\$0.93	\$0.96	\$0.63	\$1.13	\$9.09	\$10.34
New Jersey Resources Corporation	\$1.01	\$1.20	\$1.09	\$2.09	\$9.44	\$13.06
Northwest Natural Gas	\$1.15	\$1.26	\$0.74	\$1.62	\$12.41	\$18.88
Peoples Energy Corporation	\$1.76	\$2.07	\$2.06	\$2.80	\$17.72	\$22.74
Piedmont Natural Gas Company, Inc.	\$0.91	\$1.60	\$1.40	\$1.89	\$10.27	\$17.82
South Jersey Industries, Inc.	\$1.41	\$1.51	\$1.61	\$2.43	\$13.90	\$19.34
WGL Holdings, Inc.	\$1.07	\$1.27	\$1.27	\$1.14	\$10.66	\$15.78

----- **Annual Compound Growth Rates** -----

Company Name	DPS	EPS	BVPS	Average
	1992 - 2002	1992 - 2002	1992 - 2002	
AGL Resources, Inc.	0.48%	4.88%	2.58%	2.65%
Cascade Natural Gas	0.32%	6.02%	1.30%	2.54%
New Jersey Resources Corporation	1.74%	6.73%	3.30%	3.92%
Northwest Natural Gas	0.92%	8.15%	4.29%	4.45%
Peoples Energy Corporation	1.64%	3.12%	2.53%	2.43%
Piedmont Natural Gas Company, Inc.	5.81%	3.05%	5.67%	4.84%
South Jersey Industries, Inc.	0.69%	4.20%	3.36%	2.75%
WGL Holdings, Inc.	<u>1.73%</u>	<u>-1.07%</u>	<u>4.00%</u>	1.55%
Average	<u>1.66%</u>	<u>4.38%</u>	<u>3.38%</u>	
Standard Deviation	1.65%	2.64%	1.23%	

Source: The Value Line Investment Survey: Ratings & Reports, December 19, 2003.

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Five-Year Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates
for the Natural Gas Distribution Industry Companies**

Company Name	Dividends Per Share		Earnings Per Share		Book Value Per Share	
	1997	2002	1997	2002	1997	2002
AGL Resources, Inc.	\$1.08	\$1.08	\$1.37	\$1.82	\$10.99	\$12.52
Cascade Natural Gas	\$0.96	\$0.96	\$0.93	\$1.13	\$10.16	\$10.34
New Jersey Resources Corporation	\$1.07	\$1.20	\$1.48	\$2.09	\$10.38	\$13.06
Northwest Natural Gas	\$1.21	\$1.26	\$1.76	\$1.62	\$16.02	\$18.88
Peoples Energy Corporation	\$1.87	\$2.07	\$2.81	\$2.80	\$20.43	\$22.74
Piedmont Natural Gas Company, Inc.	\$1.21	\$1.60	\$1.85	\$1.89	\$13.90	\$17.82
South Jersey Industries, Inc.	\$1.44	\$1.51	\$1.71	\$2.43	\$12.86	\$19.34
WGL Holdings, Inc.	\$1.17	\$1.27	\$1.85	\$1.14	\$13.48	\$15.78

----- **Annual Compound Growth Rates** -----

Company Name	DPS	EPS	BVPS	Average
	1997 - 2002	1997 - 2002	1997 - 2002	
AGL Resources, Inc.	0.00%	5.84%	2.64%	2.83%
Cascade Natural Gas	0.00%	3.97%	0.35%	1.44%
New Jersey Resources Corporation	2.32%	7.15%	4.70%	4.72%
Northwest Natural Gas	0.81%	-1.64%	3.34%	0.84%
Peoples Energy Corporation	2.05%	-0.07%	2.17%	1.38%
Piedmont Natural Gas Company, Inc.	5.75%	0.43%	5.09%	3.76%
South Jersey Industries, Inc.	0.95%	7.28%	8.50%	5.58%
WGL Holdings, Inc.	<u>1.65%</u>	<u>-9.23%</u>	<u>3.20%</u>	-1.46%
Average	<u>1.69%</u>	<u>1.72%</u>	<u>3.75%</u>	
Standard Deviation	1.73%	5.23%	2.27%	

Source: The Value Line Investment Survey: Ratings & Reports, December 19, 2003.

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Average of Ten and Five-Year Dividends Per Share, Earnings Per Share &
Book Value Per Share Growth Rates for the Natural Gas Distribution Industry Companies**

Company Name	10-Year Average DPS, EPS & BVPS	5-Year Average DPS, EPS & BVPS	Average of 5-Year & 10-Year Averages
AGL Resources, Inc.	2.65%	2.83%	2.74%
Cascade Natural Gas	2.54%	1.44%	1.99%
New Jersey Resources Corporation	3.92%	4.72%	4.32%
Northwest Natural Gas	4.45%	0.84%	2.64%
Peoples Energy Corporation	2.43%	1.38%	1.90%
Piedmont Natural Gas Company, Inc.	4.84%	3.76%	4.30%
South Jersey Industries, Inc.	2.75%	5.58%	4.16%
WGL Holdings, Inc.	1.55%	-1.46%	0.05%
Average	<u>3.14%</u>	<u>2.39%</u>	<u>2.76%</u>

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Historical and Projected Growth Rates
for the Eight Comparable Natural Gas Distribution Companies**

	(1)	(2)	(3)	(4)	(5)	(6)
Company Name	Historical Growth Rate (DPS, EPS and BVPS)	Projected 5-Year Growth IBES (Median)	Projected 5-Year EPS Growth S&P	Projected 3-5 Year EPS Growth Value Line	Average Projected Growth	Average of Historical & Projected Growth
AGL Resources, Inc.	2.74%	5.00%	5.00%	6.50%	5.50%	4.12%
Cascade Natural Gas	1.99%	4.00%	4.00%	4.50%	4.17%	3.08%
New Jersey Resources Corporation	4.32%	6.50%	6.00%	8.00%	6.83%	5.58%
Northwest Natural Gas	2.64%	4.00%	4.00%	5.00%	4.33%	3.49%
Peoples Energy Corporation	1.90%	5.00%	5.00%	4.00%	4.67%	3.29%
Piedmont Natural Gas Company, Inc.	4.30%	5.00%	5.00%	7.50%	5.83%	5.07%
South Jersey Industries, Inc.	4.16%	5.00%	5.00%	6.50%	5.50%	4.83%
WGL Holdings, Inc.	0.05%	4.00%	4.00%	4.00%	4.00%	2.02%
	<u>2.76%</u>	<u>4.81%</u>	<u>4.75%</u>	<u>5.75%</u>	<u>5.10%</u>	<u>3.93%</u>

Proposed Range of Growth: 3.90%-4.90%

Column 5 = [(Column 2 + Column 3 + Column 4) / 3]

Column 6 = [(Column 1 + Column 5) / 2]

Sources: Column 1 = Average of 10-Year and 5-Year Annual Compound Growth Rates from Schedule 15-3.

Column 2 = I/B/E/S Inc.'s Institutional Brokers Estimate System, January 15, 2004.

Column 3 = Standard & Poor's Earnings Guide, February 2004.

Column 4 = The Value Line Investment Survey: Ratings and Reports, December 19, 2003.

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Average High / Low Stock Price for October 2003 through January 2004
for the Eight Comparable Natural Gas Distribution Companies**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	-- October 2003 --		-- November 2003 --		-- December 2003 --		-- January 2004 --		Average
	High	Low	High	Low	High	Low	High	Low	High/Low
Company Name	Stock	Stock	Stock	Stock	Stock	Stock	Stock	Stock	Stock
	Price	Price	Price	Price	Price	Price	Price	Price	Price
									(10/03 - 1/04)
AGL Resources, Inc.	29.040	27.240	28.720	27.500	29.350	28.250	30.630	28.600	28.666
Cascade Natural Gas	20.370	19.410	20.750	19.550	21.990	19.900	23.050	21.150	20.771
New Jersey Resources Corporation	38.000	35.760	39.250	36.450	39.540	37.550	39.490	37.750	37.758
Northwest Natural Gas	30.500	28.510	30.850	28.910	31.300	29.500	31.970	29.950	29.928
Peoples Energy Corporation	42.720	40.030	40.900	38.820	42.640	40.060	43.260	41.370	40.862
Piedmont Natural Gas Company, Inc.	40.000	38.850	41.130	39.410	43.950	40.710	43.750	41.270	40.675
South Jersey Industries, Inc.	39.610	37.770	39.400	37.850	40.700	39.000	41.490	40.210	39.055
WGL Holdings, Inc.	28.500	27.370	28.160	26.200	28.550	26.630	28.700	27.150	27.568

Notes:

Column 9 = [(Column 1 + Column 2 + Column 3 + Column 4 + Column 5 + Column 6 + Column 7 + Column 8) / 8].

Sources: Standard & Poor's Stock Guides: November 2003, December 2003, January 2004 and February 2004.

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**DCF Estimated Costs of Common Equity
for the Eight Comparable Natural Gas Distribution Companies**

	(1)	(2)	(3)	(4)	(5)
Company Name	Expected Annual Dividend	Average High/Low Stock Price	Projected Dividend Yield	Average of Historical & Projected Growth	Estimated Cost of Common Equity
AGL Resources, Inc.	\$1.12	\$28.666	3.91%	4.12%	8.03%
Cascade Natural Gas	\$0.96	\$20.771	4.62%	3.08%	7.70%
New Jersey Resources Corporation	\$1.27	\$37.758	3.36%	5.58%	8.94%
Northwest Natural Gas	\$1.29	\$29.928	4.31%	3.49%	7.80%
Peoples Energy Corporation	\$2.14	\$40.862	5.24%	3.29%	8.80%
Piedmont Natural Gas Company, Inc.	\$1.69	\$40.675	4.15%	5.07%	9.89%
South Jersey Industries, Inc.	\$1.59	\$39.055	4.07%	4.83%	8.90%
WGL Holdings, Inc.	\$1.29	\$27.568	4.68%	2.02%	6.70%
Average			<u>4.29%</u>	<u>3.93%</u>	<u>8.35%</u>

Proposed Dividend Yield: 4.30%

Proposed Range of Growth: 3.90% - 4.90%

Estimated Cost of Common Equity: 8.20% - 9.20%

Notes: Column 1 = Estimated Dividends Declared per share represents the average projected dividends for 2003 and 2004.

Column 3 = (Column 1 / Column 2).

Column 5 = (Column 3 + Column 4).

Sources: Column 1 = The Value Line Investment Survey: Ratings & Reports, December 19, 2003.

Column 2 = Schedule 17.

Column 4 = Schedule 16.

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Capital Asset Pricing Model (CAPM) Costs of Common Equity Estimates
for the Eight Comparable Natural Gas Distribution Companies**

	(1)	(2)	(3)	(4)	(5)	(6)
Company Name	Risk Free Rate	Company's Value Line Beta	Market Risk Premium (1926-2002)	Market Risk Premium (1993-2002)	CAPM Cost of Common Equity (1926-2002)	CAPM Cost of Common Equity (1993-2002)
AGL Resources, Inc.	4.93%	0.75	6.40%	-0.34%	9.73%	4.68%
Cascade Natural Gas	4.93%	0.70	6.40%	-0.34%	9.41%	4.69%
New Jersey Resources Corporation	4.93%	0.70	6.40%	-0.34%	9.41%	4.69%
Northwest Natural Gas	4.93%	0.60	6.40%	-0.34%	8.77%	4.73%
Peoples Energy Corporation	4.93%	0.75	6.40%	-0.34%	9.73%	4.68%
Piedmont Natural Gas Company, Inc.	4.93%	0.70	6.40%	-0.34%	9.41%	4.69%
South Jersey Industries, Inc.	4.93%	0.55	6.40%	-0.34%	8.45%	4.74%
WGL Holdings, Inc.	4.93%	0.70	6.40%	-0.34%	9.41%	4.69%
Average		0.68			9.29%	4.70%

Sources:

Column 1 = The appropriate yield is equal to the average 30-year U.S. Treasury Bond yield for February 2004 which was obtained from Investopedia at:<http://www.investopedia.com>

Column 2 = Beta is a measure of the movement and relative risk of an individual stock to the market as a whole as reported by the Value Line Investment Survey: Ratings & Reports, December 19, 2003.

Column 3 = The Market Risk Premium represents the expected return from holding the entire market portfolio less the expected return from holding a risk free investment. The appropriate Market Risk Premium was determined to be 6.40% as calculated in Ibbotson Associates, Inc.'s Stocks, Bonds, Bills, and Inflation: 2003 Yearbook for the period 1926 - 2002.

Column 4 = The Market Risk Premium represents the expected return from holding the entire market portfolio less the expected return from holding a risk free investment. The appropriate Market Risk Premium was determined to be -.40% as calculated in Ibbotson Associates, Inc.'s Stocks, Bonds, Bills, and Inflation: 2003 Yearbook for the period 1993 - 2002.

Column 5 = (Column 1 + (Column 2 * Column 3)).

Column 6 = (Column 1 + (Column 2 * Column 4)).

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Average Risk Premium above the Yields of 30-Year U.S. Treasury Bonds
for AGL Resources' Expected Returns on Common Equity**

Mo/Year	AGL's Expected ROE	30-Year U.S. Treasury Bond Yields	AGL's Risk Premium	Mo/Year	AGL's Expected ROE	30-Year U.S. Treasury Bond Yields	AGL's Risk Premium
Jan 1994	11.00%	6.29%	4.71%	Jan 1999	12.00%	5.16%	6.84%
Feb	11.00%	6.49%	4.51%	Feb	12.00%	5.37%	6.63%
Mar	11.00%	6.91%	4.09%	Mar	12.00%	5.58%	6.42%
Apr	10.50%	7.27%	3.23%	Apr	12.00%	5.55%	6.45%
May	10.50%	7.41%	3.09%	May	12.00%	5.81%	6.19%
Jun	10.50%	7.40%	3.10%	Jun	12.00%	6.04%	5.96%
Jul	11.00%	7.58%	3.42%	Jul	11.50%	5.98%	5.52%
Aug	11.00%	7.49%	3.51%	Aug	11.50%	6.07%	5.43%
Sep	11.00%	7.71%	3.29%	Sep	11.50%	6.07%	5.43%
Oct	11.00%	7.94%	3.06%	Oct	9.50%	6.26%	3.24%
Nov	11.00%	8.08%	2.92%	Nov	9.50%	6.15%	3.35%
Dec	11.00%	7.87%	3.13%	Dec	9.50%	6.35%	3.15%
Jan 1995	11.00%	7.85%	3.15%	Jan 2000	9.50%	6.63%	2.87%
Feb	11.00%	7.61%	3.39%	Feb	9.50%	6.23%	3.27%
Mar	11.00%	7.45%	3.55%	Mar	9.50%	6.05%	3.45%
Apr	12.00%	7.36%	4.64%	Apr	10.00%	5.85%	4.15%
May	12.00%	6.95%	5.05%	May	10.00%	6.15%	3.85%
Jun	12.00%	6.57%	5.43%	Jun	10.00%	5.93%	4.07%
Jul	11.50%	6.72%	4.78%	Jul	10.50%	5.85%	4.65%
Aug	11.50%	6.86%	4.64%	Aug	10.50%	5.72%	4.78%
Sep	11.50%	6.55%	4.95%	Sep	10.50%	5.83%	4.67%
Oct	12.50%	6.37%	6.13%	Oct	10.50%	5.80%	4.70%
Nov	12.50%	6.26%	6.24%	Nov	10.50%	5.78%	4.72%
Dec	12.50%	6.06%	6.44%	Dec	10.50%	5.49%	5.01%
Jan 1996	13.00%	6.05%	6.95%	Jan 2001	11.50%	5.54%	5.96%
Feb	13.00%	6.24%	6.76%	Feb	11.50%	5.45%	6.05%
Mar	13.00%	6.60%	6.40%	March	11.50%	5.34%	6.16%
Apr	13.50%	6.79%	6.71%	Apr	12.00%	5.65%	6.35%
May	13.50%	6.93%	6.57%	May	12.00%	5.78%	6.22%
Jun	13.50%	7.06%	6.44%	June	12.00%	5.67%	6.33%
Jul	14.00%	7.03%	6.97%	July	13.00%	5.61%	7.39%
Aug	14.00%	6.84%	7.16%	Aug	13.00%	5.48%	7.52%
Sep	14.00%	7.03%	6.97%	Sept	13.00%	5.48%	7.52%
Oct	14.00%	6.81%	7.19%	Oct	12.50%	5.32%	7.18%
Nov	14.00%	6.48%	7.52%	Nov	12.50%	5.12%	7.38%
Dec	14.00%	6.55%	7.45%	Dec	12.50%	5.48%	7.02%
Jan 1997	14.50%	6.83%	7.67%	Jan 2002	13.00%	5.45%	7.55%
Feb	14.50%	6.69%	7.81%	Feb	13.00%	5.40%	7.60%
Mar	14.50%	6.93%	7.57%	Mar	13.00%	5.71%	7.29%
Apr	14.00%	7.09%	6.91%	Apr	13.00%	5.67%	7.33%
May	14.00%	6.94%	7.06%	May	13.00%	5.64%	7.36%
Jun	14.00%	6.77%	7.23%	Jun	13.00%	5.52%	7.48%
Jul	14.00%	6.51%	7.49%	Jul	12.50%	5.38%	7.12%
Aug	14.00%	6.58%	7.42%	Aug	12.50%	5.08%	7.42%
Sep	14.00%	6.50%	7.50%	Sep	12.50%	4.76%	7.74%
Oct	13.50%	6.33%	7.17%	Oct	13.00%	4.93%	8.07%
Nov	13.50%	6.11%	7.39%	Nov	13.00%	4.95%	8.05%
Dec	13.50%	5.99%	7.51%	Dec	13.00%	4.92%	8.08%
Jan 1998	11.50%	5.81%	5.69%	Jan 2003	13.50%	4.94%	8.56%
Feb	11.50%	5.89%	5.61%	Feb	13.50%	4.81%	8.69%
Mar	11.50%	5.95%	5.55%	Mar	13.50%	4.80%	8.70%
Apr	11.00%	5.92%	5.08%	Apr	14.00%	4.90%	9.10%
May	11.00%	5.93%	5.07%	May	14.00%	4.53%	9.47%
Jun	11.00%	5.70%	5.30%	Jun	14.00%	4.37%	9.63%
Jul	10.50%	5.68%	4.82%	Jul	14.50%	4.93%	9.57%
Aug	10.50%	5.54%	4.96%	Aug	14.50%	5.30%	9.20%
Sep	10.50%	5.20%	5.30%	Sep	14.50%	5.14%	9.36%
Oct	10.50%	5.01%	5.49%	Oct	13.50%	5.16%	8.34%
Nov	10.50%	5.25%	5.25%	Nov	13.50%	5.13%	8.37%
Dec	10.50%	5.06%	5.44%	Dec	13.50%	5.08%	8.42%

Summary Information (1994 - 2003)

Average Risk Premium: 6.09%
(Jan 1994 - Dec 2003)

High Risk Premium: 9.63%
(June 2003)

Low Risk Premium: 2.87%
(January 2000)

Sources: The Value Line Investment Survey: Ratings & Reports.
Yahoo's Financial Website: www.investopedia.com
St. Louis Federal Reserve website: <http://research.stlouisfed.org/fred2/data/GS30.txt>

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Average Risk Premium above the Yields of 30-Year U.S. Treasury Bonds
for Cascade's Expected Returns on Common Equity**

Mo/Year	Cascade's Expected ROE	30-Year U.S. Treasury Bond Yields	Cascade's Risk Premium	Mo/Year	Cascade's Expected ROE	30-Year U.S. Treasury Bond Yields	Cascade's Risk Premium
Jan 1994	11.50%	6.29%	5.21%	Jan 1999	10.50%	5.16%	5.34%
Feb	11.50%	6.49%	5.01%	Feb	10.50%	5.37%	5.13%
Mar	11.50%	6.91%	4.59%	Mar	10.50%	5.58%	4.92%
Apr	10.00%	7.27%	2.73%	Apr	11.00%	5.55%	5.45%
May	10.00%	7.41%	2.59%	May	11.00%	5.81%	5.19%
Jun	10.00%	7.40%	2.60%	Jun	11.00%	6.04%	4.96%
Jul	9.00%	7.58%	1.42%	Jul	11.00%	5.98%	5.02%
Aug	9.00%	7.49%	1.51%	Aug	11.00%	6.07%	4.93%
Sep	9.00%	7.71%	1.29%	Sep	11.00%	6.07%	4.93%
Oct	8.00%	7.94%	0.06%	Oct	11.00%	6.26%	4.74%
Nov	8.00%	8.08%	-0.08%	Nov	11.00%	6.15%	4.85%
Dec	8.00%	7.87%	0.13%	Dec	11.00%	6.35%	4.65%
Jan 1995	10.50%	7.85%	2.65%	Jan 2000	12.00%	6.63%	5.37%
Feb	10.50%	7.61%	2.89%	Feb	12.00%	6.23%	5.77%
Mar	10.50%	7.45%	3.05%	Mar	12.00%	6.05%	5.95%
Apr	9.00%	7.36%	1.64%	Apr	12.50%	5.85%	6.65%
May	9.00%	6.95%	2.05%	May	12.50%	6.15%	6.35%
Jun	9.00%	6.57%	2.43%	Jun	12.50%	5.93%	6.57%
Jul	10.50%	6.72%	3.78%	Jul	13.50%	5.85%	7.65%
Aug	10.50%	6.86%	3.64%	Aug	13.50%	5.72%	7.78%
Sep	10.50%	6.55%	3.95%	Sep	13.50%	5.83%	7.67%
Oct	10.00%	6.37%	3.63%	Oct	13.00%	5.80%	7.20%
Nov	10.00%	6.26%	3.74%	Nov	13.00%	5.78%	7.22%
Dec	10.00%	6.06%	3.94%	Dec	13.00%	5.49%	7.51%
Jan 1996	10.50%	6.05%	4.45%	Jan 2001	14.00%	5.54%	8.46%
Feb	10.50%	6.24%	4.26%	Feb	14.00%	5.45%	8.55%
Mar	10.50%	6.60%	3.90%	March	14.00%	5.34%	8.66%
Apr	8.50%	6.79%	1.71%	Apr	13.50%	5.65%	7.85%
May	8.50%	6.93%	1.57%	May	13.50%	5.78%	7.72%
Jun	8.50%	7.06%	1.44%	June	13.50%	5.67%	7.83%
Jul	10.50%	7.03%	3.47%	July	13.00%	5.61%	7.39%
Aug	10.50%	6.84%	3.66%	Aug	13.00%	5.48%	7.52%
Sep	10.50%	7.03%	3.47%	Sept	13.00%	5.48%	7.52%
Oct	8.50%	6.81%	1.69%	Oct	10.50%	5.32%	5.18%
Nov	8.50%	6.48%	2.02%	Nov	10.50%	5.12%	5.38%
Dec	8.50%	6.55%	1.95%	Dec	10.50%	5.48%	5.02%
Jan 1997	14.50%	6.83%	7.67%	Jan 2002	8.00%	5.45%	2.55%
Feb	14.50%	6.69%	7.81%	Feb	8.00%	5.40%	2.60%
Mar	14.50%	6.93%	7.57%	Mar	8.00%	5.71%	2.29%
Apr	14.00%	7.09%	6.91%	Apr	8.00%	5.67%	2.33%
May	14.00%	6.94%	7.06%	May	8.00%	5.64%	2.36%
Jun	14.00%	6.77%	7.23%	Jun	8.00%	5.52%	2.48%
Jul	10.50%	6.51%	3.99%	Jul	9.00%	5.38%	3.62%
Aug	10.50%	6.58%	3.92%	Aug	9.00%	5.08%	3.92%
Sep	10.50%	6.50%	4.00%	Sep	9.00%	4.76%	4.24%
Oct	10.00%	6.33%	3.67%	Oct	10.50%	4.93%	5.57%
Nov	10.00%	6.11%	3.89%	Nov	10.50%	4.95%	5.55%
Dec	10.00%	5.99%	4.01%	Dec	10.50%	4.92%	5.58%
Jan 1998	10.50%	5.81%	4.69%	Jan 2003	11.50%	4.94%	6.56%
Feb	10.50%	5.89%	4.61%	Feb	11.50%	4.81%	6.69%
Mar	10.50%	5.95%	4.55%	Mar	11.50%	4.80%	6.70%
Apr	9.50%	5.92%	3.58%	Apr	14.50%	4.90%	9.60%
May	9.50%	5.93%	3.57%	May	14.50%	4.53%	9.97%
Jun	9.50%	5.70%	3.80%	Jun	14.50%	4.37%	10.13%
Jul	8.00%	5.68%	2.32%	Jul	13.00%	4.93%	8.07%
Aug	8.00%	5.54%	2.46%	Aug	13.00%	5.30%	7.70%
Sep	8.00%	5.20%	2.80%	Sep	13.00%	5.14%	7.86%
Oct	8.00%	5.01%	2.99%	Oct	12.50%	5.16%	7.34%
Nov	8.00%	5.25%	2.75%	Nov	12.50%	5.13%	7.37%
Dec	8.00%	5.06%	2.94%	Dec	12.50%	5.08%	7.42%

Summary Information (1994 - 2003)

Average Risk Premium: 4.79%
(Jan 1994 - Dec 2003)

High Risk Premium: 10.13%
(June 2003)

Low Risk Premium: -0.08%
(November 1994)

Sources: The Value Line Investment Survey; Ratings & Reports.
Yahoo's Financial Website: www.investopedia.com
St. Louis Federal Reserve website: <http://research.stlouisfed.org/fred2/data/GS30.txt>

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Average Risk Premium above the Yields of 30-Year U.S. Treasury Bonds
for New Jersey's Expected Returns on Common Equity**

Mo/Year	New Jersey's Expected ROE	30-Year U.S. Treasury Bond Yields	New Jersey's Risk Premium	Mo/Year	New Jersey's Expected ROE	30-Year U.S. Treasury Bond Yields	New Jersey's Risk Premium
Jan 1994	12.00%	6.29%	5.71%	Jan 1999	14.50%	5.16%	9.34%
Feb	12.00%	6.49%	5.51%	Feb	14.50%	5.37%	9.13%
Mar	12.00%	6.91%	5.09%	Mar	14.50%	5.58%	8.92%
Apr	12.00%	7.27%	4.73%	Apr	14.50%	5.55%	8.95%
May	12.00%	7.41%	4.59%	May	14.50%	5.81%	8.69%
Jun	12.00%	7.40%	4.60%	Jun	14.50%	6.04%	8.46%
Jul	12.00%	7.58%	4.42%	Jul	14.50%	5.98%	8.52%
Aug	12.00%	7.49%	4.51%	Aug	14.50%	6.07%	8.43%
Sep	12.00%	7.71%	4.29%	Sep	14.50%	6.07%	8.43%
Oct	12.00%	7.94%	4.06%	Oct	14.50%	6.26%	8.24%
Nov	12.00%	8.08%	3.92%	Nov	14.50%	6.15%	8.35%
Dec	12.00%	7.87%	4.13%	Dec	14.50%	6.35%	8.15%
Jan 1995	11.50%	7.85%	3.65%	Jan 2000	15.00%	6.63%	8.37%
Feb	11.50%	7.61%	3.89%	Feb	15.00%	6.23%	8.77%
Mar	11.50%	7.45%	4.05%	Mar	15.00%	6.05%	8.95%
Apr	12.00%	7.36%	4.64%	Apr	15.00%	5.85%	9.15%
May	12.00%	6.95%	5.05%	May	15.00%	6.15%	8.85%
Jun	12.00%	6.57%	5.43%	Jun	15.00%	5.93%	9.07%
Jul	12.50%	6.72%	5.78%	Jul	15.00%	5.85%	9.15%
Aug	12.50%	6.86%	5.64%	Aug	15.00%	5.72%	9.28%
Sep	12.50%	6.55%	5.95%	Sep	15.00%	5.83%	9.17%
Oct	13.00%	6.37%	6.63%	Oct	15.00%	5.80%	9.20%
Nov	13.00%	6.26%	6.74%	Nov	15.00%	5.78%	9.22%
Dec	13.00%	6.06%	6.94%	Dec	15.00%	5.49%	9.51%
Jan 1996	13.50%	6.05%	7.45%	Jan 2001	14.50%	5.54%	8.96%
Feb	13.50%	6.24%	7.26%	Feb	14.50%	5.45%	9.05%
Mar	13.50%	6.60%	6.90%	March	14.50%	5.34%	9.16%
Apr	13.50%	6.79%	6.71%	Apr	14.50%	5.65%	8.85%
May	13.50%	6.93%	6.57%	May	14.50%	5.78%	8.72%
Jun	13.50%	7.06%	6.44%	June	14.50%	5.67%	8.83%
Jul	13.50%	7.03%	6.47%	July	12.50%	5.61%	6.89%
Aug	13.50%	6.84%	6.66%	Aug	12.50%	5.48%	7.02%
Sep	13.50%	7.03%	6.47%	Sept	12.50%	5.48%	7.02%
Oct	13.50%	6.81%	6.69%	Oct	12.50%	5.32%	7.18%
Nov	13.50%	6.48%	7.02%	Nov	12.50%	5.12%	7.38%
Dec	13.50%	6.55%	6.95%	Dec	12.50%	5.48%	7.02%
Jan 1997	14.50%	6.83%	7.67%	Jan 2002	14.50%	5.45%	9.05%
Feb	14.50%	6.69%	7.81%	Feb	14.50%	5.40%	9.10%
Mar	14.50%	6.93%	7.57%	Mar	14.50%	5.71%	8.79%
Apr	14.00%	7.09%	6.91%	Apr	14.00%	5.67%	8.33%
May	14.00%	6.94%	7.06%	May	14.00%	5.64%	8.36%
Jun	14.00%	6.77%	7.23%	Jun	14.00%	5.52%	8.48%
Jul	14.50%	6.51%	7.99%	Jul	15.00%	5.38%	9.62%
Aug	14.50%	6.58%	7.92%	Aug	15.00%	5.08%	9.92%
Sep	14.50%	6.50%	8.00%	Sep	15.00%	4.76%	10.24%
Oct	14.50%	6.33%	8.17%	Oct	14.50%	4.93%	9.57%
Nov	14.50%	6.11%	8.39%	Nov	14.50%	4.95%	9.55%
Dec	14.50%	5.99%	8.51%	Dec	14.50%	4.92%	9.58%
Jan 1998	14.50%	5.81%	8.69%	Jan 2003	14.50%	4.94%	9.56%
Feb	14.50%	5.89%	8.61%	Feb	14.50%	4.81%	9.69%
Mar	14.50%	5.95%	8.55%	Mar	14.50%	4.80%	9.70%
Apr	14.50%	5.92%	8.58%	Apr	15.00%	4.90%	10.10%
May	14.50%	5.93%	8.57%	May	15.00%	4.53%	10.47%
Jun	14.50%	5.70%	8.80%	Jun	15.00%	4.37%	10.63%
Jul	15.00%	5.68%	9.32%	Jul	15.00%	4.93%	10.07%
Aug	15.00%	5.54%	9.46%	Aug	15.00%	5.30%	9.70%
Sep	15.00%	5.20%	9.80%	Sep	15.00%	5.14%	9.86%
Oct	15.00%	5.01%	9.99%	Oct	15.00%	5.16%	9.84%
Nov	15.00%	5.25%	9.75%	Nov	15.00%	5.13%	9.87%
Dec	15.00%	5.06%	9.94%	Dec	15.00%	5.08%	9.92%

Summary Information (1994 - 2003)

Average Risk Premium: 7.86%
(Jan 1994 - Dec 2003)

High Risk Premium: 10.63%
(June 2003)

Low Risk Premium: 3.65%
(January 1995)

Sources: The Value Line Investment Survey: Ratings & Reports.
Yahoo's Financial Website: www.investopedia.com
St. Louis Federal Reserve website: <http://research.stlouisfed.org/fred2/data/GS30.txt>

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Average Risk Premium above the Yields of 30-Year U.S. Treasury Bonds
for Northwest Natural Gas' Expected Returns on Common Equity**

Mo/Year	Northwest Natural Gas' Expected ROE	30-Year U.S. Treasury Bond Yields	Northwest Natural Gas' Risk Premium	Mo/Year	Northwest Natural Gas' Expected ROE	30-Year U.S. Treasury Bond Yields	Northwest Natural Gas' Risk Premium
Jan 1994	12.50%	6.29%	6.21%	Jan 1999	11.00%	5.16%	5.84%
Feb	12.50%	6.49%	6.01%	Feb	11.00%	5.37%	5.63%
Mar	12.50%	6.91%	5.59%	Mar	11.00%	5.58%	5.42%
Apr	11.50%	7.27%	4.23%	Apr	8.50%	5.55%	2.95%
May	11.50%	7.41%	4.09%	May	8.50%	5.81%	2.69%
Jun	11.50%	7.40%	4.10%	Jun	8.50%	6.04%	2.46%
Jul	9.50%	7.58%	1.92%	Jul	9.50%	5.98%	3.52%
Aug	9.50%	7.49%	2.01%	Aug	9.50%	6.07%	3.43%
Sep	9.50%	7.71%	1.79%	Sep	9.50%	6.07%	3.43%
Oct	10.50%	7.94%	2.56%	Oct	10.50%	6.26%	4.24%
Nov	10.50%	8.08%	2.42%	Nov	10.50%	6.15%	4.35%
Dec	10.50%	7.87%	2.63%	Dec	10.50%	6.35%	4.15%
Jan 1995	11.50%	7.85%	3.65%	Jan 2000	10.50%	6.63%	3.87%
Feb	11.50%	7.61%	3.89%	Feb	10.50%	6.23%	4.27%
Mar	11.50%	7.45%	4.05%	Mar	10.50%	6.05%	4.45%
Apr	11.00%	7.36%	3.64%	Apr	10.00%	5.85%	4.15%
May	11.00%	6.95%	4.05%	May	10.00%	6.15%	3.85%
Jun	11.00%	6.57%	4.43%	Jun	10.00%	5.93%	4.07%
Jul	10.50%	6.72%	3.78%	Jul	10.50%	5.85%	4.65%
Aug	10.50%	6.86%	3.64%	Aug	10.50%	5.72%	4.78%
Sep	10.50%	6.55%	3.95%	Sep	10.50%	5.83%	4.67%
Oct	10.50%	6.37%	4.13%	Oct	10.00%	5.80%	4.20%
Nov	10.50%	6.26%	4.24%	Nov	10.00%	5.78%	4.22%
Dec	10.50%	6.06%	4.44%	Dec	10.00%	5.49%	4.51%
Jan 1996	11.50%	6.05%	5.45%	Jan 2001	10.50%	5.54%	4.96%
Feb	11.50%	6.24%	5.26%	Feb	10.50%	5.45%	5.05%
Mar	11.50%	6.60%	4.90%	March	10.50%	5.34%	5.16%
Apr	11.50%	6.79%	4.71%	Apr	10.50%	5.65%	4.85%
May	11.50%	6.93%	4.57%	May	10.50%	5.78%	4.72%
Jun	11.50%	7.06%	4.44%	June	10.50%	5.67%	4.83%
Jul	12.00%	7.03%	4.97%	July	9.50%	5.61%	3.89%
Aug	12.00%	6.84%	5.16%	Aug	9.50%	5.48%	4.02%
Sep	12.00%	7.03%	4.97%	Sept	9.50%	5.48%	4.02%
Oct	11.50%	6.81%	4.69%	Oct	9.50%	5.32%	4.18%
Nov	11.50%	6.48%	5.02%	Nov	9.50%	5.12%	4.38%
Dec	11.50%	6.55%	4.95%	Dec	9.50%	5.48%	4.02%
Jan 1997	12.50%	6.83%	5.67%	Jan 2002	10.00%	5.45%	4.55%
Feb	12.50%	6.69%	5.81%	Feb	10.00%	5.40%	4.60%
Mar	12.50%	6.93%	5.57%	Mar	10.00%	5.71%	4.29%
Apr	11.50%	7.09%	4.41%	Apr	10.50%	5.67%	4.83%
May	11.50%	6.94%	4.56%	May	10.50%	5.64%	4.86%
Jun	11.50%	6.77%	4.73%	Jun	10.50%	5.52%	4.98%
Jul	12.00%	6.51%	5.49%	Jul	11.00%	5.38%	5.62%
Aug	12.00%	6.58%	5.42%	Aug	11.00%	5.08%	5.92%
Sep	12.00%	6.50%	5.50%	Sep	11.00%	4.76%	6.24%
Oct	12.50%	6.33%	6.17%	Oct	9.50%	4.93%	4.57%
Nov	12.50%	6.11%	6.39%	Nov	9.50%	4.95%	4.55%
Dec	12.50%	5.99%	6.51%	Dec	9.50%	4.92%	4.58%
Jan 1998	11.50%	5.81%	5.69%	Jan 2003	11.00%	4.94%	6.06%
Feb	11.50%	5.89%	5.61%	Feb	11.00%	4.81%	6.19%
Mar	11.50%	5.95%	5.55%	Mar	11.00%	4.80%	6.20%
Apr	11.50%	5.92%	5.58%	Apr	10.50%	4.90%	5.60%
May	11.50%	5.93%	5.57%	May	10.50%	4.53%	5.97%
Jun	11.50%	5.70%	5.80%	Jun	10.50%	4.37%	6.13%
Jul	9.50%	5.68%	3.82%	Jul	8.50%	4.93%	3.57%
Aug	9.50%	5.54%	3.96%	Aug	8.50%	5.30%	3.20%
Sep	9.50%	5.20%	4.30%	Sep	8.50%	5.14%	3.36%
Oct	9.50%	5.01%	4.49%	Oct	9.00%	5.16%	3.84%
Nov	9.50%	5.25%	4.25%	Nov	9.00%	5.13%	3.87%
Dec	9.50%	5.06%	4.44%	Dec	9.00%	5.08%	3.92%

Summary Information (1994 - 2003)

Average Risk Premium: 4.56%
(Jan 1994 - Dec 2003)

High Risk Premium: 6.51%
(December 1997)

Low Risk Premium: 1.79%
(September 1994)

Sources: The Value Line Investment Survey: Ratings & Reports.
Yahoo's Financial Website: www.investopedia.com
St. Louis Federal Reserve website: <http://research.stlouisfed.org/fred2/data/GS30.txt>

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Average Risk Premium above the Yields of 30-Year U.S. Treasury Bonds
for People's Expected Returns on Common Equity**

Mo/Year	People's Expected ROE	30-Year U.S. Treasury Bond Yields	People's Risk Premium	Mo/Year	People's Expected ROE	30-Year U.S. Treasury Bond Yields	People's Risk Premium
Jan 1994	12.00%	6.29%	5.71%	Jan 1999	12.00%	5.16%	6.84%
Feb	12.00%	6.49%	5.51%	Feb	12.00%	5.37%	6.63%
Mar	12.00%	6.91%	5.09%	Mar	12.00%	5.58%	6.42%
Apr	12.50%	7.27%	5.23%	Apr	10.50%	5.55%	4.95%
May	12.50%	7.41%	5.09%	May	10.50%	5.81%	4.69%
Jun	12.50%	7.40%	5.10%	Jun	10.50%	6.04%	4.46%
Jul	11.50%	7.58%	3.92%	Jul	10.50%	5.98%	4.52%
Aug	11.50%	7.49%	4.01%	Aug	10.50%	6.07%	4.43%
Sep	11.50%	7.71%	3.79%	Sep	10.50%	6.07%	4.43%
Oct	11.50%	7.94%	3.56%	Oct	10.50%	6.26%	4.24%
Nov	11.50%	8.08%	3.42%	Nov	10.50%	6.15%	4.35%
Dec	11.50%	7.87%	3.63%	Dec	10.50%	6.35%	4.15%
Jan 1995	11.00%	7.85%	3.15%	Jan 2000	12.00%	6.63%	5.37%
Feb	11.00%	7.61%	3.39%	Feb	12.00%	6.23%	5.77%
Mar	11.00%	7.45%	3.55%	Mar	12.00%	6.05%	5.95%
Apr	10.00%	7.36%	2.64%	Apr	11.50%	5.85%	5.65%
May	10.00%	6.95%	3.05%	May	11.50%	6.15%	5.35%
Jun	10.00%	6.57%	3.43%	Jun	11.50%	5.93%	5.57%
Jul	9.50%	6.72%	2.78%	Jul	12.00%	5.85%	6.15%
Aug	9.50%	6.86%	2.64%	Aug	12.00%	5.72%	6.28%
Sep	9.50%	6.55%	2.95%	Sep	12.00%	5.83%	6.17%
Oct	9.50%	6.37%	3.13%	Oct	12.00%	5.80%	6.20%
Nov	9.50%	6.26%	3.24%	Nov	12.00%	5.78%	6.22%
Dec	9.50%	6.06%	3.44%	Dec	12.00%	5.49%	6.51%
Jan 1996	12.00%	6.05%	5.95%	Jan 2001	12.50%	5.81%	6.69%
Feb	12.00%	6.24%	5.76%	Feb	12.50%	5.89%	6.61%
Mar	12.00%	6.60%	5.40%	March	12.50%	5.95%	6.55%
Apr	12.00%	6.79%	5.21%	Apr	13.50%	5.92%	7.58%
May	12.00%	6.93%	5.07%	May	13.50%	5.93%	7.57%
Jun	12.00%	7.06%	4.94%	June	13.50%	5.70%	7.80%
Jul	13.50%	7.03%	6.47%	July	13.50%	5.68%	7.82%
Aug	13.50%	6.84%	6.66%	Aug	13.50%	5.54%	7.96%
Sep	13.50%	7.03%	6.47%	Sept	13.50%	5.20%	8.30%
Oct	15.00%	6.81%	8.19%	Oct	13.50%	5.01%	8.49%
Nov	15.00%	6.48%	8.52%	Nov	13.50%	5.25%	8.25%
Dec	15.00%	6.55%	8.45%	Dec	13.50%	5.06%	8.44%
Jan 1997	12.00%	6.83%	5.17%	Jan 2002	12.00%	5.16%	6.84%
Feb	12.00%	6.69%	5.31%	Feb	12.00%	5.37%	6.63%
Mar	12.00%	6.93%	5.07%	Mar	12.00%	5.58%	6.42%
Apr	12.00%	7.09%	4.91%	Apr	12.00%	5.55%	6.45%
May	12.00%	6.94%	5.06%	May	12.00%	5.81%	6.19%
Jun	12.00%	6.77%	5.23%	Jun	12.00%	6.04%	5.96%
Jul	12.50%	6.51%	5.99%	Jul	11.50%	5.98%	5.52%
Aug	12.50%	6.58%	5.92%	Aug	11.50%	6.07%	5.43%
Sep	12.50%	6.50%	6.00%	Sep	11.50%	6.07%	5.43%
Oct	14.00%	6.33%	7.67%	Oct	11.50%	6.26%	5.24%
Nov	14.00%	6.11%	7.89%	Nov	11.50%	6.15%	5.35%
Dec	14.00%	5.99%	8.01%	Dec	11.50%	6.35%	5.15%
Jan 1998	12.50%	5.81%	6.69%	Jan 2003	11.50%	6.63%	4.87%
Feb	12.50%	5.89%	6.61%	Feb	11.50%	6.23%	5.27%
Mar	12.50%	5.95%	6.55%	Mar	11.50%	6.05%	5.45%
Apr	11.50%	5.92%	5.58%	Apr	12.00%	5.85%	6.15%
May	11.50%	5.93%	5.57%	May	12.00%	6.15%	5.85%
Jun	11.50%	5.70%	5.80%	Jun	12.00%	5.93%	6.07%
Jul	11.00%	5.68%	5.32%	Jul	12.50%	5.85%	6.65%
Aug	11.00%	5.54%	5.46%	Aug	12.50%	5.72%	6.78%
Sep	11.00%	5.20%	5.80%	Sep	12.50%	5.83%	6.67%
Oct	11.00%	5.01%	5.99%	Oct	12.00%	5.80%	6.20%
Nov	11.00%	5.25%	5.75%	Nov	12.00%	5.78%	6.22%
Dec	11.00%	5.06%	5.94%	Dec	12.00%	5.49%	6.51%

Summary Information (1994 - 2003)

Average Risk Premium: 5.65%
(Jan 1994 - Dec 2003)

High Risk Premium: 8.52%
(November 1996)

Low Risk Premium: 2.64%
(April 1995)

Sources: The Value Line Investment Survey: Ratings & Reports.
Yahoo's Financial Website: www.investopedia.com
St. Louis Federal Reserve website: <http://research.stlouisfed.org/fred2/data/GS30.txt>

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Average Risk Premium above the Yields of 30-Year U.S. Treasury Bonds
for Piedmont's Expected Returns on Common Equity**

Mo/Year	Piedmont's Expected ROE	30-Year U.S. Treasury Bond Yields	Piedmont's Risk Premium	Mo/Year	Piedmont's Expected ROE	30-Year U.S. Treasury Bond Yields	Piedmont's Risk Premium
Jan 1994	10.00%	6.29%	3.71%	Jan 1999	13.50%	5.16%	8.34%
Feb	10.00%	6.49%	3.51%	Feb	13.50%	5.37%	8.13%
Mar	10.00%	6.91%	3.09%	Mar	13.50%	5.58%	7.92%
Apr	10.00%	7.27%	2.73%	Apr	13.00%	5.55%	7.45%
May	10.00%	7.41%	2.59%	May	13.00%	5.81%	7.19%
Jun	10.00%	7.40%	2.60%	Jun	13.00%	6.04%	6.96%
Jul	11.00%	7.58%	3.42%	Jul	12.50%	5.98%	6.52%
Aug	11.00%	7.49%	3.51%	Aug	12.50%	6.07%	6.43%
Sep	11.00%	7.71%	3.29%	Sep	12.50%	6.07%	6.43%
Oct	11.50%	7.94%	3.56%	Oct	12.00%	6.26%	5.74%
Nov	11.50%	8.08%	3.42%	Nov	12.00%	6.15%	5.85%
Dec	11.50%	7.87%	3.63%	Dec	12.00%	6.35%	5.65%
Jan 1995	11.50%	7.85%	3.65%	Jan 2000	13.00%	6.63%	6.37%
Feb	11.50%	7.61%	3.89%	Feb	13.00%	6.23%	6.77%
Mar	11.50%	7.45%	4.05%	Mar	13.00%	6.05%	6.95%
Apr	12.00%	7.36%	4.64%	Apr	12.50%	5.85%	6.65%
May	12.00%	6.95%	5.05%	May	12.50%	6.15%	6.35%
Jun	12.00%	6.57%	5.43%	Jun	12.50%	5.93%	6.57%
Jul	11.50%	6.72%	4.78%	Jul	12.50%	5.85%	6.65%
Aug	11.50%	6.86%	4.64%	Aug	12.50%	5.72%	6.78%
Sep	11.50%	6.55%	4.95%	Sep	12.50%	5.83%	6.67%
Oct	11.50%	6.37%	5.13%	Oct	12.50%	5.80%	6.70%
Nov	11.50%	6.26%	5.24%	Nov	12.50%	5.78%	6.72%
Dec	11.50%	6.06%	5.44%	Dec	12.50%	5.49%	7.01%
Jan 1996	12.00%	6.05%	5.95%	Jan 2001	12.50%	5.81%	6.69%
Feb	12.00%	6.24%	5.76%	Feb	12.50%	5.89%	6.61%
Mar	12.00%	6.60%	5.40%	March	12.50%	5.95%	6.55%
Apr	12.00%	6.79%	5.21%	Apr	12.50%	5.92%	6.58%
May	12.00%	6.93%	5.07%	May	12.50%	5.93%	6.57%
Jun	12.00%	7.06%	4.94%	June	12.50%	5.70%	6.80%
Jul	12.50%	7.03%	5.47%	July	12.00%	5.68%	6.32%
Aug	12.50%	6.84%	5.66%	Aug	12.00%	5.54%	6.46%
Sep	12.50%	7.03%	5.47%	Sept	12.00%	5.20%	6.80%
Oct	12.50%	6.81%	5.69%	Oct	10.50%	5.01%	5.49%
Nov	12.50%	6.48%	6.02%	Nov	10.50%	5.25%	5.25%
Dec	12.50%	6.55%	5.95%	Dec	10.50%	5.06%	5.44%
Jan 1997	12.00%	6.83%	5.17%	Jan 2002	11.00%	5.16%	5.84%
Feb	12.00%	6.69%	5.31%	Feb	11.00%	5.37%	5.63%
Mar	12.00%	6.93%	5.07%	Mar	11.00%	5.58%	5.42%
Apr	12.50%	7.09%	5.41%	Apr	11.00%	5.55%	5.45%
May	12.50%	6.94%	5.56%	May	11.00%	5.81%	5.19%
Jun	12.50%	6.77%	5.73%	Jun	11.00%	6.04%	4.96%
Jul	12.50%	6.51%	5.99%	Jul	10.50%	5.98%	4.52%
Aug	12.50%	6.58%	5.92%	Aug	10.50%	6.07%	4.43%
Sep	12.50%	6.50%	6.00%	Sep	10.50%	6.07%	4.43%
Oct	13.00%	6.33%	6.67%	Oct	10.00%	6.26%	3.74%
Nov	13.00%	6.11%	6.89%	Nov	10.00%	6.15%	3.85%
Dec	13.00%	5.99%	7.01%	Dec	10.00%	6.35%	3.65%
Jan 1998	13.00%	5.81%	7.19%	Jan 2003	10.50%	6.63%	3.87%
Feb	13.00%	5.89%	7.11%	Feb	10.50%	6.23%	4.27%
Mar	13.00%	5.95%	7.05%	Mar	10.50%	6.05%	4.45%
Apr	13.00%	5.92%	7.08%	Apr	11.00%	5.85%	5.15%
May	13.00%	5.93%	7.07%	May	11.00%	6.15%	4.85%
Jun	13.00%	5.70%	7.30%	Jun	11.00%	5.93%	5.07%
Jul	13.50%	5.68%	7.82%	Jul	11.00%	5.85%	5.15%
Aug	13.50%	5.54%	7.96%	Aug	11.00%	5.72%	5.28%
Sep	13.50%	5.20%	8.30%	Sep	11.00%	5.83%	5.17%
Oct	13.50%	5.01%	8.49%	Oct	10.50%	5.80%	4.70%
Nov	13.50%	5.25%	8.25%	Nov	10.50%	5.78%	4.72%
Dec	13.50%	5.06%	8.44%	Dec	10.50%	5.49%	5.01%

Summary Information (1994 - 2003)

Average Risk Premium: 5.65%
(Jan 1994 - Dec 2003)

High Risk Premium: 8.49%
(October 1998)

Low Risk Premium: 2.59%
(May 1994)

Sources: The Value Line Investment Survey: Ratings & Reports.
Yahoo's Financial Website: www.investopedia.com
St. Louis Federal Reserve website: <http://research.stlouisfed.org/fred2/data/GS30.txt>

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Average Risk Premium above the Yields of 30-Year U.S. Treasury Bonds
for South Jersey's Expected Returns on Common Equity**

Mo/Year	South Jersey's Expected ROE	30-Year U.S. Treasury Bond Yields	South Jersey's Risk Premium	Mo/Year	South Jersey's Expected ROE	30-Year U.S. Treasury Bond Yields	South Jersey's Risk Premium
Jan 1994	NA	6.29%	NA	Jan 1999	10.50%	5.16%	5.34%
Feb	NA	6.49%	NA	Feb	10.50%	5.37%	5.13%
Mar	NA	6.91%	NA	Mar	10.50%	5.58%	4.92%
Apr	NA	7.27%	NA	Apr	11.00%	5.55%	5.45%
May	NA	7.41%	NA	May	11.00%	5.81%	5.19%
Jun	NA	7.40%	NA	Jun	11.00%	6.04%	4.96%
Jul	NA	7.58%	NA	Jul	12.00%	5.98%	6.02%
Aug	NA	7.49%	NA	Aug	12.00%	6.07%	5.93%
Sep	NA	7.71%	NA	Sep	12.00%	6.07%	5.93%
Oct	NA	7.94%	NA	Oct	12.00%	6.26%	5.74%
Nov	NA	8.08%	NA	Nov	12.00%	6.15%	5.85%
Dec	NA	7.87%	NA	Dec	12.00%	6.35%	5.65%
Jan 1995	NA	7.85%	NA	Jan 2000	11.50%	6.63%	4.87%
Feb	NA	7.61%	NA	Feb	11.50%	6.23%	5.27%
Mar	NA	7.45%	NA	Mar	11.50%	6.05%	5.45%
Apr	NA	7.36%	NA	Apr	11.50%	5.85%	5.65%
May	NA	6.95%	NA	May	11.50%	6.15%	5.35%
Jun	NA	6.57%	NA	Jun	11.50%	5.93%	5.57%
Jul	NA	6.72%	NA	Jul	11.50%	5.85%	5.65%
Aug	NA	6.86%	NA	Aug	11.50%	5.72%	5.78%
Sep	NA	6.55%	NA	Sep	11.50%	5.83%	5.67%
Oct	NA	6.37%	NA	Oct	11.50%	5.80%	5.70%
Nov	NA	6.26%	NA	Nov	11.50%	5.78%	5.72%
Dec	NA	6.06%	NA	Dec	11.50%	6.10%	5.40%
Jan 1996	NA	6.05%	NA	Jan 2001	12.00%	5.81%	6.19%
Feb	NA	6.24%	NA	Feb	12.00%	5.89%	6.11%
Mar	NA	6.80%	NA	March	12.00%	5.95%	6.05%
Apr	NA	6.79%	NA	Apr	12.00%	5.92%	6.08%
May	NA	6.93%	NA	May	12.00%	5.93%	6.07%
Jun	NA	7.06%	NA	June	12.00%	5.70%	6.30%
Jul	10.50%	7.03%	3.47%	July	12.00%	5.68%	6.32%
Aug	10.50%	6.84%	3.66%	Aug	12.00%	5.54%	6.46%
Sep	10.50%	7.03%	3.47%	Sept	12.00%	5.20%	6.80%
Oct	11.00%	6.81%	4.19%	Oct	12.00%	5.01%	6.99%
Nov	11.00%	6.48%	4.52%	Nov	12.00%	5.25%	6.75%
Dec	11.00%	6.55%	4.45%	Dec	12.00%	5.06%	6.94%
Jan 1997	NA	6.83%	NA	Jan 2002	12.00%	5.16%	6.84%
Feb	NA	6.69%	NA	Feb	12.00%	5.37%	6.63%
Mar	NA	6.93%	NA	Mar	12.00%	5.58%	6.42%
Apr	NA	7.09%	NA	Apr	12.50%	5.55%	6.95%
May	NA	6.94%	NA	May	12.50%	5.81%	6.69%
Jun	NA	6.77%	NA	Jun	12.50%	6.04%	6.46%
Jul	10.50%	6.51%	3.99%	Jul	12.50%	5.98%	6.52%
Aug	10.50%	6.58%	3.92%	Aug	12.50%	6.07%	6.43%
Sep	10.50%	6.50%	4.00%	Sep	12.50%	6.07%	6.43%
Oct	10.50%	6.33%	4.17%	Oct	12.50%	6.26%	6.24%
Nov	10.50%	6.11%	4.39%	Nov	12.50%	6.15%	6.35%
Dec	10.50%	5.99%	4.51%	Dec	12.50%	6.35%	6.15%
Jan 1998	11.50%	5.81%	5.69%	Jan 2003	12.50%	6.63%	5.87%
Feb	11.50%	5.89%	5.61%	Feb	12.50%	6.23%	6.27%
Mar	11.50%	5.95%	5.55%	Mar	12.50%	6.05%	6.45%
Apr	11.00%	5.92%	5.08%	Apr	12.50%	5.85%	6.65%
May	11.00%	5.93%	5.07%	May	12.50%	6.15%	6.35%
Jun	11.00%	5.70%	5.30%	Jun	12.50%	5.93%	6.57%
Jul	9.50%	5.68%	3.82%	Jul	12.50%	5.85%	6.65%
Aug	9.50%	5.54%	3.96%	Aug	12.50%	5.72%	6.78%
Sep	9.50%	5.20%	4.30%	Sep	12.50%	5.83%	6.67%
Oct	9.00%	5.01%	3.99%	Oct	12.50%	5.80%	6.70%
Nov	9.00%	5.25%	3.75%	Nov	12.50%	5.78%	6.72%
Dec	9.00%	5.06%	3.94%	Dec	12.50%	6.10%	6.40%

Summary Information (1994 - 2003)

Average Risk Premium: 3.91%
(Jan 1994 - Dec 2003)

High Risk Premium: 6.99%
(October 2001)

Low Risk Premium: 3.47%
(July and September 1996)

Sources: The Value Line Investment Survey: Ratings & Reports.
Yahoo's Financial Website: www.investopedia.com
St. Louis Federal Reserve website: <http://research.stlouisfed.org/fred2/data/GS30.txt>

Note: Expected ROE's were not available to the Missouri Public Service Commission before June 1996 and between January 1997 and June 1997

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Average Risk Premium above the Yields of 30-Year U.S. Treasury Bonds
for WGL Holding's Expected Returns on Common Equity**

Mo/Year	WGL's Expected ROE	30-Year U.S. Treasury Bond Yields	WGL's Risk Premium	Mo/Year	WGL's Expected ROE	30-Year U.S. Treasury Bond Yields	WGL's Risk Premium
Jan 1994	11.50%	6.29%	5.21%	Jan 1999	10.50%	5.16%	5.34%
Feb	11.50%	6.49%	5.01%	Feb	10.50%	5.37%	5.13%
Mar	11.50%	6.91%	4.59%	Mar	10.50%	5.58%	4.92%
Apr	12.00%	7.27%	4.73%	Apr	9.00%	5.55%	3.45%
May	12.00%	7.41%	4.59%	May	9.00%	5.81%	3.19%
Jun	12.00%	7.40%	4.60%	Jun	9.00%	6.04%	2.96%
Jul	12.50%	7.58%	4.92%	Jul	9.50%	5.98%	3.52%
Aug	12.50%	7.49%	5.01%	Aug	9.50%	6.07%	3.43%
Sep	12.50%	7.71%	4.79%	Sep	9.50%	6.07%	3.43%
Oct	12.00%	7.94%	4.06%	Oct	10.00%	6.26%	3.74%
Nov	12.00%	8.08%	3.92%	Nov	10.00%	6.15%	3.85%
Dec	12.00%	7.87%	4.13%	Dec	10.00%	6.35%	3.65%
Jan 1995	11.00%	7.85%	3.15%	Jan 2000	12.00%	6.63%	5.37%
Feb	11.00%	7.61%	3.39%	Feb	12.00%	6.23%	5.77%
Mar	11.00%	7.45%	3.55%	Mar	12.00%	6.05%	5.95%
Apr	11.00%	7.36%	3.64%	Apr	12.00%	5.85%	6.15%
May	11.00%	6.95%	4.05%	May	12.00%	6.15%	5.85%
Jun	11.00%	6.57%	4.43%	Jun	12.00%	5.93%	6.07%
Jul	11.50%	6.72%	4.78%	Jul	12.00%	5.85%	6.15%
Aug	11.50%	6.86%	4.64%	Aug	12.00%	5.72%	6.28%
Sep	11.50%	6.55%	4.95%	Sep	12.00%	5.83%	6.17%
Oct	11.50%	6.37%	5.13%	Oct	12.00%	5.80%	6.20%
Nov	11.50%	6.26%	5.24%	Nov	12.00%	5.78%	6.22%
Dec	11.50%	6.06%	5.44%	Dec	12.00%	5.49%	6.51%
Jan 1996	12.00%	6.05%	5.95%	Jan 2001	12.50%	5.81%	6.69%
Feb	12.00%	6.24%	5.76%	Feb	12.50%	5.89%	6.61%
Mar	12.00%	6.60%	5.40%	March	12.50%	5.95%	6.55%
Apr	13.00%	6.79%	6.21%	Apr	13.50%	5.92%	7.58%
May	13.00%	6.93%	6.07%	May	13.50%	5.93%	7.57%
Jun	13.00%	7.06%	5.94%	June	13.50%	5.70%	7.80%
Jul	14.00%	7.03%	6.97%	July	12.50%	5.68%	6.82%
Aug	14.00%	6.84%	7.16%	Aug	12.50%	5.54%	6.96%
Sep	14.00%	7.03%	6.97%	Sept	12.50%	5.20%	7.30%
Oct	14.50%	6.81%	7.69%	Oct	11.00%	5.01%	5.99%
Nov	14.50%	6.48%	8.02%	Nov	11.00%	5.25%	5.75%
Dec	14.50%	6.55%	7.95%	Dec	11.00%	5.06%	5.94%
Jan 1997	14.50%	6.83%	7.67%	Jan 2002	10.50%	5.16%	5.34%
Feb	14.50%	6.69%	7.81%	Feb	10.50%	5.37%	5.13%
Mar	14.50%	6.93%	7.57%	Mar	10.50%	5.58%	4.92%
Apr	12.50%	7.09%	5.41%	Apr	8.50%	5.55%	2.95%
May	12.50%	6.94%	5.56%	May	8.50%	5.81%	2.69%
Jun	12.50%	6.77%	5.73%	Jun	8.50%	6.04%	2.46%
Jul	13.00%	6.51%	6.49%	Jul	7.00%	5.98%	1.02%
Aug	13.00%	6.58%	6.42%	Aug	7.00%	6.07%	0.93%
Sep	13.00%	6.50%	6.50%	Sep	7.00%	6.07%	0.93%
Oct	13.50%	6.33%	7.17%	Oct	7.00%	6.26%	0.74%
Nov	13.50%	6.11%	7.39%	Nov	7.00%	6.15%	0.85%
Dec	13.50%	5.99%	7.51%	Dec	7.00%	6.35%	0.65%
Jan 1998	13.50%	5.81%	7.69%	Jan 2003	10.50%	6.63%	3.87%
Feb	13.50%	5.89%	7.61%	Feb	10.50%	6.23%	4.27%
Mar	13.50%	5.95%	7.55%	Mar	10.50%	6.05%	4.45%
Apr	12.00%	5.92%	6.08%	Apr	12.00%	5.85%	6.15%
May	12.00%	5.93%	6.07%	May	12.00%	6.15%	5.85%
Jun	12.00%	5.70%	6.30%	Jun	12.00%	5.93%	6.07%
Jul	12.00%	5.68%	6.32%	Jul	10.50%	5.85%	4.65%
Aug	12.00%	5.54%	6.46%	Aug	10.50%	5.72%	4.78%
Sep	12.00%	5.20%	6.80%	Sep	10.50%	5.83%	4.67%
Oct	11.50%	5.01%	6.49%	Oct	12.00%	5.80%	6.20%
Nov	11.50%	5.25%	6.25%	Nov	12.00%	5.78%	6.22%
Dec	11.50%	5.06%	6.44%	Dec	12.00%	5.49%	6.51%

Summary Information (1994 - 2003)

Average Risk Premium: 5.35%
(Jan 1994 - Dec 2003)

High Risk Premium: 8.02%
(November 1996)

Low Risk Premium: 0.65%
(December 2002)

Sources: The Value Line Investment Survey: Ratings & Reports.
Yahoo's Financial Website: www.investopedia.com
St. Louis Federal Reserve website: <http://research.stlouisfed.org/fred2/data/GS30.txt>

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Risk Premium Cost of Equity Estimates
for the Eight Comparable Natural Gas Distribution Companies**

	(1)	(2)	(3)
Company Name	Appropriate Yield	Equity Premium	Cost of Common Equity
AGL Resources, Inc.	4.93%	6.09%	11.02%
Cascade Natural Gas	4.93%	4.79%	9.72%
New Jersey Resources Corporation	4.93%	7.86%	12.79%
Northwest Natural Gas	4.93%	4.56%	9.49%
Peoples Energy Corporation	4.93%	5.65%	10.58%
Piedmont Natural Gas Company, Inc.	4.93%	5.65%	10.58%
South Jersey Industries, Inc.	4.93%	3.91%	8.84%
WGL Holdings, Inc.	4.93%	5.35%	10.28%
Average (all companies)			10.41%
Average (excluding South Jersey Industries, Inc. because of incomplete information)			10.64%

NOTES:

Column 1 = The appropriate yield is equal to the average 30-year U.S. Treasury Bond yield for February 2004 which was obtained from Investopedia at: <http://www.investopedia.com>

Column 2 = The equity premium represents the average positive difference between the Company's expected return on common equity as reported in The Value Line Investment Survey: Ratings & Report and the yield on 30-year U.S. Treasury Bonds January 1994 through December 2003.
See Schedules 20-1 through 20-8.

Column 3 = Column 1 + Column 2.

Selected Financial Ratios for the Eight Comparable Natural Gas Distribution Companies

	(1)	(2)	(3)	(4)	(5)	(6)
Company Name	2002 Common Equity to Total Capital Ratio	Year 2002 Long-Term Debt Ratio	Pre-Tax Interest Coverage Ratio	Market- to-Book Value	2003 Projected Return on Common Equity	Bond Rating
AGL Resources, Inc.	41.70%	58.30%	2.42 x	2.06 x	13.50%	A-
Cascade Natural Gas	40.90%	59.10%	2.07 x	2.09 x	8.00%	BBB+
New Jersey Resources Corporation	49.40%	50.60%	8.67 x	2.50 x	15.00%	A+
Northwest Natural Gas	51.50%	47.60%	3.41 x	1.63 x	9.00%	A
Peoples Energy Corporation	59.30%	40.70%	3.88 x	1.82 x	12.30%	A-
Piedmont Natural Gas Company, Inc.	56.10%	43.90%	3.56 x	2.26 x	10.50%	A
South Jersey Industries, Inc.	46.10%	53.60%	3.91 x	2.06 x	13.50%	BBB+
WGL Holdings, Inc.	52.40%	45.70%	5.79 x	1.65 x	13.70%	AA-
Average	<u>49.68%</u>	<u>49.94%</u>	<u>4.21 x</u>	<u>2.01 x</u>	<u>11.94%</u>	<u>A</u>
Southern Union Company	36.70%	63.30%	1.53 x	1.46 x	4.70%	BBB

Sources: The Value Line Investment Survey: Ratings and Reports, December 19, 2003 for columns (1), (2) and (5).
Edward Jones, Natural Gas Industry Summary, December 31, 2003 for columns (3) and (4).
Standard & Poor's Utilities & Perspectives, March 1, 2004 for column (6)

**MISSOURI GAS ENERGY
CASE NO. GR-2004-0209**

**Pro Forma Pre-Tax Interest Coverage Ratios
for Southern Union Company**

	<u>8.52%</u>	<u>9.02%</u>	<u>9.52%</u>
1. Common Equity (Schedule 10)	\$920,418,000	\$920,418,000	\$920,418,000
2. Earnings Allowed (ROE * [1])	\$78,419,614	\$83,021,704	\$87,623,794
3. Tax Multiplier (1 / { 1 - Tax Rate })	1.6231	1.6231	1.6231
4. Pre-Tax Earnings ([2] * [3])	\$127,282,875	\$134,752,527	\$142,222,179
5. Preferred Dividends	\$17,365,000	\$17,365,000	\$17,365,000
6. Annual Interest Costs (Schedule 10 & Schedule 12)*	\$143,700,907	\$143,700,907	\$143,700,907
7. Avail. for Coverage ([4] + [5] + [6])	\$288,348,782	\$295,818,434	\$303,288,086
8. Pro Forma Pre-Tax Interest Coverage ([7] / [6])	2.01 x	2.06 x	2.11 x

Natural Gas Distribution Financial Medians - Pretax Interest Coverage (x)

Standard & Poor's Corporation's Utility Rating Service as of July 7, 2000	Lower Quartile	Median	Upper Quartile
	<u>BBB</u>	<u>BBB</u>	<u>BBB</u>
	1.98	2.85	3.01

Note: * Long-term debt interest expense plus short-term debt interest expense.

Public Utility Revenue Requirement

or

Cost of Service

The formula for the revenue requirement of a public utility may be stated as follows :

Equation 1 : **Revenue Requirement = Cost of Service**

or

Equation 2 : **$RR = O + (V - D)R$**

The symbols in the second equation are represented by the following factors :

RR	=	Revenue Requirement
O	=	Prudent Operating Costs, including Depreciation and Taxes
V	=	Gross Valuation of the Property Serving the Public
D	=	Accumulated Depreciation
(V - D)	=	Rate Base (Net Valuation)
(V - D)R	=	Return Amount (\$\$) or Earnings Allowed on Rate Base
R	=	$iL + dP + kE$ or Overall Rate of Return (%)
i	=	Embedded Cost of Debt
L	=	Proportion of Debt in the Capital Structure
d	=	Embedded Cost of Preferred Stock
P	=	Proportion of Preferred Stock in the Capital Structure
k	=	Required Return on Common Equity (ROE)
E	=	Proportion of Common Equity in the Capital Structure

Weighted Cost of Capital as of December 31, 2003 for Missouri Gas Energy

Capital Component	Percentage of Capital	Embedded Cost	Weighted Cost of Capital Using Common Equity Return of:		
			8.52%	9.02%	9.52%
Common Stock Equity	25.38%	-----	2.16%	2.29%	2.42%
Preferred Stock	6.17%	7.76%	0.48%	0.48%	0.48%
Long-Term Debt	61.10%	6.38%	3.90%	3.90%	3.90%
Short-Term Debt	7.35%	1.89%	0.14%	0.14%	0.14%
	<u>100.00%</u>		<u>6.68%</u>	<u>6.81%</u>	<u>6.94%</u>

Notes:

See Schedule 9 for the Capital Structure Ratios.

See Schedule 10 for the Embedded Cost of Long-Term Debt.

See Schedule 11 for the Embedded Cost of Preferred Stock.

See Schedule 12 for Weighted Average Cost of Short-Term Debt.