

Exhibit No.: _____
Issues: Revenue Requirement,
True-up
Witness: Michael R. Noack
Type of Exhibit: True-Up Testimony
Sponsoring Party: Missouri Gas Energy
Case No.: GR-2006-0422
Date Filed: December 28, 2006

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2006-0422

TRUE-UP TESTIMONY OF

MICHAEL R. NOACK

Jefferson City, Missouri

December 2006

TRUE-UP TESTIMONY OF MICHAEL R. NOACK

CASE NO. GR-2006-0422

December 28, 2006

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

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

4

5 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS CASE?**

6 A. Yes. I have submitted direct, updated direct, rebuttal and surrebuttal testimony
7 regarding the updated revenue requirement based upon the test period established by
8 the Commission.

9

10 **Q. WHAT IS THE PURPOSE OF YOUR TRUE-UP TESTIMONY?**

11 A. The purpose of my testimony is to support the True-up Revenue Deficiency Summary
12 accompanying my testimony identified as True-Up Schedule MRN-1. On July 13,
13 2006, the Commission issued an order establishing a procedural schedule including
14 ~~the filing of true-up testimony to recognize in rates, changes in the revenue~~
15 requirement through October 31, 2006. MGE has prepared its True-up Revenue
16 Deficiency consistent with my understanding of the Commission's practice regarding
17 true-ups.

18

1 Q. WOULD YOU PLEASE IDENTIFY THE ITEMS WHICH WERE SUBJECT
2 TO THE TRUE-UP?

3 A. The true-up audit addressed the following items:

4 A. Rate Base

5 • All rate base components with the exception of cash working capital.

6 B. Expenses

7 • Payroll -- employee levels, current wage rates and corresponding payroll taxes and
8 benefits;

9 • Rate case expense;

10 • Depreciation & amortization expense; and

11 • Income taxes.

12 C. Return

13 • Capital structure and the embedded cost of debt (unless a hypothetical capital
14 structure is adopted).

15

16 Q. PLEASE EXPLAIN THE REVENUE DEFICIENCY SUMMARY
17 SCHEDULES ATTACHED TO YOUR TRUE-UP TESTIMONY.

18 A. ~~The True-up schedules and resultant revenue deficiency are prepared consistent with~~
19 the methodology and positions MGE has previously adopted in this proceeding. The
20 Company's revenue deficiency as trued-up to October 31, 2006, is \$40,102,689. If
21 the Commission approves the straight fixed-variable ("SFV") rate design proposed by
22 MGE and endorsed by Staff for the residential class, the revenue deficiency would be
23 lowered to \$39,001,150 to reflect the reduction in required return on equity from

1 11.75% to 11.50% as explained in the surrebuttal testimony of MGE witness Frank
2 Hanley. The revenue deficiency of \$39,001,150, which assumes the SFV rate design,
3 would equate to a residential basic service charge of \$26.22 when the increase is
4 spread to all classes on an equal percentage basis in accordance with the proposed
5 class cost of service settlement.
6

7 **Q. PLEASE DESCRIBE HOW THE COMPANY HAS TREATED TRUE-UP**
8 **ITEMS.**

9 A. Under the category of rate base, the Company has treated those individual items as
10 follows.

11 Plant in service - individual plant balances recorded as of October 31, 2006 have been
12 included. The Federal Energy Regulatory Commission ("FERC") Uniform System of
13 Accounts ("USOA") has three primary categories of plant; Intangible plant,
14 Distribution plant and General plant. The corporate plant and reserve balance as of
15 December 31, 2005 has been used in the true-up schedules.
16

17 Depreciation reserve - all individual reserve balances as of October 31, 2006 have
18 ~~been included. Consistent with the treatment of corporate allocated plant, the~~
19 associated corporate depreciation reserve as of December 31, 2005 has been included
20 and has been allocated to MGE.
21

22 Deferred income taxes (including deferred taxes associated with SLRP) - as of
23 October 31, 2006, have been included. Consistent with the treatment of corporate

1 allocated plant and depreciation reserve, the associated corporate deferred income
2 taxes as of December 31, 2005, has been allocated to MGE.

3
4 Working capital effects - material and supplies inventory, prepayments and natural
5 gas in storage are included in rate base computed using a thirteen-month average
6 ended October 31, 2006. In addition the Prepaid pension balance as of October 31,
7 2006 has also been included.

8
9 Other rate base offsets - rate base offsets of customer deposits and customer advances
10 are included based upon a thirteen-month average ended October 31, 2006.

11
12 **Q. PLEASE DESCRIBE THE TREATMENT OF EXPENSES.**

13 A. Payroll - employee levels, current wage rates and corresponding payroll taxes and
14 benefits. Annual payroll levels were determined by utilizing the known employee
15 levels and wage levels in effect as of October 31, 2006. Corporate payroll as of
16 December 31, 2003 incorporating the Staff's adjustments has been allocated to MGE.
17 The associated payroll benefits and taxes were also determined using the known tax
18 and benefit levels in effect as of October 31, 2006.

19
20 Rate case expense - is included based upon the cumulative expenditures incurred for
21 services rendered as of the date of the filed testimony, December 28, 2006. Although
22 the true-up period concluded as of October 31, 2006, the Company continues to pay
23 invoices for services provided to date. Expenses related to outside fees associated

1 with the hearing and post-hearing process have been estimated and included for true-
2 up purposes. Using the updated and estimated rate case expense amounts through
3 December 28, 2006 along with the updated unamortized balance of the rate case
4 expense from GR-2004-0209 results in annual rate case expense of \$282,990 based
5 upon a three-year amortization period.

6
7 Depreciation & amortization. Depreciation expense has been determined utilizing
8 plant balances as of October 31, 2006. Depreciation expense for corporate plant is
9 determined similarly and applied to the level of corporate plant as of December 31,
10 2005, allocated to MGE. Unamortized balances of intangible plant, Infinium
11 software, the deferred cost of removal balance and the deferred costs of the
12 emergency cold weather rule have been trued up to October 31, 2006.

13
14 Income taxes have been included by synchronizing the changes of items identified
15 herein.

16
17 **Q. PLEASE DESCRIBE THE CAPITAL STRUCTURE AND RELATED COSTS.**

18 ~~A. MGE through the direct testimony of Frank Hanley has requested a rate of return~~
19 based on a hypothetical capital structure and therefore is not requesting a true-up of
20 the capital structure. However, if the Commission decides that some form of
21 Southern Union Company's actual capital structure should be used, then that capital
22 structure should reflect the capital structure balances and embedded costs as of
23 October 31, 2006.

1

2

3 Q. HAS THE COMPANY CHANGED ITS METHODOLOGY IN
4 DEVELOPMENT OF THE TRUE-UP REVENUE REQUIREMENT?

5 A. No.

6

7 Q. DOES THIS CONCLUDE YOUR TRUE-UP TESTIMONY?

8 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's
Tariff Sheets Designed to Increase Rates
for Gas Service in the Company's Missouri
Service Area.

)
)
)
)

Case No. GR-2006-0422

AFFIDAVIT OF MICHAEL R. NOACK

STATE OF MISSOURI)

)

ss.

COUNTY OF JACKSON)

)

Michael R. Noack, of lawful age, on his oath states: that he has participated in the preparation of the foregoing True-up Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing True-up Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


MICHAEL R. NOACK

Subscribed and sworn to before me this 28 day of December 2006.

Linda L. Lane
Notary Public

My Commission Expires: May 19, 2010



LINDA L. LANE
My Commission Expires
May 19, 2010
Clay County
Commission #06418000

MISSOURI GAS ENERGY
A Division of Southern Union Company

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MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through October 31, 2006
Revenue Deficiency

Line No.	Description (a)	Ref. (b)	Required Return (c)	Earnings Deficiency (d)	Net Revenue Deficiency (e)
1	Rate Base	B	\$590,150,580		
2	Rate of Return	F	<u>8.844%</u>		
3	Required Return		<u>\$52,192,917</u>	\$52,192,917	
4	Adjusted Test Year Net Operating Income	A-1		<u>27,485,130</u>	
5	Earnings Deficiency			<u>\$24,707,787</u>	\$24,707,787
6	Multiply by Income Tax Gross-up Factor				<u>1.62308</u>
7	Net Revenue Deficiency				<u><u>\$40,102,689</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through October 31, 2006
Summary of Net Operating Income
Per Books and Adjusted

Line No.	Description (a)	Per Books (b)	Adjustments (c)	As Adjusted (d)
<u>REVENUES</u>				
1	Operating Base Revenues	\$664,347,447	(\$508,217,560)	\$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	(\$469,053,768)	\$24,741,939
5	Customer Accounts Expense	19,628,264	2,331,969	21,960,233
6	Customer Service and Information Expense	706,600	107,618	814,218
7	Sales Expense	99,913	4,203	104,116
8	Administrative and General Expense	26,732,865	10,576,767	37,309,632
9	Total Operating and Maintenance Expenses	<u>\$540,963,349</u>	<u>(\$456,033,211)</u>	<u>\$84,930,138</u>
10	Depreciation & Amortization Expense	\$26,415,703	\$8,329,187	\$34,744,890
11	Interest on Customer Deposits	147,252	28,382	175,634
12	Taxes Other Than Income	42,038,488	(32,865,974)	9,172,514
13	Total Operating Expenses	<u>\$609,564,792</u>	<u>(\$480,541,616)</u>	<u>\$129,023,176</u>
14	Operating Income Before Income Tax	\$60,181,492	(\$28,216,515)	\$31,964,976
15	Less: Income Tax Expense	15,578,544	(11,098,698)	4,479,846
16	Net Operating Income	<u>\$44,602,948</u>	<u>(\$17,117,817)</u>	<u>\$27,485,130</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through October 31, 2006
Income Tax

Line No.	Description (a)	Reference (b)	Per Books (c)	As Adjusted (d)
1	Total Operating Revenues	A-1	\$669,746,284	\$180,988,152
2	Total Operating Expenses	A-1	(609,564,792)	(129,023,176)
3	Net Operating Income	A-1	<u>\$60,181,492</u>	<u>\$31,964,976</u>
4	Equity Portion of SLRP Deferrals		\$1,474,210	\$0
5	Less: Interest on Long Term Debt		<u>(21,074,636)</u>	<u>(20,295,278)</u>
6	Total Tax Adjustments		<u>(\$19,600,426)</u>	<u>(\$20,295,278)</u>
7	Net Taxable Income		<u>\$40,581,066</u>	<u>\$11,669,698</u>
8	Income Tax		<u>\$15,578,544</u>	<u>\$4,479,846</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through October 31, 2006
Rate Base

Line No.	Description (a)	Reference (b)	Amount (c)
1	Intangible Plant	C	\$27,991,733
2	Distribution Plant	C	781,443,137
3	General Plant	C	62,770,786
4	Gross Plant In Service		<u>\$872,205,657</u>
5	Accumulated Depreciation & Amortization	D	<u>(303,702,891)</u>
6	Net Plant in Service		\$568,502,765
7	Working Capital	E	115,735,310
8	Net Cost of Removal Balance		850,256
9	Customer Deposits	B-2	(4,135,771)
10	Customer Advances - Thirteen Month Average	B-3	(14,986,145)
11	Deferred Income Taxes - SLRP	B-1	(3,193,932)
12	Deferred Income Taxes - Other (Net of AMT)	B-4	<u>(72,621,903)</u>
13	Total Rate Base		<u><u>\$590,150,580</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
SLRP Deferrals and Deferred Taxes
Updated through October 31, 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	4,811,155	\$965,125
2	Order GO-94-234 (Deferred Balance @ 5/31/98)	12,399,117	10,292,006	2,107,111
3	Order GO-97-301 (Deferred Balance @ 5/31/98)	3,060,876	2,499,715	561,161
4	Order GR-98-140	9,182,136	4,820,622	4,361,514
5	Order GR-2001-282	1,629,639	339,508	1,290,131
6	Total SLRP Deferrals	<u>\$32,048,048</u>	<u>\$22,763,006</u>	<u>\$9,285,042</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			(808,898)
9	Order GO-97-301			(215,424)
10	Order GR-98-140			(1,674,342)
11	Order GR-2001-292			(495,268)
12	Total SLRP Deferred Taxes			<u>(\$3,193,932)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated Thirteen Months Ending October 31, 2006

Customer Deposits

Line No.	Month	Residential Amount	Commercial & Industrial	Total Amount
			Amount	
	(a)	(b)	(c)	(d)
1	Oct-05	(1,000,891)	(2,995,802)	(3,996,693)
2	Nov-05	(981,674)	(3,050,293)	(4,031,967)
3	Dec-05	(996,557)	(3,077,940)	(4,074,497)
4	Jan-06	(1,018,188)	(3,119,300)	(4,137,488)
5	Feb-06	(1,071,750)	(3,173,305)	(4,245,055)
6	Mar-06	(1,092,448)	(3,179,638)	(4,272,086)
7	Apr-06	(1,003,580)	(3,177,024)	(4,180,604)
8	May-06	(980,237)	(3,185,233)	(4,165,470)
9	Jun-06	(949,398)	(3,166,972)	(4,116,370)
10	Jul-06	(926,879)	(3,167,431)	(4,094,310)
11	Aug-06	(921,396)	(3,187,343)	(4,108,739)
12	Sep-06	(909,138)	(3,233,288)	(4,142,426)
13	Oct-06	(915,236)	(3,284,086)	(4,199,322)
14	13 Month Total	<u>(\$12,767,372)</u>	<u>(\$40,997,655)</u>	<u>(\$53,765,027)</u>
15	13 Month Average	<u>(\$982,106)</u>	<u>(\$3,153,666)</u>	<u>(\$4,135,771)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated Thirteen Months Ending October 31, 2006

Customer Advances

Line No.	Month (a)	Amount (b)
1	Oct-05	(14,307,951)
2	Nov-05	(14,315,473)
3	Dec-05	(14,354,685)
4	Jan-06	(14,378,041)
5	Feb-06	(14,660,534)
6	Mar-06	(14,576,503)
7	Apr-06	(14,794,016)
8	May-06	(15,103,412)
9	Jun-06	(15,332,182)
10	Jul-06	(15,685,488)
11	Aug-06	(15,747,754)
12	Sep-06	(15,757,947)
13	Oct-06	<u>(15,805,893)</u>
14	13 Month Total	<u><u>(\$194,819,879)</u></u>
15	13 Month Average	<u><u>(\$14,986,145)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through October 31, 2006

Deferred Taxes (Other than SLRP)

Line No.	Description (a)	Amount (b)
1	Deferred Taxes, MGE Direct Plant as of 6/30/06	(\$72,588,799)
2	Deferred Taxes, Corporate Plant	<u>(32,104)</u>
3	Total Accumulated Deferred Income Taxes (Other than SLRP)	<u><u>(\$72,621,903)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Plant in Service
Updated through October 31, 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	34,718,110	0	34,718,110	0	(6,774,073)	27,944,037
4	Total Intangible Plant	\$34,765,806	\$0	\$34,765,806	\$0	(\$6,774,073)	\$27,991,733
DISTRIBUTION PLANT							
5	(374.1) Land	\$223,517	\$0	\$223,517	\$0	\$0	\$223,517
6	(374.2) Land Rights	1,789,106	0	1,789,106	0	0	1,789,106
7	(375.1) Structures	5,624,081	12,729	5,636,810	0	0	5,636,810
8	(375.2) Leasehold Improvements	0	0	0	0	0	0
9	(376) Mains	345,593,353	2,908,977	348,500,330	0	0	348,500,330
10	(378) Meas. & Reg. Station - General	11,666,000	56,111	11,722,111	0	0	11,722,111
11	(379) Meas. & Reg. Station - City Gate	3,051,984	0	3,051,984	0	0	3,051,984
12	(380) Services	302,602,238	18,959	302,621,197	0	(5,294,295)	297,326,902
13	(381) Meters	31,013,124	16,922	31,030,046	0	0	31,030,046
14	(382) Meter Installations	70,023,303	54,173	70,083,476	0	0	70,083,476
15	(383) House Regulators	11,716,745	0	11,716,745	0	0	11,716,745
16	(385) Electronic Gas Measuring	362,111	1,133	362,111	0	0	362,111
17	(387) Other Equipment	0	0	0	0	0	0
18	Total Distribution Plant	\$783,670,429	\$3,067,003	\$786,737,432	\$0	(\$5,294,295)	\$781,443,137
GENERAL PLANT							
19	(389) Land	\$773,980	\$152,047	\$925,927	\$0	\$0	\$925,927
20	(390.1) Structures	702,914	0	702,914	0	0	702,914
21	(390.2) Leasehold Improvements	1,549,952	37,732	1,587,684	412,834	0	2,000,518
22	(391) Furniture & Fixtures	6,976,823	26,101	7,002,924	209,405	0	7,212,329
23	(392) Transportation Equipment	5,056,689	0	5,056,689	8,004	0	5,064,693
24	(393) Stores Equipment	538,350	0	538,350	0	0	538,350
25	(394) Tools	5,240,132	801	5,240,933	0	0	5,240,933
26	(395) Laboratory Equipment	0	0	0	0	0	0
27	(396) Power Operated Equipment	203,422	0	203,422	0	0	203,422
28	(397.1) Communication Equipment - AMR	36,612,057	42,920	36,654,977	0	0	36,654,977
29	(397.0) Communication Equipment	3,280,639	493,941	3,774,580	0	0	3,774,580
30	(398) Miscellaneous Equipment	452,139	0	452,139	0	0	452,139
31	Total General Plant	\$61,386,997	\$753,543	\$62,140,540	\$630,242	\$0	\$62,770,786
32	Total Original Cost Plant In Service	\$879,623,232	\$3,820,546	\$883,643,778	\$630,242	(\$12,068,368)	\$872,205,657
33	Accumulated Depreciation and Amortization	(314,771,305)	0	(314,771,305)	0	11,068,414	(303,702,891)
34	Net Plant In Service	\$565,051,927	\$3,820,546	\$568,872,472	\$630,242	(\$999,954)	\$568,502,765

MISSOURI GAS ENERGY
A Division of Southern Union Company
Plant in Service
Updated through October 31, 2006

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

MISSOURI GAS ENERGY
A Division of Southern Union Company
Accumulated Reserves for Depreciation and Amortization
Updated through October 31, 2006

Line No.	Description	Test Year Direct	Corporate	Proforma Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Intangible Plant Reserve	(\$23,995,312)	\$0	\$5,774,119	(\$18,221,193)
2	Distribution & General Plant Reserve	<u>(290,681,906)</u>	<u>(94,085)</u>	<u>5,294,295</u>	<u>(285,481,696)</u>
3	Total Accumulated Reserves	<u>(\$314,677,220)</u>	<u>(\$94,085)</u>	<u>\$11,068,414</u>	<u>(\$303,702,891)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Accumulated Reserves for Depreciation and Amortization
Updated through October 31, 2006

Line No.	Description	Adjustments to Plant in Service	Deprec. Rates	Retire Inactive Services No. 1	Write-off Infinium Software No. 2	Total Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)
<u>INTANGIBLE PLANT</u>						
	(301) Organization					
	(302) Franchises					
	(303) Miscellaneous Intangible	(\$6,774,073)			\$5,774,119	\$5,774,119
	Total Intangible Plant	(\$6,774,073)			\$5,774,119	\$5,774,119
<u>DISTRIBUTION PLANT</u>						
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	(378) 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
<u>GENERAL PLANT</u>						
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	\$5,774,119	\$11,068,414

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated through October 31, 2006
Working Capital

Line No.	Description (a)	Reference (b)	Amounts (c)
1	Materials and Supplies Inventory	E-1	\$1,969,441
2	Prepayments - Thirteen Month Average	E-2	420,885
3	Gas Inventory - Volumes and Price	E-3	102,414,757
4	Cash Working Capital	E-4	1,786,825
5	Prepaid Pension	E-5	<u>9,143,402</u>
6	Total Working Capital		<u><u>\$115,735,310</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated Thirteen Months Ending October 31, 2006
Materials & Supplies

Line No.	Month (a)	Amount (b)
1	Oct-05	1,619,117
2	Nov-05	1,815,326
3	Dec-05	1,886,984
4	Jan-06	2,004,456
5	Feb-06	2,031,248
6	Mar-06	2,036,752
7	Apr-06	2,035,592
8	May-06	2,037,379
9	Jun-06	2,078,862
10	Jul-06	1,952,011
11	Aug-06	2,196,172
12	Sep-06	2,009,750
13	Oct-06	1,899,082
14	13 Month Total	<u>\$25,602,731</u>
15	13 Month Average	<u>\$1,969,441</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated Thirteen Months Ending October 31, 2006
Prepayments

Line		
No.	Month	Amount
	(a)	(b)
1	Oct-05	103,697
2	Nov-05	128,562
3	Dec-05	649,898
4	Jan-06	562,505
5	Feb-06	471,073
6	Mar-06	370,816
7	Apr-06	373,288
8	May-06	111,293
9	Jun-06	37,683
10	Jul-06	145,185
11	Aug-06	145,558
12	Sep-06	1,286,475
13	Oct-06	<u>1,085,472</u>
14	13 Month Total	<u><u>\$5,471,503</u></u>
15	13 Month Average	<u><u>\$420,885</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Updated Thirteen Months Ending October 31, 2006
Gas Inventory

Line No.	Month	Dollars
	(a)	(b)
1	Oct-05	117,284,371
2	Nov-05	114,847,089
3	Dec-05	92,678,911
4	Jan-06	97,447,881
5	Feb-06	81,248,833
6	Mar-06	79,748,344
7	Apr-06	89,139,925
8	May-06	97,297,862
9	Jun-06	102,882,503
10	Jul-06	108,987,378
11	Aug-06	115,147,991
12	Sep-06	122,793,423
13	Oct-06	111,887,332
14	13 Month Average	<u>\$102,414,757</u>

Missouri Gas Energy
A Division of Southern Union Gas Company
Cash Working Capital Requirement
Updated through October 31, 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	(67,241)
	Vacation Expense Union	43.00	(365.00)	(322.00)	(0.8822)	329,043	(280,279)
	Employee Benefits	43.00	(39.36)	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	(60.13)	(17.13)	(0.0469)	36,400	(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)	9,825,601	(11,172)
9	Use Tax	33.38	(61.63)	(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)	4,479,838	(210,246)
12	Interest Expense	43.00	(87.55)	(44.55)	(0.1221)	20,295,305	(2,477,139)
13	Fuel - Gas	43.00	(39.51)	3.49	0.0086	469,859,289	4,492,827
14	Uncollectible Expense	43.00	(43.00)	-	-	8,928,517	-
15	Total					\$ 638,281,542	\$ 1,786,325

MISSOURI GAS ENERGY
A Division of Southern Union Company
Prepaid Pension
Updated through October 31, 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>\$2,848,279</u>
4	New prepaid asset	<u>\$4,016,500</u>
4	Balance 10/31/06	<u>\$9,143,402</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%	<u>5.405%</u>
4	Total	<u>100.00%</u>		<u>8.844%</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
 Twelve Months Ending December 31, 2005
 True-Up Period Ending October 31, 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	<u>\$669,746,284</u>	<u>(\$508,758,132)</u>	<u>\$160,988,152</u>
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	41,007	631,706
15	871	Distribution and Load Dispatching	8,756	(246)	8,510
16	872	Compressor Station Labor and Expense	0	0	0
17	874	Mains and Service Expenses	3,024,786	14,412	3,039,198
18	875	Distributing Regulating Station Expenses	682,700	38,530	721,230
19	876	Measuring and Regulating - Station Expenses	7,566	(278)	7,288
20	877	Measuring and Regulating - Station Expenses	4,798	286	5,084
21	878	Meter and House Regulator Expenses	4,291,777	234,154	4,525,931
22	879	Customer Installation Expenses	2,742,603	50,661	2,793,264
23	880	Other Expenses	1,702,382	33,238	1,735,620
24	881	Rents	96,433	0	96,433
25		Total Operation Expense	<u>\$483,011,789</u>	<u>(\$469,447,524)</u>	<u>\$13,564,265</u>
Maintenance Expense					
26	885	Maintenance Supervision and Engineering	\$1,075,603	(\$23,669)	\$1,051,934
27	886	Maintenance of Structures and Improvements	53,255	2,725	55,980
28	887	Maintenance of Mains	7,569,448	324,755	7,894,203
29	889	Maint. of Measuring and Reg. Stat Equip - General	292,800	15,701	308,501
30	890	Maint. of Measuring and Regulating Equipment	269,103	15,771	284,874
31	891	Maint. of Measuring and Regulating Equipment	14,725	871	15,596
32	892	Maintenance of Services	749,099	28,302	777,401
33	893	Maintenance of Meters and House Regulators	635,602	21,845	657,447
34	894	Maintenance of Other Equipment	124,283	7,455	131,738
35		Total Maintenance Expenses	<u>\$10,783,918</u>	<u>\$393,755</u>	<u>\$11,177,673</u>
36		Total Distribution Expense	<u>\$493,795,707</u>	<u>(\$469,053,768)</u>	<u>\$24,741,939</u>
Customer Accounts Expense					
37	901	Supervision	\$397,109	\$35,081	\$432,190
38	902	Meter Reading Expense	771,014	31,182	802,196
39	903	Customer Records and Collection Expense	11,293,811	746,005	12,039,816
40	904	Uncollectible Accounts	7,108,777	1,519,296	8,628,073
41	905	Miscellaneous Customer Accounts Expense	57,553	405	57,958
42		Total Customer Accounts Expenses	<u>\$19,628,264</u>	<u>\$2,331,969</u>	<u>\$21,960,233</u>
Customer Service and Informational Expense					
43	907	Supervision	\$0	\$0	\$0
44	908	Customer Assistance	644,078	107,618	751,696
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.	<u>\$706,600</u>	<u>\$107,618</u>	<u>\$814,218</u>
Sales and Advertising Expense					
48	911	Supervision	\$0	\$0	\$0
49	912	Demonstrating and Selling Expenses	96,757	4,203	100,960

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct. (a)	Description (b)	Test Year Per Book (c)	Total Adjustments (d)	Test Year As Adjusted (e)
50	913	Advertising Expenses	0	0	0
51	916	Miscellaneous Sales Expenses	3,156	0	3,156
52		Total Sales and Advertising Expenses	\$99,913	\$4,203	\$104,116
Administrative and General Expense					
53	920	Administrative and General Salaries	\$6,049,155	\$176,020	\$6,225,175
54	921	Office Supplies and Expenses	2,562,258	225,827	2,788,085
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	(1,268,373)	2,100,018
59	926	Employee Pensions and Benefits	8,838,850	9,252,320	18,091,170
60	927	Franchise Requirements	0	0	0
61	928	Regulatory Commission Expense	2,264,862	(432,208)	1,832,654
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	\$26,732,865	\$10,576,767	\$37,309,632
66		Total O & M Expense	\$540,963,349	(\$456,033,211)	\$84,930,138
67	403	Depreciation	23,435,869	2,065,697	25,501,566
68	404, 405	Amortization	2,979,834	6,263,490	9,243,324
69	431	Interest on Customer Deposits	147,252	28,382	175,634
70	408	Payroll Taxes	1,888,435	293,890	2,182,325
71	408	Property Taxes	(169,926)	6,884,428	6,714,503
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	\$42,038,488	(\$32,865,974)	\$9,172,514
75		TOTAL EXPENSES	\$609,564,792	(\$480,541,616)	\$129,023,176
76		OPERATING INCOME BEFORE INCOME TAX	\$80,181,492	(\$28,216,515)	\$31,964,976
77	409,410	Income Taxes	\$15,578,544	(\$11,098,698)	\$4,479,846
78		NET OPERATING INCOME	\$44,602,948	(\$17,117,817)	\$27,485,130

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 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)
1	480	OPERATING REVENUE												
2	481.1	Residential	461,309,542.92	(\$353,777,331)	\$1,789,824									
3	481.2	Commercial	183,202,124	(148,839,219)	558,537									
4	483	Industrial	5,633,497	(8,084,078)	50,986									
5	487	Sales for Resale	0	(106,623)	0									
6	488	Late Payment Charges	487,006	(540,572)	0									
7	489	Miscellaneous Service Revenue	4,412,846		0									
8	489	Transport	10,202,282		182,284									
9	483	Rent From Property	0											
10	495	Other Gas Revenue	498,984											
		Total Operating Revenue	\$569,746,284	(\$511,349,823)	\$2,461,091	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	806	OPERATING & MAINTENANCE EXPENSE												
12	807	Operation Expense												
13	807	Other Gas Purchases	\$469,859,289			(\$469,859,289)								
14	807	Purchased Gas Expense	0											
15	807	Other Joint Expense	0											
16	807	Operation, Supervision and Engineering	590,599											
17	807	Distribution and Load Dispatching	8,756											
18	807	Compressor Station Labor and Expense	0											
19	807	Main and Service Expenses	3,024,786											
20	807	Distributing Regulating Station Expenses	682,700											
21	807	Measuring and Regulating - Station Expenses	7,568											
22	807	Measuring and Regulating - Station Expenses	4,798											
23	807	Meter and House Regulator Expenses	4,291,777											
24	807	Customer Installation Expenses	2,742,603											
25	807	Other Expenses	1,702,382											
		Rents	95,433											
		Total Operation Expense	\$493,011,769	\$0	\$0	(\$469,859,289)	\$382,132	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	885	Maintenance Expense												
27	886	Maintenance Supervision and Engineering	\$1,075,603											
28	887	Maintenance of Structures and Improvements	53,255											
29	889	Maintenance of Meters	7,569,448											
30	890	Maint. of Measuring and Reg. Stat Equip - General	292,800											
31	891	Maint. of Measuring and Regulating Equipment	269,103											
32	892	Maint. of Measuring and Regulating Equipment	14,725											
33	893	Maintenance of Services	749,089											
34	894	Maintenance of Meters and House Regulators	635,602											
35	894	Maintenance of Other Equipment	124,283											
		Total Maintenance Expense	\$10,763,918	\$0	\$0	\$0	\$322,668	\$0	\$0	\$0	\$0	\$0	\$0	\$0
36		Total Distribution Expense	\$493,795,707	\$0	\$0	(\$469,859,289)	\$704,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0
37	901	Customer Accounts Expense												
38	902	Supervision	\$397,109											
39	903	Meter Reading Expense	771,014											
40	904	Customer Records and Collection Expense	11,293,811											
41	905	Uncollectible Accounts	7,108,777											
42	905	Miscellaneous Customer Accounts Expense	57,653											
		Total Customer Accounts Expense	\$19,628,264	\$0	\$0	\$0	\$665,370	\$0	\$0	\$0	\$0	\$1,519,296	\$0	\$0

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 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)	(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	644,076				9,250							
46	910	Informational and Instructional Advertising Exp.	68,979											
47		Miscellaneous Customer Accounts Expense	3,543											
		Total Cust. Service and Informational Exp.	\$705,600	\$0	\$0	\$0	\$9,250	\$0	\$0	\$0	\$0	\$0	\$0	\$0
48	911	Sales and Advertising Expense												
49	912	Supervision	\$0				\$0							
50	913	Demonstrating and Selling Expenses	96,737				5,236							
51	914	Advertising Expenses	0											
52		Miscellaneous Sales Expenses	3,156											
		Total Sales and Advertising Expenses	\$99,913	\$0	\$0	\$0	\$5,236	\$0	\$0	\$0	\$0	\$0	\$0	\$0
53	920	Administrative and General Expense												
54	921	Administrative and General Salaries	\$6,048,155				\$233,547							
55	922	Office Supplies and Expenses	2,562,259				(444)							
56	923	Administrative Expenses Transferred	1,733,396				(87)				2,572,012			
57	924	Outside Services Employed	72,821							(15,803)				
58	925	Property Insurance	3,368,381				(163)			(1,268,820)				
59	926	Injuries and Damages	8,038,850					9,252,320						
60	927	Employee Pensions and Benefits	0											
61	928	Franchise Requirements	2,264,862				(87)							
62	929	Regulatory Commission Expense	155,511										(432,208)	
63	930	Miscellaneous General Expenses	925,286											
64	931	Rents	1,194,197											
65	932	Maintenance of General Plant	\$26,732,865	\$0	\$0	\$0	\$332,766	\$9,252,320	\$0	(\$1,284,628)	\$2,572,012	\$0	(\$432,208)	\$0
		Total Administration and General Expense	\$540,963,349	\$0	\$0	(\$469,859,289)	\$1,607,422	\$9,252,320	\$0	(\$1,284,628)	\$2,572,012	\$1,519,296	(\$432,208)	\$0
66		Total O & M Expense												
67	403	Depreciation	\$23,435,669											
68	404, 405	Amortization	2,979,834											
69	431	Interest on Customer Deposits	147,252											28,382
70	408	Payroll Taxes (1**)	1,888,435						293,690					
71	408	Property Taxes (2**)	(168,925)											
72	408	Gross Receipts Tax (3300 + 4000)	40,079,903			(40,079,903)								
73	408	Other Taxes (41**)	240,075											
74	408	Taxes Other Than Income	\$42,038,488	\$0	\$0	(\$40,079,903)	\$0	\$0	\$293,690	\$0	\$0	\$0	\$0	\$0
		TOTAL EXPENSES	\$609,564,792	\$0	\$0	(\$509,839,192)	\$1,607,422	\$9,252,320	\$293,690	(\$1,284,628)	\$2,572,012	\$1,519,296	(\$432,208)	\$28,382
75		OPERATING INCOME BEFORE INCOME TAX	\$60,181,482	(\$511,349,823)	\$2,591,691	\$509,839,192	(\$1,607,422)	(\$9,252,320)	(\$293,690)	\$1,284,628	(\$2,572,012)	(\$1,519,296)	\$432,208	(\$28,382)
76		Income Taxes	15,578,544											
77	409,410	Income Taxes												
78		NET OPERATING INCOME	\$44,602,948	(\$511,349,823)	\$2,591,691	\$509,839,192	(\$1,607,422)	(\$9,252,320)	(\$293,690)	\$1,284,628	(\$2,572,012)	(\$1,519,296)	\$432,208	(\$28,382)

Notes: per book & adjusted income tax compiled on A-2

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2006
True-Up Period Ending October 31, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-12	H-13	H-14	H-15	H-16	H-17	H-18	H-19	H-20	H-21	H-22	H-23
			(c)	(o)	(p)	(q)	(r)	(t)	(u)	(v)	(w)	(y)	(y)	(y)	(ab)
		OPERATING REVENUE													
1	480	Residential	481,305,642.92												
2	481.1	Commercial	183,202,124												
3	481.2	Industrial	9,033,497												
4	483	Sales for Resale	0												
5	487	Late Payment Charges	487,005												
6	488	Miscellaneous Service Revenue	4,412,846												
7	489	Transport	10,202,282												
8	493	Rent From Property	0												
9	495	Other Gas Revenue	495,984												
10		Total Operating Revenue	\$659,745,264	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		OPERATING & MAINTENANCE EXPENSE													
		Operation Expense													
11	805	Other Gas Purchases	\$469,659,289												
12	807	Purchased Gas Expense	0												
13	859	Other Joint Expense	0												
14	870	Operation, Supervision and Engineering	590,899			1,928									
15	871	Distribution and Load Dispatching	8,766			0									
16	872	Compressor Station Labor and Expense	0			0									
17	874	Maintenance and Service Expenses	3,024,766			4,600	2,145								
18	875	Distributing Regulating Station Expenses	692,700			7,958	3,445								
19	876	Measuring and Regulating - Station Expenses	7,586			79	58								
20	877	Measuring and Regulating - Station Expenses	4,291,777			39	44								
21	878	Meter and House Regulator Expenses	2,742,603			51,892	6,103								
22	879	Customer Installation Expenses	1,702,382			28,164	977								
23	880	Other Expenses	96,433			6,171	3,014								
24	881	Rents	\$483,011,789	\$0	\$0	\$100,851	\$15,785	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25		Total Operation Expense													
		Maintenance Expenses													
26	885	Maintenance Supervision and Engineering	\$1,075,603			\$626	\$0								
27	886	Maintenance of Structures and Improvements	53,255			472	141								
28	887	Maintenance of Meters	7,569,448			72,811	29,812								
29	889	Maint. of Measuring and Reg. Stat Equip. - General	292,800			2,899	2,528								
30	890	Maint. of Measuring and Regulating Equipment	269,103			2,260	2,349								
31	891	Maint. of Measuring and Regulating Equipment	14,725			167	(306)								
32	892	Maintenance of Services	749,099			6,622	10,834								
33	893	Maintenance of Meters and House Regulators	635,602			4,413	6,662								
34	894	Maintenance of Other Equipment	124,283			283	5,640								
35		Total Maintenance Expenses	\$10,763,918	\$0	\$0	\$90,573	\$58,680	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
36		Total Distribution Expense	\$483,795,707	\$0	\$0	\$191,424	\$74,446	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		Customer Accounts Expense													
37	901	Supervision	\$387,109			8,254	589								
38	902	Meter Reading Expense	771,014			27,685	57								
39	903	Customer Records and Collection Expense	11,203,811												
40	904	Uncollectible Accounts	7,108,777												
41	905	Miscellaneous Customer Accounts Expense	57,553			589	1								
42		Total Customer Accounts Expenses	\$19,628,264	\$0	\$0	\$35,516	\$747	\$0	\$0	\$81,485	\$0	\$0	\$0	\$115,340	\$0

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 2006
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)
43	907	Customer Service and Informational Expense																										
44	908	Supervision	\$0																									
45	909	Customer Assistance	644,078																									
46	910	Informational and Instructional Advertising Exp.	56,979																									
47		Miscellaneous Customer Accounts Expense	3,543																									
		Total Cust. Service and Informational Exp.	\$706,600		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$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																									
51	914	Advertising Expenses	0																									
52	915	Miscellaneous Sales Expenses	3,155																									
		Total Sales and Advertising Expenses	\$99,913		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
53	920	Administrative and General Expense																										
54	921	Administrative and General Salaries	\$6,049,155																									
55	922	Office Supplies and Expenses	2,952,268																									
56	923	Administrative Expenses Transferred	(431,982)																									
57	924	Outside Services Employed	1,733,396																									
58	925	Property Insurance	72,921																									
59	926	Injuries and Damages	3,368,391																									
60	927	Employee Pensions and Benefits	8,838,850																									
61	928	Franchise Requirements	0																									
62	930	Regulatory Commission Expense	2,204,892																									
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	\$28,732,655		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
66		Total O & M Expense	\$540,963,349		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
67	403	Depreciation	\$23,435,869		\$2,065,697																							
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 (3000 + 4000)	40,079,903																									
73	408	Other Taxes (41**)	240,075																									
74	408	Taxes Other Than Income	\$42,038,488		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
75		TOTAL EXPENSES	\$609,564,792		\$2,065,697	\$3,136,333	\$232,235	\$75,960	\$35,611	\$5,884,428	\$81,495	\$388,689	\$302,178	\$3,127,157	\$115,340	\$580,577												
76		OPERATING INCOME BEFORE INCOME TAX	\$60,181,492		\$2,065,697	\$3,136,333	\$232,235	\$75,960	\$35,611	\$5,884,428	\$81,495	\$388,689	\$302,178	\$3,127,157	\$115,340	\$580,577												
77	408,410	Income Taxes	15,578,644																									
78		Notes: per book & adjusted income tax computed on A-2 NET OPERATING INCOME	\$44,502,848		\$2,065,697	\$3,136,333	\$232,235	\$75,960	\$35,611	\$5,884,428	\$81,495	\$388,689	\$302,178	\$3,127,157	\$115,340	\$580,577												

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 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)	(ad)	(ae)	(ae)	(eg)	(ah)	(ai)
OPERATING REVENUE									
1	460	Residential	461,309,542.92					(\$351,977,407)	\$106,322,136
2	461.1	Commercial	183,202,124					(148,280,682)	34,921,443
3	481.2	Industrial	9,033,487					(8,033,112)	1,800,385
4	483	Sales for Resale	0					(108,623)	(108,623)
5	487	Late Payment Charges	487,006					(940,872)	(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	\$559,745,264	\$0	\$0	\$0	\$0	(\$508,758,132)	\$160,988,132
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					41,007	631,706
15	871	Distribution and Load Dispatching	8,756					(246)	8,510
16	872	Compressor Station Labor and Expense	0					0	0
17	874	Mains and Service Expenses	3,024,786					14,412	3,039,198
18	875	Distributing Regulating Station Expenses	682,700					38,630	721,230
19	876	Measuring and Regulating - Station Expenses	7,566					(278)	7,288
20	877	Measuring and Regulating - Station Expenses	4,798					286	5,084
21	878	Meter and House Regulator Expenses	2,742,603					234,154	4,525,931
22	879	Customer Installation Expenses	1,702,382					50,661	2,793,264
23	880	Other Expenses	96,433					33,238	1,735,620
24	881	Rents						0	96,433
25		Total Operation Expense	\$483,011,789	\$0	\$0	\$0	\$0	(\$469,447,524)	\$13,564,265
Maintenance Expense									
26	885	Maintenance Supervision and Engineering	\$1,075,603					(\$23,669)	\$1,051,934
27	886	Maintenance of Structures and Improvements	53,255					2,725	55,980
28	887	Maintenance of Mains	7,569,448					324,755	7,894,203
29	889	Maint. of Measuring and Reg. Stat Equip. - General	292,800					15,701	308,501
30	890	Maint. of Measuring and Regulating Equipment	269,103					15,771	284,874
31	891	Maint. of Measuring and Regulating Equipment	14,725					871	15,596
32	892	Maintenance of Services	749,099					28,302	777,401
33	893	Maintenance of Meters and House Regulators	635,602					21,845	657,447
34	894	Maintenance of Other Equipment	124,283					7,455	131,738
35		Total Maintenance Expenses	\$10,783,918	\$0	\$0	\$0	\$0	\$393,785	\$11,177,673
36		Total Distribution Expense	\$493,795,707	\$0	\$0	\$0	\$0	(\$469,053,769)	\$24,741,939
Customer Accounts Expense									
37	901	Supervision	\$397,109					\$35,081	\$432,190
38	902	Meter Reading Expense	771,014					31,182	802,196
39	903	Customer Records and Collection Expense	11,263,811					746,005	12,009,816
40	904	Uncollectible Accounts	7,108,777					1,518,266	8,628,073
41	905	Miscellaneous Customer Accounts Expense	57,553					405	57,958
42		Total Customer Accounts Expenses	\$19,628,264	\$0	\$0	\$0	\$0	\$2,331,969	\$21,960,233

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 2006
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books (c)	Weatherization Fund (ad)	Environmental Response Fund (ae)	ECWR Amortization (af)	Income Tax Adjustment (ag)	Total Adjustments (ah)	Test Year As Adjusted (ai)
43	907	Customer Service and Informational Expense							
44	908	Supervision	\$0				\$0		\$0
45	909	Customer Assistance	644,078	100,000			107,618		751,696
46	910	Informational and Instructional Advertising Exp.	58,979				0		58,979
47		Miscellaneous Customer Accounts Expense	3,543				0		3,543
		Total Cust. Service and Informational Exp.	\$706,600	\$100,000	\$0	\$0	\$107,618		\$814,218
48	911	Sales and Advertising Expense							
49	912	Supervision	\$0				\$0		\$0
50	913	Demonstrating and Selling Expenses	96,757				4,203		100,960
51	916	Advertising Expenses	0				0		0
52		Miscellaneous Sales Expenses	3,156				0		3,156
		Total Sales and Advertising Expenses	\$99,913	\$0	\$0	\$0	\$4,203		\$104,116
53	920	Administrative and General Expense							
54	921	Administrative and General Salaries	\$6,049,165				\$176,020		\$6,225,175
55	922	Office Supplies and Expenses	2,562,258				225,827		2,788,085
56	923	Administrative Expenses Transferred	(431,982)				0		(431,982)
57	924	Outside Services Employed	1,733,396		500,000		2,491,394		4,224,790
58	925	Property Insurance	72,921				(15,808)		57,113
59	926	Injuries and Damages	3,368,391				(1,268,373)		2,100,018
60	927	Employee Pensions and Benefits	8,638,850				9,252,320		18,091,170
61	928	Franchise Requirements	0				0		0
62	930	Regulatory Commission Expense	2,264,862				(432,208)		1,832,654
63	931	Miscellaneous General Expenses	155,511				0		155,511
64	932	Rents	925,286				(23,977)		901,309
65		Maintenance of General Plant	1,194,197				171,573		1,365,770
		Total Administration and General Expense	\$28,732,865	\$0	\$500,000	\$0	\$10,576,767		\$37,309,632
66		Total O & M Expense	\$540,963,349	\$100,000	\$500,000	\$0	(\$458,033,211)		\$64,930,138
67	403	Depreciation	\$23,435,869				\$2,065,697		\$25,501,566
68	404, 405	Amortization	2,979,834			0	6,293,490		\$9,243,324
69	431	Interest on Customer Deposits	147,252				28,382		175,634
70	406	Payroll Taxes (1**)	1,888,435				293,890		2,182,325
71	408	Property Taxes (2***)	(169,925)				6,894,428		6,714,503
72	408	Gross Receipts Tax (3300 + 4000)	40,079,803				(40,079,903)		0
73	408	Other Taxes (41**)	240,075				35,611		275,686
74	408	Taxes Other Than Income	\$42,038,488	\$0	\$0	\$0	(\$32,865,974)		\$9,172,514
75		TOTAL EXPENSES	\$809,564,792	\$100,000	\$500,000	\$0	(\$480,341,616)		\$129,023,176
76		OPERATING INCOME BEFORE INCOME TAX	\$60,181,492	(\$100,000)	(\$500,000)	\$0	(\$28,216,515)		\$31,964,976
77	408,410	Income Taxes	15,578,544				(11,098,698)		4,479,846
78		NET OPERATING INCOME	\$44,602,948	(\$100,000)	(\$500,000)	\$0	\$11,098,996		\$27,485,130

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

True-Up Period Ending October 31, 2006

Test Year Margin Revenue

Line No.	Description: (a)	Main Account/Revenue Class				
		480	481.1	481.2	483, 489	
		21 (b)	22 & 23 (c)	25 (d)	28, 38 (e)	487, 488, 493, 495 (f)
						Total (g)
1	Total Revenue per Book	481,309,543	183,202,124	9,633,497	10,202,282	5,398,837
2	Less: GRT Revenue, Unbilled Revenue, PGA Revenue, and Miscellaneous Adjustments	(353,777,331)	(148,839,219)	(8,084,078)	(108,623)	(540,572)
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
True-Up Period Ending October 31, 2006
Revenue Adjustments

Line No.	Description (a)	Main Account/Revenue Class					Total (g)
		Residential Gas Sales (b)	Commercial Gas Sales 22 & 23 (c)	Industrial Gas Sales 25 (d)	Transportation Revenues (e)	Service Charges and Other (f)	
1	Test Year Margin	\$107,532,212	\$34,362,906	\$1,549,419	\$10,093,659	\$4,858,264	\$158,396,461
2	Weather Normalize	1,627,949	544,695	50,966	118,820	0	2,342,430
3	Rate Switching Adjustments		(23,248)		63,444		40,196
4	Customer Growth Annualization	171,975	37,090	0	0	0	209,065
5	Total Adjustments	1,799,924	558,537	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
True-Up Period Ending October 31, 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
True-Up Period Ending October 31, 2006
Payroll Adjustment

Line No.	Main Acct.	Proforma Payroll Expense	Payroll Expense Per Book	Adjustment to Test Year
	(a)	(b)	(c)	(d)
1	870	\$602,673	\$557,179	\$45,494
2	871	\$8,592	8,747	(155)
3	872	\$0	0	0
4	874	\$460,998	448,424	12,574
5	875	\$487,870	455,550	32,320
6	876	\$4,807	5,171	(364)
7	877	\$3,446	3,206	240
8	878	\$3,301,815	3,090,513	211,302
9	879	\$2,171,437	2,126,825	44,612
10	880	\$1,132,747	1,096,638	36,109
11	885	\$1,052,571	1,065,663	(13,092)
12	886	\$33,651	31,181	2,470
13	887	\$4,872,990	4,598,993	273,997
14	889	\$208,734	196,238	12,496
15	890	\$186,377	173,251	13,126
16	891	\$9,615	8,503	1,112
17	892	\$475,198	459,294	15,904
18	893	\$478,365	462,504	15,861
19	894	\$24,645	23,851	794
20	901	\$436,839	397,109	39,730
21	902	\$605,332	576,660	28,672
22	903	\$6,173,305	5,586,152	587,153
23	905	\$0	185	(185)
24	908	\$153,328	144,078	9,250
25	911	\$0	0	0
26	912	\$97,397	92,161	5,236
27	920	\$5,404,951	5,171,404	233,547
28	921	\$2,526	2,970	(444)
29	923	\$0	87	(87)
30	925	\$781	944	(163)
31	932	\$0	87	(87)
32	Total	\$28,390,990	\$26,783,568	\$1,607,422

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 2006
Employee Benefits

Line No.	Description (a)	Amount (b)	Amount (c)
1	Pension	\$9,179,009	
2	Retirement Power	475,044	
3	Life & AD&D Insurance	161,433	
4	Long Term Disability Insurance	189,599	
5	Medical / Dental Benefit	6,549,429	
6	FAS 106 - Accrual	1,641,953	
7	FAS 106 - Amortization of	2,664,792	
8	401K	1,114,846	
9	Other Misc Benefits	66,120	
10			
11	Total Proforma Benefits	\$22,042,225	
12	Payroll Expense Ratio	<u>0.7690630</u>	
		<u>16,951,860</u>	
	Add amortization of prepaid pensions (amortized over a 6 year period)	<u>1,139,310</u>	
13		<u>\$18,091,170</u>	
14	Proforma Benefits Expense		
15	Less Test Year Benefits Expense	<u>(\$8,838,850)</u>	
16	Adjustment to Test Year Expense - Acct. 926		<u><u>\$9,252,320</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 2006
Payroll Taxes

Line No.	Description (a)	Amount (b)
1	Total Proforma Payroll Taxes	\$2,833,110
2	Payroll Taxes on Incentive Compensation Adjustment	<u>4,531</u>
5	Total Proforma Payroll Taxes	\$2,837,641
6	Payroll Expense Ratio	0.769063
7	Proforma Payroll Tax Expense	<u>\$2,182,325</u>
8	Less Test Year Payroll Tax Expense	<u>(1,888,435)</u>
9	Adjustment to Test Year Expense - Acct. 4081	<u><u>\$293,890</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 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					<u>\$2,099,571</u>	<u>\$57,113</u>	<u>\$2,156,684</u>
10	Less Test Year Insurance Expense					(3,368,391)	(72,921)	(3,441,312)
11	Adjustment to Test Year - Accts. 924 and 925					<u>(\$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
True-Up Period Ending October 31, 2006
Corporate Allocation

Line No.	Description (a)	Amount (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
True-Up Period Ending October 31, 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		<u>(7,108,777)</u>
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
True-Up Period Ending October 31, 2006
Regulatory Commission Expense

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Estimate of current rate case expense	\$700,000	
2	Remaining balance of GR-2004-0209	\$148,971	
3	Total Rate Case Balance	<u>848,971</u>	
4	Annual Amortization (3 years)		\$282,990
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		\$1,832,654
10	Less Test Year Regulatory Commission Expense		(2,264,862)
11	Adjustment to Test Year - Acct. 928		<u>(\$432,208)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 2006
Interest on Customer Deposits

Line No.	Description (a)	Reference (b)	Residential (c)	Commercial & Industrial (d)	Amount (e)
1	Customer Deposits	B-2	\$982,106	\$3,153,666	\$4,135,772
2	Interest Rate		8.25%	3.00%	4.25%
3	Proforma Interest on Customer Deposits		<u>\$81,024</u>	<u>\$94,610</u>	<u>\$175,634</u>
4	Less Test Year Interest on Customer Deposits				<u>(147,252)</u>
5	Adjustment to Test Year - Acct. 431				<u><u>\$28,382</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 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)
<u>INTANGIBLE PLANT</u>								
1	(301) Organization	\$15,600	0.00%	\$0	0.00%	\$0	\$0	\$0
2	(302) Franchises	32,086	0.00%	0	0.00%	0	0	0
3	(303) Miscellaneous Intangible	<u>27,944,037</u>	(see adj. H-13)	<u>0</u>	(see adj. H-13)	<u>0</u>	<u>0</u>	<u>0</u>
4	Total Intangible Plant	<u>\$27,991,733</u>		<u>\$0</u>		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>DISTRIBUTION PLANT</u>								
5	(374.1) Land	\$223,517	0.00%	\$0	0.00%	\$0	\$0	\$0
6	(374.2) Land Rights	1,789,106	2.09%	37,392	2.10%	37,571	0	37,571
7	(375.1) Structures	5,636,810	1.65%	93,007	2.19%	123,446	0	123,446
8	(375.2) Leasehold Improvements	0	(see adj. H-13)	0	(see adj. H-13)	0	0	0
9	(376) Mains & Mains - Cast Iron	346,500,330	2.27%	7,910,957	2.43%	8,468,558	0	8,468,558
10	(378) Meas. & Reg. Station - General	11,722,111	2.86%	335,252	2.89%	338,769	0	338,769
11	(379) Meas. & Reg. Station - City Gate	3,051,984	2.13%	65,007	2.64%	80,572	0	80,572
12	(380) Services	297,326,902	2.70%	8,027,826	3.41%	10,138,847	0	10,138,847
13	(381) Meters	31,030,046	2.86%	887,459	2.96%	918,489	0	918,489
14	(382) Meter Installations	70,063,476	2.86%	2,004,367	2.92%	2,046,437	0	2,046,437
15	(383) House Regulators	11,716,745	2.44%	285,869	2.34%	274,172	0	274,172
16	(385) Electronic Gas Metering	362,111	3.33%	12,058	3.29%	11,913	0	11,913
17	(387) Other Equipment	<u>0</u>	4.60%	<u>0</u>	6.25%	<u>0</u>	<u>0</u>	<u>0</u>
18	Total Distribution Plant	<u>\$781,443,137</u>		<u>\$19,659,234</u>		<u>\$22,438,774</u>	<u>\$0</u>	<u>\$22,438,774</u>
<u>GENERAL PLANT - DIRECT</u>								
19	(389) Land	\$926,927	0.00%	\$0	0.00%	\$0	\$0	\$0
20	(390.1) Structures	702,914	2.00%	14,058	1.21%	8,505	0	8,505
21	(390.2) Leasehold Impr.	1,587,684	(see adj. H-13)	0	(see adj. H-13)	0	0	0
22	(391) Furniture & Fixtures	7,002,924	8.06%	564,436	9.10%	637,266	0	637,266
23	(392) Transportation Equipment	5,056,689	8.70%	439,932	8.19%	414,143	(414,143)	0
24	(393) Stores Equipment	538,350	2.70%	14,535	3.35%	18,035	0	18,035
25	(394) Tools	5,240,933	5.30%	277,769	5.01%	262,571	0	262,571
26	(395) Laboratory Equipment	0	6.00%	0	6.00%	0	0	0
27	(396) Power Operated Equipment	203,422	8.33%	15,945	5.36%	10,903	(10,903)	0
28	(397.1) Communication Equipment - AMR	36,654,977	5.00%	1,832,749	5.00%	1,832,749	0	1,832,749
29	(397.0) Communication Equipment - Other	3,774,580	6.25%	235,911	6.27%	236,666	0	236,666
30	(398) Miscellaneous Equipment	<u>452,143</u>	3.85%	<u>17,408</u>	4.93%	<u>22,291</u>	<u>0</u>	<u>22,291</u>
31	Total Direct General Plant	<u>\$62,140,544</u>		<u>\$3,413,743</u>		<u>\$3,443,128</u>	<u>(\$425,046)</u>	<u>\$3,018,083</u>
<u>GENERAL PLANT - CORPORATE</u>								
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	<u>0</u>		<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
38	Total Corporate General Plant	<u>\$630,242</u>		<u>\$44,709</u>		<u>\$44,709</u>	<u>\$0</u>	<u>\$44,709</u>
39	Total Proforma Plant & Depreciation	<u>\$872,205,657</u>		<u>\$23,117,686</u>		<u>\$25,926,612</u>	<u>(\$425,046)</u>	<u>\$25,501,566</u>
40	Less Depreciation Charged to Clearing A/Cs			(456,877)		(425,046)		
41	Less Test Year Depreciation Expense			(\$23,435,869)		(\$23,117,686)		(\$23,435,869)
42	Adjustment to Test Year - Acct. 403			<u>(\$775,060)</u>		<u>\$2,383,880</u>		<u>\$2,065,587</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 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	1,587,684	8,680	104,163
3	Sub Total	\$1,587,684	\$8,680	\$104,163
4	(303) Misc. Intangible - Work Force Automation (1000)	\$3,785,364 x	21,024	\$252,287
5	(303) Misc. Intangible - Corrosion Control Mgmt System (4000)	1,117,800 x	0	0
6	(303) Misc. Intangible - Landbase Digitized Mapping (4500)	1,701,543 x	0	0
7	(303) Misc. Intangible - Premise Data System (5000)	985,196 x	0	0
8	(303) Misc. Intangible - AMR Project - Programming (5500)	469,443 x	2,764	33,166
9	(303) Misc. Intangible - Facility Priority Index (6000)	894,795 x	0	0
10	(303) Misc. Intangible - Geographic Information System (6500)	1,006,719 x	7,125	85,500
11	(303) Misc. Intangible - Customer Service System (7000)	3,786,000 x	20,921	251,048
12	(303) Misc. Intangible - CSS Enhancements (7100)	7,620,165	63,501	762,017
13	(303) Misc. Intangible - Mainframe Software (7200)	2,259,741	18,831	225,974
14	(303) Misc. Intangible - Website (7600)	485,944 x	4,051	48,615
15	(303) Misc. Intangible - Stoner Low Pressure/Intermediate Model (8000)	279,672 x	2,457	29,481
16	(303) Misc. Intangible - BASIC (8500)	294,516 x	3,005	36,063
17	(303) Misc. Intangible - TCS System (9000)	189,193 x	1,592	19,106
18	(303) Misc. Intangible - GEO Tax Software (9500)	79,294 x	661	7,929
19	(303) Misc. Intangible - Oracle Software	2,415,660 x	20,117	241,409
20	(303) Misc. Intangible - Power Plant Software	187,288 x	1,561	18,729
21	(303) Misc. Intangible - Virtual Hold Call Center	191,000 x	1,592	19,103
22	(303) Misc. Intangible - Witness Software (9600)	194,706 x	1,623	19,474
23	Sub Total - Acct. 303	\$27,944,037	\$170,825	\$2,049,901
<u>Amortization of Infinium Software:</u>				
24	Unamortized balance of replaced software	\$999,954	Amort. Period 5	\$199,991
<u>SLRP Amortization:</u>				
25	SLRP Deferrals Subject to Amortization	\$32,048,048	10	\$3,204,805
<u>Cost of Removal Amortization</u>				
26	Net Cost of Removal Balance	\$850,256	5	\$170,051
<u>ECWRA AAO Amortization</u>				
27	Cost of the Emergency cold weather rule	\$1,161,768	3	\$387,256
28	Pro-Forma Amortization Expense			\$6,116,167
29	Less Test Year Amortization Expense			(2,979,834)
30	Adjustment to Test Year - Accts. 404 and 405			\$3,136,333

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 2006
Transportation and Work Equipment Clearing

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into TWE Clearing Account 18400210		\$4,631,933		
2	Less Test Year Amounts Cleared Out of Account 18400210		<u>(4,289,431)</u>		
3	Test Year Amount Under/(Over) Cleared		<u>\$342,502</u>		\$342,502
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 18400210:				
		Proforma	Test Year	Adjustment	
5	Depreciation	\$425,046	\$456,877	(\$31,831)	(31,831)
6	Total Adjusted Amount Under/(Over) Cleared				<u>\$310,671</u>

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

	Main Acct.	Amount	Percentage	Amount
7	870	\$26,621	0.006206	\$1,928
8	871	0	0.000000	0
9	872	0	0.000000	0
10	874	63,520	0.014808	4,600
11	875	109,881	0.025616	7,958
12	876	1,088	0.000254	79
13	877	530	0.000124	39
14	878	716,486	0.167033	51,892
15	879	389,145	0.090720	28,184
16	880	85,202	0.019863	6,171
17	885	8,644	0.002015	626
18	886	6,520	0.001520	472
19	887	1,005,321	0.234368	72,811
20	889	40,034	0.009333	2,899
21	890	31,481	0.007339	2,280
22	891	2,301	0.000536	167
23	892	91,428	0.021314	6,622
24	893	60,938	0.014206	4,413
25	894	3,913	0.000912	283
26	902	114,111	0.026602	8,264
27	903	381,973	0.089048	27,665
28	905	8,127	0.001895	589
29	921	59,282	0.013820	4,293
30	Total Adjustment to Test Year Expense	\$3,208,548	0.747532	<u>\$232,235</u>
31	Balance Sheet Accounts	1,082,954	0.252466	78,434
32	Total Test Year Clearing	<u>\$4,289,501</u>	<u>0.999998</u>	<u>\$310,669</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2006
True-Up Period Ending October 31, 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	<u>203,689</u>	<u>0.13744</u>	<u>76,960</u>
29	Balance Sheet Accounts	1,278,358	0.86256	483,008
30	Total Test Year Clearing	<u>1,482,047</u>	<u>1.00000</u>	<u>\$559,968</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 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
True-Up Period Ending October 31, 2006
Property Tax Expense

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
	Proforma Total Plant in Service excluding Corporate		
1	Allocated Plant	C	\$871,575,414
2	Less Intangible Plant	C	<u>(27,991,733)</u>
3	Proforma Plant, excluding Intangible Plant		\$843,583,681
4	Property tax rate		<u>0.79595%</u>
5	Proforma Property Tax Expense		\$6,714,503
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>\$6,884,428</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 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
True-Up Period Ending October 31, 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
True-Up Period Ending October 31, 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		<u>(392,917)</u>
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 2006

Total Company

Line No	TARIFF (a)	# of Reg billed Custs (b)	Regular billed usage (c)	Actual Avg per Cust (d)	Usage used to Design Rates (e)	Per customer		Revenue Shortfall / Excess (h)
						Usage Shortfall / (Excess) (f)	Total Usage Shortfall / (Excess) (g)	
Jan-06								
RES	442,397	59,221,064	134	180.9	47	20,808,523.30	\$ 2,744,020	
UGM	19	2,469	130					
SGSM	66,943	24,670,279	369	449.8	81	5,440,692.40	\$ 776,005	
LGS	327	3,327,858	10,176	8717.7	(1,459)	(476,370.10)	\$ (56,748)	
LVM	495	25,137,432	50,783	65422.9	14,640	7,246,903.50	\$ 296,253	
Feb-06								
RES	443,146	52,769,311	119	174.5	55	24,559,666.00	\$ 3,236,663	
UGM	19	3,012	158					
SGSM	66,730	21,069,366	316	444.7	129	8,605,263.00	\$ 1,227,369	
LGS	326	2,510,049	7,701	8998.1	1,197	390,131.60	\$ 48,053	
LVM	495	24,845,804	50,184	53266.8	3,073	1,521,282.00	\$ 62,189	
Mar-06								
RES	442,626	46,400,023	105	137.1	32	14,284,001.60	\$ 1,883,631	
UGM	19	2,484	131					
SGSM	66,163	19,000,872	287	354.9	68	4,480,376.70	\$ 639,036	
LGS	327	2,034,663	6,223	7883.3	1,660	542,976.10	\$ 66,878	
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	13,408,848.20	\$ 1,768,225	
UGM	18	1,784	98.7					
SGSM	65,322	11,445,040	175.2	234.9	59.7	3,699,097.80	\$ 556,128	
LGS	324	1,293,925	3,993.6	4395.7	402.1	130,281.80	\$ 16,047	
LVM	494	17,621,229	35,670.5	42365.3	6,694.6	3,307,229.20	\$ 135,200	
May-06								
RES	435,331	11,935,063	27.4	50.8	23.4	10,179,751.80	\$ 1,342,404	
UGM	19	1,553	81.7					
SGSM	63,647	5,214,307	81.9	132.5	50.6	3,218,920.50	\$ 459,115	
LGS	328	773,506	2,358.3	6294.7	3,936.5	1,291,156.60	\$ 159,032	
LVM	493	18,347,542	37,216.3	35721.3	(1,495.0)	(737,041.10)	\$ (50,130)	
Jun-06								
RES	430,930	8,407,453	19.5	22.1	2.6	1,116,100.00	\$ 147,180	
UGM	18	1,426	79.2					
SGSM	62,662	4,181,361	66.7	70.5	3.8	236,320.00	\$ 33,706	
LGS	327	809,942	2,476.9	6157.2	3,880.3	1,203,462.40	\$ 148,230	
LVM	494	16,792,746	33,983.4	31632.6	(2,360.6)	(1,165,241.60)	\$ (47,676)	
								<u>\$ 15,655,784</u>
Proposed Length of Amortization								5 Years
Annual Amortization								<u>\$ 3,127,157</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 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><u>\$115,340</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending December 31, 2005
True-Up Period Ending October 31, 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
True-Up Period Ending October 31, 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
True-Up Period Ending October 31, 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
 True-Up Period Ending October 31, 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		
Final Accounts Written Off	1,097	647,302
Percent Payment Required Under Old Rule		<u>80%</u>
Amount which should have been Collected		517,842
Initial Payment Amount		<u>257,404</u>
Uncollected Amount Due to Rule Change		<u>\$ 260,438</u>
Annual Amortization over 3 Years		<u>\$ 86,813</u>