

Exhibit No.:

Issues: Environmental Remediation  
Costs; Uncollectibles  
Expense; Infinium; Kansas  
Storage Gas Property Tax  
AAO; PGA Recovery of  
Uncollectibles Expense and  
FERC Regulatory Costs;  
Updated Revenue  
Deficiency

Witness: Michael R. Noack

Sponsoring Party: Missouri Gas Energy

Case No.: GR-2009-0355

Date Testimony Prepared: October 14, 2009

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

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Missouri Public  
Service Commission

SURREBUTTAL TESTIMONY OF

MICHAEL R. NOACK

Jefferson City, Missouri

October 2009

MGE Exhibit No. 33  
Case No(s) GR-2009-0355  
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**SURREBUTTAL TESTIMONY OF MICHAEL R. NOACK  
CASE NO. GR-2009-0355  
OCTOBER 2009**

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**SURREBUTTAL TESTIMONY OF MICHAEL R. NOACK  
CASE NO. GR-2009-0355  
OCTOBER 2009**

**INTRODUCTION**

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

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

**Q. ARE YOU THE SAME MICHAEL R. NOACK THAT PREVIOUSLY FILED DIRECT, UPDATED TEST YEAR DIRECT AND REBUTTAL TESTIMONY IN THIS CASE?**

**A.** Yes.

**PURPOSE**

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

**A.** The purpose of my testimony is to respond to certain matters contained in the rebuttal testimony of Missouri Public Service Commission (Commission) Staff witnesses Keith Foster, Mark Oligschlaeger and David Sommerer and Office of the Public Counsel (OPC) witnesses Ted Robertson and Russ Trippensee as that testimony concerns environmental expenses, uncollectible expense, Infinium software and the Kansas property tax AAO. I am also including an Updated Revenue Deficiency Model as Surrebuttal Schedule MRN-1.

**ENVIRONMENTAL EXPENSES**

**Q. IN HIS REBUTTAL TESTIMONY, OPC WITNESS TED ROBERTSON SUGGESTS THAT MGE HAS BENEFITTED FROM PAST FEDERAL AND STATE TAX DEDUCTIONS RELATED TO FORMER MANUFACTURED GAS PLANT (MGP) REMEDIATION EXPENDITURES (P. 2-7). HAS MGE BEEN ABLE TO DEDUCT THESE PAST EXPENSES FOR TAX PURPOSES?**

**A. Yes.**

**Q. WHAT DOES MR. ROBERTSON BELIEVE IS THE IMPORT OF THIS FACT?**

**A. He alleges that "to the extent that the tax deduction lowers Southern Union Company's income tax expense and payments, it effectively reduces the actual cost of the expenditures incurred for remediation activities 37-38%"(p. 4).**

**Q. WHAT IMPACT SHOULD THIS ARGUMENT HAVE ON THE NORMALIZED LEVEL OF ENVIRONMENTAL EXPENSES TO BE CONSIDERED IN THE CALCULATION OF MGE'S COST OF SERVICE IN THIS CASE?**

**A. None whatsoever. Mr. Robertson's argument has no relevance in regard to determining an appropriate level of environmental expenses to include in MGE cost of service on a going forward basis.**

**Q. WHAT IS THE PURPOSE OF ANALYZING MGE'S TEST YEAR AMOUNT OF ENVIRONMENTAL EXPENSE?**

**A. The purpose is to use those test year amounts as a basis for determining a level of costs for recovery that will match the level of costs MGE will incur during the time new rates**

1 will be in effect. Staff ultimately uses an average of the annual environmental expenses  
2 over the last three calendar years to arrive at its recommendation as does the Company.  
3

4 **Q. TO THE EXTENT THE ENVIRONMENTAL COSTS ARE INCLUDED IN**  
5 **OPERATING EXPENSES CONSIDERED IN SETTING RATES, WHAT AFFECT**  
6 **WILL THAT HAVE ON THE INCOME TAX CALCULATION INCLUDED IN**  
7 **SETTING RATES?**

8 **A.** It will have the effect of reducing the income tax expense included in rates.  
9

10 **Q. WHY ARE PAST TAX DEDUCTIONS NOT AN APPROPRIATE**  
11 **CONSIDERATION FOR THIS NORMALIZING PROCESS?**

12 **A.** Because they have nothing to do with the level of costs MGE will incur during the period  
13 of time the new rates will be in effect. Whatever tax impact may have been associated  
14 with past expenditures, the base costs are evidence of what MGE will have to spend  
15 during the period of time the new rates will be in effect.  
16

17 **Q. HOW MUCH MONEY DID MGE SPEND ON ENVIRONMENTAL EXPENSES?**

18 **A.** MGE spent the entire amount that is on its books. MGE did not have the luxury of  
19 writing its contractors checks in amounts that were 37-38% less than the contract price.  
20

21 **UNCOLLECTIBLES EXPENSE**

22 **Q. WHAT NON-COMPANY WITNESSES ADDRESSED BAD DEBTS OR**  
23 **UNCOLLECTIBLE EXPENSE IN THEIR REBUTTAL TESTIMONY?**

24 **A.** Staff witness Keith Foster and OPC witness Russell W. Trippensee.

1  
2 **Q. WHAT ARE THEIR RECOMMENDATIONS FOR UNCOLLECTIBLES**  
3 **EXPENSE AS OF REBUTTAL TESTIMONY?**

4 A. Staff witness Foster is recommending that this expense be set at \$9,843,535, while OPC  
5 witness Trippensee is recommending the use of \$9,685,323. Mr. Trippensee is further  
6 recommending that his number be reduced by \$387,256 as a result of monies previously  
7 received by MGE pursuant to the Emergency Cold Weather Rule amortization.  
8

9 **Q. WHAT IS THE COMPANY PROPOSING?**

10 A. The Company has proposed the same level as that proposed by Mr. Foster – \$9,843,535.  
11

12 **Q. STAFF WITNESS FOSTER EXPLAINS THAT THE STAFF UTILIZES A**  
13 **THREE-YEAR AVERAGE IN ORDER TO DERIVE ITS BAD DEBT EXPENSE**  
14 **BECAUSE STAFF BELIEVES THAT BAD DEBT WRITE-OFFS ARE**  
15 **TRENDING UPWARD (FOSTER REB., P. 2). WHAT PERIOD OF TIME DOES**  
16 **OPC UTILIZE?**

17 A. Five years.  
18

19 **Q. DID OPC WITNESS TRIPPENSEE EXPLAIN WHY HE USED A FIVE YEAR**  
20 **AVERAGE?**

21 A. Yes. After comparing the five-, four- and three- year averages, Mr. Trippensee stated  
22 that "OPC included the five-year average so as to include five years of data to provide  
23 consistency with the five-year period used by Staff witness Harrison in the prior case"  
24 (Trippensee Reb., p. 10).

1  
2 **Q. ARE THERE ANY CHANGES IN COLLECTION PRACTICES OVER THE**  
3 **LAST SEVERAL YEARS THAT WOULD ARGUE AGAINST USING A**  
4 **"CONSISTENT" TIME PERIOD FOR NORMALIZATION AS SUGGESTED BY**  
5 **MR. TRIPPENSEE?**

6 **A.** Yes. Effective December 26, 2005, the Commission promulgated an emergency cold  
7 weather rule. This emergency amendment changed Commission rules regarding MGE's  
8 collection practices as well as other LDCs in the State.

9  
10 **Q. DID THOSE RULE CHANGES BECOME PERMANENT?**

11 **A.** In large measure, yes. The Commission promulgated a new permanent cold weather rule,  
12 effective November 1, 2006, that made permanent many of the features of the emergency  
13 rule.

14  
15 **Q. HOW DID THIS RULE CHANGE MGE'S COLLECTION PRACTICES?**

16 **A.** The rule change provided additional and more lenient payment plans for residential users  
17 to obtain re-connection or avoid disconnection of natural gas service from November 1  
18 through March 31. No longer could MGE require a customer to pay 80% of the past due  
19 balance to be reconnected, unless the customer continued to default under payment plans  
20 set up in accordance with the new cold weather rules. Instead, the lesser of 50% or \$500  
21 would be the required payment to be reconnected. In addition, any reconnection fee, trip  
22 fee or collection fee would also be deferred.

1 **Q. WHAT IS THE SIGNIFICANCE OF THE RULE CHANGE IN REGARD TO**  
2 **THE APPROPRIATE PERIOD OF TIME TO USE FOR THE**  
3 **NORMALIZATION ADJUSTMENT?**

4 **A.** The three-year period used by Staff and the Company will provide the best evidence of  
5 what MGE's bad debt expense will be on a going forward basis as the current collection  
6 rules were effective during the entire three year period. The five-year period necessarily  
7 includes experience during a period of time where now superseded collection rules were  
8 in effect.

9  
10 **Q. YOU MENTIONED PREVIOUSLY THAT IN ADDITION TO THE USE OF A**  
11 **FIVE-YEAR AVERAGE, OPC WITNESS TRIPPENSEE WANTS TO REDUCE**  
12 **THE BAD DEBT EXPENSE AMOUNT AS A RESULT OF AN EMERGENCY**  
13 **COLD WEATHER RULE AMORTIZATION. WHAT WAS THE EMERGENCY**  
14 **COLD WEATHER RULE AMORTIZATION?**

15 **A.** MGE was granted an accounting authority order for the purpose of addressing "the costs  
16 of complying with the 2005 Cold Weather Emergency Rule (4 CSR 240-13.055(14))."  
17 *See Order Granting Accounting Authority Order*, Case No. GR-2006-0422 (Issued  
18 September 21, 2006). MGE later received recovery of the deferral amounts through an  
19 amortization as a part of the rates set in Case No. GR-2006-0422.

20  
21 **Q. DID THE PERMANENT COLD WEATHER RULE ALSO ADDRESS THE**  
22 **PURPOSE OF THE EMERGENCY COLD WEATHER RULE ACCOUNTING**  
23 **AUTHORITY ORDER?**



1 A. Yes. The permanent rule ultimately provided for an accounting authority order to "defer  
2 and recover the costs of complying" with the rule. 4 CSR 240-13.055(14)(G). It was to  
3 provide for "all incremental expenses incurred and incremental revenues that" were  
4 caused by the Rule.

5  
6 **Q. IS A REDUCTION RELATED TO THE EMERGENCY COLD WEATHER RULE**  
7 **AMORTIZATION CONSISTENT WITH THE GOAL OF THE**  
8 **NORMALIZATION PROCESS?**

9 A. No.

10  
11 **Q. WHY NOT?**

12 A. The purpose of a normalizing adjustment is to adjust the amount of expense recorded in  
13 the books for the test year to a level that is representative of normal operations. The cold  
14 weather rule amortization has expired and will have nothing to do with MGE's bad debt  
15 expense on a going forward basis. The most representative evidence of what that  
16 expense will be on a going forward basis is the three-average of bad debt write offs  
17 utilized by the Staff and MGE, without any offset in regard to the one time cold weather  
18 rule amortization.

19  
20 **Q. MR. TRIPPENSEE IN HIS REBUTTAL TESTIMONY (AT P. 3, LL. 6-8) REFERS**  
21 **TO THE FAILURE TO RECOGNIZE THE ECWR AMORTIZATION IN THE**  
22 **CALCULATION AS A REGULATORY GIFT OF RATEPAYERS' MONIES TO**  
23 **THE COMPANY. DO YOU AGREE WITH THAT STATEMENT?**

1 A. No. MGE, in calculating the costs of the Emergency Cold Weather Rule, was not  
2 requesting recovery of bad debts resulting from turning these customers on but rather  
3 asking for the recovery of the dollars which would never be received because the  
4 payment requirement was reduced from 80% to 50% or lower. A disconnected customer  
5 with a balance of \$1,000 that was written off, under the old cold weather rule, would  
6 have paid \$800 plus a \$45 fee to be reconnected. Under the emergency rule, that same  
7 customer only paid \$500 to be reconnected. The \$345 which was not collected and  
8 which did not offset the bad debt expense as it would have in the past was considered a  
9 cost of the cold weather rule and properly included in rates in GR-2006-0422.

10  
11 INFINIUM

12 **Q. ON PAGE 15 OF HIS REBUTTAL TESTIMONY, OPC WITNESS ROBERTSON**  
13 **ALLEGES THAT THE ADP PAYROLL PROCESSING PROGRAMS HAVE THE**  
14 **CAPABILITY TO PROCESS PAYROLL FOR ALL OF MGE'S UNION AND**  
15 **NONUNION EMPLOYEES. IS THIS THE CASE?**

16 A. No. Even though the May 29, 2007 contract language states that ADP could do the MGE  
17 union calculations, this programming was not completed when other areas of the  
18 Company transitioned to ADP on August 11, 2007. After that initial contract was entered  
19 into, the final statement of work with IDI (the company ADP provided to do the step-  
20 grade pay calculations) was not signed until July 26, 2007. The project to adapt ADP  
21 software for all of MGE's union calculations ran into difficulties. With the scheduled  
22 implementation date for the entire Company scheduled for August 11, 2007, the decision  
23 was made to have the entire Company move to ADP PayForce and ADP GL and have

1 everyone except MGE convert to ADP e-Time. The hope was at a later date, MGE  
2 would be able to move to ADP e-time.  
3

4 **Q. HAS MGE CONVERTED TO ADP E-TIME AS OF TODAY?**

5 A. Not yet. The Company is planning on implementing ADP E-Time for MGE, but this  
6 transition has not yet been implemented.  
7

8 **Q. SHOULD THE CAPABILITIES OF THE ADP PROGRAMS MAKE A**  
9 **DIFFERENCE IN REGARD TO THE OUTCOME OF THIS ISSUE?**

10 A. No. While it may eventually be capable, it is not yet capable of performing the tasks  
11 necessary while the old Infinium software does.  
12

13 **Q. MR. ROBERTSON ALSO ALLEGES THAT MGE HAS NOT CARRIED ITS**  
14 **BURDEN TO SUPPORT ITS COSTS ASSOCIATED WITH THE INFINIUM**  
15 **SOFTWARE BECAUSE IT HAS NOT PRODUCED COPIES OF THE**  
16 **LICENSING/MAINTENANCE CONTRACTS (ROBERTSON REB., P. 11-12).**  
17 **HOW DO YOU RESPOND?**

18 A. First, as stated in my Rebuttal Testimony, MGE believes that it has the right to use the  
19 Infinium software. There is no evidence to the contrary. Mr. Robertson has done no  
20 more than ask questions. There has been no serious doubt as to MGE's right to use this  
21 software that has been raised by the testimony.  
22

1       Regardless, I do not think that this issue has any relevance. The dollars that MGE spent  
2       in regard to the Infinium software were spent many years ago and MGE clearly had rights  
3       to the software associated with its expenditure of funds.

4  
5       Further, the Commission's order in Case No. GR-2006-0422 did not rely on any finding  
6       of current usefulness. The Commission found that because the investment was not being  
7       included in rate base, it did not matter whether the software was or was not used and  
8       useful at this time. See Report and Order, p. 34, Case No. GR-2006-0422 (March 22,  
9       2007).

10  
11                   **KANSAS STORAGE GAS PROPERTY TAX AAO**

12   **Q.    DID THE STAFF REBUTTAL TESTIMONY ADDRESS MGE'S REQUEST FOR**  
13       **AN ACCOUNTING AUTHORITY ORDER (AAO) RELATED TO THE KANSAS**  
14       **PROPERTY TAX ON GAS HELD IN STORAGE?**

15   **A.    Yes. This issue was addressed by Staff witness Mark L. Oligschlaeger.**

16  
17   **Q.    WHAT IS THE STAFF POSITION AS TO THIS REQUEST?**

18   **A.    Staff recommends that the Commission approve MGE's request for an AAO related to**  
19       **the Kansas property tax with certain additional provisions. Those provisions are that: 1)**  
20       **MGE defer only the amount of property tax expense associated with assessments from**  
21       **Kansas taxing authorities; 2) MGE begin to amortize the regulatory asset, over a 60**  
22       **month period, beginning the month following a final judicial resolution of the legality of**  
23       **the Kansas tax; 3) if MGE files its next general rate case prior to judicial resolution of the**  
24       **legality of the Kansas tax, ratemaking treatment of the deferred costs will be determined**

1 in that proceeding; and, 4) the Commission include language stating that granting this  
2 AAO does not in any way control how the Commission will treat this deferral for  
3 ratemaking purposes in subsequent rate cases.  
4

5 **Q. WHAT IS MGE'S POSITION AS TO THE PROVISIONS PROPOSED BY THE**  
6 **STAFF?**

7 A. MGE does not object to the issuance of an AAO that includes the Staff-proposed  
8 provisions.  
9

10 **Q. IN HIS REBUTTAL TESTIMONY, OPC WITNESS TED ROBERTSON ALSO**  
11 **ADDRESSES MGE'S REQUEST FOR AN AAO RELATED TO NATURAL GAS**  
12 **IN STORAGE. WHAT IS MR. ROBERTSON'S POSITION?**

13 A. Mr. Robertson opposes the requested AAO because he believes the property tax at issue  
14 is a "normal ongoing expense which does not meet the requirements necessary to allow it  
15 the special accounting treatment an AAO provides" (Robertson Reb., p. 9). In support of  
16 this proposition, Mr. Robertson states that "property tax is an expense which is always  
17 included in a utility's cost of service when rates are set" (Id.; See also Id. at p. 10).  
18

19 **Q. IS KANSAS PROPERTY TAX AN EXPENSE WHICH IS ALWAYS INCLUDED**  
20 **IN MGE'S COST OF SERVICE?**

21 A. No. In MGE's last rate case (Commission Case No. GR-2004-0209), the Commission  
22 denied MGE's attempted to include costs resulting from the 2004 Kansas property tax  
23 legislation in its cost of service.  
24

1  
2 **Q. WHY?**

3 A. The Commission stated that this "potential tax liability is not currently known or  
4 measurable and on that basis it cannot be included in MGE's cost of service." The reason  
5 the taxes were said to not be known and measurable was the pendency of MGE's appeal.  
6

7 **Q. WITHOUT THE REQUESTED AAO WHAT IS MGE'S CHOICE IN REGARD**  
8 **TO THE KANSAS PROPERTY TAX?**

9 A. MGE can either pursue its appeal and not obtain recovery of the property tax it pays, if  
10 the appeal is unsuccessful, or drop its appeal (at which point the expense would be  
11 known) and obtain recovery of the taxes paid. Without an AAO, MGE has little  
12 incentive to pursue an appeal of the Kansas property taxes.  
13

14 **Q. ON PAGES 10-11 OF HIS REBUTTAL TESTIMONY, OPC WITNESS**  
15 **ROBERTSON ALLEGES THAT THE PROPERTY TAX IN QUESTION IS NOT**  
16 **MATERIAL TO MGE'S FINANCIAL POSITION. DO YOU AGREE WITH**  
17 **THIS ALLEGATION?**

18 A. No. My Direct Testimony in GU-2010-0015 (which was later consolidated with this  
19 case) concerning this issue indicates that the Kansas property tax would constitute 10.6%  
20 of MGE's net income, using the rate case model in Case No. GR-2009-0355.  
21

22 **Q. DID THE COMMISSION STAFF ALSO ADDRESS THE ISSUE OF**  
23 **MATERIALITY?**

1 A. Yes. Staff witness Oligschlaeger indicated in his Rebuttal Testimony (p. 7) that the  
2 Kansas property tax is "approximately 6.0% of MGE's adjusted 2008 net income, based  
3 upon the Staff's current revenue requirement calculation for MGE in this case."  
4

5 **Q. IS THE KANSAS PROPERTY TAX "MATERIAL" UNDER EITHER THE**  
6 **COMPANY'S OR THE STAFF'S CALCULATION?**

7 A. Yes.  
8

9 **Q. WHY DOES MR. ROBERTSON'S CALCULATION DIFFER?**

10 A. Mr. Robertson does not base his calculation on net income as the USOA General  
11 Instructions state he should. Mr. Robertson's calculation is based on net operating  
12 income before any deduction for income taxes or interest expense (two of the largest  
13 expense items on the income statement). If those items were considered, his calculation  
14 would be similar to the calculations of the Staff and Company.  
15

16 **Q. HAS MGE PROPOSED AN ALTERNATIVE METHOD FOR THE RECOVERY**  
17 **OF PROPERTY TAXES ASSOCIATED WITH GAS HELD IN STORAGE IN**  
18 **KANSAS?**

19 A. Yes. MGE proposed tariff language that would include property taxes on gas held in  
20 storage in Kansas in the current cost of gas in the Purchased Gas Adjustment portion of  
21 MGE's tariff.  
22

23 **Q. HAS ANY PARTY TAKEN A POSITION IN REGARD TO THAT PROPOSAL?**

24 A. Yes. Staff witness David M. Sommerer filed rebuttal testimony addressing that proposal.

1  
2 **Q. WHAT IS MR. SOMMERER'S POSITION?**

3 A. Mr. Sommerer has taken the position that these property taxes are non-gas expenses that  
4 should not be included in the PGA (Sommerer Reb., p. 8).  
5

6 **Q. HOW DO YOU RESPOND TO THIS ARGUMENT?**

7 A. This Commission has been supportive of price mitigation efforts that have been  
8 undertaken by the local distribution companies and in doing so has recognized that there  
9 is a cost associated with such efforts. Commission Rule 4 CSR 240-40.018 (Natural Gas  
10 Price Volatility Mitigation) indicates that as a part of a utility's prudent planning efforts it  
11 should structure its portfolio in an effort to mitigate upward natural gas spikes. One of  
12 the mechanisms identified for use by utilities in this regard is natural gas storage (4 CSR  
13 240-40.018(2)(A)).  
14

15 **Q. DID THE COMMISSION INDICATE METHODS BY WHICH COSTS OF SUCH**  
16 **PRICE MITIGATION EFFORTS WOULD BE RECOVERED?**

17 A. Yes. Commission Rule 4 CSR 240-40.018(1)(B) states in part that "financial gains or  
18 losses associated with price volatility mitigation efforts are flowed through the Purchased  
19 Gas Adjustment (PGA) mechanism, subject to the applicable provisions of the natural gas  
20 utility's tariff and applicable prudence review procedures."  
21

22 **Q. IS THE KANSAS PROPERTY TAX DIRECTLY ASSOCIATED WITH MGE'S**  
23 **PRICE VOLATILITY MITIGATION EFFORTS?**



1 A. Yes. This property tax concerns the value of the gas MGE places in storage. The tax will  
2 rise and fall based on the amount of gas MGE has in storage in the state of Kansas and  
3 the price MGE pays for that gas. For this reason, it is very much a cost of price volatility  
4 mitigation and should be recovered through MGE's PGA.

5  
6 **PGA RECOVERY OF UNCOLLECTIBLES EXPENSE AND**  
7 **FERC REGULATORY EXPENSE**  
8

9 **Q. DO YOU AGREE WITH MR. SOMMERER THAT "FERC REGULATORY**  
10 **COSTS" ARE CLEARLY NOT THE TYPE OF COSTS THAT CAN BE**  
11 **CONSIDERED GAS COSTS?**

12 A. No. FERC regulatory costs are incurred by MGE solely in connection with interstate  
13 pipeline transportation and storage services, the costs of which are collected exclusively  
14 through the PGA clause. Rates established through the PGA clause are paid by system  
15 sales customers only, and not by LV transportation customers who do not make use of  
16 MGE's interstate pipeline transportation and storage service. As such, recovering FERC  
17 regulatory costs through the PGA ensures that such costs are borne only by those  
18 customers who benefit from such costs. In addition, FERC regulatory costs can vary  
19 substantially from year to year (usually depending on whether a pipeline rate case occurs)  
20 such that developing a "normalized" level of FERC regulatory costs that is fair to both  
21 shareholders and customers is difficult.

22 FERC regulatory costs are exactly the type of costs Mr. Hack is referring to in his  
23 surrebuttal testimony when he offers ideas for change to mitigate the earnings-eroding  
24 effect of regulatory lag on MGE.

1 Q. BOTH MR. SOMMERER AND MR. TRIPPENSEE DISAGREE WITH YOUR  
2 PROPOSAL TO INCLUDE THE GAS PORTION OF UNCOLLECTIBLES IN  
3 THE PGA. WHAT ARE YOUR COMMENTS TO THEIR TESTIMONY?

4 A. Including the gas portion of uncollectibles in the PGA is yet another way of mitigating  
5 the regulatory lag. Mr. Trippensee in his direct testimony (p 8, ln. 4-11) correctly points  
6 out that the year to year fluctuation of uncollectibles can either harm the customer and  
7 enrich the shareholders or harm the shareholders to the benefit of customers. By  
8 including just the gas portion of uncollectibles in the PGA, 65-75% of that fluctuation  
9 would be eliminated.  
10

11 **UPDATED REVENUE DEFICIENCY**

12 Q. HAVE YOU PREPARED AN UPDATED REVENUE DEFICIENCY  
13 CALCULATION FOR MGE REFLECTING AREAS OF AGREEMENT WITH  
14 STAFF ON RATE BASE ITEMS, REVENUES AND OPERATING EXPENSES?

15 A. Yes. MGE's current revenue deficiency as shown on Surrebuttal Schedule MRN-1  
16 stands at \$23,973,473. This reflects MGE's revenue deficiency updated through April  
17 30, 2009, which was filed June 19, 2009, as adjusted to include adjustments made by  
18 Staff to rate base, operating revenues and operating expenses and accepted by the  
19 Company and to include adjustments made by the Company to rate base, operating  
20 revenues and operating expenses accepted by the Staff. In addition, the model  
21 incorporates the revised return on equity of 10.5% and the revised short-term debt cost  
22 of 4.367% recommended by MGE witness Frank Hanley in his Rebuttal Testimony  
23 filed September 28, 2009.  
24

1 **Q. WOULD YOU PLEASE BRIEFLY LIST THE MAJOR ITEMS OF CHANGE**  
2 **TO THE REVENUE DEFICIENCY MODEL?**

3 **A.** Rate Base – Staff and Company agree that the updated rate base at April 30, 2009 totals  
4 \$619,181,553. To MGE's knowledge, there are no other parties to the case that have  
5 taken a position with regard to any rate base components.

6  
7 Operating Revenues – Staff and Company agree that the updated total operating  
8 revenues (margin revenue) totals \$186,802,702. The changes made include the  
9 correction of errors in the data supplied to staff which was used to compute the  
10 customer annualization adjustments, providing additional information to staff through  
11 the update period of April 30, 2009 to allow them to update the adjustments to non-  
12 residential customers and finally an agreement with staff to split the difference between  
13 their weather normalization adjustments and the Company's weather normalization  
14 adjustments.

15  
16 Operating Expenses – Company has accepted the staff adjustments to payroll, payroll  
17 taxes, benefits tied to payroll dollars such as insurance and the 401k match, FAS 87  
18 expense, injuries and damages, corporate allocation costs, uncollectible expense,  
19 depreciation expense, property tax, franchise tax and KC earnings tax adjustments, and  
20 numerous adjustments to eliminate various miscellaneous expenses such as dues, some  
21 of the advertising costs and some costs associated with lobbying activities.

22  
23 **Q. WHICH ITEMS ARE STILL AT ISSUE AT THIS TIME BETWEEN MGE AND**  
24 **THE STAFF?**

1 A. Differences between MGE and the Staff which remain include the level of  
2 environmental remediation costs to include in rates, the final amount of rate case  
3 expense to include and the level of FAS 106 costs to include. Rate of return differences  
4 also still exist between MGE and the Staff.

5  
6 **Q. WHICH ITEMS ARE STILL AT ISSUE BETWEEN MGE AND OPC?**

7 A. The issues which still remain at issue between the Company and OPC (not Staff)  
8 include whether or not the fees assessed on credit card payments should be included in  
9 rates, the level of uncollectible accounts to include in rates, whether the Infinium  
10 software amortization should be included in rates, the level of SLRP amortization to  
11 include in rates, the level and type of rate case expense and other regulatory expenses to  
12 include in rates and whether or not the funding of the natural gas conservation programs  
13 should be included in rates or set up as a regulatory asset. OPC and Company (and  
14 Staff) also disagree as to the proper funding level of FAS 106 costs and the proper level  
15 of environmental expenses to include in rates.

16  
17 There are also differences on the issues of capital structure/rate of return and rate  
18 design.

19  
20 **Q. DOES THAT CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

21 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.

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Case No. GR-2009-0355

AFFIDAVIT OF MICHAEL R. NOACK

STATE OF MISSOURI

)

ss.

COUNTY OF JACKSON

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)  
)

Michael R. Noack, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Surrebuttal 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 14<sup>th</sup> day of October 2009.

  
Notary Public

My Commission Expires: 11-14-11



ANGELA ANN WEBER  
My Commission Expires  
November 14, 2011  
Cass County  
Commission #07363044

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company

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**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Test Year Ending December 31, 2008 Updated through April 30, 2009  
**Revenue Deficiency**

Line No.	Description (a)	Ref. (b)	Required Return (c)	Earnings Deficiency (d)	Net Revenue Deficiency (e)
1	Rate Base	B	\$819,181,553		
2	Rate of Return	F	<u>8.014%</u>		
3	Required Return		<u>\$49,621,210</u>	\$49,621,210	
4	Adjusted Test Year Net Operating Income	A-1		<u>34,850,843</u>	
5	Earnings Deficiency			<u>\$14,770,367</u>	\$14,770,367
6	Multiply by Income Tax Gross-up Factor				<u>1.62308</u>
7	Net Revenue Deficiency				<u><u>\$23,973,473</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Test Year Ending December 31, 2008 Updated through April 30, 2009  
**Summary of Net Operating Income**  
**Per Books and Adjusted**

Line No.	Description (a)	Per Books (b)	Adjustments (c)	As Adjusted (d)
<b><u>REVENUES</u></b>				
1	Operating Base Revenues	\$732,145,245	(\$551,798,670)	\$180,346,574
2	Other Utility Revenues	6,456,128		6,456,128
3	Total Operating Revenues	<u>\$738,601,373</u>	<u>(\$551,798,670)</u>	<u>\$186,802,702</u>
<b><u>OPERATING EXPENSES</u></b>				
4	Distribution Expense	\$529,514,357	(\$502,350,319)	\$27,164,038
5	Customer Accounts Expense	21,173,183	2,948,921	24,122,104
6	Customer Service and Information Expense	1,183,469	(1,805)	1,181,664
7	Sales Expense	1,028,158	(8,197)	1,019,961
8	Administrative and General Expense	<u>51,904,046</u>	<u>(3,576,688)</u>	<u>48,327,358</u>
9	Total Operating and Maintenance Expenses	<u>\$604,803,213</u>	<u>(\$502,988,087)</u>	<u>\$101,815,126</u>
10	Depreciation & Amortization Expense	\$26,971,271	\$2,717,310	\$29,688,581
11	Interest on Customer Deposits	161,519	(14,928)	146,591
12	Taxes Other Than Income	<u>53,762,684</u>	<u>(43,702,287)</u>	<u>10,060,397</u>
13	Total Operating Expenses	<u>\$685,698,687</u>	<u>(\$543,987,991)</u>	<u>\$141,710,696</u>
14	Operating Income Before Income Tax	\$52,902,686	(\$7,810,679)	\$45,092,007
15	Less: Income Tax Expense	22,022,840	(11,781,676)	10,241,164
16	Net Operating Income	<u>\$30,879,846</u>	<u>\$3,970,997</u>	<u>\$34,850,843</u>



MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Test Year Ending December 31, 2008 Updated through April 30, 2009  
Income Tax

Line No.	Description (a)	Reference (b)	As Adjusted (d)
1	Total Operating Revenues	A-1	\$186,802,702
2	Total Operating Expenses	A-1	(141,710,696)
3	Net Operating Income	A-1	<u>\$45,092,007</u>
4	Equity Portion of SLRP Deferrals		\$0
5	Less: Interest on Long Term Debt		<u>(18,414,459)</u>
6	Total Tax Adjustments		<u>(\$18,414,459)</u>
7	Net Taxable Income		<u>\$26,677,548</u>
8	Income Tax		<u>\$10,241,164</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Test Year Ending December 31, 2008 Updated through April 30, 2009  
**Rate Base**

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
1	Intangible Plant	C	\$30,071,028
2	Distribution Plant	C	849,062,006
3	General Plant	C	70,905,604
4	Gross Plant In Service		<u>\$950,038,638</u>
5	Accumulated Depreciation & Amortization	D	<u>(356,129,450)</u>
6	Net Plant in Service		\$593,909,188
7	Working Capital	E	134,749,248
8	Net Cost of Removal Balance and River Levee Adj		277,126
9	Customer Deposits	B-2	(4,572,625)
10	Customer Advances - Thirteen Month Average	B-3	(12,773,726)
11	Deferred Income Taxes - SLRP	B-1	(1,131,965)
12	Deferred Income Taxes - Other ( Net of AMT)	B-4	<u>(91,275,693)</u>
13	Total Rate Base		<u><u>\$619,181,553</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
**SLRP Deferrals and Deferred Taxes**  
Test Year Ending December 31, 2008 Updated through April 30, 2009

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)	\$0	(0)	\$0
2	Order GO-94-234 (Deferred Balance @ 5/31/98)	0	(0)	0
3	Order GO-97-301 (Deferred Balance @ 5/31/98)	0	0	(0)
4	Order GR-98-140	9,182,136	7,116,155	2,065,981
5	Order GR-2001-292	1,629,639	746,918	882,721
6	Total SLRP Deferrals	<u>\$10,811,775</u>	<u>\$7,863,072</u>	<u>\$2,948,703</u>
7	Annual Amortization	<u>\$1,081,178</u>		
<u>SLRP Deferred Taxes</u>				
8	Order GO-92-185			0
9	Order GO-94-234			0
10	Order GO-97-301			0
11	Order GR-98-140			(793,110)
12	Order GR-2001-292			(338,855)
13	Total SLRP Deferred Taxes			<u>(\$1,131,965)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Thirteen Months Ending April 30, 2009

**Customer Deposits**

Line No.	Month	Residential Amount	Commercial & Industrial		Total Amount
			Amount	Amount	
	(a)	(b)	(c)		(d)
1	Apr-08	(799,345)	(3,795,560)		(4,594,905)
2	May-08	(779,288)	(3,778,542)		(4,557,831)
3	Jun-08	(754,253)	(3,771,453)		(4,525,705)
4	Jul-08	(743,377)	(3,796,964)		(4,540,341)
5	Aug-08	(738,566)	(3,808,411)		(4,546,977)
6	Sep-08	(731,797)	(3,813,742)		(4,545,538)
7	Oct-08	(737,517)	(3,827,786)		(4,565,303)
8	Nov-08	(731,427)	(3,827,032)		(4,558,459)
9	Dec-08	(737,673)	(3,864,570)		(4,602,243)
10	Jan-09	(749,084)	(3,895,725)		(4,644,810)
11	Feb-09	(756,346)	(3,853,468)		(4,609,814)
12	Mar-09	(766,336)	(3,812,591)		(4,578,927)
13	Apr-09	<u>(764,298)</u>	<u>(3,808,981)</u>		<u>(4,573,279)</u>
14	13 Month Total	<u>(\$9,789,305)</u>	<u>(\$49,654,825)</u>		<u>(\$59,444,131)</u>
15	13 Month Average	<u>(\$753,023)</u>	<u>(\$3,819,602)</u>		<u>(\$4,572,625)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Thirteen Months Ending April 30, 2009

**Customer Advances**

Line No.	Month	Amount
	(a)	(b)
1	Apr-08	(13,633,849)
2	May-08	(13,354,019)
3	Jun-08	(13,285,504)
4	Jul-08	(13,053,857)
5	Aug-08	(12,953,206)
6	Sep-08	(12,963,050)
7	Oct-08	(12,828,284)
8	Nov-08	(12,740,058)
9	Dec-08	(12,617,246)
10	Jan-09	(12,337,566)
11	Feb-09	(12,331,139)
12	Mar-09	(12,078,586)
13	Apr-09	<u>(11,882,070)</u>
14	13 Month Total	<u><u>(\$166,058,435)</u></u>
15	13 Month Average	<u><u>(\$12,773,726)</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Test Year Ending December 31, 2008 Updated through April 30, 2009

**Deferred Taxes (Other than SLRP)**

Line No.	Description (a)	Amount (b)
1	Deferred Taxes, MGE Direct Plant as of 4/30/09	(\$91,123,740)
2	Deferred Taxes, Corporate Plant	<u>(151,953)</u>
3	Total Accumulated Deferred Income Taxes (Other than SLRP)	<u><u>(\$91,275,693)</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Plant in Service  
Test Year Ending December 31, 2008 Updated through April 30, 2009

Line No.	Description	Direct	Completed Not Classified	Total Direct & Completed	Corporate Allocated	Total Adjustments	Total As Adjusted
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
<b>INTANGIBLE PLANT</b>							
1	(301) Organization	\$15,600	\$0	\$15,600	\$0	\$0	\$15,600
2	(302) Franchises	13,823	0	13,823	0	0	13,823
3	(303) Miscellaneous Intangible	29,981,921	79,684	30,041,605	0	0	30,041,605
4	Total Intangible Plant	\$29,991,344	\$79,684	\$30,071,028	\$0	\$0	\$30,071,028
<b>DISTRIBUTION PLANT</b>							
5	(374.1) Land	\$150,610	\$0	\$150,610	\$0	\$0	\$150,610
6	(374.2) Land Rights	2,148,602	32,710	2,181,312	0	0	2,181,312
7	(375.1) Structures	8,588,891	15,069	8,583,960	0	0	8,583,960
8	(375.2) Leasehold Improvements	0	0	0	0	0	0
9	(376) Mains	380,896,494	1,914,931	382,811,425	0	0	382,811,425
10	(378) Meas. & Reg. Station - General	12,343,426	25,342	12,368,768	0	0	12,368,768
11	(379) Meas. & Reg. Station - City Gate	3,411,645	0	3,411,645	0	0	3,411,645
12	(380) Services	324,943,673	17,586	324,961,259	0	(8,350,424)	316,610,835
13	(381) Meters	32,658,905	0.00	32,658,905	0	0	32,658,905
14	(382) Meter Installations	77,125,156	35,178	77,160,334	0	0	77,160,334
15	(383) House Regulators	12,733,549	0	12,733,549	0	0	12,733,549
16	(385) Electronic Gas Measuring	380,104	10,559	390,663	0	0	390,663
17	(387) Other Equipment	0	0	0	0	0	0
18	Total Distribution Plant	\$855,361,055	\$2,051,375	\$857,412,430	\$0	(\$8,350,424)	\$849,062,006
<b>GENERAL PLANT</b>							
19	(389) Land	\$1,104,164	\$0	\$1,104,164	\$0	\$0	\$1,104,164
20	(390.1) Structures	727,399	0	727,399	0	0	727,399
21	(390.2) Leasehold Improvements	1,884,544	0	1,884,544	3,163	0	1,887,707
22	(391) Furniture & Fixtures	8,108,682	7,562	8,116,234	666,151	0	8,782,385
23	(392.1) Transportation Eq - Cars and Small Trucks	0	0	0	0	1,505,855	1,505,855
24	(392.2) Transportation Eq - Heavy Trucks	6,478,732	0	6,478,732	0	0	6,478,732
25	(393) Stores Equipment	530,991	15,044	546,035	0	127,230	673,265
26	(394) Tools	5,391,276	86,341	5,477,617	0	0	5,477,617
27	(395) Laboratory Equipment	0	0	0	0	0	0
28	(396) Power Operated Equipment	130,439	0	130,439	0	1,628,800	1,759,239
29	(397.1) Communication Equipment - AMR	38,190,850	0	38,190,850	0	0	38,190,850
30	(397.0) Communication Equipment	3,828,004	22,045	3,850,049	0	0	3,850,049
31	(398) Miscellaneous Equipment	468,342	0	468,342	0	0	468,342
32	Total General Plant	\$66,843,423	\$130,982	\$66,974,405	\$669,314	\$3,261,885	\$70,905,604
33	Total Original Cost Plant in Service	\$952,185,822	\$2,262,041	\$954,457,863	\$669,314	(\$5,088,539)	\$950,038,638
34	Accumulated Depreciation and Amortization	(362,814,033)	0	(362,814,033)	0	6,684,583	(356,129,450)
35	Net Plant in Service	\$589,381,789	\$2,262,041	\$591,643,830	\$669,314	\$1,596,044	\$593,909,188

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Plant in Service  
Test Year Ending December 31, 2008 Updated through April 30, 2009

Line No.	Description	Retire Inactive Services No. 1	Switch Fleet from Lease to Purchase No. 2	Truck Assoc with the Apprentice Program No. 3	Total Adjustments
	(a)	(b)	(c)	(d)	(e)
<b>INTANGIBLE PLANT</b>					
1	(301) Organization				
2	(302) Franchises				
3	(303) Miscellaneous Intangible				0
4	Total Intangible Plant	\$0	\$0		\$0
<b>DISTRIBUTION PLANT</b>					
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	(8,350,424)			(8,350,424)
13	(381) Meters				
14	(382) Meter Installations				
15	(383) House Regulators				
16	(385) Electronic Gas Metering				
17	(387) Other Equipment				
18	Total Distribution Plant	(\$8,350,424)	\$0		(\$8,350,424)
<b>GENERAL PLANT</b>					
19	(389) Land				
20	(390.1) Structures				
21	(390.2) Leasehold Improvements				
22	(391) Furniture & Fixtures				
23	(392.1) Transportation Equipment		1,505,855		1,505,855
24	(392.2) Transportation Equipment				0
25	(393) Stores Equipment		127,230		127,230
26	(394) Tools				
27	(395) Laboratory Equipment				
28	(396) Power Operated Equipment		1,628,800		1,628,800
29	(397) Communication Equipment - AMR				
30	(397) Communication Equipment				
31	(398) Miscellaneous Equipment				
32	Total General Plant	\$0	\$3,261,885	\$0	\$3,261,885
33	Total Original Cost Plant in Service	(\$8,350,424)	\$3,261,885	\$0	(\$5,088,539)



**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
**Accumulated Reserves for Depreciation and Amortization**  
**Test Year Ending December 31, 2008 Updated through April 30, 2009**

Line No.	Description (a)	Test Year Direct (b)	Corporate (c)	Proforma Adjustments (d)	Test Year As Adjusted (e)
1	Intangible Plant Reserve	(\$22,749,719)	\$0	\$0	(\$22,749,719)
2	Distribution & General Plant Reserve	<u>(339,954,970)</u>	<u>(109,344)</u>	<u>6,684,583</u>	<u>(333,379,731)</u>
3	Total Accumulated Reserves	<u>(\$362,704,689)</u>	<u>(\$109,344)</u>	<u>\$6,684,583</u>	<u>(\$356,129,450)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
**Accumulated Reserves for Depreciation and Amortization**  
**Test Year Ending December 31, 2008 Updated through April 30, 2009**

Line No.	Description	Adjustments to Plant in Service	Deprec. Rates	Retire Inactive Services No. 1	Switch Fleet from Lease to Purchase No. 2	Total Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)
<b>INTANGIBLE PLANT</b>						
1	(301) Organization					
2	(302) Franchises					
3	(303) Miscellaneous Intangible	\$0				\$0
4	Total Intangible Plant	\$0			\$0	\$0
<b>DISTRIBUTION PLANT</b>						
5	(374.1) Land		0.00%			
6	(374.2) Land Rights		Amort.			
7	(375.1) Structures		1.49%			
8	(375.2) Leasehold Improvements		Amort.			
9	(376) Mains & Mains - Cast Iron		2.16%			
10	(378) Meas. & Reg. Station - General		2.86%			
11	(379) Meas. & Reg. Station - City Gate		2.13%			
12	(380) Services	(8,350,424)	3.13%	8,350,424		8,350,424
13	(381) Meters		2.89%			
14	(382) Meter Installations		2.86%			
15	(383) House Regulators		2.44%			
16	(385) Electronic Gas Metering		3.33%			
17	(387) Other Equipment		5.25%			
18	Total Distribution Plant	(\$8,350,424)		\$8,350,424		\$8,350,424
<b>GENERAL PLANT</b>						
19	(389) Land		0.00%			
20	(390.1) Structures		2.00%			
21	(390.2) Leasehold Improvements		Amort.			
22	(391) Furniture & Fixtures		8.06%			
23	(392.1) Transportation Equipment	1,505,855	13.33%		(835,843)	(835,843)
24	(392.2) Transportation Equipment					0
25	(393) Stores Equipment	127,230	2.70%		(53,534)	(53,534)
26	(394) Tools		5.30%			
27	(395) Laboratory Equipment		8.00%			
28	(396) Power Operated Equipment	1,628,800	8.25%		(776,464)	(776,464)
29	(397) Communication Equipment - AMR		5.00%			
30	(397) Communication Equipment		6.25%			
31	(398) Miscellaneous Equipment		3.85%			
32	Total General Plant	\$3,261,885		\$0	(\$1,665,841)	(\$1,665,841)
33	Total Adjustment	(\$5,088,539)		\$8,350,424	(\$1,665,841)	\$6,884,583

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Test Year Ending December 31, 2008 Updated through April 30, 2009  
**Working Capital**

Line No.	Description (a)	Reference (b)	Amounts (c)
1	Materials and Supplies Inventory	E-1	\$2,939,374
2	Prepayments - Thirteen Month Average	E-2	468,642
3	Gas Inventory - Volumes and Price	E-3	100,132,700
4	Cash Working Capital	E-4	16,462,288
5	Prepaid Pension	E-5	<u>14,746,244</u>
6	Total Working Capital		<u><u>\$134,749,248</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Thirteen Months Ending April 30, 2009  
**Materials & Supplies**

Line			
No.	Month		Amount
	(a)		(b)
1	Apr-08		2,491,086
2	May-08		2,458,090
3	Jun-08		2,775,338
4	Jul-08		2,779,149
5	Aug-08		2,824,236
6	Sep-08		3,078,912
7	Oct-08		2,987,921
8	Nov-08		2,992,531
9	Dec-08		3,134,851
10	Jan-09		3,133,653
11	Feb-09		3,157,210
12	Mar-09		3,245,394
13	Apr-09		<u>3,153,495</u>
14	13 Month Total		<u><u>\$38,211,865</u></u>
15	13 Month Average		<u><u>\$2,939,374</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Thirteen Months Ending April 30, 2009  
**Prepayments**

Line		
No.	Month	Amount
	(a)	(b)
1	Apr-08	298,017
2	May-08	189,563
3	Jun-08	83,659
4	Jul-08	211,810
5	Aug-08	228,657
6	Sep-08	1,062,145
7	Oct-08	873,885
8	Nov-08	819,944
9	Dec-08	651,285
10	Jan-09	553,891
11	Feb-09	447,111
12	Mar-09	428,689
13	Apr-09	<u>243,689</u>
14	13 Month Total	<u><u>\$6,092,343</u></u>
15	13 Month Average	<u><u>\$468,642</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Thirteen Months Ending April 30, 2009  
**Gas Inventory**

Line No.	Month	Dollars
	(a)	(b)
1	Apr-08	22,681,888
2	May-08	60,581,880
3	Jun-08	96,404,831
4	Jul-08	139,168,010
5	Aug-08	157,685,159
6	Sep-08	162,676,030
7	Oct-08	160,415,607
8	Nov-08	145,992,320
9	Dec-08	113,531,199
10	Jan-09	82,548,949
11	Feb-09	82,161,879
12	Mar-09	49,946,074
13	Apr-09	47,931,271
14	13 Month Average	<u>\$100,132,700</u>

**Missouri Gas Energy**  
**A Division of Southern Union Gas Company**  
**Test Year Ended December 31, 2008 Updated through April 30, 2009**

Summary of Cash Working Capital						
		[ 1 ]	[ 2 ]	[ 3 ]	[ 4 ]	[ 5 ]
Line #	Description	Reference	Test Year Expenses	Number of Payment (Lead) / Lag Days	Weighted Dollar Days	Totals
					[ 2 ] * [ 3 ]	
<b><u>WORKING CAPITAL REQUIREMENT</u></b>						
1	REVENUE LAG DAYS	Page 2				48.57
2	EXPENSE LAG DAYS	Page 3				
3	Payroll & FICA Expense	H-4, H-6	\$ 36,004,835	11.00	\$ 396,053,185	
4	Pension & Benefits	H-5	16,136,179	18.31	295,426,003	
5	Commodity Purchased	H-3	502,616,530	34.23	17,204,563,822	
6	Other Expenses	L 22 - L 3 to L 5	42,623,505	45.49	1,938,943,242	
7	Total	Sum (L 3 to L 5)	<u>\$ 597,381,049</u>		<u>\$ 19,834,986,252</u>	
8	O & M Expense Payment Lag Days	L7, C 4 / C 2				33.20
9	Net Revenue (Lead) Lag Days	L 1 - L 8				15.37
10	Operating Expenses Per Day	L 7, C 2 / 365				<u>\$ 1,636,660</u>
11	Working Capital for O & M Expense	L 9 * L 10				\$25,150,162
12	Interest Payments	Page 6				(1,752,123)
13	Preferred Dividend Payments	Page 7				0
14	Gross Receipt Tax	Page 8				(1,492,674)
15	Property Tax	Page 8				(3,515,453)
16	Federal & State Income Taxes	Page 9				206,409
17	Other Taxes	Page 9				1,362,632
18	Adjustment to reflect settlement					<u>(3,496,665)</u>
19	Total Working Capital	Sum (L 11 to L 16)				<u>\$ 16,462,288</u>
20	Pro Forma O & M Expense		\$ 610,022,755			
	Less:					
21	Uncollectible Expense		9,844,618			
22	Other Non-Cash		2,797,088			
23	Sub-Total	Sum L18 to L20	<u>12,641,706</u>			
24	Pro Forma Cash O&M Expense	L 18 - L 21	<u>\$ 597,381,049</u>			

The page number reference in column (B) is to Schedule RLO-1 included in Mr. O'Brien's Testimony

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
**Prepaid Pension**  
Test Year Ending December 31, 2008 Updated through April 30, 2009

Line No.	Year Ended (a)	Balance (b)
1	Unamortized Portion of Prepaid Pension Assets	<u>\$14,746,244</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)	(b)	(c)	(d)
1	Long-Term Debt	41.060%	6.080%	2.496%
2	Short-Term Debt	10.940%	4.367%	0.478%
3	Preferred Stock	0.000%	0.000%	0.000%
4	Common Equity	<u>48.000%</u>	10.500%	<u>5.040%</u>
5	Total	<u><u>100.000%</u></u>		<u><u>8.014%</u></u>

**MISSOURI GAS ENERGY**  
**A Division of Southern Union Company**  
 Test Year Ending December 31, 2008 Updated through April 30, 2009

**Distribution of Revenue and Expense Adjustments by Account No.**

Line No.	Main Accl.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(d)	(e)
<b>OPERATING REVENUE</b>					
1	480	Residential	\$505,927,343	(\$375,582,782)	\$130,344,562
2	481.1	Commercial	208,472,781	(170,384,219)	38,108,562
3	481.2	Industrial	8,794,246	(6,678,667)	2,115,579
4	483	Sales for Resale	0	0	0
5	487	Late Payment Charges	445,848	(194,920)	250,928
6	488	Miscellaneous Service Revenue	4,383,636	0	4,383,636
7	489	Transport	10,950,874	2,493,638	13,444,512
8	493	Rent From Property	0	0	0
9	495	Other Gas Revenue	1,826,646	(1,471,721)	154,925
10		Total Operating Revenue	\$738,601,373	(\$551,798,870)	\$186,802,702
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
<b>Operation Expense</b>					
11	805	Other Gas Purchases	\$502,616,530	(\$502,616,530)	\$0
12	807	Purchased Gas Expense	0	0	0
13	859	Other Joint Expense	0	0	0
14	870	Operation, Supervision and Engineering	697,941	(18,381)	679,560
15	871	Distribution and Load Dispatching	27,353	411	27,764
16	872	Compressor Station Labor and Expense	0	0	0
17	874	Mains and Service Expenses	3,113,677	10,582	3,124,259
18	875	Distributing Regulating Station Expenses	813,434	13,898	827,332
19	876	Measuring and Regulating - Station Expenses	(3,349)	416	(2,934)
20	877	Measuring and Regulating - Station Expenses	9,159	(740)	8,419
21	878	Meter and House Regulator Expenses	6,422,853	112,037	6,534,890
22	879	Customer Installation Expenses	3,143,840	2,473	3,146,313
23	880	Other Expenses	(887,405)	10,378	(857,027)
24	881	Rents	188,376	0	188,376
25		Total Operation Expense	\$516,160,009	(\$502,485,456)	\$13,674,553
<b>Maintenance Expense</b>					
26	885	Maintenance Supervision and Engineering	\$1,218,208	(\$3,692)	\$1,212,514
27	886	Maintenance of Structures and Improvements	113,741	1,880	115,401
28	887	Maintenance of Mains	9,609,673	113,037	9,722,610
29	889	Maint. of Measuring and Reg. Stat Equip - General	699,627	8,776	708,403
30	890	Maint. of Measuring and Regulating Equipment	251,595	1,083	252,678
31	891	Maint. of Measuring and Regulating Equipment	25,918	787	26,703
32	892	Maintenance of Services	935,672	6,793	942,465
33	893	Maintenance of Meters and House Regulators	329,361	5,074	334,435
34	894	Maintenance of Other Equipment	172,657	1,619	174,276
35		Total Maintenance Expenses	\$13,354,348	\$135,138	\$13,489,486
36		Total Distribution Expense	\$529,514,357	(\$502,350,319)	\$27,164,038
<b>Customer Accounts Expense</b>					
37	901	Supervision	\$282,744	(\$13,006)	\$249,738
38	902	Meter Reading Expense	943,699	18,622	962,321
39	903	Customer Records and Collection Expense	12,057,003	988,083	13,023,086
40	904	Uncollectible Accounts	7,866,016	1,977,519	9,843,535
41	905	Miscellaneous Customer Accounts Expense	43,721	(297)	43,424
42		Total Customer Accounts Expenses	\$21,173,183	\$2,948,921	\$24,122,104
<b>Customer Service and Informational Expense</b>					
43	907	Supervision	\$0	\$0	\$0
44	908	Customer Assistance	1,105,288	(1,805)	1,103,483
45	909	Informational and Instructional Advertising Exp.	78,181	0	78,181
46	910	Miscellaneous Customer Accounts Expense	0	0	0
47		Total Cust. Service and Information Exp.	\$1,183,469	(\$1,805)	\$1,181,664
<b>Sales and Advertising Expense</b>					
48	911	Supervision	\$0	\$0	\$0

**MISSOURI GAS ENERGY**  
**A Division of Southern Union Company**  
**Test Year Ending December 31, 2008 Updated through April 30, 2009**

**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	1,021,699	(3,404)	1,018,295
50	913	Advertising Expenses	4,813	(4,793)	20
51	916	Miscellaneous Sales Expenses	1,646	0	1,646
52		Total Sales and Advertising Expenses	<u>\$1,028,158</u>	<u>(\$8,197)</u>	<u>\$1,019,961</u>
		<b>Administrative and General Expense</b>			
53	920	Administrative and General Salaries	\$6,996,018	(\$123,027)	\$6,872,991
54	921	Office Supplies and Expenses	11,539,458	62,919	11,602,377
55	922	Administrative Expenses Transferred	(525,286)	0	(525,286)
56	923	Outside Services Employed	8,677,170	(9,667,993)	(990,823)
57	924	Property Insurance	24,300	7,059	31,359
58	925	Injuries and Damages	1,414,653	1,278,094	2,693,747
59	926	Employee Pensions and Benefits	16,375,933	6,018,840	22,394,773
60	927	Franchise Requirements	0	0	0
61	928	Regulatory Commission Expense	2,584,881	(813,055)	1,771,826
62	930	Miscellaneous General Expenses	2,158,307	(77,981)	2,080,326
63	931	Rents	1,022,728	(262,544)	760,184
64	932	Maintenance of General Plant	1,635,884	0	1,635,884
65		Total Administration and General Expense	<u>\$51,904,046</u>	<u>(\$3,576,688)</u>	<u>\$48,327,358</u>
66		Total O & M Expense	<u>\$604,803,213</u>	<u>(\$502,988,087)</u>	<u>\$101,815,126</u>
67	403	Depreciation	26,018,077	1,206,290	26,224,367
68	404, 405	Amortization	1,953,194	1,511,020	3,464,214
69	431	Interest on Customer Deposits	181,519	(14,928)	146,591
70	408	Payroll Taxes	2,238,218	290,678	2,528,792
71	408	Property Taxes	6,965,658	180,917	7,146,575
72	408	Gross Receipts Tax	44,258,774	(44,258,774)	0
73	408	Other Taxes	300,036	84,994	385,030
74	408	Taxes Other Than Income	<u>\$53,762,684</u>	<u>(\$43,702,287)</u>	<u>\$10,060,397</u>
75		TOTAL EXPENSES	<u>\$685,698,887</u>	<u>(\$543,987,991)</u>	<u>\$141,710,896</u>
76		OPERATING INCOME BEFORE INCOME TAX	<u>\$52,902,886</u>	<u>(\$7,810,679)</u>	<u>\$45,092,007</u>
77	409,410	Income Taxes	\$22,022,840	(\$11,781,676)	\$10,241,164
78		NET OPERATING INCOME	<u>\$30,879,846</u>	<u>\$3,970,997</u>	<u>\$34,850,843</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2008 Updated through April 30, 2009  
**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	H-1	H-2	Normaliza & Adj. Test Year Margin	Remove Purch. Cost and CRT	H-3	Payroll Expense	Employee Benefits	Payroll Taxes	Insurance	H-7	H-8	Uncollectible Expense	H-9	H-10	H-11
			(a)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)
<b>OPERATING REVENUE</b>																			
1	480	Residential	505,927,343.49	(5375,824,194)		\$241,412													
2	481.1	Commercial	206,472,781.08	(183,281,754)		(7,082,465)													
3	481.2	Industrial	8,794,248.37	(8,357,030)		(291,637)													
4	483	Sales for Resale	0			0													
5	487	Late Payment Charges	445,846	(194,920)		0													
6	488	Miscellaneous Service Revenue	4,353,638	0		0													
7	489	Transport	10,950,874	(112,422)		2,806,060													
8	493	Rent From Property	0	0		0													
9	495	Other Gas Revenue	1,628,646	(1,473,721)															
10		Total Operating Revenue	\$729,601,373	(\$541,272,049)		(\$4,526,630)													
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>																			
<b>Operation Expense</b>																			
11	805	Other Gas Purchases	\$502,616,530					(\$502,616,530)											
12	807	Purchased Gas Expense	0																
13	859	Other Joint Expense	0																
14	870	Operation, Supervision and Engineering	687,941							4,257									
15	871	Distribution and Load Dispatching	27,553							1,375									
16	872	Compressor Station Labor and Expense	0							0									
17	874	Mains and Service Expenses	3,113,877							28,652									
18	875	Distributing Regulating Station Expenses	813,434							31,793									
19	876	Measuring and Regulating - Station Expenses	(3,348)							415									
20	877	Measuring and Regulating - Station Expenses	8,158							(622)									
21	878	Meter and House Regulator Expenses	8,422,853							268,868									
22	879	Customer Installation Expenses	3,143,640							82,532									
23	880	Other Expenses	(887,405)							63,881									
24	881	Rents	188,376																
25		Total Operation Expense	\$516,180,009	\$0	\$0	\$0	(\$502,616,530)		\$479,942	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Maintenance Expense</b>																			
26	885	Maintenance Supervision and Engineering	\$1,216,206							\$38,194									
27	886	Maintenance of Structures and Improvements	113,741							4,047									
28	887	Maintenance of Mains	8,608,573							308,770									
29	889	Maint. of Measuring and Reg. Stat Equip - General	699,627							22,678									
30	890	Maint. of Measuring and Regulating Equipment	251,595							8,245									
31	891	Maint. of Measuring and Regulating Equipment	25,916							1,168									
32	892	Maintenance of Services	935,672							26,200									
33	893	Maintenance of Meters and House Regulators	229,361							12,715									
34	894	Maintenance of Other Equipment	172,657							2,977									
35		Total Maintenance Expense	\$13,564,348	\$0	\$0	\$0	\$0	\$422,964	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
36		Total Distribution Expense	\$529,744,357	\$0	\$0	\$0	(\$502,616,530)		\$902,908	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Customer Accounts Expense</b>																			
37	901	Supervision	\$262,744							(\$4,323)									
38	902	Meter Reading Expense	943,690							42,243									
39	903	Customer Records and Collection Expense	12,057,003							271,844									
40	904	Uncollectible Accounts	7,858,016																
41	905	Miscellaneous Customer Accounts Expense	43,721							623									
42		Total Customer Accounts Expenses	\$21,173,183	\$0	\$0	\$0	\$0	\$0	\$309,512	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
																1,977,519			

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2008 Updated through April 30, 2009  
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	(a)	H-1	H-2	H-3	H-4	H-5	H-6	H-7	H-8	H-9	H-10	H-11
			(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	1,105,288				3,910							
46	910	Informational and Instructional Advertising Exp.	78,181											
47	911	Miscellaneous Customer Accounts Expense	0											
		Total Cust. Service and Informational Exp.	\$1,183,469	\$0	\$0	\$0	\$3,910	\$0	\$0	\$0	\$0	\$0	\$0	\$0
48	912	Sales and Advertising Expense												
49	913	Supervision	\$0											
50	914	Demonstrating and Selling Expenses	1,021,699				6,117							
51	915	Advertising Expenses	4,813											
52	916	Miscellaneous Sales Expenses	1,648											
		Total Sales and Advertising Expenses	\$1,028,160	\$0	\$0	\$0	\$6,117	\$0	\$0	\$0	\$0	\$0	\$0	\$0
53	920	Administrative and General Expense												
54	921	Administrative and General Salaries	\$5,986,018				\$102,272							
55	922	Office Supplies and Expenses	11,539,456				388							
56	923	Administrative Expenses Transferred	(822,286)				0							
57	924	Outside Services Employed	8,677,170											
58	925	Property Insurance	24,300											
59	926	Injuries and Damages	1,414,953											
60	927	Employee Pensions and Benefits	18,375,933				(160)	6,018,840		7,059				
61	928	Franchise Requirements	0							1,280,730				
62	930	Regulatory Commission Expense	2,584,881											
63	931	Miscellaneous General Expenses	2,158,307											
64	932	Rents	1,022,728											
65	933	Maintenance of General Plant	1,635,884											
		Total Administration and General Expense	\$51,904,046	\$0	\$0	\$0	\$102,480	\$6,018,840	\$0	\$1,287,789	\$6,990,284	\$0	\$0	\$0
66	934	Total O & M Expense	\$604,803,213	\$0	\$0	\$5,502,619,530	\$1,324,955	\$6,018,840	\$0	\$1,287,789	\$6,990,284	\$1,977,519	\$0	\$0
67	403	Depreciation	\$25,018,077											
68	404, 405	Amortization	1,953,194											
69	431	Interest on Customer Deposits	161,519											
70	408	Payroll Taxes (1****)	2,238,216											
71	408	Property Taxes (2****)	6,985,658											
72	408	Gross Receipts Tax (3000 + 4000)	44,238,774											
73	408	Other Taxes (41****)	300,036											
74	408	Taxes Other Than Income	\$53,767,684	\$0	\$0	\$44,238,774	\$0	\$0	\$290,576	\$0	\$0	\$0	\$0	\$0
75		TOTAL EXPENSES	\$685,686,687	\$0	\$0	\$5,546,873,304	\$1,324,955	\$6,018,840	\$290,576	\$1,287,789	\$6,990,284	\$1,977,519	\$0	\$0
76		OPERATING INCOME BEFORE INCOME TAX	\$52,902,688	\$547,272,040	\$4,506,630	\$546,873,304	\$1,324,955	\$6,018,840	\$290,576	\$1,287,789	\$6,990,284	\$1,977,519	\$0	\$0
77	409, 410	Income Taxes	22,022,840											
78		NET OPERATING INCOME	\$30,879,848	\$547,272,040	\$4,506,630	\$546,873,304	\$1,324,955	\$6,018,840	\$290,576	\$1,287,789	\$6,990,284	\$1,977,519	\$0	\$0

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

## MISSOURI GAS ENERGY

Twelve Months Ending December 31, 2008 Updated through April 30, 2009  
A Division of Southern Union Company

## Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Total Year Per Bids	Depreciation Expense	Amortization Expense	TIME Clearing	Property Tax	Postage Increase	Office & Computer Lease Expense	Including Compensation & Bonus	Customer Collection Costs	Remove Non-utility Activities	Weather & Conservation	Income Tax Adjustment	Total Adjustments
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
OPERATING REVENUE															
1	480	Residential	505,927,343.49												(\$375,562,782)
2	481.1	Commercial	206,472,781.08												(170,364,219)
3	481.2	Industrial	8,794,246.37												(6,678,667)
4	485	Sales for Retail	0												0
5	487	Late Payment Charges	445,846												(194,320)
6	488	Miscellaneous Service Revenue	4,383,638												0
7	489	Transport	10,950,874												2,485,838
8	493	Rent From Property	0												0
9	493	Other Gas Revenue	1,625,648												0
10		Total Operating Revenue	\$739,601,373	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,471,721)
															(\$551,795,670)
OPERATING & MAINTENANCE EXPENSE															
Operation Expense															
11	805	Other Gas Purchases	\$522,616,530												(\$502,616,530)
12	807	Purchased Gas Expense	0												0
13	859	Other Joint Expense	0												0
14	870	Operation, Supervision and Engineering	687,941			(6,820)				(15,816)					(15,381)
15	871	Distribution and Load Dispatching	27,353			(390)				(674)					411
16	872	Compressor Station Labor and Expense	0			0				0					0
17	874	Mains and Service Expenses	3,115,877			(5,745)				(13,325)					10,582
18	875	Distributing Regulating Station Expenses	813,434			(5,388)				(17,497)					13,698
19	876	Measuring and Regulating - Station Expenses	(3,349)			0				0					415
20	877	Measuring and Regulating - Station Expenses	9,159			(84)				(82)					(740)
21	878	Meter and House Regulator Expenses	8,422,653			(46,586)				(108,048)					112,087
22	879	Customer Installation Expenses	3,143,840			(24,119)				(55,840)					2,473
23	880	Other Expenses	(867,405)			(15,053)				(54,870)					10,378
24	881	Rents	188,378									(3,589)			0
25		Total Operation Expense	\$516,160,009	\$0	\$0	(\$104,019)	\$0	\$0	\$0	(\$281,251)	\$0	\$0	\$0	\$0	(\$502,415,456)
Maintenance Expense															
26	885	Maintenance Supervision and Engineering	\$1,216,208			(\$12,619)				(329,267)					(\$3,892)
27	886	Maintenance of Structures and Improvements	113,741			(719)				(1,669)					1,860
28	887	Maintenance of Mains	9,609,573			(58,868)				(196,765)					113,037
29	888	Maint. of Measuring and Reg. Stat Equip - General	699,627			(4,188)				(9,714)					8,779
30	890	Maint. of Measuring and Regulating Equipment	251,595			(1,555)				(3,677)					1,083
31	891	Maint. of Measuring and Regulating Equipment	25,916			(115)				(269)					787
32	892	Maintenance of Services	935,672			(5,847)				(13,560)					6,793
33	893	Maintenance of Meters and House Regulators	329,361			(2,302)				(5,339)					5,074
34	894	Maintenance of Other Equipment	172,657			(609)				(849)					1,619
35		Total Maintenance Expenses	\$13,354,348	\$0	\$0	(\$88,722)	\$0	\$0	\$0	(\$201,134)	\$0	\$0	\$0	\$0	\$135,138
		Total Distribution Expense	\$529,514,357	\$0	\$0	(\$190,741)	\$0	\$0	\$0	(\$442,386)	\$0	(\$3,589)	\$0	\$0	(\$502,350,319)
Customer Accounts Expense															
37	901	Supervision	\$282,744			(2,616)				(96,067)					(\$13,008)
38	902	Meter Reading Expense	943,699			(7,116)				(16,505)					18,622
39	903	Customer Records and Collection Expense	12,057,000			(61,527)		104,736		(142,699)		800,382			966,083
40	904	Uncollectible Accounts	7,866,916			0									1,977,519
41	905	Miscellaneous Customer Accounts Expense	43,721			0									(207)
42		Total Customer Accounts Expenses	\$21,173,183	\$0	\$0	(\$71,259)	\$0	\$104,736	\$0	(\$185,270)	\$800,382	(\$7,269)	\$0	\$0	\$2,048,971

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2008 Updated through April 30, 2009  
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	Weather & Conservation	Income Tax Adjustment	Total Adjustments
		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
43	907	Customer Service and Informational Expense														
44	908	Supervision	\$0												\$0	\$0
45	909	Customer Assistance	1,105,288												(1,805)	(1,805)
46	910	Informational and Instructional Advertising Exp.	78,181			(1,722)									0	0
47		Miscellaneous Customer Accounts Expense	0												0	0
		Total Cust. Service and Informational Exp.	\$1,183,469	\$0	\$0	(\$1,722)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,805)
48		Sales and Advertising Expense														
49	911	Supervision	\$0												\$0	\$0
50	912	Demonstrating and Selling Expenses	1,021,609												(3,404)	(3,404)
51	913	Advertising Expenses	4,813			(2,750)									(4,793)	(4,793)
52	916	Miscellaneous Sales Expenses	1,648												0	0
		Total Sales and Advertising Expenses	\$1,028,158	\$0	\$0	(\$2,750)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$8,197)
53	920	Administrative and General Expense														
54	921	Administrative and General Salaries	\$8,990,018													
55	922	Office Supplies and Expenses	11,539,458			(58,430)										
56	923	Administrative Expenses Transferred	(525,286)			(80)										
57	924	Outside Services Employed	8,677,170						140,223							
58	925	Property Insurance	24,300													
59	926	Injuries and Damages	1,414,833			(33)										
60	927	Employee Pension and Benefits	16,375,933													
61	928	Franchise Requirements	0													
62	929	Regulatory Commitment Expenses	2,584,881													
63	931	Miscellaneous General Expenses	2,158,307													
64	932	Rents	1,022,728													
65		Maintenance of General Plant	1,635,884						(262,544)							
		Total Administration and General Expense	\$51,804,048	\$0	\$0	(\$58,543)	\$0	\$0	(\$122,321)	\$0	\$0	\$0	\$0	\$0	\$0	(\$58,543)
66		Total O & M Expense	\$594,803,213	\$0	\$0	(\$325,015)	\$0	\$104,736	(\$122,321)	(\$753,804)	\$800,882	\$2,881,899	\$0	\$0	\$0	(\$502,888,087)
67	403	Depreciation	\$25,016,077	\$1,206,290												\$1,206,290
68	404, 405	Amortization	1,953,194		1,511,020											1,511,020
69	431	Interest on Customer Deposits	161,519													
70	408	Payroll Taxes (****)	2,238,218													
71	408	Property Taxes (****)	6,985,659													
72	408	Gross Receipts Tax (3000 + 4000)	44,258,774													
73	408	Other Taxes (41**)	300,038													
74	408	Taxes Other Than Income	\$53,782,694	\$0	\$0	\$0	\$265,911	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,994
		TOTAL EXPENSES	\$685,689,697	\$1,206,290	\$1,511,020	(\$325,015)	\$265,911	\$104,736	(\$122,321)	(\$753,804)	\$800,882	\$2,881,899	\$0	\$0	\$0	(\$43,702,287)
75		OPERATING INCOME BEFORE INCOME TAX	\$22,902,686	(\$1,206,290)	(\$1,511,020)	\$325,015	(\$265,911)	(\$104,736)	\$122,321	\$753,804	(\$800,882)	(\$2,881,899)	\$0	\$0	\$0	(\$7,810,676)
76		Income Taxes	22,022,840													
77	409, 410	Income Taxes														
78		NET OPERATING INCOME	\$30,879,846	(\$1,206,290)	(\$1,511,020)	\$325,015	(\$265,911)	(\$104,736)	\$122,321	\$753,804	(\$800,882)	(\$2,881,899)	\$0	\$0	\$0	(\$11,781,676)
		NET OPERATING INCOME	\$30,879,846	(\$1,206,290)	(\$1,511,020)	\$325,015	(\$265,911)	(\$104,736)	\$122,321	\$753,804	(\$800,882)	(\$2,881,899)	\$0	\$0	\$0	(\$11,781,676)

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

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2008 Updated through April 30, 2009  
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct. No.	Description	Test Year Per Books (c)	Test Year As Adjusted (aa)
		(b)	(c)	(aa)
		OPERATING REVENUE		
1	480	Residential	505,927,343.49	\$130,244,562
2	481.1	Commercial	206,472,781.08	36,108,562
3	481.2	Industrial	8,794,246.37	2,115,579
4	483	Sales for Resale	0	0
5	487	Late Payment Charges	445,846	250,826
6	488	Miscellaneous Service Revenue	4,383,636	4,383,636
7	489	Transport	10,950,874	13,444,512
8	493	Rent From Property	0	0
9	495	Other Gas Revenue	1,629,646	154,925
10		Total Operating Revenue	\$728,601,373	\$186,802,702
		OPERATING & MAINTENANCE EXPENSE		
		Operation Expense		
11	805	Other Gas Purchases	\$502,616,630	\$0
12	807	Purchased Gas Expense	0	0
13	859	Other Joint Expense	0	0
14	870	Operation, Supervision and Engineering	667,941	679,660
15	871	Distribution and Load Dispatching	27,353	27,764
16	872	Compressor Station Labor and Expense	0	0
17	874	Mains and Service Expenses	3,113,677	3,124,259
18	875	Distributing Regulating Station Expenses	813,434	827,332
19	876	Measuring and Regulating - Station Expenses	(3,349)	(2,894)
20	877	Measuring and Regulating - Station Expenses	9,159	8,419
21	878	Meter and House Regulator Expenses	6,422,653	6,534,660
22	879	Customer Installation Expenses	3,143,640	3,146,113
23	890	Other Expenses	(867,405)	(857,027)
24	881	Rents	186,376	196,376
25		Total Operation Expense	\$516,160,009	\$13,674,553
		Maintenance Expense		
26	885	Maintenance Supervision and Engineering	\$1,216,206	\$1,212,514
27	886	Maintenance of Structures and Improvements	113,741	115,401
28	887	Maintenance of Mains	9,609,573	9,722,610
29	889	Maint. of Measuring and Reg. Stat Equip - General	699,527	708,403
30	890	Maint. of Measuring and Regulating Equipment	251,595	252,678
31	891	Maint. of Measuring and Regulating Equipment	25,916	26,703
32	892	Maintenance of Services	935,672	942,465
33	893	Maintenance of Meters and House Regulators	329,361	334,455
34	894	Maintenance of Other Equipment	172,657	174,276
35		Total Maintenance Expenses	\$13,354,348	\$13,489,466
36		Total Distribution Expense	\$529,514,357	\$27,164,036
		Customer Accounts Expense		
37	901	Supervision	\$362,744	\$249,758
38	902	Meter Reading Expense	943,669	962,321
39	903	Customer Records and Collection Expense	12,957,003	13,023,066
40	904	Uncollected Accounts	7,866,016	9,843,535
41	905	Miscellaneous Customer Accounts Expense	43,721	43,424
42		Total Customer Accounts Expenses	\$21,173,153	\$24,122,104



MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2008 Updated through April 30, 2009  
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct. No.	Description	(b)	Test Year Per Books (c)	Test Year As Adjusted (aa)
43	907	Customer Service and Informational Expense			
44	908	Supervision	\$0	\$0	\$0
45	909	Customer Assistance	1,105,288	1,105,483	1,105,483
46	910	Informational and Instructional Advertising Exp.	78,181	78,181	78,181
47		Miscellaneous Customer Accounts Expense	0	0	0
		Total Cust. Service and Information Exp.	\$1,183,469	\$1,183,664	\$1,183,664
48	911	Sales and Advertising Expense			
49	912	Supervision	\$0	\$0	\$0
50	913	Demonstrating and Selling Expenses	1,021,699	1,018,295	1,018,295
51	916	Advertising Expenses	4,813	23	23
52		Miscellaneous Sales Expenses	1,646	1,846	1,846
		Total Sales and Advertising Expenses	\$1,028,158	\$1,019,964	\$1,019,964
53	920	Administrative and General Expense			
54	921	Administrative and General Salaries	\$6,996,018	\$6,872,991	\$6,872,991
55	922	Office Supplies and Expenses	11,539,458	11,502,377	11,502,377
56	923	Administrative Expenses Transferred	(525,266)	(525,266)	(525,266)
57	924	Outside Services Employed	8,677,170	(980,823)	(980,823)
58	925	Property Insurance	24,300	31,359	31,359
59	926	Injuries and Damages	1,414,653	2,693,747	2,693,747
60	927	Employee Pensions and Benefits	18,375,933	22,384,773	22,384,773
61	928	Franchise Recruitments	0	0	0
62	929	Regulatory Commission Expense	2,594,881	1,771,826	1,771,826
63	931	Miscellaneous General Expenses	2,159,307	2,080,328	2,080,328
64	932	Rents	1,022,728	780,184	780,184
65		Maintenance of General Plant	1,635,884	1,635,884	1,635,884
		Total Administration and General Expense	\$51,904,046	\$48,327,358	\$48,327,358
66		Total O & M Expense	\$54,833,213	\$101,815,126	\$101,815,126
67	403	Depreciation	\$25,018,077	\$26,224,367	\$26,224,367
68	404, 405	Amortization	1,953,194	\$3,484,214	\$3,484,214
69	431	Interest on Customer Deposits	181,519	146,591	146,591
70	408	Payroll Taxes (1111)	2,258,216	2,528,792	2,528,792
71	408	Property Taxes (2111)	6,965,858	7,148,575	7,148,575
72	408	Gross Receipts Tax (3300 + 4000)	44,258,774	0	0
73	408	Other Taxes (4111)	340,036	346,030	346,030
74	408	Taxes Other Than Income	\$53,762,884	\$10,065,931	\$10,065,931
75		TOTAL EXPENSES	\$695,698,657	\$141,710,696	\$141,710,696
76		OPERATING INCOME BEFORE INCOME TAX	\$52,902,886	\$45,092,007	\$45,092,007
77	409,410	Income Taxes	22,022,840	10,241,164	10,241,164
78		NET OPERATING INCOME	\$30,878,846	\$34,850,843	\$34,850,843

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

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Test Year Ending December 31, 2008 Updated through April 30, 2009

**Test Year Margin Revenue**

Line		Main Account/Revenue Class				
		480	481.1	481.2	483, 489	
No.	Description	21	22 & 23	25	28, 38	487, 488, 493, 495
	(a)	(b)	(c)	(d)	(e)	(f)
1	Total Revenue per Book	505,927,343	206,472,781	8,794,246	10,950,874	6,456,128
2	Less: GRT Revenue, Unbilled Revenue, PGA Revenue, and Miscellaneous Adjustments	(375,824,194)	(163,281,754)	(6,387,030)	(112,422)	(1,666,642)
3	Test Year Margin 12/31/08	130,103,150	43,191,027	2,407,216	10,838,452	4,789,486
						191,329,331

MISSOURI GAS ENERGY  
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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 21 (b)	481.1 22 & 23 (c)	481.2 25 (d)	489, 483 38, 28 (e)	487, 488, 493, 495 (f)	
1	Test Year Margin	\$130,103,150	\$43,191,027	\$2,407,216	\$10,838,452	\$4,789,486	\$191,329,331
2	Weather Normalize	0	(1,059,711)	(81,332)	(36,477)	0	(1,177,520)
3	Customer Growth Annualization	241,412	(6,022,754)	(210,305)	2,642,537	0	(3,349,110)
4	Total Adjustments	241,412	(7,082,465)	(291,637)	2,606,060	0	(4,526,630)
5	As Adjusted Test Year Margin 4/30/09	\$130,344,562	\$36,108,562	\$2,115,579	\$13,444,512	\$4,789,486	\$186,802,701

**MISSOURI GAS ENERGY**  
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**Remove Purchase Gas Costs and Gross Receipts Tax**

Line No.	Description (a)	Amount (b)
1	Purchase Gas Costs (Acct. 805)	(\$502,616,530)
2	Gross Receipts Tax (Acct. 4081)	(44,258,774)
3	Total Adjustment	<u>(\$546,875,304)</u>

**MISSOURI GAS ENERGY**  
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Test Year Ending December 31, 2008 Updated through April 30, 2009

**Payroll Adjustment**

Line No.	Main Acct.	Proforma Payroll Expense	Payroll Expense Per Book	Adjustment to Test Year
	(a)	(b)	(c)	(d)
1	870	\$673,771	\$669,514	\$4,257
2	871	\$28,695	27,320	1,375
3	872	\$0	0	0
4	874	\$567,559	537,907	29,652
5	875	\$532,303	500,520	31,783
6	876	\$0	(415)	415
7	877	\$3,511	4,133	(622)
8	878	\$4,602,245	4,335,576	266,669
9	879	\$2,382,767	2,300,235	82,532
10	880	\$1,485,274	1,421,393	63,881
11	885	\$1,246,622	1,208,428	38,194
12	886	\$71,032	66,985	4,047
13	887	\$5,825,508	5,516,738	308,770
14	889	\$413,755	391,077	22,678
15	890	\$153,636	147,391	6,245.00
16	891	\$11,345	10,177	1,168
17	892	\$577,603	551,403	26,200
18	893	\$227,394	214,679	12,715
19	894	\$40,425	37,448	2,977
20	901	\$258,421	262,744	(4,323)
21	902	\$703,012	660,769	42,243
22	903	\$6,078,268	5,806,424	271,844
23	905	\$0	252	(252)
24	908	\$170,072	166,162	3,910
25	911	\$0	0	0
26	912	\$271,673	265,556	6,117
27	920	\$5,772,310	5,670,038	102,272
28	921	\$7,891	7,503	388
29	923	\$0	0	0
30	925	\$3,247	3,427	(180)
31	932	\$0	0	0
32	Total	\$32,108,339	\$30,783,384	\$1,324,955

**MISSOURI GAS ENERGY**  
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**Employee Benefits**

Line No.	Description (a)	Amount (b)	Amount (c)
1	Pension	\$10,000,000	
2	Retirement Power	522,312	
3	Life & AD&D Insurance	113,635	
4	Long Term Disability Insurance	230,338	
5	Medical / Dental Benefit	7,575,150	
6	FAS 106 - Accrual	880,091	
7	FAS 106 - Amortization of	2,664,792	
8	401K	1,407,132	
9	Other Misc Benefits	54,202	
10	Prepaid Pension Amort - GR-2006-0422	803,300	
11	Prepaid Pension Amort - GR-2009-0355	2,828,673	
12	Total Proforma Benefits	\$27,079,625	
13	Payroll Expense Ratio	0.7849246	
14		<u>21,255,463</u>	
15	Add amortization of prepaid pensions - GR-2004-0209	<u>1,139,310</u>	
16	Proforma Benefits Expense	<u>\$22,394,773</u>	
17	Less Test Year Benefits Expense	<u>(\$16,375,933)</u>	
18	Adjustment to Test Year Expense - Acct. 926		<u>\$6,018,840</u>

**MISSOURI GAS ENERGY**  
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**Payroll Taxes**

Line No.	Description (a)	Amount (b)
1	Total Proforma Payroll Taxes	\$3,201,483
2	Payroll Taxes on Incentive Compensation Adjustment	\$20,217
3	Total Proforma Payroll Taxes	\$3,221,700
4	Payroll Expense Ratio	0.784924598
5	Proforma Payroll Tax Expense	<u>\$2,528,792</u>
6	Less Test Year Payroll Tax Expense	<u>(2,238,216)</u>
7	Adjustment to Test Year Expense - Acct. 4081	<u><u>290,576.21</u></u>

**MISSOURI GAS ENERGY**  
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**Insurance / Injuries & Damages**

Line No.	Description	2006	2007	2008	3 Year Avg.	925 Amount	924 Amount	Total Amount
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	MGE Claims:							
1	Workers Compensation claims paid	\$1,204,067	\$1,442,108	\$922,561	\$1,189,578			
2	Auto & General Liability	1,079,868	786,569	355,624	740,687			
3	Total Proforma Claims	<u>\$2,283,935</u>	<u>\$2,228,677</u>	<u>\$1,278,185</u>	<u>\$1,930,265</u>	\$1,930,265		\$1,930,265
4	Other costs not related to claims or premiums					\$87,088		
5	Insurance Premiums - 924						\$31,358.50	31,359
6	Insurance Premiums - 925					<u>\$1,416,586.16</u>		<u>1,416,586</u>
7	Total Proforma Insurance Cost					\$3,433,939	\$31,359	\$3,378,210
8	Test Year Payroll Expense Ratio					0.784925	1.000000	
9	Proforma Insurance Expense					<u>\$2,695,383</u>	<u>\$31,359</u>	<u>\$2,726,742</u>
10	Less Test Year Insurance Expense					(1,414,653)	(24,300)	(1,438,953)
11	Adjustment to Test Year - Accts. 924 and 925					<u>\$1,280,730</u>	<u>\$7,059</u>	<u>\$1,287,789</u>



**MISSOURI GAS ENERGY**  
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**Corporate Allocation**

Line No.	Description (a)	Amount (b)
1	Proforma Joint and Common Costs	\$5,087,099
2	Expense Capital Ratio	<u>71.6033%</u>
3	Proforma Joint and Common Expense	<u>\$3,642,533</u>
4	Less Test Year Expense Recorded on MGE's Books	<u>10,632,817</u>
5	Adjustment to Test Year - Acct. 923	<u><u>(\$6,990,284)</u></u>

**MISSOURI GAS ENERGY**  
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**Uncollectible Expense**

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Twelve Months Ended April 30, 2007	\$9,698,429	
2	Twelve Months Ended April 30, 2008	\$9,054,015	
3	Twelve Months Ended April 30, 2009	\$10,778,160	
4	Three Year Average		\$9,843,535
5	Less Test Year Uncollectible Expense		(7,866,016)
6	Adjustment to Test Year - Acct. 904		<u>\$1,977,519</u>

**MISSOURI GAS ENERGY**  
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Test Year Ending December 31, 2008 Updated through April 30, 2009

**Regulatory Commission Expense**

Line No.	Description (a)	Amount (b)	Amount (c)
1	Estimate of current rate case expense	<u>\$217,147</u>	
2	Annual Amortization (3 years)		\$72,382
3	Normalized level of expense for depreciation study		\$6,878
4	NARUC Assessment		5,018
5	Other Regulatory Commission Expenses		201,815
6	Estimated MPSC Assessment - fiscal 7/1/09-6/30/10		<u>1,485,732</u>
7	Total Proforma Regulatory Commission Expense		\$1,771,826
8	Less Test Year Regulatory Commission Expense		(2,584,881)
9	Adjustment to Test Year - Acct. 928		<u>(\$813,055)</u>

**MISSOURI GAS ENERGY**  
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**Interest on Customer Deposits**

Line No.	Description (a)	Reference (b)	Residential (c)	Commercial & Industrial (d)	Amount (e)
1	Customer Deposits	B-2	\$753,023	\$3,819,602	\$4,572,625
2	Interest Rate		4.25%	3.00%	
3	Proforma Interest on Customer Deposits		<u>\$32,003</u>	<u>\$114,588</u>	<u>\$146,591</u>
4	Less Test Year Interest on Customer Deposits				<u>(161,519)</u>
5	Adjustment to Test Year - Acct. 431				<u><u>(\$14,928)</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Test Year Ending December 31, 2008 Updated through April 30, 2009  
Depreciation Expense

Line No.	Description (a)	Amount (b)	Current Depreciation Rate (c)	Annualized Depreciation (d)	Proposed Rate (e)	Profirma Total Depreciation (f)	Less Dep. Capitalized To Clearing Accts. (g)	Profirma Depreciation Expense (h)
<b>INTANGIBLE PLANT</b>								
1	(301) Organization	\$15,600	0.00%	\$0	0.00%	\$0	\$0	\$0
2	(302) Franchises	13,823	0.06%	0	0.00%	0	0	0
3	(303) Miscellaneous Intangible	30,041,805	(see adj. H-13)	0	(see adj. H-13)	0	0	0
4	Total Intangible Plant	\$30,071,028		\$0		\$0	\$0	\$0
<b>DISTRIBUTION PLANT</b>								
5	(374.1) Land	\$150,810	0.00%	\$0	0.00%	\$0	\$0	\$0
6	(374.2) Land Rights	2,181,312	2.08%	45,589	0.00%	0	0	0
7	(375.1) Structures	8,583,960	1.49%	127,901	1.49%	127,901	0	127,901
8	(375.2) Leasehold Improvements	0	(see adj. H-13)	0	(see adj. H-13)	0	0	0
9	(376) Halls & Mains - Cast Iron	382,811,425	2.16%	8,268,727	2.16%	8,268,727	0	8,268,727
10	(376) Mains & Reg. Station - General	12,968,768	2.86%	353,747	2.86%	353,747	0	353,747
11	(376) Mains & Reg. Station - City Gate	3,411,645	0.02	72,688	2.13%	72,688	0	72,688
12	(380) Services	316,610,835	3.13%	9,905,919	3.13%	9,905,919	0	9,905,919
13	(381) Meters	32,656,905	2.89%	943,842	2.89%	943,842	0	943,842
14	(382) Meter Installations	77,160,334	2.86%	2,206,786	2.86%	2,206,786	0	2,206,786
15	(383) House Regulators	12,733,549	2.44%	310,699	2.44%	310,699	0	310,699
16	(385) Electronic Gas Metering	390,063	3.33%	13,009	3.33%	13,009	0	13,009
17	(387) Other Equipment	0	4.60%	0	6.25%	0	0	0
18	Total Distribution Plant	\$849,092,005		\$22,252,887		\$22,207,298	\$0	\$22,207,298
<b>GENERAL PLANT - DIRECT</b>								
19	(399) Land	\$1,104,164	0.00%	\$0	0.00%	\$0	\$0	\$0
20	(390.1) Structures	727,399	2.00%	14,548	2.00%	14,548	0	14,548
21	(390.2) Leasehold Impr.	1,894,544	(see adj. H-13)	0	(see adj. H-13)	0	0	0
22	(397) Furniture & Fixtures	8,118,234	8.06%	654,168	8.06%	654,168	0	654,168
23	(392.1) Transportation Eq. - Cars and Small Trucks	1,505,855	7.83%	117,808	13.33%	200,730	0	200,730
24	(392.2) Transportation Eq. - Heavy Trucks	6,478,732	7.83%	507,285	7.83%	507,285	0	507,285
25	(393) Stores Equipment	873,285	2.70%	18,178	2.70%	18,178	0	18,178
26	(394) Tools	5,477,617	5.30%	290,314	8.30%	290,314	0	290,314
27	(395) Laboratory Equipment	0	6.00%	0	6.00%	0	0	0
28	(396) Power Operated Equipment	1,769,239	6.25%	109,932	6.25%	109,932	0	109,932
29	(397.1) Communication Equipment - AMR	38,190,850	5.00%	1,909,543	5.00%	1,909,543	0	1,909,543
30	(397.0) Communication Equipment - Other	3,880,049	6.25%	240,628	6.25%	240,628	0	240,628
31	(398) Miscellaneous Equipment	468,342	3.85%	18,031	3.85%	18,031	0	18,031
32	Total Direct General Plant	\$70,236,290		\$3,860,555		\$3,963,377	\$0	\$3,963,377
<b>GENERAL PLANT - CORPORATE</b>								
33	(990) Structures	\$0		\$0		\$0	\$0	\$0
34	(990) Leasehold Impr.	3,163	2.50%	79	0.00%	\$0	0	0
35	(991) Furniture & Fixtures	868,151	11.69%	77,873	8.06%	\$53,692	0	\$53,692
36	(992) Transportation Equipment	0	-	0		\$0	0	0
37	(997) Communication Equipment	0	0	0	0	0	0	0
38	(998) Miscellaneous Equipment	0		0		0	0	0
39	Total Corporate General Plant	\$868,151		\$77,952		\$53,692	\$0	\$53,692
40	Total Profirma Plant & Depreciation	\$950,038,638		\$28,213,394		\$28,224,387	\$0	\$28,224,387
41	Less Depreciation clearing							
42	Less Test Year Depreciation Expense							(\$25,018,077)
43	Adjustment to Test Year - Acct. 403							\$1,208,290

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**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	1,884,544	11,963	143,559
3	Sub Total	1,884,544	11,963	143,559
4	(303) Misc. Intangible - Work Force Automation (1000)	\$3,785,364 x	21,024	\$252,287
5	(303) Misc. Intangible - ADP Software	311,930 x	3,670	44,037
6	(303) Misc. Intangible - Corrosion Control Mgmt System (4000)	1,117,800 x	0	0
7	(303) Misc. Intangible - Landbase Digitized Mapping (4500)	1,701,543 x	0	0
8	(303) Misc. Intangible - Premise Data System (5000)	985,196 x	0	0
9	(303) Misc. Intangible - AMR Project - Programming (5500)	472,455 x	2,784	33,408
10	(303) Misc. Intangible - Facility Priority Index (6000)	894,785 x	0	0
11	(303) Misc. Intangible - Geographic Information System (6500)	1,008,719 x	0	0
12	(303) Misc. Intangible - Customer Service System (7000)	3,786,000 x	0	0
13	(303) Misc. Intangible - CSS Enhancements (7100)	7,884,021 x	65,784	789,402
14	(303) Misc. Intangible - Mainframe Software (7200)	3,705,793 x	30,218	362,611
15	(303) Misc. Intangible - Website (7600)	485,944 x	4,051	48,615
16	(303) Misc. Intangible - Stoner Low Pressure/Intermediate Model (8000)	279,672 x	0	0
17	(303) Misc. Intangible - BASIC (8500)	294,516 x	0	0
18	(303) Misc. Intangible - TCS System (9000)	169,193 x	1,592	19,106
19	(303) Misc. Intangible - GEO Tax Software (9500)	79,294 x	661	7,929
20	(303) Misc. Intangible - Oracle Software	2,415,660 x	20,117	241,409
21	(303) Misc. Intangible - Power Plant Software	187,288 x	1,561	18,729
22	(303) Misc. Intangible - Virtual Hold Call Center	196,670 x	1,681	19,928
23	(303) Misc. Intangible - Witness Software (9800)	251,851 x	2,684	31,972
24	Sub Total - Acct. 303	30,041,604	155,786	1,869,433
<u>Amortization of Infinkum Software:</u>			Mo Amort Amt	
25	Unamortized balance of replaced software	999,954	16,666	199,992
<u>SLRP Amortization:</u>			Amort Period	
26	SLRP Deferrals Subject to Amortization	10,811,775	10	1,081,178
<u>Cost of Removal Amortization</u>			Mo Amort Amt	
27	Net Cost of Removal Balance	277,126	14,171	170,052
29	Pro-Forma Amortization Expense			\$3,464,214
30	Less Test Year Amortization Expense			(1,953,184)
31	Adjustment to Test Year - Accts. 404 and 405			1,611,020

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**Transportation and Work Equipment Clearing**

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Total per books depreciation cleared				(451,816)
2	Total proforma depreciation subject to clearing adjusted for fleet costs				735,148
3	Elimination of fleet lease expense				(697,399)
4	Total adjustment to fleet related costs				<u>(414,069)</u>

Spread Clearing to Main Accounts based on Test Year Clearing:

	Main Acct.	Percentage	Amount
5	8700	1.65%	(8,820)
6	8740	0.07%	(290)
7	8720	0.00%	0
8	8740	1.39%	(5,745)
9	8750	1.30%	(5,388)
10	8760	0.00%	0
11	8770	0.01%	(38)
12	8780	11.25%	(46,586)
13	8790	5.82%	(24,119)
14	8800	3.83%	(15,035)
15	8850	3.05%	(12,619)
16	8860	0.17%	(719)
17	8870	14.24%	(58,968)
18	8890	1.01%	(4,188)
19	8900	0.38%	(1,555)
20	8910	0.03%	(115)
21	8920	1.41%	(5,847)
22	8930	0.56%	(2,302)
23	8940	0.10%	(409)
24	9010	0.63%	(2,616)
25	9020	1.72%	(7,116)
26	9030	14.88%	(61,527)
27	9050	0.00%	0
28	9080	0.42%	(1,722)
29	9110	0.00%	0
30	9120	0.66%	(2,750)
31	9200	14.11%	(58,430)
32	9210	0.02%	(80)
33	9230	0.00%	0
34	9250	0.01%	(33)
35	9320	0.00%	0
36	<u>TOTAL EXPENSE</u>	<u>78.49%</u>	<u>(325,015)</u>
37	<u>TOTAL NON-EXPENSE</u>	<u>21.51%</u>	<u>(89,056)</u>
38	<u>TOTAL</u>	<u>100.00%</u>	<u>(\$414,071)</u>

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**Property Tax Expense**  
**Franchise and KC Earnings Tax Adjustment**

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
	Proforma Total Plant in Service excluding Corporate		
1	Allocated Plant	C	\$954,571,674
2	Less Intangible Plant	C	<u>(30,071,028)</u>
3	Proforma Plant, excluding Intangible Plant		\$924,500,647
4	Property tax rate		<u>0.77302%</u>
5	Proforma Property Tax Expense		\$7,146,575
6	Estimated Kansas Property Tax Expense		0
7	Less Test Year Property Tax Expense		<u>6,965,658</u>
8	Adjustment to Test Year - Acct. 4081		<u>\$180,917</u>
9	Accept Staff's Franchise and Earnings Tax adjustment		<u>\$84,994</u>



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**Postage Increase**

Line No.	Description (a)	Amount (b)
<u>Average Postage cost per Item</u>		
1	2008	\$ 0.3244
2	2009- with postage increase	\$ 0.3382
3	Average Increase in Postage Cost per Item	<u>\$ 0.0138</u>
4	Number of mail pieces in 2008	<u>7,589,568</u>
5	Total increase	<u>\$ 104,736</u>

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**Broadway Rent Expense**

Line No.	Description (a)	Amount (b)
	<b>OFFICE LEASE</b>	
1	Proforma Broadway rent - Rent	\$516,814
2	Proforma Broadway Taxes	119,030
3	Less: Proforma rent from subleases	<u>(437,570)</u>
4	Total proforma rent expense - Acct. 931	198,274
5	Actual rent expense - Acct. 931	<u>460,818</u>
6	Adjustment to Acct. 931	<u><u>(\$262,544)</u></u>
7	Net proforma Broadway building utility costs	\$230,854
8	Less: Actual Broadway building utility costs	<u>188,129</u>
9	Adjustment to Test Year - Acct. 921.00014	<u><u>\$42,725</u></u>
10	Net proforma Broadway supplies expense	\$34,942
11	Actual Broadway supplies expense	<u>25,387</u>
12	Adjustment to Test Year - Acct. 921.00017	<u><u>\$9,555</u></u>
13	Net proforma Broadway building maintenance expense	\$400,550
14	Actual Broadway building maintenance expense	<u>312,607</u>
15	Adjustment to Test Year - Acct. 9210.0014	<u><u>\$87,943</u></u>

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**Incentive Compensation and Bonuses**

Line No.	Description (a)	Incentive Compensation (b)	Holiday Bonuses (c)	Work Performance Bonuses (d)	Total (e)
1	2008 Incentive and Bonus Payments	\$1,275,200	\$51,215	\$8,550	\$1,334,965
2	Non Financial Based Incentives	<u>366,060</u>	<u>0</u>	<u>8,550</u>	<u>374,610</u>
3	Adjustment	<u>(\$909,140)</u>	<u>(\$51,215)</u>	<u>\$0</u>	<u>(960,355)</u>
4	Expense Ratio				<u>0.784924598</u>
5	Amount Charged to Expense				<u>(\$753,804)</u>

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**Customer Collection Costs**

Line No.	Description (a)	Total (b)
1	Number of credit card payments estimated	<u>228,852</u>
2	Fee per payment to credit card company	<u>\$3.50</u>
3	Total expense to Company	\$800,982
4	Per books	<u>0</u>
5	Adjustment	<u>\$800,982</u>

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**Other Expense Adjustments**

Line No.	Description (a)	Total (b)
1	Other expense adjustments	<u>(\$2,881,899)</u>
	A/C 880	(3,598.00)
	A/C 903	(7,253.00)
	A/C 905	(45.00)
	A/C 912	(393.00)
	A/C 913	(4,793.00)
	A/C 920	(31,353.00)
	A/C 921	(77,427.00)
	A/C 923	(2,677,708.86)
	A/C 925	(1,347.00)
	A/C 930	(77,981.00)
		(2,881,898.86)

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**Weatherization & Conservation**

Line No.	Description (a)	Amount (b)
1	Weatherization Program	\$750,000
2	Natural Gas Conservation	<u>750,000</u>
3	Total	1,500,000
4	Per Books	<u>1,500,000</u>
5	Adjustment	<u><u>\$0</u></u>