



Associated Natural Gas Company

405 WEST PARK ST. • BLYTHEVILLE, ARKANSAS 72315 • (501) 762-3675

E. L. McKENZIE
Vice President
Secretary & Treasurer

December 12, 1986

Mr. Harvey G. Hubbs, Secretary
Public Service Commission of Missouri
P. O. Box 360
Jefferson City, MO 65102

Re: Case No. AO-87-48 - In the Matter of
Investigation of the Revenue Effect
upon Missouri Utilities of the Tax
Reform Act of 1986

Dear Mr. Hubbs:

Enclosed for filing are the working papers reflecting the tax information requested in the above referenced case and the Comments of Associated Natural Gas Company.

Please date stamp the enclosed copy of this letter and return it in the enclosed stamped envelope.

Sincerely,

E. L. McKenzie

ELMcK:pw

Enclosures

cc: Office of Public Counsel

FILED
DEC 15 1986
PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED

DEC 15 1986

PUBLIC SERVICE COMMISSION

In the Matter of the Investigation)
of the Revenue Effects upon Missouri)
Utilities of the Tax Reform Act of)
1986)

Case No. AO-87-48

Responsive Comments of
Associated Natural Gas Company

In response to the Public Service Commission of Missouri's (Commission) Order dated November 3, 1986, Associated Natural Gas Company (Associated or Company) files herein the working papers required to reflect the effect of the 1986 Tax Reform Act on Missouri jurisdictional operations of the Company for the calendar year 1985 and the following comments:

Associated is of the opinion that the Commission is prudent in seeking this information at this time and is within its statutory authority to request the information for informational purposes.

Associated has reviewed the effect of the Tax Reform Act on its 1985 operation and the schedules attached indicate that the Company does have a revenue deficiency for its Missouri jurisdictional operation at income tax rates of 46%, 40% or 34%.

Earnings during the calendar year 1986 have deteriorated even further than 1985 but no conclusion can be drawn at this time as to the effect the Tax Reform Act would have if applied to 1986 earnings. By February 28, 1987 when the second series of reports are due under this Order, the Company will have a better understanding of the effect on earnings of the Tax Reform Act on 1986 operations.

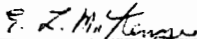
While there is a degree of uncertainty about what the actual effect of the Tax Reform Act will have on Missouri jurisdictional earnings, the Company does have an opinion concerning its own actions. The current study is done in compliance with the Commission's Order in that unadjusted book figures are used. Associated is of the opinion that prior to an actual revision in rates, a study taking into consideration pro-forma adjustments, including known and measurable changes during the subsequent twelve month period

from the date of the study, is the only equitable method for adjusting rates. If a company is not earning a fair rate of return an adjustment in rates taking into consideration only the change in the federal income tax rates is not equitable and should not be considered.

In Ordered 3 of the case being addressed, the Commission invites recommendations for procedural alternatives for recognizing the effects of the 1986 Tax Reform Act. At this time Associated feels rather strongly that there are no procedural alternatives other than rate proceedings to resolve the issue. The Company would take exception to this matter being resolved in a generic type proceeding since it is in the Company's, its customers' and employees' best interest to have the rate matter resolved on a Company by Company basis under the guidelines followed in rate proceedings.

Respectfully submitted,

ASSOCIATED NATURAL GAS COMPANY



E. L. McKenzie, Secretary
P. O. Box 628
Blytheville, Arkansas 72316
(501) 762-3675

SERVICE CERTIFICATE

I certify that I have this day caused a true copy of the foregoing response to be served upon the Office of Public Counsel by United States Mail, postage prepaid, from the Company's office in Blytheville, Arkansas.

Dated: December 12, 1986

E. L. McKenzie
E. L. McKenzie

ASSOCIATED NATURAL GAS COMPANY

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ASSOCIATED NATURAL GAS COMPANY
 SUMMARY COMPUTATION OF GROSS REVENUE REQUIREMENT
 FOR YEAR ENDING DECEMBER 31, 1985
 AT 46% TAX RATE

| | <u>Total Company</u> | <u>Arkansas</u> | <u>Missouri</u> | | | |
|---------------------------------------|--------------------------|-----------------|-----------------|-------------------------------|-------------------|---------------|
| | | | <u>Total</u> | <u>Southeast Missouri</u> | <u>Kirksville</u> | <u>Butler</u> |
| Utility Rate Base | \$24 213 112 | \$7 399 527 | \$16 813 585 | \$13 190 573 | \$2 187 626 | \$1 435 386 |
| Operating Income | 1 617 138 | 336 401 | 1 280 737 | 1 013 867 | 164 660 | 102 210 |
| Current Rate of Return | | | 7.61% | 7.69% | 7.53% | 7.12% |
| Cost of Capital | | | 10.34% | 10.34% | 10.34% | 10.34% |
| Required Operating Income | | | 1 738 525 | 1 363 905 | 226 201 | 148 419 |
| Operating Income Deficiency | | | 457 788 | 350 038 | 61 541 | 46 209 |
| Gross Revenue Conversion Factor | | | 1.94932 | 1.94932 | 1.94932 | 1.94932 |
| Required Increase in Gross Revenue | | | 892 375 | 682 336 | 119 963 | 90 076 |

ASSOCIATED NATURAL GAS COMPANY
SUMMARY COMPUTATION OF GROSS REVENUE REQUIREMENT
FOR YEAR ENDING DECEMBER 31, 1985
AT 40% TAX RATE

| | <u>Total Company</u> | <u>Arkansas</u> | <u>Missouri</u> | | | |
|---------------------------------------|--------------------------|-----------------|-----------------|-------------------------------|-------------------|---------------|
| | | | <u>Total</u> | <u>Southeast Missouri</u> | <u>Kirksville</u> | <u>Butler</u> |
| Utility Rate Base | \$24 213 112 | \$7 399 527 | \$16 813 585 | \$13 190 573 | \$2 187 626 | \$1 435 586 |
| Operating Income | 1 722 110 | 354 731 | 1 367 379 | 1 081 644 | 177 940 | 107 795 |
| Current Rate of Return | | | 8.13% | 8.20% | 8.13% | 7.51% |
| Cost of Capital | | | 10.34% | 10.34% | 10.34% | 10.34% |
| Required Operating Income | | | 1 738 525 | 1 363 905 | 226 201 | 148 419 |
| Operating Income Deficiency | | | 371 146 | 282 261 | 48 261 | 40 624 |
| Gross Revenue Conversion Factor | | | 1.75439 | 1.75439 | 1.75439 | 1.75439 |
| Required Increase in Gross Revenue | | | 651 135 | 495 196 | 84 669 | 71 270 |

ASSOCIATED NATURAL GAS COMPANY
SUMMARY COMPUTATION OF GROSS REVENUE REQUIREMENT
FOR YEAR ENDING DECEMBER 31, 1985
AT 34% TAX RATE

| | <u>Total Company</u> | <u>Arkansas</u> | <u>Missouri</u> | | | |
|---------------------------------------|--------------------------|-----------------|-----------------|-------------------------------|-------------------|---------------|
| | | | <u>Total</u> | <u>Southeast Missouri</u> | <u>Kirksville</u> | <u>Butler</u> |
| Utility Rate Base | \$24 213 112 | \$7 399 527 | \$16 813 585 | \$13 190 573 | \$2 187 626 | \$1 435 386 |
| Operating Income | 1 827 084 | 373 061 | 1 454 023 | 1 149 421 | 191 222 | 113 380 |
| Current Rate of Return | | | 8.65% | 8.71% | 8.74% | 7.90% |
| Cost of Capital | | | 10.34% | 10.34% | 10.34% | 10.34% |
| Required Operating Income | | | 1 738 525 | 1 363 905 | 226 201 | 148 419 |
| Operating Income Deficiency | | | 284 502 | 214 484 | 34 979 | 35 039 |
| Gross Revenue Conversion Factor | | | 1.59490 | 1.59490 | 1.59490 | 1.59490 |
| Required Increase in Gross Revenue | | | 453 752 | 342 081 | 55 788 | 55 883 |

Associated Natural Gas Company
 Summary of Original Cost Rate Base and
 Rate of Return
 December 31, 1986

| | Total Company | Arkansas |
|---|------------------|--------------|
| Gas Plant in Service | \$39,396,479 | \$12,406,328 |
| Reserve for Depreciation and Amortization | 18,029,275 | 5,711,146 |
| Net Gas Plant in Service | 21,367,204 | 6,665,182 |
| Material and Supplies | 348,400 | 109,119 |
| Liquid Natural Gas Stored | 388,406 | 168,102 |
| Shared Expense Undistributed | 60,184 | 18,850 |
| Deferred Cost of Purchased Gas | 1,322,790 | 313,891 |
| Gas Stored Underground | 1,315,543 | - |
| Prepayments | 30,881 | 9,687 |
| Cash Working Capital Reserve | 63,704 | 114,696 |
| Total Working Capital Allowance | 2,845,908 | 734,345 |
| Total Utility rate base | \$24,213,112 | \$7,399,527 |

| Total | Missouri | | | Basis of Allocation |
|------------|---------------------|-----------|-----------|---------------------|
| | South East Missouri | Kimberly | Butler | |
| \$26990151 | \$20592919 | \$3582052 | \$2815150 | 2.00% |
| 12288129 | 9389098 | 1609146 | 1289885 | 2.00% |
| 14702022 | 11203851 | 1972906 | 1525265 | |
| 239281 | 181969 | 32401 | 24911 | (A) |
| 220304 | 220304 | - | - | (3) |
| 41334 | 31434 | 5597 | 4303 | (A) |
| 1008899 | 997694 | 133522 | (122317) | Direct |
| 631543 | 631543 | - | - | Direct |
| 21194 | 16101 | 2816 | 2217 | Indirect |
| (50992) | (92323) | 40324 | 1007 | Indirect |
| 2111563 | 1986722 | 214720 | (29879) | |
| \$16813585 | \$13190573 | \$2187626 | \$1435386 | |

Associated Natural Gas Company
Gas Plant In Service
As Recorded
December 31, 1985

Page 1

| Acct No. | | Plant as Recorded | Allowances | Total |
|----------|----------------------------------|-------------------|------------------|------------------|
| | Intangible Plant | | | |
| 301 | Reorganization | 894 | - | 894 |
| 302 | Franchise & Com. Co. | 15,677 | 510 | 15,167 |
| 303 | Misc Intangible Plant | 545,189 | 166,174 | 379,015 |
| | Direct | 41,836 | 12,443 | 29,393 |
| | Total Intangible | 603,596 | 179,127 | 424,469 |
| | Other Storage Plant | | | |
| 361 | Structures and Improvements | 693,437 | 285,003 | 408,434 |
| 362 | Gas Holders | 1,011,086 | 415,556 | 595,530 |
| 363 | Purification Equipment | 295,991 | 121,652 | 174,339 |
| 363.1 | Liquefaction Equipment | 1152,560 | 473,702 | 678,858 |
| 363.2 | Vaporizing Equipment | 657,858 | 270,380 | 387,478 |
| 363.3 | Compressor Equipment | 177,519 | 72,960 | 104,559 |
| 363.4 | Measuring & Regulating Equip | 259,374 | 106,603 | 152,771 |
| 363.5 | Other Equipment | 454,161 | 186,660 | 267,501 |
| | Total Other Storage Equip | 4,901,986 | 1,932,516 | 2,969,470 |
| | Transmission Plant | | | |
| 365 | Land and Land Rights | 118,579 | 75,345 | 43,234 |
| | Direct | 82,131 | - | 82,131 |
| 367 | Mains | 4,513,656 | 2,867,977 | 1,645,679 |
| | Direct | 3,738,710 | - | 3,738,710 |
| 369 | Measuring & Regulating Equip | 92,106 | 52,170 | 29,936 |
| | Direct | 112,986 | - | 112,986 |
| 371 | Other Equipment | 33,057 | - | 33,057 |
| | Total Transmission | 8,681,225 | 2,995,492 | 5,685,733 |

| Missouri | | | Basis of Allocation |
|-----------|----------|-----------|---------------------|
| South Co. | Kirkwood | Letten | |
| 894 | - | - | Direct |
| 8,594 | 4,479 | 2,094 | Direct |
| 298,764 | 49,012 | 31,234 | (12) |
| 29,393 | - | - | Direct |
| 337,645 | 53,491 | 33,333 | |
| 408,434 | - | - | (6) |
| 595,530 | - | - | (6) |
| 174,339 | - | - | (6) |
| 678,858 | - | - | (6) |
| 387,478 | - | - | (6) |
| 104,559 | - | - | (6) |
| 152,771 | - | - | (6) |
| 767,501 | - | - | (6) |
| 276,947 | - | - | |
| 43,234 | - | - | (5) |
| 61,589 | 2,268 | 18,714 | Direct |
| 1,645,679 | | | (5) |
| 194,989 | 768,669 | 1,020,146 | Direct |
| 29,936 | | | (5) |
| 39,774 | 51,904 | 18,308 | Direct |
| 33,051 | - | - | Direct |
| 3,803,164 | 825,841 | 1,056,778 | |

Associated Natural Gas Company
Gas Plant In Service
As Recorded
December 31, 1985

Page 2

| Acct No. | | Plant as Recorded | Reserves | Total |
|----------|---|-------------------|-------------------|-------------------|
| | Distribution Plant | | | |
| 374 | Land & Land Rights | 47,178 | 18,818 | 28,360 |
| 375 | Structures & Improvements | 27,495 | 7,904 | 19,591 |
| 376 | Mains | 11,034,394 | 3,110,520 | 7,923,874 |
| 378 | Misc. & Reg. Stat Equip General | 41,383 | 12,696 | 28,687 |
| 379 | Misc. & Regulating Station Equip City Gate | 294,778 | 86,763 | 208,015 |
| 380 | Services | 6,287,553 | 1,823,136 | 5,064,417 |
| 381 | Meters | 3,116,489 | 932,454 | 2,184,035 |
| 382 | Water Installations | 526,011 | 137,444 | 388,567 |
| 383 | House Regulators | 719,241 | 215,191 | 504,044 |
| 384 | House Regulators Installations | 187,522 | 65,164 | 124,358 |
| 385 | Industrial Measuring & Reg Station Equipment | 142,283 | 60,914 | 81,369 |
| | Total Distribution | 23,026,327 | 6,471,010 | 16,555,317 |
| | General Plant | | | |
| 389 | Land and Land Rights | 22,844 | 21,370 | 1,474 |
| 390 | Structures & Improvements | 2,433 | 162 | 1,671 |
| | Direct | 299,243 | 143,990 | 155,253 |
| 391 | Office Furniture and Equip | 105,745 | 33,119 | 72,626 |
| | Direct | 84,930 | 22,278 | 62,652 |
| 392 | Transportation Equipment | 103,531 | 32,426 | 71,105 |
| | Direct | 677,269 | 218,216 | 480,993 |
| 394 | Tool shop and Garage equip | 106,353 | 33,310 | 73,043 |
| | Direct | 193,567 | 55,797 | 137,770 |
| 395 | Laboratory Equipment | 8,625 | 2,701 | 5,924 |
| | Direct | 15,833 | 3,723 | 11,910 |
| 396 | Power Operated Equipment | 12,841 | 4,022 | 8,819 |
| | Direct | 551,745 | 191,091 | 360,654 |
| 397 | Communication Equipment | 10,508 | 3,291 | 7,217 |
| | Direct | 157,425 | 52,209 | 99,216 |
| 398 | Office Equipment | 8,453 | 3,518 | 4,935 |
| | Total General | 2,383,345 | 828,183 | 1,555,162 |
| | Total Plant In Service | 39,396,419 | 12,406,328 | 26,990,151 |

| Lynch & Missouri | Kirksville | Butler | Based on Allocation |
|---------------------|------------|---------|------------------------|
| 27158 | 699 | 503 | Direct |
| 19591 | - | - | Direct |
| 6104051 | 1159411 | 660412 | Direct |
| 20014- | 3906 | 4767 | Direct |
| 172463 | 15848 | 19704 | Direct |
| 3581638 | 907522 | 575257 | |
| 1720614 | 278302 | 185119 | (13) |
| 290628 | 68429 | 29510 | Direct |
| 397093 | 64228 | 42723 | (13) |
| 83740 | 26046 | 14572 | Direct |
| 58794 | 17105- | 5470 | Direct |
| 12475784 | 2541496 | 1538037 | |
| 1474 | - | - | Direct |
| 1271 | 726 | 174 | (A) |
| 146796 | 5267 | 2990 | Direct |
| 55231 | 9834 | 7561 | (A) |
| 49797 | 3707 | 9048 | Direct |
| 54074 | 9628 | 7403 | (A) |
| 400269 | 35880 | 44844 | Direct |
| 55548 | 9891 | 7604 | (A) |
| 107078 | 11975 | 18717 | Direct |
| 4505 | 802 | 617 | (A) |
| 9767 | 1319 | 824 | Direct |
| 6707 | 1194 | 918 | (A) |
| 223016 | 61774 | 75864 | Direct |
| 5489 | 977 | 751 | (A) |
| 82209- | 7881 | 9126 | Direct |
| 3455 | 809 | 611 | Direct |
| 1206886 | 161224 | 187052 | |
| 2052949 | 3582052 | 2815150 | |

● Notes to GAS PLANT IN SERV. ●

Basis of Allocation same as Allocation Factor
in Section M GR 86-86

Direct Charges per plant helper except accounts
365, 367, 369 as noted on following
page

Schedule RB-3

Associated Natural Gas Company

Transmission Investment

As of June 30, 1985

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|----|--|---|---|---|---|---|
| 1 | | | | | | |
| 2 | District A as of 12/31/84 per Plant Ledger | | | | | |
| 3 | District B-W (Towns west) Per Plant Ledger 12/31/84 | | | | | |
| 4 | District B-EAST Per Plant Ledger 12/31/84 | | | | | |
| 5 | | | | | | |
| 6 | District E Per Plant Ledger 12/31/84 : | | | | | |
| 7 | Ivan to Chaffee 3" line | | | | | |
| 8 | Between Ark-Mo & Ark at Jim Hill | | | | | |
| 9 | " " " at Timber | | | | | |
| 10 | Halsomb to Clarkton | | | | | |
| 11 | Cambell to Kennett 6/8" line | | | | | |
| 12 | Clarkton to Mission 3" line | | | | | |
| 13 | Halsomb Junction to Halsomb 4" line | | | | | |
| 14 | Clarkton to Malden 3" line | | | | | |
| 15 | Powier to Malden via Baker 6" line | | | | | |
| 16 | 2" line to Benton | | | | | |
| 17 | Sikeston to Ivan 8" line | | | | | |
| 18 | Hamburg to Chaffee 3" line | | | | | |
| 19 | Sikeston to New Madrid 4" & 6" line | | | | | |
| 20 | 6" Tie between New Madrid & Marston | | | | | |
| 21 | Marston to Rosanda 8" | | | | | |
| 22 | Morley 2" line | | | | | |
| 23 | Matten 2" line | | | | | |
| 24 | Libbourn 3" line | | | | | |
| 25 | Sikeston to Moxhouse 2" C+W | | | | | |
| 26 | Sikeston to Charleston | | | | | |
| 27 | Charleston to East Prairie | | | | | |
| 28 | Matten to East Prairie 3" line | | | | | |
| 29 | Milanville to Jackson 4" | | | | | |
| 30 | Jackson to Gordonville 2" | | | | | |
| 31 | Cott. Ridge 2" | | | | | |
| 32 | Doniphan to Mely Milk 4" line | | | | | |
| 33 | Land and land rights (255527 - Powie) + (CLARKTON 96.00) | | | | | |
| 34 | Timber (measuring & regulating) | | | | | |
| 35 | Powie | | | | | |
| 36 | measuring & regulating - 710.00 | | | | | |
| 37 | " " " 710.00 | | | | | |
| 38 | DISTRICT E | | | | | |
| 39 | 1 st Quarter 1985 PER ANNUAL W/P (TOWNS - WEST) | | | | | |
| 40 | 2 nd QUARTER 1985 " " " (B-EAST - 2224.00) | | | | | |
| 41 | Totals | | | | | |
| 42 | | | | | | |

| Arkansas | | Southern | | MEMO | | Total | |
|-----------|--|-----------|--|-------------|-------------------------|---------------------|-----------|
| | | | | Northern | | Arkansas & Southern | |
| | | | | Miss R/N&PL | | Miss R | |
| 194622179 | | | | | | | 194622179 |
| 34164173 | | | | | | | 34164173 |
| | | 206549269 | | | | | 206549269 |
| | | | | | 9643546 | | |
| | | 155871 | | | | | 155871 |
| | | 570460 | | | | | 570460 |
| | | 6067053 | | | | | 6067053 |
| | | < 90456 > | | | | | < 90456 > |
| | | 2278228 | | | | | 2278228 |
| | | 2296138 | | | | | 2296138 |
| | | 5442589 | | | | | 5442589 |
| | | 8337183 | | | | | 8337183 |
| | | 25057066 | | | 1515299 | | |
| | | | | | 21381737 | | |
| | | | | | 5715569 | | |
| | | | | | 23552383 | | |
| | | | | | 10370735 | | |
| | | | | | 11619981 | | |
| | | | | | 850773 | | |
| | | | | | 363911 | | |
| | | | | | 704557 | | |
| | | | | | 5919179 | | |
| | | | | | 22062168 | | |
| | | | | | 8057789 | | |
| | | | | | 9840833 | | |
| | | | | | 9310809 | | |
| | | | | | 2966648 | | |
| | | | | | 685212 | | |
| | | | | | 24840575 | | |
| | | 265127 | | | 5422573 ✓ | | 265127 |
| | | 68447 | | | | | 68447 |
| | | < 85388 > | | | | | < 85388 > |
| | | | | | 3567045 ✓ | | |
| | | | | | 3305716 ✓ | | |
| 861102 | | | | | 25132173 - 7362 - Jan 2 | | 861102 |
| | | 887466 | | | 2060047 | | 887466 |
| 29547454 | | 232743987 | | | 208263858 | | 462351441 |

Associated Natural Gas Company
 Accumulated Reserve in Depreciation
 and Amortization As Recorded
 December 31, 1986

| | Reserve as Recorded | Arkansas | Total |
|--|---------------------------|-----------|------------|
| Other Storage Plant | 2,646,408 | 1,687,674 | 1,558,734 |
| Transmission Plant | 4,718,103 | 1,614,063 | 3,104,040 |
| Distribution Plant | 9,087,822 | 2,511,864 | 6,545,952 |
| General Plant | 917,903 | 314,069 | 433,634 |
| Total Accumulated Reserve for Dep. | 17,400,236 | 5,557,670 | 11,842,366 |
| Intangible Asset | 41,836 | 12,443 | 29,393 |
| Customer Acct. Conts. | 241,149 | 72,152 | 168,997 |
| Gas Franchise | 10,661 | 511 | 10,150 |
| Local Office Improvements | 54,075 | 14,140 | 39,935 |
| Customer Accounting - New | 221,518 | 84,236 | 197,282 |
| Total Accumulated Reserve for Intang. | 629,239 | 183,476 | 445,763 |
| Total | 18,029,275 | 5,741,146 | 12,288,129 |

Missouri
 South E.
 Missouri Kirksville Butler

Basis of
 Allocation

| | | | |
|----------|----------|---------|-------|
| 1558 734 | | | (B-1) |
| 2070 303 | 453 410 | 580 327 | (B-2) |
| 4906 515 | 1030 559 | 608 884 | (B-3) |
| 492 427 | 72 878 | 68 329 | (B-4) |

| | | | |
|----------|----------|----------|--|
| 9027 979 | 1556 847 | 1257 540 | |
|----------|----------|----------|--|

| | | | |
|---------|--------|--------|--------|
| 29 393 | - | - | Direct |
| 133 138 | 21 535 | 14 324 | (13) |
| 8503 | 348 | 1299 | Direct |
| 34 659 | 5 276 | - | Direct |
| 155 426 | 25 140 | 16 722 | (11) |

| | | | |
|---------|--------|--------|--|
| 361 119 | 52 299 | 32 345 | |
|---------|--------|--------|--|

| | | | |
|----------|----------|----------|--|
| 9389 098 | 1609 146 | 1289 885 | |
|----------|----------|----------|--|

Schedule IS-1

Associated Natural Gas Co.
 Utility Operating Income Statement
 Based Upon Income Tax Rate of 46%
 For The Year Ended Dec 31, 1985

| | Total Company | Arkansas | Total |
|-------------------------------------|---------------|-------------|-------------|
| Operating revenues | | | |
| Gas sales | \$ 47905491 | \$ 15101332 | \$ 32804159 |
| Other operating revenues | 3446 | 4060 | 4386 |
| Total operating revenues | 47988937 | 15141392 | 32847545 |
| Operating expenses | | | |
| Gas supply expense | 35900974 | 11649389 | 24251585 |
| Natural gas storage expense | 25657 | 181261 | 21396 |
| Transmission expense | 23128 | 100055 | 13373 |
| Distribution expense | 2226677 | 687495 | 1539182 |
| Customer accounts | 213413 | 633137 | 1501276 |
| Customer service & information | 35244 | 19106 | 16138 |
| Sales | 6548 | 954 | 3594 |
| Administrative & General | 2887839 | 871158 | 2016681 |
| Depreciation & amortization | 1126062 | 361032 | 765030 |
| Taxes other than income taxes | 775808 | 241178 | 534630 |
| INCOME TAXES | <377965> | <269182> | <108783> |
| Provision For Deferred Income Taxes | 3323266 | 1078025 | 2245241 |
| Income Tax Deferred In Prior Years | <2438441> | <784412> | <1654029> |
| INVESTMENT Tax Credit Adjustment | 114289 | 35795 | 78494 |
| Total Operating Expenses | 46371799 | 14804991 | 31566808 |
| NET OPERATING INCOME | 1617138 | 336401 | 1280737 |

| Missouri | | | | | | |
|--|---|--|--|--|--|--|
| Southeast Missouri | Kirksoille | Butler | | | | |
| #24464917 34870 | #5855405 6020 | #2483837 2496 | | | | |
| 24499787 | 5861425 | 2486333 | | | | |
| 17741119 244396 100727 1153235 1161568 12104 1401 1592254 598777 413668 (22603) 1671194 (1241613) 59693 | +777673 - 13842 228438 203947 2327 4098 239397 94726 72449 (65657) 406765 (291869) 10629 | 1732793 - 16804 157509 135761 1707 95 185030 71527 48513 (20523) 167282 (120547) 8172 | | | | |
| 23485920 | 5696765 | 2384123 | | | | |
| 1013867 | 164660 | 102210 | | | | |

Associated Natural Gas Company
 Allowance Expense Statement
 Fifteen Month Average
 for Fifteen Months Ended December 31, 1985

| | | | Material And Supplies | Liquid Natural Gas Stored | Stores Expense Undistributed | Defferred Cost of Purchase Gas | Gas Stored Underground |
|------------------------|------|--|-----------------------------|---------------------------------|------------------------------------|--------------------------------------|---------------------------|
| <i>Balance at</i> | | | | | | | |
| December 31 | 1984 | | \$ 314,977 | \$ 436,904 | \$ 58,801 | \$ 2,237,877 | \$ 657,229 |
| January 31 | 1985 | | 319,266 | 384,551 | 62,292 | 4,204,246 | 657,229 |
| February 28 | 1985 | | 329,949 | 359,321 | 61,214 | 2,522,333 | 584,998 |
| March 31 | 1985 | | 318,815 | 369,566 | 63,781 | 553,795 | 521,086 |
| April 30 | 1985 | | 340,863 | 398,519 | 64,423 | (616,358) | 497,852 |
| May 31 | 1985 | | 330,255 | 420,188 | 65,456 | (789,336) | 497,852 |
| June 30 | 1985 | | 300,204 | 405,976 | 63,361 | (525,394) | 497,852 |
| July 31 | 1985 | | 347,969 | 391,623 | 61,127 | (284,278) | 605,936 |
| August 31 | 1985 | | 377,653 | 375,948 | 63,566 | 183,667 | 655,683 |
| September 30 | 1985 | | 354,417 | 361,904 | 60,313 | 719,689 | 726,120 |
| October 31 | 1985 | | 401,951 | 379,414 | 55,652 | 1,526,590 | 789,920 |
| November 30 | 1985 | | 373,897 | 385,212 | 51,024 | 2,647,824 | 805,202 |
| December 31 | 1985 | | 418,990 | 380,158 | 51,380 | 4,855,618 | 413,106 |
| <i>Total</i> | | | \$ 4,529,206 | \$ 5,049,284 | \$ 782,390 | \$ 17,196,273 | \$ 9,210,065 |
| <i>Average Balance</i> | | | \$ 348,400 | \$ 388,406 | \$ 60,184 | \$ 1,322,790 | \$ 631,543 |
| <i>Allocations:</i> | | | | | | | |
| | | | \$ 109,119 | \$ 168,102 | \$ 18,850 | \$ 313,891 | \$ - |
| | | | 181,969 | 220,304 | 31,434 | 997,624 | 631,543 |
| | | | 32,401 | - | 5,597 | 133,522 | - |
| | | | 24,911 | - | 4,303 | (122,317) | - |
| <i>Total</i> | | | \$ 348,400 | \$ 388,406 | \$ 60,184 | \$ 1,322,790 | \$ 631,543 |

Basis of Allocation (A) (B) (A) Direct Direct
 Schedule

Associated Natural Gas Co.

Deferred Cost of Gas
174 Account

As Recorded

| | | | 174.0030 174.0040 174.0050 174.0210 174.0220 Arkansas | 174.0060 174.0090 174.0230 174.0240 St. Louis | 174.0070 174.0100 174.0250 174.0260 Lindsdale | 174.0080 174.0110 174.0270 174.0280 Butler |
|----------|--------|------------|--|---|---|--|
| December | 31 '84 | 2237 877 | 491 234 13 | 1441 392 31 | 328 492 8L | (23 242 25) |
| Jan | 85 | 4204 246 | 1232 769 09 | 2515 446 83 | 368 339 32 | 87 690 31 |
| Feb | | 2522 333 | 734 260 93 | 1665 986 36 | 151 388 28 | (29 302 71) |
| Mar | | 553 795 | 75 323 62 | 564 641 45 | 9 656 09 | (95 886 14) |
| Apr | | (616 358) | (261 228 02) | (23 721 20) | (164 249 02) | (167 159 45) |
| May | | (789 336) | (362 534 36) | (92 931 33) | (133 890 12) | (199 980 25) |
| June | | (565 394) | (309 234 50) | 35988 44 | (72 721 74) | (219 426 62) |
| July | | (284 278) | (233 524 15) | 199 367 92 | (29 196 29) | (220 925 12) |
| Aug | | 183 667 | (79 959 62) | 440 536 84 | 42 870 87 | (219 801 35) |
| Sept | | 719 689 | 90 685 05 | 697 795 46 | 139 064 68 | (207 855 71) |
| Oct | | 1526 590 | 391 229 96 | 1115 700 90 | 235 060 44 | (215 400 99) |
| Nov | | 2647 824 | 759 011 85 | 1685 146 48 | 357 213 22 | (153 547 76) |
| Dec | '85 | 4855 618 | 1552 490 57 | 2724 650 96 | 503 755 72 | 74 721 10 |
| Total | | 17 196 273 | 41080 584 55 | 12 970 021 42 | 1735 784 31 | (1590 116 94) |
| Average | | 1322 790 | 313 291 | 997 694 | 133 522 | (122 317) |

Associated National Life Company
 Prepayments
 Thirteen Month Average
 For Thirteen Months Ended December 31, 1985.

| | | | | | Property Insurance | Group Life Insurance | Total |
|-------------------|------------------------|----|------|--------------------|-----------------------|----------------------------|------------|
| <i>Balance at</i> | | | | | | | |
| | December | 31 | 1984 | | \$ 166,655 | + (1,519) | \$ 165,136 |
| | January | 31 | 1985 | | 62,315 | (1,238) | 61,077 |
| | February | 28 | 1985 | | 55,850 | (1,413) | 54,437 |
| | March | 31 | 1985 | | 46,329 | (949) | 45,380 |
| | April | 30 | 1985 | | 39,917 | (753) | 39,164 |
| | May | 31 | 1985 | | 35,091 | (556) | 34,535 |
| | June | 30 | 1985 | | 27,714 | (358) | 27,356 |
| | July | 31 | 1985 | | 21,536 | (1,320) | 20,216 |
| | August | 31 | 1985 | | 11,823 | (1,122) | 10,701 |
| | September | 30 | 1985 | | 5,078 | (953) | 4,125 |
| | October | 31 | 1985 | | (2,465) | (754) | (3,219) |
| | November | 30 | 1985 | | (7,023) | (551) | (7,574) |
| | December | 31 | 1985 | | 51,388 | (1,550) | 49,838 |
| | <i>Total</i> | | | | \$ 414,218 | \$ (12,766) | \$ 401,452 |
| | <i>Average Balance</i> | | | | \$ 31,863 | \$ (982) | \$ 30,881 |
| | <i>Allocations:</i> | | | | | | |
| | | | | Arkansas | \$ 9,980 | \$ (293) | \$ 9,687 |
| | | | | Southeast Missouri | 16,642 | (541) | 16,101 |
| | | | | Hicksville | 2,963 | (87) | 2,876 |
| | | | | Butler | 2,278 | (61) | 2,217 |
| | <i>Total</i> | | | | \$ 31,863 | \$ (982) | \$ 30,881 |

Basis of Allocation

(A) (C)

Associated National Life Company
Cash Working Capital
Section 67 1986-86

| | | | Arkansas | Southwest Missouri | Kentucky | Butler |
|-----|--|--|----------|-----------------------|----------|--------|
| 1 | | | | | | |
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| 4 | | | 114696 | (92323) | 40324 | 1007 |
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