

MISSOURI GAS ENERGY
A Division of Southern Union Company

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MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through June 30, 2006
Revenue Deficiency

Line No.	Description (a)	Ref. (b)	Required Return (c)	Earnings Deficiency (d)	Net Revenue Deficiency (e)
1	Rate Base	B	\$580,495,191		
2	Rate of Return	F	<u>8.844%</u>		
3	Required Return		<u>\$51,338,995</u>	\$51,338,995	
4	Adjusted Test Year Net Operating Income	A-1		<u>28,226,490</u>	
5	Earnings Deficiency			<u>\$23,112,605</u>	\$23,112,505
6	Multiply by Income Tax Gross-up Factor				<u>1.62308</u>
7	Net Revenue Deficiency				<u><u>\$37,513,421</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through June 30, 2006
Summary of Net Operating Income
Per Books and Adjusted

Line No.	Description	Per Books	Adjustments	As Adjusted
	(a)	(b)	(c)	(d)
<u>REVENUES</u>				
1	Operating Base Revenues	\$664,347,447	(\$508,217,560)	\$156,129,888
2	Other Utility Revenues	5,398,837	(540,572)	4,858,264
3	Total Operating Revenues	<u>\$669,746,284</u>	<u>(\$508,758,132)</u>	<u>\$160,988,152</u>
<u>OPERATING EXPENSES</u>				
4	Distribution Expense	\$493,795,707	(\$469,410,277)	\$24,385,430
5	Customer Accounts Expense	19,628,264	2,047,421	21,675,685
6	Customer Service and Information Expense	706,600	104,602	811,202
7	Sales Expense	98,913	2,288	102,201
8	Administrative and General Expense	26,732,865	10,547,750	37,280,615
9	Total Operating and Maintenance Expenses	<u>\$540,963,349</u>	<u>(\$456,708,216)</u>	<u>\$84,255,133</u>
10	Depreciation & Amortization Expense	\$26,415,703	\$7,765,392	\$34,181,095
11	Interest on Customer Deposits	147,252	28,066	175,318
12	Taxes Other Than Income	42,038,488	(33,037,035)	9,001,453
13	Total Operating Expenses	<u>\$609,564,792</u>	<u>(\$481,951,793)</u>	<u>\$127,612,999</u>
14	Operating Income Before Income Tax	\$60,181,492	(\$26,806,339)	\$33,375,153
15	Less: Income Tax Expense	15,578,544	(10,429,881)	5,148,663
16	Net Operating Income	<u>\$44,602,948</u>	<u>(\$16,376,458)</u>	<u>\$28,226,490</u>

MISSOURI GAS ENERGY
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Updated through June 30, 2006
Income Tax

Line No.	Description (a)	Reference (b)	Per Books (c)	As Adjusted (d)
1	Total Operating Revenues	A-1	\$669,746,284	\$160,988,152
2	Total Operating Expenses	A-1	<u>(609,564,792)</u>	<u>(127,612,999)</u>
3	Net Operating Income	A-1	<u>\$60,181,492</u>	<u>\$33,375,153</u>
4	Equity Portion of SLRP Deferrals		\$1,474,210	\$0
5	Less: Interest on Long Term Debt		<u>(21,074,836)</u>	<u>(19,963,230)</u>
6	Total Tax Adjustments		<u>(\$19,600,426)</u>	<u>(\$19,963,230)</u>
7	Net Taxable Income		<u>\$40,581,066</u>	<u>\$13,411,923</u>
8	Income Tax		<u>\$15,578,544</u>	<u>\$5,148,663</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through June 30, 2006
Rate Base

Line No.	Description (a)	Reference (b)	Amount (c)
1	Intangible Plant		
2	Distribution Plant	C	\$27,644,634
3	General Plant	C	768,216,438
4	Gross Plant in Service	C	61,608,637
			<u>\$857,469,709</u>
5	Accumulated Depreciation & Amortization	D	(296,706,704)
6	Net Plant in Service		<u>\$560,763,005</u>
7	Working Capital	E	109,968,938
8	Net Cost of Removal Balance		507,724
9	Customer Deposits		(4,072,284)
10	Customer Advances - Thirteen Month Average	B-2	(14,383,874)
11	Deferred Income Taxes - SLRP	B-3	(3,530,078)
12	Deferred Income Taxes - Other (Net of AMT)	B-1	(68,758,240)
		B-4	
13	Total Rate Base		<u><u>\$580,495,191</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
SLRP Deferrals and Deferred Taxes
Updated through June 30, 2006

Line No.	Description	Gross Deferral	Accumulated Amortization	Amount
	(a)	(b)	(c)	(d)
	<u>SLRP Deferrals</u>			
1	Order GO-92-185 (Deferred Balance @ 5/31/98)	\$5,776,280	4,218,612	\$1,557,668
2	Order GO-94-234 (Deferred Balance @ 5/31/98)	12,399,117	9,878,702	2,520,415
3	Order GO-97-301 (Deferred Balance @ 5/31/98)	3,060,876	2,397,686	663,190
4	Order GR-98-140	9,182,136	4,514,550	4,667,586
5	Order GR-2001-282	1,629,639	285,187	1,344,452
6	Total SLRP Deferrals	<u>\$32,048,048</u>	<u>\$21,294,738</u>	<u>\$10,753,310</u>
7	Annual Amortization	<u>\$3,204,805</u>		
	<u>SLRP Deferred Taxes</u>			
7	Order GO-92-185			0
8	Order GO-94-234			(967,552)
9	Order GO-97-301			(254,589)
10	Order GR-98-140			(1,791,821)
11	Order GR-2001-292			(516,116)
12	Total SLRP Deferred Taxes			<u>(\$3,530,078)</u>

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

Customer Deposits

Line No.	Month	Residential Amount	Commercial & Industrial		Total Amount
			Amount	Amount	
	(a)	(b)	(c)		(d)
1	Jun-05	(1,055,160)	(2,878,076)		(\$3,933,236)
2	Jul-05	(1,018,450)	(2,884,576)		(3,903,026)
3	Aug-05	(999,410)	(2,936,562)		(3,935,972)
4	Sep-05	(993,141)	(2,954,086)		(3,947,227)
5	Oct-05	(1,000,891)	(2,995,802)		(3,996,693)
6	Nov-05	(981,674)	(3,050,293)		(4,031,967)
7	Dec-05	(996,557)	(3,077,940)		(4,074,497)
8	Jan-06	(1,018,188)	(3,119,300)		(4,137,488)
9	Feb-06	(1,071,750)	(3,173,305)		(4,245,055)
10	Mar-06	(1,092,448)	(3,179,638)		(4,272,086)
11	Apr-06	(1,003,580)	(3,177,024)		(4,180,604)
12	May-06	(980,237)	(3,185,233)		(4,165,470)
13	Jun-06	<u>(949,398)</u>	<u>(3,166,972)</u>		<u>(4,116,370)</u>
14	13 Month Total	<u>(\$13,160,884)</u>	<u>(\$39,778,807)</u>		<u>(\$52,939,691)</u>
15	13 Month Average	<u>(\$1,012,376)</u>	<u>(\$3,059,908)</u>		<u>(\$4,072,284)</u>

MISSOURI GAS ENERGY
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Updated Thirteen Months Ending June 30, 2006

Customer Advances

Line No.	Month (a)	Amount (b)
1	Jun-05	(13,734,601)
2	Jul-05	(13,445,726)
3	Aug-05	(13,791,034)
4	Sep-05	(14,196,205)
5	Oct-05	(14,307,951)
6	Nov-05	(14,315,473)
7	Dec-05	(14,354,685)
8	Jan-06	(14,378,041)
9	Feb-06	(14,660,534)
10	Mar-06	(14,576,503)
11	Apr-06	(14,794,016)
12	May-06	(15,103,412)
13	Jun-06	<u>(15,332,182)</u>
14	13 Month Total	<u><u>(\$186,990,363)</u></u>
15	13 Month Average	<u><u>(\$14,383,874)</u></u>

MISSOURI GAS ENERGY
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Updated through June 30, 2006

Deferred Taxes (Other than SLRP)

Line No.	Description (a)	Amount (b)
1	Deferred Taxes, MGE Direct Plant as of 6/30/06	(\$68,726,136)
2	Deferred Taxes, Corporate Plant	<u>(32,104)</u>
3	Total Accumulated Deferred Income Taxes (Other than SLRP)	<u><u>(\$68,758,240)</u></u>

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

Line No.	Description (a)	Direct (b)	Completed Not Classified (c)	Total Direct & Completed (d)	Corporate Allocated (e)	Total Adjustments (f)	Total As Adjusted (g)
INTANGIBLE PLANT							
1	(301) Organization	\$15,600	\$0	\$15,600	\$0	\$0	\$15,600
2	(302) Franchises	32,096	0	32,096	0	0	32,096
3	(303) Miscellaneous Intangible	34,339,066	31,945	34,371,011	0	(6,774,073)	27,596,938
4	Total Intangible Plant	\$34,386,762	\$31,945	\$34,418,707	\$0	(\$6,774,073)	\$27,644,634
DISTRIBUTION PLANT							
5	(374.1) Land	\$223,517	\$0	\$223,517	\$0	\$0	\$223,517
6	(374.2) Land Rights	1,665,693	0	1,665,693	0	0	1,665,693
7	(375.1) Structures	5,564,907	20,051	5,584,958	0	0	5,584,958
8	(375.2) Leasehold Improvements	0	0	0	0	0	0
9	(376) Mains	336,977,974	2,906,732	339,884,706	0	0	339,884,706
10	(378) Meas. & Reg. Station - General	11,573,332	60,917	11,634,249	0	0	11,634,249
11	(379) Meas. & Reg. Station - City Gate	3,039,284	18,967	3,058,251	0	0	3,058,251
12	(380) Services	299,642,120	14,242	299,656,362	0	(5,294,295)	294,362,067
13	(381) Meters	31,036,775	0	31,036,775	0	0	31,036,775
14	(382) Meter Installations	68,813,282	22,391	68,835,673	0	0	68,835,673
15	(383) House Regulators	11,558,045	0	11,558,045	0	0	11,558,045
16	(385) Electronic Gas Measuring	360,978	11,527	372,505	0	0	372,505
17	(387) Other Equipment	0	0	0	0	0	0
18	Total Distribution Plant	\$770,455,907	\$3,054,826	\$773,510,733	\$0	(\$5,294,295)	\$768,216,438
GENERAL PLANT							
19	(389) Land	\$773,880	\$0	\$773,880	\$0	\$0	\$773,880
20	(390.1) Structures	638,277	22,916	661,193	0	0	661,193
21	(390.2) Leasehold Improvements	1,546,597	0	1,546,597	412,834	0	1,959,431
22	(391) Furniture & Fixtures	6,970,421	0	6,970,421	209,405	0	7,179,826
23	(392) Transportation Equipment	5,043,979	0	5,043,979	8,004	0	5,051,983
24	(393) Stores Equipment	538,350	0	538,350	0	0	538,350
25	(394) Tools	5,146,737	7,733	5,154,470	0	0	5,154,470
26	(395) Laboratory Equipment	0	0	0	0	0	0
27	(396) Power Operated Equipment	243,807	0	243,807	0	0	243,807
28	(397.1) Communication Equipment - AMR	36,262,992	61,869	36,324,861	0	0	36,324,861
29	(397.0) Communication Equipment	3,286,012	3,335	3,289,347	0	0	3,289,347
30	(398) Miscellaneous Equipment	431,485	0	431,485	0	0	431,489
31	Total General Plant	\$60,882,537	\$95,853	\$60,978,390	\$630,242	\$0	\$61,608,632
32	Total Original Cost Plant in Service	\$965,725,206	\$3,182,624	\$968,907,830	\$630,242	(\$12,068,368)	\$957,469,709
33	Accumulated Depreciation and Amortization	(307,549,315)	0	(307,549,315)	0	10,842,612	(296,706,704)
34	Net Plant in Service	\$658,175,891	\$3,182,624	\$661,358,515	\$630,242	(\$1,225,756)	\$660,763,005

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

Line No.	Description	Retire Inactive Services No. 1	Write-off Infinium Software No. 2	Total Adjustments
	(a)	(b)		(d)
	<u>INTANGIBLE PLANT</u>			
1	(301) Organization			
2	(302) Franchises			
3	(303) Miscellaneous Intangible		(6,774,073)	(6,774,073)
4	Total Intangible Plant	\$0	(\$6,774,073)	(\$6,774,073)
	<u>DISTRIBUTION PLANT</u>			
5	(374.1) Land			
6	(374.2) Land Rights			
7	(375.1) Structures			
8	(375.2) Leasehold Improvements			
9	(376) Mains & Mains - Cast Iron			
10	(378) Meas. & Reg. Station - General			
11	(379) Meas. & Reg. Station - City Gate			
12	(380) Services	(5,294,295)		(5,294,295)
13	(381) Meters			
14	(382) Meter Installations			
15	(383) House Regulators			
16	(385) Electronic Gas Metering			
17	(387) Other Equipment			
18	Total Distribution Plant	(\$5,294,295)	\$0	(\$5,294,295)
	<u>GENERAL PLANT</u>			
19	(389) Land			
20	(390.1) Structures			
21	(390.2) Leasehold Improvements			
22	(391) Furniture & Fixtures			
23	(392) Transportation Equipment			
24	(393) Stores Equipment			
25	(394) Tools			
26	(395) Laboratory Equipment			
27	(396) Power Operated Equipment			
28	(397) Communication Equipment - AMR			
29	(397) Communication Equipment			
30	(398) Miscellaneous Equipment			
31	Total General Plant	\$0	\$0	\$0
32	Total Original Cost Plant In Service	(\$5,294,295)	(\$6,774,073)	(\$12,068,368)

MISSOURI GAS ENERGY
A Division of Southern Union Company
Accumulated Reserves for Depreciation and Amortization
Updated through June 30, 2006

Line No.	Description	Test Year Direct	Corporate	Proforma Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Intangible Plant Reserve	(\$23,741,069)	\$0	\$5,548,317	(\$18,192,752)
2	Distribution & General Plant Reserve	<u>(283,714,161)</u>	<u>(94,085)</u>	<u>5,294,295</u>	<u>(278,513,951)</u>
3	Total Accumulated Reserves	<u><u>(\$307,455,230)</u></u>	<u><u>(\$94,085)</u></u>	<u><u>\$10,842,612</u></u>	<u><u>(\$296,706,704)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Accumulated Reserves for Depreciation and Amortization
Updated through June 30, 2006

Line No.	Description	Adjustments to Plant in Service	Deprec. Rates	Retire Inactive Services	Write-off Infinium Software	Total Adjustments
	(a)	(b)	(c)	No. 1 (d)	No. 2 (e)	(f)
INTANGIBLE PLANT						
	(301) Organization					
	(302) Franchises					
	(303) Miscellaneous Intangible	(\$6,774,073)			\$5,548,317	\$5,548,317
	Total Intangible Plant	(\$6,774,073)			\$5,548,317	\$5,548,317
DISTRIBUTION PLANT						
1	(374.1) Land		0.00%			
2	(374.2) Land Rights		Amort.			
3	(375.1) Structures		2.19%			
4	(375.2) Leasehold Improvements		Amort.			
5	(376) Mains & Mains - Cast Iron		2.43%			
6	(376) Meas. & Reg. Station - General		2.89%			
7	(379) Meas. & Reg. Station - City Gate		2.64%			
8	(380) Services	(5,294,295)	3.41%	5,294,295		5,294,295
9	(381) Meters		2.96%			
10	(382) Meter Installations		2.92%			
11	(383) House Regulators		2.34%			
12	(385) Electronic Gas Metering		3.29%			
13	(387) Other Equipment		6.25%			
14	Total Distribution Plant	(\$5,294,295)		\$5,294,295		\$5,294,295
GENERAL PLANT						
15	(389) Land		0.00%			
16	(390.1) Structures		1.21%			
17	(390.2) Leasehold Improvements		Amort.			
18	(391) Furniture & Fixtures		9.10%			
19	(392) Transportation Equipment		8.19%			
20	(393) Stores Equipment		3.35%			
21	(394) Tools		5.01%			
22	(395) Laboratory Equipment		6.00%			
23	(396) Power Operated Equipment		5.36%			
24	(397) Communication Equipment - AMR		5.00%			
25	(397) Communication Equipment		6.27%			
26	(398) Miscellaneous Equipment		4.93%			
27	Total General Plant	\$0		\$0		\$0
28	Total Adjustment	(\$5,294,295)		\$5,294,295	\$5,548,317	\$10,842,612

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through June 30, 2006
Working Capital

Line No.	Description	Reference	Amounts
	(a)	(b)	(c)
1	Materials and Supplies Inventory	E-1	\$1,818,546
2	Prepayments - Thirteen Month Average	E-2	246,749
3	Gas Inventory - Volumes and Price	E-3	96,584,503
4	Cash Working Capital	E-4	1,795,967
5	Prepaid Pension	E-5	<u>9,523,173</u>
6	Total Working Capital		<u><u>\$109,968,938</u></u>

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

Line			
No.	Month		Amount
	(a)		(b)
1	Jun-05		1,546,390
2	Jul-05		1,500,716
3	Aug-05		1,473,137
4	Sep-05		1,575,133
5	Oct-05		1,619,117
6	Nov-05		1,815,326
7	Dec-05		1,886,984
8	Jan-06		2,004,456
9	Feb-06		2,031,248
10	Mar-06		2,036,752
11	Apr-06		2,035,592
12	May-06		2,037,379
13	Jun-06		2,078,862
14	13 Month Total		<u>\$23,641,092</u>
15	13 Month Average		<u>\$1,818,546</u>

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

Line		
No.	Month	Amount
	(a)	(b)
1	Jun-05	114,990
2	Jul-05	136,748
3	Aug-05	144,005
4	Sep-05	3,176
5	Oct-05	103,697
6	Nov-05	128,562
7	Dec-05	649,898
8	Jan-06	562,505
9	Feb-06	471,073
10	Mar-06	370,816
11	Apr-06	373,288
12	May-06	111,293
13	Jun-06	<u>37,683</u>
14	13 Month Total	<u><u>\$3,207,733</u></u>
15	13 Month Average	<u><u>\$246,749</u></u>

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

Line No.	Month	Dollars
	(a)	(b)
1	Jun-05	82,091,045
2	Jul-05	93,052,291
3	Aug-05	101,336,153
4	Sep-05	106,543,327
5	Oct-05	117,284,371
6	Nov-05	114,847,089
7	Dec-05	92,678,911
8	Jan-06	97,447,881
9	Feb-06	81,248,833
10	Mar-06	79,748,344
11	Apr-06	89,139,925
12	May-06	97,297,862
13	Jun-06	102,882,503
14	13 Month Average	<u>\$96,584,503</u>

Missouri Gas Energy
A Division of Southern Union Gas Company
Cash Working Capital Requirement
Updated through June 30, 2006

Line No.	Description (A)	Revenue Lag (B)	Expense Lag (C)	Net Lag (D)	CWC Factor (E)	Test Year Operations and Maintenance Expense at Proposed Rates (F)		Cash Working Capital Requirement (G)
1	Pensions	43.00	(57.50)	(14.50)	(0.0397)	\$	8,198,546	\$ (325,696)
	Vacation Nonunion	43.00	(182.50)	(139.50)	(0.3822)		175,934	(87,241)
	Vacation Expense Union	43.00	(365.00)	(322.00)	(0.8622)		329,043	(290,279)
	Employee Benefits	43.00	(39.35)	3.65	0.0100		6,495,376	64,954
2	Payroll and Employee Withholdings	43.00	(12.38)	30.62	0.0839		27,657,750	2,320,220
3	Employer FICA Taxes	43.00	(12.38)	30.62	0.0839		2,533,772	212,559
4	Other Operations and Maintenance Expenses	43.00	(30.30)	12.70	0.0348		32,154,831	1,118,812
5	Federal & State Unemployment Taxes	43.00	(50.13)	(17.13)	(0.0469)		38,400	(1,708)
6	Corporation Franchise Taxes	43.00	78.00	121.00	0.3315		246,719	81,789
7	Property/Real Estate Taxes	43.00	(182.00)	(139.00)	(0.3808)		6,818,496	(2,596,633)
8	Sales Tax	33.38	(33.79)	(0.41)	(0.0011)		9,825,801	(11,172)
9	Use Tax	33.38	(61.83)	(28.26)	(0.0774)		166,222	(12,867)
10	Gross Receipts Taxes	33.38	(38.03)	(4.66)	(0.0128)		40,079,903	(511,156)
11	Federal & State Income Tax	43.00	(60.13)	(17.13)	(0.0469)		5,148,663	(241,635)
12	Interest Expense	43.00	(87.55)	(44.55)	(0.1221)		19,963,230	(2,436,608)
13	Fuel - Gas	43.00	(39.51)	3.49	0.0096		469,859,289	4,492,627
14	Uncollectible Expense	43.00	(43.00)	-	-		8,928,517	-
15	Total					\$	638,618,292	\$ 1,795,967

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

Line No.	Year Ended (a)	Balance (b)
1	Balance 4/30/04	<u>\$7,975,181</u>
2	Monthly Amortization	\$94,943
3	Amortization since GR- 2004-0209	<u>\$2,468,508</u>
4	New prepaid asset	<u>\$4,016,500</u>
4	Balance 6/30/06	<u>\$9,523,173</u>

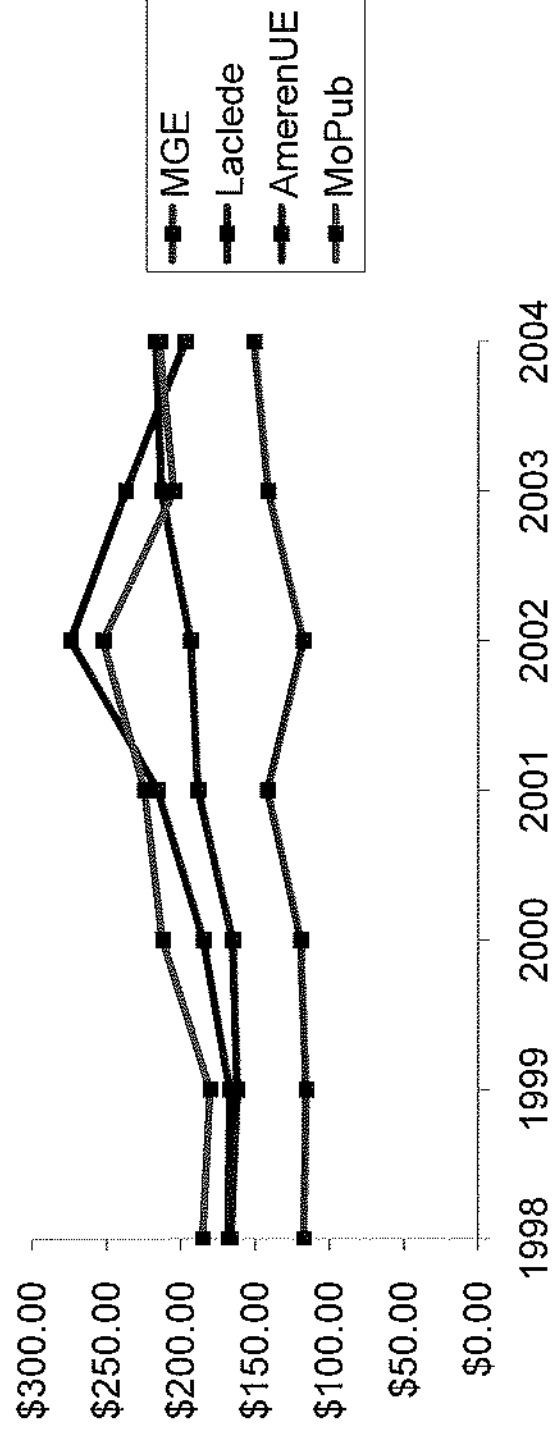
MISSOURI GAS ENERGY
A Division of Southern Union Company
Summary of Cost of Capital

Line No.	Description	Ratio	Cost Rate	Weighted Composite Rate
	(a)	(c)	(d)	(e)
1	Long-Term Debt	44.09%	6.570%	2.897%
2	Short-Term Debt	9.91%	5.470%	0.542%
3	Common Equity	46.00%	11.750%	5.405%
4	Total	<u>100.00%</u>		<u>8.844%</u>

**Missouri Gas Energy
Comparison of FERC Form 2 Information
Expense Per Customer**

	MGE	Laclede	AmerenUE	MoPub
1998	\$116.85	\$166.35	\$167.82	\$185.21
1999	\$115.37	\$162.00	\$167.01	\$180.30
2000	\$119.18	\$164.89	\$184.86	\$212.23
2001	\$141.59	\$188.43	\$215.26	\$224.42
2002	\$117.35	\$193.29	\$274.22	\$252.15
2003	\$141.04	\$212.95	\$237.04	\$204.56
2004	\$150.58	\$216.96	\$197.07	\$214.26

Missouri Gas Energy Comparison of FERC Form 2 Information Expense Per Customer

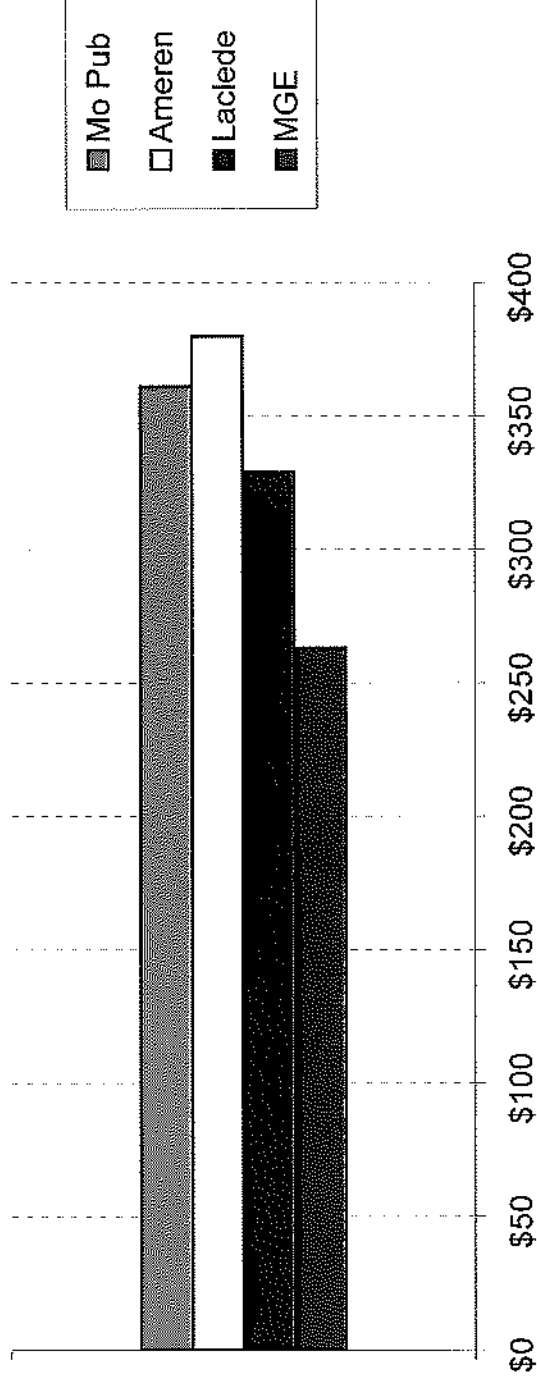


**COMPARISON OF MISSOURI LDCS
AVERAGE ANNUAL RESIDENTIAL BILL
(EXCLUDING PGA AND TAXES)**

	<u>Normal Usage (Ccf)</u>	<u>MGE</u>	<u>Laclede</u>	<u>Ameren</u>	<u>Mo Pub</u>
January	180.90	\$35.87	\$39.13	\$61.81	\$59.01
February	174.50	35.02	39.13	59.98	57.26
March	137.10	30.09	39.13	49.31	47.02
April	92.70	24.23	39.13	36.65	34.87
May	50.80	18.71	21.87	24.69	23.40
June	22.10	14.92	16.29	16.51	15.55
July	19.20	14.54	15.73	15.68	14.76
August	16.60	14.20	15.22	14.94	14.04
September	18.30	14.42	15.55	15.42	14.51
October	26.70	15.53	17.19	17.82	16.81
November	47.20	18.23	31.70	23.67	22.42
December	116.50	27.37	39.13	43.44	41.39
Average Annual Residential Bill	<u>902.60</u>	<u>\$263.15</u>	<u>\$329.23</u>	<u>\$379.91</u>	<u>\$361.04</u>
Tariff Effective Date	<u>1/29/2006</u>	<u>10/1/2005</u>	<u>2/15/2004</u>	<u>7/1/2004</u>	

Source: AGA Rate Service
Missouri Public Service Commission

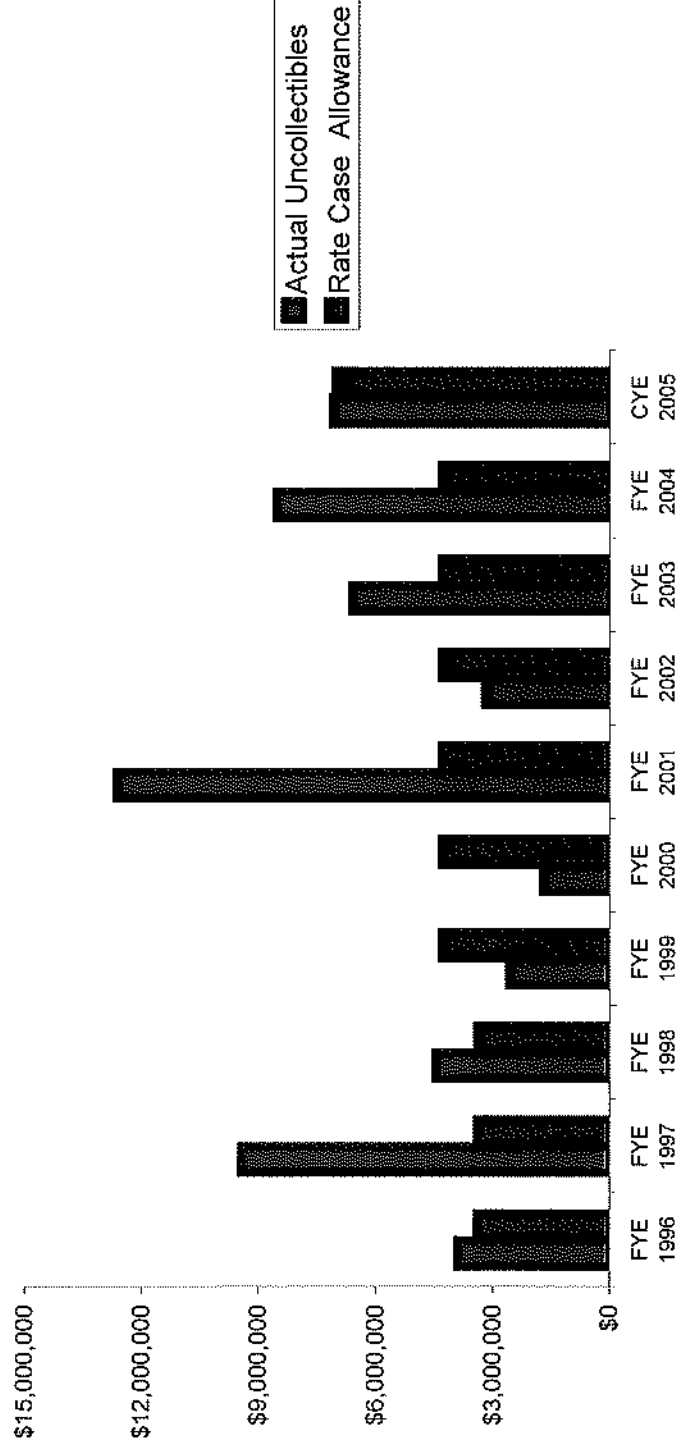
Missouri Gas Energy Average Annual Residential Bill (Excluding PGA and Taxes)



**MISSOURI GAS ENERGY
COMPARISON OF ACTUAL UNCOLLECTIBLES
AND UNCOLLECTIBLES INCLUDED IN RATES**

	<u>Actual Uncollectibles</u>	<u>Rate Case Allowance</u>	<u>Difference</u>
FYE 1996	\$ 3,906,455	\$ 3,409,662	\$ (496,793)
FYE 1997	9,442,692	3,409,662	(6,033,030)
FYE 1998	4,469,856	3,409,662	(1,060,194)
FYE 1999	2,584,998	4,325,000	1,740,002
FYE 2000	1,696,606	4,325,000	2,628,394
FYE 2001	12,653,781	4,325,000	(8,328,781)
FYE 2002	3,211,390	4,323,292	1,111,902
FYE 2003	6,602,056	4,323,292	(2,278,764)
FYE 2004	8,537,318	4,323,292	(4,214,026)
CYE 2005	<u>7,108,777</u>	<u>7,042,000</u>	<u>(66,777)</u>
Total	<u>\$ 60,213,929</u>	<u>\$ 43,215,862</u>	<u>\$ (16,998,067)</u>
Cumulative difference between actual and rate case allowance		<u>\$ (16,998,067)</u>	
Average difference between actual and rate case allowance per year		<u>\$ (1,699,807)</u>	

Missouri Gas Energy Actual Uncollectibles Versus Uncollectibles Included in Rates



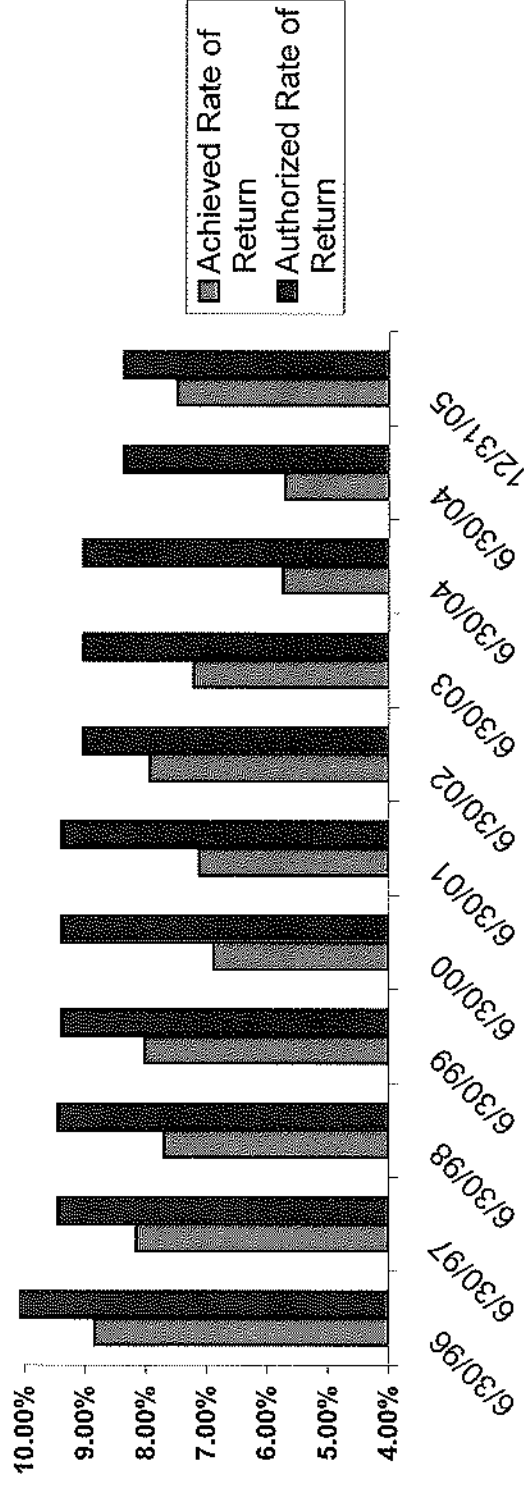
**COMPARISON OF ACHIEVED RATE OF RETURN
VS. AUTHORIZED RATE OF RETURN**

Description	6/30/1996 (000)	6/30/1997 (000)	6/30/1998 (000)	6/30/1999 (000)	6/30/2000 (000)	6/30/2001 (000)	6/30/2002 (000)	6/30/2003 (000)	6/30/2004 (000)	6/30/2005 (000)	12/31/2005 (000)
Net Sales Margin	\$ 119,106	\$ 121,390	\$ 123,759	\$ 130,859	\$ 125,068	\$ 141,971	\$ 136,311	\$ 144,483	\$ 142,799	\$ 154,167	\$ 159,807
Operating Expenses excluding Uncollectible Expense	(50,688)	(48,037)	(47,390)	(49,273)	(49,638)	(51,176)	(46,693)	(53,967)	(61,294)	(70,534)	(53,995)
Uncollectible Expense	(3,906)	(9,443)	(4,470)	(2,585)	(1,697)	(12,654)	(3,211)	(6,602)	(8,537)	(10,212)	(7,109)
Corporate Allocated Expenses Per Rate Case	(5,612)	(5,612)	(5,991)	(5,991)	(5,991)	(5,991)	(6,935)	(6,935)	(6,935)	(1,762)	(1,762)
Taxes Other than Income Taxes	(6,406)	(5,730)	(7,084)	(7,341)	(8,267)	(9,263)	(10,759)	(9,983)	(10,097)	(11,115)	(10,108)
Depreciation & Amortization	(14,806)	(16,344)	(19,131)	(21,740)	(22,439)	(22,986)	(20,015)	(22,891)	(23,787)	(26,400)	(26,416)
Income Taxes	(5,843)	(5,732)	(6,763)	(7,999)	(4,972)	(5,821)	(8,553)	(6,449)	(1,514)	(3,368)	(9,523)
Total Operating Expenses	88,261	90,898	90,829	94,929	93,004	107,891	96,186	106,827	112,264	123,391	118,913
Net Operating Income	\$ 30,845	\$ 30,492	\$ 32,930	\$ 35,930	\$ 32,064	\$ 34,080	\$ 40,145	\$ 37,856	\$ 30,535	\$ 30,778	\$ 40,894
Net plant from most recent rate case	\$ 359,290	\$ 359,290	\$ 431,152	\$ 431,152	\$ 431,152	\$ 431,152	\$ 503,192	\$ 503,192	\$ 503,192	\$ 531,291	\$ 531,291
Net Plant Balance at x/xx/xx	360,288	384,986	440,251	480,145	478,794	491,271	505,412	525,495	532,473	547,463	554,457
Increase in plant since most recent rate case	\$ 998	\$ 25,696	\$ 9,099	\$ 28,993	\$ 47,642	\$ 60,119	\$ 2,220	\$ 22,303	\$ 29,281	\$ 16,172	\$ 23,166
Total rate base from most recent case updated for annual plant increases	\$ 349,040	\$ 373,738	\$ 427,316	\$ 447,212	\$ 465,851	\$ 478,338	\$ 504,650	\$ 524,733	\$ 531,711	\$ 538,944	\$ 545,938
Achieved Rate of Return	8.84%	8.16%	7.71%	8.03%	6.89%	7.12%	7.95%	7.21%	5.74%	5.71%	7.49%
Authorized Rate of Return	10.54%	9.46%	9.46%	9.40%	9.40%	9.40%	9.03%	9.03%	9.03%	8.36%	8.36%
Date Rates Went into Effect	1-Feb-94	1-Feb-97		2-Sep-98			6-Aug-01	6-Aug-01	6-Aug-01	1-Oct-04	1-Oct-04
Return Deficiency	-1.70%	-1.30%	-1.75%	-1.37%	-2.51%	-2.28%	-1.08%	-1.82%	-3.29%	-2.65%	-0.87%
Earnings Deficiency	\$ (5,944)	\$ (4,864)	\$ (7,494)	\$ (6,108)	\$ (11,707)	\$ (10,883)	\$ (5,425)	\$ (9,528)	\$ (17,479)	\$ (14,279)	\$ (4,747)
Revenue Deficiency	\$ (9,682)	\$ (7,923)	\$ (12,207)	\$ (9,950)	\$ (19,070)	\$ (17,728)	\$ (8,837)	\$ (15,520)	\$ (28,471)	\$ (23,260)	\$ (7,732)
Cumulative Earnings Deficiency											\$ (98,458)
Cumulative Revenue Deficiency											\$ (160,378)

(1) - excludes property tax refunds for the years 2002-2004

* - High end of Slaff recommendation implicit in the settlement

Missouri Gas Energy
COMPARISON OF ACHIEVED RATE OF RETURN
VS. AUTHORIZED RATE OF RETURN



MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
(a)	(b)		(c)	(d)	(e)
OPERATING REVENUE					
1	480	Residential	\$461,309,543	(\$351,977,407)	\$109,332,136
2	481.1	Commercial	183,202,124	(148,280,682)	34,921,443
3	481.2	Industrial	9,633,497	(8,033,112)	1,600,385
4	483	Sales for Resale	0	(108,623)	(108,623)
5	487	Late Payment Charges	487,006	(540,572)	(53,566)
6	488	Miscellaneous Service Revenue	4,412,846	0	4,412,846
7	489	Transport	10,202,282	182,264	10,384,546
8	493	Rent From Property	0	0	0
9	495	Other Gas Revenue	498,984	0	498,984
10		Total Operating Revenue	\$669,746,284	(\$508,758,132)	\$160,988,152
OPERATING & MAINTENANCE EXPENSE					
Operation Expense					
11	805	Other Gas Purchases	\$469,859,289	(\$469,859,289)	\$0
12	807	Purchased Gas Expense	0	0	0
13	859	Other Joint Expense	0	0	0
14	870	Operation, Supervision and Engineering	590,699	29,754	620,453
15	871	Distribution and Load Dispatching	8,756	(235)	8,521
16	872	Compressor Station Labor and Expense	0	0	0
17	874	Mains and Service Expenses	3,024,786	6,032	3,030,818
18	875	Distributing Regulating Station Expenses	682,700	25,385	708,085
19	876	Measuring and Regulating - Station Expenses	7,566	(410)	7,156
20	877	Measuring and Regulating - Station Expenses	4,798	190	4,988
21	878	Meter and House Regulator Expenses	4,291,777	146,802	4,438,579
22	879	Customer Installation Expenses	2,742,603	(8,791)	2,733,812
23	880	Other Expenses	1,702,382	20,858	1,723,240
24	881	Rents	96,433	0	96,433
25		Total Operation Expense	\$483,011,789	(\$469,639,704)	\$13,372,085
Maintenance Expense					
26	885	Maintenance Supervision and Engineering	\$1,075,603	(\$27,907)	\$1,047,696
27	886	Maintenance of Structures and Improvements	53,255	1,794	55,049
28	887	Maintenance of Mains	7,569,448	195,433	7,764,881
29	889	Maint. of Measuring and Reg. Stat Equip - General	292,800	10,602	303,402
30	890	Maint. of Measuring and Regulating Equipment	269,103	11,430	280,533
31	891	Maint. of Measuring and Regulating Equipment	14,725	604	15,329
32	892	Maintenance of Services	749,099	15,844	764,943
33	893	Maintenance of Meters and House Regulators	635,602	14,812	650,414
34	894	Maintenance of Other Equipment	124,283	7,016	131,299
35		Total Maintenance Expenses	\$10,783,918	\$229,427	\$11,013,345
36		Total Distribution Expense	\$493,795,707	(\$469,410,277)	\$24,385,430
Customer Accounts Expense					
37	901	Supervision	\$397,109	\$26,488	\$423,597
38	902	Meter Reading Expense	771,014	17,651	788,665
39	903	Customer Records and Collection Expense	11,293,811	483,584	11,777,395
40	904	Uncollectible Accounts	7,108,777	1,519,296	8,628,073
41	905	Miscellaneous Customer Accounts Expense	57,553	403	57,956
42		Total Customer Accounts Expenses	\$19,628,264	\$2,047,421	\$21,675,685
Customer Service and Informational Expense					
43	907	Supervision	\$0	\$0	\$0
44	908	Customer Assistance	644,078	104,602	748,680
45	909	Informational and Instructional Advertising Exp.	58,979	0	58,979
46	910	Miscellaneous Customer Accounts Expense	3,543	0	3,543
47		Total Cust. Service and Information Exp.	\$706,600	\$104,602	\$811,202
Sales and Advertising Expense					
48	911	Supervision	\$0	\$0	\$0

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(d)	(e)
49	912	Demonstrating and Selling Expenses	96,757	2,288	99,045
50	913	Advertising Expenses	0	0	0
51	916	Miscellaneous Sales Expenses	3,156	0	3,156
52		Total Sales and Advertising Expenses	<u>\$99,913</u>	<u>\$2,288</u>	<u>\$102,201</u>
Administrative and General Expense					
53	920	Administrative and General Salaries	\$6,049,155	\$87,953	\$6,137,108
54	921	Office Supplies and Expenses	2,562,258	225,796	2,788,054
55	922	Administrative Expenses Transferred	(431,962)	0	(431,962)
56	923	Outside Services Employed	1,733,396	2,491,394	4,224,790
57	924	Property Insurance	72,921	(15,808)	57,113
58	925	Injuries and Damages	3,368,391	(1,268,372)	2,100,019
59	926	Employee Pensions and Benefits	8,838,850	9,219,906	18,058,756
60	927	Franchise Requirements	0	0	0
61	928	Regulatory Commission Expense	2,264,862	(340,713)	1,924,149
62	930	Miscellaneous General Expenses	155,511	0	155,511
63	931	Rents	925,286	(23,977)	901,309
64	932	Maintenance of General Plant	1,194,197	171,573	1,365,770
65		Total Administration and General Expense	<u>\$26,732,865</u>	<u>\$10,547,750</u>	<u>\$37,280,615</u>
66		Total O & M Expense	<u>\$540,963,349</u>	<u>(\$456,708,216)</u>	<u>\$84,255,133</u>
67	403	Depreciation	23,435,869	1,653,786	25,089,655
68	404, 405	Amortization	2,979,834	6,111,606	9,091,440
69	431	Interest on Customer Deposits	147,252	28,066	175,318
70	408	Payroll Taxes	1,888,435	237,357	2,125,792
71	408	Property Taxes	(169,925)	6,769,900	6,599,975
72	408	Gross Receipts Tax	40,079,903	(40,079,903)	0
73	408	Other Taxes	240,075	35,611	275,686
74	408	Taxes Other Than Income	<u>\$42,038,488</u>	<u>(\$33,037,035)</u>	<u>\$9,001,453</u>
75		TOTAL EXPENSES	<u>\$609,564,792</u>	<u>(\$481,951,793)</u>	<u>\$127,612,999</u>
76		OPERATING INCOME BEFORE INCOME TAX	<u>\$60,181,492</u>	<u>(\$26,806,339)</u>	<u>\$33,375,153</u>
77	409,410	Income Taxes	\$15,578,544	(\$10,429,881)	\$5,148,663
78		NET OPERATING INCOME	<u>\$44,602,948</u>	<u>(\$16,376,458)</u>	<u>\$28,226,490</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated through June 30, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	Adj. GL Rev to Test Year Margin	Normalize & Adj. Test Year Margin	Remove Purch., Gas Cost and GRT	Payroll Expense	Employee Benefits	Payroll Taxes	Insurance	Joint and Common Costs	Uncollectible Expense	Regulatory Commission Expense	Interest on Customer Deposits
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
OPERATING REVENUE														
1	480	Residential	461,309,942.92	(\$363,777,331)	\$1,799,924									
2	481.1	Commercial	183,202,124	(148,839,219)	568,637									
3	481.2	Industrial	9,633,497	(8,084,078)	50,969									
4	483	Sales for Resale	0	(108,623)	0									
5	487	Late Payment Charges	487,006	(540,572)	0									
6	488	Miscellaneous Service Revenue	4,412,846		0									
7	489	Transport	10,202,282		182,264									
8	493	Rent From Property	0											
9	495	Other Gas Revenue	498,984											
10		Total Operating Revenue	\$889,746,284	(\$511,349,823)	\$2,591,691	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING & MAINTENANCE EXPENSE														
Operation Expense														
11	805	Other Gas Purchases	\$469,859,289			(\$469,859,289)								
12	807	Purchased Gas Expense	0											
13	859	Other Joint Expense	0											
14	870	Operation, Supervision and Engineering	590,699				34,295							
15	871	Distribution and Load Dispatching	8,766				(141)							
16	872	Compressor Station Labor and Expense	0				0							
17	874	Mains and Service Expenses	3,024,796				4,249							
18	875	Distributing Regulating Station Expenses	682,700				19,198							
19	876	Measuring and Regulating - Station Expenses	7,966				(496)							
20	877	Measuring and Regulating - Station Expenses	4,798				145							
21	878	Meter and House Regulator Expenses	4,291,777				124,118							
22	879	Customer Installation Expenses	2,742,603				(14,774)							
23	880	Other Expenses	1,702,382				23,939							
24	881	Rents	96,433											
25		Total Operation Expense	\$483,011,799	\$0	\$0	(\$469,859,289)	\$190,533	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Maintenance Expense														
26	885	Maintenance Supervision and Engineering	\$1,075,603				(\$17,075)							
27	886	Maintenance of Structures and Improvements	53,265				1,541							
28	887	Maintenance of Mains	7,569,448				144,905							
29	889	Maint. of Measuring and Reg. Stat Equip - General	292,800				7,410							
30	890	Maint. of Measuring and Regulating Equipment	269,103				8,798							
31	891	Maint. of Measuring and Regulating Equipment	14,725				946							
32	892	Maintenance of Services	749,099				3,267							
33	893	Maintenance of Meters and House Regulators	635,602				8,903							
34	894	Maintenance of Other Equipment	124,283				358							
35		Total Maintenance Expenses	\$10,793,918	\$0	\$0	\$0	\$158,953	\$0	\$0	\$0	\$0	\$0	\$0	\$0
36		Total Distribution Expense	\$493,795,707	\$0	\$0	(\$469,859,289)	\$349,486	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Customer Accounts Expense														
37	901	Supervision	\$397,109				\$31,167							
38	902	Meter Reading Expense	771,014				16,194							
39	903	Customer Records and Collection Expense	11,293,811				323,696							
40	904	Uncollectible Accounts	7,106,777									1,519,286		
41	905	Miscellaneous Customer Accounts Expense	\$7,553				(185)							
42		Total Customer Accounts Expenses	\$19,628,264	\$0	\$0	\$0	\$389,872	\$0	\$0	\$0	\$0	\$1,519,286	\$0	\$0

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated through June 30, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	(a)	(b)	(c)	H-1	H-2	H-3	H-4	H-5	H-6	H-7	H-8	H-9	H-10	H-11
			Test Year Per Books	Adj. GL Rev to Test Year Margin	Normalize & Adj. Test Year Margin	Remove Purch., Gas Cost and GRT	Payroll Expense	Employee Benefits	Payroll Taxes	Insurance	Joint and Common Costs	Uncollectible Expense	Regulatory Commission Expense			Interest on Customer Deposits
			(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)		(n)	
43	907	Customer Service and Informational Expense														
44	908	Supervision	\$0													
45	909	Customer Assistance	644,078				6,244									
46	910	Informational and Instructional Advertising Exp.	58,979													
47		Miscellaneous Customer Accounts Expense	3,543													
		Total Cust. Service and Informational Exp.	\$708,600	\$0	\$0	\$0	\$6,244	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
48	911	Sales and Advertising Expense														
49	912	Supervision	\$0													
50	913	Demonstrating and Selling Expenses	96,757				\$0									
51	916	Advertising Expenses	0				3,327									
52		Miscellaneous Sales Expenses	3,156													
		Total Sales and Advertising Expenses	\$99,913	\$0	\$0	\$0	\$3,327	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
53	920	Administrative and General Expense														
54	921	Administrative and General Salaries	\$5,048,155				\$146,049									
55	922	Office Supplies and Expenses	2,582,258				(460)									
56	923	Administrative Expenses Transferred	(431,962)													
57	924	Outside Services Employed	1,733,356				(37)				2,572,012					
58	925	Property Insurance	72,921							(15,808)						
59	926	Injuries and Damages	3,368,391				(162)			(1,268,820)						
60	927	Franchise Requirements	8,838,850					9,219,906								
61	928	Employee Pensions and Benefits	0													
62	930	Regulatory Commission Expense	2,264,962										(340,713)			
63	931	Miscellaneous General Expenses	155,511													
64	932	Rents	925,286													
		Maintenance of General Plant	1,194,197				(87)									
		Total Administration and General Expense	\$26,732,865	\$0	\$0	\$0	\$145,253	\$9,219,906	\$0	(\$1,284,628)	\$2,572,012	\$0	(\$340,713)	\$0	\$0	\$0
66		Total O & M Expense	\$540,983,349	\$0	\$0	\$0	\$874,182	\$9,219,906	\$0	(\$1,284,628)	\$2,572,012	\$1,519,296	(\$340,713)			\$0
67	403	Depreciation	\$23,435,869													
68	404	Amortization	2,979,834													
69	431	Interest on Customer Deposits	147,252													28,066
70	408	Payroll Taxes (1***)	1,888,435						237,357							
71	408	Property Taxes (2***)	(169,925)													
72	408	Gross Receipts Tax (3300 + 4000)	46,079,903			(40,079,903)										
73	408	Other Taxes (41**)	240,075													
74	408	Taxes Other Than Income	\$42,038,488	\$0	\$0	(\$40,079,903)	\$0	\$0	\$237,357	\$0	\$0	\$0	\$0	\$0	\$0	\$0
75		TOTAL EXPENSES	\$609,584,762	\$0	\$0	(\$509,939,192)	\$874,182	\$9,219,906	\$237,357	(\$1,284,628)	\$2,572,012	\$1,519,296	(\$340,713)		\$28,066	\$28,066
76		OPERATING INCOME BEFORE INCOME TAX	\$50,181,492	(\$511,349,823)	\$2,591,691	\$509,939,192	(\$874,182)	(\$9,219,906)	(\$237,357)	\$1,284,628	(\$2,572,012)	(\$1,519,296)	\$340,713		(\$28,066)	(\$28,066)
77	405.410	Income Taxes	15,578,544													
78		NET OPERATING INCOME	\$44,602,948	(\$511,349,823)	\$2,591,691	\$509,939,192	(\$874,182)	(\$9,219,906)	(\$237,357)	\$1,284,628	(\$2,572,012)	(\$1,519,296)	\$340,713		(\$28,066)	(\$28,066)
		Note: per book & adjusted income tax computed on A-2														

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

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated through June 30, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	(a)	(b)	Test Year Per Books	Depreciation Expense	Amortization Expense	TWE Clearing	Stores Load Clearing	State Franchise Tax	Property Tax	Postage Increase	Office & Computer Lease Expense	Incentive Bonuses	Unrecovered Cost of Service	Prof/Formula Cost of Collectors	Remove Non-utility Activities
			(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	480	OPERATING REVENUE															
2	481.1	Residential	461,309,542.92														
3	481.2	Commercial	183,202,124														
4	483	Industrial	9,633,497														
5	487	Sales for Resale	0														
6	488	Late Payment Charges	487,006														
7	489	Miscellaneous Service Revenue	4,412,846														
8	493	Transport	10,202,282														
9	495	Rent From Property	0														
10	495	Other Gas Revenue	496,964														
		Total Operating Revenue	\$568,746,264			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	805	OPERATING & MAINTENANCE EXPENSE															
12	807	Operation Expense															
13	809	Other Gas Purchases	\$469,859,289														
14	870	Purchased Gas Expense	0														
15	871	Other Joint Expense	0														
16	872	Operation, Supervision and Engineering	590,699		1,921										(6,462)		
17	874	Distribution and Load Dispatching	8,756		0										(94)		
18	875	Compressor Station Labor and Expense	0		0										0		
19	876	Mains and Service Expenses	3,024,766		4,584				2,145						(4,946)		
20	877	Distributing Regulating Station Expenses	682,700		7,929				3,445						(5,187)		
21	878	Measuring and Regulating - Station Expenses	7,566		79				58						(51)		
22	879	Measuring and Regulating - Station Expenses	4,798		38				44						(37)		
23	880	Meter and House Regulator Expenses	4,291,777		51,703				6,103						(35,122)		
24	881	Customer Installation Expenses	2,742,803		28,081				977						(23,075)		
25	881	Other Expenses	1,702,382		6,148				3,014						(12,243)		
		Rents	96,433														
		Total Operation Expense	\$463,011,789		\$100,482	\$15,785	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$67,217	\$0	\$0
26	885	Maintenance Expense															
27	886	Maintenance Supervision and Engineering	\$1,075,603		\$624	\$0									(\$11,456)		
28	887	Maintenance of Structures and Improvements	53,255		470	141									(358)		
29	889	Maintenance of Mains	7,569,448		72,546	29,812									(\$1,830)		
30	890	Maint. of Measuring and Reg. Stat Equip - General	282,800		2,889	2,528									(2,225)		
31	891	Maint. of Measuring and Regulating Equipment	269,103		2,272	2,349									(1,989)		
32	892	Maint. of Measuring and Regulating Equipment	14,725		166	(306)									(102)		
33	893	Maintenance of Services	749,099		6,597	10,934									(5,054)		
34	894	Maintenance of Meters and House Regulators	635,602		4,397	6,662									(5,150)		
35		Maintenance of Other Equipment	124,283		282	6,640									(264)		
		Total Maintenance Expenses	\$10,783,918		\$90,243	\$59,660	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$78,429	\$0	\$0
36		Total Distribution Expense	\$493,795,707		\$190,726	\$74,446	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$165,646)	\$0	\$0
37	901	Customer Accounts Expense															
38	902	Supervision	\$397,109												(\$4,679)		
39	903	Meter Reading Expense	771,014		8,234	689									(6,466)		
40	904	Customer Records and Collection Expense	11,293,811		27,564	57						81,495				115,340	
41	905	Uncollectible Accounts	7,108,777												(\$4,569)		
42		Miscellaneous Customer Accounts Expense	57,553		587	1											
		Total Customer Accounts Expenses	\$19,628,264		\$0	\$36,385	\$747	\$0	\$0	\$0	\$0	\$81,495	\$0	\$0	(\$75,714)	\$0	\$115,340

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
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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)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)	(z)	(aa)
43	907	Customer Service and Informational Expense																											
44	908	Supervision			\$0																								
45	909	Customer Assistance			644,078																								
46	910	Informational and Instructional Advertising Exp.			59,979																								
47		Miscellaneous Customer Accounts Expense			3,543																								
		Total Cust. Service and Informational Exp.			\$706,600																								
48	911	Sales and Advertising Expense																											
49	912	Supervision			\$0																								
50	913	Demonstrating and Selling Expenses			96,757																								
51	916	Advertising Expenses			0																								
52		Miscellaneous Sales Expenses			3,156																								
		Total Sales and Advertising Expenses			\$99,913																								
53	920	Administrative and General Expense																											
54	921	Administrative and General Salaries			\$6,049,155																								
55	922	Office Supplies and Expenses			2,562,258																								
56	923	Administrative Expenses Transferred			(431,962)																								
57	924	Outside Services Employed			1,733,396																								
58	925	Property Insurance			72,921																								
59	926	Injuries and Damages			3,368,351																								
60	927	Employee Pensions and Benefits			8,838,850																								
61	928	Franchise Requirements			0																								
62	930	Regulatory Commission Expense			2,264,862																								
63	931	Miscellaneous General Expenses			155,511																								
64	932	Rents			925,286																								
65		Maintenance of General Plant			1,194,197																								
		Total Administration and General Expense			\$28,732,865																								
66		Total O & M Expense			\$540,963,349																								
67	403	Depreciation			\$23,435,969																								
68	404, 405	Amortization			2,979,834																								
69	431	Interest on Customer Deposits			147,252																								
70	408	Payroll Taxes (1***)			1,888,435																								
71	408	Property Taxes (2***)			(169,925)																								
72	408	Gross Receipts Tax (3300 + 4000)			40,079,903																								
73	408	Other Taxes (41**)			240,075																								
74	408	Taxes Other Than Income			\$42,038,488																								
75		TOTAL EXPENSES			\$609,564,792																								
76		OPERATING INCOME BEFORE INCOME TAX			\$60,181,492																								
77	403,410	Income Taxes			15,578,544																								
78		NET OPERATING INCOME			\$44,602,948																								

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

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated through June 30, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	Weatherization Fund	Environmental Response Fund	ECWR Amortization	Income Tax Adjustment	Total Adjustments	Test Year As Adjusted
(a)		(b)	(c)	(d)	(ae)	(af)	(ag)	(ah)	(ai)
OPERATING REVENUE									
1	480	Residential	461,308,642.92					(\$351,977,407)	\$109,332,136
2	481.1	Commercial	183,202,124					(148,280,682)	34,921,443
3	481.2	Industrial	9,633,497					(8,033,112)	1,600,385
4	483	Sales for Resale	0					(108,623)	(108,623)
5	487	Late Payment Charges	487,006					(540,572)	(53,566)
6	488	Miscellaneous Service Revenue	4,412,846					0	4,412,846
7	489	Transport	10,202,282					182,264	10,384,546
8	493	Rent From Property	0					0	0
9	495	Other Gas Revenue	498,984					0	498,984
10		Total Operating Revenue	\$569,746,264	\$0	\$0	\$0	\$0	(\$508,758,132)	\$160,988,132
OPERATING & MAINTENANCE EXPENSE									
Operation Expense									
11	806	Other Gas Purchases	\$469,859,289					(\$469,859,289)	\$0
12	807	Purchased Gas Expense	0					0	0
13	809	Other Joint Expense	0					0	0
14	870	Operation, Supervision and Engineering	590,899					28,754	620,453
15	871	Distribution and Load Dispatching	8,756					(235)	8,521
16	872	Compressor Station Labor and Expense	0					0	0
17	874	Mains and Service Expenses	3,024,785					6,032	3,030,818
18	875	Distributing Regulating Station Expenses	682,700					25,385	708,085
19	876	Measuring and Regulating - Station Expenses	7,566					(410)	7,156
20	877	Measuring and Regulating - Station Expenses	4,798					180	4,988
21	878	Meter and House Regulator Expenses	4,291,777					146,802	4,438,579
22	879	Customer Installation Expenses	2,742,603					(8,791)	2,733,812
23	880	Other Expenses	1,702,382					20,858	1,723,240
24	881	Rents	86,433					0	86,433
25		Total Operation Expense	\$483,011,789	\$0	\$0	\$0	\$0	(\$469,839,704)	\$13,372,085
Maintenance Expense									
26	885	Maintenance Supervision and Engineering	\$1,075,603					(\$27,907)	\$1,047,696
27	886	Maintenance of Structures and Improvements	53,255					1,794	55,049
28	887	Maintenance of Mains	7,569,448					195,433	7,764,881
29	889	Maint. of Measuring and Reg. Stal Equip - General	282,800					10,602	303,402
30	890	Maint. of Measuring and Regulating Equipment	269,103					11,430	280,533
31	891	Maint. of Measuring and Regulating Equipment	14,725					604	15,329
32	892	Maintenance of Services	749,099					15,644	764,743
33	893	Maintenance of Meters and House Regulators	635,602					14,812	650,414
34	894	Maintenance of Other Equipment	124,253					7,016	131,269
35		Total Maintenance Expenses	\$10,783,918	\$0	\$0	\$0	\$0	\$229,427	\$11,013,345
36		Total Distribution Expense	\$493,795,707	\$0	\$0	\$0	\$0	(\$469,410,277)	\$24,385,430
Customer Accounts Expense									
37	901	Supervision	\$397,109					\$26,488	\$423,597
38	902	Meter Reading Expense	771,014					17,651	788,665
39	903	Customer Records and Collection Expense	11,263,811					483,584	11,777,395
40	904	Uncollectible Accounts	7,108,777					1,519,296	8,628,073
41	905	Miscellaneous Customer Accounts Expense	57,553					403	57,956
42		Total Customer Accounts Expenses	\$19,628,264	\$0	\$0	\$0	\$0	\$2,047,421	\$21,675,685

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated through June 30, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books (c)	Weatherization Fund (d4)	Environmental Response Fund (d6)	ECWR Amortization (d6)	Income Tax Adjustment (e6)	Total Adjustments (ah)	Test Year As Adjusted (ai)
			(c)	(d4)	(d6)	(d6)	(e6)	(ah)	(ai)
Customer Service and Informational Expense									
43	907	Supervision	\$0				\$0	\$0	\$0
44	908	Customer Assistance	644,078	100,000			104,602	748,680	748,680
45	909	Informational and Instructional Advertising Exp.	58,979				0	58,979	58,979
46	910	Miscellaneous Customer Accounts Expense	3,543				0	3,543	3,543
47		Total Cust. Service and Informational Exp.	\$706,600	\$100,000	\$0	\$0	\$104,602	\$811,202	\$811,202
Sales and Advertising Expense									
48	911	Supervision	\$0				\$0	\$0	\$0
49	912	Demonstrating and Selling Expenses	96,757				2,288	99,045	99,045
50	913	Advertising Expenses	0				0	0	0
51	916	Miscellaneous Sales Expenses	3,156				0	3,156	3,156
52		Total Sales and Advertising Expenses	\$99,913	\$0	\$0	\$0	\$2,288	\$102,201	\$102,201
Administrative and General Expense									
53	920	Administrative and General Expense	\$5,049,155				\$87,963	\$5,137,108	\$5,137,108
54	921	Office Supplies and Expenses	2,562,258				225,796	2,788,054	2,788,054
55	922	Administrative Expenses Transferred	(431,962)				0	(431,962)	(431,962)
56	923	Outside Services Employed	1,733,336		500,000		2,491,394	4,224,730	4,224,730
57	924	Property Insurance	72,921				(16,808)	57,113	57,113
58	925	Injuries and Damages	3,358,391				(1,268,372)	2,100,019	2,100,019
59	926	Employee Pensions and Benefits	8,838,850				9,219,906	18,058,756	18,058,756
60	927	Franchise Requirements	0				0	0	0
61	928	Regulatory Commission Expense	2,254,862				(340,713)	1,924,149	1,924,149
62	930	Miscellaneous General Expenses	155,511				0	155,511	155,511
63	931	Rents	925,286				(23,977)	901,309	901,309
64	932	Maintenance of General Plant	1,194,197				171,573	1,365,770	1,365,770
65		Total Administrative and General Expense	\$25,732,855	\$0	\$500,000	\$0	\$10,547,750	\$37,280,615	\$37,280,615
66		Total O & M Expense	\$540,953,349	\$100,000	\$500,000	\$0	\$0	\$84,551,335	\$84,551,335
67	403	Depreciation	\$23,435,869				\$1,553,786	\$25,089,655	\$25,089,655
68	404, 405	Amortization	2,979,834			0	6,111,606	\$9,091,440	\$9,091,440
69	431	Interest on Customer Deposits	147,252				28,086	175,338	175,338
70	408	Payroll Taxes (1***)	1,888,435				237,367	2,125,792	2,125,792
71	408	Property Taxes (2***)	(169,925)				6,769,900	6,599,975	6,599,975
72	408	Gross Receipts Tax (3800 + 4000)	40,079,903				(40,079,903)	0	0
73	408	Other Taxes (41**)	240,075				35,611	275,686	275,686
74	408	Taxes Other Than Income	\$42,038,488	\$0	\$0	\$0	(\$33,037,035)	\$9,001,453	\$9,001,453
75		TOTAL EXPENSES	\$609,564,792	\$100,000	\$500,000	\$0	\$0	\$84,551,793	\$127,612,988
76		OPERATING INCOME BEFORE INCOME TAX	\$60,181,462	(\$100,000)	(\$500,000)	\$0	\$0	(\$326,806,339)	\$33,375,153
77	409,410	Income Taxes	15,578,544				(10,429,861)	(10,429,861)	5,148,683
78		NET OPERATING INCOME	\$44,602,918	(\$100,000)	(\$500,000)	\$0	\$10,429,861	(\$16,376,438)	\$28,226,490

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

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Test Year Margin Revenue

Line No.	Description (a)	Main Account/Revenue Class					Total (g)
		480	481.1	481.2	483, 489		
		21 (b)	22 & 23 (c)	25 (d)	28, 38 (e)	487, 488, 493, 495 (f)	
1	Total Revenue per Book	461,309,543	183,202,124	9,633,497	10,202,282	5,398,837	669,746,284
2	Less: GRT Revenue, Unbilled Revenue, PGA Revenue, and Miscellaneous Adjustments	(353,777,331)	(148,839,219)	(8,084,078)	(108,623)	(540,572)	(511,349,823)
3	Test Year Margin	107,532,212	34,362,906	1,549,419	10,093,659	4,858,264	158,396,461

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending December 31, 2005

Updated for Known and Measurable Adjustments through June 30, 2006

Revenue Adjustments

Line No.	Description (a)	Main Account/Revenue Class					Total (g)
		Residential Gas Sales	Commercial Gas Sales	Industrial Gas Sales	Transportation Revenues	Service Charges and Other	
		480	481.1	481.2	489.483	487,486,493,495	
		21	22 & 23	25	38,28		
		(b)	(c)	(d)	(e)	(f)	
1	Test Year Margin	\$107,532,212	\$34,362,906	\$1,549,419	\$10,093,659	\$4,858,264	\$158,396,461
2	Weather Normalize						
3	Rate Switching Adjustments	1,627,949	544,695	50,966	118,820	0	2,342,430
4	Customer Growth Annualization		(23,248)		63,444		40,196
5	Total Adjustments	171,975	37,090	0	0	0	209,065
		1,799,924	556,537	50,966	182,264	0	2,591,691
6	As Adjusted Test Year Margin	\$109,332,136	\$34,921,443	\$1,600,385	\$10,275,923	\$4,858,264	\$160,988,152

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Remove Purchase Gas Costs and Gross Receipts Tax

Line No.	Description (a)	Amount (b)
1	Purchase Gas Costs (Acct. 805)	(\$469,859,289)
2	Gross Receipts Tax (Acct. 4081)	(40,079,903)
3	Total Adjustment	<u>(\$469,859,289)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Payroll Adjustment

Line No.	Main Acct.	Proforma Payroll Expense	Payroll Expense Per Book	Adjustment to Test Year
	(a)	(b)	(c)	(d)
1	870	\$591,474	\$557,179	\$34,295
2	871	\$8,606	8,747	(141)
3	872	\$0	0	0
4	874	\$452,673	448,424	4,249
5	875	\$474,748	455,550	19,198
6	876	\$4,675	5,171	(496)
7	877	\$3,351	3,206	145
8	878	\$3,214,631	3,090,513	124,118
9	879	\$2,112,051	2,126,825	(14,774)
10	880	\$1,120,577	1,096,638	23,939
11	885	\$1,048,588	1,065,663	(17,075)
12	886	\$32,722	31,181	1,541
13	887	\$4,743,898	4,598,993	144,905
14	889	\$203,648	196,238	7,410
15	890	\$182,049	173,251	8,798
16	891	\$9,349	8,503	846
17	892	\$462,561	459,294	3,267
18	893	\$471,407	462,504	8,903
19	894	\$24,209	23,851	358
20	901	\$428,276	397,109	31,167
21	902	\$591,854	576,660	15,194
22	903	\$5,909,848	5,586,152	323,696
23	905	\$0	185	(185)
24	908	\$150,322	144,078	6,244
25	911	\$0	0	0
26	912	\$95,488	92,161	3,327
27	920	\$5,317,453	5,171,404	146,049
28	921	\$2,510	2,970	(460)
29	923	\$0	87	(87)
30	925	\$782	944	(162)
31	932	\$0	87	(87)
32	Total	\$27,657,750	\$26,783,568	\$874,182

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Employee Benefits

Line No.	Description (a)	Amount (b)	Amount (c)
1	Pension	\$9,179,009	
2	Retirement Power	476,742	
3	Life & AD&D Insurance	154,551	
4	Long Term Disability Insurance	180,605	
5	Medical / Dental Benefit	6,549,429	
6	FAS 106 - Accrual	1,641,953	
7	FAS 106 - Amortization of	2,664,792	
8	401K	1,086,877	
9	Other Misc Benefits	66,120	
10			
11	Total Proforma Benefits	\$22,000,078	
12	Payroll Expense Ratio	0.7690630	
		<u>16,919,446</u>	
	Add amortization of prepaid pensions (amortized over a 6 year period)	1,139,310	
13		<u>1,139,310</u>	
14	Proforma Benefits Expense	<u>\$18,058,756</u>	
15	Less Test Year Benefits Expense	<u>(\$8,838,850)</u>	
16	Adjustment to Test Year Expense - Acct. 926		<u><u>\$9,219,906</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Payroll Taxes

Line No.	Description (a)	Amount (b)
1	Total Proforma Payroll Taxes	\$2,759,602
2	Payroll Taxes on Incentive Compensation Adjustment	<u>4,531</u>
5	Total Proforma Payroll Taxes	\$2,764,133
6	Payroll Expense Ratio	0.769063
7	Proforma Payroll Tax Expense	<u>\$2,125,792</u>
8	Less Test Year Payroll Tax Expense	<u>(1,888,435)</u>
9	Adjustment to Test Year Expense - Acct. 4081	<u><u>\$237,357</u></u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending December 31, 2005

Updated for Known and Measurable Adjustments through June 30, 2006

Insurance / Injuries & Damages

Line No.	Description	June 30, 2004	June 30, 2005	June 30, 2006	3 Year Avg.	925 Amount	924 Amount	Total Amount
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
MGE Claims:								
1	Workers Compensation claims paid	\$1,893,712	\$197,706	\$340,871	\$810,763			
2								
3	Auto & General Liability	693,178	722,988	749,151	721,772			
4	Total Proforma Claims	<u>\$2,586,890</u>	<u>\$920,694</u>	<u>\$1,090,022</u>	<u>\$1,532,535</u>	\$1,532,535		\$1,532,535
5	Insurance Premiums - 924						57,113	57,113
6	Insurance Premiums - 925					1,197,503		1,197,503
7	Total Proforma Insurance Cost					\$2,730,038	\$57,113	\$2,787,151
8	Test Year Payroll Expense Ratio					0.769063	1.000000	
9	Proforma Insurance Expense					\$2,099,571	\$57,113	\$2,156,684
10	Less Test Year Insurance Expense					(3,368,391)	(72,921)	(3,441,312)
11	Adjustment to Test Year - Accts. 924 and 925					<u>(\$1,268,820)</u>	<u>(\$15,808)</u>	<u>(\$1,284,628)</u>

MISSOURI GAS ENERGY
 A Division of Southern Union Company
 Twelve Months Ending December 31, 2005
 Updated for Known and Measurable Adjustments through June 30, 2006
Corporate Allocation

Line No.	Description	Amount
	(a)	(b)
1	Proforma Joint and Common Costs	\$3,695,369
2	Expense Capital Ratio	69.6009%
3	Proforma Joint and Common Expense	<u>\$2,572,012</u>
4	Less Test Year Expense Recorded on MGE's Books	<u>0</u>
5	Adjustment to Test Year - Acct. 923	<u><u>\$2,572,012</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Uncollectible Expense

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Twelve Months Ended June 30, 2002	\$9,168,320	
2	Twelve Months Ended June 30, 2003	5,427,035	
3	Twelve Months Ended June 30, 2004	8,174,818	
4	Twelve Months Ended June 30, 2005	11,059,738	
5	Twelve Months Ended June 30, 2006	<u>9,310,454</u>	
6	Five Year Average		\$8,628,073
7	Less Test Year Uncollectible Expense		(7,108,777)
8	Adjustment to Test Year - Acct. 904		<u><u>\$1,519,296</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Regulatory Commission Expense

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Estimate of current rate case expense	\$900,000	
2	Remaining balance of GR-2004-0209	\$223,456	
3	Total Rate Case Balance	<u>1,123,456</u>	
4	Annual Amortization (3 years)		\$374,485
5	Normalized level of expense for depreciation study		\$6,878
6	Proforma NARUC Assessment - fiscal 7/1/04-6/30/05		6,198
7	Other Regulatory Commission Expenses		149,610
8	Proforma MPSC Assessment - fiscal 7/1/06-6/30/07		<u>1,386,977</u>
9	Total Proforma Regulatory Commission Expense		\$1,924,149
10	Less Test Year Regulatory Commission Expense		(2,264,862)
11	Adjustment to Test Year - Acct. 928		<u><u>(\$340,713)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Interest on Customer Deposits

Line No.	Description	Reference	Residential	Commercial & Industrial	Amount
	(a)	(b)	(c)	(d)	(e)
1	Customer Deposits	B-2	\$1,012,376	\$3,059,908	\$4,072,284
2	Interest Rate		8.25%	3.00%	4.31%
3	Proforma Interest on Customer Deposits		<u>\$83,521</u>	<u>\$91,797</u>	<u>\$175,318</u>
4	Less Test Year Interest on Customer Deposits				<u>(147,252)</u>
5	Adjustment to Test Year - Acct. 431				<u><u>\$28,066</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Depreciation Expense

Line No.	Description	Amount	Current Depreciation Rate	Annualized Depreciation	Proposed Rate	Proforma Total Depreciation	Less Depr. Capitalized To Clearing Accts.	Proforma Depreciation Expense
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
INTANGIBLE PLANT								
1	(301) Organization	\$15,600	0.00%	\$0	0.00%	\$0	\$0	\$0
2	(302) Franchises	32,096	0.00%	0	0.00%	0	0	0
3	(303) Miscellaneous Intangible	27,596,938	(see adj. H-13)	0	(see adj. H-13)	0	0	0
4	Total Intangible Plant	\$27,644,634		\$0		\$0	\$0	\$0
DISTRIBUTION PLANT								
5	(374.1) Land	\$223,517	0.00%	\$0	0.00%	\$0	\$0	\$0
6	(374.2) Land Rights	1,665,693	2.09%	34,813	2.10%	34,980	0	34,980
7	(375.1) Structures	5,584,958	1.65%	92,152	2.19%	122,311	0	122,311
8	(375.2) Leasehold Improvements	0	(see adj. H-13)	0	(see adj. H-13)	0	0	0
9	(376) Mains & Mains - Cast Iron	339,884,706	2.27%	7,715,383	2.43%	8,259,198	0	8,259,198
10	(378) Meas. & Reg. Station - General	11,634,249	2.86%	332,740	2.89%	336,230	0	336,230
11	(379) Meas. & Reg. Station - City Gate	3,058,251	2.13%	65,141	2.64%	80,738	0	80,738
12	(380) Services	294,362,067	2.70%	7,947,776	3.41%	10,037,746	0	10,037,746
13	(381) Meters	31,036,775	2.86%	887,652	2.98%	918,689	0	918,689
14	(382) Meter Installations	68,835,673	2.86%	1,968,700	2.92%	2,010,002	0	2,010,002
15	(383) House Regulators	11,558,045	2.44%	282,016	2.34%	270,458	0	270,458
16	(385) Electronic Gas Metering	372,505	3.33%	12,404	3.29%	12,255	0	12,255
17	(387) Other Equipment	0	4.60%	0	8.25%	0	0	0
18	Total Distribution Plant	\$768,216,438		\$19,338,777		\$22,082,607	\$0	\$22,082,607
GENERAL PLANT - DIRECT								
19	(389) Land	\$773,880	0.00%	\$0	0.00%	\$0	\$0	\$0
20	(390.1) Structures	661,193	2.00%	13,224	1.21%	8,000	0	8,000
21	(390.2) Leasehold Impr.	1,546,597	(see adj. H-13)	0	(see adj. H-13)	0	0	0
22	(391) Furniture & Fixtures	6,970,421	8.06%	561,816	9.10%	634,308	0	634,308
23	(392) Transportation Equipment	5,043,979	8.70%	438,826	8.19%	413,102	(413,102)	0
24	(393) Stores Equipment	538,350	2.70%	14,535	3.35%	18,035	0	18,035
25	(394) Tools	5,154,470	5.30%	273,187	5.01%	258,239	0	258,239
26	(395) Laboratory Equipment	0	6.00%	0	6.00%	0	0	0
27	(396) Power Operated Equipment	243,807	8.33%	20,309	5.36%	13,068	(13,068)	0
28	(397.1) Communication Equipment - AMR	36,324,861	5.00%	1,816,243	5.00%	1,816,243	0	1,816,243
29	(397.0) Communication Equipment - Other	3,289,347	6.25%	205,584	6.27%	206,242	0	206,242
30	(398) Miscellaneous Equipment	431,489	3.85%	16,612	4.93%	21,272	0	21,272
31	Total Direct General Plant	\$60,978,394		\$3,360,336		\$3,388,509	(\$426,170)	\$2,962,339
GENERAL PLANT - CORPORATE								
32	(390) Structures	\$0		\$0		\$0	\$0	\$0
33	(390) Leasehold Impr.	412,834	Note	7,285	Note	7,285	0	7,285
34	(391) Furniture & Fixtures	209,405	"	33,905	"	33,905	0	33,905
35	(392) Transportation Equipment	8,004	"	3,520	"	3,520	0	3,520
36	(397) Communication Equipment	0		0		0	0	0
37	(398) Miscellaneous Equipment	0		0		0	0	0
38	Total Corporate General Plant	\$630,242		\$44,709		\$44,709	\$0	\$44,709
39	Total Proforma Plant & Depreciation	\$857,489,709		\$22,743,822		\$25,515,825	(\$426,170)	\$25,089,655
40	Less Depreciation Charged to Clearing A/Cs			(459,135)		(426,170)		
41	Less Test Year Depreciation Expense			(\$23,435,869)		(\$22,743,822)		(\$23,435,869)
42	Adjustment to Test Year - Acct. 403			(\$1,151,182)		\$2,345,833		\$1,653,785

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Amortization Expense

Line No.	Description	Original Cost Plant	Monthly Test Year Amortization Expense	Proforma Amortization Expense
	(a)	(b)	(c)	(d)
<u>MGE Direct Non-SLRP Amortization:</u>				
1	(375.2) Leasehold Improvements	\$0	\$0	\$0
2	(390.2) Leasehold Improvements	1,546,597	8,362	100,342
3	Sub Total	<u>\$1,546,597</u>	<u>\$8,362</u>	<u>\$100,342</u>
4	(303) Misc. Intangible - Work Force Automation (1000)	\$3,785,364	21,024	\$252,287
5	(303) Misc. Intangible - Corrosion Control Mgmt System (4000)	1,117,800	0	0
6	(303) Misc. Intangible - Landbase Digitized Mapping (4500)	1,701,543	0	0
7	(303) Misc. Intangible - Premise Data System (5000)	985,196	0	0
8	(303) Misc. Intangible - AMR Project - Programming (5500)	489,443	2,764	33,166
9	(303) Misc. Intangible - Facility Priority Index (6000)	894,795	0	0
10	(303) Misc. Intangible - Geographic Information System (6500)	1,006,719	7,125	65,500
11	(303) Misc. Intangible - Customer Service System (7000)	3,788,000	20,921	251,048
12	(303) Misc. Intangible - CSS Enhancements (7100)	7,588,221	63,235	758,822
13	(303) Misc. Intangible - Mainframe Software (7200)	1,912,642	15,939	191,264
14	(303) Misc. Intangible - Website (7600)	485,844	4,051	48,615
15	(303) Misc. Intangible - Stoner Low Pressure/Intermediate Model (8000)	279,672	2,457	29,481
16	(303) Misc. Intangible - BASIC (8500)	294,516	3,005	36,063
17	(303) Misc. Intangible - TCS System (9000)	189,193	1,592	19,106
18	(303) Misc. Intangible - GEO Tax Software (9500)	79,294	661	7,929
19	(303) Misc. Intangible - Oracle Software	2,415,660	20,117	241,409
20	(303) Misc. Intangible - Power Plant Software	187,288	1,561	18,729
21	(303) Misc. Intangible - Virtual Hold Call Center	191,000	1,592	19,103
22	(303) Misc. Intangible - Witness Software (9600)	194,706	1,623	19,474
23	Sub Total - Acct. 303	<u>\$27,564,994</u>	<u>\$167,866</u>	<u>\$2,011,996</u>
<u>Amortization of Infinium Software:</u>			Amort. Period	
24	Unamortized balance of replaced software	<u>\$1,225,756</u>	5	<u>\$245,151</u>
<u>SLRP Amortization:</u>				
25	SLRP Deferrals Subject to Amortization	<u>\$32,048,048</u>	10	<u>\$3,204,805</u>
<u>Cost of Removal Amortization</u>				
26	Net Cost of Removal Balance	<u>\$507,724</u>	5	<u>\$101,545</u>
<u>ECWRA AAO Amortization</u>				
27	Cost of the Emergency cold weather rule	<u>\$901,331</u>	3	<u>\$300,444</u>
28	Pro-Forma Amortization Expense			\$5,964,283
29	Less Test Year Amortization Expense			<u>(2,979,634)</u>
30	Adjustment to Test Year - Accts. 404 and 405			<u>\$2,984,449</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Transportation and Work Equipment Clearing

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into TWE Clearing Account 18400210		\$4,631,933		
2	Less Test Year Amounts Cleared Out of Account 18400210		(4,289,431)		
3	Test Year Amount Under/(Over) Cleared		<u>\$342,502</u>		\$342,502
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 18400210:				
		Proforma	Test Year	Adjustment	
5	Depreciation	\$426,170	\$459,135	(\$32,965)	(32,965)
6	Total Adjusted Amount Under/(Over) Cleared				<u>\$309,537</u>

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

	Main Acct.	Amount	Percentage	Amount
7	870	\$26,621	0.006206	\$1,921
8	871	0	0.000000	0
9	872	0	0.000000	0
10	874	63,520	0.014808	4,584
11	875	109,881	0.025616	7,929
12	876	1,088	0.000254	79
13	877	530	0.000124	38
14	878	716,486	0.167033	51,703
15	879	389,145	0.090720	28,081
16	880	85,202	0.019863	6,148
17	885	8,644	0.002015	624
18	886	8,520	0.001520	470
19	887	1,005,321	0.234368	72,546
20	889	40,034	0.009333	2,889
21	890	31,481	0.007339	2,272
22	891	2,301	0.000536	166
23	892	91,428	0.021314	6,597
24	893	60,938	0.014206	4,397
25	894	3,913	0.000912	282
26	902	114,111	0.026602	8,234
27	903	381,973	0.089048	27,564
28	905	8,127	0.001895	587
29	921	59,282	0.013820	4,278
30	Total Adjustment to Test Year Expense	\$3,206,548	0.747532	\$231,389
31	Balance Sheet Accounts	1,082,954	0.252466	78,148
32	Total Test Year Clearing	<u>\$4,289,501</u>	<u>0.999998</u>	<u>\$309,537</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Stores Clearing

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into Stores Account 1630		\$2,043,068		
2	Less Test Year Amounts Cleared Out of Account 1630		(1,483,099)		
3	Test Year Amount Under/(Over) Cleared		<u>\$559,969</u>		<u>\$559,969</u>

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

	Main Acct.	Amount	Percentage	Amount
4	874	\$5,677	0.00383	\$2,145
5	875	9,117	0.00615	3,445
6	876	155	0.00010	58
7	877	116	0.00008	44
8	878	16,153	0.01090	6,103
9	879	2,586	0.00175	977
10	880	7,976	0.00538	3,014
11	885	0	0.00000	0
12	886	374	0.00025	141
13	887	78,902	0.05324	29,812
14	889	6,692	0.00452	2,528
15	890	6,217	0.00420	2,349
16	891	(811)	-0.00055	(306)
17	892	28,674	0.01935	10,834
18	893	17,632	0.01190	6,662
19	894	17,572	0.01186	6,640
20	902	1,825	0.00123	689
21	903	151	0.00010	57
22	905	1	0.00000	1
23	912	11	0.00001	4
24	921	2,815	0.00190	1,063
25	923	123	0.00008	46
26	925	1,635	0.00110	618
27	932	96	0.00007	36
28	Total Adjustment to Test Year Expense	203,689	0.13744	76,960
29	Balance Sheet Accounts	1,278,358	0.86256	483,008
30	Total Test Year Clearing	1,482,047	1.00000	\$559,968

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Missouri State Franchise Tax

Line No.	Description (a)	Amount (b)
1	Proforma State Franchise Tax & City Tax Expense	\$246,719
2	Kansas City Income taxes paid	28,892
3	Less Test Year State Franchise Tax Expense	<u>(240,000)</u>
4	Adjustment to Test Year - Acct. 4081	<u><u>\$35,611</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Property Tax Expense

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
	Proforma Total Plant in Service excluding Corporate		
1	Allocated Plant	C	\$856,839,466
2	Less Intangible Plant	C	<u>(27,644,634)</u>
3	Proforma Plant, excluding Intangible Plant		\$829,194,832
4	Property tax rate		<u>0.79595%</u>
5	Proforma Property Tax Expense		\$6,599,975
6	Oklahoma Property Tax		0
7	Less Test Year Property Tax Expense		<u>(169,925)</u>
8	Adjustment to Test Year - Acct. 4081		<u><u>\$6,769,900</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Postage Increase

Line No.	Description (a)	Amount (b)
1	Average Postage cost per item	
2	2005	\$ 0.280
3	2006- with postage increase	\$ 0.291
4	Increase in postage cost per item	\$ 0.011
5	2005 total items mailed	<u>7,408,675</u>
6	Total increase	<u>\$ 81,495</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Office & Computer Lease Expense

Line No.	Description (a)	Amount (b)
	OFFICE LEASE	
1	Proforma Broadway rent - Rent	\$516,814
2	Proforma Broadway Taxes	195,160
3	Less: Proforma rent from subleases	<u>(316,145)</u>
4	Total proforma rent expense - Acct. 931	395,829
5	Actual rent expense - Acct. 931	<u>419,806</u>
6	Adjustment to Acct. 931	<u>(\$23,977)</u>
7	Net proforma Broadway building utility costs	\$193,919
8	Less: Actual Broadway building utility costs	<u>124,496</u>
9	Adjustment to Test Year - Acct. 921.00014	<u>\$69,423</u>
7	Net proforma Broadway supplies expense	\$36,321
8	Actual Broadway supplies expense	<u>23,318</u>
9	Adjustment to Test Year - Acct. 921.00017	<u>\$13,003</u>
7	Net proforma Broadway building maintenance expense	\$386,917
8	Actual Broadway building maintenance expense	<u>248,401</u>
9	Adjustment to Test Year - Acct. 921.00014	<u>\$138,516</u>
	COMPUTER LEASE	
10	Current monthly lease with IBM for the mainframe	\$33,051
11	Monthly lease with IBM after increase	<u>47,353</u>
12	Increase per month	<u>14,302</u>
13	Adjustment to Test Year - Acct. 932.00003	<u>\$171,624</u>

MISSOURI GAS ENERGY
 A Division of Southern Union Company
 Twelve Months Ending December 31, 2005
 Updated for Known and Measurable Adjustments through June 30, 2006
Incentive Compensation and Bonuses

Line No.	Description (a)	Work Performance Bonuses (d)	Total (e)
1	Work performance bonuses allowed	<u>\$59,000</u>	<u>\$59,000</u>
2	Total	<u><u>\$59,000</u></u>	<u><u>\$59,000</u></u>
3	Incentive Compensation & Bonuses 12/31/05		<u>(451,917)</u>
4	Adjustment		(392,917)
5	Expense Ratio		<u>0.769063</u>
6	Amount Charged to Expense		<u><u>(\$302,178)</u></u>

Missouri Gas Energy
Unrecovered Cost of Service
January through June 2005

Total Company

Line No	TARIFF	# of Reg billed Custs	Regular billed usage	Actual Avg per Cust	Usage used to Design Rates	Per customer Usage			Total Usage Shortfall / (Excess)	Revenue Shortfall / Excess	
						(b)	(c)	(d)			(e)
Jan-06	RES	442,397	59,221,094	134	190.9	47	20,909,523.30	\$ 2,744,020			
	UGM	19	2,469	130							
	SGSM	66,943	24,670,279	369	449.8	81	5,440,682.40	\$ 776,005			
	LGSM	327	3,327,658	10,176	8717.7	(1,459)	(475,970.10)	\$ (58,748)			
	LVM	495	25,137,432	50,763	65422.9	14,640	7,248,903.50	\$ 296,253			
Feb-06	RES	443,146	52,789,311	119	174.5	55	24,559,666.00	\$ 3,238,683			
	UGM	19	3,012	159							
	SGSM	66,730	21,069,568	316	444.7	129	8,605,263.00	\$ 1,227,369			
	LGSM	326	2,510,646	7,701	8698.1	1,197	390,131.60	\$ 48,053			
	LVM	495	24,945,904	50,194	53266.8	3,073	1,521,262.00	\$ 62,189			
Mar-06	RES	442,626	46,400,023	105	137.1	32	14,284,001.60	\$ 1,883,631			
	UGM	19	2,494	131							
	SGSM	66,163	19,000,872	287	354.9	68	4,480,376.70	\$ 639,036			
	LGSM	327	2,034,863	6,223	7883.3	1,690	542,976.10	\$ 96,878			
	LVM	495	23,600,947	47,679	48911.9	1,233	610,443.50	\$ 24,955			
Apr-06	RES	440,116	27,389,905	62.2	92.7	30.5	13,403,648.20	\$ 1,768,225			
	UGM	18	1,794	99.7							
	SGSM	65,322	11,445,040	175.2	234.9	58.7	3,899,087.60	\$ 596,128			
	LGSM	324	1,293,925	3,983.6	4395.7	402.1	130,281.80	\$ 16,047			
	LVM	494	17,621,229	35,670.5	42365.3	6,664.8	3,307,229.20	\$ 135,200			
May-06	RES	425,331	11,935,063	27.4	80.6	23.4	10,178,751.60	\$ 1,342,404			
	UGM	19	1,553	81.7							
	SGSM	63,647	5,214,307	81.9	132.5	50.6	3,218,920.50	\$ 459,115			
	LGSM	328	773,505	2,358.3	6284.7	3,936.5	1,291,155.60	\$ 159,032			
	LVM	493	18,347,642	37,216.3	35721.3	(1,455.0)	(737,041.10)	\$ (30,190)			
Jun-06	RES	430,930	6,407,453	19.5	22.1	2.6	1,116,100.00	\$ 147,180			
	UGM	18	1,426	79.2							
	SGSM	62,662	4,181,351	66.7	70.5	3.8	236,320.00	\$ 33,706			
	LGSM	327	809,942	2,476.9	6167.2	3,680.3	1,205,462.40	\$ 148,230			
	LVM	494	16,792,746	33,983.4	31632.6	(2,360.8)	(1,166,241.60)	\$ (47,676)			
										\$ 15,635,784	
Proposed Length of Amortization										5 Years	
Annual Amortization										\$ 3,127,157	

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Customer Collection Costs

Line No.	Description (a)	Total (b)
1	Scheduled number of collectors for 2006	<u>15</u>
2	Total number of hours to be worked	
3	Actual hours worked 12 months ended June 30, 2006	11,802
4	Rate per hour	<u>\$28.00</u>
5	Pro forma cost of collectors	\$330,449
6	Actual cost of collectors	\$215,109
7	Adjustment	<u>\$115,340</u>

MISSOURI GAS ENERGY
 A Division of Southern Union Company
 Twelve Months Ending December 31, 2005
 Updated for Known and Measurable Adjustments through June 30, 2006
Non-recurring / Non-Utility Activity

Line No.	Description (a)	Total (b)
1	Remove non-recurring / non-utility activity from account 923	<u><u>(\$580,577)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Weatherization

Line No.	Description (a)	Amount (b)
1	Increase Weatherization to \$600,000	<u>\$100,000</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
Updated for Known and Measurable Adjustments through June 30, 2006
Environmental Response Fund

Line No.	Description (a)	Amount (b)
1	Environmental Response Fund	<u>\$500,000</u>

Environmental Response Fund:

An Environmental Response Fund shall be established to create a mechanism to fund the recovery of "Environmental Response Costs" as defined below.

(a) Definition of "Environmental Response Costs". "Environmental Response Costs" are all the reasonable and prudently incurred costs associated with evaluation, remedial and clean-up obligations of Missouri Gas Energy arising out of utility-related ownership and/or operation of manufactured gas plants and sites associated with the operation and disposal activities from such gas plants. In addition to the actual remedial and clean-up costs, "Environmental Response Costs" also include costs of acquiring property associated with the clean up of such sites as well as litigation costs, claims, judgments, expenditures made in efforts to obtain insurance reimbursements, and settlements—including the costs of obtaining such settlements—associated with such sites. The Company will use best efforts to satisfy its obligation to minimize the Environmental Response Costs charged to the fund consistent with applicable regulatory requirements and sound environmental policies and to minimize litigation costs that may arise.

Fifty percent (50%) of any applicable insurance proceeds and/or contributions obtained from Westar Energy (the successor of Western Resources, Inc.) and/or contributions obtained from potentially responsible parties, net of costs associated with obtaining such proceeds and/or contributions, shall be credited to the fund. The fund shall also be given credit for the accrued liability in the amount of \$3,000,000 recorded on Southern Union Company's books following the acquisition of the Missouri property (which was to become Missouri Gas Energy) from Western Resources, Inc.

(b) Funding. The fund shall be maintained in an interest bearing trust account and shall be credited at the annual target amount of approximately \$500,000 (the current amount reflected in rates for such costs). The actual amount of the credit shall be based on the actual billed revenues produced by the discrete rate element included in the basic service charge or delivery charge of all customer classes. Any cash expenditures shall be charged to the fund as long as the costs that are incurred or previously deferred are Environmental Response Costs, as defined above.

(c) Annual Reports. Missouri Gas Energy shall file an annual report with the Commission (and serve the Parties with copies) on a Highly Confidential basis providing a summary and accounting of all costs incurred during such year which have been applied to the fund. A separate account shall be maintained on the Company's books for accruals and expenditures for environmental response costs. Each of the Parties retain their right to review and challenge any costs that they believe do not fall within the definition of "Environmental Response Costs", as defined in subparagraph (a) above.

(d) Reservation of Rights. In the Company's next general rate case to establish rates after the approval of this Agreement, all parties reserve their rights to take any position they deem appropriate regarding (i) the level of funding to be permitted in rates on a prospective basis to recover costs charged to the fund as of the date of such case, and/or (ii) whether the fund should continue as designed for the recovery of prospective costs.

**Missouri Gas Energy
Cost of ECWR
Pay Agreement Summary
January 2006 - March 2006**

Final Accounts Written Off	2,976	2,076,437
Percent Payment Required Under Old Rule		<u>80%</u>
Amount which should have been Collected		1,661,150
Initial Payment Amount		<u>759,819</u>
Uncollected Amount Due to Rule Change	\$	<u>901,331</u>
Annual Amortization over 3 Years	\$	<u>300,444</u>
Adjustment is already reflected in amortization		