

005

Exhibit No.:  
Issues: Updated Revenue Requirement  
Witness: Michael R. Noack  
Sponsoring Party: Missouri Gas Energy  
Case No.: GR-2006-0422  
Date Prepared: August 7, 2006

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2006-0422

UPDATED TEST YEAR DIRECT TESTIMONY OF

MICHAEL R. NOACK

Jefferson City, Missouri

August 7, 2006

FILED<sup>2</sup>

FEB 07 2007

Missouri Public  
Service Commission

*MGE* Exhibit No. 5  
Case No(s). GR-2006-0422  
Date 1-8-07 Rptr JK

UPDATED TEST YEAR DIRECT TESTIMONY OF MICHAEL R. NOACK

CASE NO. GR-2006-0422

August 7, 2006

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

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

4

5 Q. ARE YOU THE SAME MICHAEL R. NOACK WHO FILED DIRECT TESTIMONY IN THIS  
6 PROCEEDING ON MAY 1, 2006?

7 A. Yes.

8

9 Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

10 A. In its Order Establishing Procedural Schedule issued on July 13, 2006, the Commission  
11 required MGE to update its revenue requirement to reflect the test year updated for known  
12 and measurable items through June 30, 2006. The purpose of this testimony is to present  
13 the revenue requirement prepared by MGE on the basis of the twelve-month period ending  
14 December 31, 2005 updated for known and measurable items through June 30, 2006.

15

16 Q. MR. NOACK, PLEASE DESCRIBE THE REVENUE DEFICIENCY SCHEDULES THAT ARE  
17 APPENDED TO THIS TESTIMONY.

18

19 A. The revenue deficiency schedules attached to this testimony update the revenue deficiency  
20 schedules attached to my original direct testimony filed May 1, 2006. The revenue deficiency  
21 summary attached to this testimony is based on the twelve-month period ending December  
22 31, 2005 updated for known and measurable changes through June 30, 2006.

23

1 Q. IN UPDATING THE TEST PERIOD FOR KNOWN AND MEASURABLE CHANGES  
2 THROUGH JUNE 30, 2006, WAS IT NECESSARY TO ADD ANY SCHEDULES?

3 A. Yes there is one addition to the schedules. Schedule H-26 details the amortization of costs  
4 resulting from the Emergency Cold Weather Rule which was implemented from January 1,  
5 2006 through March 31, 2006. In accordance with the Emergency Cold Weather Rule and  
6 the Commission's Order in Case No. GX-2006-0181, MGE is applying for for an Accounting  
7 Authority Order (AAO) through a motion to be filed in this case. Under the conditions of the  
8 proposed AAO, MGE has identified costs resulting from the Emergency Cold Weather Rule  
9 and is requesting amortization of those costs in this rate case over a 3 year period. All other  
10 schedules correspond to the same schedules filed with my initial direct testimony.

11  
12 Q. DOES MGE CONTINUE TO BELIEVE THAT A TRUE-UP AUDIT IS NECESSARY AND  
13 APPROPRIATE?

14 A. MGE continues to believe that a true-up audit is necessary and appropriate in this  
15 proceeding. MGE has budgeted approximately \$14,170,000 of capital investment that it  
16 plans to place in service between June 30, 2006 and October 31, 2006. This investment  
17 represents approximately \$2,000,000 of additional annual revenue requirement at the  
18 requested rate of return. Second, MGE plans to hire approximately seven additional  
19 customer service representatives during the proposed true-up period (in fact, a new class of  
20 eight customer service representatives commenced working and training on July 31, 2006).  
21 These additional personnel would add approximately \$450,000 to the Company's annual  
22 revenue requirement. Other new employees may be hired during the true-up period as well.  
23 Also, to the extent the Commission uses a capital structure based on the Company's actual  
24 debt and equity, because MGE expects the equity ratio to increase during the true-up period  
25 resulting in a higher revenue requirement, MGE would want that structure to reflect the  
26 Company's the most current percentages. Using the true-up mechanism to recognize known  
27 and measurable changes such as those listed above is the best way to mitigate regulatory  
28 lag in this proceeding. Without a true-up, by the time rates go into effect (March 30, 2007

1 based on the operation of law date) MGE will already be experiencing a shortfall from the  
2 authorized rate of return simply by not having the plant increases and expense increases  
3 since June 2006 included in rates.

4

5 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

6 A. Yes.



1  
2  
3  
4  
5  
6  
7  
8

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

**REVENUE DEFICIENCY SUMMARY**  
**BASED ON TEST YEAR ENDED DECEMBER 31, 2005**  
**UPDATED FOR KNOWN AND MEASURABLE CHANGES**  
**THROUGH JUNE 30, 2006**

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

**Index of Schedules**

<u>Schedule</u>	<u>Description</u>
A	Revenue Deficiency
A-1	Summary of Net Operating Income, 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)
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	Prepaid Pension
F	Summary Of Cost Of Capital
G-1	Comparison of FERC Form 2 Information
G-2	Average Annual Residential Bill (Excluding PGA and Taxes)
G-3	Comparison of Actual Uncollectibles and Uncollectibles Included in Rates
G-4	Comparison of Achieved Rate of Return vs. Authorized Rate of Return
H	Distribution of Revenue and Expense Adjustments by Account No.
H-1	Test Year Margin Revenue
H-2	Revenue Adjustments
H-3	Remove Purchase Gas Costs and Gross Receipts Tax
H-4	Payroll Adjustment
H-5	Employee Benefits
H-6	Payroll Taxes
H-7	Insurance / Injuries & Damages
H-8	Corporate Allocation
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	Missouri State Franchise Tax
H-17	Property Tax Expense
H-18	Postage Increase
H-19	Office Lease Expense
H-20	Incentive Compensation and Bonuses
H-21	Unrecovered Cost of Service
H-22	Customer Collection Costs
H-23	Non-recurring / Non-utility Activity
H-24	Weatherization
H-25	Environmental Response Fund

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Updated through June 30, 2006  
**Revenue Deficiency**

Line No.	Description (a)	Ref. (b)	Required Return (c)	Earnings Deficiency (d)	Net Revenue Deficiency (e)
1	Rate Base	B	\$599,265,526		
2	Rate of Return	F	<u>8.936%</u>		
3	<b>Required Return</b>		<u><b>\$53,550,367</b></u>	\$53,550,367	
4	Adjusted Test Year Net Operating Income	A-1		<u>24,904,257</u>	
5	<b>Earnings Deficiency</b>			<u><b>\$28,646,110</b></u>	\$28,646,110
6	Multiply by Income Tax Gross-up Factor				<u>1.630072</u>
7	<b>Net Revenue Deficiency</b>				<u><u><b>\$46,695,221</b></u></u>



**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Updated through June 30, 2006  
**Summary of Net Operating Income**  
**Per Books and Adjusted**

Line No.	Description (a)	Per Books (b)	Adjustments (c)	As Adjusted (d)
<u>REVENUES</u>				
1	Operating Base Revenues	\$664,347,447	(\$508,272,975)	\$156,074,473
2	Other Utility Revenues	5,398,837	(540,572)	4,858,264
3	Total Operating Revenues	<u>\$669,746,284</u>	<u>(\$508,813,547)</u>	<u>\$160,932,737</u>
<u>OPERATING EXPENSES</u>				
4	Distribution Expense	\$493,795,707	(\$468,259,856)	\$25,535,851
5	Customer Accounts Expense	19,628,264	4,195,808	23,824,072
6	Customer Service and Information Expense	706,600	110,137	816,737
7	Sales Expense	99,913	5,804	105,717
8	Administrative and General Expense	26,732,865	12,005,794	38,738,659
9	Total Operating and Maintenance Expenses	<u>\$540,963,349</u>	<u>(\$451,942,314)</u>	<u>\$89,021,035</u>
10	Depreciation & Amortization Expense	\$26,415,703	\$8,409,965	\$34,825,668
11	Interest on Customer Deposits	147,252	28,066	175,318
12	Taxes Other Than Income	42,038,488	(32,738,512)	9,299,976
13	Total Operating Expenses	<u>\$609,564,792</u>	<u>(\$476,242,794)</u>	<u>\$133,321,998</u>
14	Operating Income Before Income Tax	\$60,181,492	(\$32,570,752)	\$27,610,739
15	Less: Income Tax Expense	15,685,799	(12,979,317)	2,706,482
16	Net Operating Income	<u>\$44,495,693</u>	<u>(\$19,591,435)</u>	<u>\$24,904,257</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Updated through June 30, 2006  
**Income Tax**

Line No.	Description (a)	Reference (b)	Per Books (c)	As Adjusted (d)
1	Total Operating Revenues	A-1	\$669,746,284	\$160,932,737
2	Total Operating Expenses	A-1	<u>(609,564,792)</u>	<u>(133,321,998)</u>
3	Net Operating Income	A-1	<u>\$60,181,492</u>	<u>\$27,610,739</u>
4	Equity Portion of SLRP Deferrals		\$1,474,210	\$0
5	Less: Interest on Long Term Debt		<u>(21,074,636)</u>	<u>(20,608,741)</u>
6	Total Tax Adjustments		<u>(\$19,600,426)</u>	<u>(\$20,608,741)</u>
7	Net Taxable Income		<u>\$40,581,066</u>	<u>\$7,001,998</u>
8	Income Tax		<u>\$15,685,799</u>	<u>\$2,706,482</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Updated through June 30, 2006  
**Rate Base**

Line No.	Description (a)	Reference (b)	Amount (c)
1	Intangible Plant	C	\$27,644,634
2	Distribution Plant	C	768,216,438
3	General Plant	C	63,232,483
4	Gross Plant In Service		<u>\$859,093,555</u>
5	Accumulated Depreciation & Amortization	D	<u>(296,815,834)</u>
6	Net Plant in Service		\$562,277,721
7	SLRP Deferrals	B-1	\$10,753,310
8	Working Capital	E	117,670,867
9	Alternative Minimum Tax Credit		0
10	Customer Deposits	B-2	(4,072,284)
11	Customer Advances - Thirteen Month Average	B-3	(14,383,874)
12	Deferred Income Taxes - SLRP	B-1	(3,554,392)
13	Deferred Income Taxes - Other ( Net of AMT)	B-4	<u>(69,425,823)</u>
14	<b>Total Rate Base</b>		<u><u>\$599,265,526</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
**SLRP Deferrals and Deferred Taxes**  
Updated through June 30, 2006

Line No.	Description (a)	Gross Deferral (b)	Accumulated Amortization (c)	Amount (d)
<u>SLRP Deferrals</u>				
1	Order GO-92-185 (Deferred Balance @ 5/31/98)	\$5,776,280	4,218,612	\$1,557,668
2	Order GO-94-234 (Deferred Balance @ 5/31/98)	12,399,117	9,878,702	2,520,415
3	Order GO-97-301 (Deferred Balance @ 5/31/98)	3,060,876	2,397,686	663,190
4	Order GR-98-140	9,182,136	4,514,550	4,667,586
5	Order GR-2001-282	1,629,639	285,187	1,344,452
6	Total SLRP Deferrals	<u>\$32,048,048</u>	<u>\$21,294,738</u>	<u>\$10,753,310</u>
7	Annual Amortization	<u>\$3,204,805</u>		
<u>SLRP Deferred Taxes</u>				
7	Order GO-92-185			0
8	Order GO-94-234			(974,216)
9	Order GO-97-301			(256,343)
10	Order GR-98-140			(1,804,162)
11	Order GR-2001-292			(519,671)
12	Total SLRP Deferred Taxes			<u>(\$3,554,392)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Updated Thirteen Months Ending June 30, 2006

**Customer Deposits**

Line No.	Month	Commercial &		Total Amount
		Residential Amount	Industrial Amount	
	(a)	(b)	(c)	(d)
1	Jun-05	(1,055,160)	(2,878,076)	(\$3,933,236)
2	Jul-05	(1,018,450)	(2,884,576)	(3,903,026)
3	Aug-05	(999,410)	(2,936,562)	(3,935,972)
4	Sep-05	(993,141)	(2,954,086)	(3,947,227)
5	Oct-05	(1,000,891)	(2,995,802)	(3,996,693)
6	Nov-05	(981,674)	(3,050,293)	(4,031,967)
7	Dec-05	(996,557)	(3,077,940)	(4,074,497)
8	Jan-06	(1,018,188)	(3,119,300)	(4,137,488)
9	Feb-06	(1,071,750)	(3,173,305)	(4,245,055)
10	Mar-06	(1,092,448)	(3,179,638)	(4,272,086)
11	Apr-06	(1,003,580)	(3,177,024)	(4,180,604)
12	May-06	(980,237)	(3,185,233)	(4,165,470)
13	Jun-06	<u>(949,398)</u>	<u>(3,166,972)</u>	<u>(4,116,370)</u>
14	13 Month Total	<u>(\$13,160,884)</u>	<u>(\$39,778,807)</u>	<u>(\$52,939,691)</u>
15	13 Month Average	<u>(\$1,012,376)</u>	<u>(\$3,059,908)</u>	<u>(\$4,072,284)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Updated Thirteen Months Ending June 30, 2006

**Customer Advances**

Line No.	Month	Amount
	(a)	(b)
1	Jun-05	(13,734,601)
2	Jul-05	(13,445,726)
3	Aug-05	(13,791,034)
4	Sep-05	(14,196,205)
5	Oct-05	(14,307,951)
6	Nov-05	(14,315,473)
7	Dec-05	(14,354,685)
8	Jan-06	(14,378,041)
9	Feb-06	(14,660,534)
10	Mar-06	(14,576,503)
11	Apr-06	(14,794,016)
12	May-06	(15,103,412)
13	Jun-06	<u>(15,332,182)</u>
14	13 Month Total	<u><u>(\$186,990,363)</u></u>
15	13 Month Average	<u><u>(\$14,383,874)</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Updated through June 30, 2006

**Deferred Taxes (Other than SLRP)**

Line No.	Description (a)	Amount (b)
1	Deferred Taxes, MGE Direct Plant as of 6/30/06	(\$69,311,001)
2	Deferred Taxes, Corporate Plant	<u>(114,822)</u>
3	Total Accumulated Deferred Income Taxes (Other than SLRP)	<u><u>(\$69,425,823)</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Plant in Service  
Updated through June 30, 2008

Line No.	Description (a)	Direct (b)	Completed Not Classified (c)	Total Direct & Completed (d)	Corporate Allocated (e)	Total Adjustments (f)	Total As Adjusted (g)	Amort & Depr Res Balance @ 6/30/06	Corporate Allocated Reserve	Plant Balance @ 6/30/06
<b>INTANGIBLE PLANT</b>										
1	(301) Organization	\$15,600	\$0	\$15,600	\$0	\$0	\$15,600			15,600.35
2	(302) Franchises	32,096	0	32,096	0	0	32,096			32,096.12
3	(303) Miscellaneous Intangible	34,339,066	31,945	34,371,011	0	(6,774,073)	27,596,938	17,540,874		34,339,066.45
4	Total Intangible Plant	\$34,386,762	\$31,945	\$34,418,707	\$0	(\$6,774,073)	\$27,644,634	\$17,540,874		\$4,386,762.92
<b>DISTRIBUTION PLANT</b>										
5	(374-1) Land	\$223,517	\$0	\$223,517	\$0	\$0	\$223,517			223,516.99
6	(374-2) Land Rights	1,665,693	0	1,665,693	0	0	1,665,693	392,428		1,665,693.22
7	(375-1) Structures	5,584,907	20,051	5,584,958	0	0	5,584,958	441,099		5,584,907.39
8	(375-2) Leasehold Improvements	0	0	0	0	0	0	0		0.00
9	(375) Mains	339,977,974	2,906,732	339,884,706	0	0	339,884,706	107,494,347		339,977,973.67
10	(378) Meas. & Reg. Station - General	11,573,332	60,917	11,634,249	0	0	11,634,249	3,530,032		11,573,332.19
11	(379) Meas. & Reg. Station - City Gate	3,039,284	18,967	3,058,251	0	0	3,058,251	805,646		3,039,283.52
12	(380) Services	299,642,120	14,242	299,656,362	0	(5,294,295)	294,362,067	134,817,694		299,642,120.32
13	(381) Meters	31,036,775	0	31,036,775	0	0	31,036,775	3,213,048		31,036,774.96
14	(382) Meter Installations	68,813,282	22,391	68,835,673	0	0	68,835,673	14,547,595		68,813,282.04
15	(383) House Regulators	11,558,045	0	11,558,045	0	0	11,558,045	2,203,266		11,558,044.55
16	(385) Electronic Gas Measuring	360,978	11,527	372,505	0	0	372,505	101,870		360,977.78
17	(387) Other Equipment	0	0	0	0	0	0	0		0.00
18	Total Distribution Plant	\$770,455,907	\$3,064,826	\$773,520,733	\$0	(\$5,294,295)	\$768,226,438	\$267,547,014		\$770,455,906.63
<b>GENERAL PLANT</b>										
19	(389) Land	\$773,880	\$0	\$773,880	\$0	\$0	\$773,880			773,880.42
20	(390-1) Structures	638,277	22,916	661,193	0	0	661,193	140,442		638,277.47
21	(390-2) Leasehold Improvements	1,546,597	0	1,546,597	2,036,684	0	3,583,281	651,679	125,088	1,546,597.00
22	(391) Furniture & Fixtures	6,970,421	0	6,970,421	209,405	0	7,179,826	985,119	73,030	6,970,421.40
23	(392) Transportation Equipment	5,043,979	0	5,043,979	8,004	0	5,051,983	2,269,393	5,097	5,043,979.14
24	(393) Stores Equipment	538,350	0	538,350	0	0	538,350	164,670		538,349.92
25	(394) Tools	5,146,737	7,733	5,154,470	0	0	5,154,470	1,018,259		5,146,737.14
26	(395) Laboratory Equipment	0	0	0	0	0	0	0		0.00
27	(396) Power Operated Equipment	243,807	0	243,807	0	0	243,807	(421,553)		243,806.82
28	(397-1) Communication Equipment - AMR	36,262,992	61,869	36,324,861	0	0	36,324,861	13,264,576		36,262,992.10
29	(397-0) Communication Equipment	3,286,012	3,395	3,289,407	0	0	3,289,407	(1,541,810)		3,286,011.60
30	(398) Miscellaneous Equipment	431,485	0	431,485	0	0	431,485	287,051		431,484.95
31	Total General Plant	\$60,862,537	\$95,853	\$60,978,390	\$2,254,093	\$0	\$63,232,483	\$18,819,025	\$203,215	\$60,862,538
32	Total Original Cost Plant in Service	\$865,725,206	\$3,182,624	\$868,907,830	\$2,254,093	(\$12,068,368)	\$859,093,555	\$301,906,914	\$203,215	\$865,725,208
33	Accumulated Depreciation and Amortization	(307,658,445)	0	(307,658,445)	0	10,842,612	(296,815,833)			
34	Net Plant in Service	\$558,066,761	\$3,182,624	\$561,249,385	\$2,254,093	(\$1,225,756)	\$562,277,721			



**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
**Plant in Service**  
Updated through June 30, 2006

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

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
**Accumulated Reserves for Depreciation and Amortization**  
Updated through June 30, 2006

Line No.	Description	Test Year Direct	Corporate	Proforma Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Intangible Plant Reserve	(\$23,741,069)	\$0	\$5,548,317	(\$18,192,752)
2	Distribution & General Plant Reserve	<u>(283,714,161)</u>	<u>(203,215)</u>	<u>5,294,295</u>	<u>(278,623,081)</u>
3	Total Accumulated Reserves	<u>(\$307,455,230)</u>	<u>(\$203,215)</u>	<u>\$10,842,612</u>	<u>(\$296,815,834)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
**Accumulated Reserves for Depreciation and Amortization**  
Updated through June 30, 2006

Line No.	Description	Adjustments to Plant in Service	Deprec. Rates	Retire Inactive Services No. 1	Write-off Infinium Software No. 2	Total Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)
<u>INTANGIBLE PLANT</u>						
	(301) Organization					
	(302) Franchises					
	(303) Miscellaneous Intangible				\$5,548,317	\$5,548,317
	Total Intangible Plant	<u>(\$6,774,073)</u>			<u>\$5,548,317</u>	<u>\$5,548,317</u>
<u>DISTRIBUTION PLANT</u>						
1	(374.1) Land		0.00%			
2	(374.2) Land Rights		Amort.			
3	(375.1) Structures		2.50%			
4	(375.2) Leasehold Improvements		Amort.			
5	(376) Mains & Mains - Cast Iron		2.27%			
6	(378) Meas. & Reg. Station - General		2.86%			
7	(379) Meas. & Reg. Station - City Gate		2.50%			
8	(380) Services	(5,294,295)	3.41%	5,294,295		5,294,295
9	(381) Meters		2.86%			
10	(382) Meter Installations		2.86%			
11	(383) House Regulators		2.86%			
12	(385) Electronic Gas Metering		3.33%			
13	(387) Other Equipment		6.25%			
14	Total Distribution Plant	<u>(\$5,294,295)</u>		<u>\$5,294,295</u>		<u>\$5,294,295</u>
<u>GENERAL PLANT</u>						
15	(389) Land		0.00%			
16	(390.1) Structures		2.50%			
17	(390.2) Leasehold Improvements		Amort.			
18	(391) Furniture & Fixtures		9.09%			
19	(392) Transportation Equipment		9.09%			
20	(393) Stores Equipment		3.33%			
21	(394) Tools		5.00%			
22	(395) Laboratory Equipment		6.00%			
23	(396) Power Operated Equipment		6.67%			
24	(397) Communication Equipment - AMR		5.00%			
25	(397) Communication Equipment		6.25%			
26	(398) Miscellaneous Equipment		5.00%			
27	Total General Plant	<u>\$0</u>		<u>\$0</u>		<u>\$0</u>
28	Total Adjustment	<u>(\$5,294,295)</u>		<u>\$5,294,295</u>	<u>\$5,548,317</u>	<u>\$10,842,612</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Updated through June 30, 2006  
**Working Capital**

Line No.	Description (a)	Reference (b)	Amounts (c)
1	Materials and Supplies Inventory	E-1	\$1,818,546
2	Prepayments - Thirteen Month Average	E-2	246,749
3	Gas Inventory - Volumes and Price	E-3	96,584,503
4	Cash Working Capital	E-4	13,514,397
5	Prepaid Pension	E-5	<u>5,506,673</u>
6	Total Working Capital		<u><u>\$117,670,867</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Updated Thirteen Months Ending June 30, 2006  
**Materials & Supplies**

Line No.	Month	Amount
	(a)	(b)
1	Jun-05	1,546,390
2	Jul-05	1,500,716
3	Aug-05	1,473,137
4	Sep-05	1,575,133
5	Oct-05	1,619,117
6	Nov-05	1,815,326
7	Dec-05	1,886,984
8	Jan-06	2,004,456
9	Feb-06	2,031,248
10	Mar-06	2,036,752
11	Apr-06	2,035,592
12	May-06	2,037,379
13	Jun-06	2,078,862
14	13 Month Total	<u>\$23,641,092</u>
15	13 Month Average	<u>\$1,818,546</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Updated Thirteen Months Ending June 30, 2006  
**Prepayments**

Line No.	Month (a)	Amount (b)
1	Jun-05	114,990
2	Jul-05	136,748
3	Aug-05	144,005
4	Sep-05	3,176
5	Oct-05	103,697
6	Nov-05	128,562
7	Dec-05	649,898
8	Jan-06	562,505
9	Feb-06	471,073
10	Mar-06	370,816
11	Apr-06	373,288
12	May-06	111,293
13	Jun-06	<u>37,683</u>
14	13 Month Total	<u><u>\$3,207,733</u></u>
15	13 Month Average	<u><u>\$246,749</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Updated Thirteen Months Ending June 30, 2006

**Gas Inventory**

Line No.	Month (a)	Dollars (b)
1	Jun-05	82,091,045
2	Jul-05	93,052,291
3	Aug-05	101,336,153
4	Sep-05	106,543,327
5	Oct-05	117,284,371
6	Nov-05	114,847,089
7	Dec-05	92,678,911
8	Jan-06	97,447,881
9	Feb-06	81,248,833
10	Mar-06	79,748,344
11	Apr-06	89,139,925
12	May-06	97,297,862
13	Jun-06	102,882,503
14	13 Month Average	<u><u>\$96,584,503</u></u>

Missouri Gas Energy  
A Division of Southern Union Gas Company  
Cash Working Capital Requirement  
Updated through June 30, 2006

Line No.	Description (A)	Revenue Lag (B)	Expense Lead (C)	Net Lag (D)	CWC Factor (E)	Test Year Operations and Maintenance Expense at Proposed Rates (F)	Cash Working Capital Requirement (G)
1	Pensions & Benefits	47.59	(47.19)	0.40	0.0011	\$ 17,692,595	\$ 19,426
2	Payroll and Employee Withholdings	47.59	(11.00)	36.59	0.1003	28,843,897	2,891,613
3	Employer FICA Taxes	47.59	(11.00)	36.59	0.1003	2,212,389	221,793
4	Other Operations and Maintenance Expenses	47.59	(38.47)	9.12	0.0250	32,295,805	806,920
5	Federal Unemployment Taxes	47.59	(60.63)	(13.03)	(0.0357)	28,899	(1,032)
6	Corporation Franchise Taxes	47.59	69.83	117.42	0.3217	246,794	79,395
7	Property/Real Estate Taxes	47.59	(190.17)	(142.58)	(0.3906)	6,818,496	(2,663,451)
8	Sales Tax	47.59	(2.29)	45.30	0.1241	9,825,601	1,219,444
9	Use Tax	47.59	(83.98)	(36.39)	(0.0997)	2,037,860	(203,177)
10	Gross Receipts Taxes	47.59	(60.90)	(13.31)	(0.0365)	40,079,903	(1,461,792)
11	Federal Income Tax	47.59	(60.63)	(13.03)	(0.0357)	2,469,697	(88,189)
12	State Income Tax	47.59	(60.63)	(13.03)	(0.0357)	388,103	(13,859)
13	Interest Expense	47.59	4.72	52.31	0.1433	20,608,568	2,953,777
14	Fuel - Gas	47.59	(40.01)	7.58	0.0208	469,859,289	9,753,529
15	Uncollectible Expense	47.59	(47.59)	-	-	10,188,738	-
16	Total					\$ 643,596,634	\$ 13,514,397



**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
**Prepaid Pension**  
Updated through June 30, 2006

Line No.	Year Ended (a)	Balance (b)
1	Balance 4/30/04	<u>\$7,975,181</u>
2	Monthly Amortization	\$94,943
3	Amortization since GR- 2004-0209	<u>\$2,468,508</u>
4	Balance 6/30/06	<u>\$5,506,673</u>

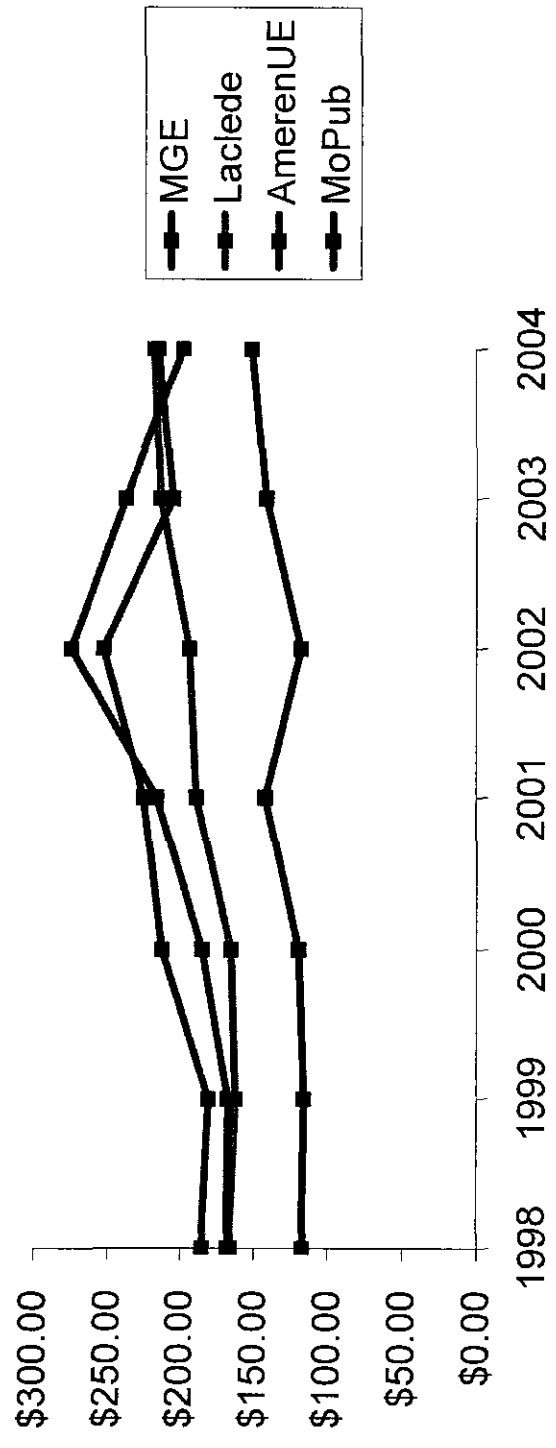
**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
**Summary of Cost of Capital**

Line No.	Description (a)	Ratio (c)	Cost Rate (d)	Weighted Composite Rate (e)
1	Long-Term Debt	44.09%	6.570%	2.897%
2	Short-Term Debt	9.91%	5.470%	0.542%
3	Common Equity	46.00%	11.950%	<u>5.497%</u>
4	Total	<u>100.00%</u>		<u>8.936%</u>

**Missouri Gas Energy  
Comparison of FERC Form 2 Information  
Expense Per Customer**

	<b>MGE</b>	<b>Laclede</b>	<b>AmerenUE</b>	<b>MoPub</b>
1998	\$116.85	\$166.35	\$167.82	\$185.21
1999	\$115.37	\$162.00	\$167.01	\$180.30
2000	\$119.18	\$164.89	\$184.86	\$212.23
2001	\$141.59	\$188.43	\$215.26	\$224.42
2002	\$117.35	\$193.29	\$274.22	\$252.15
2003	\$141.04	\$212.95	\$237.04	\$204.56
2004	\$150.58	\$216.96	\$197.07	\$214.26

**Missouri Gas Energy  
Comparison of FERC Form 2 Information  
Expense Per Customer**

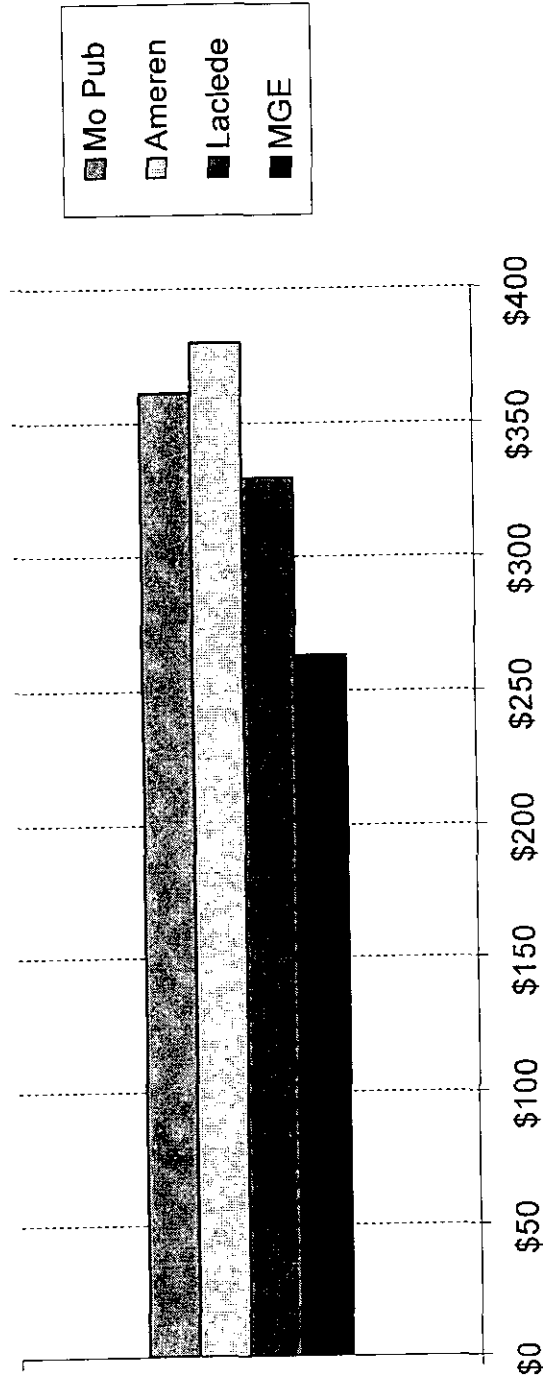


**COMPARISON OF MISSOURI LDCS  
AVERAGE ANNUAL RESIDENTIAL BILL  
(EXCLUDING PGA AND TAXES)**

	<u>Normal Usage (Ccf)</u>	<u>MGE</u>	<u>Laclede</u>	<u>Ameren</u>	<u>Mo Pub</u>
January	180.90	\$35.87	\$39.13	\$61.81	\$59.01
February	174.50	35.02	39.13	59.98	57.26
March	137.10	30.09	39.13	49.31	47.02
April	92.70	24.23	39.13	36.65	34.87
May	50.80	18.71	21.87	24.69	23.40
June	22.10	14.92	16.29	16.51	15.55
July	19.20	14.54	15.73	15.68	14.76
August	16.60	14.20	15.22	14.94	14.04
September	18.30	14.42	15.55	15.42	14.51
October	26.70	15.53	17.19	17.82	16.81
November	47.20	18.23	31.70	23.67	22.42
December	116.50	27.37	39.13	43.44	41.39
 Average Annual Residential Bill	 <u>902.60</u>	 <u>\$263.15</u>	 <u>\$329.23</u>	 <u>\$379.91</u>	 <u>\$361.04</u>
 Tariff Effective Date		<u>1/29/2006</u>	<u>10/1/2005</u>	<u>2/15/2004</u>	<u>7/1/2004</u>

Source: AGA Rate Service  
Missouri Public Service Commission

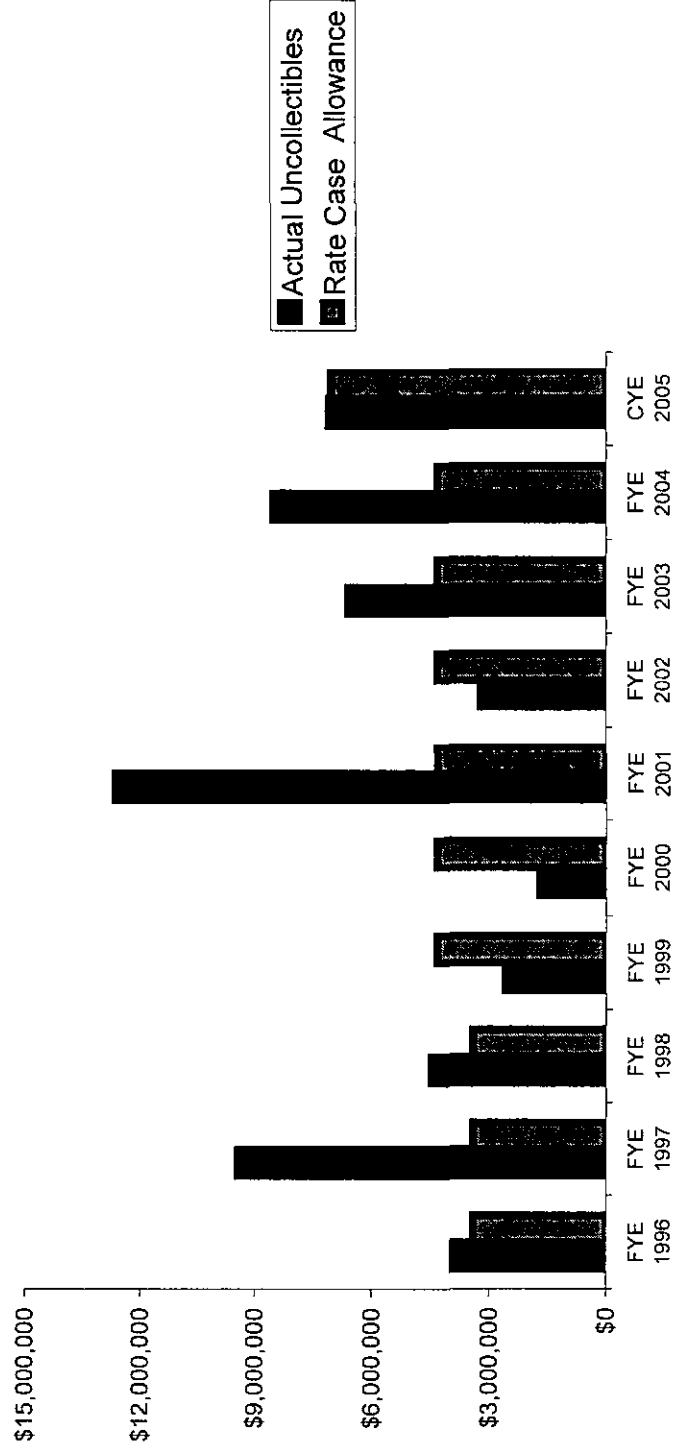
### Missouri Gas Energy Average Annual Residential Bill (Excluding PGA and Taxes)



**MISSOURI GAS ENERGY  
COMPARISON OF ACTUAL UNCOLLECTIBLES  
AND UNCOLLECTIBLES INCLUDED IN RATES**

	<u>Actual Uncollectibles</u>	<u>Rate Case Allowance</u>	<u>Difference</u>
FYE 1996	\$ 3,906,455	\$ 3,409,662	\$ (496,793)
FYE 1997	9,442,692	3,409,662	(6,033,030)
FYE 1998	4,469,856	3,409,662	(1,060,194)
FYE 1999	2,584,998	4,325,000	1,740,002
FYE 2000	1,696,606	4,325,000	2,628,394
FYE 2001	12,653,781	4,325,000	(8,328,781)
FYE 2002	3,211,390	4,323,292	1,111,902
FYE 2003	6,602,056	4,323,292	(2,278,764)
FYE 2004	8,537,318	4,323,292	(4,214,026)
CYE 2005	<u>7,108,777</u>	<u>7,042,000</u>	<u>(66,777)</u>
Total	<u>\$ 60,213,929</u>	<u>\$ 43,215,862</u>	<u>\$ (16,998,067)</u>
Cumulative difference between actual and rate case allowance		<u>\$ (16,998,067)</u>	
Average difference between actual and rate case allowance per year		<u>\$ (1,699,807)</u>	

## Missouri Gas Energy Actual Uncollectibles Versus Uncollectibles Included in Rates





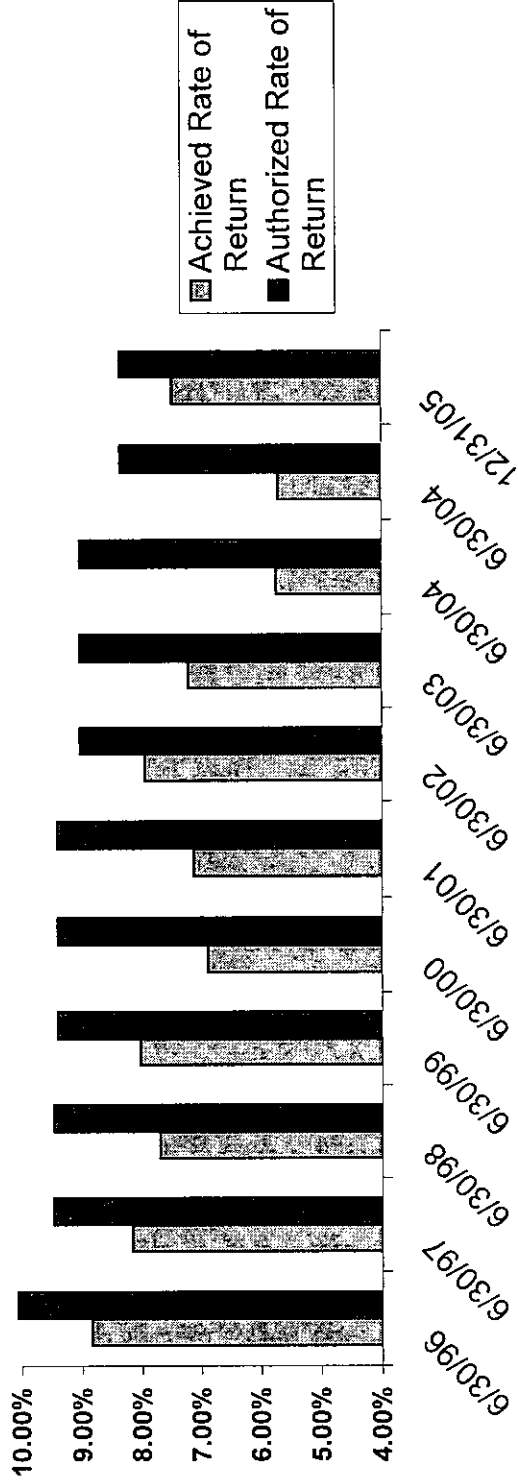
COMPARISON OF ACHIEVED RATE OF RETURN  
VS. AUTHORIZED RATE OF RETURN

Description	6/30/1996 (000)	6/30/1997 (000)	6/30/1998 (000)	6/30/1999 (000)	6/30/2000 (000)	6/30/2001 (000)	6/30/2002 (000)	6/30/2003 (000)	6/30/2004 (000)	6/30/2005 (000)	12/31/2005 (000)
Net Sales Margin	\$ 119,106	\$ 121,390	\$ 123,759	\$ 130,859	\$ 125,068	\$ 141,971	\$ 136,311	\$ 144,483	\$ 142,799	\$ 154,167	\$ 159,807
Operating Expenses excluding Uncollectible Expense	(50,688)	(48,037)	(47,390)	(49,273)	(49,638)	(51,176)	(46,693)	(53,967)	(61,294)	(70,534)	(63,995)
Uncollectible Expense	(3,906)	(9,443)	(4,470)	(2,585)	(1,697)	(12,654)	(3,211)	(6,602)	(6,537)	(10,212)	(7,109)
Corporate Allocated Expenses Per Rate Case	(5,612)	(5,612)	(5,991)	(5,991)	(5,991)	(5,991)	(6,935)	(6,935)	(6,935)	(1,762)	(1,762)
Taxes Other than Income Taxes	(6,406)	(5,730)	(7,084)	(7,341)	(8,267)	(9,263)	(10,759)	(9,983)	(10,097)	(11,115)	(10,108)
Depreciation & Amortization	(14,806)	(16,344)	(19,131)	(21,740)	(22,439)	(22,986)	(20,015)	(22,887)	(23,787)	(26,400)	(26,416)
Income Taxes	(6,843)	(5,732)	(6,763)	(7,999)	(4,972)	(5,821)	(8,553)	(6,449)	(1,614)	(3,368)	(9,523)
Total Operating Expenses	88,261	90,898	90,829	94,929	93,004	107,891	96,166	106,627	112,264	123,391	118,913
Net Operating Income	\$ 30,845	\$ 30,492	\$ 32,930	\$ 35,930	\$ 32,064	\$ 34,080	\$ 40,145	\$ 37,856	\$ 30,535	\$ 30,776	\$ 40,894
Net plant from most recent rate case	\$ 359,290	\$ 359,290	\$ 431,152	\$ 431,152	\$ 431,152	\$ 431,152	\$ 503,192	\$ 503,192	\$ 503,192	\$ 531,291	\$ 531,291
Net Plant Balance at x/xx/xx	360,288	384,986	440,251	460,145	478,794	491,271	505,412	525,495	532,473	547,463	554,457
Increase in plant since most recent rate case	998	25,696	9,099	28,993	47,642	60,119	2,220	22,303	29,281	16,172	23,166
Total rate base from most recent case updated for annual plant increases	\$ 349,040	\$ 373,738	\$ 427,318	\$ 447,212	\$ 465,861	\$ 478,338	\$ 504,650	\$ 524,733	\$ 531,711	\$ 538,944	\$ 545,938
Achieved Rate of Return	8.84%	8.16%	7.71%	8.03%	6.89%	7.12%	7.95%	7.21%	5.74%	5.71%	7.49%
Authorized Rate of Return	10.54%	9.46%	9.46%	9.40%	9.40%	9.40%	9.03% *	9.03% *	9.03%	8.36%	8.36%
Date Rates Went into Effect	1-Feb-94	1-Feb-97		2-Sep-98			6-Aug-01	6-Aug-01	6-Aug-01	1-Oct-04	1-Oct-04
Return Deficiency	-1.70%	-1.30%	-1.75%	-1.37%	-2.51%	-2.28%	-1.08%	-1.82%	-3.29%	-2.65%	-0.87%
Earnings Deficiency	\$ (5,944)	\$ (4,864)	\$ (7,494)	\$ (6,108)	\$ (11,707)	\$ (10,883)	\$ (5,425)	\$ (9,528)	\$ (17,479)	\$ (14,279)	\$ (4,747)
Revenue Deficiency	\$ (9,682)	\$ (7,923)	\$ (12,207)	\$ (9,950)	\$ (19,070)	\$ (17,728)	\$ (8,637)	\$ (15,520)	\$ (28,471)	\$ (23,260)	\$ (7,732)
Cumulative Earnings Deficiency											\$ (98,458)
Cumulative Revenue Deficiency											\$ (160,378)

(1) - excludes property tax refunds for the years 2002-2004

\* - High end of Staff recommendation implicit in the settlement

**Missouri Gas Energy  
COMPARISON OF ACHIEVED RATE OF RETURN  
VS. AUTHORIZED RATE OF RETURN**



**MISSOURI GAS ENERGY**  
**A Division of Southern Union Company**  
 Twelve Months Ending December 31, 2005  
 Updated for Known and Measurable Adjustments through June 30, 2006  
**Distribution of Revenue and Expense Adjustments by Account No.**

Line No.	Main Acct. (a)	Description (b)	Test Year Per Book (c)	Total Adjustments (d)	Test Year As Adjusted (e)
<b>OPERATING REVENUE</b>					
1	480	Residential	\$461,309,543	(\$351,992,626)	\$109,316,917
2	481.1	Commercial	183,202,124	(148,257,434)	34,944,691
3	481.2	Industrial	9,633,497	(8,033,112)	1,600,385
4	483	Sales for Resale	0	(108,623)	(108,623)
5	487	Late Payment Charges	487,006	(540,572)	(53,566)
6	488	Miscellaneous Service Revenue	4,412,846	0	4,412,846
7	489	Transport	10,202,282	118,820	10,321,102
8	493	Rent From Property	0	0	0
9	495	Other Gas Revenue	498,984	0	498,984
10		Total Operating Revenue	<u>\$669,746,284</u>	<u>(\$508,813,647)</u>	<u>\$160,932,737</u>
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
<b>Operation Expense</b>					
11	805	Other Gas Purchases	\$469,859,289	(\$469,859,289)	\$0
12	807	Purchased Gas Expense	0	0	0
13	859	Other Joint Expense	0	0	0
14	870	Operation, Supervision and Engineering	590,699	52,266	642,965
15	871	Distribution and Load Dispatching	8,756	209	8,965
16	872	Compressor Station Labor and Expense	0	0	0
17	874	Mains and Service Expenses	3,024,786	41,527	3,066,313
18	875	Distributing Regulating Station Expenses	682,700	57,218	739,918
19	876	Measuring and Regulating - Station Expenses	7,566	(134)	7,432
20	877	Measuring and Regulating - Station Expenses	4,798	437	5,235
21	878	Meter and House Regulator Expenses	4,291,777	362,846	4,654,623
22	879	Customer Installation Expenses	2,742,603	237,165	2,979,768
23	880	Other Expenses	1,702,382	76,615	1,778,997
24	881	Rents	96,433	0	96,433
25		Total Operation Expense	<u>\$483,011,789</u>	<u>(\$469,031,140)</u>	<u>\$13,980,649</u>
<b>Maintenance Expense</b>					
26	885	Maintenance Supervision and Engineering	\$1,075,603	\$52,188	\$1,127,791
27	886	Maintenance of Structures and Improvements	53,255	3,725	56,980
28	887	Maintenance of Mains	7,569,448	554,778	8,124,226
29	889	Maint. of Measuring and Reg. Stat Equip - General	292,800	23,262	316,062
30	890	Maint. of Measuring and Regulating Equipment	269,103	21,094	290,197
31	891	Maint. of Measuring and Regulating Equipment	14,725	1,161	15,886
32	892	Maintenance of Services	749,099	62,784	811,883
33	893	Maintenance of Meters and House Regulators	635,602	43,835	679,437
34	894	Maintenance of Other Equipment	124,283	8,457	132,740
35		Total Maintenance Expenses	<u>\$10,783,918</u>	<u>\$771,284</u>	<u>\$11,555,202</u>
36		Total Distribution Expense	<u>\$493,795,707</u>	<u>(\$468,259,856)</u>	<u>\$25,535,851</u>
<b>Customer Accounts Expense</b>					
37	901	Supervision	\$397,109	\$42,261	\$439,370
38	902	Meter Reading Expense	771,014	60,452	831,466
39	903	Customer Records and Collection Expense	11,293,811	1,012,639	12,306,450
40	904	Uncollectible Accounts	7,108,777	3,079,961	10,188,738
41	905	Miscellaneous Customer Accounts Expense	57,553	495	58,048
42		Total Customer Accounts Expenses	<u>\$19,628,264</u>	<u>\$4,195,808</u>	<u>\$23,824,072</u>
<b>Customer Service and Informational Expense</b>					
43	907	Supervision	\$0	\$0	\$0
44	908	Customer Assistance	644,078	110,137	754,215
45	909	Informational and Instructional Advertising Exp.	58,979	0	58,979
46	910	Miscellaneous Customer Accounts Expense	3,543	0	3,543
47		Total Cust. Service and Information Exp.	<u>\$706,600</u>	<u>\$110,137</u>	<u>\$816,737</u>
<b>Sales and Advertising Expense</b>					
48	911	Supervision	\$0	\$0	\$0
49	912	Demonstrating and Selling Expenses	96,757	5,804	102,561

**MISSOURI GAS ENERGY**  
**A Division of Southern Union Company**  
 Twelve Months Ending December 31, 2005  
 Updated for Known and Measurable Adjustments through June 30, 2006  
**Distribution of Revenue and Expense Adjustments by Account No.**

Line No.	Main Acct. (a)	Description (b)	Test Year Per Book (c)	Total Adjustments (d)	Test Year As Adjusted (e)
50	913	Advertising Expenses	0	0	0
51	916	Miscellaneous Sales Expenses	3,156	0	3,156
52		Total Sales and Advertising Expenses	<u>\$99,913</u>	<u>\$5,804</u>	<u>\$105,717</u>
<b>Administrative and General Expense</b>					
53	920	Administrative and General Salaries	\$6,049,155	\$302,782	\$6,351,937
54	921	Office Supplies and Expenses	2,562,258	226,582	2,788,840
55	922	Administrative Expenses Transferred	(431,962)	0	(431,962)
56	923	Outside Services Employed	1,733,396	3,632,725	5,366,121
57	924	Property Insurance	72,921	(15,808)	57,113
58	925	Injuries and Damages	3,368,391	(950,677)	2,417,714
59	926	Employee Pensions and Benefits	8,838,850	8,853,745	17,692,595
60	927	Franchise Requirements	0	0	0
61	928	Regulatory Commission Expense	2,264,862	(191,152)	2,073,710
62	930	Miscellaneous General Expenses	155,511	0	155,511
63	931	Rents	925,286	(23,977)	901,309
64	932	Maintenance of General Plant	1,194,197	171,573	1,365,770
65		Total Administration and General Expense	<u>\$26,732,865</u>	<u>\$12,005,794</u>	<u>\$38,738,659</u>
66		Total O & M Expense	<u>\$540,963,349</u>	<u>(\$451,942,314)</u>	<u>\$89,021,035</u>
67	403	Depreciation	23,435,869	1,936,027	25,371,896
68	404, 405	Amortization	2,979,834	6,473,939	9,453,773
69	431	Interest on Customer Deposits	147,252	28,066	175,318
70	408	Payroll Taxes	1,888,435	346,251	2,234,686
71	408	Property Taxes	(169,925)	6,988,421	6,818,496
72	408	Gross Receipts Tax	40,079,903	(40,079,903)	0
73	408	Other Taxes	240,075	6,719	246,794
74	408	Taxes Other Than Income	<u>\$42,038,488</u>	<u>(\$32,738,512)</u>	<u>\$9,299,976</u>
75		TOTAL EXPENSES	<u>\$609,564,792</u>	<u>(\$476,242,794)</u>	<u>\$133,321,998</u>
76		OPERATING INCOME BEFORE INCOME TAX	<u>\$60,181,492</u>	<u>(\$32,570,752)</u>	<u>\$27,610,739</u>
77	409,410	Income Taxes	\$15,685,799	(\$12,979,317)	\$2,706,482
78		NET OPERATING INCOME	<u>\$44,495,693</u>	<u>(\$19,591,435)</u>	<u>\$24,904,257</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated through June 30, 2006

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

Line No.	Main Acct.	Description	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
			Test Year Per Books	Adj. GL Rev to Test Year Margin	Normalize & Adj. Test Year Margin	Remove Purch. Gas Cost and GRT	Payroll Expense	Employee Benefits	Payroll Taxes	Insurance	Joint and Common Costs	Uncollectible Expense	Regulatory Commission Expense	Interest on Customer Deposits
<b>OPERATING REVENUE</b>														
1	480	Residential	481,309,542.82	(\$353,777,331)	\$1,784,705									
2	481.1	Commercial	183,202,124	(149,839,219)	581,785									
3	481.2	Industrial	9,633,497	(8,084,078)	50,966									
4	483	Sales for Resale	0	(108,623)	0									
5	487	Late Payment Charges	487,006	(540,572)	0									
6	488	Miscellaneous Service Revenue	4,412,846		0									
7	489	Transport	10,202,282		118,820									
8	493	Rent From Property	0											
8	495	Other Gas Revenue	498,984											
10		Total Operating Revenue	\$669,746,284	(\$511,349,823)	\$2,536,276	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>														
<b>Operation Expense</b>														
11	805	Other Gas Purchases	\$469,859,289			(\$469,859,289)								
12	807	Purchased Gas Expense	0											
13	859	Other Joint Expense	0											
14	870	Operation, Supervision and Engineering	580,699				44,033							
15	871	Distribution and Load Dispatching	8,756				120							
16	872	Compressor Station, Labor and Expense	0				29,303							
17	874	Mains and Service Expenses	3,024,786				39,649							
18	875	Distributing Regulating Station Expenses	682,700				(331)							
19	876	Measuring and Regulating - Station Expenses	7,566				314							
20	877	Measuring and Regulating - Station Expenses	4,798				283,387							
21	878	Meter and House Regulator Expenses	4,291,777				180,633							
22	879	Customer Installation Expenses	2,742,603				54,876							
23	880	Other Expenses	1,702,382											
24	881	Rents	96,433											
25		Total Operation Expense	\$463,011,789	\$0	\$0	(\$469,859,289)	\$612,094	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Maintenance Expense</b>														
26	885	Maintenance Supervision and Engineering	\$1,075,603				\$40,409							
27	886	Maintenance of Structures and Improvements	53,255				2,701							
28	887	Maintenance of Mains	7,569,448				381,148							
29	889	Maint. of Measuring and Reg. Stat Equip - General	292,800				15,278							
30	890	Maint. of Measuring and Regulating Equipment	268,103				14,243							
31	891	Maint. of Measuring and Regulating Equipment	14,725				1,178							
32	892	Maintenance of Services	748,099				38,333							
33	893	Maintenance of Meters and House Regulators	635,602				27,190							
34	894	Maintenance of Other Equipment	124,283				1,239							
35		Total Maintenance Expenses	\$10,783,918	\$0	\$0	\$0	\$532,719	\$0	\$0	\$0	\$0	\$0	\$0	\$0
36		Total Distribution Expense	\$463,795,707	\$0	\$0	(\$469,859,289)	\$1,144,813	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Customer Accounts Expense</b>														
37	901	Supervision	\$97,109				\$37,812							
38	902	Meter Reading Expense	771,014				44,031							
39	903	Customer Records and Collection Expense	11,293,811				572,426							
40	904	Uncollectible Accounts	7,108,777									3,079,981		
41	905	Miscellaneous Customer Accounts Expense	57,553				(185)							
42		Total Customer Accounts Expenses	\$19,628,264	\$0	\$0	\$0	\$854,184	\$0	\$0	\$0	\$0	\$3,079,981	\$0	\$0

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated through June 30, 2006  
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
			Test Year Per Books	Adj. G.I. Rev to Test Year Margin	Normalize & Adj. Test Year Margin	Remove Purch., Gas Cost and GRT	Payroll Expense	Employee Benefits	Payroll Taxes	Insurance	Joint and Common Costs	Uncollectible Expense	Regulatory Commission Expense	Interest on Customer Deposits		
43	907	Customer Service and Informational Expense														
44	908	Supervision	\$0													
45	909	Customer Assistance	644,078				8,611									
46	910	Informational and Instructional Advertising Exp.	58,979													
47	911	Miscellaneous Customer Accounts Expense	3,543													
		Total Cust. Service and Informational Exp.	\$706,600	\$0	\$0	\$0	\$8,611	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
48	911	Sales and Advertising Expense														
49	912	Supervision	\$0													
50	913	Demonstrating and Selling Expenses	86,757				4,830									
51	916	Advertising Expenses	0													
52	916	Miscellaneous Sales Expenses	3,156													
		Total Sales and Advertising Expenses	\$89,913	\$0	\$0	\$0	\$4,830	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
53	920	Administrative and General Expense														
54	921	Administrative and General Salaries	\$6,049,155				\$248,601									
55	922	Office Supplies and Expenses	2,562,258				(398)									
56	923	Administrative Expenses Transferred	(431,962)													
57	924	Outside Services Employed	1,733,396								3,301,762					
58	925	Property Insurance	72,921				(138)			(15,808)						
59	926	Injuries and Damages	3,368,391							(951,165)						
60	927	Employee Pensions and Benefits	8,838,850					8,853,745								
61	928	Franchise Requirements	0													
62	930	Regulatory Commission Expense	2,264,862										(181,152)			
63	931	Miscellaneous General Expenses	155,511													
64	932	Rents	925,286													
65	932	Maintenance of General Plant	1,194,197				(87)									
		Total Administration and General Expense	\$26,732,865	\$0	\$0	\$0	\$247,876	\$8,853,745	\$0	(\$966,973)	\$3,301,762	\$0	(\$191,152)	\$0	\$0	\$0
66	403	Total O & M Expense	\$540,963,349	\$0	\$0	(\$469,859,289)	\$2,060,416	\$9,853,745	\$0	(\$966,973)	\$3,301,762	\$3,079,961	(\$191,152)	\$0	\$0	\$0
67	403	Depreciation	\$23,435,869													
68	404, 405	Amortization	2,979,834													
69	431	Interest on Customer Deposits	147,252													28,066
70	408	Payroll Taxes (****)	1,888,435						346,251							
71	408	Property Taxes (2****)	(169,925)													
72	408	Gross Receipts Tax (3300 + 4000)	40,079,903			(40,079,903)										
73	408	Other Taxes (41**)	240,075													
74	408	Taxes Other Than Income	\$42,038,488	\$0	\$0	(\$40,079,903)	\$0	\$0	\$346,251	\$0	\$0	\$0	\$0	\$0	\$0	\$0
75		TOTAL EXPENSES	\$609,564,792	\$0	\$0	(\$509,939,192)	\$2,060,416	\$9,853,745	\$346,251	(\$966,973)	\$3,301,762	\$3,079,961	(\$191,152)	\$0	\$0	\$28,066
76		OPERATING INCOME BEFORE INCOME TAX	\$60,181,492	(\$511,349,823)	\$2,536,276	\$99,939,192	(\$2,060,416)	(\$8,853,745)	(\$346,251)	\$966,973	(\$3,301,762)	(\$3,079,961)	\$191,152	\$0	\$0	(\$28,066)
77	408,410	Income Taxes	15,685,799													
78		NET OPERATING INCOME	\$44,495,693	(\$511,349,823)	\$2,536,276	\$99,939,192	(\$2,060,416)	(\$8,853,745)	(\$346,251)	\$966,973	(\$3,301,762)	(\$3,079,961)	\$191,152	\$0	\$0	(\$28,066)

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

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated Through June 30, 2006  
**Distribution of Revenue and Expense Adjustments by Account No.**

Line No.	Main Acct.	Description (a)	Test Year Per Books (c)	H-12 Depreciation Expense (b)	H-13 Amortization Expense (p)	H-14 TVE Clearing (q)	H-15 Stores Lead Clearing (r)	H-16 State Franchise Tax (t)	H-17 Property Tax (u)	H-18 Postage Increase (v)	H-19 Office & Computer Lease Expense (w)	H-20 Incentive Compensation & Bonuses (y)	H-21 Unrecovered Cost of Service (z)	H-22 Pro Forma Cost of Collectors (aa)	H-23 Remove Non-utility Activities (ab)
<b>OPERATING REVENUE</b>															
1	480	Residential	461,309,542.92												
2	481.1	Commercial	193,202,124												
3	483	Industrial	9,633,497												
4	483	Sales for Resale	0												
5	487	Late Payment Charges	487,006												
6	488	Miscellaneous Service Revenue	4,412,846												
7	489	Transport	10,202,282												
8	493	Rent From Property	0												
9	495	Other Gas Revenue	488,984												
10		Total Operating Revenue	\$689,746,284	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>															
Operation Expense															
11	805	Other Gas Purchases	\$469,859,289												
12	807	Purchased Gas Expense	0												
13	859	Other Joint Expense	0												
14	870	Operation, Supervision and Engineering	590,699												
15	871	Distribution and Load Dispatching	8,756			2,223	0								
16	872	Compressor Station Labor and Expense	0			0	0								
17	874	Mains and Service Expenses	3,024,786			5,303	2,145								
18	875	Distributing Regulating Station Expenses	662,700			9,174	3,445								
19	876	Measuring and Regulating - Station Expenses	7,566			91	58								
20	877	Measuring and Regulating - Station Expenses	4,798			44	44								
21	878	Meter and House Regulator Expenses	4,291,777			59,819	6,103								
22	879	Customer Installation Expenses	2,742,603			32,489	977								
23	890	Other Expenses	1,702,382			7,113	3,014								
24	881	Rents	90,433												
25		Total Operation Expense	\$483,011,789	\$0	\$0	\$116,256	\$15,786	\$0	\$0	\$0	\$0	\$64,013	\$0	\$0	\$0
<b>Maintenance Expense</b>															
26	885	Maintenance Supervision and Engineering	\$1,075,603			\$722	\$0					\$11,057			
27	886	Maintenance of Structures and Improvements	53,255			544	141					339			
28	887	Maintenance of Mains	7,569,448			83,934	29,812					49,884			
29	889	Maint. of Measuring and Reg. Stat Equip - General	292,800			3,342	2,528					2,114			
30	890	Maint. of Measuring and Regulating Equipment	289,103			2,628	2,349					1,874			
31	891	Maint. of Measuring and Regulating Equipment	14,725			192	(306)					87			
32	892	Maintenance of Services	749,099			7,633	10,834					4,994			
33	893	Maintenance of Meters and House Regulators	635,602			5,088	6,862					4,895			
34	894	Maintenance of Other Equipment	124,283			327	6,640					251			
35		Total Maintenance Expenses	\$10,763,918	\$0	\$0	\$104,410	\$88,950	\$0	\$0	\$0	\$0	\$75,495	\$0	\$0	\$0
36		Total Distribution Expense	\$493,795,707	\$0	\$0	\$220,666	\$74,446	\$0	\$0	\$0	\$0	\$159,508	\$0	\$0	\$0
<b>Customer Accounts Expense</b>															
37	901	Supervision	\$387,109									\$4,349			
38	902	Meter Reading Expense	771,014			9,527	689					6,205			
39	903	Customer Records and Collection Expense	11,293,811			31,890	57			95,636				251,066	
40	904	Uncollectible Accounts	7,108,777												
41	905	Miscellaneous Customer Accounts Expense	57,553			679	1								
42		Total Customer Accounts Expenses	\$19,628,264	\$0	\$0	\$42,096	\$747	\$0	\$0	\$95,636	\$0	\$72,118	\$0	\$251,066	\$0

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated through June 30, 2006  
**Distribution of Revenue and Expense Adjustments by Account No.**

Line No.	Main Acct.	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)	(z)	(aa)	(ab)								
			Test Year Per Books		Depreciation Expense	Amortization Expense	TME Cleaning	Stores Load Cleaning	State Franchise Tax	Property Tax	Postage Increase	Office & Computer Lease Expense	Incentive Compensation & Bonuses	Unrecovered Cost of Service	ProfForms Cost of Collectors	Remove Non-utility Activities																						
43	907	Customer Service and Informational Expense			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0								
44	908	Supervision	\$0																																			
45	908	Customer Assistance	644,078																																			
46	910	Informational and Instructional Advertising Exp.	36,979																																			
47		Miscellaneous Customer Accounts Expense	3,543																																			
		Total Cust. Service and Informational Exp.	\$708,600		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0					
48	911	Sales and Advertising Expense																																				
49	912	Supervision	\$0																																			
50	913	Demonstrating and Selling Expenses	96,757																																			
51	916	Advertising Expenses	0																																			
52		Miscellaneous Sales Expenses	3,156																																			
		Total Sales and Advertising Expenses	\$99,913		\$0	\$0	\$0	\$4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
53	920	Administrative and General Expense																																				
54	921	Administrative and General Salaries	\$6,049,155																																			
55	922	Office Supplies and Expenses	2,562,258																																			
56	923	Administrative Expenses Transferred	(431,962)																																			
57	924	Outside Services Employed	1,733,396																																			
58	925	Property Insurance	72,821																																			
59	926	Injuries and Damages	3,368,391																																			
60	927	Employee Pensions and Benefits	8,838,950																																			
61	928	Franchise Requirements	0																																			
62	930	Regulatory Commission Expense	2,264,882																																			
63	931	Miscellaneous General Expenses	155,511																																			
64	932	Rent	925,286																																			
65		Maintenance of General Plant	1,194,197																																			
		Total Administration and General Expense	\$20,732,865		\$0	\$0	\$4,949	\$1,763	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
66		Total O & M Expense	\$540,953,349		\$0	\$0	\$267,711	\$76,980	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
67	403	Depreciation	\$23,435,869		\$1,936,027																																	
68	404, 405	Amortization	2,979,834			3,046,338																																
69	431	Interest on Customer Deposits	147,252																																			
70	408	Payroll Taxes (1***)	1,888,435																																			
71	408	Property Taxes (2***)	(169,926)																																			
72	408	Gross Receipts Tax (3300 + 4000)	40,079,903																																			
73	408	Other Taxes (41**)	240,075																																			
74	408	Taxes Other Than Income	\$42,038,488		\$0	\$0	\$0	\$0	\$6,719	\$6,988,421	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
75		TOTAL EXPENSES	\$609,564,792		\$1,936,027	\$3,046,338	\$267,711	\$76,980	\$6,719	\$6,988,421	\$95,636	\$368,569	\$286,337	\$3,127,157	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
76		OPERATING INCOME BEFORE INCOME TAX	\$60,181,492		\$1,936,027	\$3,046,338	\$267,711	\$76,980	\$6,719	\$6,988,421	\$95,636	\$368,569	\$286,337	\$3,127,157	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
77	409,410	Income Taxes	15,665,799																																			
78		NET OPERATING INCOME	\$44,495,693		\$1,936,027	\$3,046,338	\$267,711	\$76,980	\$6,719	\$6,988,421	\$95,636	\$368,569	\$286,337	\$3,127,157	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		

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



MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated through June 30, 2006  
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acc.	Description (b)	Test Year Per Books (c)	Weatherization Fund (ad)	Environmental Response Fund (ae)	ECWR Amortization (af)	Income Tax Adjustment (ag)	Total Adjustments (ah)	Test Year As Adjusted (ai)
<b>OPERATING REVENUE</b>									
1	480	Residential	481,309,542.92	\$0	\$0	\$0	\$0	(\$351,992,626)	\$109,316,917
2	481.1	Commercial	183,202,124					(148,257,434)	34,944,691
3	481.2	Industrial	8,633,497					(8,033,112)	1,600,385
4	483	Sales for Resale	0					(108,623)	(108,623)
5	487	Late Payment Charges	487,006					(540,572)	(53,566)
6	488	Miscellaneous Service Revenue	4,412,846					0	4,412,846
7	489	Transport	10,202,282					118,820	10,321,102
8	493	Rent From Property	0					0	0
9	495	Other Gas Revenue	498,984					0	498,984
10		Total Operating Revenue	\$569,746,264	\$0	\$0	\$0	\$0	(\$508,813,547)	\$160,932,737
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>									
Operation Expense									
11	805	Other Gas Purchases	\$469,859,289					(\$469,859,289)	\$0
12	807	Purchased Gas Expense	0					0	0
13	859	Other Joint Expense	0					0	0
14	870	Operation, Supervision and Engineering	590,899					52,266	642,965
15	871	Distribution and Load Dispatching	8,756					209	8,965
16	872	Compressor Station Labor and Expense	0					0	0
17	874	Mains and Service Expenses	3,024,786					41,527	3,066,313
18	875	Distributing Regulating Station Expenses	662,700					57,218	739,918
19	876	Measuring and Regulating - Station Expenses	7,566					(134)	7,432
20	877	Measuring and Regulating - Station Expenses	4,798					437	5,235
21	878	Meter and House Regulator Expenses	4,291,777					362,846	4,654,623
22	879	Customer Installation Expenses	2,742,603					237,165	2,979,768
23	880	Other Expenses	1,702,382					76,615	1,778,997
24	881	Rents	96,433					0	96,433
25		Total Operation Expense	\$483,011,789	\$0	\$0	\$0	\$0	(\$469,031,140)	\$13,980,649
<b>Maintenance Expense</b>									
26	885	Maintenance Supervision and Engineering	\$1,075,603					\$52,188	\$1,127,791
27	886	Maintenance of Structures and Improvements	53,255					3,725	56,980
28	887	Maintenance of Mains	7,569,448					554,778	8,124,226
29	889	Maint. of Measuring and Reg. Stat Equip - General	292,800					23,262	316,062
30	890	Maint. of Measuring and Regulating Equipment	269,103					21,094	290,197
31	891	Maint. of Measuring and Regulating Equipment	14,725					1,161	15,886
32	892	Maintenance of Services	749,089					62,784	811,883
33	893	Maintenance of Meters and House Regulators	635,602					43,835	679,437
34	894	Maintenance of Other Equipment	124,283					8,457	132,740
35		Total Maintenance Expenses	\$10,783,918	\$0	\$0	\$0	\$0	\$771,284	\$11,555,202
36		Total Distribution Expense	\$493,795,707	\$0	\$0	\$0	\$0	(\$468,259,856)	\$25,535,851
<b>Customer Accounts Expense</b>									
37	901	Supervision	\$387,109					\$42,261	\$429,370
38	902	Meter Reading Expense	771,014					60,452	831,466
39	903	Customer Records and Collection Expense	11,283,811					1,012,639	12,306,450
40	904	Uncollectible Accounts	7,108,777					3,079,961	10,188,738
41	905	Miscellaneous Customer Accounts Expense	57,553					485	58,048
42		Total Customer Accounts Expenses	\$19,628,264	\$0	\$0	\$0	\$0	\$4,195,808	\$23,824,072

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated through June 30, 2006  
**Distribution of Revenue and Expense Adjustments by Account No.**

Line No.	Main Acct.	Description (b)	Test Year Per Books (c)	Weatherization Fund (ad)	Environmental Response Fund (ae)	ECWR Amortization (af)	Income Tax Adjustment (ag)	Total Adjustments (ah)	Test Year As Adjusted (ai)
<b>Customer Service and Informational Expense</b>									
43	907	Supervision	\$0				\$0		\$0
44	908	Customer Assistance	644,078	100,000			110,137		754,215
45	909	Informational and Instructional Advertising Exp.	56,879				0		56,879
46	910	Miscellaneous Customer Accounts Expense	3,543				0		3,543
47		Total Cust. Service and Informational Exp.	\$706,600	\$100,000	\$0	\$0	\$110,137		\$816,737
<b>Sales and Advertising Expense</b>									
48	911	Supervision	\$0				\$0		\$0
49	912	Demonstrating and Selling Expenses	96,757				5,804		102,561
50	913	Advertising Expenses	0				0		0
51	916	Miscellaneous Sales Expenses	3,156				0		3,156
52		Total Sales and Advertising Expenses	\$99,913	\$0	\$0	\$0	\$5,804		\$105,717
<b>Administrative and General Expense</b>									
53	920	Administrative and General Salaries	\$6,049,155				\$302,782		\$6,351,937
54	921	Office Supplies and Expenses	2,562,258				228,592		2,790,840
55	922	Administrative Expenses Transferred	(431,862)				0		(431,862)
56	923	Outside Services Employed	1,733,396	500,000			3,632,725		5,366,121
57	924	Property Insurance	72,921				(15,808)		57,113
58	925	Injuries and Damages	3,368,381				(650,677)		2,717,704
59	926	Employee Pensions and Benefits	8,838,650				8,853,745		17,692,395
60	927	Franchise Requirements	0				0		0
61	928	Regulatory Commission Expense	2,264,852				(19,152)		2,073,710
62	930	Miscellaneous General Expenses	155,511				0		155,511
63	931	Rents	925,286				(23,977)		901,309
64	932	Maintenance of General Plant	1,194,197	\$0	\$500,000	\$0	171,573		1,365,770
65		Total Administrative and General Expense	\$26,732,865	\$100,000	\$500,000	\$0	\$12,005,794		\$38,738,659
66		Total O & M Expense	\$540,963,349	\$100,000	\$500,000	\$0	\$451,942,314		\$889,021,035
67	403	Depreciation	\$23,435,869				\$1,826,027		\$25,261,896
68	404, 405	Amortization	2,979,834		300,444		6,473,938		\$9,453,773
69	431	Interest on Customer Deposits	147,252				25,066		172,318
70	408	Payroll Taxes (1****)	1,888,435				346,251		2,234,686
71	408	Property Taxes (2****)	(169,925)				6,988,421		6,818,496
72	408	Gross Receipts Tax (3300 + 4000)	40,079,903				(40,079,903)		0
73	408	Other Taxes (41****)	240,075				6,719		246,794
74	408	Taxes Other Than Income	\$42,039,489	\$0	\$0	\$0	(\$32,738,512)		\$9,299,976
75		TOTAL EXPENSES	\$608,564,792	\$100,000	\$500,000	\$300,444	\$0	(\$476,242,784)	\$133,321,998
76		OPERATING INCOME BEFORE INCOME TAX	\$60,181,492	(\$100,000)	(\$500,000)	(\$300,444)	\$0	(\$32,570,752)	\$27,610,739
77	409,410	Income Taxes	15,685,789				(12,979,317)		2,706,482
78		Note: per book & adjusted income tax computed on A-Z	\$44,495,693	(\$100,000)	(\$500,000)	(\$300,444)	\$12,979,317	(\$19,581,435)	\$24,904,257
		NET OPERATING INCOME							

**MISSOURI GAS ENERGY**

A Division of Southern Union Company

Twelve Months Ending December 31, 2005

Updated for Known and Measurable Adjustments through June 30, 2006

**Test Year Margin Revenue**

Line	No.	Description (a)	481.1	481.2	25	28, 38	487, 488, 493, 495	Total
			481.1	481.2	(d)	(e)	(f)	(g)
	1	Total Revenue per Book	461,309,543	9,633,497	10,202,282	5,398,837	669,746,284	
	2	Less: GRT Revenue, Unbilled Revenue, PGA Revenue, and Miscellaneous Adjustments	(353,777,331)	(8,084,078)	(108,623)	(540,572)	(511,349,823)	
	3	Test Year Margin	107,532,212	1,549,419	10,093,659	4,858,264	158,396,461	

**MISSOURI GAS ENERGY**

A Division of Southern Union Company

Twelve Months Ending December 31, 2005

Updated for Known and Measurable Adjustments through June 30, 2006  
**Revenue Adjustments**

Line No.	Description (a)	Main Account/Revenue Class						Total (g)
		Residential Gas Sales	Commercial Gas Sales	Industrial Gas Sales	Transportation Revenues	Service Charges and Other		
		480	481.1	481.2	489,483	487,488,493,495		
		21	22 & 23	25	38,28		(b)	
			(c)	(d)	(e)	(f)		
1	Test Year Margin	\$107,532,212	\$34,362,906	\$1,549,419	\$10,093,659	\$4,858,264	\$159,396,461	
2	Weather Normalize	1,627,949	544,695	50,966	118,820	0	2,342,430	
3	Customer Growth Annualization	155,756	37,090	0	0	0	193,846	
4	Total Adjustments	1,784,705	581,785	50,966	118,820	0	2,536,276	
5	As Adjusted Test Year Margin	\$109,316,917	\$34,944,691	\$1,600,385	\$10,212,479	\$4,858,264	\$160,932,737	

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Remove Purchase Gas Costs and Gross Receipts Tax**

Line No.	Description (a)	Amount (b)
1	Purchase Gas Costs (Acct. 805)	(\$469,859,289)
2	Gross Receipts Tax (Acct. 4081)	(40,079,903)
3	Total Adjustment	<u>(\$469,859,289)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Payroll Adjustment**

Line No.	Main Acct.	Proforma Payroll Expense	Payroll Expense Per Book	Adjustment to Test Year
	(a)	(b)	(c)	(d)
1	870	\$601,212	\$557,179	\$44,033
2	871	\$8,867	8,747	120
3	872	\$0	0	0
4	874	\$477,727	448,424	29,303
5	875	\$495,199	455,550	39,649
6	876	\$4,840	5,171	(331)
7	877	\$3,520	3,206	314
8	878	\$3,353,910	3,090,513	263,397
9	879	\$2,307,458	2,126,825	180,633
10	880	\$1,151,614	1,096,638	54,976
11	885	\$1,106,072	1,065,663	40,409
12	886	\$33,882	31,181	2,701
13	887	\$4,990,141	4,598,993	391,148
14	889	\$211,516	196,238	15,278
15	890	\$187,494	173,251	14,243
16	891	\$9,681	8,503	1,178
17	892	\$498,627	459,294	39,333
18	893	\$489,694	462,504	27,190
19	894	\$25,090	23,851	1,239
20	901	\$435,021	397,109	37,912
21	902	\$620,691	576,660	44,031
22	903	\$6,158,578	5,586,152	572,426
23	905	\$0	185	(185)
24	908	\$152,689	144,078	8,611
25	911	\$0	0	0
26	912	\$96,991	92,161	4,830
27	920	\$5,420,005	5,171,404	248,601
28	921	\$2,572	2,970	(398)
29	923	\$0	87	(87)
30	925	\$806	944	(138)
31	932	\$0	87	(87)
32	Total	\$28,843,897	\$26,783,568	\$2,060,329

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Employee Benefits**

Line No.	Description (a)	Amount (b)	Amount (c)
1	Pension	\$8,300,000	
2	Retirement Power	476,742	
3	Life & AD&D Insurance	158,589	
4	Long Term Disability Insurance	185,870	
5	Medical / Dental Benefit	6,549,429	
6	FAS 106 - Accrual	1,641,953	
7	FAS 106 - Amortization of	2,664,792	
8	401K	1,112,829	
9	Supplemental Retirement	75,000	
10	FAS 123 - Accrual	358,758	
11	Total Proforma Benefits	\$21,523,962	
12	Payroll Expense Ratio	0.769063	
		<u>16,553,283</u>	
	Add amortization of prepaid pensions (amortized over a 6 year period)	1,139,312	
13		<u>17,692,595</u>	
14	Proforma Benefits Expense	<u>\$17,692,595</u>	
15	Less Test Year Benefits Expense	<u>(\$8,838,850)</u>	
16	Adjustment to Test Year Expense - Acct. 926		<u><u>\$8,853,745</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Payroll Taxes**

Line No.	Description (a)	Amount (b)
1	Total Proforma Payroll Taxes	<u>\$2,876,980</u>
2	Payroll Taxes on Incentive Compensation Adjustment	<u>28,745</u>
5	Total Proforma Payroll Taxes	\$2,905,725
6	Payroll Expense Ratio	0.769063
7	Proforma Payroll Tax Expense	<u>\$2,234,686</u>
8	Less Test Year Payroll Tax Expense	<u>(1,888,435)</u>
9	Adjustment to Test Year Expense - Acct. 4081	<u><u>\$346,251</u></u>



**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
 Twelve Months Ending December 31, 2005

Updated for Known and Measurable Adjustments through June 30, 2006  
**Insurance / Injuries & Damages**

Line No.	Description (a)	June 30, 2004 (b)	June 30, 2005 (c)	June 30, 2006 (d)	3 Year Avg. (e)	925 Amount (f)	924 Amount (g)	Total Amount (h)
	MGE Claims:							
1	Workers Compensation claims paid	\$837,895	\$690,000	\$710,846	\$746,247			
2	Additional Accruals	0	0	1,500,000	500,000			
3	Auto & General Liability	1,043,044	274,243	569,651	628,979			
4	Total Proforma Claims	<u>\$1,880,939</u>	<u>\$964,243</u>	<u>\$2,780,497</u>	<u>\$1,875,226</u>	\$1,875,226		\$1,875,226
5	Insurance Premiums - 924					57,113		57,113
6	Insurance Premiums - 925					1,267,854		1,267,854
7	Total Proforma Insurance Cost					\$3,143,080	\$57,113	\$3,200,193
8	Test Year Payroll Expense Ratio					0.769063	1.000000	
9	Proforma Insurance Expense					\$2,417,226	\$57,113	\$2,474,339
10	Less Test Year Insurance Expense					(3,368,391)	(72,921)	(3,441,312)
11	Adjustment to Test Year - Accts. 924 and 925					<u>(\$951,165)</u>	<u>(\$15,808)</u>	<u>(\$966,973)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Corporate Allocation**

Line No.	Description (a)	Amount (b)
1	Proforma Joint and Common Costs	\$4,743,849
2	Expense Capital Ratio	<u>69.6009%</u>
3	Proforma Joint and Common Expense	\$3,301,762
4	Less Test Year Expense Recorded on MGE's Books	<u>0</u>
5	Adjustment to Test Year - Acct. 923	<u><u>\$3,301,762</u></u>

**MISSOURI GAS ENERGY**  
 A Division of Southern Union Company  
 Twelve Months Ending December 31, 2005  
 Updated for Known and Measurable Adjustments through June 30, 2006  
**Uncollectible Expense**

Line No.	Description (a)	Amount (b)	Amount (c)
1	Twelve Months Ended June 30, 2005	\$11,059,738	
2	Twelve Months Ended June 30, 2006	<u>9,317,738</u>	
3	Two Year Average		\$10,188,738
4	Less Test Year Uncollectible Expense		(7,108,777)
5	Adjustment to Test Year - Acct. 904		<u><u>\$3,079,961</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Regulatory Commission Expense**

Line No.	Description (a)	Amount (b)	Amount (c)
1	Estimate of current rate case expense	\$900,000	
2	Cost of GR-2004-0209 Appeal	\$448,685	
3	Remaining balance of GR-2004-0209	\$223,456	
4	Total Rate Case Balance	<u>1,572,141</u>	
5	Annual Amortization (3 years)		\$524,047
6	Normalized level of expense for depreciation study		\$6,878
7	Proforma NARUC Assessment - fiscal 7/1/04-6/30/05		6,198
8	Other Regulatory Commission Expenses		149,610
9	Proforma MPSC Assessment - fiscal 7/1/06-6/30/07		<u>1,386,977</u>
10	Total Proforma Regulatory Commission Expense		\$2,073,710
11	Less Test Year Regulatory Commission Expense		(2,264,862)
12	Adjustment to Test Year - Acct. 928		<u>(\$191,152)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Interest on Customer Deposits**

Line No.	Description (a)	Reference (b)	Residential (c)	Commercial & Industrial (d)	Amount (e)
1	Customer Deposits	B-2	\$1,012,376	\$3,059,908	\$4,072,284
2	Interest Rate		8.25%	3.00%	4.31%
3	Proforma Interest on Customer Deposits		<u>\$83,521</u>	<u>\$91,797</u>	<u>\$175,318</u>
4	Less Test Year Interest on Customer Deposits				<u>(147,252)</u>
5	Adjustment to Test Year - Acct. 431				<u><u>\$28,066</u></u>

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
Depreciation Expense

Line No.	Description	Amount	Current Depreciation Rate	Annualized Depreciation	Proposed Rate	Proforma Total Depreciation	Less Depr. Capitalized To Clearing Accts.	Proforma Depreciation Expense
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<b>INTANGIBLE PLANT</b>								
1	(301) Organization	\$15,500	0.00%	\$0	0.00%	\$0	\$0	\$0
2	(302) Franchises	32,096	0.00%	0	0.00%	0	0	0
3	(303) Miscellaneous Intangible	27,596,938	(see adj. H-13)	0	(see adj. H-13)	0	0	0
4	Total Intangible Plant	<u>\$27,644,634</u>		<u>\$0</u>		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>DISTRIBUTION PLANT</b>								
5	(374.1) Land	\$223,517	0.00%	\$0	0.00%	\$0	\$0	\$0
6	(374.2) Land Rights	1,865,693	2.09%	34,813	2.00%	33,314	0	33,314
7	(375.1) Structures	5,584,958	1.65%	92,152	2.50%	139,624	0	139,624
8	(375.2) Leasehold Improvements	0	(see adj. H-13)	0	(see adj. H-13)	0	0	0
9	(376) Mains & Mains - Cast Iron	339,884,706	2.27%	7,715,383	2.27%	7,715,383	0	7,715,383
10	(378) Meas. & Reg. Station - General	11,634,249	2.86%	332,740	2.86%	332,740	0	332,740
11	(379) Meas. & Reg. Station - City Gate	3,058,251	2.13%	65,141	2.50%	76,456	0	76,456
12	(380) Services	294,362,067	2.70%	7,947,776	3.41%	10,037,746	0	10,037,746
13	(381) Meters	31,036,775	2.86%	887,652	2.86%	887,652	0	887,652
14	(382) Meter Installations	68,835,673	2.86%	1,968,700	2.86%	1,968,700	0	1,968,700
15	(383) House Regulators	11,558,045	2.44%	282,016	2.86%	330,560	0	330,560
16	(385) Electronic Gas Metering	372,505	3.33%	12,404	3.33%	12,404	0	12,404
17	(387) Other Equipment	0	4.60%	0	6.25%	0	0	0
18	Total Distribution Plant	<u>\$768,216,438</u>		<u>\$19,338,777</u>		<u>\$21,534,579</u>	<u>\$0</u>	<u>\$21,534,579</u>
<b>GENERAL PLANT - DIRECT</b>								
19	(389) Land	\$773,880	0.00%	\$0	0.00%	\$0	\$0	\$0
20	(390.1) Structures	661,183	2.00%	13,224	2.50%	16,530	0	16,530
21	(390.2) Leasehold Impr.	1,546,597	(see adj. H-13)	0	(see adj. H-13)	0	0	0
22	(391) Furniture & Fixtures	6,970,421	8.06%	561,816	9.09%	633,611	0	633,611
23	(392) Transportation Equipment	5,043,979	8.70%	438,826	9.09%	458,498	(458,498)	0
24	(393) Stores Equipment	538,350	2.70%	14,535	3.33%	17,927	0	17,927
25	(394) Tools	5,154,470	5.30%	273,187	5.00%	257,724	0	257,724
26	(395) Laboratory Equipment	0	6.00%	0	6.00%	0	0	0
27	(396) Power Operated Equipment	243,807	8.33%	20,309	6.67%	16,262	(16,252)	0
28	(397.1) Communication Equipment - AMR	36,324,861	5.00%	1,816,243	5.00%	1,816,243	0	1,816,243
29	(397.0) Communication Equipment - Other	3,289,347	6.25%	205,584	6.25%	205,584	0	205,584
30	(398) Miscellaneous Equipment	431,485	3.85%	16,612	5.00%	21,574	0	21,574
31	Total Direct General Plant	<u>\$60,978,390</u>		<u>\$3,360,336</u>		<u>\$3,443,953</u>	<u>(\$474,760)</u>	<u>\$2,969,193</u>
<b>GENERAL PLANT - CORPORATE</b>								
32	(390) Structures	\$0		\$0		\$0	\$0	\$0
33	(390) Leasehold Impr.	2,036,684	Note	59,660	Note	59,660	0	59,660
34	(391) Furniture & Fixtures	209,405	"	33,905	"	33,905	0	33,905
35	(392) Transportation Equipment	8,004	"	3,520	"	3,520	0	3,520
36	(397) Communication Equipment	0		0		0	0	0
37	(398) Miscellaneous Equipment	0		0		0	0	0
38	Total Corporate General Plant	<u>\$2,254,093</u>		<u>\$97,085</u>		<u>\$97,085</u>	<u>\$0</u>	<u>\$97,085</u>
39	Total Proforma Plant & Depreciation	<u>\$859,093,555</u>		<u>\$22,796,198</u>		<u>\$25,075,617</u>	<u>(\$474,760)</u>	<u>\$24,600,857</u>
40	Less Depreciation Charged to Clearing A/Cs			(459,135)		(474,760)		
41	Less Test Year Depreciation Expense			(\$23,435,869)		(\$22,796,198)		(\$23,435,869)
42	Cost of Removal/ Net Salvage			\$771,039				\$771,039
43	Adjustment to Test Year - Acct. 403			(\$327,767)		\$1,804,659		\$1,936,027

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Amortization Expense**

Line No.	Description	Original Cost Plant	Monthly Test Year Amortization Expense	Proforma Amortization Expense
	(a)	(b)	(c)	(d)
<u>MGE Direct Non-SLRP Amortization:</u>				
1	(375.2) Leasehold Improvements	\$0	\$0	\$0
2	(390.2) Leasehold Improvements	1,546,597	8,362	100,342
3	Sub Total	<u>\$1,546,597</u>	<u>\$8,362</u>	<u>\$100,342</u>
4	(303) Misc. Intangible - Work Force Automation (1000)	\$3,785,364	21,024	\$252,287
5	(303) Misc. Intangible - Corrosion Control Mgmt System (4000)	1,117,800	0	0
6	(303) Misc. Intangible - Landbase Digitized Mapping (4500)	1,701,543	0	0
7	(303) Misc. Intangible - Premise Data System (5000)	985,196	0	0
8	(303) Misc. Intangible - AMR Project - Programming (5500)	469,443	2,764	33,166
9	(303) Misc. Intangible - Facility Priority Index (6000)	894,795	0	0
10	(303) Misc. Intangible - Geographic Information System (6500)	1,006,719	7,125	85,500
11	(303) Misc. Intangible - Customer Service System (7000)	3,786,000	20,921	251,048
12	(303) Misc. Intangible - CSS Enhancements (7100)	7,588,221	63,235	758,822
13	(303) Misc. Intangible - Mainframe Software (7200)	1,912,642	15,939	191,264
14	(303) Misc. Intangible - Website (7600)	485,944	4,051	48,615
15	(303) Misc. Intangible - Stoner Low Pressure/Intermediate Model (8000)	279,672	2,457	29,481
16	(303) Misc. Intangible - BASIC (8500)	294,516	3,005	36,063
17	(303) Misc. Intangible - TCS System (9000)	189,193	1,592	19,106
18	(303) Misc. Intangible - GEO Tax Software (9500)	79,294	661	7,929
19	(303) Misc. Intangible - Oracle Software	2,415,660	20,117	241,409
20	(303) Misc. Intangible - Power Plant Software	187,288	1,561	18,729
21	(303) Misc. Intangible - Virtual Hold Call Center	191,000	1,592	19,103
22	(303) Misc. Intangible - Witness Software (9600)	194,706	1,623	19,474
23	Sub Total - Acct. 303	<u>\$27,564,994</u>	<u>\$167,666</u>	<u>\$2,011,996</u>
<u>Amortization of Infinium Software:</u>			<u>Amort. Period</u>	
24	Unamortized balance of replaced software	\$1,225,756	3	\$408,585
<u>SLRP Amortization:</u>				
25	SLRP Deferrals Subject to Amortization	\$32,048,048	10	\$3,204,805
<u>ECWRA AAO Amortization</u>				
26	Cost of the Emergency cold weather rule	\$901,331	3	\$300,444
27	Pro-Forma Amortization Expense			\$6,026,172
28	Less Test Year Amortization Expense			<u>(2,979,834)</u>
29	Adjustment to Test Year - Accts. 404 and 405			<u>\$3,046,338</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Transportation and Work Equipment Clearing**

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into TWE Clearing Account 18400210		\$4,631,933		
2	Less Test Year Amounts Cleared Out of Account 18400210		(4,289,431)		
3	Test Year Amount Under/(Over) Cleared		<u>\$342,502</u>		\$342,502
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 18400210:				
		Proforma	Test Year	Adjustment	
5	Depreciation	\$474,760	\$459,135	\$15,625	15,625
6	Total Adjusted Amount Under/(Over) Cleared				<u>\$358,127</u>

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

	Main Acct.	Amount	Percentage	Amount
7	870	\$26,621	0.006206	\$2,223
8	871	0	0.000000	0
9	872	0	0.000000	0
10	874	63,520	0.014808	5,303
11	875	109,881	0.025616	9,174
12	876	1,088	0.000254	91
13	877	530	0.000124	44
14	878	716,486	0.167033	59,819
15	879	389,145	0.090720	32,489
16	880	85,202	0.019863	7,113
17	885	8,644	0.002015	722
18	886	6,520	0.001520	544
19	887	1,005,321	0.234368	83,934
20	889	40,034	0.009333	3,342
21	890	31,481	0.007339	2,628
22	891	2,301	0.000536	192
23	892	91,428	0.021314	7,633
24	893	60,938	0.014206	5,088
25	894	3,913	0.000912	327
26	902	114,111	0.026602	9,527
27	903	381,973	0.089048	31,890
28	905	8,127	0.001895	679
29	921	59,282	0.013820	4,949
30	<b>Total Adjustment to Test Year Expense</b>	<b>\$3,206,548</b>	<b>0.747532</b>	<b>\$267,711</b>
31	Balance Sheet Accounts	1,082,954	0.252466	90,415
32	Total Test Year Clearing	<u>\$4,289,501</u>	<u>0.999998</u>	<u>\$358,126</u>



**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Stores Clearing**

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into Stores Account 1630		\$2,043,068		
2	Less Test Year Amounts Cleared Out of Account 1630		<u>(1,483,099)</u>		
3	Test Year Amount Under/(Over) Cleared		<u>\$559,969</u>		<u>\$559,969</u>

Spread Under/(Over) Clearing to Main Accounts based on Test Year Clearing:				
	Main Acct.	Amount	Percentage	Amount
4	874	\$5,677	0.00383	\$2,145
5	875	9,117	0.00615	3,445
6	876	155	0.00010	58
7	877	116	0.00008	44
8	878	16,153	0.01090	6,103
9	879	2,586	0.00175	977
10	880	7,976	0.00538	3,014
11	885	0	0.00000	0
12	886	374	0.00025	141
13	887	78,902	0.05324	29,812
14	889	6,692	0.00452	2,528
15	890	6,217	0.00420	2,349
16	891	(811)	-0.00055	(306)
17	892	28,674	0.01935	10,834
18	893	17,632	0.01190	6,662
19	894	17,572	0.01186	6,640
20	902	1,825	0.00123	689
21	903	151	0.00010	57
22	905	1	0.00000	1
23	912	11	0.00001	4
24	921	2,815	0.00190	1,063
25	923	123	0.00008	46
26	925	1,635	0.00110	618
27	932	96	0.00007	36
28	<b>Total Adjustment to Test Year Expense</b>	<b>203,689</b>	<b>0.13744</b>	<b>76,960</b>
29	Balance Sheet Accounts	1,278,358	0.86256	483,008
30	<b>Total Test Year Clearing</b>	<b>1,482,047</b>	<b>1.00000</b>	<b>\$559,968</b>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Missouri State Franchise Tax**

Line No.	Description (a)	Amount (b)
1	Proforma State Franchise Tax & City Tax Expense	\$246,719
2	Less Test Year State Franchise Tax Expense	<u>(240,000)</u>
3	Adjustment to Test Year - Acct. 4081	<u><u>\$6,719</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Property Tax Expense**

Line No.	Description (a)	Reference (b)	Amount (c)
	Proforma Total Plant in Service excluding Corporate		
1	Allocated Plant	C	\$856,839,462
2	Less Intangible Plant	C	<u>(27,644,634)</u>
3	Proforma Plant, excluding Intangible Plant		\$829,194,828
4	Property tax rate		<u>0.79595%</u>
5	Proforma Property Tax Expense		\$6,599,975
6	Oklahoma Property Tax		218,521
7	Less Test Year Property Tax Expense		<u>(169,925)</u>
8	Adjustment to Test Year - Acct. 4081		<u><u>\$6,988,421</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Postage Increase**

Line No.	Description (a)	Amount (b)
1	Average Postage cost per item	
2	2005	\$ 0.280
3	2006- with postage increase	<u>\$ 0.291</u>
4	Increase in postage cost per item	<u>\$ 0.011</u>
5	2005 total items mailed	<u>8,694,146</u>
6	Total increase	<u><u>\$ 95,636</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Office & Computer Lease Expense**

Line No.	Description (a)	Amount (b)
	<b>OFFICE LEASE</b>	
1	Proforma Broadway rent - Rent	\$516,814
2	Proforma Broadway Taxes	195,160
3	Less: Proforma rent from subleases	<u>(316,145)</u>
4	Total proforma rent expense - Acct. 931	395,829
5	Actual rent expense - Acct. 931	<u>419,806</u>
6	Adjustment to Acct. 931	<u>(\$23,977)</u>
7	Net proforma Broadway building utility costs	\$193,919
8	Less: Actual Broadway building utility costs	<u>124,496</u>
9	Adjustment to Test Year - Acct. 921.00014	<u>\$69,423</u>
7	Net proforma Broadway supplies expense	\$36,321
8	Actual Broadway supplies expense	<u>23,318</u>
9	Adjustment to Test Year - Acct. 921.00017	<u>\$13,003</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Incentive Compensation and Bonuses**

Line No.	Description (a)	Incentive Compensation (b)	Holiday Bonuses (c)	Work Performance Bonuses (d)	Total (e)
1	12 mos ended 6/30/04 Incentive and Bonus Payments	\$302,657	\$43,660	\$76,057	\$422,374
2	12 mos ended 6/30/05 Incentive and Bonus Payments	770,568	46,120	107,994	\$924,682
3	12 mos ended 6/30/06 Incentive and Bonus Payments	1,059,738	45,645	26,160	\$1,131,543
4	Total	<u>\$2,132,963</u>	<u>\$135,425</u>	<u>\$210,211</u>	<u>\$826,200</u>
5	Incentive Compensation & Bonuses 12/31/05				<u>(451,917)</u>
6	Adjustment				374,283
7	Expense Ratio				<u>0.769063</u>
8	Amount Charged to Expense				<u>\$287,847</u>

Missouri Gas Energy  
Unrecovered Cost of Service  
January through June 2006

Total Company

Line No	TARIFF	# of Reg billed Cusis (b)	Regular billed usage (c)	Actual Avg per Cust (d)	Usage used to Design Rates (e)	Per customer Usage (f)		Total Usage Shortfall / (Excess) (g)	Revenue Shortfall / Excess (h)
						Shortfall / (Excess)	Shortfall / Excess		
<b>Jan-06</b>									
RES		442,397	59,221,084	134	180.9	47	20,808,523.30	\$ 2,744,020	
UGM		19	2,489	130					
SGSM		66,943	24,670,279	369	449.8	81	5,440,682.40	\$ 776,005	
LGSM		327	3,327,658	10,178	8717.7	(1,459)	(476,970.10)	\$ (68,748)	
LVM		495	25,137,432	50,783	65422.9	14,640	7,246,903.50	\$ 296,253	
<b>Feb-06</b>									
RES		443,146	52,769,311	119	174.5	55	24,559,666.00	\$ 3,238,683	
UGM		19	3,012	159	444.7	129	8,605,263.00	\$ 1,227,369	
SGSM		66,730	21,068,588	316	8898.1	1,187	390,131.60	\$ 48,083	
LGSM		326	2,510,649	7,701	53266.8	3,073	1,521,282.00	\$ 62,189	
LVM		495	24,845,804	50,194					
<b>Mar-06</b>									
RES		442,626	46,400,023	105	137.1	32	14,284,001.60	\$ 1,883,631	
UGM		19	2,484	131					
SGSM		66,163	19,000,872	287	354.9	68	4,480,376.70	\$ 639,036	
LGSM		327	2,034,863	6,223	7883.3	1,660	542,976.10	\$ 66,878	
LVM		495	23,600,947	47,679	48911.9	1,233	610,443.50	\$ 24,955	
<b>Apr-06</b>									
RES		440,116	27,389,905	62.2	92.7	30.5	13,408,848.20	\$ 1,768,225	
UGM		18	1,794	99.7					
SGSM		65,322	11,445,040	175.2	234.9	59.7	3,899,097.80	\$ 556,128	
LGSM		324	1,293,925	3,993.6	4395.7	402.1	130,281.80	\$ 16,047	
LVM		494	17,621,229	35,670.5	42365.3	6,694.8	3,307,229.20	\$ 135,200	
<b>May-06</b>									
RES		435,331	11,935,063	27.4	50.8	23.4	10,179,751.80	\$ 1,342,404	
UGM		19	1,553	81.7					
SGSM		63,647	5,214,307	81.9	132.5	50.6	3,218,920.50	\$ 459,115	
LGSM		328	773,506	2,358.3	6294.7	3,938.5	1,291,155.60	\$ 159,032	
LVM		493	18,347,642	37,216.3	35721.3	(1,485.0)	(737,041.10)	\$ (90,130)	
<b>Jun-06</b>									
RES		430,930	8,407,453	19.5	22.1	2.8	1,116,100.00	\$ 147,180	
UGM		18	1,426	79.2					
SGSM		62,662	4,181,351	66.7	70.5	3.8	296,320.00	\$ 33,706	
LGSM		327	808,942	2,478.9	6157.2	3,680.3	1,203,462.40	\$ 148,230	
LVM		494	16,792,746	33,993.4	31832.6	(2,360.8)	(1,166,241.60)	\$ (47,676)	
									<u>\$ 15,635,784</u>
Proposed Length of Amortization									5 Years
Annual Amortization									<u>\$ 3,127,157</u>

**MISSOURI GAS ENERGY**  
 A Division of Southern Union Company  
 Twelve Months Ending December 31, 2005  
 Updated for Known and Measurable Adjustments through June 30, 2006  
**Customer Collection Costs**

Line No.	Description (a)	Total (b)
1	Scheduled number of collectors for 2006	<u>15</u>
2	Total number of hours to be worked	
3	(15 collectors for 28 weeks at 40 hours per week)	16,800
4	Rate per hour	<u>\$28.00</u>
5	Pro forma cost of collectors	\$470,400
6	Actual cost of collectors	\$219,334
7	Adjustment	<u><u>\$251,066</u></u>



**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Non-recurring / Non-Utility Activity**

Line No.	Description (a)	Total (b)
1	Remove non-recurring / non-utility activity from account 923	<u><u>(\$169,083)</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Weatherization**

Line No.	Description (a)	Amount (b)
1	Increase Weatherization to \$600,000	<u>\$100,000</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2005  
Updated for Known and Measurable Adjustments through June 30, 2006  
**Environmental Response Fund**

Line No.	Description (a)	Amount (b)
1	Environmental Response Fund	<u>\$500,000</u>

Environmental Response Fund:

An Environmental Response Fund shall be established to create a mechanism to fund the recovery of "Environmental Response Costs" as defined below.

(a) Definition of "Environmental Response Costs": "Environmental Response Costs" are all the reasonable and prudently incurred costs associated with evaluation, remedial and clean-up obligations of Missouri Gas Energy arising out of utility-related ownership and/or operation of manufactured gas plants and sites associated with the operation and disposal activities from such gas plants. In addition to the actual remedial and clean-up costs, "Environmental Response Costs" also include costs of acquiring property associated with the clean up of such sites as well as litigation costs, claims, judgments, expenditures made in efforts to obtain insurance reimbursements, and settlements—including the costs of obtaining such settlements—associated with such sites. The Company will use best efforts to satisfy its obligation to minimize the Environmental Response Costs charged to the fund consistent with applicable regulatory requirements and sound environmental policies and to minimize litigation costs that may arise.

Fifty percent (50%) of any applicable insurance proceeds and/or contributions obtained from Westar Energy (the successor of Western Resources, Inc.) and/or contributions obtained from potentially responsible parties, net of costs associated with obtaining such proceeds and/or contributions, shall be credited to the fund. The fund shall also be given credit for the accrued liability in the amount of \$3,000,000 recorded on Southern Union Company's books following the acquisition of the Missouri property (which was to become Missouri Gas Energy) from Western Resources, Inc.

(b) Funding. The fund shall be maintained in an interest bearing trust account and shall be credited at the annual target amount of approximately \$500,000 (the current amount reflected in rates for such costs). The actual amount of the credit shall be based on the actual billed revenues produced by the discrete rate element included in the basic service charge or delivery charge of all customer classes. Any cash expenditures shall be charged to the fund as long as the costs that are incurred or previously deferred are Environmental Response Costs, as defined above.

(c) Annual Reports. Missouri Gas Energy shall file an annual report with the Commission (and serve the Parties with copies) on a Highly Confidential basis providing a summary and accounting of all costs incurred during such year which have been applied to the fund. A separate account shall be maintained on the Company's books for accruals and expenditures for environmental response costs. Each of the Parties retain their right to review and challenge any costs that they believe do not fall within the definition of "Environmental Response Costs", as defined in subparagraph (a) above.

(d) Reservation of Rights. In the Company's next general rate case to establish rates after the approval of this Agreement, all parties reserve their rights to take any position they deem appropriate regarding (i) the level of funding to be permitted in rates on a prospective basis to recover costs charged to the fund as of the date of such case, and/or (ii) whether the fund should continue as designed for the recovery of prospective costs.

**Missouri Gas Energy  
Cost of ECWR  
Pay Agreement Summary  
January 2006 - March 2006**

<b>Final Accounts Written Off</b>	<b>2,976</b>	<b>2,076,437</b>
<b>Percent Payment Required Under Old Rule</b>		<b>80%</b>
<b>Amount which should have been Collected</b>		<b>1,661,150</b>
<b>Initial Payment Amount</b>		<b>759,819</b>
<b>Uncollected Amount Due to Rule Change</b>	<b>\$</b>	<b>901,331</b>
<b>Annual Amortization over 3 Years</b>	<b>\$</b>	<b>300,444</b>