Exhibit No.: _____
Issues: Cash Working Capital
Witness: Robert L. O'Brien
Sponsoring Party: Missouri Gas Energy
Case No.: GR-2009-
Date Testimony Prepared: April 2, 2009

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2009-

DIRECT TESTIMONY OF

ROBERT L. O'BRIEN

Jefferson City, Missouri

April 2009

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ROBERT L. O'BRIEN

CASE NO. GR-2009-____

April 2009

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Robert O'Brien and my business address is 1753 Via Mazatlan, Rio Rico, Arizona 85648.

Q. BY WHOM ARE YOU EMPLOYEED AND WHAT IS YOUR POSITION?

A. I am the sole member of O'Brien Innovative Regulatory Solutions, LLC.

Q. PLEASE DESCRIBE YOUR ROLE IN THIS PROCEEDING.

A. I have been retained to provide a cash working capital ("CWC") study to determine the CWC required by Missouri Gas Energy ("MGE" or "Company") for the test year in this proceeding.

Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE AND EDUCATIONAL BACKGROUND THAT RELATE TO YOUR PRESENTATION IN THIS PROCEEDING.

A. I formed O'Brien Innovative Regulatory Solutions in January 2008 on my retirement from Black & Veatch Corporation ("B&V"). Prior to January 2008, I was employed by B&V in its separate operating sector of the Enterprise Management Solutions as a Principal Consultant since January 2005 when B&V acquired R.J. Rudden Associates ("Rudden") where I was employed as a Vice President since January 2000. In my positions with B&V and Rudden, I have provided services to clients in the areas of Strategic Planning, State Regulatory Operations, Financial Planning, Administrative Cost Allocations, Rate Case Preparation, Rate Case Management and Rate Case Model Design. Prior to joining Rudden, I was employed by Citizens Communications Company (formerly Citizens Utilities Company) ("Citizens") from 1975 to 1999, holding the positions of Vice President, Strategic Planning and Regulatory Affairs for Citizens' Public Utilities Sector (1997 to 1999) and Vice President, Corporate Regulatory Affairs (1978 to 1997) and Manager of Special Studies (1975 to 1978). From 1967 to 1975, I was employed as a controller by companies in the Printing, Educational, Financial and Communications industries. Prior to 1967, I was employed by Ernst & Young and attained the status of Senior Auditor after four years, including two years work experience during the 5-year work-study program at the University of Cincinnati. I graduated from the University in 1965 with a Bachelor of Business Administration with a major in Accounting. I am a Certified Public Accountant.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE STATE OR FEDERAL REGULATORY COMMISSIONS?

A. Yes, I have testified or presented testimony in over 200 proceedings before the state regulatory commissions in Arizona, California, Colorado, Hawaii, Idaho, Illinois, Indiana, Montana, Nevada, Ohio, Pennsylvania, Tennessee, Vermont and West Virginia for utility operations of electric, natural gas, communications, water and sewer utility companies. I have presented testimony in company specific proceedings for general rate increases, commission ordered rate reviews, purchased energy pass through proceedings, initial certification proceedings, acquisitions and sales of utility companies, disaster relief requirements and recovery of acquisition premiums. I have testified on the subjects of all rate base elements including deferred income taxes and cash working capital and on revenues, rate design and rate of return. In addition, I have testified regarding all operating expenses including income taxes. Finally, I have testified in generic proceedings related to income taxes, purchased energy pass through clauses and changes in regulation of the communications and electric industries.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I am presenting testimony and exhibits supporting the CWC rate base component for the Company. As shown on MGE Schedule RLO-1, the appropriate amount of CWC for the test year is $20,105,085 as shown on line 18 of page 1.

Q. ARE YOU SPONSORING ANY SCHEDULES?

A. Yes, I am. In addition to my prepared testimony, I am co-sponsoring schedule MGE Schedule RLO-1 with Company witness Noack. Mr. Noack is responsible for the pro forma test year expense amounts used to determine the pro forma CWC used as a component of rate base, while I am responsible for the determination of the revenue and expense lag days for each of the components as summarized on MGE Schedule RLO-1, page 1.

Q. WHAT IS CASH WORKING CAPITAL AND WHY IS IT SIGNIFICANT TO THE DETERMINATION OF RATE BASE?

A. The term Cash Working Capital refers to the net amount of funds required to pay for goods and services to provide utility service between the time those goods and services are paid for by the utility and the time the utility collects its revenue from the customers who received those services. The determination of the net amount of CWC is normally made using what is commonly referred to as a lead/lag study.

Q. PLEASE DESCRIBE A LEAD/LAG STUDY.

A. A lead/lag study analyses the collection period between the time the utility provides service to its customers and the time the utility receives the actual cash payments from customers for that service. This is commonly referred to as the revenue lag. The lead/lag study also analyzes the payment lag between the time goods or services are used to provide service to customers and the time the utility must pay for those services. For example, a gas utility will purchase gas to

deliver to its customers and will have to pay for that gas on terms agreed to with the supplier of the gas provided to customers, which is normally referred as a payment lag for that component. Assuming that the revenue lag is 50 days and the payment lag for the purchased gas is 45 days, this one component would result in a lead of 5 days. This means that the utility must pay the provider of the service 5 days before the utility receives payment from its customers for the use of that component of the service. In this instance, the Company would include an appropriate amount as an addition to rate base for that component. The payment lag for each expense element is examined and compared to the revenue lag to determine if the Company has a positive or negative CWC requirement which will be included in the rate base for the test year.

Q. WHAT REVENUE AND EXPENSE AMOUNTS ARE USED TO DETERMINE THE LEAD OR LAG OF EACH COMPONENT OF THE CWC?

A. As I will describe, historic revenue and expense amounts are used to determine the actual revenue lag days and payment lag days for each of the components. These lag days are then used with the test year pro forma expense amounts to determine the overall CWC requirement for the test year to be included in the determination of rate base.

Q. PLEASE DESCRIBE THE PROCESS YOU USED TO DETERMINE THE OVERALL CWC.

A. First, I had discussions with Company personnel and provided a list of data and information required for the completion of the CWC study. I also reviewed the last CWC study performed for the Company and then proceeded to develop a preliminary CWC. During the course of my review and preparation of the CWC study, I spoke with various Company personnel to clarify certain data provided and also requested additional data where needed and made any changes to the CWC calculations during this process.

Q. WHEN DID THE COMPANY LAST HAVE A CWC STUDY PERFORMED?

A. The last CWC study was performed and presented in Case No. GR-2006-0422.

Q. HOW DID YOU USE THE DATA PRESENTED IN THAT CWC STUDY?

A. I used it as a guide to check the consistency of the revenue lag-days and payment lag-days resulting from my calculations and in certain instances used certain data after determining Company processes had not changed significantly over this three year period, the lag-days were within a range of what I am familiar with and the element was not a significant component of the CWC overall.

Q. WHAT WERE THE ELEMENTS THAT YOU ADOPTED FOR YOUR CWC STUDY?

A. I used the payment lag associated with the customer payments to the Company in the revenue lag and the bank float associated with the payment lag associated with

the Company's payment for services using checks. In addition, I used the payment lag days for several of the other tax expense elements that will be discussed in connection with those expenses.

Q. PLEASE DESCRIBE THE PAYMENT LAG ASSOCIATED WITH THE REVENUE LAG CALCULATION.

A. This is the time between when the Company receives the payment from a customer and the time those payments are available to the Company in the form of cash. The Company can receive payments in the form of checks, electronic transfers, credit card payment or payments through authorized agents. Based on the analysis conducted with Company personnel and records in Case No. GR-2006-0422, it was determined that the payment lag component of the revenue lag was 0.96 days. I have accepted this payment lag for the current CWC since it is within the range of time I am familiar with for this component and I do not believe an additional review would produce a significantly different amount.

Q. PLEASE DESCRIBE THE BANK FLOAT COMPONENT OF THE VARIOUS EXPENSE LAG DAY CALCULATIONS.

A. This refers to the time between when a check payment is reflected on the Company's accounting records and when that payment actually clears the bank and results in a reduction in the Company's cash. Again, as with the payment lag associated with the revenue lag, I have accepted the number of float days for payments made by check. The 7.67 days is within the range I have experienced in

other CWC studies. I think it is reasonable to use that lag day calculation for the determination of payment lag-days when payment is made by check. When payments are made by wire transfer, there is no lag since the funds are expended when the wire transfer is made.

Q. PLEASE DESCRIBE THE SUMMARY OF THE CWC REQUIREMENT OF $19.8 MILLION SHOWN ON PAGE 1, LINE 18 OF SCHEDULE RLO-1.

A. The revenue lag, which is calculated on page 2, is shown on line 1 while the payment lags associated with the operating and maintenance ("O&M") expenses are shown on lines 2 to 8. The net working capital requirement for the O&M expense is shown on line 11. Other expenses, such as income and other taxes, interest expense and preferred dividends are summarized on lines 12 to 17 with a total CWC requirement shown on line 18. Lines 19 to 23 show the total pro forma test year O&M expense and the net amount of O&M expense used in the CWC after the removal of uncollectible expense.

Q. PLEASE DESCRIBE THE CALCULATIONS OF THE EXPENSE WEIGHTED DOLLAR DAYS ON LINES 3 TO 6 OF MGE SCHEDULE RLO-1.

A. The weighted dollar days are the result of multiplying the test year expenses for each category in column 2 by the number of (lead)/lag days for the category in column 3. The total weighted dollar days on line 7 is used to determine the

average O&M expense lag days shown on line 8. Each of the expense payment (lead)/lag days will be described in connection with the calculations shown on page 3.

Q. PLEASE DESCRIBE HOW THE REVENUE PAYMENT LAG WAS CALCULATED.

A. As shown on page 2, lines 2 to 20, an account receivable turnover lag was calculated using the monthly revenue for the year ended December 31, 2008 and the average of the thirteen months of accounts receivable balances. This calculation, as shown on line 19, resulted in a turnover ratio of 13.02 which was used to determine the average collection day lag of 28.03 days as shown on line 20. This collection lag was increased by the recording and billing day lag of 4.37 days shown on line 21, the customer payment lag of 0.96 days shown on line 22 and finally the service period lag on line 23. The resulting number of revenue lag days for MGE is 48.57 days as shown on line 24.

Q. IS THE TURNOVER RATIO METHOD A REASONABLE PROCEDURE TO DETERMINE THE COLLECTION DAY LAG?

A. Yes, it is. It measures the outstanding accounts receivables to sales (customer billings) and provides a collection day factor that, in my experience, provides an accurate measurement of the collection lag days. As an example, the collection lag days from the 2006 CWC study was 27.07 which is very close to the current 28.03 collection lag days provided by the turnover ratio procedure.

Q. WHAT ARE THE FUNCTIONS INCLUDED IN THE RECORDING, BILLING AND MAILING LAG?

A. These functions include the activities between the meter reading and the date that the customer revenue billing amount is recorded as an account receivable on the Company's accounting records. This would reflect the period after the service period and before the revenue is reflected in the accounts receivable.

Q. HOW WAS THE AVERAGE FOR THESE LAG DAYS DETERMINED?

A. The Company provided a listing showing the actual meter reading dates, billing dates and mailing dates for each meter reading route for each day of 2008. The number of days between the meter reading day and the billing date were determined and used as the base for the average lag-days for these activities which is the 4.37 days shown on line 21. The Company included the customer revenue in its accounts receivable on the billing date and therefore the mailing date, which was normally the following day was not used since that day would be included in the collection lag.

Q. WHAT IS THE SERVICE PERIOD MIDPOINT?

A. This reflects the calculation of the date at the middle of the service period that is used to measure the base for determining when customers received service to be compared to the date payment is made for that service. Since billing is normally made for a month of service, it is common to use the midpoint of the service

period to measure the period between when service is provided until the payment date for that service. The 15.21 days reflects the average number of days per month during a 365 day year.

Q. WHAT IS THE REVENUE LAG PERIOD RESULTING FROM THESE CALCULATIONS?

A. As shown on line 24, there are 48.57 lag-days for the revenue collection. This is brought forward to page 1 on line 1 and is used in the calculations on pages 6 to 11 to determine the CWC requirement for each component.

Q. PLEASE DESCRIBE THE EXPENSE LAG CALCULATIONS ON PAGE 3.

A. Page 3 summarizes the calculations of the expense payment lags for the O&M expenses such as the payroll, payroll taxes, employee benefits, purchased gas and other O&M expenses.

Q. HOW WAS THE PAYMENT LAG FOR PAYROLL DETERMINED?

A. The Company pays its employees on a bi-weekly schedule which creates a seven-day period from the midpoint of the fourteen day service period to the end of that work period. The Company's employees are paid on the Friday following the Saturday ending the service period which adds six days to the end of the service period. This would result in a total payment lag for payroll of thirteen days. However, the Company uses a payroll administrator for the actual payments to employees and provides cash to the administrator on Wednesday instead of Friday

which reduces the payment lag by two days. This service period and payment schedule results in an eleven-day lag in the payment for the service provided by the Company's employees.

Q. ARE THE LAG DAYS FOR THE PAYMENT OF WITHHOLDING TAXES AND FICA EXPENSE THE SAME AS THOSE FOR THE PAYROLL?

A. Yes, they are. The Company provides funds to the administrator for the payment of the payroll withholding taxes and the FICA expense at the same time payment is made for the payroll. As such those items have the same eleven-day payment lag period.

Q. HOW IS THE PAYMENT LAG OF 11 DAYS USED IN THE CALCUALTION OF THE CWC?

A. The payroll lag days calculated on lines 1 to 3 of 11 days, as shown on line 4, is shown on page 1, column 3, line 3 and multiplied by the pro forma test year expenses to determine the weighted dollar days in column 4 which is included with the other O&M weighed dollar days to determine the O&M expense lag days on line 8 and the net revenue lag days on line 9.

Q. **WHAT ARE THE EXPENSE PAYMENT LAGS FOR THE EMPLOYEE BENEFIT COMPONENTS?**

A. The expense and benefit components, which are shown on page 3, lines 5 to 7, column 3, are calculated on pages 10 and 11. The lag days for the 401k match, as shown on line 8, are the same as the lag days for the payroll since payments are made by the Company on the same schedule as payments for payroll are made.

Q. PLEASE DESCRIBE THE CALCULATIONS ON PAGES 10 and 11.

A. Payment dates, service periods, payment amounts and weighted (lead) lag dollars for each benefit category are shown in columns 1 to 5 with the average payment (lead) lag days shown in column 6. Except for the pension payments, which are made by electronic transfer, all other benefit lag days are increased by the check clearing lag as shown in column 7. The total of these payment lag days is shown in column 8 and brought forward to MGE Schedule RLO-1, page 3.

Q. **PLEASE EXPLAIN HOW THE GAS COST PAYMENT LAG DAYS WERE DETERMINED.**

A. The gas cost payment lag days were calculated using actual payment lag days for all gas purchase transactions for the year ended December 31, 2008. The monthly results of these calculations are shown on page 5 and result in a payment lag of 34.23 days as shown on line 14. In each instance, the midpoint of the month the gas commodity was provided was used as the service date and, since these payments are made electronically, there is no additional check clearing lag added.

Q. HOW WERE THE PAYMENT LAG DAYS FOR THE OTHER O&M EXPENSES DETERMINED?

A. The payment lag days for the other O&M expenses, summarized on lines 13 to 17, reflect a sample of actual payments for the months of March 2008, June 2008 and October 2008 which are summarized on page 4. The average lag days for these data, 22.61 payment lag days as shown on line 14, is added to the average lag days to reflect the service period lag of 15.21 days and the check clearing lag days of 7.67 for a total payment lag days for other O&M expense of 45.49 as shown on line 17 of page 3 and also on line 10 of page 4.

Q. PLEASE DESCRIBE THE PROCEDURES USED TO CALCULATE THE MONTHLY PAYMENT LAG DAYS SHOWN ON PAGE 3, LINES 1 TO 6.

A. I selected three months in 2008 and obtained a listing of cash disbursements for those months. I then removed all amounts over $100,000 and under $1,000, charges for commodity purchases, employee benefits and other accounts which are addressed in other sections of the CWC study and then removed non-expense accounts from that total listing. This provided a listing of payments for each month selected which were used for the other disbursements payment lag.

Q. DO YOU THINK THIS IS A REASONABLE APPROACH TO DETERMINE THE PAMENT LAG DAYS FOR THE OTHER DISBURSEMENTS?

A. Yes. I think this provides a broad sample of the Company's payments and the result is, while in the high end, in the range of other disbursement payment lags I have experienced in other CWC studies.

Q. PLEASE EXPLAIN THE CALCULATIONS ON LINES 8 TO 11 ON PAGE 1 OF MGE SCHEDULE RLO-1.

A. These calculations convert the payment lags for the O&M expenses shown on lines 3 to 7 to a CWC amount to determine the CWC component for the O&M expense. The 33.25 payment lag days on line 8 represents the weighted average payment lag days for the O&M expenses shown on lines 3 to 7. These lag days are subtracted from the revenue lag days on line 1 and the difference, 15.32 lag days, reflects the number of days the Company pays for O&M expense before it collects its revenue from its customers. This 15.32 lag day amount is then multiplied by the average daily expense for the O&M expense to determine that the Company has a CWC requirement of $25.2 million for the O&M expense as shown on line 11.

Q. PLEASE DESCRIBE THE CALCULATION FOR THE INTEREST EXPENSE REDUCTION TO CWC.

A. This calculation, shown on page 6, reflects the fact that the composite interest expenses payment lag is greater than the revenue collection lag and therefore results in the reduction to CWC. Lines 1 to 3 on page 6 reflect the components of the synchronized interest expense which is used to determine the pro forma

interest expense per day of $50,289 as shown on line 7. The payment lag days of 82.40 reflects the fact that most of the Company's long-term debt interest is paid twice a year while some debt has monthly or other periods for the payment of interest. Since this payment lag is greater than the revenue collection lag, there is a lead where the Company has collected its revenue from customers before it must pay its interest expense. Using the payment and collection lag days on lines 6 and 7 respectively, the CWC lead for interest expense is 33.83 days which, at $50,289 per day, results in a reduction to CWC of $1,701,277 which is shown on line 6 of page 1.

Q. HOW IS THE CALCULATION OF THE PREFERRED DIVIDEND PAYMENT LAG AND CWC AMOUNT MADE?

A. The basic calculation would follow the same procedures used in the calculation of the interest expense CWC component. The main difference is that the preferred stock dividends are paid quarterly which results in a significantly lower number of payment lag days than the interest expense component. However, since there are no preferred dividends, there is no working capital component included in the CWC amount for the test year.

Q. HOW WAS THE CWC COMPONENT FOR THE GROSS RECEIPTS TAX CALCULATED?

A. The CWC reduction of $1,492,674 shown on line 8 of page 1 is calculated on page 8, lines 1 to 10. The gross receipt tax payments for the year 2008 were

obtained from the Company and sorted into common service periods as shown in column 1 on lines 1 to 3 which reflects the mid-point of those service periods. The payment lag days for each of those service periods are shown in column 3 and the weighed payment lag days are shown in column 5. Line 5 represents the average gross receipts lag days of 53.21 payment lag days. When this payment lag is increased by the check clearing lag of 7.67 days and difference, a lead of 12.31 days reflects that the Company collects its revenue from customers before it pays the gross receipts taxes. These lead days are used to determine the reduction to the CWC of $1,492,674 which is included on page 1, line 14.

Q. PLEASE DESCRIBE THE CALCULATION OF THE PAYMENT LAG DAYS AND RESULTING CWC AMOUNT FOR THE PROPERTY TAXES SHOWN ON LINE 15 OF MGE SCHEDULE RLO-1.

A. The calculation, shown on MGE Schedule RLO-1, page 8, lines 13 to 23 follows the same procedures described for the determination of the gross receipts tax component of the CWC. The result of the calculation for the property taxes, shown on lines 19 and 23 is a CWC lead of 141.41 days and $3,485,615 respectively.

Q. HOW WAS THE CWC AMOUNT FOR FEDERAL & STATE INCOME TAX EXPENSE DETERMINED?

A. The calculations, shown on page 9, lines 1 to 12 reflect the dates when estimated payments are required for Federal and state income taxes. These quarterly

payment dates are used to determine the CWC requirement of $206,432 for the Federal income tax and $32,440 for the state income tax. The total amount of $238,872 is shown on page 1, line 16.

Q. PLEASE DESCRIBE THE CALCULATIONS FOR THE OTHER TAXES COMPONENT OF CWC SHOWN ON LINE 17 OF PAGE 1 OF MGE SCHEDULE RLO-1.

A. These calculations are shown on page 9, lines 13 to 24 with the $1,362,632 CWC requirement shown on line 25 also reflected on page 1, line 17. The corporate franchise taxes are paid once annually on April 15th for the current year which, when compared to the midpoint of the year of July 1 results in a payment lead of 77 days. This is reduced by the check clearing lag of 7.67 days and the resulting lead is added to the revenue collection lag of 48.57 days for total lag days of 117.90 as shown on page 9, line 15, column 9 and a CWC requirement of $94,966 as shown in column 10. As shown on page 9, columns 1 to 3, the same payment lag days were used as determined in the CWC study submitted in Case No. GR-2006-0422 after I confirmed that there were no changes in the payment requirements for the three other taxes which included the sales tax, lines 16 to 18, use tax, lines 19 to 21 and the federal unemployment insurance expense on lines 22 to 24.

Q. WHY IS IT REASONABLE TO USE THE PAYMENT LAGS FROM CASE NO. GR-2006-0422 FOR THE PAYMENT LAGS IN THIS PROCEEDING FOR THE OTHER TAXES MENTIONED ABOVE?

A. Because these taxes are paid on set schedules established by the taxing authorities which have not charged in the three years since Case No. GR-2006-0422 and the Company procedures for payment of those taxes have not changed, I believe the average payment lag days would not change. Therefore, I used the days used in the last filing.

Q. WHAT IS THE OVERALL CWC REQUIRED FOR THE TEST YEAR BASED ON YOUR STUDY?

A. The CWC requirement for inclusion in the rate base for the test year is $20,105,085 as shown on MGE Schedule RLO-1, page 1, line 18.

Q. DOES THIS COMPLETE YOUR TESTIMONY AT THIS TIME?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's Tariff Sheets Designed to Increase Rates for Gas Service in the Company's Missouri Service Area.	))))	Case No. GR-2009-____

AFFIDAVIT OF ROBERT L. O'BRIEN

STATE OF ARIZONA)
) ss.
COUNTY OF SANTA CRUZ)

Robert L. O'Brien, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Direct 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 L. O'BRIEN

Subscribed and sworn to before me this 31ST day of March 2009.

Notary Public

My Commission Expires: 05-14-2010

RAUL Y CASTILLO
NOTARY PUBLIC - ARIZONA
SANTA CRUZ COUNTY
My Commission Expires
May 14, 2010

Summary of Cash Working Capital

Line #	Description	[1] Reference	[2] Test Year Expenses	[3] Number of Payment (Lead) / Lag Days	[4] Weighted Dollar Days [2] * [3]	[5] Totals
	WORKING CAPITAL REQUIREMENT					
1	REVENUE LAG DAYS	Page 2				48.57
2	EXPENSE LAG DAYS	Page 3				
3	Payroll & FICA Expense	H-4, H-6	$ 36,102,199	11.00	$ 397,124,189	
4	Pension & Benefits	H-5	16,389,067	18.20	298,274,457	
5	Commodity Purchased	H-3	502,616,530	34.23	17,204,563,822	
6	Other Expenses	L 22 - L 3 toL 5	42,281,636	45.49	1,923,391,622	
7	Total	Sum (L 3 to L 5)	$ 597,389,432		$ 19,823,354,089	
8	O & M Expense Payment Lag Days	L7, C 4 / C 2				33.18
9	Net Revenue (Lead) Lag Days	L 1 - L 8				15.39
10	Operating Expenses Per Day	L 7, C 2 / 365				$ 1,636,683
11	Working Capital for O & M Expense	L 9 * L 10				$ 25,183,147
12	Interest Payments	Page 6				(1,701,277)
13	Preferred Dividend Payments	Page 7				0
14	Gross Receipt Tax	Page 8				(1,492,674)
15	Property Tax	Page 8				(3,485,615)
16	Federal & State Income Taxes	Page 9				238,872
17	Other Taxes	Page 9				1,362,632
18	*Total Working Capital*	*Sum (L 11 to L 16)*				$ 20,105,085
19	Pro Forma O & M Expense		$ 609,677,116			
	Less:					
20	*Uncollectible Expense*		9,435,379			
21	Other Non-Cash		2,852,305			
22	Sub-Total	Sum L18 to L20	12,287,684			
23	Pro Forma Cash O&M Expense	L 18 - L 21	$ 597,389,432			

Revenue Lag

Line No.	Description	[1] Reference Or Factor	[2] Accounts Receivable Balance End of Month	[3] Total Monthly Sales	[4] A/R Turnover [3]/[2]	[5] Days Lag 365/[4]
1	Annual Number of Days					365
2	December, 2007		$ 55,405,000			
3	January, 2008		82,799,000	117,570,000		
4	February		102,980,000	122,045,000		
5	March		101,320,000	98,417,000		
6	April		81,807,000	63,025,000		
7	May		63,697,000	39,820,000		
8	June		48,637,000	28,019,000		
9	July		38,084,000	27,231,000		
10	August		27,571,000	25,946,000		
11	September, 2008		21,391,000	27,697,000		
12	October		17,615,000	30,525,000		
13	November		29,608,000	55,800,000		
14	December, 2008		73,337,000	109,367,000		
15	Total	Sum L 2 to L 14	$744,251,000			
16	Number of Months	13				
17	Average Acct Rec Balance	L 15 / L 16	$57,250,077			
18	Total Sales for Year	Sum L 2 to L 14		$ 745,462,000		
19	Acct Rec Turnover Ratio	L 18 / L 17			13.02	
20	Collection Lag Day Factor	L 1 / L 19				28.03
21	Recording, Billing & Mailing Lag					4.37
22	Customer Payment Lag					0.96
23	Service Period Midpoint	Formula	365 / 12 / 2 =			15.21
24	Total Revenue Lag Days	Sum L 20 to L 23				48.57

Summary of Expense Lag Calculations

Line No.	Description	[1] Reference Or Factor	[2] Recorded Or Base Amount	[3] (Lead) / Lag Days	[4] Weighted Dollar Value [2]*[3]	[5] (Lead) / Lag Days [4]/[2]
PAYROLL, WITHHOLDING TAXES AND FICA EXPENSE						
1	Gross Payroll	Bi-Weekly	$ 33,412,278	11.00	$ 367,535,058	
2	FICA Expense	L1, C2 * C3	2,689,921	11.00	29,589,131	
3	Payroll Lag	L 1 + L 2	$ 36,102,199		$ 397,124,189	
4	Payroll Lag Days	C 4 / C 2				11.00
PENSION & BENEFIT EXPENSE						
5	Total Pension Expense	Pgs 10 & 11	$ 8,473,451	1.79	$ 15,149,130	
6	Medical & Dental	Pgs 10 & 11	6,023,809	42.81	257,903,574	
7	Group Life Insurance	Pgs 10 & 11	283,796	26.55	7,533,355	
8	Retirement Power		425,581	11.00	4,681,393	
9	Match for 401k		1,182,429	11.00	13,006,722	
10	Total	Sum L 5 to L 10	$ 16,389,067		$ 298,274,174	
11	Pension & Benefit Lag Days	C 4 / C 2				18.20
PURCHASE GAS COSTS						
12	Payment Lag	Page 6	$ 538,337,731		$ 18,428,197,320	
13	Gas Cost Lag Days	C 4 / C 2				34.23
OTHER O & M EXPENSES						
14	TOTAL	Page 4	5,605,043		126,706,696	
15	Other O&M Expense Lag Da	C 4 / C 2				22.61
16	Service Period Lag Days	Page 4				15.21
17	Check Clearing Days	Page 4				7.67
18	Total Other O&M Expense Payment Lag Days					45.49

General Disbursements Payment Lag Days

Line #	Description	[1] Number of CDs	[2] Cash Disbursements	[3] Dollar-Days	[4] Expense Lag-Days [3]/[2]
MARCH 2008					
1	Total Disbursements for Month	2,044	$ 10,897,061		
2	Total for Other Disbursements	322	$ 2,240,428	$ 50,350,256	22.47
JUNE 2008					
3	Total Disbursements for Month	1,637	$ 5,816,508		
4	Total for Other Disbursements	241	$ 1,295,203	$ 25,224,454	19.48
OCTOBER 2008					
5	Total Disbursements for Month	2,118	$ 8,562,620		
6	Total for Other Disbursements	325	$ 2,069,412	$ 51,131,986	24.71
TOTAL THREE TEST MONTHS					
7	Total Test Month Expense Disbursement (L 2 + L 4 + L 6)	888	$ 5,605,043	$ 126,706,696	22.61
8	Average Service Period Lag				15.21
9	Check Clearing Lag				7.67
10	Total Other Disbursement Payment Lag				45.49

Cost of Gas Lag Days

Line #	Description	Reference Or Factor	[1] Number of Invoices	[2] Amount of Invoice	[3] Dollar Days	[4] Total Payment Lag-Days
1	January, 2008			$ 65,669,306	$ 1,675,946,839	25.52
2	February			57,699,263	1,618,075,642	28.04
3	March			62,396,132	1,997,637,347	32.02
4	April			45,430,098	2,129,763,630	46.88
5	May			56,941,471	2,335,271,474	41.01
6	June			48,147,761	1,984,283,562	41.21
7	July			54,108,174	2,285,245,818	42.23
8	August			34,076,346	1,164,464,212	34.17
9	September			9,166,972	138,685,189	15.13
10	October			23,108,080	572,271,999	24.77
11	November			24,491,588	839,601,703	34.28
12	December, 2008			57,102,540	1,686,949,904	29.54
13	Total	Sum (L 1 to L 12)		$ 538,337,731	$ 18,428,197,320	
14	Purchase Gas Lag Days	C 3 / C 2				34.23

Interest Payments

Line No.	Description	[1] Reference Or Factor	[2] # of Days	[3] # of Days	[4] Total
1	Test Year Rate Base	$ 604,954,779	**Input into Col 4**		$ 604,954,779
2	Long-term Debt Ratio				52.00%
3	Embedded Cost of Long-term Debt				5.84%
4	Pro forma Interest Expense	L 1 * L 2 * L 3			$ 18,355,538
5	Daily Amount	L 4 / L 5, C2	365		$ 50,289
6	Lag days to mid-point of interest payments			82.40	
7	Revenue Lag Days	Page 3		46.57	
8	Interest Payment (Lead) / Lag days	L 7 - L 6			(33.83)
9	Interest Lead for Working Capital	L 5 * L 8			$ (1,701,277)

Preferred Stock Dividend Payment

Line No.	Description		[1] Reference Or Factor	[2] # of Days	[3] # of Days	[4] Total
1	Test Year Rate Base					$ 604,954,779
2	Preferred Stock Ratio					0.00%
3	Embedded Cost of Preferred					0.00%
4	Pro forma Preferred Dividends		L 1 * L 2 * L 3			$ -
5	*Daily Amount*		L 4 / L 5, C2	365		$ -
6	Lag days to mid-point of Dividend payments				45.63	
7	Revenue Lag Days		Page 3		48.57	
8	Dividend Payment (Lead) / Lag		L 7 - L 6			2.94
9	Total Dividends for Working Capital		L 5 * L 8			$ -

Franchise Tax & Property Tax Lag-Day Claculation

Line #	Description	[1] Lag-Days to Mid-Point of Service Period	[2] Payment Lag Days	[3] (Lead) Lag Payment Days [1]+[2]	[4] Payment Amount	[5] Weighted (Lead) Lag Dollars [3]*[4]
	GROSS RECEIPTS TAXES					
1	Monthly	15.21	30.42	45.625	$ 36,783,849	$ 1,678,263,109
2	Quarterly	45.63	30.75	76.375	1,935,000	147,785,625
3	Semi-annual	91.25	31.00	122.250	3,389,648	414,384,423
4	Total				$ 42,108,497	$ 2,240,433,157
5	Payment Lag Days					53.21
6	Check Clearing Lag Days					7.67
7	Revenue Lag Days					48.57
8	Net Working Capital Lead / (Lag) Days					(12.31)
9	Test Year Franchise Tax Expense				$ 44,258,774	
10	Days Per Year				365	
11	Expense Per Day					$121,257
12	Working Capital Increase (Reduction)					$ (1,492,674)
	PROPERTY TAXES					
13	Paid in November	182.50	(31.00)	151.500	$ 43,000	$ 6,514,500
14	Paid in December	182.50	0.00	182.500	7,029,000	1,282,792,500
15	Total				$ 7,072,000	$ 1,289,307,000
16	Payment Lag Days					182.31
17	Check Clearing Lag Days					7.67
18	Revenue Lag Days					48.57
19	Net Working Capital Lead / (Lag) Days					(141.41)
20	Test Year Franchise Tax Expense				$ 8,996,732	
21	Days Per Year				365	
22	Expense Per Day					$24,649
23	Working Capital Increase (Reduction)					$ (3,485,615)

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Tax Lag Day Calculations

Line #	Description	[1] Payment Dates	[2] Mid-Point of Service Period	[3] (Lead) Lag Payment Days [1]-[2]	[4] Payment Amount	[5] Payment Weighted (Lead) Lag Dollars [3]*[4]	[6] Payment (Lead) Lag Days [5]/[4]	[7] Check Clearing Lag Days	[8] Revenue Lag Days C-4, Pg3	[9] Net Payment (Lead) Lag Days [6]-[7]	[10] Total Dollar Days [4]*[8]	[10] Working Capital Amount
1	**FEDERAL INCOME TAX**				$ 6,806,459							365
2	First Payment	04/15/08	07/01/08	(77.00)	$ 1,701,615	(131,024,344)						
3	Second Payment	06/15/08	07/01/08	(16.00)	1,701,615	(27,225,838)						
4	Third Payment	09/15/08	07/01/08	76.00	1,701,615	129,322,729						
5	Fourth Payment	12/15/08	07/01/08	167.00	1,701,615	284,169,681						
6	Total				$ 6,806,459	$ 255,242,229	37.50		48.57	11.07	$ 75,347,506	$ 206,432
7	**STATE INCOME TAX**				$ 1,069,607							
8	First Payment	04/15/08	07/01/08	(77.00)	$ 267,402	(20,589,936)						
9	Second Payment	06/15/08	07/01/08	(16.00)	267,402	(4,278,428)						
10	Third Payment	09/15/08	07/01/08	76.00	267,402	20,322,535						
11	Fourth Payment	12/15/08	07/01/08	167.00	267,402	44,656,096						
12	Total				$ 1,069,607	40,110,266	37.50		48.57	11.07	$ 11,840,550	32,440
13	**CORPORATE FRANCHISE TAX**				$ 294,000							
14	Payment	04/15/08	07/01/08	(77.00)	294,000	(22,638,000)						
15	Total				$ 294,000	(22,638,000)	(77.00)	7.67	48.57	117.90	$ 34,662,600	94,966
16	**SALES TAX**				$ 12,276,000							
17	Payments	[A]	[A]	2.29	12,276,000	28,112,040						
18	Total				$ 12,276,000	28,112,040	2.29	7.67	48.57	38.61	$ 473,976,360	1,298,565
19	**USE TAX**				$ 250,000							
20	Payments	[A]	[A]	83.98	250,000	20,995,000						
21	Total				$ 250,000	20,995,000	83.98	7.67	48.57	(43.08)	$ (10,770,000)	(29,507)
22	**FEDERAL UNEMPLOYMENT**				$ 42,127							
23	Payments	[A]	[A]	60.63	42,127	2,554,160						
24	Total				$ 42,127	2,554,160	60.63		48.57	(12.06)	$ (508,052)	(1,392)
25	**Total Working Capital From Taxes - Other Than Income Taxes (Line14 to Line 24)**											$ 1,362,632

[A] Used lag day calculation from prior rate case - No changes in Company procedures

Tax Lag Day Calculations

Line #	Description	[1] Payment Dates	[2] Mid-Point of Service Period	[3] Payment (Lead) Lag Days [1]-[2]	[4] Payment Amount	[5] Weighted (Lead) Lag Dollars [3]*[4]	[6] Payment (Lead) Lag Days [5]/[4]	[7] Check Clearing Float Lag Days	[8] Total Payment Lag [6]+[7]
1	**Pension Payment**				$10,982,000				
2	First Payment	3/10/08	7/1/08	(113.00)	$ 1,082,000	$ (122,266,000)			
3	Second Payment	4/15/08	7/1/08	(77.00)	3,300,000	(254,100,000)			
4	Third Payment	7/15/08	7/1/08	14.00	3,300,000	46,200,000			
5	Fourth Payment	10/15/08	7/1/08	106.00	3,300,000	349,800,000			
6	Total				$10,982,000	$ 19,634,000	1.79		1.79
7	**Health Care - Admin**				$ 324,000				
8	January	1/25/08	1/15/08	9.50	$ 27,000	$ 256,500			
9	February	2/20/08	2/14/08	6.00	27,000	162,000			
10	March	3/21/08	3/15/08	5.50	27,000	148,500			
11	April	4/30/08	4/15/08	15.00	27,000	405,000			
12	May	5/22/08	5/15/08	6.50	27,000	175,500			
13	June	6/13/08	6/15/08	(2.00)	27,000	(54,000)			
14	July	7/16/08	7/15/08	0.50	27,000	13,500			
15	August	8/22/08	8/15/08	6.50	27,000	175,500			
16	September	9/22/08	9/15/08	7.00	27,000	189,000			
17	October	10/24/08	10/15/08	8.50	27,000	229,500			
18	November	11/21/08	11/15/08	6.00	27,000	162,000			
19	December	12/22/08	12/15/08	6.50	27,000	175,500			
20	Total				$ 324,000	$ 2,038,500	6.29	7.67	13.96
21	**Health Care - Stop Loss**				$ 156,000				
22	January	4/2/08	1/15/08	77.50	$ 13,000	$ 1,007,500			
23	February	4/2/08	2/14/08	47.00	13,000	611,000			
24	March	4/2/08	3/15/08	17.50	13,000	227,500			
25	April	4/2/08	4/15/08	(13.00)	13,000	(169,000)			
26	May	6/30/08	5/15/08	45.50	13,000	591,500			
27	June	6/26/08	6/15/08	11.00	13,000	143,000			
28	July	7/16/08	7/15/08	0.50	13,000	6,500			
29	August	9/4/08	8/15/08	19.50	13,000	253,500			
30	September	9/25/08	9/15/08	10.00	13,000	130,000			
31	October	10/24/08	10/15/08	8.50	13,000	110,500			
32	November	11/21/08	11/15/08	6.00	13,000	78,000			
33	December	12/22/08	12/15/08	6.50	13,000	84,500			
34	Total				$ 156,000	$ 3,074,500	19.71	7.67	27.38
35	**Health Care - Claims**				$ 6,300,000				
36	January	2/20/08	1/15/08	35.50	$ 525,000	$ 18,637,500			
37	February	3/21/08	2/14/08	35.00	525,000	18,375,000			
38	March	4/30/08	3/15/08	45.50	525,000	23,887,500			
39	April	5/22/08	4/15/08	37.00	525,000	19,425,000			
40	May	6/13/08	5/15/08	28.50	525,000	14,962,500			
41	June	7/16/08	6/15/08	31.00	525,000	16,275,000			
42	July	8/22/08	7/15/08	37.50	525,000	19,687,500			
43	August	9/22/08	8/15/08	37.50	525,000	19,687,500			
44	September	10/24/08	9/15/08	39.00	525,000	20,475,000			
45	October	11/21/08	10/15/08	36.50	525,000	19,162,500			
46	November	12/22/08	11/15/08	37.00	525,000	19,425,000			
47	December	1/23/09	12/15/08	38.50	525,000	20,212,500			
48	Total				$ 6,300,000	$ 230,212,500	36.54	7.67	44.21

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Tax Lag Day Calculations

Line #	Description	[1] Payment Dates	[2] Mid-Point of Service Period	[3] Lead (Lag) Payment Days [1]-[2]	[4] Payment Amount	[5] Weighted (Lead) Lag Dollars [3]*[4]	[6] Payment (Lead) Lag Days [5]/[4]	[7] Check Clearing Float Lag Days	[8] Total Payment Lag [6]+[7]
1	**Dental Care - Admin**				$ 26,000				
2	January	3/21/08	1/15/08	65.50	$ 2,167	$ 141,939			
3	February	3/21/08	2/14/08	36.00	2,166	77,976			
4	March	3/21/08	3/15/08	5.50	2,167	11,919			
5	April	4/30/08	4/15/08	15.00	2,167	32,505			
6	May	5/22/08	5/15/08	6.50	2,167	14,086			
7	June	8/22/08	6/15/08	68.00	2,166	147,288			
8	July	8/22/08	7/15/08	37.50	2,167	81,263			
9	August	8/22/08	8/15/08	6.50	2,167	14,086			
10	September	11/21/08	9/15/08	67.00	2,167	145,189			
11	October	11/21/08	10/15/08	36.50	2,167	79,096			
12	November	11/21/08	11/15/08	6.00	2,166	12,996			
13	December	12/22/08	12/15/08	6.50	2,166	14,079			
14	Total				$ 26,000	$ 772,422	29.71	7.67	37.38
15	**Dental Care - Claims**				$ 400,000				
16	January	3/21/08	1/15/08	65.50	$ 33,333	$ 2,183,312			
17	February	3/21/08	2/14/08	36.00	33,333	1,199,988			
18	March	4/30/08	3/15/08	45.50	33,334	1,516,697			
19	April	5/22/08	4/15/08	37.00	33,333	1,233,321			
20	May	6/26/08	5/15/08	41.50	33,333	1,383,320			
21	June	7/16/08	6/15/08	31.00	33,334	1,033,354			
22	July	8/22/08	7/15/08	37.50	33,333	1,249,988			
23	August	9/22/08	8/15/08	37.50	33,333	1,249,988			
24	September	10/24/08	9/15/08	39.00	33,334	1,300,026			
25	October	11/21/08	10/15/08	36.50	33,333	1,216,655			
26	November	1/23/09	11/15/08	69.00	33,333	2,299,977			
27	December	1/23/09	12/15/08	38.50	33,334	1,283,359			
28	Total				$ 400,000	$ 17,149,985	42.87	7.67	50.54
29	**Life Insurance, SDD, LTD**				$ 390,000				
30	January	4/2/08	1/15/08	77.50	$ 32,500	$ 2,518,750			
31	February	4/2/08	2/14/08	48.00	32,500	1,560,000			
32	March	4/4/08	3/15/08	19.50	32,500	633,750			
33	April	4/28/08	4/15/08	13.00	32,500	422,500			
34	May	5/23/08	5/15/08	7.50	32,500	243,750			
35	June	6/25/08	6/15/08	10.00	32,500	325,000			
36	July	7/24/08	7/15/08	8.50	32,500	276,250			
37	August	9/3/08	8/15/08	18.50	32,500	601,250			
38	September	9/22/08	9/15/08	7.00	32,500	227,500			
39	October	10/22/08	10/15/08	6.50	32,500	211,250			
40	November	11/19/08	11/15/08	4.00	32,500	130,000			
41	December	12/22/08	12/15/08	6.50	32,500	211,250			
42	Total				$ 390,000	$ 7,361,250	18.88	7.67	26.55
	TOTAL HEALTH & DENTAL								
43	Health Care - Admin				324,000	2,038,500			
44	Health Care - Stop Loss				156,000	3,074,500			
45	Health Care - Claims				6,300,000	230,212,500			
46	Dental Care - Admin				26,000	772,422			
47	Dental Care - Claims				400,000	17,149,985			
48									
48	Total Health & Dental				$ 7,206,000	$ 253,247,907	35.14	7.67	42.81