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Issue:

Gas Storage Inventory;
Pension Expense;
Legislative Activities;
Incentive Compensation;
Bad Debt Expense; Late
Payment Fee; Cost of
Removal/Salvage;
Capacity Release/Off-
system Sales; Low-income
Programs; Proposed
Reporting Requirements

Witness:

Michael R. Noack

Type of Exhibit:

Rebuttal Testimony

Sponsoring Party:

Missouri Gas Energy

Case No.:

GR-2004-0209

Date Filed:

May 24, 2004

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2004-0209

CORRECTED
REBUTTAL TESTIMONY

OF

MICHAEL R. NOACK

ON BEHALF OF MISSOURI GAS ENERGY

Jefferson City, Missouri

May 2004

**REBUTTAL TESTIMONY OF MICHAEL R. NOACK
ON BEHALF OF
MISSOURI GAS ENERGY**

INDEX TO TESTIMONY

	<u>Page Number</u>
1. MGE's Revenue Deficiency after Discussions held during the Prehearing Conference	3
2. True-up Procedure	4
3. Gas Storage Inventory	4
4. Pension Expense	10
5. Legislative Activities	13
6. Incentive Compensation	15
7. Bad Debt Expense	17
8. Late Payment Fee	23
9. Accounting for Cost of Removal/Salvage Expense in Excess of Rate Case Amount	25
10. Capacity Release/Off-system Sales	27
11. Low-income Programs	29
12. Proposed Reporting Requirements	33

**REBUTTAL TESTIMONY OF MICHAEL R. NOACK
ON BEHALF OF
MISSOURI GAS ENERGY**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Michael R. Noack. My business address is 3400 Broadway, Kansas City
3 Missouri, 64111.

4
5 **Q. DID YOU SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING BEFORE THE**
6 **MISSOURI PUBLIC SERVICE COMMISSION ("COMMISSION") ON BEHALF OF**
7 **THE MISSOURI GAS ENERGY ("MGE" OR "COMPANY") OPERATING**
8 **DIVISION OF SOUTHERN UNION COMPANY ("SOUTHERN UNION")?**

9 A. Yes I did.

10

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

12 A. In my rebuttal testimony I will:

- 13 1. Provide schedules showing the Company's revenue deficiency following changes
14 made as a result of the prehearing conference held from May 3 through 6, 2004;
15 2. Explain MGE's understanding concerning the agreed-upon true-up procedure to
16 be used in this case;
17 3. Rebut the direct testimony of Commission Staff ("Staff") witness Allee regarding
18 the rate base amount for gas storage inventory;

- 1 4. Rebut the direct testimony of Staff witness Hyneman regarding the accounting for
2 actual pension expense that may be incurred in the future in excess of the \$0
3 ERISA minimum being used for rate making purposes in this case;
- 4 5. Rebut the direct testimony of Staff witness Hyneman regarding rate recoverability
5 of certain internal payroll costs associated with individuals with responsibility for
6 legislative activities;
- 7 6. Rebut the direct testimony of Staff witnesses Eaves and Hyneman regarding rate
8 recoverability of financially-based incentive compensation;
- 9 7. Rebut the direct testimony of Staff witness Harrison regarding the appropriate
10 level of bad debt expense to be included in rates on a going forward basis;
- 11 8. Rebut the direct testimony of Staff witness Imhoff regarding the Staff proposal to
12 reduce MGE's late payment charge from the current level of 1.5% to the Staff's
13 proposed level of 0.5%;
- 14 9. Rebut the direct testimony of Staff witness Hyneman regarding accounting for
15 cost of removal/salvage expense in excess of the rate case amount;
- 16 10. Rebut the direct testimony of Staff witness Allee and Office of Public Counsel
17 ("Public Counsel") witness Busch proposing to include in the calculation of
18 distribution rates revenues associated with capacity release and off-system sales;
- 19 11. Rebut the direct testimony of Staff witness Ross, Public Counsel witness
20 Meisenheimer and City of Kansas City witness Jackson regarding a number of
21 low-income programs; and

1 12. Rebut the testimony of Staff witnesses Allee, Bernsen and Hyneman regarding
2 certain proposed reporting requirements.
3

4 **1. MGE'S Revenue Deficiency after Discussions held during the Prehearing Conference**

5 **Q. PLEASE DESCRIBE THE REVENUE DEFICIENCY SCHEDULES ATTACHED**
6 **TO YOUR REBUTTAL TESTIMONY.**

7 A. During the prehearing conference held from May 3 through May 6, 2004, a number of
8 discussions took place among the parties concerning the issues in this case. Many of
9 these discussions focused on differences between the revenue deficiency presented in
10 MGE's updated direct testimony (filed on January 30, 2004) and the revenue requirement
11 presentation of the Staff (filed on April 15, 2004). These discussions resulted in changes
12 to MGE's revenue deficiency calculation as well as changes to the calculation of Staff's
13 revenue requirement. Included in MGE's changes is MGE's adoption of the update
14 approach taken by the Staff; that is, the revenue requirement for the test year as filed by
15 MGE (twelve months ending June 30, 2003) is updated for known and measurable
16 changes occurring through December 31, 2003. MGE's depreciation expense is now
17 calculated on the basis of the rates recommended in the June 2000 Black & Veatch
18 Report, which was first provided to the Staff in June 2000, with the cost of
19 removal/salvage component removed. MGE's evidence now supports a revenue
20 deficiency of \$41,880,775, as shown in Rebuttal Schedule MRN-1.
21
22

1 **2. True-up Procedure**

2 **Q. DOES MGE CONTINUE TO RECOMMEND A TRUE-UP IN THIS CASE**
3 **THROUGH APRIL 30, 2004?**

4 A. Yes. The true-up was discussed among the parties during the prehearing conference and,
5 based on those discussions, I understand that both MGE and the Staff recommend a true-
6 up through April 30, 2004, covering the following items:

7 Capital structure and embedded cost of debt *
8 Gas prices used to compute the value of gas in storage
9 All other rate base components (excluding cash working capital expense and revenue
10 lags)
11 Revenue for customer growth
12 Payroll – Employee levels, current wages and benefits
13 Rate case expense
14 Depreciation and amortization expense
15 FAS 106 OPEB expense
16 Related income taxes
17 Bad debt expense
18 Medical expense
19

20 As I understand the true-up process, a party's methodology is not to change for the true-
21 up mechanism. I am not aware of any objections to the true up or the true up process
22 agreed to by MGE and the Staff.
23

24 **3. Gas Storage Inventory**

25 **Q. PLEASE DESCRIBE THIS ISSUE.**

26
27 A. This issue concerns the price of gas to be applied to agreed-upon volumes of gas storage
28 inventory for purposes of establishing an appropriate rate base amount for this item. The
29 Staff has used a price of \$4.59/MMBtu calculated on the basis of a three-year historical

1 average, while MGE has proposed a price of \$5.35/MMBtu calculated by reference to the
2 NYMEX forward strip, as of December 31, 2003, for the storage injection months of
3 April through October 2004. The Staff's price is unreasonable for reasons I will explain.
4

5 **Q. WHAT ARE THE AGREED-UPON VOLUMES?**

6 A. 10,464,628 MMBtu.
7

8 **Q. PLEASE EXPLAIN HOW GAS STORAGE INVENTORY VOLUMES AND**
9 **PRICE ARE USED IN THE RATE SETTING PROCESS IN THIS CASE?**

10 A. A reasonable price is multiplied by a number representing reasonable volumes to
11 measure the amount of money the Company has deployed for purposes of gas storage
12 inventory. This amount is then included in rate base.
13

14 **Q. IF AN UNREASONABLE GAS PRICE IS USED IN THIS CALCULATION,**
15 **WILL MGE BE HARMED?**

16 A. Yes. Using the unreasonably low price recommended by the Staff would cause MGE to
17 suffer an immediate earnings shortfall due to the fact that the amounts the Company
18 would necessarily incur for gas storage inventory would exceed the amount of such costs
19 recognized in rates. The table below indicates the magnitude of the difference in revenue
20 requirement between Staff and MGE on this issue.
21
22

1

2

		<u>Storage Volume</u>	<u>Price Per MMBtu</u>	<u>Rate Base Amount</u>
2.1	Staff Witness Allee	10,474,628	\$ 4.59	\$ 48,078,543
2.2	MGE	<u>10,474,628</u>	\$ 6.14	<u>\$ 64,318,406</u>
2.3	Rate Base Reduction using Staff's Method	<u>-</u>		<u>\$(16,239,863)</u>
2.4	Resulting Reduction in Revenue Requirement using Staff's Recommended Rate of Return		6.830%	<u>\$ (1,800,314)</u>
2.5	Resulting Reduction in Revenue Requirement using MGE's Recommended Rate of Return		9.354%	<u>\$ (2,465,614)</u>

3

4

5 **Q. HAS WITNESS ALLEE, OR ANY OTHER INDIVIDUAL OR INDIVIDUALS ON**
6 **THE STAFF, UNDERTAKEN ANY ANALYSIS TO ASCERTAIN WHETHER**
7 **THE FACTS AND CIRCUMSTANCES AFFECTING THE COST OF MGE'S**
8 **STORAGE INVENTORY IN EXISTENCE DURING THE THREE YEAR**
9 **PERIOD ENDING DECEMBER 31, 2003, ARE LIKELY TO BE REASONABLY**
10 **REFLECTIVE OF THE FACTS AND CIRCUMSTANCES TO BE IN**
11 **EXISTENCE ON AND AFTER OCTOBER 2, 2004, WHEN THE RATES FROM**
12 **THIS CASE ARE GOING TO BE IN EFFECT?**

13 **A. That was the exact question asked in MGE DR 0004 to witness Allee. Her response,**
14 **which is attached as Rebuttal Schedule MRN-2, indicated that she had evaluated the term**

1 of MGE's storage contracts, but had not done any analysis with respect to natural gas
2 prices on a forward-looking basis with the exception of monitoring the current prices.
3

4 **Q. WITNESS ALLEE'S RESPONSE MENTIONS THAT STAFF CONTINUES TO**
5 **MONITOR CURRENT NATURAL GAS PRICES. WAS ANY ADJUSTMENT**
6 **MADE BY STAFF TO GAS PRICES TO REFLECT CURRENT GAS PRICES?**

7 A. No. Only a historical average was used.

8
9 **Q. WHY IS THE \$4.59/MMBTU PRICE PROPOSED BY THE STAFF**
10 **UNREASONABLE?**

11 A. As shown in the rebuttal testimony of MGE witness John Hayes, natural gas is
12 unavailable at a price of \$4.59/MMBtu for the period April-October 2004. In fact, the
13 April strip settled at \$5.365/MMbtu, the May strip settled at \$5.935/Mmbtu and
14 according to market conditions as of April 30, 2004, the NYMEX strip for the June-
15 October 2004 time period is \$6.5404/MMBtu. Since gas prices are a recommended true-
16 up item, it is this price (\$6.5404/MMBtu), adjusted for a basis differential of between
17 \$.30 and \$.40/MMBtu, that MGE recommends for use in calculating an appropriate
18 allowance for gas storage inventory in the true-up of this case. That means
19 \$6.1404/MMBtu should be used in the calculation.
20

1 **Q. ARE THERE OTHER REASONABLE ALTERNATIVES TO USING THE JUNE-**
2 **OCTOBER 2004 NYMEX STRIP PRICES, AS OF APRIL 30, 2004, TO PRICE**
3 **THE STORAGE INVENTORY?**

4 A. Yes. It would also be reasonable to use a forward looking price calculated by averaging
5 the forward NYMEX strip for the 2004 and 2005 injection seasons or a forward looking
6 price calculated by averaging the forward NYMEX strip for the 2004, 2005 and 2006
7 injection seasons. As shown in the rebuttal testimony of MGE witness John Hayes, the
8 forward looking two-year average is \$6.1643/MMBtu while the forward looking three-
9 year average is \$5.8988/MMBtu. Both of these would also need to be reduced for the
10 basis differential, producing prices of \$5.7643 (two-year forward average) or \$5.4988
11 (three-year forward average).

12
13 **Q. ARE THERE METHODS OTHER THAN THE THREE-YEAR AVERAGE OF**
14 **HISTORICAL GAS COSTS AVAILABLE TO COMPUTE A VALUE OF THE**
15 **GAS STORED IN INVENTORY?**

16 A. Yes. Attached, as Rebuttal Schedule MRN-3 is a document supplied by witness Allee in
17 response to MGE data request number 0003 which asked for all written policies,
18 procedures or other documents relied upon in preparing her recommendation. The
19 document entitled "Natural Gas Storage Position Paper" lists ways in which the Staff
20 should compute a reasonable level of inventory in rate base. The first method listed is to
21 use a five-year average of actual injection prices in order to smooth out any abnormally
22 high or low gas prices that would otherwise be included in inventory. Depending on the

1 circumstances of the case, this method has sometimes been modified. The position paper
2 goes on to describe an alternative method:

3
4 "If the 5 year average does not represent a reasonable estimate of
5 injection prices, the more traditional 12 month ending approach
6 might be used."
7

8
9 **Q. DID STAFF TO YOUR KNOWLEDGE USE A MODIFIED METHOD OR USE**
10 **THE 12-MONTH APPROACH SINCE THE AVERAGE DOES NOT**
11 **REPRESENT AN ESTIMATE OF THE FUTURE?**

12 A. Staff used a three-year average instead of a five-year average of gas costs but did not to
13 my knowledge based on witness Allee's response to MGE DR 0004 explore the 12-
14 month ending approach.

15
16 **Q. WHAT IS MGE'S PROPOSAL?**

17 A. It is MGE's proposal to use the average NYMEX strip adjusted for any basis difference
18 to price the inventory. As an alternative, the Commission might look at the average price
19 of storage for the 12 months ending April 30, 2004 that was \$5.68/Mmbtu. The detail of
20 the \$5.68 is attached as Rebuttal Schedule MRN-4.
21
22
23

4. Pension Expense

Q. PLEASE DESCRIBE THIS ISSUE.

A. The Staff has recommended that the amount of pension expense to be included in MGE's revenue requirement should be based on ERISA minimum funding levels. This new Staff position represents a significant change from the methodology used, at the recommendation of the Staff, to calculate pension expense in prior MGE rate proceedings. MGE generally believes this new approach may be reasonable, so long as supplemental language—to be discussed later—is adopted. MGE is concerned, however, about the Staff's failure to follow a consistent approach for calculating pension expense from rate case to rate case.

Q. HOW WAS PENSION EXPENSE CALCULATED IN PRIOR MGE RATE PROCEEDINGS?

A. In prior proceedings a 5 year average was used, at the Staff's recommendation, for determining the unrecognized net gain/loss to be amortized over five years in calculating MGE's direct FAS 87 costs for financial reporting and rate making purposes. As a result of using that formula, the level of pension expense in the last case was a negative \$2,200,000.

Q. WHAT WOULD MGE'S PENSION EXPENSE BE ACCORDING TO THE CALCULATION METHODOLOGY USED IN PRIOR MGE RATE CASES?

A. Approximately \$3,950,000.

1 Q. WHAT IS MGE'S PENSION EXPENSE ACCORDING TO THE CALCULATION
2 METHODOLOGY RECOMMENDED BY THE STAFF IN THIS RATE CASE?

3 A. \$0.
4

5 Q. WHY ARE YOU CONCERNED ABOUT THE STAFF'S CHANGE IN
6 METHODOLOGY?

7
8 A. The rationale advanced by the Staff for the change in its approach—to mitigate volatility
9 in expense levels caused by financial performance of pension assets—has been a problem
10 with the Staff's prior method from the outset. That is, the Staff's prior method was
11 subject to this volatility. This was pointed out to the Staff in prior cases. However, the
12 Staff has only recently been willing to acknowledge this problem. Perhaps it's nothing
13 more than coincidence, but it should be pointed out that this change in Staff method
14 comes at a time when the prior Staff method would generate positive pension expense for
15 ratemaking purposes in this case. In the past, the Staff's method had generated negative
16 expense for ratemaking purposes. The Commission should not sanction changing
17 calculation methodologies from case to case simply to achieve the lowest possible
18 revenue requirement.
19
20
21

1 **Q. WHAT LANGUAGE SHOULD BE ADOPTED AS A SUPPLEMENT TO THE**
2 **STAFF'S RECOMMENDED PENSION EXPENSE CALCULATION**
3 **METHODOLOGY?**

4 A. In order to protect against the possibility of earnings degradation due to pension funding
5 requirements caused by matters (e.g., the financial performance of pension assets) largely
6 beyond the Company's control, MGE requests that the Commission include in its order
7 in this case language similar to language adopted by the Commission in other LDC rate
8 proceedings (such as Aquila, Inc. in Case No. GR-2004-0072) as follows:

9 MGE's rates include a \$0 annual provision for jurisdictional pension cost. Company
10 is authorized to reflect pension cost equal to the ERISA minimum and record the
11 difference between the ERISA minimum and the annual provision for pension cost,
12 including a provision for carrying costs associated with any such difference, as a
13 regulatory asset or liability. This regulatory asset and/or liability is intended to track
14 the difference between the provision for the ERISA minimum contribution included
15 in cost of service in this case, and the Company's actual ERISA minimum
16 contributions made after the effective date of rates established in this case. This
17 regulatory asset and/or liability will be included in rate base in the Company's next
18 rate case and amortized over a five (5) year period. The Company is authorized to
19 make such additional entries as are appropriate under FAS71 to reflect that rates do
20 not include FAS87 in cost of service. Company is authorized to adjust its calculation
21 of the MGE ERISA minimum, and the allocations to MGE pension related assets and
22 costs, to reflect the exclusion of Southern Union Company's total company actual
23 contributions that are in excess of the ERISA minimum.

5. Legislative Activities

Q. PLEASE DESCRIBE THIS ISSUE.

A. MGE disagrees with the Staff's proposal—made by way of the direct testimony of Staff witness Hyneman—to disallow certain internal payroll costs involving legislative responsibilities and activities of certain MGE employees. In particular, the Staff proposes to disallow 100 % of the payroll costs of MGE employee Paul Snider and 10% each of the payroll costs of MGE employees Jim Oglesby and Rob Hack.

Q. WHY DOES MGE DISAGREE WITH THIS STAFF DISALLOWANCE?

A. First, as discussed in the rebuttal testimony of MGE witness Jim Oglesby, awareness of, and involvement in, the legislative process is a fundamental responsibility of operating a business affected with the public interest such as MGE's natural gas local distribution operations. Expenses associated with a reasonable level of internal resources involved in the legislative process are clearly a legitimate cost of doing business. In fact, the Staff has made no claim that MGE devotes excessive internal resources to this fundamental responsibility. Moreover, MGE has excluded from cost of service in this case, the expenses associated with all outside, contract lobbyists in addition to dues paid to the Missouri Energy Development Association. The Staff's proposal, which is apparently based on the belief that the cost of all legislative activities should be disallowed from rates because no benefits from such activities accrue to the ratepayers, is unfounded. MGE's exodus from the legislative process would effectively nullify the Company's ability to be aware of and involved in aspects of such process that impact customers and

1 employees, as well as shareholders. For example, legislation passed in 2002, known as
2 the Experimental School Transportation Program, has benefits for customers only. It
3 does not directly benefit shareholders. It would not be responsible for MGE to simply
4 ignore the legislative process. Therefore, it is reasonable for MGE to assign
5 responsibility for legislative activities to various individuals at various levels within the
6 Company, including the chief operating officer level, the officer level and the staff level.

7
8 Second, the evidence is irrefutable that Mr. Snider's responsibilities are not limited to
9 legislative matters. For example, Mr. Snider's job description (attached hereto as
10 Rebuttal Schedule MRN-5) clearly demonstrates that he has responsibility for media
11 relations as well as special projects in addition to his legislative responsibilities. As a
12 practical matter, the Missouri General Assembly meets for roughly three days per week
13 for about four months per year and then meets "full time" for the last two weeks of the
14 session. Therefore, even if Mr. Snider worked on legislative matters for the entirety of
15 the legislative session (which he does not), the percentage of his time devoted to
16 legislative activities would fall well short of even fifty percent (50%).

17
18 Third, if the Commission is inclined to adopt the Staff's recommendation that the cost of
19 all legislative activities must be disallowed from rates, then the Commission itself needs
20 to examine the costs it incurs associated with legislative activities, costs that are
21 ultimately passed on to utility customers. It is clear from a review of job descriptions as
22 well as the Commission's time reporting records that various Commission personnel are

1 involved in the legislative process and that commission personnel devote substantial time
2 to legislative activities. (See Rebuttal Schedules MRN-6 and 7, attached hereto). It is
3 also clear that effectively all of the Commission's costs are recovered through utility
4 assessments, which are funded by utility customers.

5
6 **Q. WHAT IS MGE'S RECOMMENDATION?**

7 A. It is MGE's recommendation that there be no disallowance of salary for Mr. Snider, for
8 Mr. Oglesby or for Mr. Hack.

9
10 **6. Incentive Compensation**

11 **Q. PLEASE DESCRIBE THIS ISSUE.**

12
13 A. MGE disagrees with the Staff's proposal to disallow incentive compensation paid at the
14 divisional level and at the corporate level that is awarded on the basis of achieving
15 financial objectives. Staff witness Eaves and Staff witness Hyneman apparently believe
16 that achieving financial objectives a) is not significantly driven by the interests of
17 ratepayers, and b) does not benefit utility operations as a whole.

18
19 **Q. WHY DOES MGE DISAGREE WITH THE STAFF'S RECOMMENDED**
20 **DISALLOWANCE OF INCENTIVE COMPENSATION THAT IS**
21 **FINANCIALLY BASED?**

22 A. As shown in the rebuttal testimony of MGE witness Deborah Hayes, at-risk, incentive
23 compensation is a practice observed by the vast majority of for-profit companies. MGE

1 achieving its financial objectives is significantly driven by ratepayer interests and
2 benefits utility operations as a whole.

3
4 **Q. PLEASE EXPLAIN HOW CUSTOMER INTERESTS SIGNIFICANTLY DRIVE**
5 **MGE ACHIEVING FINANCIAL OBJECTIVES.**

6 A. To the extent any utility, including MGE, is able to achieve earnings it deems reasonable,
7 it will be less likely to make filings, such as this one, seeking to implement general rate
8 increases. Moreover, cost savings and efficiencies generated between rate cases should
9 reduce the magnitude of a subsequent rate increase request to the benefit of customers.
10 Financially based incentive compensation opportunities cause employees to seek out
11 efficiencies that will help improve the bottom line and increase the likelihood of an
12 award of incentive compensation.

13
14 **Q. DO YOU HAVE DATA, IN ADDITION TO WHAT IS CONTAINED IN YOUR**
15 **DIRECT TESTIMONY, SHOWING HOW MGE MEASURES UP TO OTHER**
16 **GAS DISTRIBUTION COMPANIES IN TERMS OF PRODUCTIVITY?**

17 A. Rebuttal Schedule MRN-8, which is a copy of Appendix 5 from the "2000-2002
18 Performance Benchmarks for Natural Gas Utilities", shows that the 50 natural gas
19 utilities in the study had an average of 512 customers per employee. Based on December
20 31, 2003 data, MGE has a ratio of 759 customers per employee. (This includes
21 divisional employees and an allocated number of corporate employees.)
22

1 **Q. DID STAFF UNDERTAKE AN ANALYSIS TO ASCERTAIN HOW MGE'S**
2 **COMPENSATION PRACTICES COMPARE TO PRACTICES IN THE**
3 **MARKET?**

4 A. No. Per witness Eaves' response to MGE DR 0027 to Staff (attached as Rebuttal
5 Schedule MRN-9), neither witness Eaves nor any other individuals on the Commission
6 Staff undertook such a study.

7
8 **Q. DOES WITNESS EAVES BELIEVE THAT INCENTIVE COMPENSATION CAN**
9 **HAVE A POSITIVE EFFECT ON EMPLOYEES?**

10 A. Yes. In response to MGE DRs 0028 and 0029 to the Staff (attached as Rebuttal
11 Schedules MRN-10 and MRN-11), witness Eaves believes that not only can incentive
12 compensation affect the morale and/or job satisfaction of employees, but also can effect
13 the behavior of employees.

14
15 **7. Bad Debt Expense**

16 **Q. PLEASE DESCRIBE THIS ISSUE.**

17 A. MGE disagrees with Staff witness Harrison's use of a five-year average to compute a
18 normalized level of bad debt write-offs amounting to \$6,135,570, with no recognition of
19 any increased bad debts to result from the Commission's newly promulgated denial of
20 service rule. MGE, on the other hand, recommends the use of a three-year average,
21 producing a normalized level of \$8,424,470, and proposes to add \$750,000 to that

1 amount in recognition of the increased bad debts to result from the Commission's newly
2 promulgated denial of service rule.

3
4 **Q. WHY DOES MGE DISAGREE WITH THE STAFF'S FIVE-YEAR AVERAGE**
5 **METHODOLOGY?**

6 A. Use of a five-year average includes the calendar years 1999 through 2003. In two of
7 these years, 1999 and 2000, natural gas prices were significantly lower than natural gas
8 prices are now and are also significantly lower than natural gas prices are projected to be
9 for the next two or three years. The bottom line is that the factors influencing MGE's
10 bad debts during the years 1999-2003 are not reasonably reflective of the factors likely to
11 be prevailing during the period when the rates resulting from this case are going to be in
12 effect.

1 **Q. HAS STAFF WITNESS HARRISON, OR ANY OTHER REPRESENTATIVE OF**
2 **THE STAFF, UNDERTAKEN ANY ANALYSIS TO ASCERTAIN WHETHER**
3 **THE FACTS AND CIRCUMSTANCES AFFECTING MGE'S UNCOLLECTIBLE**
4 **EXPENS/BAD DEBT LEVELS DURING THE FIVE YEAR PERIOD ENDING**
5 **DECEMBER 31, 2003 WILL BE REASONABLY REFLECTIVE OF THE FACTS**
6 **AND CIRCUMSTANCES LIKELY TO BE IN EXISTENCE DURING THE TIME**
7 **PERIOD ON AND AFTER OCTOBER 2, 2004, WHEN THE RATES FROM THIS**
8 **CASE ARE GOING TO BE IN EFFECT?**

9 **A.** No such analysis has been undertaken by the Staff according to Staff witness Harrison's
10 response to MGE data request number 0140, attached hereto as Rebuttal Schedule MRN-
11 12.

12
13 **Q WHAT FACTORS INFLUENCE BAD DEBT EXPENSE FOR A NATURAL GAS**
14 **LOCAL DISTRIBUTION COMPANY LIKE MGE?**

15 **A.** The primary factors influencing bad debt expense for MGE are: 1) revenue levels
16 (including number of customers, use per customer and PGA rate); 2) collection tools
17 available to the Company; and 3) the state of the economy (primarily the unemployment
18 rate).

Q. PLEASE DESCRIBE THE FACTORS INFLUENCING MGE'S BAD DEBT EXPENSE DURING THE FIVE-YEAR PERIOD 1999 THROUGH 2003.

A. The table below shows values for the years 1999 through 2003 as well as the five-year and three-year average for those values:

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>5 YR Avg</u>	<u>3 YR AVG</u>
Kansas City, Mo Unemployment Rate	3.10%	3.20%	4.40%	5.70%	5.90%	4.46%	5.33%
Average PGA (per Mcf)	\$ 4.14	\$ 4.97	\$ 7.76	\$ 4.90	\$ 6.15	\$ 5.58	\$ 6.27
Average Number of Customers	492,428	498,990	500,141	503,045	506,807	500,282	503,331
Average Sales per Residential Customer (Mcf)	87.9	88.3	91.0	86.8	86.1	88.0	88.0

Q. IS IT POSSIBLE TO OBTAIN MORE CURRENT MEASURES OF SUCH FACTORS OR TO MAKE FORECASTS OF SUCH FACTORS INTO THE FUTURE?

A. Yes. As of March 31, 2004, unemployment in Kansas City, Missouri was 5.5%, higher than both the three and the five-year averages. MGE's PGA rate as of April 30, 2004 was approximately \$0.75 per Ccf (or \$7.50 per Mcf) also higher than both the three and the five-year averages; it is not expected to decrease for the foreseeable future. The average use per residential customer flowing from the Staff's estimate of normal use is 912 Ccf/customer/year (or 91.2 Mcf/customer/year); the average use per residential

1 customer flowing from MGE's estimate of normal use is 876 Ccf/customer/year (or 87.6
2 Mcf/customer/year).

3
4 **Q. DO YOU HAVE INFORMATION ON ANY OTHER FACTORS INFLUENCING**
5 **MGE'S BAD DEBTS?**

6 A. Yes. Southern Star Central Gas Pipeline ("SSCGP"), which used to be known as the
7 Williams pipeline, provides interstate transportation and storage service to MGE
8 representing approximately 67% of MGE's total interstate transportation and storage
9 costs, filed a rate case with the Federal Energy Regulatory Commission on April 29,
10 2004. It is my understanding that SSCGP's proposed rates will likely take effect five
11 months after filing, on a subject to refund basis. Our initial estimates indicate that this
12 will translate into an increase in MGE's PGA rate of approximately \$0.03/Ccf or about
13 4%. This increase in MGE's PGA rate will likely take effect on or about November 1,
14 2004.

15
16 In addition, the Commission has recently promulgated a denial of service rule by way of
17 Case No. AX-2003-0574. The effect of this new rule will be to nullify certain sections of
18 MGE's existing tariff found on Sheet No. 19 in Section 3.02. Specifically, the nullified
19 provision is boldfaced in the following excerpt:

20 Company shall not be required to commence supplying gas service if at the time
21 of application, the applicant, **or any member of applicant's household (who**
22 **has received benefit from previous gas service)**, is indebted to Company for
23 such gas service previously supplied at the same premises or any former
24 premises until payment of such indebtedness shall have been made. This
25 provision cannot be avoided by substituting an application for service at the

1 same or at a new location signed by some other member of the former
2 customer's household or by any other person acting for or on behalf of such
3 customer.
4

5 MGE has consistently made use of this tariff authority in attempting to collect amounts
6 owed. Nullification of this collection tool on a going forward basis will increase MGE's
7 bad debts by an amount estimated to be \$750,000 annually.
8

9 **Q. WHAT CONCLUSIONS DO YOU REACH ON THE BASIS OF ALL OF THIS**
10 **INFORMATION?**

11 A. A three-year average, adjusted for \$750,000 in additional bad debt to result from the
12 elimination of a previously available collection tool, is a more reasonable measure of
13 ongoing bad debt expense than the simple five-year average used by the Staff, which
14 considering the current measures of the factors that influence bad debt expense, is clearly
15 inadequate.
16

17 **Q. HAS MGE CONSISTENTLY HAD IN RATES A LEVEL OF BAD DEBTS THAT**
18 **IS BELOW WHAT HAS BEEN EXPERIENCED?**

19 A. Yes. As is shown on Schedule G-3 of my direct testimony, actual bad debt expense per
20 books from July 1, 1995 through June 30, 2003 was \$44,567,834. The amount of bad
21 debt expense allowed in rates for the same time period was \$31,850,570 for an under
22 collection of \$12,717,264. Using an average of 5 years to compute the normal level of
23 bad debts, with no recognition of increased bad debt expense to result from the

1 elimination of a previously available collection tool, will only increase this shortfall on a
2 going forward basis.

3
4 **8. Late Payment Fee**

5 **Q. PLEASE DESCRIBE THIS ISSUE.**

6 A. The Staff, by way of the direct testimony of Tom Imhoff, has proposed that MGE's late
7 payment charge be reduced from 1.5% to 0.5%. MGE disagrees with this proposal.

8
9 **Q. WHY SHOULD MGE'S LATE PAYMENT CHARGE REMAIN AT 1.5%?**

10 A. In my opinion, the late payment charge should provide at least some incentive for
11 customers to pay their bills on time. Although assessing a late payment charge of 1.5%
12 on a delinquent balance for the first month of delinquency provides only a modest
13 incentive for customers to pay on time, I believe that reducing this amount to 0.5% will
14 provide almost no incentive for customers to pay on time.

15
16 **Q. SHOULD THIS CHARGE BE THOUGHT OF AS A FINANCE CHARGE?**

17 A. No, not in my opinion. First, MGE does not compound this 1.5%; it is applied only to
18 the portion of the bill, which is one month overdue. It is not applied to past due amounts
19 from previous months' bills. It should be thought of more like the late payment fee
20 which credit cards charge in addition to finance charges if your bill is paid late. I
21 suppose an alternative could be to charge a simple flat amount per bill if it is delinquent,
22 however MGE is not proposing to do this.

1
2 **Q. HOW LONG, ON AVERAGE, DO MGE'S CUSTOMERS PRESENTLY TAKE**
3 **TO PAY THEIR GAS BILLS?**

4 A. According to the cash working capital analysis of the MGE and Staff, MGE's customers
5 take approximately 25 days to pay their gas bills.
6

7 **Q. WOULD YOU EXPECT THIS LENGTH OF TIME TO INCREASE IF THE**
8 **STAFF'S PROPOSAL TO REDUCE THE LATE PAYMENT CHARGE TO 0.5%**
9 **WERE ADOPTED?**

10 A. Yes.
11

12 **Q. WHAT IMPACT WOULD THAT HAVE ON MGE?**

13 A. It would increase MGE's cash working capital requirement. I estimate that for every
14 additional day the average payment time is increased, cash working capital requirements
15 would increase by approximately \$1,150,000. Absent a corresponding adjustment to the
16 cash working capital allowance, MGE's shareholders would be funding this extended
17 payment time. If a corresponding adjustment to the cash working capital allowance were
18 made, MGE's customers would be funding this extended payment time. Neither of these
19 alternatives is a reasonable result in my opinion.
20
21

1 Q. HAS ANY SUCH IMPACT BEEN REFLECTED IN THE CASH WORKING
2 CAPITAL REQUIREMENT USED BY THE STAFF IN THIS CASE?

3 A. No.
4

5 Q. DOES MGE CURRENTLY COMPOUND THE 1.5% LATE PAYMENT FEE?

6 A. No.
7

8 **9. Accounting for Cost of Removal/Salvage Expense in Excess of Rate Case Amount**

9 Q. PLEASE DESCRIBE THIS ISSUE.

10 A. For purposes of this case MGE has agreed to the net cost of removal/salvage expense
11 methodology proposed by the Staff. Furthermore, there is no disagreement between
12 MGE and the Staff as to the amount of net cost of removal/salvage expense to include in
13 rates--\$771,039. The issue on which MGE and the Staff disagree relates to future
14 accounting treatment on the Company's books of actual cost of removal/salvage expense
15 in excess of the rate case amount.
16

17 Q. HOW DOES THE STAFF PROPOSE THAT MGE ACCOUNT FOR ANY SUCH
18 EXCESS COST OF REMOVAL/SALVAGE EXPENSE?

19 A. Because the Staff testimony is silent on the point, I am uncertain what the Staff proposes
20 in this regard. However, as I understand it, absent express language from the
21 Commission authorizing otherwise, MGE would be required to book actual cost of
22 removal/salvage expense regardless of whether it exceeds the rate case amount.

1
2 **Q. IS BOOKING ACTUAL COST OF REMOVAL/SALVAGE EXPENSE IN**
3 **EXCESS OF THE RATE CASE AMOUNT REASONABLE?**

4 A. No. Similar to the Staff position on accounting for actual ERISA minimum pension
5 expense in excess of the rate case amount, accounting for cost of removal/salvage in this
6 fashion could cause the Company to suffer earnings degradation as a result of matters
7 entirely beyond the Company's control.
8

9 **Q. WHAT DOES MGE PROPOSE AS AN ALTERNATIVE?**

10 A. MGE requests that the Commission include in its order in this case the following
11 language:

12 "The provision for jurisdictional net cost of removal of \$771,039 is to be
13 recorded as an annual expense for rate making purposes. MGE shall book for
14 its gas operations, actual levels of annual net cost of removal as an expense
15 up to the amount listed above. For any actual amount of annual net cost of
16 removal that exceeds this amount, MGE will record the difference in its
17 accumulated depreciation reserve. This methodology will represent full
18 recovery of all of MGE's annual net cost of removal expenditures. This
19 methodology will be reviewed in MGE's next rate case in which its retail gas
20 distribution rates are under review to determine whether the methodology
21 will be continued."
22

10. Capacity Release/Off-system Sales

Q. PLEASE DESCRIBE THIS ISSUE.

A. MGE disagrees with the proposal, made by both the Staff and Public Counsel, to include in the calculation of MGE's distribution rates revenues derived from capacity release/off-system sales.

Q. WHY DOES MGE DISAGREE WITH THESE STAFF AND PUBLIC COUNSEL PROPOSALS?

A. First, because capacity release/off-system sales revenues relate to capacity and commodity costs that are recovered through the purchased gas adjustment ("PGA") mechanism in MGE's tariff, it is more appropriate that such revenues be handled through that mechanism. Second, as explained in the rebuttal testimony of MGE witness John Hayes, changes in market conditions have occurred and will occur in the future affecting the level of revenues MGE may be able to generate by way of capacity release such that past performance is not a reasonable or reliable indicator of future performance.

Q. PLEASE EXPLAIN MORE FULLY WHY YOU BELIEVE IT IS MORE APPROPRIATE TO HANDLE CAPACITY RELEASE/OFF-SYSTEM SALES REVENUES THROUGH THE PGA MECHANISM.

A. In Case No. GR-2002-348, an actual cost adjustment ("ACA") proceeding applicable to the time period July 1, 2001 through June 30, 2002, the Staff has proposed to disallow approximately \$1.2 million in capacity costs based on the Staff's allegation that MGE has

1 "excess" capacity under contract. As part of its rationale for its proposed disallowance
2 the Staff stated that "Pursuant to MGE's most recent rate case, Case No. GR-2001-292, if
3 this excess capacity were released in the capacity release market, the Company keeps all
4 revenues associated with this capacity released." (Staff Recommendation, Case No. GR-
5 2002-348, filed December 19, 2003). It is unfair to capture revenues for the benefit of
6 customers on the one hand (i.e., including an amount of capacity release revenues in
7 distribution rates in Case No. GR-2001-292) and then to propose disallowing recovery of
8 associated costs for the same time period (through the ACA process in Case No. GR-
9 2002-348). Treating capacity release/off-system sales revenues through the same process
10 pursuant to which the associated costs are recovered—the PGA mechanism—will help to
11 avoid this kind of regulatory problem. In addition, a revenue sharing approach
12 implemented through the PGA mechanism will accurately apportion revenues generated
13 by these items because the revenues shared will be based on known and audited results
14 based on actual experience rather than a forecast of the future based on past experience.
15

16 **Q. DOES THE COMPANY PROPOSE AN ALTERNATIVE TO THE STAFF AND**
17 **PUBLIC COUNSEL PROPOSALS TO INCLUDE CAPACITY RELEASE/OFF-**
18 **SYSTEM SALES REVENUES IN DISTRIBUTION RATES?**

19 **A.** Yes. To address the shortcomings MGE has identified with the Staff and Public Counsel
20 proposals and still appropriately credit customers with capacity release/off-system sales
21 revenues, MGE proposes that the Commission order in this case include the following
22 language:

1 "MGE shall be authorized to implement, through its PGA mechanism, a
2 revenue sharing grid pursuant to which revenues generated by capacity release and
3 off-system sales (net of revenues from off-system sales made for "system protection"
4 purposes) shall be shared between MGE and its customers as follows:

5 First \$300,000—15% to MGE and 85% to customers

6 Second \$300,000—20% to MGE and 80% to customers

7 Third \$300,000—25% to MGE and 75% to customers

8 Above \$900,000—30% to MGE and 70% to customers.

9 Any excess capacity disallowance resulting from an actual cost adjustment
10 ("ACA") proceeding shall be offset by capacity release revenues before application of
11 the above sharing grid and before any shareholder funding may be required."

12 Compliance tariff sheets would then incorporate this concept into MGE's PGA clause for
13 implementation.

14 15 11. Low-Income Programs

16 **Q. PLEASE DESCRIBE THIS ISSUE.**

17 A. A number of proposals have been made regarding low-income programs. The specific
18 programs addressed include: A) low-income weatherization mentioned in the direct
19 testimonies of MGE, the City of Kansas City and the Public Counsel; B) experimental
20 low-income rate mentioned in the direct testimonies of the Staff and the Public Counsel;
21 and C) "PAYS" mentioned in the direct testimony of the Public Counsel.
22

1 **Q. WHAT IS MGE'S GENERAL POSITION WITH RESPECT TO LOW-INCOME**
2 **PROGRAMS?**

3 A. MGE understands that many customers have difficulty paying their gas bills, particularly
4 in light of the current extended period of sustained high natural gas commodity prices. In
5 an effort to be responsive to customers having such difficulty, MGE has an extensive
6 track record of activity.

7
8 MGE has had in place for years employees—called customer advisors—whose primary
9 responsibility is to help connect customers in need of energy assistance with providers of
10 energy assistance.

11
12 MGE has been involved in the low-income weatherization program, in partnership
13 initially with the City of Kansas City and later with other service providers, for years.

14
15 MGE was also the first energy utility in Missouri to implement a low-income rate, called
16 the experimental low-income rate, as a result of the settlement of an MGE general rate
17 proceeding in 2001.

18
19 In light of this extended history, MGE has come to the general conclusion that its
20 involvement in low-income activities must be focused on matters that can be shown to
21 provide demonstrable benefits to MGE's body of customers as a whole and which do not
22 require significant administrative undertakings by MGE. MGE is in the business of

1 operating a natural gas distribution system with the objective of generating a profit; MGE
2 is not a social service agency.

3
4 **Q. WHAT CONCLUSIONS DO YOU REACH WHEN APPLYING THIS GENERAL**
5 **POSITION TO THE SPECIFIC LOW-INCOME PROPOSALS IN THIS CASE?**

6 A. MGE believes that the low-income weatherization program has been shown to provide
7 demonstrable benefits to MGE's body of customers as a whole. In addition, the low-
8 income weatherization program does not require significant administrative activities on
9 the part of MGE. MGE also understands that the waiting list for this program is lengthy,
10 showing high demand for this program. As a consequence, MGE believes it is
11 reasonable to provide additional funding for the low-income weatherization program.
12 MGE has suggested an additional \$160,000 (current funding is \$340,000 per year) while
13 the City of Kansas City and the Public Counsel have suggested differing amounts of
14 additional funding. MGE believes any additional funding should be allocated in
15 accordance with current funding proportions (i.e., \$250,000 is presently administered by
16 the City of Kansas City and \$90,000 is administered throughout the balance of MGE's
17 service territory).

18
19 MGE believes the experimental low-income rate program cannot yet be characterized as
20 either a success or a failure primarily because it is unclear whether the low-income rate
21 offering had any material impact on the payment practices of the participating customers.
22 It has, however, required significantly more in the way of administrative undertakings by

1 MGE than MGE originally anticipated. As a consequence, MGE is willing to continue
2 the experimental low-income program—unmodified—through July of 2006 or until
3 funding runs out, whichever occurs first. Based on current subscription levels MGE
4 believes funding already in hand is adequate to continue the program—unmodified—
5 through that period. MGE is not willing to make the modifications to the program
6 suggested by the Public Counsel and the Staff, primarily because of the additional
7 administrative requirements and costs associated with those modifications.

8
9 MGE is unwilling to implement the PAYS program mentioned by Public Counsel
10 witness Meisenheimer. MGE does not understand what is being proposed in the way of a
11 PAYS program and is concerned that it may involve substantial administrative
12 undertakings and costs by MGE. Perhaps more importantly though, it is MGE's
13 understanding that the Commission has recently opened a case (Case No. GW-2004-
14 0452) to examine potential energy efficiency initiatives. Until that case runs its course
15 and the Commission reaches some sort of policy conclusion regarding energy efficiency
16 programs, MGE believes it is premature to implement a program such as PAYS.

12. Proposed Reporting Requirements

Q. STAFF WITNESS ALLEE HAS RECOMMENDED THAT THE COMMISSION ORDER MGE TO SUBMIT PERIODIC RELIABILITY REPORTS AND GAS SUPPLY PLANS, STAFF WITNESS BERNSEN HAS RECOMMENDED THAT THE COMMISSION ORDER MGE TO RESPOND TO STAFF-FORWARDED COMPLAINTS/INQUIRIES WITHIN CERTAIN TIME PERIODS AND STAFF WITNESS HYNEMAN HAS RECOMMENDED THAT THE COMMISSION ORDER MGE OR SOUTHERN UNION TO TRACK TIME SPENT ON CERTAIN ACTIVITIES. DO YOU AGREE WITH THESE RECOMMENDATIONS?

A. No. There is no indication that what the Staff is proposing is factually unique to MGE. As such, it certainly appears to me to be an attempt to impose a general requirement on MGE without following the process used for setting state regulations. As I understand it, general requirements for utilities, such as those being recommended by the Staff here, should be set out in proposed rules or regulations. If the Commission deems any such requirements reasonable or appropriate, they should be enacted by following the process used to set state regulations and imposed uniformly on all similarly situated companies. If there is a problem that is factually unique to MGE, then a complaint should be filed.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, at this time.

BEFORE THE PUBLIC SERVICE COMMISSION

**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-2004-0209

AFFIDAVIT OF MICHAEL R. NOACK

STATE OF MISSOURI

\$5.

COUNTY OF JACKSON

Michael R. Noack, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Rebuttal 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.

Robert A. Rank

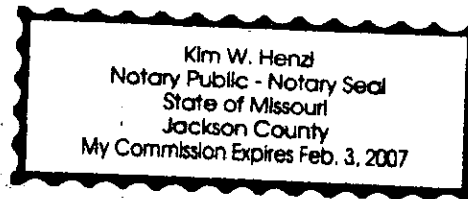
MICHAEL R. NOACK

Subscribed and sworn to before me this 24th day of MAY 2004.

Ken W. Henze
ary Public

Notary Public

My Commission Expires: Feb. 3, 2007



MISSOURI GAS ENERGY
A Division of Southern Union Company

Rebuttal Schedule MRN-1

Index of Schedules

<u>Schedule</u>	<u>Description</u>
A	Revenue Deficiency
A-1	Summary Of Revenues & Expenses, Per Books and Adjusted
A-2	Income Tax
B	Rate Base
B-1	SLRP Deferrals and Deferred Taxes
B-2	Customer Deposits
B-3	Customer Advances
B-4	Deferred Taxes (Other than SLRP)
B-5	Cost of Emergency Cold Weather Rule
C	Plant In Service
D	Accumulated Reserves for Depreciation and Amortization
E	Working Capital
E-1	Materials & Supplies
E-2	Prepayments
E-3	Gas Inventory
E-4	Cash Working Capital
E-5	Deferred Pension
F	Summary Of Cost Of Capital
F-1	Long Term Debt
F-2	Equity Capital
H	Distribution of Revenue and Expense Adjustments by Account No.
H-1	Adjust Test Year Revenue per Book to Test Year Margin
H-2	Test Year Margin Adjustments
H-3	Remove Purchase Gas Costs and Gross Receipts Tax
H-4	Payroll Expense
H-5	Employee Benefits
H-6	Payroll Taxes
H-7	Insurance - Accounts 924 & 925
H-8	Corporate Allocated Costs
H-9	Uncollectible Expense
H-10	Regulatory Commission Expense
H-11	Interest on Customer Deposits
H-12	Depreciation Expense
H-13	Amortization Expense
H-14	Transportation and Work Equipment Clearing
H-15	Stores Clearing
H-16	Paid Time Off Clearing
H-17	Missouri State Franchise Tax
H-18	Property Tax Expense
H-19	Gas Supply Expenses
H-20	Office Lease Expense
H-21	Dues Expense
H-22	Incentive Compensation and Bonuses
H-23	Customer Collection Costs
H-24	Shared Services Expense
H-25	Non-utility Activity
H-26	Outside Services - Tax Services
H-27	Weatherization
H-28	Environmental Response Fund
H-29	Information Technology Expenses

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Revenue Deficiency

Line No.	Description	Ref.	Required Return	Earnings Deficiency	Net Revenue Deficiency
	(a)	(b)	(c)	(d)	(e)
1	Rate Base	B	\$528,354,367		
2	Rate of Return	F	9.333%		
3	Required Return		<u>\$49,311,313</u>	\$49,311,313	
4	Adjusted Test Year Net Operating Income	A-1		<u>23,882,650</u>	
5	Earnings Deficiency			<u>\$25,428,663</u>	\$25,428,663
6	Multiply by Income Tax Gross-up Factor				<u>1.623200</u>
7	Net Revenue Deficiency - Gross of Tax				<u>\$41,275,807</u>
8	Multiply by Uncollectibles Gross-up Factor				<u>1.01701577</u>
9	Revenue Deficiency before Late Pay Fee Gross Down				<u>\$41,978,147</u>
10	Multiply by Late Pay Fee Gross-down Factor				<u>0.997681</u>
11	Net Revenue Deficiency				<u>\$41,880,785</u>
12	Rate of Return Efficiency Adjustment				<u>\$2,175,487</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
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	\$486,795,087	(\$353,526,518)	\$133,268,569
2	Other Utility Revenues	8,302,684	114,219	8,416,903
3	Total Operating Revenues	<u>\$495,097,771</u>	<u>(\$353,412,300)</u>	<u>\$141,685,471</u>
<u>OPERATING EXPENSES</u>				
4	Distribution Expense	\$343,360,642	(\$321,351,566)	\$22,009,076
5	Customer Accounts Expense	17,519,501	3,359,503	20,879,004
6	Customer Service and Information Expense	476,630	162,547	639,177
7	Sales Expense	245,559	6,009	251,568
8	Administrative and General Expense	<u>20,946,520</u>	<u>9,134,974</u>	<u>30,081,494</u>
9	Total Operating and Maintenance Expenses	<u>\$382,548,852</u>	<u>(\$308,688,533)</u>	<u>\$73,860,319</u>
10	Depreciation & Amortization Expense	\$22,691,101	\$7,351,613	\$30,042,714
11	Interest on Customer Deposits	218,822	(81,567)	137,255
12	Taxes Other Than Income	<u>40,041,548</u>	<u>(29,364,354)</u>	<u>10,677,194</u>
13	Total Operating Expenses	<u>\$445,500,323</u>	<u>(\$330,782,841)</u>	<u>\$114,717,482</u>
14	Operating Income Before Income Tax	\$49,597,448	(\$22,629,458)	\$26,967,990
15	Less: Income Tax Expense	11,159,093	(8,073,753)	3,085,340
16	Net Operating Income	<u>\$38,438,355</u>	<u>(\$14,555,705)</u>	<u>\$23,882,650</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Income Tax

Line No.	Description (a)	Reference (b)	Per Books (c)	As Adjusted (d)
1	Total Operating Revenues	A-1	\$495,097,771	\$141,685,471
2	Total Operating Expenses	A-1	(445,500,323)	(114,717,482)
3	Net Operating Income	A-1	<u>\$49,597,448</u>	<u>\$26,967,990</u>
4	Equity Portion of SLRP Deferrals		\$1,315,650	\$0
5	Less: Interest on Long Term Debt		(21,074,636)	(18,159,540)
6	Total Tax Adjustments		<u>(\$19,758,986)</u>	<u>(\$18,159,540)</u>
7	Net Taxable Income		<u>\$29,838,462</u>	<u>\$8,808,450</u>
8	Income Tax		\$11,455,456	\$3,381,703
9	Less: Income Tax Reduction per Case No. GM-94-40		(296,363)	(296,363)
10	Net Income Tax		<u>\$11,159,093</u>	<u>\$3,085,340</u>

SCHEDULE B

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Rate Base

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
1	Intangible Plant	C	\$32,422,123
2	Distribution Plant	C	701,827,671
3	General Plant	C	55,488,973
4	Gross Plant In Service		<u>\$789,738,767</u>
5	Accumulated Depreciation & Amortization	D	<u>(257,842,487)</u>
6	Net Plant in Service		\$531,896,280
7	SLRP Deferrals	B-1	\$0
8	Working Capital	E	68,161,835
9	Alternative Minimum Tax Credit		12,782,852
10	Customer Deposits	B-2	(3,619,432)
11	Customer Advances - Thirteen Month Average	B-3	(10,575,798)
12	Unamortized Deferred Credit per Case No. GM-94-40		0
13	Deferred Income Taxes - SLRP	B-1	(5,930,866)
14	Deferred Income Taxes - Other	B-4	(64,360,504)
15	ECWR Deferrals	B-5	<u>0</u>
16	Total Rate Base		<u><u>\$528,354,367</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003

SLRP Deferrals and Deferred Taxes Updated Through December 31, 2003

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	5,776,280	\$0
2	Order GO-94-234 (Deferred Balance @ 5/31/98)	12,399,117	12,399,117	0
3	Order GO-97-301 (Deferred Balance @ 5/31/98)	3,060,876	3,060,876	0
4	Order GR-98-140	9,182,136	9,182,136	0
5	Order GR-2001-282	839,904	0	0
6	Total SLRP Deferrals	<u>\$31,258,313</u>	<u>\$30,418,409</u>	<u>\$0</u>
<u>SLRP Deferred Taxes</u>				
7	Order GO-92-185			0
8	Order GO-94-234			2,171,895
9	Order GO-97-301			552,001
10	Order GR-98-140			2,690,861
11	Order GR-2001-292			516,109
12	Total SLRP Deferred Taxes			<u>\$5,930,866</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Thirteen Months Ending June 30, 2003

Customer Deposits Updated through December 31, 2003

Line No.	Month	Residential Amount	Commercial & Industrial		Total Amount
			Amount	Amount	
	(a)	(b)	(c)		(d)
1	Dec-02	(\$1,534,317)	(\$2,111,623)		(\$3,645,940)
2	Jan-03	(1,544,250)	(2,124,060)		(3,668,310)
3	Feb-03	(1,530,320)	(2,151,447)		(3,681,767)
4	Mar-03	(1,522,115)	(2,140,489)		(3,662,604)
5	Apr-03	(1,506,298)	(2,125,956)		(3,632,254)
6	May-03	(1,463,678)	(2,124,531)		(3,588,209)
7	Jun-03	(1,417,912)	(2,153,752)		(3,571,664)
8	Jul-03	(1,401,151)	(2,174,196)		(3,575,348)
9	Aug-03	(1,365,340)	(2,198,304)		(3,563,644)
10	Sep-03	(1,357,012)	(2,212,457)		(3,569,469)
11	Oct-03	(1,342,133)	(2,248,184)		(3,590,317)
12	Nov-03	(1,318,844)	(2,287,965)		(3,606,809)
13	Dec-03	(1,333,389)	(2,362,887)		(3,696,276)
14	13 Month Total	<u>(\$18,636,759)</u>	<u>(\$28,415,851)</u>		<u>(\$47,052,610)</u>
15	13 Month Average	<u>(\$1,433,597)</u>	<u>(\$2,185,835)</u>		<u>(\$3,619,432)</u>

SCHEDULE B-3

MISSOURI GAS ENERGY

A Division of Southern Union Company

Thirteen Months Ending June 30, 2003

Customer Advances Updated through December 31, 2003

Line No.	Month (a)	Amount (b)
1	Dec-02	(\$10,382,694)
2	Jan-03	(10,408,714)
3	Feb-03	(10,381,355)
4	Mar-03	(10,419,364)
5	Apr-03	(10,431,656)
6	May-03	(10,611,023)
7	Jun-03	(10,564,904)
8	Jul-03	(10,549,375)
9	Aug-03	(10,566,872)
10	Sep-03	(10,525,281)
11	Oct-03	(10,852,291)
12	Nov-03	(10,930,960)
13	Dec-03	(10,860,888)
14	13 Month Total	<u>(\$137,485,377)</u>
15	13 Month Average	<u>(\$10,575,798)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003

Deferred Taxes (Other than SLRP) Updated through December 31, 2003

Line No.	Description (a)	Amount (b)
1	Deferred Taxes, MGE Direct Plant as of 6/30/03	(\$64,360,504)
2	Deferred Taxes, Corporate Plant	<u>0</u>
3	Total Accumulated Deferred Income Taxes (Other than SLRP)	<u><u>(\$64,360,504)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Plant in Service

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	34,630	0	34,630	0	0	34,630
3	(303) Miscellaneous Intangible	32,371,893	0	32,371,893	0	0	32,371,893
4	Total Intangible Plant	\$32,422,123	\$0	\$32,422,123	\$0	\$0	\$32,422,123
DISTRIBUTION PLANT							
5	(374.1) Land	\$240,448	\$0	\$240,448	\$0	\$0	\$240,448
6	(374.2) Land Rights	1,374,600	0	1,374,600	0	0	1,374,600
7	(375.1) Structures	6,065,252	221	6,065,473	0	0	6,065,473
8	(375.2) Leasehold Improvements	0	0	0	0	0	0
9	(376) Mains	307,070,687	3,073,090	310,143,777	0	0	310,143,777
10	(378) Meas. & Reg. Station - General	11,150,728	11,479	11,162,207	0	0	11,162,207
11	(379) Meas. & Reg. Station - City Gate	3,211,758	0	3,211,758	0	0	3,211,758
12	(380) Services	272,942,883	1,060,774	274,003,657	0	(3,912,754)	270,090,903
13	(381) Meters	29,203,779	3,889	29,207,668	0	0	29,207,668
14	(382) Meter Installations	59,140,845	335,971	59,476,816	0	0	59,476,816
15	(383) House Regulators	10,465,234	42,930	10,508,164	0	0	10,508,164
16	(385) Electronic Gas Measuring	345,857	0	345,857	0	0	345,857
17	(387) Other Equipment	0	0	0	0	0	0
18	Total Distribution Plant	\$701,212,071	\$4,528,354	\$705,740,425	\$0	(\$3,912,754)	\$701,827,671
GENERAL PLANT							
19	(389) Land	\$468,315	\$0	\$468,315	\$0	\$0	\$468,315
20	(390.1) Structures	535,053	64,149	599,202	111,679	0	710,881
21	(390.2) Leasehold Improvements	1,389,409	0	1,389,409	0	0	1,389,409
22	(391) Furniture & Fixtures	5,422,630	386,888	5,809,518	83,465	(1,014,662)	4,878,321
23	(392) Transportation Equipment	4,589,780	0	4,589,780	25,107	0	4,614,887
24	(393) Stores Equipment	541,448	0	541,448	0	0	541,448
25	(394) Tools	4,796,124	15,796	4,811,920	0	0	4,811,920
26	(395) Laboratory Equipment	0	0	0	0	0	0
27	(396) Power Operated Equipment	330,903	0	330,903	0	0	330,903
28	(397.1) Communication Equipment - AMR	34,571,357	143,923	34,715,280	0	0	34,715,280
29	(397.0) Communication Equipment	2,831,250	0	2,831,250	0	0	2,831,250
30	(398) Miscellaneous Equipment	196,359	0	196,359	0	0	196,359
31	Total General Plant	\$55,672,628	\$610,756	\$56,283,384	\$220,251	(\$1,014,662)	\$55,488,973
32	Total Original Cost Plant in Service	\$789,306,822	\$5,139,110	\$794,445,932	\$220,251	(\$4,927,416)	\$789,738,767
33	Accumulated Depreciation and Amortization	(261,547,198)	0	(261,547,198)	(38,547)	3,743,258	(257,842,487)
34	Net Plant In Service	\$527,759,624	\$5,139,110	\$532,898,734	\$181,704	(\$1,184,158)	\$531,896,280

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Plant in Service

Line No.	Description	Retire Inactive Services No. 1	Texas Related CSS Enhancements No. 2	Total Adjustments
	(a)	(b)	(c)	(d)
INTANGIBLE PLANT				
1	(301) Organization	\$0	\$0	\$0
2	(302) Franchises	0	0	0
3	(303) Miscellaneous Intangible	0	0	0
4	Total Intangible Plant	\$0	\$0	\$0
DISTRIBUTION PLANT				
5	(374.1) Land	\$0	\$0	\$0
6	(374.2) Land Rights	0	0	0
7	(375.1) Structures	0	0	0
8	(375.2) Leasehold Improvements	0	0	0
9	(376) Mains & Mains - Cast Iron	0	0	0
10	(378) Meas. & Reg. Station - General	0	0	0
11	(379) Meas. & Reg. Station - City Gate	0	0	0
12	(380) Services	(3,912,754)	0	(3,912,754)
13	(381) Meters	0	0	0
14	(382) Meter Installations	0	0	0
15	(383) House Regulators	0	0	0
16	(385) Electronic Gas Metering	0	0	0
17	(387) Other Equipment	0	0	0
18	Total Distribution Plant	(\$3,912,754)	\$0	(\$3,912,754)
GENERAL PLANT				
19	(389) Land	\$0	\$0	\$0
20	(390.1) Structures	0	0	0
21	(390.2) Leasehold Improvements	0	0	0
22	(391) Furniture & Fixtures	0	(1,014,662)	(1,014,662)
23	(392) Transportation Equipment	0	0	0
24	(393) Stores Equipment	0	0	0
25	(394) Tools	0	0	0
26	(395) Laboratory Equipment	0	0	0
27	(396) Power Operated Equipment	0	0	0
28	(397) Communication Equipment - AMR	0	0	0
29	(397) Communication Equipment	0	0	0
30	(398) Miscellaneous Equipment	0	0	0
31	Total General Plant	\$0	(\$1,014,662)	(\$1,014,662)
32	Total Original Cost Plant In Service	(\$3,912,754)	(\$1,014,662)	(\$4,927,416)

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Accumulated Reserves for Depreciation and Amortization

Line No.	Description (a)	Test Year Direct (b)	Corporate (c)	Proforma Adjustments (d)	Test Year As Adjusted (e)
1	Intangible Plant Reserve	(\$17,166,356)	\$0	\$0	(\$17,166,356)
2	Distribution Reserve	(244,380,842)	(38,547)	3,743,258	(240,676,131)
3	Total Accumulated Reserves	<u>(\$261,547,198)</u>	<u>(\$38,547)</u>	<u>\$3,743,258</u>	<u>(\$257,842,487)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Accumulated Reserves for Depreciation and Amortization

Line No.	Description	Adjustments to Plant in Service	Deprec. Rates	Retire Inactive Meters No. 1	Texas Related CSS Enhancements No. 2	Remove Debit Balances No. 3	Total Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>DISTRIBUTION PLANT</u>							
1	(374.1) Land	\$0	0.00%				\$0
2	(374.2) Land Rights	0	Amort.				0
3	(375.1) Structures	0	2.00%				0
4	(375.2) Leasehold Improvements	0	Amort.				0
5	(376) Mains & Mains - Cast Iron	0	2.50%				0
6	(378) Meas. & Reg. Station - General	0	3.33%				0
7	(379) Meas. & Reg. Station - City Gate	0	2.50%				0
8	(380) Services	(3,912,754)	3.33%	3,912,754			3,912,754
9	(381) Meters	0	2.86%				0
10	(382) Meter Installations	0	2.86%				0
11	(383) House Regulators	0	2.50%				0
12	(385) Electronic Gas Metering	0	5.00%				0
13	(387) Other Equipment	0	2.86%				0
14	Total Distribution Plant	<u>(\$3,912,754)</u>		<u>\$3,912,754</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,912,754</u>
<u>GENERAL PLANT</u>							
15	(389) Land	\$0	0.00%				\$0
16	(390.1) Structures	0	2.86%				0
17	(390.2) Leasehold Improvements	0	Amort.				0
18	(391) Furniture & Fixtures	(1,014,662)	10.27%		658,973	(828,469)	(169,496)
19	(392) Transportation Equipment	0	12.50%				0
20	(393) Stores Equipment	0	5.00%				0
21	(394) Tools	0	10.00%				0
22	(395) Laboratory Equipment	0	0.00%				0
23	(396) Power Operated Equipment	0	10.00%			0	0
24	(397) Communication Equipment - AMR	0	5.00%				0
25	(397) Communication Equipment	0	6.67%			0	0
26	(398) Miscellaneous Equipment	0	5.00%				0
27	Total General Plant	<u>(\$1,014,662)</u>		<u>\$0</u>	<u>\$658,973</u>	<u>(\$828,469)</u>	<u>(\$169,496)</u>
28	Total Adjustment	<u>(\$4,927,416)</u>		<u>\$3,912,754</u>	<u>\$658,973</u>	<u>(\$828,469)</u>	<u>\$3,743,258</u>

0

SCHEDULE E

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Working Capital

Line No.	Description (a)	Reference (b)	Amounts (c)
1	Materials and Supplies Inventory	E-1	\$2,579,461
2	Prepayments - Thirteen Month Average	E-2	278,938
3	Gas Inventory - Volumes and Price	E-3	56,039,260
4	Cash Working Capital	E-4	(15,005)
5	Prepaid Pension	E-5	<u>9,279,181</u>
6	Total Working Capital		<u><u>\$68,161,835</u></u>

SCHEDULE E-1

MISSOURI GAS ENERGY

A Division of Southern Union Company

Thirteen Months Ending June 30, 2003

Updated Through December 31, 2003

Materials & Supplies

Line No.	Month (a)	Amount (b)
1	Dec-02	\$2,253,129
2	Jan-03	2,225,868
3	Feb-03	2,379,866
4	Mar-03	2,611,569
5	Apr-03	2,709,731
6	May-03	2,653,665
7	Jun-03	2,439,502
8	Jul-03	2,688,682
9	Aug-03	2,509,144
10	Sep-03	2,812,460
11	Oct-03	2,878,848
12	Nov-03	2,668,219
13	Dec-03	2,702,305
14	13 Month Total	<u>\$33,532,988</u>
15	13 Month Average	<u>\$2,579,461</u>

SCHEDULE E-2

MISSOURI GAS ENERGY

A Division of Southern Union Company

Thirteen Months Ending June 30, 2003

Updated Through December 31, 2003

Prepayments

Line No.	Month (a)	Amount (b)
1	Dec-02	532,890
2	Jan-03	416,994
3	Feb-03	517,005
4	Mar-03	331,282
5	Apr-03	331,313
6	May-03	210,091
7	Jun-03	160,988
8	Jul-03	789,001
9	Aug-03	1,174,049
10	Sep-03	1,160,825
11	Oct-03	977,317
12	Nov-03	951,685
13	Dec-03	839,369
14	13 Month Total	<u>\$8,392,808</u>
15	13 Month Average	<u>\$278,938</u>

SCHEDULE E-3

MISSOURI GAS ENERGY

A Division of Southern Union Company

Thirteen Months Ending June 30, 2003

Updated Through December 31, 2003

Gas Inventory

Line No.	Month (a)	Volumes (b)
1	Jan-03	6,199,269
2	Feb-03	1,604,779
3	Mar-03	1,793,568
4	Apr-03	4,843,104
5	May-03	9,205,812
6	Jun-03	12,451,375
7	Jul-03	13,914,784
8	Aug-03	15,189,442
9	Sep-03	16,457,594
10	Oct-03	17,460,027
11	Nov-03	14,562,734
12	Dec-03	<u>12,013,048</u>
13	13 Month Average	10,474,628
14	Current Injection Prices	<u>\$5.350</u>
15	Inventory Value	<u><u>\$56,039,260</u></u>

SCHEDULE E-4

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Cash Working Capital

Line No.	Description	Test Year Expenses	Revenue Lag	Expense Lead	Net Lag (C-D)	Factor (E/365)	CWC Requirement (B*F)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Operation & Maintenance Expense							
1	Cash Vouchers	\$33,298,972	43.0000	28.0000	15.0000	0.0411	\$1,368,451
2	Bad Debt Expense	9,174,470	43.0000	43.0000	-	-	0
3	Net Payroll Expense	17,079,089	43.0000	12.5000	30.5000	0.0836	1,427,157
4	Fica Withheld	2,598,665	43.0000	9.6000	33.4000	0.0915	237,796
5	Federal Income Tax Withheld	2,985,421	43.0000	15.5900	27.4100	0.0751	224,193
6	State Income Tax Withheld	974,745	43.0000	48.7600	(5.7600)	(0.0158)	(15,382)
7	City Tax Withheld	140,668	43.0000	20.2200	22.7800	0.0624	8,779
8	Resident State Tax Withheld	0	43.0000	30.7271	12.2729	0.0336	0
9	Vacation Expense - Nonunion	396,108	43.0000	182.5000	(139.5000)	(0.3822)	(151,389)
10	Vacation Expense - Union	801,316	43.0000	388.1500	(345.1500)	(0.9456)	(757,738)
11	Sick Leave	506,411	43.0000	68.6400	(25.6400)	(0.0702)	(35,574)
12	Pensions	0	43.0000	43.0000	-	-	0
13	Medical Expense	0	43.0000	-	43.0000	0.1178	0
14	Purchased Gas	355,036,581	43.0000	38.8800	4.1200	0.0113	4,007,536
15	Building Rents and Leases	<u>1,266,093</u>	43.0000	(14.6500)	57.6500	0.1579	<u>199,973</u>
16	Total Operation & Maintenance Expense	<u>424,258,539</u>					<u>6,513,802</u>
Taxes							
17	Property Taxes	8,523,776	43.0000	182.0000	(139.0000)	(0.3808)	(3,246,041)
18	Franchise Taxes	193,682	43.0000	59.4100	(16.4100)	(0.0450)	(8,708)
19	Gross Receipts Taxes	28,799,163	33.3750	59.4100	(26.0350)	(0.0713)	(2,054,209)
20	Employer Portion of FICA	2,598,665	43.0000	9.6000	33.4000	0.0915	237,796
21	Federal and State Unemployment	37,110	43.0000	87.8200	(44.8200)	(0.1228)	(4,557)
22	Use Taxes	1,496	33.3750	76.1200	(42.7450)	(0.1171)	(175)
23	Sales Taxes	<u>8,064,405</u>	33.3750	24.9700	8.4050	0.0230	<u>185,702</u>
24	Total Taxes	<u>48,218,297</u>					<u>(4,890,191)</u>
25	Total Cash Working Capital Requirement						1,623,611
26	Estimated Interest Expense Offset	18,159,540	43.0000	75.6000	(32.6000)	(0.0893)	(1,621,647)
27	Estimated Income Tax Offset	3,085,340	43.0000	45.0000	(2.0000)	(0.0055)	<u>(16,969)</u>
28	Net Cash Working Capital						<u>(\$15,005)</u>

SCHEDULE E-5

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Deferred Pension Updated through December 31, 2003

Line No.	Year Ended (a)	Balance (b)
1	December 31, 2003	<u>\$9,275,181</u>

SCHEDULE F

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Summary of Cost of Capital Updated through 12/31/03

Line No.	Description	Reference	Ratio	Cost Rate	Weighted Composite Rate
	(a)	(b)	(c)	(d)	(e)
1	Long-Term Debt	F-1	47.16%	7.29%	3.437%
2	Preferred Equity	F-2	10.75%	7.86%	0.845%
3	Common Equity	F-2	42.09%	12.00%	5.051%
4	Total		<u>100.00%</u>		<u>9.333%</u>

SCHEDULE F-1

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003

Long Term Debt Updated through December 31, 2003

Line No.	Description	Outstanding 12/31/03	Ann Int Rate	Annual Interest
	(a)	(b)	(c)	(d)
1	7.6% Senior notes	359,765,000	7.600%	27,342,000
2	8.25% Senior notes	300,000,000	8.250%	24,750,000
3	Term note	161,086,956	2.205%	3,552,000
4	Bank Debt	0	2.375%	0
5	5.75% Equity Units	125,000,000	5.750%	7,188,000
6	9.34% Mortgage bonds	15,000,000	9.340%	1,401,000
7	9.44% Mortgage (FR)	6,500,000	9.440%	614,000
8	7.99% Mortgage (FR)	7,000,000	7.990%	559,000
9	7.24% Mortgage (FR)	6,000,000	7.240%	434,000
10	Mortgage bonds (PR) M	1,363,000	10.250%	140,000
11	Mortgage bonds (PR) N	10,000,000	9.630%	963,000
12	Mortgage bonds (PR) O	11,875,000	8.460%	1,005,000
13	Mortgage bonds (PR) P	12,500,000	8.090%	1,011,000
14	Mortgage bonds (PR) R	15,000,000	7.500%	1,125,000
15	Mortgage bonds (PR) S	14,464,000	6.820%	986,000
16	Mortgage bonds (PR) T	13,802,000	6.500%	897,000
17	Other	0	7.000%	0
18	Total long term debt	1,059,355,956		71,967,000
19	Unamort debt costs-181	(16,443,534)		2,455,932
20	Unamortized debt costs - 189	(16,317,491)		667,368
21	Unamortized gain - 257	2,096,133		(104,372)
22	Net long term debt	<u>\$1,028,691,064</u>		<u>\$74,985,928</u>
26	EFFECTIVE INTEREST RATE		7.2895%	
27	(b) This is a floating rate lease; however, the interest rate was fixed with an interest rate swap at 5.79%			

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003

Equity Capital Updated through December 31, 2003

Line No.	Description	Cost Rate	Ratio	Composite Cost Rate
	(a)	(b)	(c)	(d)
Preferred Equity				
1	\$230,000,000 of 7.55% Preferred Stock			
2	Issuance Cost Amortization			
3	Preferred Equity	7.860%		
	Preferred Equity as Proportion of Total			
4	Capitalization		10.75%	
5	Composite Preferred Cost Rate			0.845%
Common Equity				
6	Common Equity			
7	Required Return on Common Equity	12.000%		
	Common Equity as Proportion of Total			
8	Capitalization		42.1%	
9	Composite Common Cost Rate			5.051%
10	Total Equity Capital			5.896%

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003

Distribution of Revenue and Expense Adjustments by Account No.
Updated through December 31, 2003

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	\$340,727,514	(\$244,487,095)	\$96,240,419
2	481.1	Commercial	138,675,790	(107,443,009)	31,232,781
3	481.2	Industrial	3,930,121	(2,549,814)	1,380,307
4	483	Sales for Resale	0	(113,664)	(113,664)
5	487	Late Payment Charges	1,148,304	(55,895)	1,092,409
6	488	Miscellaneous Service Revenue	2,313,358	1,122,959	3,436,317
7	489	Transport	8,439,483	114,219	8,553,702
8	493	Rent From Property	0	0	0
9	495	Other Gas Revenue	(136,799)	0	(136,799)
10		Total Operating Revenue	<u>\$495,097,771</u>	<u>(\$353,412,300)</u>	<u>\$141,685,471</u>
OPERATING & MAINTENANCE EXPENSE					
Operation Expense					
11	805	Other Gas Purchases	\$321,980,474	(\$321,980,474)	\$0
12	807	Purchased Gas Expense	38,000	(38,000)	0
13	859	Other Joint Expense	0	0	0
14	870	Operation, Supervision and Engineering	506,443	21,119	527,562
15	871	Distribution and Load Dispatching	13,427	62	13,489
16	872	Compressor Station Labor and Expense	0	0	0
17	874	Mains and Service Expenses	2,571,135	11,895	2,583,030
18	875	Distributing Regulating Station Expenses	644,338	18,013	662,351
19	876	Measuring and Regulating - Station Expenses	5,310	(563)	4,747
20	877	Measuring and Regulating - Station Expenses	4,050	369	4,419
21	878	Meter and House Regulator Expenses	4,258,435	125,391	4,383,826
22	879	Customer Installation Expenses	2,248,341	77,678	2,326,019
23	880	Other Expenses	1,107,496	48,265	1,155,761
24	881	Rents	69,814	0	69,814
25		Total Operation Expense	<u>\$333,447,263</u>	<u>(\$321,716,245)</u>	<u>\$11,731,018</u>
Maintenance Expense					
26	885	Maintenance Supervision and Engineering	\$780,481	\$124,797	\$905,278
27	886	Maintenance of Structures and Improvements	139,484	4,002	143,486
28	887	Maintenance of Mains	6,748,357	178,859	6,927,216
29	889	Maint. of Measuring and Reg. Stat Equip - General	211,527	5,126	216,653
30	890	Maint. of Measuring and Regulating Equipment	310,825	8,401	319,226
31	891	Maint. of Measuring and Regulating Equipment	80,971	298	81,269
32	892	Maintenance of Services	557,520	17,088	574,608
33	893	Maintenance of Meters and House Regulators	856,716	24,416	881,132
34	894	Maintenance of Other Equipment	227,498	1,692	229,190
35		Total Maintenance Expenses	<u>\$9,913,379</u>	<u>\$364,679</u>	<u>\$10,278,058</u>
36		Total Distribution Expense	<u>\$343,360,642</u>	<u>(\$321,351,566)</u>	<u>\$22,009,076</u>
Customer Accounts Expense					
37	901	Supervision	\$578,740	\$15,016	\$593,756
38	902	Meter Reading Expense	630,162	24,234	654,396
39	903	Customer Records and Collection Expense	9,623,169	747,839	10,371,008
40	904	Uncollectible Accounts	6,602,056	2,572,414	9,174,470
41	905	Miscellaneous Customer Accounts Expense	85,374	0	85,374
42		Total Customer Accounts Expenses	<u>\$17,519,501</u>	<u>\$3,359,503</u>	<u>\$20,879,004</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003

Distribution of Revenue and Expense Adjustments by Account No.
Updated through December 31, 2003

Line No.	Main Acct.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
(a)	(b)	(c)	(d)	(e)	
Customer Service and Informational Expense					
43	907	Supervision	\$0	\$0	\$0
44	908	Customer Assistance	422,120	162,547	584,667
45	909	Informational and Instructional Advertising Exp.	43,018	0	43,018
46	910	Miscellaneous Customer Accounts Expense	11,492	0	11,492
47		Total Cust. Service and Information Exp.	<u>\$476,630</u>	<u>\$162,547</u>	<u>\$639,177</u>
Sales and Advertising Expense					
48	911	Supervision	\$0	\$0	\$0
49	912	Demonstrating and Selling Expenses	243,883	6,009	249,892
50	913	Advertising Expenses	0	0	0
51	916	Miscellaneous Sales Expenses	1,676	0	1,676
52		Total Sales and Advertising Expenses	<u>\$245,559</u>	<u>\$6,009</u>	<u>\$251,568</u>
Administrative and General Expense					
53	920	Administrative and General Salaries	\$3,718,333	\$1,207,954	\$4,926,287
54	921	Office Supplies and Expenses	3,221,659	1,260,938	4,482,597
55	922	Administrative Expenses Transferred	(185,936)	(1,318,332)	(1,484,268)
56	923	Outside Services Employed	2,013,943	2,678,223	4,692,166
57	924	Property Insurance	164,136	0	164,136
58	925	Injuries and Damages	1,515,813	693,190	2,209,003
59	926	Employee Pensions and Benefits	7,769,789	3,736,060	11,505,849
60	927	Franchise Requirements	0	0	0
61	928	Regulatory Commission Expense	1,854,587	(37,532)	1,817,055
62	930	Miscellaneous General Expenses	(279,283)	491,062	211,779
63	931	Rents	956,683	309,410	1,266,093
64	932	Maintenance of General Plant	176,796	114,001	290,797
65		Total Administration and General Expense	<u>\$20,946,520</u>	<u>\$9,134,974</u>	<u>\$30,081,494</u>
66		Total O & M Expense	<u>\$382,548,852</u>	<u>(\$308,688,533)</u>	<u>\$73,860,319</u>
67	403	Depreciation	20,289,660	3,609,234	23,898,894
68	404, 405	Amortization	2,401,441	3,742,379	6,143,820
69	431	Interest on Customer Deposits	218,822	(81,567)	137,255
70	408	Payroll Taxes	1,593,999	365,737	1,959,736
71	408	Property Taxes	8,280,724	243,052	8,523,776
72	408	Gross Receipts Tax	30,058,800	(30,058,800)	0
73	408	Other Taxes	108,025	85,657	193,682
74	408	Taxes Other Than Income	<u>\$40,041,548</u>	<u>(\$29,364,354)</u>	<u>\$10,677,194</u>
75		TOTAL EXPENSES	<u>\$445,500,323</u>	<u>(\$330,782,841)</u>	<u>\$114,717,482</u>
76		OPERATING INCOME BEFORE INCOME TAX	<u>\$49,597,448</u>	<u>(\$22,629,458)</u>	<u>\$26,967,990</u>
77	409,410	Income Taxes	\$11,159,093	(\$8,073,753)	\$3,085,340
78		NET OPERATING INCOME	<u>\$38,438,355</u>	<u>(\$14,555,705)</u>	<u>\$23,882,650</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated through December 31, 2003

SCHEDULE H
Page 3 of 8

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct	Description	Test Year Per Books	H-1 Adj. GL Rev to Test Year Margin	H-2 Normalize & Adj. Test Year Margin	H-3 Remove Purch. Gas Cost and GRT	H-4 Payroll Expense	H-5 Employee Benefits	H-6 Payroll Taxes	H-7 Insurance	H-8 Joint and Common Costs	H-9 Uncollectible Expense	H-10 Regulatory Commission Expense	H-11 Interest on Customer Deposits
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
OPERATING REVENUE														
1	480	Residential	\$340,727,514	(\$242,289,140)	(\$2,217,955)									
2	481.1	Commercial	138,675,790	(106,422,870)	(1,020,339)									
3	481.2	Industrial	3,930,121	(2,549,814)	0									
4	483	Sales for Resale	0	(113,684)	0									
5	487	Late Payment Charges	1,148,304	(55,895)	0									
6	488	Miscellaneous Service Revenue	2,313,358		1,122,959									
7	489	Transport	8,439,483		114,219									
8	493	Rent From Property	0											
9	495	Other Gas Revenue	(138,799)											
10		Total Operating Revenue	\$495,097,771	(\$351,411,183)	(\$2,001,117)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING & MAINTENANCE EXPENSE														
Operation Expense														
11	805	Other Gas Purchases	\$321,980,474			(\$321,980,474)								
12	807	Purchased Gas Expense	38,000											
13	859	Other Joint Expense	0											
14	870	Operation, Supervision and Engineering	506,443				18,984							
15	871	Distribution and Load Dispatching	13,427				24							
16	872	Compressor Station Labor and Expense	0				0							
17	874	Mains and Service Expenses	2,571,135				10,811							
18	875	Distributing Regulating Station Expenses	644,338				16,104							
19	876	Measuring and Regulating - Station Expenses	5,310				(576)							
20	877	Measuring and Regulating - Station Expenses	4,050				356							
21	878	Meter and House Regulator Expenses	4,258,435				113,027							
22	879	Customer Installation Expenses	2,248,341				70,476							
23	880	Other Expenses	1,107,496				45,233							
24	881	Rents	69,814											
25		Total Operation Expense	\$333,447,263	\$0	\$0	(\$321,980,474)	\$274,439	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Maintenance Expense														
26	885	Maintenance Supervision and Engineering	\$780,481				\$121,038							
27	886	Maintenance of Structures and Improvements	139,484				3,615							
28	887	Maintenance of Mains	6,748,357				161,984							
29	889	Maint. of Measuring and Reg. Stat Equip - General	211,527				4,530							
30	890	Maint. of Measuring and Regulating Equipment	310,825				7,503							
31	891	Maint. of Measuring and Regulating Equipment	80,971				225							
32	892	Maintenance of Services	557,520				15,586							
33	893	Maintenance of Meters and House Regulators	856,716				21,990							
34	894	Maintenance of Other Equipment	227,498				1,502							
35		Total Maintenance Expenses	\$9,913,379	\$0	\$0	\$0	\$337,971	\$0	\$0	\$0	\$0	\$0	\$0	\$0
36		Total Distribution Expense	\$343,360,642	\$0	\$0	(\$321,980,474)	\$612,410	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Customer Accounts Expense														
37	901	Supervision	\$578,740				\$13,267							
38	902	Meter Reading Expense	630,162				22,283							
39	903	Customer Records and Collection Expense	9,623,169				532,532							
40	904	Uncollectible Accounts	6,602,056									2,572,414		
41	905	Miscellaneous Customer Accounts Expense	85,374				0							
42		Total Customer Accounts Expenses	\$17,519,501	\$0	\$0	\$0	\$568,082	\$0	\$0	\$0	\$0	\$2,572,414	\$0	\$0

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated through December 31, 2003

SCHEDULE H
Page 4 of 8

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-1 Adj. GL Rev to Test Year Margin	H-2 Normalize & Adj. Test Year Margin	H-3 Remove Purch. Gas Cost and GRT	H-4 Payroll Expense	H-5 Employee Benefits	H-6 Payroll Taxes	H-7 Insurance	H-8 Joint and Common Costs	H-9 Uncollectible Expense	H-10 Regulatory Commission Expense	H-11 Interest on Customer Deposits
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
Customer Service and Informational Expense														
43	907	Supervision	\$0											
44	908	Customer Assistance	422,120				2,219							
45	909	Informational and Instructional Advertising Exp.	43,018											
46	910	Miscellaneous Customer Accounts Expense	11,492											
47		Total Cust. Service and Information Exp.	\$476,630	\$0	\$0	\$0	\$2,219	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales and Advertising Expense														
48	911	Supervision	\$0				\$0							
49	912	Demonstrating and Selling Expenses	243,883				5,113							
50	913	Advertising Expenses	0											
51	916	Miscellaneous Sales Expenses	1,676											
52		Total Sales and Advertising Expenses	\$245,559	\$0	\$0	\$0	\$5,113	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative and General Expense														
53	920	Administrative and General Salaries	\$3,718,333				\$1,189,072							
54	921	Office Supplies and Expenses	3,221,659				735							
55	922	Administrative Expenses Transferred	(165,936)											
56	923	Outside Services Employed	2,013,943								2,418,245			
57	924	Property Insurance	164,136							0				
58	925	Injuries and Damages	1,515,813				(865)			694,049				
59	926	Employee Pensions and Benefits	7,769,789					3,736,060						
60	927	Franchise Requirements	0											
61	928	Regulatory Commission Expense	1,854,587										(37,532)	
62	930	Miscellaneous General Expenses	(279,283)											
63	931	Rents	956,683											
64	932	Maintenance of General Plant	176,796				0							
65		Total Administration and General Expense	\$20,946,520	\$0	\$0	\$0	\$1,188,942	\$3,736,060	\$0	\$694,049	\$2,418,245	\$0	(\$37,532)	\$0
66		Total O & M Expense	\$382,548,852	\$0	\$0	(\$321,980,474)	\$2,376,766	\$3,736,060	\$0	\$694,049	\$2,418,245	\$2,572,414	(\$37,532)	\$0
67	403	Depreciation	\$20,289,660											
68	404, 405	Amortization	2,401,441											
69	431	Interest on Customer Deposits	218,822											(81,567)
70	408	Payroll Taxes (1****)	1,593,999						365,737					
71	408	Property Taxes (2****)	8,280,724											
72	408	Gross Receipts Tax (3300 + 4000)	30,058,800			(30,058,800)								
73	408	Other Taxes (41**)	108,025											
74	408	Taxes Other Than Income	\$40,041,548	\$0	\$0	(\$30,058,800)	\$0	\$0	\$365,737	\$0	\$0	\$0	\$0	\$0
75		TOTAL EXPENSES	\$446,500,323	\$0	\$0	(\$352,039,274)	\$2,376,766	\$3,736,060	\$365,737	\$694,049	\$2,418,245	\$2,572,414	(\$37,532)	(\$81,567)
76		OPERATING INCOME BEFORE INCOME TAX	\$49,597,448	(\$351,411,183)	(\$2,001,117)	\$352,039,274	(\$2,376,766)	(\$3,736,060)	(\$365,737)	(\$694,049)	(\$2,418,245)	(\$2,572,414)	\$37,532	\$81,567
77	409, 410	Income Taxes	11,159,093											
Note: per book & adjusted income tax computed on A-2														
78		NET OPERATING INCOME	\$38,438,355	(\$351,411,183)	(\$2,001,117)	\$352,039,274	(\$2,376,766)	(\$3,736,060)	(\$365,737)	(\$694,049)	(\$2,418,245)	(\$2,572,414)	\$37,532	\$81,567

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

SCHEDULE H
Page 5 of 8

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
				Depreciation Expense	Amortization Expense	TWE Clearing	Stores Load Clearing	Paid Time Off Clearing	State Franchise Tax	Property Tax	Gas Supply	Office Lease Expense	Dues Expense	Incentive Compensation & Bonuses	Collection Costs
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
OPERATING REVENUE															
1	480	Residential	\$340,727,514												
2	481.1	Commercial	138,675,790												
3	481.2	Industrial	3,930,121												
4	483	Sales for Resale	0												
5	487	Late Payment Charges	1,148,304												
6	488	Miscellaneous Service Revenue	2,313,358												
7	489	Transport	8,439,483												
8	493	Rent From Property	0												
9	495	Other Gas Revenue	(136,799)												
10		Total Operating Revenue	\$485,097,771	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING & MAINTENANCE EXPENSE															
Operation Expense															
11	805	Other Gas Purchases	\$321,980,474												
12	807	Purchased Gas Expense	38,000								(38,000)				
13	859	Other Joint Expense	0												
14	870	Operation, Supervision and Engineering	508,443			0		0						2,135	
15	871	Distribution and Load Dispatching	13,427			0		0						38	
16	872	Compressor Station Labor and Expense	0			0		0						0	
17	874	Mains and Service Expenses	2,571,135			0	0	0						1,084	
18	875	Distributing Regulating Station Expenses	644,338			0	0	0						1,909	
19	876	Measuring and Regulating - Station Expenses	5,310			0	0	0						13	
20	877	Measuring and Regulating - Station Expenses	4,050			0	0	0						13	
21	878	Meter and House Regulator Expenses	4,258,435			0	0	0						12,364	
22	879	Customer Installation Expenses	2,248,341			0	0	0						7,202	
23	880	Other Expenses	1,107,496			0	0	0						3,032	
24	881	Rents	69,814												
25		Total Operation Expense	\$333,447,263	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$38,000)	\$0	\$0	\$27,790	\$0
Maintenance Expense															
26	885	Maintenance Supervision and Engineering	\$780,481			\$0	\$0	\$0						\$3,781	
27	886	Maintenance of Structures and Improvements	139,484			0	0	0						387	
28	887	Maintenance of Mains	6,748,357			0	0	0						16,875	
29	889	Maint. of Measuring and Reg. Stat Equip - General	211,527			0	0	0						596	
30	890	Maint. of Measuring and Regulating Equipment	310,825			0	0	0						898	
31	891	Maint. of Measuring and Regulating Equipment	80,971			0	0	0						73	
32	892	Maintenance of Services	557,520			0	0	0						1,502	
33	893	Maintenance of Meters and House Regulators	856,716			0	0	0						2,426	
34	894	Maintenance of Other Equipment	227,498			0	0	0						190	
35		Total Maintenance Expenses	\$9,913,379	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,708	\$0
36		Total Distribution Expense	\$343,360,642	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$38,000)	\$0	\$0	\$54,498	\$0
Customer Accounts Expense															
37	901	Supervision	\$578,740												

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated through December 31, 2003

SCHEDULE H
Page 6 of 8

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-12 Depreciation Expense	H-13 Amortization Expense	H-14 TWE Clearing	H-15 Stores Load Clearing	H-16 Paid Time Off Clearing	H-17 State Franchise Tax	H-18 Property Tax	H-19 Gas Supply	H-20 Office Lease Expense	H-21 Dues Expense	H-22 Incentive Compensation & Bonuses	H-23 Collection Costs
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
Customer Service and Informational Expense															
43	907	Supervision	\$0												
44	908	Customer Assistance	422,120											328	
45	909	Informational and Instructional Advertising Exp.	43,018												
46	910	Miscellaneous Customer Accounts Expense	11,492												
47		Total Cust. Service and Information Exp.	\$476,630	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$328	\$0
Sales and Advertising Expense															
48	911	Supervision	\$0											\$0	
49	912	Demonstrating and Selling Expenses	243,883			0								896	
50	913	Advertising Expenses	0												
51	916	Miscellaneous Sales Expenses	1,676												
52		Total Sales and Advertising Expenses	\$245,559	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$896	\$0
Administrative and General Expense															
53	920	Administrative and General Salaries	\$3,718,333											\$18,882	
54	921	Office Supplies and Expenses	3,221,659			0	0				136,353	(8,823)		22	
55	922	Administrative Expenses Transferred	(165,936)												
56	923	Outside Services Employed	2,013,943												
57	924	Property Insurance	164,136												
58	925	Injuries and Damages	1,515,813				0							6	
59	926	Employee Pensions and Benefits	7,769,789												
60	927	Franchise Requirements	0												
61	928	Regulatory Commission Expense	1,854,587												
62	930	Miscellaneous General Expenses	(279,283)											(40,000)	
63	931	Rents	958,683									10,288			
64	932	Maintenance of General Plant	176,786									(10,861)		0	
65		Total Administration and General Expense	\$20,946,520	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$136,353	(\$9,396)	(\$40,000)	\$18,910	\$0
66		Total O & M Expense	\$382,548,852	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$98,353	(\$9,396)	(\$40,000)	\$98,431	\$195,208
67	403	Depreciation	\$20,289,660	\$3,609,234											
68	404, 405	Amortization	2,401,441		3,742,379										
69	431	Interest on Customer Deposits	218,822												
70	408	Payroll Taxes (1***)	1,593,999												
71	408	Property Taxes (2***)	8,280,724							243,052					
72	408	Gross Receipts Tax (3300 + 4000)	30,058,800												
73	408	Other Taxes (41**)	108,025						85,657						
74	408	Taxes Other Than Income	\$40,041,548	\$0	\$0	\$0	\$0	\$0	\$85,657	\$243,052	\$0	\$0	\$0	\$0	\$0
75		TOTAL EXPENSES	\$445,500,323	\$3,609,234	\$3,742,379	\$0	\$0	\$0	\$85,657	\$243,052	\$98,353	(\$9,396)	(\$40,000)	\$98,431	\$195,208
76		OPERATING INCOME BEFORE INCOME TAX	\$49,597,448	(\$3,609,234)	(\$3,742,379)	\$0	\$0	\$0	(\$85,657)	(\$243,052)	(\$98,353)	\$9,396	\$40,000	(\$98,431)	(\$195,208)
77	409, 410	Income Taxes	11,159,093												
78		NET OPERATING INCOME	\$38,438,355	(\$3,609,234)	(\$3,742,379)	\$0	\$0	\$0	(\$85,657)	(\$243,052)	(\$98,353)	\$9,396	\$40,000	(\$98,431)	(\$195,208)

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

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated through December 31, 2003

SCHEDULE H
Page 7 of 8

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-24 Shared Services Expense	H-25 Remove Non-utility Activities	H-26 Outside Services	H-27 Weatherization Fund	H-28 Environmental Response Fund	H-29 Information Technology Expenses	Income Tax Adjustment	Total Adjustments	Test Year As Adjusted
(a)	(b)	(c)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)	(ah)	(ai)	
OPERATING REVENUE												
1	480	Residential	\$340,727,514								(\$244,487,095)	\$96,240,419
2	481.1	Commercial	138,675,790								(107,443,009)	31,232,781
3	481.2	Industrial	3,930,121								(2,549,814)	1,380,307
4	483	Sales for Resale	0								(113,664)	(113,664)
5	487	Late Payment Charges	1,148,304								(55,895)	1,092,409
6	488	Miscellaneous Service Revenue	2,313,358								1,122,959	3,436,317
7	489	Transport	8,439,483								114,219	8,553,702
8	493	Rent From Property	0								0	0
9	495	Other Gas Revenue	(136,799)								0	(136,799)
10		Total Operating Revenue	\$495,097,771	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$353,412,300)	\$141,685,471
OPERATING & MAINTENANCE EXPENSE												
Operation Expense												
11	805	Other Gas Purchases	\$321,980,474								(\$321,980,474)	\$0
12	807	Purchased Gas Expense	38,000								(38,000)	0
13	859	Other Joint Expense	0								0	0
14	870	Operation, Supervision and Engineering	506,443								21,119	527,562
15	871	Distribution and Load Dispatching	13,427								62	13,489
16	872	Compressor Station Labor and Expense	0								0	0
17	874	Mains and Service Expenses	2,571,135								11,895	2,583,030
18	875	Distributing Regulating Station Expenses	644,338								18,013	662,351
19	876	Measuring and Regulating - Station Expenses	5,310								(563)	4,747
20	877	Measuring and Regulating - Station Expenses	4,050								369	4,419
21	878	Meter and House Regulator Expenses	4,258,435								125,391	4,383,826
22	879	Customer Installation Expenses	2,248,341								77,678	2,326,019
23	880	Other Expenses	1,107,496								48,265	1,155,761
24	881	Rents	69,814								0	69,814
25		Total Operation Expense	\$333,447,263	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$321,716,245)	\$11,731,018
Maintenance Expense												
26	885	Maintenance Supervision and Engineering	\$780,481								\$124,797	\$905,278
27	886	Maintenance of Structures and Improvements	139,484								4,002	143,486
28	887	Maintenance of Mains	6,748,357								178,859	6,927,216
29	889	Maint. of Measuring and Reg. Stat Equip - General	211,527								5,128	216,653
30	890	Maint. of Measuring and Regulating Equipment	310,825								8,401	319,226
31	891	Maint. of Measuring and Regulating Equipment	80,971								298	81,269
32	892	Maintenance of Services	557,520								17,088	574,608
33	893	Maintenance of Meters and House Regulators	856,716								24,416	881,132
34	894	Maintenance of Other Equipment	227,498								1,692	229,190
35		Total Maintenance Expenses	\$9,913,379	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$364,679	\$10,278,058
36		Total Distribution Expense	\$343,360,642	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$321,351,568)	\$22,009,076
Customer Accounts Expense												
37	901	Supervision	\$578,740								\$15,016	\$593,756
38	902	Meter Reading Expense	630,162								24,234	654,396
39	903	Customer Records and Collection Expense	9,623,169								747,839	10,371,008
40	904	Uncollectible Accounts	6,602,056								2,572,414	9,174,470
41	905	Miscellaneous Customer Accounts Expense	85,374								0	85,374
42		Total Customer Accounts Expenses	\$17,519,501	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,359,503	\$20,879,004

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated through December 31, 2003

SCHEDULE H
Page 8 of 8

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-24 Shared Services Expense	H-25 Remove Non-utility Activities	H-26 Outside Services	H-27 Weatherization Fund	H-28 Environmental Response Fund	H-29 Information Technology Expenses	Income Tax Adjustment	Total Adjustments	Test Year As Adjusted
(a)	(b)	(c)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)	(ah)	(ai)	
Customer Service and Informational Expense												
43	907	Supervision	\$0								\$0	\$0
44	908	Customer Assistance	422,120				160,000				162,547	584,667
45	909	Informational and Instructional Advertising Exp.	43,018								0	43,018
46	910	Miscellaneous Customer Accounts Expense	11,492								0	11,492
47		Total Cust. Service and Information Exp.	\$476,630	\$0	\$0	\$0	\$160,000	\$0	\$0	\$0	\$162,547	\$639,177
Sales and Advertising Expense												
48	911	Supervision	\$0								\$0	\$0
49	912	Demonstrating and Selling Expenses	243,883								6,009	249,892
50	913	Advertising Expenses	0								0	0
51	916	Miscellaneous Sales Expenses	1,676								0	1,676
52		Total Sales and Advertising Expenses	\$245,559	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,009	\$251,568
Administrative and General Expense												
53	920	Administrative and General Salaries	\$3,718,333								\$1,207,954	\$4,926,287
54	921	Office Supplies and Expenses	3,221,659						1,132,650		1,260,938	4,482,597
55	922	Administrative Expenses Transferred	(165,936)	(1,318,332)							(1,318,332)	(1,484,268)
56	923	Outside Services Employed	2,013,943		(577,145)	35,415		750,000	51,708		2,678,223	4,682,166
57	924	Property Insurance	164,136								0	164,136
58	925	Injuries and Damages	1,515,813								693,190	2,209,003
59	926	Employee Pensions and Benefits	7,769,789						0		3,736,060	11,505,849
60	927	Franchise Requirements	0								0	0
61	928	Regulatory Commission Expense	1,854,587								(37,532)	1,817,055
62	930	Miscellaneous General Expenses	(279,283)	531,062							491,062	211,779
63	931	Rents	956,683						299,122		309,410	1,266,093
64	932	Maintenance of General Plant	176,796						124,862		114,001	290,797
65		Total Administration and General Expense	\$20,946,520	(\$787,270)	(\$577,145)	\$35,415	\$0	\$750,000	\$1,608,343	\$0	\$9,134,974	\$30,081,494
66		Total O & M Expense	\$382,548,852	(\$787,270)	(\$577,145)	\$35,415	\$160,000	\$750,000	\$1,608,343	\$0	(\$308,688,533)	\$73,860,319
67	403	Depreciation	\$20,289,660								\$3,609,234	\$23,898,894
68	404, 405	Amortization	2,401,441								3,742,379	\$6,143,820
69	431	Interest on Customer Deposits	218,822								(81,567)	137,255
70	408	Payroll Taxes (1***)	1,593,999								365,737	1,959,736
71	408	Property Taxes (2***)	8,280,724								243,052	8,523,776
72	408	Gross Receipts Tax (3300 + 4000)	30,058,800								(30,058,800)	0
73	408	Other Taxes (41**)	108,025								85,657	193,682
74	408	Taxes Other Than Income	\$40,041,548	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$29,364,354)	\$10,677,194
75		TOTAL EXPENSES	\$445,500,323	(\$787,270)	(\$577,145)	\$35,415	\$160,000	\$750,000	\$1,608,343	\$0	(\$330,782,841)	\$114,717,462
76		OPERATING INCOME BEFORE INCOME TAX	\$49,597,448	\$787,270	\$577,145	(\$35,415)	(\$160,000)	(\$750,000)	(\$1,608,343)	\$0	(\$22,829,458)	\$26,967,990
77	409,410	Income Taxes	11,159,093							(8,073,753)	(8,073,753)	3,085,340
78		NET OPERATING INCOME	\$38,438,355	\$787,270	\$577,145	(\$35,415)	(\$160,000)	(\$750,000)	(\$1,608,343)	\$8,073,753	(\$14,555,705)	\$23,882,650
Note: per book & adjusted income tax computed on A-2												

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

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Adjust Test Year Revenue per Book to Test Year Margin

Line No.	Description	Main Account/Revenue Class					Total
		480	481.1	481.2	483, 489	487, 488, 493, 495	
	(a)	21	22 & 23	25	28, 38	495	(g)
1	Total Revenue per Book	340,727,514	138,675,790	3,930,121	8,439,483	3,324,863	495,097,771
2	Less: GRT Revenue, Unbilled Revenue, PGA Revenue, and Miscellaneous Adjustments	(242,269,140)	(106,422,670)	(2,549,814)	(113,664)	(55,895)	(351,411,183)
3	Test Year Margin	98,458,374	32,253,120	1,380,307	8,325,819	3,268,968	143,686,588

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Test Year Margin 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	481.1 22 & 23	481.2 25	489, 483 38, 28	487, 488, 493, 495	
1	Test Year Margin	\$98,458,374	\$32,253,120	\$1,380,307	\$8,325,819	\$3,268,968	\$143,686,588
2	Weather Normalize	(729,815)	(503,780)		(18,169)	0	(1,251,764)
3	Customer Growth Annualization	88,742	284,771				373,513
	Experimental Low Income Program	(416,384)					(416,384)
4	Apartment/Rental Unit Reclassification	0	0				0
5	Load Attrition	(1,160,498)	(469,220)				(1,629,718)
6	Annualize Flex Credits				36,237		36,237
7	Economic Development Discounts				2,834		2,834
8	General Service - Large Volume Switching		(332,110)		93,317		(238,793)
9	Service Charge Changes					1,122,959	1,122,959
10	Total Adjustments	(2,217,955)	(1,020,339)	0	114,219	1,122,959	(2,001,117)
11	As Adjusted Test Year Margin	\$96,240,419	\$31,232,781	\$1,380,307	\$8,440,038	\$4,391,927	\$141,685,471

SCHEDULE H-3

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Remove Purchase Gas Costs and Gross Receipts Tax

Line No.	Description (a)	Amount (b)
1	Purchase Gas Costs (Acct. 805)	(\$321,980,474)
2	Gross Receipts Tax (Acct. 4081)	(30,058,800)
3	Total Adjustment	<u>(\$352,039,274)</u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Payroll Expense Updated through December 31, 2003

Line No.	Main Acct.	Proforma Payroll Expense	Payroll Expense Per Book	Adjustment to Test Year
	(a)	(b)	(c)	(d)
1	870	\$549,280	\$530,296	\$18,984
2	871	\$9,750	9,726	24
3	872	\$0	0	0
4	874	\$279,003	268,192	10,811
5	875	\$491,196	475,092	16,104
6	876	\$3,250	3,826	(576)
7	877	\$3,250	2,894	356
8	878	\$3,180,991	3,067,964	113,027
9	879	\$1,852,954	1,782,478	70,476
10	880	\$780,082	734,849	45,233
11	885	\$967,704	846,668	121,036
12	886	\$99,694	96,079	3,615
13	887	\$4,341,692	4,179,708	161,984
14	889	\$153,305	148,775	4,530
15	890	\$230,924	223,421	7,503
16	891	\$18,710	18,485	225
17	892	\$386,562	370,976	15,586
18	893	\$624,218	602,228	21,990
19	894	\$48,867	47,365	1,502
20	901	\$450,089	436,822	13,267
21	902	\$502,017	479,734	22,283
22	903	\$5,171,240	4,638,708	532,532
23	905	\$0	0	0
24	908	\$84,339	82,120	2,219
25	911	\$0	0	0
26	912	\$230,472	225,359	5,113
27	920	\$4,858,100	3,669,028	1,189,072
28	921	\$5,599	4,864	735
29	925	\$1,625	2,490	(865)
30	932	\$0	0	0
31	Total	\$25,324,913	\$22,948,147	\$2,376,766

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Employee Benefits Updated through December 31, 2003

Line No.	Description (a)	Amount (b)	Amount (c)
1	Pension	\$0	
2	Retirement Power	521,551	
3	Life & AD&D Insurance	187,746	
4	Long Term Disability Insurance	170,256	
5	Medical / Dental Benefit	7,583,284	
6	FAS 106 - Accrual	1,150,000	
7	FAS 106 - Amortization of	2,664,792	
8	401K	1,064,048	
9	Supplemental Retirement	60,447	
10	Other Benefits	97,931	
11	Total Proforma Benefits	\$13,500,055	
12	Payroll Expense Ratio	0.754132	
		<u>10,180,823</u>	
	Add amortization of prepaid pensions (amortized over a		
13	6 year period)	1,325,026	
14	Proforma Benefits Expense	<u>\$11,505,849</u>	
15	Less Test Year Benefits Expense	<u>(\$7,769,789)</u>	
16	Adjustment to Test Year Expense - Acct. 926		<u><u>\$3,736,060</u></u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Payroll Taxes

Line No.	Description (a)	Amount (b)
1	Total Proforma Payroll Taxes	\$2,588,606
2	Payroll Taxes on Incentive Compensation Adjustment	<u>10,059</u>
5	Total Proforma Payroll Taxes	\$2,598,665
6	Payroll Expense Ratio	0.754132
7	Proforma Payroll Tax Expense	<u>\$1,959,736</u>
8	Less Test Year Payroll Tax Expense	<u>(1,593,999)</u>
9	Adjustment to Test Year Expense - Acct. 4081	<u><u>\$365,737</u></u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Insurance - Accounts 924 & 925

Line No.	Description	2001	2002	2003	3 Year Avg.	925 Amount	924 Amount	Total Amount
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	MGE Claims:							
1	Workers Compensation claims paid	\$977,730	\$827,769	\$693,178	\$832,892			
2	Auto & General Liability	903,757	326,462	522,462	584,227			
3	Total Proforma Claims	<u>\$1,881,487</u>	<u>\$1,154,231</u>	<u>\$1,215,640</u>	<u>\$1,417,119</u>	\$1,417,119		\$1,417,119
4	Insurance Premiums - 924						164,136	164,136
5	Insurance Premiums - 925					1,515,813		1,515,813
6	Total Proforma Insurance Cost					\$2,932,932	\$164,136	\$3,097,068
7	Test Year Payroll Expense Ratio					0.753465	1.000000	
8	Proforma Insurance Expense					\$2,209,862	\$164,136	\$2,373,998
9	Less Test Year Insurance Expense					(1,515,813)	(164,136)	(1,679,949)
10	Adjustment to Test Year - Accts. 924 and 925					<u>\$694,049</u>	<u>\$0</u>	<u>\$694,049</u>

SCHEDULE H-8

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Corporate Allocated Costs

Line No.	Description (a)	Amount (b)
1	Proforma Joint and Common Costs	\$2,925,061
2	Expense Capital Ratio	82.6733%
3	Proforma Joint and Common Expense	<u>\$2,418,245</u>
4	Less Test Year Expense Recorded on MGE's Books	<u>0</u>
5	Adjustment to Test Year - Acct. 923	<u><u>\$2,418,245</u></u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Uncollectible Expense

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	YE Ended December 31, 2001 Charge Offs	\$14,666,837	
2	YE Ended December 31, 2002 Charge Offs	5,544,382	
3	YE Ended December 31, 2003 Charge Offs	<u>5,062,190</u>	
4	ThreeYear Average		\$8,424,470
5	Estimated Denial of Service Cost		\$750,000
6	Less Test Year Uncollectible Expense		(6,602,056)
7	Adjustment to Test Year - Acct. 904		<u><u>\$2,572,414</u></u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Regulatory Commission Expense

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Proforma, Current Rate Case	\$600,000	
2	Normalization Period (years)	<u>3</u>	
3	Normalization - Current Case		\$200,000
4	Normalized level of expense for depreciation study (Note 1)		\$7,444
5	Proforma NARUC Assessment - fiscal 7/1/03-6/30/04		6,198
6	Other Regulatory Commission Expenses		183,823
7	Proforma MPSC Assessment - fiscal 7/1/03-6/30/04		<u>1,419,590</u>
8	Total Proforma Regulatory Commission Expense		\$1,817,055
9	Less Test Year Regulatory Commission Expense		(1,854,587)
10	Adjustment to Test Year - Acct. 928		<u><u>(\$37,532)</u></u>
Note 1:			
	Total charges from Black & Veatch for		
11	the depreciation study	\$37,218	
12	Amortization period (years)	<u>5</u>	
13	Annual amortization	<u><u>\$7,444</u></u>	
Other Regulatory Commission Expenses			
14	2001	285,778	
15	2002	263,239	
16	2003	<u>218,878</u>	
17	3 Year Average	<u><u>255,965</u></u>	

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Interest on Customer Deposits

Line No.	Description (a)	Reference (b)	Residential (c)	Commercial & Industrial (d)	Amount (e)
1	Customer Deposits	B-2	\$1,433,597	\$2,185,835	\$3,619,432
2	Interest Rate		5.00%	3.00%	3.79%
3	Proforma Interest on Customer Deposits		\$71,680	\$65,575	\$137,255
4	Less Test Year Interest on Customer Deposits				(218,822)
5	Adjustment to Test Year - Acct. 431				(\$81,567)

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Depreciation Expense

Line No.	Description	Amount	Settled Rate GR-2001-282	Annualized Depreciation	Proposed Rate	Proforma Total Depreciation	Less Depr. Capitalized To Clearing Accts.	Proforma Depreciation Expense
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
INTANGIBLE PLANT								
1	(301) Organization	\$15,600	0.00%	\$0	0.00%	\$0	\$0	\$0
2	(302) Franchises	34,630	0.00%	0	0.00%	0	0	0
3	(303) Miscellaneous Intangible	32,371,893	(see adj. H-13)	0	(see adj. H-13)	0	0	0
4	Total Intangible Plant	<u>\$32,422,123</u>		<u>\$0</u>		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
DISTRIBUTION PLANT								
5	(374.1) Land	\$240,448	0.00%	\$0	0.00%	\$0	\$0	\$0
6	(374.2) Land Rights	1,374,600	2.09%	28,729	2.00%	27,492	0	27,492
7	(375.1) Structures	6,065,473	1.65%	100,080	2.00%	121,309	0	121,309
8	(375.2) Leasehold Improvements	0	(see adj. H-13)	0	(see adj. H-13)	0	0	0
9	(376) Mains & Mains - Cast Iron	310,143,777	2.27%	7,040,264	2.50%	7,753,594	0	7,753,594
10	(378) Meas. & Reg. Station - General	11,162,207	2.86%	319,239	3.33%	371,701	0	371,701
11	(379) Meas. & Reg. Station - City Gate	3,211,758	2.13%	68,410	2.50%	80,294	0	80,294
12	(380) Services	270,090,903	2.27%	6,131,063	3.33%	8,994,027	0	8,994,027
13	(381) Meters	29,207,668	2.86%	835,339	2.86%	835,339	0	835,339
14	(382) Meter Installations	59,478,816	2.86%	1,701,037	2.86%	1,701,037	0	1,701,037
15	(383) House Regulators	10,508,164	2.44%	256,399	2.50%	262,704	0	262,704
16	(385) Electronic Gas Metering	345,857	3.33%	11,517	5.00%	17,293	0	17,293
17	(387) Other Equipment	0	4.60%	0	2.86%	0	0	0
18	Total Distribution Plant	<u>\$701,827,671</u>		<u>\$16,492,077</u>		<u>\$20,164,790</u>	<u>\$0</u>	<u>\$20,164,790</u>
GENERAL PLANT - DIRECT								
19	(389) Land	\$468,315	0.00%	\$0	0.00%	\$0	\$0	\$0
20	(390.1) Structures	599,202	2.00%	11,984	2.86%	17,137	0	17,137
21	(390.2) Leasehold Impr.	1,389,409	(see adj. H-13)	0	(see adj. H-13)	0	0	0
22	(391) Furniture & Fixtures	4,794,856	8.06%	386,465	10.27%	492,432	0	492,432
23	(392) Transportation Equipment	4,589,780	8.70%	399,311	12.50%	573,723	(573,723)	0
24	(393) Stores Equipment	541,448	2.70%	14,619	5.00%	27,072	0	27,072
25	(394) Tools	4,811,920	2.38%	114,524	10.00%	481,192	0	481,192
26	(395) Laboratory Equipment	0	6.00%	0	0.00%	0	0	0
27	(396) Power Operated Equipment	330,903	8.33%	27,564	10.00%	33,090	(33,090)	0
28	(397.1) Communication Equipment - AMR	34,715,280	5.00%	1,735,764	5.00%	1,735,764	0	1,735,764
29	(397.0) Communication Equipment - Other	2,831,250	6.25%	178,953	6.67%	188,844	0	188,844
30	(398) Miscellaneous Equipment	196,359	3.85%	7,560	5.00%	9,818	0	9,818
31	Total Direct General Plant	<u>\$55,268,722</u>		<u>\$2,874,744</u>		<u>\$3,559,072</u>	<u>(\$606,813)</u>	<u>\$2,952,259</u>
GENERAL PLANT - CORPORATE								
32	(390) Structures	\$111,679	2.00%	\$2,234	2.00%	\$2,234	\$0	\$2,234
33	(390) Leasehold Impr.	0	(amortized)	0	(amortized)	0	0	0
34	(391) Furniture & Fixtures	83,465	10.00%	8,347	10.27%	8,572	0	8,572
35	(392) Transportation Equipment	25,107	10.00%	2,511	10.60%	2,661	(2,661)	0
36	(397) Communication Equipment	0	6.25%	0	6.67%	0	0	0
37	(398) Miscellaneous Equipment	0	3.85%	0	5.00%	0	0	0
38	Total Corporate General Plant	<u>\$220,251</u>		<u>\$13,092</u>		<u>\$13,467</u>	<u>(\$2,661)</u>	<u>\$10,806</u>
39	Total Proforma Plant & Depreciation	<u>\$789,738,767</u>		<u>\$19,379,913</u>		<u>\$23,737,329</u>	<u>(\$609,474)</u>	<u>\$23,127,855</u>
40	Less Depreciation Charged to Clearing A/Cs			(426,875)		(606,813)		
41	Less Test Year Depreciation Expense			(\$20,289,660)		(\$19,379,913)		(\$20,289,660)
42	Cost of Removal/ Net Salvage							\$771,039
43	Adjustment to Test Year - Acct. 403			(\$1,336,622)		\$3,750,603		\$3,609,234

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
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	1,380,409	6,020	72,240
3	Sub Total	<u>\$1,380,409</u>	<u>\$6,020</u>	<u>\$72,240</u>
4	(303) Misc. Intangible - Work Force Automation (1000)	\$3,785,364	21,030	\$252,358
5	(303) Misc. Intangible - MGE Share of Corporate Plant (1100)	0	0	0
6	(303) Misc. Intangible - Corrosion Control Mgmt System (4000)	1,117,800	9,555	114,665
7	(303) Misc. Intangible - Landbase Digitized Mapping (4500)	1,701,543	16,432	197,190
8	(303) Misc. Intangible - Premise Data System (5000)	985,196	0	0
9	(303) Misc. Intangible - AMR Project - Programming (5500)	469,443	2,762	33,148
10	(303) Misc. Intangible - Facility Priority Index (6000)	894,795	7,465	89,583
11	(303) Misc. Intangible - Geographic Information System (6500)	1,006,719	7,191	86,296
12	(303) Misc. Intangible - Customer Service System (7000)	3,786,000	21,035	252,426
13	(303) Misc. Intangible - CSS Enhancements (7100)	8,360,981	69,675	836,098
14	(303) Misc. Intangible - Mainframe Software (7200)	1,912,642	15,939	191,264
15	(303) Misc. Intangible - Infinium Enhancement (7300)	6,774,073	56,451	677,407
16	(303) Misc. Intangible - Licensing Office Pro2000 (7500)	54,012	450	5,401
17	(303) Misc. Intangible - Website (7600)	485,944	4,051	48,615
18	(303) Misc. Intangible - Stoner Low Pressure/Intermediate Model (8000)	279,672	2,431	29,166
19	(303) Misc. Intangible - BASIC (8500)	294,516	3,005	36,063
20	(303) Misc. Intangible - TCS System (9000)	189,193	1,592	19,106
21	(303) Misc. Intangible - GEO-Tax Software (9500)	79,294	661	7,929
22	(303) Misc. Intangible - Witness Software (9600)	194,706	1,623	19,471
23	Sub Total - Acct. 303	<u>\$32,371,891</u>	<u>\$241,349</u>	<u>\$2,896,186</u>
<u>SLRP Amortization:</u>				
24	SLRP Deferrals Subject to Amortization	<u>\$31,753,941</u>	<u>10</u>	<u>\$3,175,394</u>
25	ECWR Deferrals Subject to Amortization	<u>\$0</u>	<u>1.5</u>	<u>\$0</u>
26	Amortize Debit Accumulated Depreciation Reserve Balances	<u>\$0</u>	<u>5</u>	<u>\$0</u>
27	Pro-Forma Amortization Expense			\$6,143,820
28	Less Test Year Amortization Expense			<u>(2,401,441)</u>
29	Adjustment to Test Year - Accts. 404 and 405			<u>\$3,742,379</u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

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 1841		\$4,161,299		
2	Less Test Year Amounts Cleared Out of Account 1841		(4,161,299)		
3	Test Year Amount Under/(Over) Cleared		\$0		\$0
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 1841:				
		Proforma	Test Year	Adjustment	
5	Depreciation	\$609,474	\$412,860	\$196,614	
6	Lease Costs	1,621,908	1,706,188	(84,281)	
7	Other	2,042,250	2,042,250	0	
8	Total	\$4,273,632	\$4,161,299	\$112,333	112,333
9	Adjustment to Settle Issue				(112,333)
10	Total Adjusted Amount Under/(Over) Cleared				\$0

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

	Main Acct.	Amount	Percentage	Amount
11	870	\$3,691	0.000887	\$0
12	871	2,813	0.000676	0
13	872	0	0.000000	0
14	874	62,654	0.015056	0
15	875	103,000	0.024752	0
16	876	1,092	0.000262	0
17	877	.767	0.000184	0
18	878	708,314	0.170215	0
19	879	349,981	0.084104	0
20	880	77,305	0.018577	0
21	885	139	0.000033	0
22	886	22,963	0.005518	0
23	887	900,541	0.216409	0
24	889	23,083	0.005547	0
25	890	31,601	0.007594	0
26	891	3,296	0.000792	0
27	892	74,052	0.017795	0
28	893	151,470	0.036400	0
29	894	7,722	0.001856	0
30	902	108,773	0.026139	0
31	903	272,832	0.065564	0
32	912	6,439	0.001547	0
33	921	60,165	0.014458	0
34	Total Adjustment to Test Year Expense	\$2,972,694	0.714365	\$0
35	Balance Sheet Accounts	1,188,605	0.285633	0
36	Total Test Year Clearing	\$4,161,299	0.999998	\$0

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Stores Clearing

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into Stores Account 1630		\$2,177,149		
2	Less Test Year Amounts Cleared Out of Account 1630		(2,029,708)		
3	Test Year Amount Under/(Over) Cleared		<u>\$147,441</u>		\$147,441
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 1630:				
		Proforma	Test Year	Adjustment	
5	Other	2,177,149	2,177,149	0	
6	Total	<u>\$2,177,149</u>	<u>\$2,177,149</u>	<u>\$0</u>	0
7	Adjustment to Settle Issue				(147,441)
8	Total Adjusted Amount Under/(Over) Cleared				<u>\$0</u>

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

	Main Acct.	Amount	Percentage	Amount
9	874	\$7,213	0.003554	\$0
10	875	6,346	0.003127	0
11	876	0	0.000000	0
12	877	11	0.000005	0
13	878	57,109	0.028142	0
14	879	2,419	0.001192	0
15	880	7,443	0.003668	0
16	885	0	0.000000	0
17	886	433	0.000214	0
18	887	118,954	0.058617	0
19	889	4,168	0.002054	0
20	890	10,047	0.004951	0
21	891	11,184	0.005511	0
22	892	21,952	0.010817	0
23	893	12,494	0.006157	0
24	894	37,406	0.018433	0
25	902	50	0.000025	0
26	905	0	0.000000	0
27	921	9,028	0.004449	0
28	925	6,208	0.003059	0
29	Total Adjustment to Test Year Expense	<u>312,464</u>	<u>0.153975</u>	<u>0</u>
30	Balance Sheet Accounts	1,716,868	0.846026	0
31	Total Test Year Clearing	<u>2,029,332</u>	<u>1.000001</u>	<u>0</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Paid Time Off Clearing

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into Paid Time Off Account 1846		\$4,581,937		
2	Less Test Year Amounts Cleared Out of Account 1846		(4,513,168)		
3	Test Year Amount Under/(Over) Cleared		<u>\$68,768</u>		\$68,768
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 1846:				
		Proforma	Test Year	Adjustment	
5	Other	4,581,937	4,581,937	0	
6	Total	<u>\$4,581,937</u>	<u>\$4,581,937</u>	<u>\$0</u>	0
7	Adjustment to Settle Issue				(68,768)
8	Total Adjusted Amount Under/(Over) Cleared				<u><u>\$0</u></u>

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

	Main Acct.	Amount	Percentage	Amount
9	870	\$4,520	0.001001	0
10	871	2,753	0.000610	0
11	872	0	0.000000	0
12	874	70,421	0.015603	0
13	875	118,841	0.026332	0
14	876	1,020	0.000226	0
15	877	883	0.000196	0
16	878	803,479	0.178030	0
17	879	393,085	0.087097	0
18	880	49,061	0.010871	0
19	885	749	0.000166	0
20	886	27,041	0.005991	0
21	887	1,005,986	0.222900	0
22	889	25,820	0.005721	0
23	890	33,887	0.007508	0
24	891	4,136	0.000916	0
25	892	82,126	0.018197	0
26	893	165,440	0.036657	0
27	894	9,515	0.002108	0
28	902	118,622	0.026284	0
29	903	304,405	0.067448	0
30	Total Adjustment to Test Year Expense	3,221,789	0.713862	0
31	Balance Sheet Accounts	1,291,378	0.286136	0
32	Total Test Year Clearing	<u>4,513,167</u>	<u>0.999998</u>	<u>0</u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Missouri State Franchise Tax

Line No.	Description (a)	Amount (b)
1	Proforma State Franchise Tax Expense	\$193,682
2	Less Test Year State Franchise Tax Expense	<u>(108,025)</u>
3	Adjustment to Test Year - Acct. 4081	<u><u>\$85,657</u></u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Property Tax Expense

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
	Proforma Total Plant in Service excluding		
1	Corporate Allocated Plant	C	\$789,738,767
2	Less Intangible Plant	C	<u>(32,422,123)</u>
3	Proforma Plant, excluding Intangible Plant		\$757,316,644
4	Property tax rate		<u>1.11913%</u>
5	Proforma Property Tax Expense		\$8,523,776
6	Less Test Year Property Tax Expense		<u>(8,280,724)</u>
7	Adjustment to Test Year - Acct. 4081		<u><u>\$243,052</u></u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Gas Supply Expenses

Line		Account	
No.	Description	Number	Amount
	(a)	(b)	(c)
1	Pro Forma Gas Supply Expenses		\$257,551
2	Actual Test Year Gas Supply Expenses		\$121,198
3	Adjustment	921	\$136,353
	Reclassification of \$38,000 paid to Planalytics and recorded in A/C 807.4 Other		
4	Gas Purchases - Gas Hedging Software	807	(\$38,000)
5	Total Adjustment		\$98,353

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Office Lease Expense

Line No.	Description (a)	Amount (b)
1	Net Proforma Broadway and PBO Office Lease Expense	\$404,067
2	Less Test Year Broadway and PBO Office Lease Expense	<u>(393,779)</u>
3	Adjustment to Test Year - Acct. 931	<u>\$10,288</u>
4	Net Proforma Broadway Utilities, Outside Services & Supplies Expense	\$373,201
5	Less Test Year Broadway Utilities, Outside Services & Supplies Expense	<u>(382,024)</u>
6	Adjustment to Test Year - Acct. 921	<u>(\$8,823)</u>
7	Net Proforma Broadway Maintenance Expense	\$23,686
8	Less Test Year Broadway Maintenance Expense	<u>(22,624)</u>
9	Adjustment to Test Year - Acct. 932	<u>(\$10,861)</u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Dues Expense

Line No.	Description (a)	Amount (b)
1	Remove Certain Expense from Acct. 930.2	<u>(\$40,000)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Incentive Compensation and Bonuses

Line No.	Description	Incentive Compensation	Bonuses	Gas Supply & IT Bonuses	Total
	(a)	(b)	(c)	(d)	(e)
1	2001 Incentive and Bonus Payments	\$0	\$168,875	\$159,055	\$327,930
2	2002 Incentive and Bonus Payments	122,402	159,504	191,353	473,259
3	2003 Incentive and Bonus Payments	<u>143,586</u>	<u>98,193</u>	<u>74,260</u>	316,039
4	Three-Year Average	<u>\$88,663</u>	<u>\$142,191</u>	<u>\$141,556</u>	\$372,410
5	Test Year Incentive and Bonus Payments				<u>(241,779)</u>
6	Adjustment				130,631
7	Expense Ratio				<u>0.7541</u>
8	Amount Charged to Expense				<u>\$98,509</u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Customer Collection Costs

Line No.	Description (a)	Total (b)
<u>Proforma Charges</u>		
1	Brazen Software, Inc.	586,123
<u>Actual Charges</u>		
2	Brazen Software, Inc.	390,915
3	Adjustment	<u>\$195,208</u>

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Shared Services Expense

Line No.	Description (a)	Account Number (b)	Total (c)
1	Shared Services Accrual FY 6/30/03	922.0	<u>(\$1,318,332)</u>
3	Net payments received from Oneok	930.2	<u>531,062</u>
5	Total Net Adjustment		<u>(\$787,270)</u>

SCHEDULE H-25

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Non-recurring / Non-Utility Activity

Line No.	Description (a)	Total (b)
1	Remove non-utility activity from account 9230	<u>(\$577,145)</u>

SCHEDULE H-26

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Outside Services - Tax Services

Line No.	Description (a)	Total (b)
1	Sales, use and franchise tax compliance (12 months at \$3,000 per month)	\$36,000
2	Property tax compliance (two payments of \$17,500 per year)	<u>35,000</u>
3	Total proforma costs	\$71,000
4	Actual test year costs	<u>\$35,585</u>
5	Adjustment	<u><u>\$35,415</u></u>

SCHEDULE H-27

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Weatherization

Line	Description	Amount
No.	(a)	(b)
1	Increase Weatherization to \$500,000	<u>\$160,000</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through December 31, 2003
Environmental Response Fund

Line No.	Description (a)	Amount (b)
1	Environmental Response Fund	<u>\$750,000</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.

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

the annual target amount of approximately \$750,000 (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 first block per-unit 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.

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.

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.

SCHEDULE H-29

MISSOURI GAS ENERGY

A Division of Southern Union Company

Twelve Months Ending June 30, 2003

Updated Through December 31, 2003

Information Technology Expenses

Line No.	Description	Total	Account Number
	(a)	(b)	(c)
1	IT Costs previously charged to Corporate summarized by typecode:		
2	330 - Training	\$6,012	921
3	335 - Mileage	850	921
4	340 - Travel	27,306	921
5	341 - Meals and Entertainment	3,983	921
6	436 - Professional fees - other	16,667	921
7	440 - System software	389,030	921
8	442 - Other software - maintenance	84,273	921
9	444 - Maintenance of hardware	(1,971)	921
10	446 - Equipment leases	49,147	921
11	450 - Maintenance of hardware	22,963	921
12	452 - Other software - maintenance	138,890	921
13	455 - Data processing supplies	13,144	921
14	490 - Communications / Telephone expenses	355,913	921
15	520 - Business forms	16,594	921
16	522 - Office Supplies	7,692	921
17	650 - Postage and freight	2,156	921
18	Total Account 921	<u>1,132,650</u>	
19	436 - Professional fees - other	2,218	923
20	439 - Subcontract labor and other outside services	49,491	923
21	Total Account 923	<u>51,708</u>	
22	390 - Other Employee related expenses	0	926
23	Total Account 926	<u>0</u>	
24	446 - Equipment leases	298,489	931
25	450 - Maintenance of hardware	387	931
26	452 - Other software - maintenance	246	931
27	Total Account 931	<u>299,122</u>	
28	444 - Maintenance of hardware	124,862	932
29	Total Account 932	<u>124,862</u>	
30	Total Adjustment	<u>\$1,608,343</u>	

MISSOURI GAS ENERGY
A Division of Southern Union Company

MISSOURI GAS ENERGY
DATA INFORMATION REQUEST
Missouri Rate Case No: GR-2004-0209
Data Request No: 0004

Requested From: Anne Allee

Date Requested: 4/22/04

Information Requested:

Has witness Allee, or any other individual or individuals on the Commission Staff, undertaken any analysis to ascertain whether the facts and circumstances affecting the cost of MGE's storage inventory in existence during the three year period ending December 31, 2003, are likely to be reasonably reflective of the facts and circumstances to be in existence on and after October 2, 2004, when the rates from this case are going to be in effect? If so, please provide this analysis and all market analysis, market data or other information and material upon which this analysis is based.

Requested By: Michael R. Noack

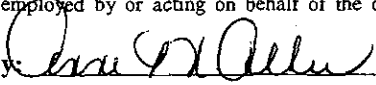
Information Provided:

Yes. Staff evaluated the term of MGE's current storage contracts with Southern Star Central and Panhandle Eastern Pipe Line Company. Staff found that MGE's current storage contracts and corresponding MSQ will be in effect on and after October 2, 2004 when rates from this case are going to be in effect. Staff's contract analysis is based on MGE's response to Staff Data Request No. 5 in Case GR-2001-382 and Data Request No. 67 in Case GR-2004-0209. In addition, Staff continues to monitor current natural gas prices.

The attached information provided to Missouri Gas Energy in response to the above data information request is accurate and complete and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform Missouri Gas Energy if, during the pendency of Case No. GR-2004-0209 before the Missouri Public Service Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection at a location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to the person identified in the "Requested From" block above and all other employees, contractors, agents or others employed by or acting on behalf of the organization, group or governmental unit associated with that person.

Date Response Received: _____

Signed By: 

Date: 5/11/04

Natural Gas Storage Position Paper

Types of Storage Reservoirs

Natural gas may be stored as inventory in underground facilities. There are three types of underground storage facilities or reservoirs.

1. Depleted gas or oilfields – These are the most common type of storage facility. They are the least expensive to develop, operate and maintain because the conversion takes advantage of existing wells, gathering systems and pipeline connections.
2. Aquifer – These facilities take the longest to condition the site, about 4 years, and require a large volume of base gas to maintain operational integrity of storage field. Most of this base gas is not recoverable even when the site is abandoned. Base gas, also called cushion gas, is the volume of gas that is permanently injected into the reservoir to maintain the pressure and deliverability.
3. Salt Caverns- There are two types of salt caverns. Domal, which are tall slender caverns, and bedded, which are wider flatter caverns. The development time is less than for other types of storage fields. Salt caverns are the most expensive type of storage reservoir to develop & maintain. However, they have the ability to perform several withdrawal and injection cycles per year.

Purpose

LDCs use storage to ensure reliability during periods of heavy demand by supplementing pipeline capacity and providing swing supplies and emergency supplies. Storage also provides operational balancing, it minimizes pipeline capacity requirements and provides a physical hedge. Typically, LDCs inject natural gas into storage in the summer months (April through October) and withdrawal gas from storage in the winter months (November through March).

Missouri LDCs

Most Missouri LDCs lease storage space from an interstate pipeline or a third party provider. There is one LDCs in Missouri that owns storage facilities. Laclede Gas Company owns an aquifer storage facility. Historically Atmos Energy owned a LNG (liquefied natural gas) facility. The ownership of that facility passed to Associated Natural Gas Co. after Atmos purchased ANG's Mo. Properties. Southern Missouri Gas Company and Fidelity Gas Company are the only Missouri LDCs that do not either own or lease storage.

Accounting for Storage

The fixed costs associated with LDC owned storage facilities are examined in a rate case and recovered through non-PGA rates. Examples of fixed costs associated with Laclede's and Atmos's storage facilities are compressors and payroll of employees that operate the storage and plant. Since as of 2003, Atmos has not had a rate case, the expenses related to LNG storage are still embedded in rates. This is true even though ownership of the facility stayed with ANG. As of this writing, Atmos still has access to a part of the LNG service, but not through ownership.

Storage obtained from an interstate pipeline has two types of costs associated with it, reservation and commodity costs.

1. Reservation Charges – Reservation charges are fixed, monthly storage costs that do not fluctuate with the amount of gas that is injected or withdrawn from the storage facility. There are two types of reservation costs associated with storage, deliverability and capacity:
 - a. Deliverability Reservation Costs – Storage deliverability is the amount of gas that can be delivered from the storage reservoir on a daily basis.
 - b. Capacity Reservation Costs - Capacity cost is the fee for renting a space within the storage reservoir.
2. Commodity Charges – Commodity costs are variable costs that fluctuate with each unit of gas injected into storage or withdrawn from storage. The following are types of commodity or variable costs associated with storage:

- a. Injection Costs – Charge for each unit of gas injected or put into storage.
- b. Withdraw Costs- Charge for each unit of gas withdrawn or taken out of storage.
- c. Transportation Costs – Charge to transport the gas to the storage facility for injection into storage.
- d. Fuel – A percentage of the LDCs natural gas that is retained by the pipeline as fuel for its compressors.

In addition to the commodity charges paid to the interstate pipeline company, the LDC will incur commodity costs for the cost of the natural gas injected into storage.

LDCs use the statements from the pipelines and the suppliers in determining the cost of storage inventory and the reservation costs. Commodity costs are included as storage inventory and reservation costs are expensed monthly as incurred.

The cost of storage withdrawals is determined by using last-in, first-out (LIFO), first-in, first-out (FIFO) or Weighted Average Cost of Gas (WACOG). Most of the LDCs that operate in Missouri use the WACOG valuation methodology for storage inventories. The WACOG is calculated by dividing the total value of the gas held in storage inventory (includes gas purchase costs, firm transportation commodity costs, storage injection & fuel) divided by the total volume of gas held in inventory. Laclede uses LIFO (where the newest gas purchased is the first to be withdrawn) and United Cities uses FIFO (where the oldest gas purchased is the first to be withdrawn) to value their storage inventory withdrawals.

Storage deliveries/injections are recorded as debits to account 164.1 with corresponding credits to expense accounts 808.2. The cost of withdrawals is recorded as a debit to 808.1 and a credit to 164.1.

Rate Case Evaluation of Inventory

Since gas stored in inventory is a permanent investment by the LDC, the Commission determined that an adequate level of inventory should be included in Rate Base. In a rate case, the Staff's goal is to include a reasonable level of inventory in rate base.

PAD began evaluating the value of the gas in inventory for rate cases in 1996. Before this, gas in inventory or underground storage inventory was an issue evaluated by the Auditing (formerly the Accounting Department). Historically, the Staff included a thirteen-month average of the Company's actual ending inventory balances in Rate Base.

After PAD's evaluation of gas in inventory, two changes were made in the way gas in inventory was calculated. The first change was that Staff used a five year average of injection prices and volumes to value the monthly ending storage inventory. The Staff applied a five year average of actual injection prices to a five year average of injection and withdrawal volumes. The underlying rationale for this change was the price volatility of natural gas prices. The five year average smoothes out any abnormally high or low gas prices that would otherwise be included in inventory. The second change was that the Staff began using a twelve-month average of its calculated ending inventory balance instead of a thirteen-month average of actual balances. The rationale for this change is that storage is cyclical. If the test year begins or ends at a time when the storage facilities are either full or empty, the use of a thirteen-month average runs the risk of overstating or understating inventory. The methodology described has sometimes been modified depending on the circumstances of the case. If the 5 year average does not represent a reasonable estimate of injection prices, the more traditional 12 month ending balance approach might be used. Recently companies have begun to request PGA treatment of the carrying costs associated with gas inventories. The Staff has opposed this concept based upon concerns that carrying costs may overly broaden the definition of gas costs and result in increased complexity and burden during the ACA review. *

**Missouri Gas Energy
Gas in Storage
Average Cost at April 30, 2004**

<u>Month</u>	<u>Volume</u>	<u>Cost</u>
May 2003	9,205,812	\$ 49,505,069
June	12,451,375	69,634,368
July	13,914,784	79,125,662
August	15,189,442	87,134,204
September	16,457,594	94,562,537
October	17,460,027	100,281,056
November	14,562,734	83,503,572
December	12,013,048	69,047,468
January 2004	7,073,273	40,578,402
February	3,274,643	18,838,683
March	3,083,904	17,254,368
April	6,343,427	34,226,123
Average	<u>10,919,172</u>	<u>\$ 61,974,293</u>
Average Cost		<u>\$ 5.68</u>

This job description in no way states or implies that these are the only duties to be performed by the employee occupying this position. Employees may be required to follow other job-related instructions and to perform other job-related duties as requested, subject to all applicable state and federal laws.

Certain job functions described herein may be subject to possible modification in accordance with applicable state and federal laws.

MISSOURI GAS ENERGY JOB DESCRIPTION

(Use for Hiring, Promoting, Transferring and Salary Administration)

JOB TITLE: Legislative Liaison

ALTERNATE POSITION TITLE(S):

REPORTS TO: Director, Public Affairs and Community Relations

FLSA CLASSIFICATION: Exempt

JOB SUMMARY: Under the general direction of the Director, Public Affairs, responsible for assisting in development and implementation of external communications and associated projects.

ESSENTIAL JOB FUNCTIONS include the following. Other duties may be assigned.

- Policy analysis
- Writing press releases and other forms of external communications.
- Interfacing with the Company's many different public entities to strength customer service.
- Disseminating useful information to rate payers on safety and Company operations.
- Serving as public spokesperson

MARGINAL JOB FUNCTIONS

- Other duties as assigned.

EDUCATION and EXPERIENCE REQUIRED An equivalent amount of training, education and experience will be considered.

- Bachelor's degree in communications, Journalism, Business or related field.
- Two to five year's experience in public relations, corporate communications, marketing or governmental affairs.

KNOWLEDGE, SKILLS and ABILITIES including licensing and competencies which may be representative but not all inclusive of those commonly associated with this position.

- Must be a self-starter who can administer multiple projects simultaneously.
- Must possess excellent written and verbal communication skills.
- Must possess public policy experience.
- Knowledge of natural gas industry or utility terminology.
- Basic math skills
- Typing skills

2

Legislative Liaison

- Ability to apply common sense, collect data and conduct analysis as required to solve certain problems.
- Ability to provide frequent direct service to external customers.

EQUIPMENT USED TO PERFORM THE JOB which may be representative but not all inclusive of those commonly associated with this position.

- Ability to operate office machines.
- Ability to operate electronic devices (pager, cell phone, digital camera)
- Ability to work with computer software/hardware.

WORK ENVIRONMENT Environmental and atmospheric conditions commonly associated with the performance of the functions of this job.

- Exposed to a moderate noise level.
- Occasionally exposed to outdoor weather conditions.

PHYSICAL ABILITIES that are commonly associated with the performance of the functions of this job, with or without reasonable accommodation.

Activity	Never (0%)	Occasionally (15% to 40%)	Frequently (40% to 70%)	Regularly (over 70 %)
Sitting			X	
Talking				X
Hearing				X
Feeling attributes of objects		X		
Grasping		X		
Pushing		X		
Standing				X
Walking			X	
Driving			X	
Reaching with hands/arms		X		
Stooping, kneeling, crouching, crawling		X		
Climbing or balancing	X			
Repetitive wrist, and and/or finger movement			X	
Lifting 1 - 50 lbs.		X		
Lifting 51 - 100 lbs.	X			

OTHER PHYSICAL ACTIVITIES

- Clarity of vision at 20 feet or more and 20 inches or less.
- Three-dimensional vision - ability to judge distance and space relationships.

3

Legislative Liaison

- Ability to identify and distinguish colors and to adjust the eye to bring an object into sharp focus.
- Requires a concentrated attention level.

SUPERVISORY RESPONSIBILITIES AND COORDINATION required to perform the functions of this job.

- No supervisory responsibilities for this job.
- Ability to regularly and directly interact with employees and management of all levels.
- Ability to regularly and directly interact with Government associates and agencies, public communications representatives and the general public.

MISSOURI GAS ENERGY
A Division of Southern Union Company

MISSOURI GAS ENERGY
DATA INFORMATION REQUEST
Missouri Rate Case No: GR-2004-0209
Data Request No: 0081

Requested From: Robert Franson

Date Requested: 4/22/04

Information Requested:

Please provide the job description for Toni Messina, Dan Joyce, Robert Quinn, Kevin Kelly, Greg Ochoa and/or any other individuals employed by the Commission with legislative liaison responsibilities, public information responsibilities or who have provided subject matter expertise to legislators. This response should include the job descriptions of Warren Wood, Dale Johanssen and any other individual or individuals on the Commission Staff who participated in the drafting of legislation during 2003 and 2004.

Requested By: Michael R. Noack

Information Provided:


Other than the attached job description for specific individuals Staff states that any Staff member can be called upon to provide subject matter expertise and technical knowledge to legislators or to the public.

Date Response Received: _____

Signed By: R. W. J. [Signature]

Date: 5/14/04

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Utility Policy Analyst II Executive Division	Range: 32	Page: 1 of 5	Class Code: 7821
		Revised: 08/12/02	Approval:	

DEFINITION

This is highly responsible professional administrative work coordinating the interaction of the Public Service Commission with the Governor's legislative director, the Missouri General Assembly and other legislative and administrative groups; communicating the Commission's position on federal legislation to the Governor's legislative director, members of Congress, other state officials and to other legislative and administrative groups; and coordinating the Commission's strategic planning and public policy development processes.


The employee is responsible for planning, organizing, monitoring and coordinating state and federal legislative matters relating to the Commission. Duties include preparation of public information and position statements; legislative research, drafting, analysis and tracking; and special federal, state or interagency projects. Work also involves helping the Commission set priorities through the strategic planning process, helping Commission staff identify and track appropriate performance measures, preparing the strategic plan and periodic updates and helping the Commission link its public policies and legislative initiatives to the strategic plan. General supervision is received from the Executive Director, who reviews work for attainment of Commission objectives and adherence to administrative policy. The employee is expected to exercise considerable initiative and judgment in planning and carrying out assignments and, from time-to-time, to supervise other staff who may be supporting these assignments.

DUTIES AND RESPONSIBILITIES

% of time ESSENTIAL FUNCTIONS


- | | |
|-----|--|
| 10% | Advises Commissioners in developing legislative and general policy initiatives consistent with the Commission's strategic plan and legislative or regulatory mandates. |
| 10% | Facilitates the Commission's environmental scanning process to select or update strategic planning priorities. Assembles, evaluates and summarizes data indicating trends important to utility regulatory agencies and to utility companies and their customers. |

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Utility Policy Analyst II Executive Division	Range: 32	Page: 2 of 5	Class Code: 7821
		Revised: 08/12/02	Approval:	

- 10% Evaluates utility issues; organizes and documents findings of studies; formulates recommendations for implementation of new systems, policies, procedures or organizational changes; plans and prepares reports for Commission defining problems and possible solutions. Monitors issues such as the impact of regulation on utilities, low-income energy assistance programs, Commission structure and funding, consumer education and special regulations such as the "cold-weather" rule.
- 10% Coordinates complex planning and policy analysis activities with federal, state and local agencies, with elected officials and with representatives of special interest associations and civic advocacy groups.
- 10% Researches and prepares responses to requests for information from local, state and federal elected officials; local, state and federal agencies; other states; industry and consumer organizations; and the general public.
- 10% Coordinates information for the purpose of developing legislative plans with the Commissioners, Executive Director, and Division Directors, and coordinates legislative activities. Oversees the drafting of Commission-related legislation and works with House and Senate research staffs to produce concise legislation. Establishes and maintains working relationships with the Governor's legislative director, bill sponsors, appropriate legislative committee members and budget analysts; provides bill sponsors with concise fact sheets and other relevant materials, including amendments.
- 10% Represents the PSC in matters of government-related policy by discussing the overall intent of programs or projects with administrators or planning groups, addressing legislative or regulatory issues and determining broad guidelines for studies.
- 10% Develops, coordinates or provides testimony at legislative hearings to present Commission positions.

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Utility Policy Analyst II	Range: 32	Page: 3 of 5	Class Code: 7821
	Executive Division	Revised: 08/12/02	Approval:	

- 10% Identifies, monitors and helps communicate information relating to federal legislation being followed by the agency. Works with appropriate internal and department-level staff to develop position statements, background papers and other communications materials. Maintains relations with elected officials and with individuals and organizations, such as the National Association of Utility Regulatory Commissioners, interested in these issues.
- 10% Maintains liaison with government agencies affected by proposed or pending legislation.

OTHER FUNCTIONS

Serves as a PSC liaison to the National Association of Regulatory Utility Commissioners (NARUC) and other organizations; may serve as a staff member on boards and staff subcommittees.

Provides supervision and advice to employees who may be supporting specific policy research assignments.

Performs other related duties as assigned.


ESSENTIAL KNOWLEDGE AND ABILITIES

Thorough knowledge of the background, philosophy and objectives of the Commission, and the legislative and regulatory process.

Extensive knowledge of current social, economic and business environments particularly relating to the investor-owned public utility and manufactured housing industries. Ability to use these facts and data generated by the Commission's Electronic Filing and Information System to guide agency planning and policy development.

Considerable knowledge of basic statistical analyses and the use of personal computers to perform analyses and report preparation.

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Utility Policy Analyst II	Range: 32	Page: 4 of 5	Class Code: 7821
	Executive Division	Revised: 08/12/02	Approval:	

Working knowledge of the principles and practices of the governmental budgeting process.

Working knowledge of the methods and techniques used in disseminating information to the media and general public, including Internet.

Working knowledge of community resources and organizations.

Ability to plan, coordinate and oversee development of legislation for the PSC.

Ability to prepare and edit informational material for presentation to interested groups.

Ability to initiate, establish and maintain effective recommendations, exercise good judgment, make decisions and represent the Commission in professional manner.

Ability to establish and maintain effective working relationships with Commissioners, staff, members of the media, elected officials, civic and other organizations, such as the National Association of Utility Regulatory Commissioners, and the general public.

Ability to prepare and present information in a clear and concise fashion.

Ability to work independently with minimal supervision.

Ability to supervise others on a continuing, intermittent or temporary basis.


Ability to facilitate group discussions, capture their essence while remaining true to speakers' intents and communicate their meaning to others.

Ability to travel when required.

TRAINING AND EXPERIENCE

Five years of professional experience in management analysis, fiscal or financial analysis, operations research or industrial engineering, of which three years must

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Utility Policy Analyst II	Range: 32	Page: 5 of 5	Class Code: 7821
	Executive Division	Revised: 08/12/02	Approval:	

have been in a utility or regulatory environment; and graduation from an accredited four-year college or university with specialization in operations research, industrial engineering, industrial psychology, finance, accounting, economics, business or public administration, or a closely related field. (Graduate work in the specified educational areas may be substituted on a year-for-year basis for up to two years of the required general experience.)

Lobbyist or legislative liaison for a public or private organization or association; Missouri Governmental experience involving legislative affairs such as work as a Utility Policy Analyst I, Planner III, Budget Analyst III, Budget and Planning Senior Analyst, Management Analyst, Auditor, Attorney, Economist, Research Analyst, or other related experience preferred.

Working knowledge of Public Service Commission issues, funding and operations preferred.

REPORT TO

Executive Director

MISSOURI GAS ENERGY
A Division of Southern Union Company

MISSOURI GAS ENERGY
DATA INFORMATION REQUEST
Missouri Rate Case No: GR-2004-0209
Data Request No: 0083

Requested From: Robert Franson

Date Requested: 4/22/04

Information Requested:

Please provide a compilation of the time sheets filled out for calendar year 2003 by Commission employees to record their activities. If no such compilation is available, please provide copies of the time sheets filled out for calendar year 2003 by Commission employees to record their activities.

Requested By: Michael R. Noack

Information Provided:

See Attached.

Date Response Received: _____

Signed By: Michael R. Noack

Date: 5/12/04

PERSONAL SERVICES ALLOCATION FOR FY-2004 ASSESSMENT
Based on June, 2002 through May, 2003 Time Reports

PERSONAL SERVICE	ELECTRIC	GAS	HEATING	WATER	SEWER	TELEPHONE	COMMON
Total # of Hours	46,850.50	69,874.25	27.25	21,116.00	7,391.25	52,260.25	162,368.00

FY-2003 TIME REPORT
EXECUTIVE DIVISION

Activity	June	July	August	September	October	November	December	January	February	March	April	May	Total Hours
Electric	63.25	133.25	28.50	32.00	13.00	30.50	14.50	20.25	8.50	6.00	31.00	22.25	403.00
Gas	12.75	1.00	62.50	17.75	75.50	27.50	22.50	51.75	15.00	75.75	23.00	30.00	415.00
Gas Safety	0.00	0.00	5.00	4.50	0.00	0.00	0.00	0.00	0.00	0.75	1.00	0.50	11.75
Water	4.00	3.00	21.25	17.50	27.50	11.00	22.00	4.00	4.00	3.00	16.00	8.00	141.25
Sewer	0.00	1.50	3.00	0.00	0.00	0.00	0.00	0.00	2.00	0.00	0.00	0.00	6.50
Telephone	26.00	38.50	25.00	24.00	13.00	19.50	21.25	19.75	21.50	11.00	16.00	17.75	253.25
Total Direct Hours	106.00	177.25	145.25	95.75	129.00	88.50	80.25	95.75	51.00	96.50	87.00	78.50	1,230.75
Administrative	668.00	816.75	917.75	847.75	916.00	711.50	756.50	741.25	599.50	767.25	834.50	541.00	9,117.75
All Utilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.00	2.00	9.00
Budget	9.75	13.00	19.75	22.50	12.50	10.25	15.50	30.00	43.00	40.50	34.50	8.00	259.25
Comp Earned-Budget	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.50	0.00	0.00	0.00	4.50
Computer Services	8.50	18.50	15.50	12.50	9.75	9.25	8.75	5.50	2.00	1.50	2.50	0.75	95.00
Legislation	153.75	173.25	168.75	159.75	162.25	168.75	190.50	284.00	239.00	242.75	297.75	235.50	2,476.00
Comp Earned-Legislation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.50	0.00	0.00	8.00	24.50
Manufactured Housing	0.00	0.00	0.00	0.50	4.75	2.75	7.25	10.00	2.75	1.00	2.50	0.00	31.50
Other	485.25	428.25	512.75	499.00	506.50	433.75	497.75	490.75	480.00	564.25	590.50	573.50	6,062.25
Prof Development	4.00	18.00	2.00	0.00	0.00	30.00	5.00	6.50	4.50	0.00	0.00	0.00	70.00
Comp Earned-Prof Devel	0.00	0.00	0.00	0.00	0.00	8.00	0.00	0.00	0.00	0.00	0.00	0.00	8.00
Unregulated	0.00	0.00	0.00	0.00	0.00	0.00	1.25	0.00	0.00	0.00	0.00	0.00	1.25
Total Common Hours	1,329.25	1,467.75	1,636.50	1,542.00	1,611.75	1,374.25	1,482.50	1,568.00	1,391.75	1,617.25	1,769.25	1,368.75	18,159.00
Total Hours Without Leave	1,435.25	1,645.00	1,781.75	1,637.75	1,740.75	1,462.75	1,562.75	1,663.75	1,442.75	1,713.75	1,856.25	1,447.25	19,389.75
Administrative Leave	0.00	0.00	5.00	8.00	0.00	5.00	10.00	14.00	33.50	9.00	18.00	26.00	128.50
Annual Leave	133.00	178.25	137.00	84.75	116.50	90.75	244.50	79.50	50.50	92.75	95.75	193.50	1,496.75
Holiday Comp Leave	8.00	8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	0.00	0.00	18.00
Sick Leave Family	15.75	25.00	7.00	16.00	12.00	18.00	23.00	29.50	43.75	51.00	38.00	15.00	294.00
Sick Leave Self	14.50	23.75	21.00	18.25	76.00	31.25	11.50	67.25	42.75	37.00	23.75	11.75	378.75
Total Leave	171.25	235.00	170.00	127.00	204.50	145.00	289.00	190.25	170.50	191.75	175.50	246.25	2,316.00
Total Hours With Leave	1,606.50	1,880.00	1,951.75	1,764.75	1,945.25	1,607.75	1,851.75	1,854.00	1,613.25	1,905.50	2,031.75	1,693.50	21,705.75

FY-2003 TIME REPORT
ADJUDICATION DIVISION

Activity	June	July	August	September	October	November	December	January	February	March	April	May	Total Hours
Electric	240.00	269.50	166.50	143.00	178.75	147.00	118.75	74.50	96.00	55.00	118.50	60.00	1,667.50
Gas	106.75	104.25	226.75	405.50	281.50	131.50	149.75	186.50	146.25	169.25	210.75	104.50	2,223.25
Gas Safety	0.00	0.00	0.00	0.00	0.00	0.00	18.50	1.50	1.75	8.50	5.00	2.00	37.25
Steam Heat	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25
Water	96.50	42.25	70.50	73.00	141.00	140.00	109.25	37.25	32.00	40.50	43.25	50.50	876.00
Sewer	41.50	23.50	27.25	50.50	45.75	27.00	6.50	1.50	7.25	1.00	9.75	7.75	249.25
Telephone	513.25	531.75	460.75	491.50	431.25	294.25	388.00	369.25	413.25	477.75	500.00	317.25	5,188.25
Total Direct Hours	998.00	971.25	951.75	1,163.50	1,078.25	739.75	790.75	670.50	696.50	752.00	887.25	542.25	10,241.75
													0.00
Administrative	718.00	1,026.50	1,043.25	873.75	854.25	686.50	901.50	1,051.50	848.25	1,132.25	1,007.00	801.75	10,944.50
Comp Earned-Administrative	0.00	0.00	0.00	0.00	0.00	0.00	7.50	0.00	0.00	0.00	0.00	0.00	7.50
All Utilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17.25	24.50	41.75
Computer Services	143.00	62.25	68.75	117.00	122.00	76.25	49.00	46.00	57.25	48.75	53.50	119.00	962.75
Legislation	0.00	0.00	0.00	1.00	8.75	6.00	5.25	28.75	15.25	34.00	20.25	23.50	142.75
Manufactured Housing	154.00	107.75	10.25	7.75	1.75	8.50	3.75	4.00	3.00	0.00	2.50	2.25	305.50
Other	753.75	813.50	915.25	616.50	736.25	659.50	748.50	798.25	619.25	810.00	828.25	691.25	8,990.25
Physical Fitness/Adm Lv	1.00	0.00	1.00	5.25	4.50	3.50	2.00	5.00	4.00	5.00	5.50	3.00	39.75
Prof Development	149.00	259.50	132.50	114.25	196.50	317.50	147.75	281.25	58.00	78.50	79.75	37.75	1,852.25
Total Common Hours	1,918.75	2,269.50	2,171.00	1,735.50	1,924.00	1,757.75	1,865.25	2,214.75	1,605.00	2,108.50	2,014.00	1,703.00	23,287.00
Total Hours Without Leave	2,916.75	3,240.75	3,122.75	2,899.00	3,002.25	2,497.50	2,656.00	2,885.25	2,301.50	2,860.50	2,901.25	2,245.25	33,528.75
Administrative Leave	32.00	6.00	1.50	11.00	5.50	10.00	2.00	4.00	6.00	16.00	4.00	0.00	98.00
Annual Leave	156.50	187.75	262.25	228.00	177.50	153.25	381.00	96.75	201.50	183.75	177.00	295.00	2,500.25
Federal Comp Leave	16.00	0.00	16.25	6.25	0.50	1.00	19.25	0.00	0.00	0.75	0.00	0.00	60.00
Holiday Comp Leave	4.00	22.50	2.00	3.50	0.00	0.00	1.00	0.00	0.00	0.00	0.00	12.00	45.00
Leave Without Pay	0.00	0.00	0.00	0.00	0.00	8.50	1.25	0.00	20.00	0.00	0.00	0.00	29.75
Sick Leave Family	23.00	57.25	35.25	17.50	71.25	20.75	33.75	70.75	93.25	15.25	35.75	40.50	514.25
Sick Leave Self	61.25	84.00	76.25	100.00	57.75	63.25	95.50	155.25	80.25	77.25	128.00	150.75	1,129.50
State Comp Leave	0.00	16.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.25	0.75	21.00
Total Leave	292.75	373.50	394.50	366.25	312.50	256.75	533.75	326.75	401.00	293.00	348.00	499.00	4,397.75

FY-2003 TIME REPORT
ADMINISTRATION DIVISION

Activity	June	July	August	September	October	November	December	January	February	March	April	May	Total Hours
Electric	356.50	439.75	482.50	442.75	458.25	362.75	326.00	287.25	263.25	318.50	357.00	313.00	4,407.50
Comp Earned-Electric	0.00	0.50	0.00	1.00	0.50	0.50	1.00	1.75	0.00	0.00	0.00	0.00	5.25
Gas	247.00	304.00	292.75	251.50	358.00	346.00	288.00	272.50	249.75	317.75	323.75	314.25	3,565.25
Comp Earned-Gas	0.00	0.00	0.00	1.50	0.00	1.50	1.00	2.50	0.00	0.00	0.00	0.00	6.50
Gas Safety	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50
Comp Earned-Heating	0.00	0.00	0.00	0.00	0.00	1.25	0.00	0.00	0.00	0.00	0.00	0.00	1.25
Water	21.75	14.50	28.00	25.25	12.50	10.50	15.00	25.25	31.00	17.75	30.50	27.50	259.50
Comp Earned-Water	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	1.00
Sewer	3.50	4.75	0.50	2.75	0.00	0.50	0.00	0.00	0.00	0.00	3.00	1.00	16.00
Telephone	402.50	418.25	408.00	390.75	318.50	284.25	331.00	326.75	374.00	400.75	404.25	358.50	4,417.50
Comp Earned-Telephone	0.00	0.00	0.00	0.50	0.00	0.50	0.00	2.00	0.00	0.00	0.00	0.00	3.00
Total Direct Hours	1,031.25	1,182.25	1,211.75	1,116.00	1,147.75	1,007.75	962.00	919.00	918.00	1,054.75	1,118.50	1,014.25	12,683.25
Administrative	2,442.25	2,508.25	2,363.00	2,103.75	2,362.00	1,899.25	2,074.25	2,467.75	1,949.75	2,298.50	2,263.25	2,213.50	26,945.50
Comp Earned-Administrative	57.75	32.25	8.50	11.75	10.75	23.00	6.75	28.75	10.50	12.75	4.00	11.25	218.00
Budget	6.00	28.00	102.25	14.00	9.00	10.00	6.00	37.50	35.00	13.75	20.00	5.75	287.25
Comp Earned-Budget	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.00	0.00	0.00	0.00	16.00
Computer Services	1,519.00	1,679.75	1,504.25	1,294.75	1,768.00	1,332.00	1,610.50	1,677.50	1,154.50	1,146.00	1,461.25	1,481.75	17,629.25
Comp Earned-Computer Services	6.50	6.00	11.00	9.00	7.00	11.00	10.25	185.00	17.50	3.00	13.00	7.00	286.25
Legislation	0.00	0.00	0.00	0.00	0.00	0.00	23.50	34.00	53.75	53.50	34.75	23.00	222.50
Comp Earned-Legislation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.25	1.25
Other	111.50	89.00	104.00	79.00	100.75	74.00	107.50	130.00	78.75	79.00	73.00	70.50	1,097.00
Comp Earned-Other	0.00	0.00	0.00	7.75	0.00	3.00	0.00	0.00	0.00	0.00	0.00	0.00	10.75
Physical Fitness/Adm Lv	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	2.50	1.75	10.00	7.75	23.00
Prof Development	94.25	58.00	118.00	76.00	36.50	42.00	27.50	183.00	90.25	119.50	72.75	51.25	969.00
Comp Earned-Prof Devel	6.00	4.00	24.00	7.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41.50
Unregulated	60.75	73.75	69.75	69.25	61.00	61.00	72.75	80.50	87.00	100.50	101.00	99.00	936.25
Total Common Hours	4,304.00	4,479.00	4,304.75	3,672.75	4,355.00	3,455.25	3,939.00	4,825.00	3,495.50	3,828.25	4,053.00	3,972.00	48,683.50
Total Hours Without Leave	5,335.25	5,661.25	5,516.50	4,788.75	5,502.75	4,463.00	4,901.00	5,744.00	4,413.50	4,883.00	5,171.50	4,986.25	61,366.75
Administrative Leave	57.00	19.00	53.00	12.00	28.00	36.50	26.00	61.00	20.00	22.50	41.50	17.00	393.50
Annual Leave	421.25	590.25	611.75	435.75	305.75	301.50	664.75	184.00	157.00	340.25	333.50	353.25	4,699.00
Federal Comp Leave	3.00	0.00	12.00	8.50	12.00	5.50	5.00	1.50	6.50	4.00	1.00	17.00	76.00
Holiday Comp Leave	8.00	0.00	4.50	8.00	0.00	8.00	0.00	0.00	6.00	0.00	8.00	36.00	78.50
Leave Without Pay	0.00	0.00	16.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	5.50	22.50
Sick Leave Family	112.25	41.75	40.00	125.75	72.50	107.50	97.50	105.75	104.75	69.50	67.50	68.00	1,012.75
Sick Leave Self	129.75	171.75	158.75	151.50	142.50	100.75	229.75	290.00	194.50	156.50	228.50	190.50	2,144.75
State Comp Leave	3.00	64.25	15.00	40.25	41.25	15.00	7.00	14.00	57.00	39.25	28.50	15.25	339.75
Total Leave	734.25	887.00	911.00	781.75	602.00	574.75	1,030.00	656.25	545.75	632.00	709.50	702.50	8,766.75
Total Hours With Leave	6,069.50	6,548.25	6,427.50	5,570.50	6,104.75	5,037.75	5,931.00	6,400.25	4,959.25	5,515.00	5,881.00	5,688.75	70,133.50

FY-2003 TIME REPORT
GENERAL COUNSEL

Activity	June	July	August	September	October	November	December	January	February	March	April	May	Total Hours
Electric	911.50	948.25	638.00	610.25	674.25	687.25	574.75	340.75	274.50	477.75	453.00	515.00	7,105.25
Gas	358.00	583.75	720.00	589.50	527.25	423.50	590.75	570.50	540.25	613.50	617.75	484.25	6,619.00
Comp Earned-Gas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.00	0.00	0.00	0.00	8.00
Gas Safety	1.00	0.00	5.75	3.00	8.50	0.00	0.50	0.00	0.00	0.00	0.00	0.25	19.00
Heating	7.00	0.00	0.00	0.00	6.00	14.00	0.00	0.00	0.00	0.00	0.00	0.00	27.00
Water	121.00	86.50	166.25	317.00	361.75	177.75	136.00	103.00	187.50	162.00	122.50	175.75	2,117.00
Sewer	23.75	68.00	25.00	62.50	85.25	79.00	66.25	48.00	87.75	89.25	49.75	96.25	780.75
Telephone	578.00	811.00	825.75	758.00	800.75	609.25	665.00	741.25	681.75	804.25	952.00	757.25	8,984.25
Total Direct Hours	2,000.25	2,497.50	2,380.75	2,340.25	2,463.75	1,990.75	2,033.25	1,803.50	1,779.75	2,146.75	2,195.00	2,028.75	25,660.25
Administrative	176.50	239.00	285.75	215.25	241.25	172.75	220.00	225.75	208.75	196.50	225.75	192.50	2,599.75
All Utilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.50	0.00	0.00	0.00	1.00	2.50
Budget	2.00	4.00	6.00	3.00	3.00	1.50	4.00	5.50	3.50	3.50	4.50	2.00	42.50
Computer Services	0.00	0.00	0.00	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00
Legislation	2.00	2.00	11.50	0.00	3.00	8.00	45.25	156.50	178.25	75.25	103.75	59.00	644.50
Manufactured Housing	14.00	25.00	34.00	25.50	21.00	49.50	57.50	76.50	45.00	21.50	39.00	71.00	479.50
Other	589.25	597.50	482.25	404.50	365.75	420.75	557.00	722.25	667.50	767.50	775.50	577.25	6,927.00
Comp Earned-Other	1.00	0.00	0.50	1.50	2.25	4.00	0.00	8.00	0.00	1.00	0.25	0.25	18.75
Physical Fitness/Adm Lv	4.00	7.00	8.50	10.75	7.50	9.00	7.50	19.50	16.50	22.25	29.50	24.50	166.50
Prof Development	117.50	67.75	91.75	33.25	95.00	63.25	147.50	254.50	18.00	155.00	61.25	35.00	1,139.75
Unregulated	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.50	0.75	2.25
Total Common Hours	906.25	942.25	920.25	695.75	738.75	728.75	1,038.75	1,470.00	1,137.50	1,242.50	1,241.00	963.25	12,025.00
Total Hours Without Leave	2,906.50	3,439.75	3,301.00	3,036.00	3,202.50	2,719.50	3,072.00	3,273.50	2,917.25	3,389.25	3,436.00	2,992.00	37,685.25
Administrative Leave	35.50	4.00	2.75	6.00	2.00	2.50	0.00	2.00	1.00	0.00	1.00	0.00	56.75
Annual Leave	161.75	242.25	249.25	154.25	218.75	209.25	371.50	94.25	100.00	121.75	165.75	260.50	2,349.25
Federal Comp Leave	0.00	1.00	0.00	0.00	1.00	0.00	3.00	0.00	0.00	0.00	0.50	0.00	5.50
Holiday Comp Leave	34.00	0.25	2.50	0.00	2.00	8.00	8.00	0.00	8.00	5.50	11.50	9.50	89.25
Sick Leave Family	62.50	14.50	3.00	52.50	1.00	16.25	28.75	41.25	25.50	8.50	29.50	12.75	296.00
Sick Leave Self	58.00	73.00	79.75	60.50	116.75	36.75	76.75	155.00	54.75	58.75	40.50	98.50	909.00
State Comp Leave	0.00	0.00	0.00	0.00	0.75	0.00	8.00	0.00	0.00	0.00	0.75	0.00	9.50
Total Leave	351.75	335.00	337.25	273.25	342.25	272.75	496.00	292.50	189.25	194.50	249.50	381.25	3,715.25
Total Hours With Leave	3,258.25	3,774.75	3,638.25	3,309.25	3,544.75	2,992.25	3,568.00	3,566.00	3,106.50	3,583.75	3,685.50	3,373.25	41,400.50

FY-2003 TIME REPORT
UTILITY OPERATIONS

Activity	June	July	August	September	October	November	December	January	February	March	April	May	Total Hours
Electric	1,974.25	1,886.25	1,889.75	1,742.75	1,839.50	1,482.50	1,547.75	1,786.50	1,689.75	1,803.25	1,769.25	1,743.50	21,155.00
Comp Earned-Electric	13.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.00
Gas	1,550.75	1,717.25	1,742.75	1,615.75	1,680.25	1,491.25	1,594.25	1,626.50	1,342.00	1,556.75	1,504.75	1,359.25	18,781.50
Comp Earned-Gas	0.00	0.00	9.00	0.00	0.00	0.00	0.00	7.00	0.00	0.00	0.00	0.00	16.00
Gas Safety	1,279.00	1,309.00	1,322.25	1,125.00	1,300.00	1,018.25	1,187.50	1,185.75	1,191.50	1,494.50	1,600.50	1,504.75	15,518.00
Comp Earned-Gas Safety	0.00	0.00	0.00	0.00	0.00	8.00	0.00	0.00	0.00	16.00	0.00	0.00	24.00
Water	662.00	751.00	851.50	703.50	867.00	602.00	728.50	734.00	732.50	800.50	797.50	691.00	8,921.00
Sewer	300.50	306.00	274.00	262.00	268.50	228.50	243.50	250.50	225.00	264.50	261.50	232.50	3,117.00
Telephone	2,390.50	2,705.75	2,660.50	2,495.00	2,597.50	2,223.00	2,373.50	2,685.00	2,290.25	2,641.75	2,611.00	2,362.25	30,036.00
Comp Earned-Telephone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	3.00
Total Direct Hours	8,170.00	8,675.25	8,749.75	7,944.00	8,552.75	7,053.50	7,675.00	8,275.25	7,471.00	8,577.25	8,544.50	7,896.25	97,584.50
Administrative	153.50	260.50	321.00	375.50	442.50	363.25	338.00	427.50	326.50	442.50	458.00	423.25	4,332.00
Comp Earned-Administrative	0.00	0.00	0.00	0.00	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00
Computer Services	2.00	0.00	2.00	8.00	8.00	0.00	5.00	0.00	0.00	15.00	23.50	26.00	89.50
Legislation	0.00	0.00	45.00	0.00	0.00	14.00	17.00	6.00	92.50	53.00	40.50	0.00	268.00
Comp Earned-Legislation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	0.00	0.00	0.00	3.00
Manufactured Housing	1,137.50	1,193.50	1,324.00	1,017.00	1,299.50	1,093.00	1,213.00	1,115.75	1,005.00	971.50	1,025.00	833.50	13,228.25
Other	168.00	156.00	171.25	157.00	185.75	156.50	179.50	175.50	46.00	65.00	64.00	52.00	1,576.50
Physical Fitness/Adm Lv	17.50	22.00	27.50	33.00	30.50	28.25	29.00	33.50	30.00	45.50	45.50	37.50	379.75
Prof Development	33.00	41.00	19.50	25.25	118.50	92.00	113.75	245.50	91.50	21.50	15.00	17.50	834.00
Total Common Hours	1,511.50	1,673.00	1,910.25	1,615.75	2,087.75	1,747.00	1,895.25	2,003.75	1,594.50	1,614.00	1,671.50	1,389.75	20,714.00
Total Hours Without Leave	9,681.50	10,348.25	10,660.00	9,559.75	10,640.50	8,800.50	9,570.25	10,279.00	9,065.50	10,191.25	10,216.00	9,286.00	118,298.50
Administrative Leave	41.50	27.00	17.50	12.50	26.00	42.25	39.75	76.00	126.00	70.00	90.00	16.50	585.00
Annual Leave	791.75	1,250.25	951.00	868.50	825.75	526.75	1,365.25	296.50	365.75	639.75	901.75	758.25	9,541.25
Holiday Comp Leave	0.00	0.00	0.00	0.00	0.00	8.00	0.00	0.00	7.00	0.00	0.00	0.00	15.00
Leave Without Pay	0.00	0.00	0.00	0.00	0.00	3.50	10.00	0.00	0.00	0.00	0.00	0.00	13.50
Military Paid Leave	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	80.00	0.00	80.00
Share Leave Self	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.00	140.00	149.00
Sick Leave Family	78.25	64.50	125.75	130.50	139.50	163.75	103.75	276.25	94.50	102.25	263.00	120.50	1,662.50
Sick Leave Self	213.50	219.50	213.50	233.00	300.75	396.00	384.50	759.00	498.50	668.75	470.50	414.75	4,772.25
State Comp Leave	12.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	8.00	0.00	21.50
Total Leave	1,137.50	1,561.25	1,307.75	1,244.50	1,292.00	1,140.25	1,903.25	1,407.75	1,092.75	1,480.75	1,822.25	1,450.00	16,840.00
Total Hours With Leave	10,819.00	11,909.50	11,967.75	10,804.25	11,932.50	9,940.75	11,473.50	11,686.75	10,158.25	11,672.00	12,038.25	10,736.00	135,138.50

FY-2003 TIME REPORT
UTILITY SERVICES

Activity	June	July	August	September	October	November	December	January	February	March	April	May	Total Hours
Electric	3,188.25	2,260.25	1,753.50	1,473.50	934.25	599.75	226.00	196.75	123.50	300.50	321.50	570.25	11,948.00
Comp Earned-Electric	98.00	4.50	13.00	0.00	12.00	4.00	1.00	0.00	0.00	0.00	0.00	13.50	146.00
Gas	2,088.50	2,247.75	2,179.25	1,321.50	1,332.00	1,463.25	1,417.25	2,042.00	2,177.25	2,267.75	2,227.00	1,733.50	22,497.00
Comp Earned-Gas	43.75	6.25	0.00	0.00	3.00	27.50	0.50	14.00	22.25	0.00	0.00	15.00	132.25
Water	223.25	346.25	380.25	645.25	1,107.25	875.50	688.75	600.00	631.75	710.75	1,054.50	1,439.00	8,702.50
Comp Earned-Water	1.50	0.00	0.00	0.00	0.00	22.00	0.00	19.00	32.00	2.25	3.00	18.00	97.75
Sewer	96.50	159.75	183.25	202.25	461.75	344.25	311.50	363.75	313.50	268.25	368.00	136.00	3,208.75
Comp Earned-Sewer	0.00	0.00	0.00	0.00	0.00	7.00	0.00	0.00	0.00	0.00	0.00	6.00	13.00
Telephone	243.50	463.50	392.50	198.50	253.75	423.25	348.75	250.00	249.00	232.50	187.00	126.25	3,368.50
Comp Earned-Telephone	0.00	0.00	3.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	6.50
Total Direct Hours	5,983.25	5,488.25	4,905.25	3,841.00	4,104.00	3,766.50	2,993.75	3,485.50	3,549.25	3,782.00	4,161.00	4,060.50	50,120.25
Administrative	1,250.00	1,552.75	2,262.00	2,409.25	3,258.50	2,709.00	2,979.75	3,332.75	2,776.00	3,319.00	3,668.25	2,784.00	32,301.25
Comp Earned-Administrative	1.00	0.00	0.50	0.00	6.00	2.50	0.00	74.25	14.00	0.00	0.00	35.00	133.25
All Utilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.00	0.00	4.00
Budget	0.00	0.00	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00
Computer Services	0.00	1.50	0.00	18.00	6.00	4.50	0.00	17.75	0.00	2.50	3.50	10.00	63.75
Legislation	0.00	0.00	0.00	11.00	8.50	18.00	25.75	13.25	31.25	19.00	28.50	8.50	163.75
Other	113.25	124.50	279.00	214.25	200.50	178.00	146.25	167.00	198.00	237.25	110.00	76.75	2,044.75
Physical Fitness/Adm Lv	8.00	14.50	16.50	21.00	20.00	15.50	15.50	23.50	20.50	34.50	40.50	34.00	264.00
Prof Development	308.00	123.50	261.50	369.25	441.25	279.00	918.50	984.00	251.75	307.50	70.00	182.25	4,496.50
Comp Earned-Prof Devel	0.00	0.00	0.00	0.00	9.25	1.50	4.00	2.50	0.00	0.00	0.00	0.00	17.25
Unregulated	0.00	1.00	0.00	0.00	3.00	3.00	0.00	0.00	0.00	0.00	0.00	2.00	9.00
Total Common Hours	1,680.25	1,817.75	2,821.50	3,042.75	3,953.00	3,211.00	4,089.75	4,615.00	3,291.50	3,919.75	3,924.75	3,132.50	39,499.50
Total Hours Without Leave	7,663.50	7,306.00	7,726.75	6,883.75	8,057.00	6,977.50	7,083.50	8,100.50	6,840.75	7,701.75	8,085.75	7,193.00	89,619.75
Administrative Leave	4.00	59.25	18.00	6.00	43.00	57.00	121.50	72.00	29.00	42.00	70.00	49.50	571.25
Annual Leave	410.25	782.00	472.00	489.25	710.75	355.00	1,023.75	297.25	302.75	548.00	521.50	619.00	6,531.50
Federal Comp Leave	7.00	0.00	8.50	5.50	2.00	3.50	8.00	31.25	31.25	2.50	1.00	35.75	136.25
Holiday Comp Leave	24.00	16.00	10.00	37.00	6.50	28.00	37.50	8.00	27.00	32.00	2.00	36.00	264.00
Leave Without Pay	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.25	13.75	0.00	8.00	38.00
Military Paid Leave	0.00	80.00	0.00	0.00	0.00	0.00	32.00	0.00	0.00	0.00	40.00	0.00	152.00
Sick Leave Family	64.00	63.25	124.00	75.50	154.25	47.00	134.50	115.00	68.50	94.25	137.50	94.25	1,172.00
Sick Leave Self	306.25	357.50	223.75	216.00	136.00	152.75	307.75	250.50	217.75	187.50	225.25	252.75	2,833.75
State Comp Leave	39.25	29.25	28.00	60.75	8.50	18.00	16.25	8.50	9.50	7.75	6.50	18.50	250.75
Total Leave	854.75	1,387.25	884.25	890.00	1,061.00	661.25	1,681.25	782.50	702.00	927.75	1,003.75	1,113.75	11,949.50
Total Hours With Leave	8,518.25	8,693.25	8,611.00	7,773.75	9,118.00	7,638.75	8,764.75	8,883.00	7,542.75	8,629.50	9,089.50	8,306.75	101,569.25

APPENDIX 5: WAGES & BENEFITS

2002 Data, 77 Utilities Reporting

Stratified by Type of Company

	Gas Utilities 50 firms				Combination Utilities 18 firms				Municipal Utilities 9 firms				All Companies 77 firms		
	LQ	MED	UQ	AVG.	LQ	MED	UQ	AVG.	LQ	MED	UQ	AVG.	LQ	MED	UQ
Average number of employees	164	545	1,286	781	181	462	800	772	25	162	250	220	151	462	912
Number of Employees at year-end	218	605	1,573	888	290	559	907	840	115	180	290	250	188	496	1,167
O&M wages ('000)	\$ 7,798	\$ 24,963	\$ 63,811	\$ 37,332	\$ 8,683	\$ 27,194	\$ 43,567	\$ 34,620	\$ 1,470	\$ 2,345	\$ 12,423	\$ 8,315	\$ 6,374	\$ 23,873	\$ 48,962
Construction wages ('000)	\$ 646	\$ 4,678	\$ 12,428	\$ 8,272	\$ 2,602	\$ 6,103	\$ 16,133	\$ 12,769	\$ -	\$ 39	\$ 823	\$ 896	\$ 585	\$ 4,328	\$ 11,583
Total pensions ('000)	\$ 23	\$ 3,299	\$ 16,548	\$ 7,824	\$ -	\$ 2,012	\$ 8,840	\$ 6,469	\$ 332	\$ 1,595	\$ 3,562	\$ 2,949	\$ 14	\$ 2,457	\$ 11,837
PER YEAR END EMPLOYEE:															
Total salary & wages	\$ 44,641	\$ 56,327	\$ 61,152	\$ 54,541	\$ 48,529	\$ 62,797	\$ 68,584	\$ 59,021	\$ 29,255	\$ 45,260	\$ 50,708	\$ 40,084	\$ 44,793	\$ 56,327	\$ 63,048
Tot. benefits & pension	\$ 16	\$ 11,131	\$ 13,977	\$ 9,334	\$ -	\$ 5,334	\$ 17,216	\$ 7,817	\$ 8,510	\$ 12,139	\$ 13,461	\$ 10,583	\$ 13	\$ 11,088	\$ 13,879
Total salary, benefits, and pension	\$ 51,535	\$ 62,984	\$ 71,225	\$ 63,875	\$ 59,222	\$ 69,965	\$ 81,508	\$ 66,838	\$ 41,075	\$ 56,541	\$ 66,643	\$ 50,667	\$ 51,532	\$ 62,984	\$ 73,138
Ratio: avg. benefits to avg. compensation	0.0%	16.9%	24.8%	11.4%	0.0%	7.9%	23.1%	11.1%	18.4%	22.4%	27.7%	25.5%	0.6%	17.5%	24.8%
Therms delivered per year-end employee	748,036	918,981	1,535,092	1,182,241	941,653	996,172	1,411,638	1,329,237	593,783	678,855	752,700	705,632	727,371	936,434	1,444,811
Customers per year-end employee	368	445	681	512	493	585	826	690	345	411	422	373	376	455	690

NOTE: Some ratios are not always normally distributed. Therefore, average ratio values may be subject to distortion by a few observations that are outliers.

Key: LQ = Lower Quartile, MED = Median, UQ = Upper Quartile, AVG = Average

MGE YEAR END EMPLOYEES 668
MGE YEAR END CUSTOMERS 506,807
MGE CUSTOMERS/EMP 759

Data Request No.

MGE-DR NO. 27

Data Information Request
from Missouri Gas Energy
to MPSC Staff
Case No. GR-2004-0209

Requested From: Dana Eaves

Date of Request: 4/22/04

Requested By: Mike Noack

Information Requested: Has Staff witness Eaves, or any other individual or individuals on the Commission Staff, undertaken any analysis to ascertain how MGE's compensation practices (salary and wage levels, incentive compensation, etc.) compare to practices in the market? If so, please provide the results of that analysis and any information and material upon which the analysis is based.

Response: No, witness Eaves nor any other individual or individuals on the Commission Staff has undertaken any current analysis to ascertain how MGE's compensation practices (salary and wage levels, incentive compensation) compare to practices in the market.

The attached information provided to Missouri Gas Energy in response to the above data information request is accurate and complete and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform Missouri Gas Energy if, during the pendency of Case No. GR-2004-0209 before the Missouri Public Service Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection at a location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to the person identified in the "Requested From" block above and all other employees, contractors, agents or others employed by or acting on behalf of the organization, group or governmental unit associated with that person.

Provided By: Dana Eaves
(Please Print)

Date Signed: 5/10/04

Signed: Dana Eaves

Data Request No.

MGE-DR NO. 28

Data Information Request
from Missouri Gas Energy
to MPSC Staff
Case No. GR-2004-0209

Requested From: Dana Eaves

Date of Request: 4/22/04

Requested By: Mike Noack

Information Requested: Does witness Eaves believe that compensation practices (salary and wage levels, incentive compensation, Christmas bonuses, etc.) can affect the morale and/or job satisfaction of employees? Please describe the rationale upon which your answer is based and provide any information and material relied upon in developing the answer.

Response: Yes. Witness Eaves believes that compensation practices (salary and wage levels, incentive compensation, Christmas bonuses, etc.) can affect the morale and/or job satisfaction of employees. Witness Eaves bases this opinion on personal and professional experience.

The attached information provided to Missouri Gas Energy in response to the above data information request is accurate and complete and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform Missouri Gas Energy if, during the pendency of Case No. GR-2004-0209 before the Missouri Public Service Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection at a location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to the person identified in the "Requested From" block above and all other employees, contractors, agents or others employed by or acting on behalf of the organization, group or governmental unit associated with that person.

Provided By: Dana Eaves
(Please Print)

Date Signed: 5/10/04

Signed: Dana Eaves

Data Request No.

MGE-DR NO. 29

Data Information Request
from Missouri Gas Energy
to MPSC Staff
Case No. GR-2004-0209

Requested From: Dana Eaves

Date of Request: 4/22/04

Requested By: Mike Noack

Information Requested: Does witness Eaves believe that incentive compensation can affect the behavior of employees? Please describe the rationale upon which your answer is based and provide any information and material relied upon in developing the answer.

Response: Yes. Witness Eaves believes that incentive compensation practices can affect the behavior of employees. Witness Eaves bases this opinion on personal and professional experience.

The attached information provided to Missouri Gas Energy in response to the above data information request is accurate and complete and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform Missouri Gas Energy if, during the pendency of Case No. GR-2004-0209 before the Missouri Public Service Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection at a location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to the person identified in the "Requested From" block above and all other employees, contractors, agents or others employed by or acting on behalf of the organization, group or governmental unit associated with that person.

Provided By: Dana Eaves
(Please Print)

Date Signed: 5/10/04

Signed: Dana Eaves

Data Request No.

MGE-DR NO. 0140

Data Information Request
from Missouri Gas Energy
to MPSC Staff
Case No. GR-2004-0209

Requested From: Paul R. Harrison

Date of Request: 4/23/04

Requested By: Mike Noack

Information Requested:

Has witness Harrison undertaken any analysis to ascertain whether the facts and circumstances affecting MGE's uncollectible expense/bad debt levels during the five year period ending December 31, 2003, will be reasonably reflective of the facts and circumstances likely to be in existence during the time period on and after October 2, 2004, when the rates from this case are going to be in effect? If so, please provide the results of that analysis and any information and material used in the analysis.

Response:

Due to the inherent volatility of uncollectible expense and the uncertainty of the future, there are no guarantees to whether the Staff's normalized level of the uncollectible expense will closely match the Company's actual bad debt levels in the future when these rates will be in affect. The Staff has proposed adjustments to the test year uncollectible expense to attempt to allow the Company an opportunity to recover its bad debt expense and at the same time not subject the ratepayer to overpayment of this expense. Staff must use known and measurable historical data to develop its proposed adjustments to normalize test year expenses for the purpose of establishing rates. The Staff will normally use a five-year average of historical data to normalize expenses unless we observe a consecutive trend up or down during this period. A five-year average provides enough data points to determine whether the expense is increasing or decreasing or staying relatively the same.

The attached information provided to Missouri Gas Energy in response to the above data information request is accurate and complete and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform Missouri Gas Energy if, during the pendency of Case No. GR-2004-0209 before the Missouri Public Service Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection at a location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to the person identified in the "Requested From" block above and all other employees, contractors, agents or others employed by or acting on behalf of the organization, group or governmental unit associated with that person.

Provided By: Paul R. Harrison
(Please Print)

Date Signed: 5-10-04
Signed: Paul R. Harrison