

**Missouri Gas Energy**  
Case No. GR-2004-0209  
Revenue Requirement Reconciliation

Line No.			
1	MGE - Revenue Requirement		<b>37,806,098</b>
2			
3	<b>Rate of Return &amp; Capital Structure</b>		
4	Value of Capital Structure	(11,362,476)	
5	Capital Structure impact on Interest Expense Deduction	(1,267,865)	
6	Value of Return on Equity	<u>(7,643,492)</u>	
7	<b>Sub-Total Rate of Return and Capital Structure Differences</b>		(20,273,833)
8			
9	<b>Income Statement - Revenue Issues</b>		
10	Capacity Release Revenues	(1,340,400)	
11	<b>Sub Total - Revenue Adjustments</b>		(1,340,400)
12			
13	<b>Income Statement - Expense Issues</b>		
14	Environmental Response Fund	(750,000)	
15	Rate Case Expense	(211,111)	
16	Property Taxes-KS	(1,262,059)	
17	Legislative/Lobbying Payroll Adjustment	(95,265)	
18	Incentive Compensation	(209,513)	
19	Corporate Expenses	<u>(656,246)</u>	
20	<b>Sub Total-Expense Issues</b>		(3,184,194)
21			
22	<b>Non-Unanimous Stipulation and Agreement (See Note 4)</b>		
23	Additional System Wide Low-Income Weatherization (1)	(9,000)	
24	Efficiency Programs (PAYS) (2)	100,000	
25	Joplin Experimental Program (ELIR)		
26	Rate Discount Components (3)	150,000	
27	Weatherization Component (4)	130,000	
28	Arrears Reduction Incentive Component (5)	10,000	
29	Administrative/Outreach (6)	15,000	
30	Existing ELIR Balance (7)	<u>(125,000)</u>	
31	<b>Sub Total Non-Unanimous Stipulation and Agreement</b>		271,000
32			
33	<b>Sub Total - Expense Adjustments and Non-Unanimous Stipulation and Agreement</b>		<u>(2,913,194)</u>
34			
35	<b>Total Value of All Issues</b>		(24,527,427)
36			
37	Staff Revenue Requirement		<b>13,278,671</b>
38	<b>OPC Issues:</b>		
39	Capital Structure		3,821,746
40			
41	Revenue:		
42	Off System Sales/Capacity Release Revenue		(159,600)
43			
44	Expenses:		
45	Incentive Compensation		(31,893)
46	Legislative/Lobbying		35,017
47	Rate Case Expense		(38,387)
48	OPC Revenue Requirement		<b>16,905,554</b>

**NOTE 1:**

MGE has also requested an additional 25 basis points added to ROR for Management Efficiency. The additional MGE revenue requirement impact is:	<b>2,123,192</b>
This results in an overall revenue requirement for MGE of:	<b>39,929,290</b>

**NOTE 2:**

- A.) The above revenue requirements for each party do not reflect their position on or settlement of tariff item issues, such as late payment and miscellaneous service charges.
- B.) The Staff's latest filed Accounting Schedules dated July 19, 2004 reflecting the Staff's True-Up direct filing shows a midpoint revenue requirement of \$12,742,038. The Staff's current revenue requirement of \$13,278,671 reflects the elimination of a duplicated adjustment, the impact of the Non-Unanimous Stipulation and Agreement, and other minor corrections.

**NOTE 3: Order Directing Staff to File Updated Reconciliation**

Per item #1 on the Commission Order, the parties revenue requirements currently reflect \$340,000 of test year expenses associated with the weatherization programs. An additional \$271,000 associated with the Non-Unanimous Stipulation and Agreement has been included in Staff and OPC's revenue requirements. See note 4 for additional detail on the individual components.

Per item #2, the revenue requirement will decrease by \$31,893 for Staff and the Company. The impact is included in OPC's revenue requirement.

Per item #3 these values represent the individual party's debt and equity cost rates applied against OPC's hypothetical capital structure.

MGE's revenue requirement, with 12% ROE, will decrease by \$5,104,154 from \$37,806,098 to \$32,701,944

Staff's revenue requirement, with 9.02% ROE, will increase by \$904,037 from \$13,278,671 to \$14,182,708

OPC's revenue requirement, with 9.01% ROE, will increase by 2,687,518 from \$16,905,554 to \$19,593,072

**NOTE 4:**

(1) Non-Unanimous Stipulation Sections 1B and 1C Kansas City \$87,500 + Joplin \$4,650 + Warrensburg, St. Joseph & Other Non-KC Non-Joplin Areas \$58,850 equals \$151,000. In MGE Base Case MGE Proposed \$160,000. This results in a net effect of (9,000).

(2) Non-Unanimous Stipulation Section 2B - \$100,000 as the annual amortization recovery of a feasibility study to determine whether a PAYS system should be recommended to the Commission for implementation in the Kansas City service area. The total cost of the study and potential implementation is estimated to be \$200,000 and recovered over two years.

(3) Non-Unanimous Stipulation Section 1E

(4) Non-Unanimous Stipulation Section 1D

(5) Non-Unanimous Stipulation Section 1J

(6) Non-Unanimous Stipulation Sections 1G and 1H

(7) Non-Unanimous Stipulation Attachment A ({Current Excess ELIR Balance \$280,000 - Estimated Funding Until New Funding Implementation \$30,000} / 2 Years)