

**MISSOURI GAS ENERGY**

3420 Broadway • Kansas City, MO • 64111-2404 • (816) 360-5501

C. TOM CLOWE, JR.PRESIDENT &
CHIEF OPERATING OFFICER

October 3, 1997

FILED

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MISSOURI
PUBLIC SERVICE COMMISSION

Mr. Cecil I. Wright
Executive Secretary
Missouri Public Service Commission
Post Office Box 360
Jefferson City, Missouri 65102-0360

GR-98-140

Dear Mr. Wright:

Enclosed for filing with the Missouri Public Service Commission ("Commission") are an original and three (3) copies of revised tariff sheets for Missouri Gas Energy ("MGE" or "Company"), a division of Southern Union Company ("Southern Union"). Each of the revised sheets listed below bears an issue date of October 3, 1997, and a proposed effective date of November 2, 1997:

<u>Sheet No.</u>	<u>Schedule</u>	<u>Designated</u>	<u>Canceling</u>
25	Residential Gas Service	Third Revised	Second Revised
26	Residential Gas Service	First Revised	Original
27	Small General Gas Service	First Revised	Original
28	Small General Gas Service	Third Revised	Second Revised
29	Small General Gas Service	First Revised	Original
30	Large General Gas Service	Second Revised	First Revised
31	Large General Gas Service	Third Revised	Second Revised
31.1	Large General Gas Service	First Revised	Original
32	Blank	First Revised	Original
33	Blank	First Revised	Original
34	Blank	First Revised	Original
35	Blank	First Revised	Original
36	Blank	First Revised	Original
37	Blank	First Revised	Original
38	Unmetered Gaslight Service	Second Revised	First Revised
39	Unmetered Gaslight Service	First Revised	Original
40	Large Volume Service	First Revised	Original
41	Large Volume Service	Second Revised	First Revised
41.1	Large Volume Service	Original	N/A
42	Large Volume Service	Third Revised	Second Revised
44	Large Volume Service	Third Revised	Second Revised

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Sheet No:	Schedule	Designated	Canceling
45	Large Volume Service	Second Revised	First Revised
46	Large Volume Service	Third Revised	Second Revised
47	Large Volume Service	Third Revised	Second Revised
48.2	Large Volume Service	First Revised	Original
49	Large Volume Service	First Revised	Original
49.1	Large Volume Service	First Revised	Original
50	Transportation Contract	First Revised	Original
51	Transportation Contract	First Revised	Original
52	Transportation Contract	First Revised	Original
53	Transportation Contract	First Revised	Original
54	Blank	First Revised	Original
55	Blank	First Revised	Original
56	Blank	First Revised	Original
57	Blank	First Revised	Original
58	Blank	First Revised	Original
61.1	Transportation Provisions	Original	N/A
61.2	Transportation Provisions	Original	N/A
61.3	Transportation Provisions	Original	N/A
61.4	Transportation Provisions	Original	N/A
62	Transportation Provisions	First Revised	Original
67	Transportation Provisions	First Revised	Original
70	Electronic Gas Measurement Equipment	First Revised	Original
71	Electronic Gas Measurement Equipment	First Revised	Original
72	Economic Development Rider	First Revised	Original
76	Whiteman Air Force Base	Third Revised	Second Revised
77	Whiteman Air Force Base	Second Revised	First Revised
78	Whiteman Air Force Base	First Revised	Original
79	Whiteman Air Force Base	First Revised	Original
80	Whiteman Air Force Base	First Revised	Original
82	Whiteman Air Force Base	First Revised	Original
83	Intrastate Transportation Service	First Revised	Original
85	Intrastate Transportation Service	First Revised	Original
91	Intrastate Transportation Service	First Revised	Original
92	Intrastate Transportation Service	First Revised	Original
94	Interim Gas Service for Compression of Natural Gas for use as a Fuel in Vehicular Combustion Engines	Third Revised	Second Revised

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<u>Sheet</u> <u>No.</u>	<u>Schedule</u>	<u>Designated</u>	<u>Canceling</u>
95	Interim Gas Service for Compression of Natural Gas for use as a Fuel in Vehicular Combustion Engines	Second Revised	First Revised
R-87	General Terms and Conditions for Gas Service	First Revised	Original

The revised tariff sheets are designed to produce an increase of \$27,817,140, or 6.89 %, based upon MGE's total test year recorded revenue, excluding gross receipts and sales taxes. The proposed change is necessary to recover through rates gas safety program investment required by 4 CSR 240-40.030 and related expenses, costs of other new facilities, and operating expense increases since rates were last changed. Rates were last increased in February 1997.

Also enclosed are an original and fourteen (14) copies of the information required by 4 CSR 240-10.070(3)(B) and an original and fourteen (14) copies of a revenue deficiency summary.

Three copies of this filing are being furnished today to the Office of Public Counsel.

Please bring this filing to the attention of the Commission and the appropriate Commission personnel. In addition, please forward copies of any Commission orders, notices, correspondence, or other material regarding this filing to:

Robert J. Hack
Senior Attorney
Missouri Gas Energy
3420 Broadway
Kansas City, Missouri 64111
816-360-5755
Fax: 816-360-5554

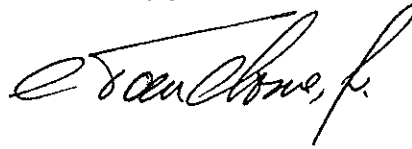
F. Jay Cummings
Vice President, Pricing
Southern Union Company
504 Lavaca
Austin, Texas 78701
512-370-8353
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Gary W. Duffy
Brydon, Swearengen & England
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312 E. Capitol Ave.
Jefferson City, Missouri 65101
573-635-7166
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Thank you for your attention to this matter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "F. Jay Cummings". The signature is fluid and cursive, with a large initial "F" and a long, sweeping underline.

cc: Office of Public Counsel
F. Jay Cummings
Gary W. Duffy
Robert J. Hack

MISSOURI GAS ENERGY

Statement of Revenue Increase Request

4 CSR 240-10.070(3)(B) 1

The aggregate annual increase resulting from the application of the revised tariffs contained in this filing would be \$ 27,817,140, or 6.89 %, over test year recorded annual revenues.

MISSOURI GAS ENERGY

4 CSR240-10.070(3)(B) 2

Missouri Counties and Communities Affected

Urban Areas

Alba	Alma	Anderson
Armstrong	Ash Grove	Aurora
Avondale	Baldwin Park	Bates City
Belton	Billings	Blackburn
Blue Springs	Buckner	Butterfield
Camden Point	Cameron	Carl Junction
Carrollton	Carterville	Carthage
Cassville	Centerview	Clarksburg
Claycomo	Cleveland	Clever
Concordia	Corder	Crane
Dearborn	Diamond	Drexel
Duenweg	East Lynne	Edgerton
El Dorado Springs	Emma	Excelsior Springs
Exeter	Fayette	Fort Crowder
Freeman	Freistatt	Garden City
Gladstone	Glenaire	Golden City
Goodman	Gower	Grain Valley
Grandview	Grayson	Greenfield
Greenwood	Harrisonville	Higginsville
Holden	Holt	Houstonia
Houston Lake	Hugesville	Independence
Irwin	Jasper	Jerico Springs
Joplin	Kansas City	Kearney
Kingsville	Knob Noster	Lake Lotawana
Lakeside	Lake Tapawingo	Lake Waukomis
Lake Winnebago	Lamar	Lamar Heights
LaMonte	Lanagan	Lathrop
Lawson	Lee's Summit	Liberty
Lockwood	Lone Jack	Marionville
Monett	Mosby	Mt. Leonard

MISSOURI GAS ENERGY

4 CSR240-10.070(3)(B) 2

Missouri Counties and Communities Affected

Urban Areas - continued

Mt. Vernon	Neck City	Neosho
New Market	Nixa	Noel
Norborne	North Kansas City	Northmoor
North Noel	Oak Grove	Oaks
Oak View	Oakwood	Oakwood Manor
Oakwood Park	Odessa	Osborn
Ozark	Parkville	Peculiar
Pierce City	Pilot Grove	Pineville
Platte Woods	Pleasant Hill	Pleasant Valley
Prathersville	Prosperity	Purcell
Purdy	Randolph	Raymore
Raytown	Redings Mill	Republic
Riverside	Saginaw	St. Joseph
Sarcoxie	Savannah	Seneca
Sheldon	Slater	Smithfield
Smithville	Southwest City	Spring Valley
Stewartsville	Stockton	Stone's Corner
Sugar Creek	Sweet Springs	Tipton
Trimble	Turney	Verona
Walnut Grove	Warrensburg	Waverly
Weatherby Lake	Webb City	Wentworth
Willard	Windsor	Woods Heights

Rural & Suburban Areas

Andrew County	Audrain County	Barry County
Barton County	Buchanan County	Carroll County
Cass County	Cedar County	Christian County
Clay County	Clinton County	Cooper County
Dade County	DeKalb County	Greene County

MISSOURI GAS ENERGY

4 CSR240-10.070(3)(B) 2

Missouri Counties and Communities Affected

Rural & Suburban Areas - continued

Henry County
Jasper County
Lawrence County
Newton County
Ray County
Vernon County

Howard County
Johnson County
McDonald County
Pettis County
Saline County

Jackson County
Lafayette County
Moniteau County
Platte County
Stone County

MISSOURI GAS ENERGY

4 CSR 240-10.070(3)(B) 3 and 4

Number of Customers Affected and Average Change by Service Category

	<u>Number of Customers (1)</u>	<u>Average Monthly Bill Change</u>	
		<u>Amount</u>	<u>Percentage</u>
Residential	408,209	\$ 4.67	9.02 %(2)
Small General Service	56,150	7.22	5.27 %(2)
Large General Service	448	(0.10)	(0.00 %(2)
Large Volume Service	406	(0.29)	(0.02 %)

(1) Test year ended May 31, 1997 regular bills, as adjusted, divided by twelve.

(2) Based on a weighted average test year PGA rate of \$ 0.41222 per Ccf.

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4 CSR 240-10.070(3)(B) 5

Proposed Annual Aggregate Change in Revenues

	<u>\$ Increase or (Decrease)</u>	<u>% Increase or (Decrease) (1)</u>
Residential	\$ 22,907,889	8.96 %
Small General Service	4,908,294	5.20 %
Large General Service	439	0.00 %
Large Volume Service	(155)	0.00 %

(1) Based on a weighted average PGA rate and as adjusted volumes for the test year.

For Release: October 3, 1997

Contact: Darrek Porter
(816) 360-5753Request Not Likely to Affect This Winter's Bills**Rate Increase Sought For Service, Safety Improvements**

KANSAS CITY, MO. -- Missouri Gas Energy (MGE) today filed for a rate adjustment with the Missouri Public Service Commission (MPSC) that seeks a revenue increase of \$27.8 million, or 6.9 percent on an annual basis.

If approved, it is expected that the new rates will not be effective this winter and may not go into effect until late summer 1998. For residential customers, the proposed rate increase would amount to about \$4.67 a month.

Tom Clowe, MGE President and Chief Operating Officer, said the increase would primarily cover the costs of MGE's pipeline replacement safety program and improvements in MGE's billing and customer service operations, including initial investments in the installation of Automated Meter Reading (AMR) technology, the addition of more telephone center staff, and the opening of a new Kansas City customer service center.

In the company's last rate case, the MPSC rejected the company's request to recover costs in several areas, citing the need for improvements to be made in customer service. Clowe said the company has been taking the steps necessary for those improvements to be made.

"MGE experienced difficulties within our billing and customer service operations last winter," Clowe said. "Since that time, we have made and continue to make significant investments in those areas to bring our customers the level of service they expect and deserve. MGE also believes safety is the cornerstone of good customer service, and we continue to upgrade our pipeline system to provide safe and reliable service to our customers." The costs incurred by MGE in correcting last winter's billing errors and issuing refunds are not included in the company's rate request.

Missouri Gas Energy is headquartered in Kansas City, Missouri, and serves natural gas to approximately 465,000 customers in 155 towns in central and western Missouri. MGE is a division of Southern Union Company of Austin Texas, which markets and distributes natural gas to approximately 976,000 customers in Texas, Oklahoma and Missouri.

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A portion of the current rate request is related to the high level of uncollected bills MGE has experienced in the past 12 months. Even though MGE implemented the "RELIEF NOW" flexible payment program and other efforts to help customers cope with the high cost of gas, many of MGE's customers still have not paid for the gas they consumed last heating season. This spring the company also agreed to a significant delay in the normal timing of disconnecting those customers who had not paid their bills or enrolled in payment programs. The combination of these and other factors has resulted in a major increase in MGE's uncollected bills compared to last year.

MGE invests more than \$20 million a year on the pipeline replacement safety program, which was ordered by the MPSC and is now in its eighth year. When complete, more than \$250 million will have been spent on replacement and cathodic protection of nearly 300,000 bare steel service lines and 1,280 miles of main. MGE is also seeking to recover more than \$20 million in new investments in other plant and facilities to serve its customers, including the first installation phases of Automated Meter Reading.

Once the AMR system is fully installed, MGE is expected to be the second gas utility in the nation to bring the benefits of AMR technology to all the customers in its service territory. AMR will improve the timeliness and accuracy of meter reading, reduce the need for estimated bills, and enhance MGE's overall level of customer service.

The MPSC is expected to spend up to eleven months studying the rate change request in detail before making a decision.

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MISSOURI GAS ENERGY

4 CSR 240-10.070(3)(B) 7

Summary of Reasons for Requested Increase

The proposed change is necessary to recover through rates gas safety program investment required by 4 CSR 240-40.030 and related expenses, costs of other new facilities, and operating expense increases since rates were last changed. Rates were last increased in February 1997.

**MISSOURI GAS ENERGY
REVENUE DEFICIENCY SUMMARY**

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Revenue Deficiency

Line No.	Description (a)	Ref. (b)	Required Return (c)	Earnings Deficiency (d)	Revenue Deficiency (e)	Net Revenue Deficiency (f)
1	Rate Base	B	\$420,181,755			
2	Rate of Return	F	9.858%			
3	Required Return		<u>\$41,421,617</u>	\$41,421,517		
4	Adjusted Test Year Net Operating Income	A-1		<u>24,832,764</u>		
5	Earnings Deficiency			<u>\$16,688,754</u>	\$16,588,754	
6	Multiply by Income Tax Gross-up Factor				<u>1.846789</u>	
7	Revenue Deficiency - Gross of Tax				\$27,318,177	
8	Multiply by Uncollectibles Gross-up Factor				<u>1.021450</u>	
9	Revenue Deficiency before Late Pay Fee Gross Down				<u>\$27,904,162</u>	\$27,904,152
10	Multiply by Late Pay Fee Gross-down Factor					<u>0.996882</u>
11	Net Revenue Deficiency					<u><u>\$27,817,140</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

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	\$420,287,649	(\$303,942,113)	\$116,345,536
2	Other Utility Revenues	11,774,144	(4,825,686)	6,948,458
3	Total Operating Revenues	<u>\$432,061,793</u>	<u>(\$308,767,799)</u>	<u>\$123,293,994</u>
<u>OPERATING EXPENSES</u>				
4	Distribution Expense	\$301,611,137	(\$281,772,615)	\$19,838,522
5	Customer Accounts Expense	18,755,841	305,281	19,061,122
6	Customer Service and Information Expense	560,937	(57,182)	503,755
7	Sales Expense	888,540	94,990	983,530
8	Administrative and General Expense	19,045,699	5,872,893	24,918,592
9	Total Operating and Maintenance Expenses	<u>\$340,862,155</u>	<u>(\$275,556,633)</u>	<u>\$65,305,522</u>
10	Depreciation & Amortization Expense	\$16,112,551	\$7,441,417	\$23,553,967
11	Interest on Customer Deposits	632,106	(112,923)	519,183
12	Taxes Other Than Income	34,524,276	(26,775,121)	7,749,155
13	Total Operating Expenses	<u>\$392,131,087</u>	<u>(\$295,003,260)</u>	<u>\$97,127,827</u>
14	Operating Income Before Income Tax	\$39,930,706	(\$13,764,539)	\$26,166,167
15	Less: Income Tax Expense	6,409,120	(5,075,716)	1,333,403
16	Net Operating Income	<u>\$33,521,586</u>	<u>(\$8,688,822)</u>	<u>\$24,832,764</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Income Tax

Line No.	Description (a)	Reference (b)	Per Books (c)	As Adjusted (d)
1	Total Operating Revenues	A-1	\$432,061,793	\$123,293,994
2	Total Operating Expenses	A-1	(392,131,087)	(97,127,827)
3	Net Operating Income	A-1	<u>\$39,930,706</u>	<u>\$26,166,167</u>
4	Equity Portion of SLRP Deferrals		\$708,664	\$841,266
5	Less: Interest on Long Term Debt		(17,412,332)	(17,412,332)
6	Less: Cost of Tax Deductible Preferred Equity		(5,445,556)	(5,445,556)
7	Total Tax Adjustments		<u>(\$22,857,887)</u>	<u>(\$22,016,622)</u>
8	Net Taxable Income		<u>\$17,072,818</u>	<u>\$4,149,546</u>
9	Income Tax		\$6,705,483	\$1,629,766
10	Less: Income Tax Reduction per Case No. GM-94-40		<u>(296,363)</u>	<u>(296,363)</u>
11	Net Income Tax		<u>\$6,409,120</u>	<u>\$1,333,403</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Calculation of Rate Base

Line No.	Description (a)	Reference (b)	Amount (c)
1	Intangible Plant	C	\$9,438,133
2	Distribution Plant	C	532,776,979
3	General Plant	C	36,989,181
4	Gross Plant In Service		<u>\$579,204,293</u>
5	Accumulated Depreciation & Amortization	D	<u>(155,657,397)</u>
6	Net Plant in Service		\$423,546,896
7	SLRP Deferrals	B-1	\$28,153,321
8	Working Capital	E	24,382,911
9	Customer Deposits	B-2	(8,653,055)
10	Customer Advances	B-3	(6,499,609)
11	Unamortized Deferred Credit per Case No. GM-94-40		(18,000,000)
12	Deferred Income Taxes - SLRP	B-1	(8,464,514)
13	Deferred Income Taxes - Other	B-4	<u>(14,284,195)</u>
14	Total Rate Base		<u><u>\$420,181,755</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Summary of SLRP Deferrals and Deferred Taxes

Line No.	Description (a)	Amount (b)
	<u>SLRP Deferrals</u>	
1	Order GO-92-185	\$5,754,900
2	Order GO-94-234	19,050,873
3	Order GO-97-301	3,347,548
4	Total SLRP Deferrals	<u>\$28,153,321</u>
	<u>SLRP Deferred Taxes</u>	
5	Order GO-92-185	\$2,717,894
6	Order GO-94-234	4,789,529
7	Order GO-97-301	957,091
8	Total SLRP Deferred Taxes	<u>\$8,464,514</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Thirteen Months Ending May 31, 1997

Customer Deposits

Line No.	Month	Amount
	(a)	(b)
1	May-96	(\$7,999,630)
2	Jun-96	(7,973,922)
3	Jul-96	(8,106,744)
4	Aug-96	(8,249,679)
5	Sep-96	(8,384,483)
6	Oct-96	(8,647,847)
7	Nov-96	(8,867,991)
8	Dec-96	(9,010,962)
9	Jan-97	(9,103,815)
10	Feb-97	(9,101,116)
11	Mar-97	(9,074,858)
12	Apr-97	(9,046,024)
13	May-97	<u>(8,922,648)</u>
14	13 Month Total	(\$112,489,719)
15	13 Month Average	<u><u>(\$8,653,055)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Thirteen Months Ending May 31, 1997

Customer Advances

Line No.	Month (a)	Amount (b)
1	May-96	(\$5,217,332)
2	Jun-96	(5,647,378)
3	Jul-96	(5,920,468)
4	Aug-96	(6,276,114)
5	Sep-96	(6,365,602)
6	Oct-96	(6,587,471)
7	Nov-96	(6,782,857)
8	Dec-96	(6,820,686)
9	Jan-97	(6,880,527)
10	Feb-97	(6,843,253)
11	Mar-97	(6,977,474)
12	Apr-97	(7,042,738)
13	May-97	<u>(7,133,011)</u>
14	13 Month Total	(\$84,494,911)
15	13 Month Average	<u><u>(\$6,499,609)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Deferred Taxes (Other than SLRP)

Line No.	Description (a)	Amount (b)
1	Deferred Taxes, MGE Direct Plant as of 5/31/97	(\$11,947,899)
2	Deferred Taxes: AMR and New Plant Adds	(730,542)
3	Deferred Taxes, Corporate Plant	<u>(1,605,754)</u>
4	Total Accumulated Deferred Income Taxes (Other than SLRP)	<u><u>(\$14,284,195)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Plant in Service

Line No.	Description (a)	Direct (b)	Completed Not Classified (c)	Total Direct & Completed (d)	Corporate Allocated (e)	Total Adjustments (f)	Total As Adjusted (g)
INTANGIBLE PLANT							
1	(301) Organization	\$15,600	\$0	\$15,600	\$0	\$0	\$15,600
2	(302) Franchises	55,749	0	55,749	0	0	55,749
3	(303) Miscellaneous Intangible	8,575,167	791,617	9,366,784	0	0	9,366,784
4	Total Intangible Plant	\$8,646,516	\$791,617	\$9,438,133	\$0	\$0	\$9,438,133
DISTRIBUTION PLANT							
5	(374.1) Land	\$167,237	\$0	\$167,237	\$0	\$0	\$167,237
6	(374.2) Land Rights	802,571	7,534	810,105	0	0	810,105
7	(375.1) Structures	5,547,255	0	5,547,255	0	936,354	6,483,609
8	(375.2) Leasehold Improvements	988,961	0	988,961	0	0	988,961
9	(376) Mains & Mains - Cast Iron	216,188,574	1,107,868	217,296,442	0	9,531,108	226,827,550
10	(378) Meas. & Reg. Station - General	9,804,893	6,262	9,811,155	0	0	9,811,155
11	(379) Meas. & Reg. Station - City Gate	2,422,582	0	2,422,582	0	0	2,422,582
12	(380) Services	199,246,735	9,436	199,256,171	0	14,302,015	213,558,186
13	(381) Meters	25,505,243	834,820	26,340,062	0	0	26,340,062
14	(382) Meter Installations	36,528,685	4,285	36,532,970	0	0	36,532,970
15	(383) House Regulators	8,600,883	29,128	8,630,011	0	0	8,630,011
16	(385) Electronic Gas Measuring	204,552	0	204,552	0	0	204,552
17	(387) Other Equipment	0	0	0	0	0	0
18	Total Distribution Plant	\$506,008,170	\$1,999,333	\$508,007,502	\$0	\$24,769,477	\$532,776,979
GENERAL PLANT							
19	(389) Land	\$708,569	\$0	\$708,569	\$0	\$0	\$708,569
20	(390.1) Structures	432,224	4,721	436,945	300,439	0	737,384
21	(390.2) Leasehold Improvements	594,295	90,380	684,675	0	225,000	909,675
22	(391) Furniture & Fixtures	3,247,966	25,276	3,273,242	8,412,457	0	11,685,699
23	(392) Transportation Equipment	689,201	0	689,201	45,476	0	734,677
24	(393) Stores Equipment	547,487	0	547,487	0	0	547,487
25	(394) Tools	4,712,836	17,095	4,729,931	0	0	4,729,931
26	(395) Laboratory Equipment	58,441	0	58,441	0	0	58,441
27	(396) Power Operated Equipment	1,472,462	0	1,472,462	0	1,648,463	3,120,925
28	(397) Communication Equipment - AMR	0	0	0	0	11,327,528	11,327,528
29	(397) Communication Equipment	1,768,284	199,664	1,967,947	116,294	110,821	2,195,062
30	(398) Miscellaneous Equipment	168,678	0	168,678	65,124	0	233,802
31	Total General Plant	\$14,400,443	\$337,136	\$14,737,579	\$8,939,790	\$13,311,812	\$36,989,181
32	Total Original Cost Plant in Service	\$529,055,129	\$3,128,086	\$532,183,214	\$8,939,790	\$38,081,289	\$579,204,293
33	Accumulated Depreciation and Amortization	(154,873,988)	0	(154,873,988)	(2,889,774)	2,106,365	(155,657,397)
34	Net Plant in Service	\$374,181,141	\$3,128,086	\$377,309,226	\$6,050,016	\$40,187,654	\$423,546,896

MISSOURI GAS ENERGY
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Twelve Months Ending May 31, 1997

Adjustments to Plant in Service

Line No.	Description (a)	SLRP 7/97-6/98 Additions No. 1 (b)	SLRP 7/97-6/98 Retirements No. 2 (c)	Vehicle Additions No. 3 (d)	Vehicle Retirements No. 4 (e)	Non-Safety Plant Additions No. 5 (f)	Building Improvements No. 6 (g)	Remove AFUDC No. 7 (h)	Automated Meter Reading No. 8 (i)	Total Adjustments (j)
INTANGIBLE PLANT										
1	(301) Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	(302) Franchises	0	0	0	0	0	0	0	0	0
3	(303) Miscellaneous Intangible	0	0	0	0	0	0	0	0	0
4	Total Intangible Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DISTRIBUTION PLANT										
5	(374.1) Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	(374.2) Land Rights	0	0	0	0	0	0	0	0	0
7	(375.1) Structures	0	0	0	0	936,354	0	0	0	936,354
8	(375.2) Leasehold Improvements	0	0	0	0	0	0	0	0	0
9	(376) Mains & Mains - Cast Iron	8,512,765	(700,000)	0	0	2,064,380	0	(346,037)	0	9,531,108
10	(378) Meas. & Reg. Station - General	0	0	0	0	0	0	0	0	0
11	(379) Meas. & Reg. Station - City Gate	0	0	0	0	0	0	0	0	0
12	(380) Services	16,432,015	(2,130,000)	0	0	0	0	0	0	14,302,015
13	(381) Meters	0	0	0	0	0	0	0	0	0
14	(382) Meter Installations	0	0	0	0	0	0	0	0	0
15	(383) House Regulators	0	0	0	0	0	0	0	0	0
16	(385) Electronic Gas Metering	0	0	0	0	0	0	0	0	0
17	(387) Other Equipment	0	0	0	0	0	0	0	0	0
18	Total Distribution Plant	\$24,944,780	(\$2,830,000)	\$0	\$0	\$3,000,734	\$0	(\$346,037)	\$0	\$24,769,477
GENERAL PLANT										
19	(389) Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	(390.1) Structures	0	0	0	0	0	0	0	0	0
21	(390.2) Leasehold Improvements	0	0	0	0	0	225,000	0	0	225,000
22	(391) Furniture & Fixtures	0	0	0	0	0	0	0	0	0
23	(392) Transportation Equipment	0	0	0	0	0	0	0	0	0
24	(393) Stores Equipment	0	0	0	0	0	0	0	0	0
25	(394) Tools	0	0	0	0	0	0	0	0	0
26	(395) Laboratory Equipment	0	0	0	0	0	0	0	0	0
27	(396) Power Operated Equipment	0	0	1,872,638	(224,175)	0	0	0	0	1,648,463
28	(397) Communication Equipment - AMR	0	0	0	0	0	0	0	11,327,528	11,327,528
29	(397) Communication Equipment	0	0	0	0	0	110,821	0	0	110,821
30	(398) Miscellaneous Equipment	0	0	0	0	0	0	0	0	0
31	Total General Plant	\$0	\$0	\$1,872,638	(\$224,175)	\$0	\$335,821	\$0	\$11,327,528	\$13,311,812
32	Total Original Cost Plant in Service	\$24,944,780	(\$2,830,000)	\$1,872,638	(\$224,175)	\$3,000,734	\$335,821	(\$346,037)	\$11,327,528	\$38,081,289

MISSOURI GAS ENERGY
A Division of Southern Union Company
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Accumulated Reserves for Depreciation and Amortization

Line No.	Description	Test Year Direct	Corporate	Proforma Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Intangible Plant Reserve	(\$4,351,541)	\$0	\$0	(\$4,351,541)
2	Distribution Reserve	(150,522,447)	0	2,106,365	(148,416,082)
3	Corporate Allocated Reserve	0	(2,889,774)	0	(2,889,774)
4	Total Accumulated Reserves	<u>(\$154,873,988)</u>	<u>(\$2,889,774)</u>	<u>\$2,106,365</u>	<u>(\$155,657,397)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Adjustments to Reserves

Line No.	Description (a)	Adjustments to Plant in Service (b)	Deprec. Rates (c)	Adj. to Reserve for Add'l Depr. (see note) (d)	SLRP Retirements No. 2 (e)	TWRE Retirements No. 3 (f)	Salvage on TWRE Retirements No. 4 (g)	Total Adjustments (h)
<u>DISTRIBUTION PLANT</u>								
1	(374.1) Land	\$0	0.00%	\$0	\$0	\$0	\$0	\$0
2	(374.2) Land Rights	0	Amort.	0	0	0	0	0
3	(375.1) Structures	936,354	2.28%	(10,674)	0	0	0	(10,674)
4	(375.2) Leasehold Improvements	0	Amort.	0	0	0	0	0
5	(376) Mains & Mains - Cast Iron	9,531,108	1.88%	(89,592)	700,000	0	0	610,408
6	(378) Meas. & Reg. Station - General	0	3.00%	0	0	0	0	0
7	(379) Meas. & Reg. Station - City Gate	0	2.66%	0	0	0	0	0
8	(380) Services	14,302,015	5.50%	(393,305)	2,130,000	0	0	1,736,695
9	(381) Meters	0	2.05%	0	0	0	0	0
10	(382) Meter Installations	0	2.05%	0	0	0	0	0
11	(383) House Regulators	0	2.05%	0	0	0	0	0
12	(385) Electronic Gas Metering	0	5.00%	0	0	0	0	0
13	(387) Other Equipment	0	6.33%	0	0	0	0	0
14	Total Distribution Plant	\$24,769,477		(\$493,571)	\$2,830,000	\$0	\$0	\$2,336,429
<u>GENERAL PLANT</u>								
15	(389) Land	\$0	0.00%	\$0	\$0	\$0	\$0	\$0
16	(390.1) Structures	0	3.33%	0	0	0	0	0
17	(390.2) Leasehold Improvements	225,000	Amort.	(11,250)	0	0	0	(11,250)
18	(391) Furniture & Fixtures	0	3.06%	0	0	0	0	0
19	(392) Transportation Equipment	0	10.13%	0	0	0	(11,209)	(11,209)
20	(393) Stores Equipment	0	3.33%	0	0	0	0	0
21	(394) Tools	0	4.00%	0	0	0	0	0
22	(395) Laboratory Equipment	0	4.00%	0	0	0	0	0
23	(396) Power Operated Equipment	1,648,463	6.25%	(51,514)	0	224,175	0	172,661
24	(397) Communication Equipment - AMR	11,327,528	6.67%	(377,773)	0	0	0	(377,773)
25	(397) Communication Equipment	110,821	4.50%	(2,493)	0	0	0	(2,493)
26	(398) Miscellaneous Equipment	0	6.25%	0	0	0	0	0
27	Total General Plant	\$13,311,812		(\$443,030)	\$0	\$224,175	(\$11,209)	(\$230,064)
28	Total Adjustment	\$38,081,289		(\$936,601)	\$2,830,000	\$224,175	(\$11,209)	\$2,106,365

Note: Adjustment 1 computed using the 1/2 year convention

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Working Capital

Line No.	Description (a)	Reference (b)	Amounts (c)
1	Materials and Supplies Inventory	E-1	\$2,014,760
2	Prepayments	E-2	753,191
3	Gas Inventory	E-3	<u>21,614,960</u>
4	Total Working Capital		<u><u>\$24,382,911</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Thirteen Months Ending May 31, 1997

Materials & Supplies

Line No.	Month	Amount
	(a)	(b)
1	May-96	\$2,178,328
2	Jun-96	2,150,950
3	Jul-96	2,377,012
4	Aug-96	2,010,026
5	Sep-96	2,072,961
6	Oct-96	1,900,098
7	Nov-96	1,957,402
8	Dec-96	1,964,734
9	Jan-97	1,911,325
10	Feb-97	1,919,160
11	Mar-97	1,914,936
12	Apr-97	1,910,479
13	May-97	<u>1,924,464</u>
14	13 Month Total	\$26,191,875
15	13 Month Average	<u><u>\$2,014,760</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Thirteen Months Ending May 31, 1997

Prepayments

Line No.	Month (a)	Amount (b)
1	Mar-96	\$617,881
2	Apr-96	450,509
3	May-96	459,908
4	Jun-96	363,673
5	Jul-96	1,331,244
6	Aug-96	1,161,075
7	Sep-96	1,062,601
8	Oct-96	922,700
9	Nov-96	851,351
10	Dec-96	852,907
11	Jan-97	694,495
12	Feb-97	553,891
13	Mar-97	<u>469,248</u>
14	13 Month Total	\$9,791,483
15	13 Month Average	<u><u>\$753,191</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Thirteen Months Ending May 31, 1997

Gas Inventory

Line No.	Month (a)	Amount (b)
1	May-96	\$6,548,995
2	Jun-96	14,764,081
3	Jul-96	22,784,265
4	Aug-96	32,530,202
5	Sep-96	38,709,635
6	Oct-96	41,328,165
7	Nov-96	40,772,184
8	Dec-96	29,347,900
9	Jan-97	22,478,646
10	Feb-97	12,684,400
11	Mar-97	9,288,853
12	Apr-97	5,794,325
13	May-97	<u>3,962,831</u>
14	13 Month Total	\$280,994,481
15	13 Month Average	<u><u>\$21,614,960</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Summary of Cost of Capital

Line No.	Description	Reference	Amount	Ratio	Cost Rate	Weighted Composite Rate
	(a)	(b)	(c)	(d)	(e)	(f)
1	Long-Term Debt	F-1	\$377,751,010	0.5095	8.134%	4.144%
2	Preferred Equity	F-2	96,295,457	0.1299	9.98%	1.296%
3	Common Equity	F-2	<u>267,361,667</u>	<u>0.3606</u>	12.25%	<u>4.418%</u>
4	Total		<u><u>\$741,408,134</u></u>	<u><u>1.0000</u></u>		<u><u>9.858%</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Long Term Debt

Line No.	Description	Outstanding Debt	Annual Interest Rate	Annualized Cost
	(a)	(b)	(c)	(d)
1	7.6% Senior Notes	\$384,515,000	7.60%	\$29,223,140
2	Capital Lease - AMR	11,264,700	6.25%	704,044
3	Capital Lease - IBM	674,486	6.29%	42,425
4	Total Long-Term Debt	<u>\$396,454,186</u>		<u>\$29,969,609</u>
5	Unamortized Debt Costs - 181	(3,876,107)		145,354
6	AMR Debt Costs	(115,000)		23,000
7	Unamortized Costs/Loss/Gain on Reacquired Debt - 189 & 257	(14,712,069)		588,992
8	Net Long Term Debt	<u>\$377,751,010</u>		<u>\$30,726,955</u>
9	Cost of Debt			8.134%
10	Debt as Proportion of Total Capitalization (Line 7, Column B divided by Line 3, Column B, Schedule F)			<u>0.5095</u>
11	Composite Debt Cost Rate			<u><u>4.1440%</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Equity Capital

Line No.	Description	Balance	Annualized Cost	Cost Rate	Ratio	Composite Cost Rate
	(a)	(b)	(c)	(d)	(e)	(f)
Preferred Equity						
1	\$100,000,000 of 9.48% Preferred Securities		\$9,480,000			
2	Issuance Cost Amortization		132,305			
3	Preferred Equity	\$96,295,457	\$9,612,305	9.982%		
4	Preferred Equity as Proportion of Total Capitalization (Line 3, Column B divided by Line 3, Column B, Schedule F)				13.0%	
5	Composite Preferred Cost Rate					1.296%
Common Equity						
6	Common Equity	267,361,667				
7	Required Return on Common Equity			12.250%		
8	Common Equity as Proportion of Total Capitalization (Line 10, Column B divided by Line 3, Column B, Schedule F)				36.1%	
9	Composite Common Cost Rate					4.418%
10	Total Equity Capital	<u>\$363,657,124</u>				<u>5.714%</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Distribution of Revenue and Expense Adjustments by Main

Line No.	Main Acct.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
(a)	(b)	(c)	(d)	(e)	
OPERATING REVENUE					
1	480	Residential	\$288,682,802	(\$208,449,338)	\$82,233,464
2	481.1	Commercial	124,985,286	(95,925,851)	29,039,435
3	481.2	Industrial	3,620,676	(2,391,517)	1,229,158
4	483	Sales for Resale	8,092	(420)	5,672
5	487	Late Payment Charges	1,344,927	336,141	1,681,068
6	488	Miscellaneous Service Revenue	1,667,867	468,872	2,156,739
7	489	Transport	11,828,193	(4,825,686)	7,000,507
8	493	Rent From Property	22,245	0	22,245
9	495	Other Gas Revenue	(74,294)	0	(74,294)
		Total Operating Revenue	\$432,061,793	(\$308,767,799)	\$123,293,994
OPERATING & MAINTENANCE EXPENSE					
Operation Expense					
10	804-808	Natural Gas Purchases and Expenses	\$282,101,115	(\$282,101,115)	\$0
11	859	Other Joint Expense	3,688	0	3,688
12	870	Operation, Supervision and Engineering	384,746	(21,791)	362,955
13	871	Distribution and Load Dispatching	7,220	0	7,220
14	872	Compressor Station Labor and Expense	251	(0)	251
15	874	Mains and Service Expenses	1,839,926	29,593	1,869,519
16	875	Distributing Regulating Station Expenses	875,234	4,467	879,701
17	876	Measuring and Regulating - Station Expenses	25,996	420	26,416
18	877	Measuring and Regulating - Station Expenses	1,409	28	1,436
19	878	Meter and House Regulator Expenses	4,705,344	118,596	4,823,940
20	879	Customer Installation Expenses	2,648,734	32,581	2,681,314
21	880	Other Expenses	1,555,119	10,593	1,565,712
22	881	Rents	104,241	0	104,241
23		Total Operation Expense	\$294,053,021	(\$281,928,628)	\$12,124,393
Maintenance Expense					
24	885	Maintenance Supervision and Engineering	\$171,291	\$556	\$171,847
25	886	Maintenance of Structures and Improvements	103,053	1,294	104,347
26	887	Maintenance of Mains	6,195,594	129,883	6,325,476
27	889	Maint. of Measuring and Reg. Stat Equip - General	220,628	4,918	225,546
28	890	Maint. of Measuring and Regulating Equipment	83,923	1,557	85,480
29	891	Maint. of Measuring and Regulating Equipment	1,887	22	1,909
30	892	Maintenance of Services	230,233	12,268	242,501
31	893	Maintenance of Meters and House Regulators	334,851	954	335,805
32	894	Maintenance of Other Equipment	218,856	4,561	223,417
33		Total Maintenance Expenses	\$7,558,116	\$156,013	\$7,714,129
34		Total Distribution Expense	\$301,611,137	(\$281,772,615)	\$19,838,522
Customer Accounts Expense					
35	901	Supervision	\$400,692	(\$41,965)	\$358,727
36	902	Meter Reading Expense	3,157,912	(717,509)	2,440,402
37	903	Customer Records and Collection Expense	7,181,817	1,301,158	8,482,975
38	904	Uncollectible Accounts	7,993,944	(263,839)	7,730,105
39	905	Miscellaneous Customer Accounts Expense	21,478	27,437	48,913
40		Total Customer Accounts Expenses	\$18,755,841	\$305,281	\$19,061,122

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Distribution of Revenue and Expense Adjustments by Main

Line No.	Main Acct.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
(a)	(b)		(c)	(d)	(e)
Customer Service and Informational Expense					
41	907	Supervision	\$0	\$0	\$0
42	908	Customer Assistance	455,254	(57,182)	398,072
43	909	Informational and Instructional Advertising Exp.	99,129	0	99,129
44	910	Miscellaneous Customer Accounts Expense	6,553	0	6,553
		Total Cust. Service and Information Exp.	<u>\$560,937</u>	<u>(\$57,182)</u>	<u>\$503,755</u>
Sales and Advertising Expense					
45	911	Supervision	\$141,940	(\$3,200)	\$138,740
46	912	Demonstrating and Selling Expenses	741,942	98,190	840,132
47	913	Advertising Expenses	568	0	568
48	916	Miscellaneous Sales Expenses	4,091	0	4,091
49		Total Sales and Advertising Expenses	<u>\$888,540</u>	<u>\$94,990</u>	<u>\$983,530</u>
Administrative and General Expense					
50	920	Administrative and General Salaries	\$3,712,659	(\$227,447)	\$3,485,212
51	921	Office Supplies and Expenses	3,324,890	28,230	3,353,120
52	922	Administrative Expenses Transferred	(436,337)	0	(436,337)
53	923	Outside Services Employed	1,596,882	7,762,815	9,359,497
54	924	Property Insurance	547,116	(547,116)	0
55	925	Injuries and Damages	1,435,032	(29,913)	1,405,119
56	926	Employee Pensions and Benefits	6,121,690	(1,579,361)	4,542,328
57	927	Franchise Requirements	0	0	0
58	928	Regulatory Commission Expense	1,183,197	444,908	1,628,105
59	930	Miscellaneous General Expenses	405,428	(9,582)	395,846
60	931	Rents	836,869	30,031	866,900
61	935	Maintenance of General Plant	318,273	528	318,802
62		Total Administration and General Expense	<u>\$19,045,699</u>	<u>\$5,872,893</u>	<u>\$24,918,592</u>
63		Total O & M Expense	<u>\$340,862,155</u>	<u>(\$275,556,633)</u>	<u>\$65,305,522</u>
64	403	Depreciation	15,273,893	4,618,187	19,892,080
65	404, 405	Amortization	838,658	2,823,229	3,661,888
66	431	Interest on Customer Deposits	632,106	(112,923)	519,183
67	408	Payroll Taxes	\$1,709,880	\$43,747	\$1,753,627
68	408	Property Taxes	4,159,531	1,538,131	5,697,662
69	408	Gross Receipts Tax	28,848,353	(28,848,353)	0
70	408	Other Taxes	(193,488)	491,354	297,866
71	408	Taxes Other Than Income	<u>\$34,524,276</u>	<u>(\$26,775,121)</u>	<u>\$7,749,155</u>
72		TOTAL EXPENSES	<u>\$392,131,087</u>	<u>(\$295,003,260)</u>	<u>\$97,127,827</u>
73		OPERATING INCOME BEFORE INCOME TAX	<u>\$39,930,706</u>	<u>(\$13,764,539)</u>	<u>\$26,166,167</u>
74	409,410	Income Taxes	\$6,409,120	(\$5,075,716)	\$1,333,403
75		NET OPERATING INCOME	<u>\$33,521,586</u>	<u>(\$8,688,822)</u>	<u>\$24,832,764</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Distribution of Revenue and Expense Adjustments by Main

Line No.	Main Acct.	Description (b)	Total Year Per Books (c)	Adj. GL Rev to Test Year Margin (d)	Normalize & Adj. Test Year Margin (e)	Remove Purch. Cost and GRT (f)	Payroll Expense (g)	Employee Benefits (h)	Payroll Taxes (i)	Insurance (j)	Joint and Common Costs (k)	Uncollectible Expense (l)
OPERATING REVENUE												
1	480	Residential	\$288,682,802	(\$207,537,765)	\$1,088,417							
2	481.1	Commercial	124,965,288	(96,649,453)	733,802							
3	481.2	Industrial	3,620,878	(2,381,251)	(30,287)							
4	483	Sales for Resale	6,082	(420)	0							
5	487	Late Payment Charges	1,344,927	(91)	338,232							
6	488	Miscellaneous Service Revenue	1,667,867	3,348	485,524							
7	489	Transport	11,828,193	(4,828,145)	102,459							
8	493	Rent From Property	22,245									
9	495	Other Gas Revenue	(74,294)									
10		Total Operating Revenue	\$432,061,793	(\$311,483,768)	\$2,715,987	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING & MAINTENANCE EXPENSE												
Operation Expense												
11	804-808	Natural Gas Purchases and Expenses										
12	809	Other Joint Expense	\$282,101,115			(\$282,101,115)						
13	870	Operation, Supervision and Engineering	3,688				(28,904)					
14	871	Distribution and Load Dispatching	384,746									
15	872	Compressor Station Labor and Expense	7,220									
16	874	Mains and Service Expenses	251									
17	875	Distributing Regulating Station Expenses	1,839,828				(1)					
18	876	Measuring and Regulating - Station Expenses	875,234				(1,133)					
19	877	Measuring and Regulating - Station Expenses	25,998				(18,638)					
20	878	Meter and House Regulator Expenses	1,408				(83)					
21	879	Customer Installation Expenses	4,705,344				(3)					
22	880	Other Expenses	2,848,734				(20,428)					
23	881	Rents	1,555,119				(6,908)					
24		Total Operation Expense	\$284,053,021	\$0	\$0	(\$282,101,115)	\$81,834	\$0	\$0	\$0	\$0	\$0
Maintenance Expense												
25	885	Maintenance Supervision and Engineering	\$171,291				(\$9,082)					
26	886	Maintenance of Structures and Improvements	103,053				(185)					
27	887	Maintenance of Mains	8,195,594				(92,488)					
28	889	Maint. of Measuring and Reg. Stat Equip - General	220,828				(468)					
29	890	Maint. of Measuring and Regulating Equipment	83,923				(189)					
30	891	Maint. of Measuring and Regulating Equipment	1,887				(4)					
31	892	Maintenance of Services	230,233				(973)					
32	893	Maintenance of Meters and House Regulators	334,851				(720)					
33	894	Maintenance of Other Equipment	218,858				3,055					
34		Total Maintenance Expenses	\$7,858,116	\$0	\$0	\$0	(\$71,055)	\$0	\$0	\$0	\$0	\$0
35		Total Distribution Expense	\$301,811,137	\$0	\$0	(\$282,101,115)	(\$152,889)	\$0	\$0	\$0	\$0	\$0
Customer Accounts Expense												
36	901	Supervision	\$400,692				(\$43,378)					
37	902	Meter Reading Expense	3,157,912				(\$22,513)					
38	903	Customer Records and Collection Expense	7,181,817				\$986,378					
39	904	Uncollectible Accounts	7,983,844									(283,839)
40	905	Miscellaneous Customer Accounts Expense	21,478									
41		Total Customer Accounts Expenses	\$18,735,641	\$0	\$0	\$0	\$930,487	\$0	\$0	\$0	\$0	(\$283,839)
Customer Service and Informational Expense												
42	907	Supervision	\$0				(14,074)					
43	908	Customer Assistance	455,254									
44	909	Informational and Instructional Advertising Exp.	89,129									
45	910	Miscellaneous Customer Accounts Expense	6,553									
46		Total Cust. Service and Informational Exp.	\$560,937	\$0	\$0	\$0	(\$14,874)	\$0	\$0	\$0	\$0	\$0

Distribution of Revenue and Expense Adjustments by Main

Line No.	Main Acct.	Description (b)	Test Year Per Books (c)	Adj. GL Rev to Test Year Margin (d)	Normalize & Adj. Test Year Margin (e)	Remove Purch., Gas Cost and GRT (f)	Payroll Expense (g)	Employee Benefits (h)	Payroll Taxes (i)	Insurance (j)	Joint and Common Costs (k)	Uncollectible Expense (l)
Sales and Advertising Expense												
47	911	Supervision	\$141,940									
48	912	Demonstrating and Selling Expenses	741,942				(\$3,200)					
49	913	Advertising Expenses	568				\$98,190					
50	916	Miscellaneous Sales Expenses	4,091									
51		Total Sales and Advertising Expenses	\$888,540	\$0	\$0	\$0	\$94,880	\$0	\$0	\$0	\$0	\$0
Administrative and General Expense												
52	920	Administrative and General Salaries	\$3,712,858				(\$227,447)					
53	921	Office Supplies and Expenses	3,324,850									
54	922	Administrative Expenses Transferred	(458,337)									
55	923	Outside Services Employed	1,598,882									
56	924	Property Insurance	547,116									
57	925	Injuries and Damages	1,435,032									
58	926	Employee Pensions and Benefits	6,121,690					(1,579,515)				
59	927	Franchise Requirements	0									
60	928	Regulatory Commission Expense	1,183,197									
61	930	Miscellaneous General Expenses	405,428									
62	931	Rent	836,868									
63	935	Maintenance of General Plant	318,273				(98)					
64		Total Administration and General Expense	\$19,045,609	\$0	\$0	\$0	(\$227,545)	(\$1,579,515)	\$0	(\$577,029)	\$7,762,615	\$0
Total O & M Expense												
65	403	Depreciation	15,273,803									
66	404, 405	Amortization	838,658									
67	431	Interest on Customer Deposits	632,108									
68	408	Payroll Taxes	\$1,709,880						\$43,747			
69	408	Property Taxes	4,159,531									
70	408	Gross Receipts Tax	28,848,353									
71	408	Other Taxes	(193,485)				(28,848,353)					
72	408	Taxes Other Than Income	\$34,524,278	0	0	(28,848,353)	0	0	43,747	0	0	0
73		TOTAL EXPENSES	\$392,131,087	\$0	\$0	(\$310,949,468)	\$830,289	(\$1,579,515)	\$43,747	(\$577,029)	\$7,762,615	(\$263,839)
74		OPERATING INCOME BEFORE INCOME TAX	\$39,930,706	(\$311,483,766)	\$2,715,967	\$310,949,468	(\$830,289)	\$1,579,515	(\$43,747)	\$577,029	(\$7,762,615)	\$263,839
75	409, 410	Income Taxes	6,409,120									
76		Notes: per book & adjusted income tax computed on A-2										
77		NET OPERATING INCOME	\$33,521,586	(\$311,483,766)	\$2,715,967	\$310,949,468	(\$830,289)	\$1,579,515	(\$43,747)	\$577,029	(\$7,762,615)	\$263,839

MISSOURI GAS ENERGY

A Division of Southern Union Company
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Distribution of Revenue and Expense Adjustments by Main

Line No.	Main Acct.	Description (b)	Test Year Per Books (c)	H-10 Regulatory Commission Expense (m)	H-11 Interest on Customer Deposits (n)	H-12 Depreciation Expense (o)	H-13 Amortization Expense (p)	H-14 Time Clearing (q)	H-15 Stores Load Clearing (r)	H-16 Paid Time Off Clearing (s)	H-17 State Franchise Tax (t)	H-18 Property Tax (u)	H-19 Call Center Conversion Costs (v)
Sales and Advertising Expense													
47	911	Supervision	\$141,940										
48	912	Demonstrating and Selling Expenses	741,942										
49	913	Advertising Expenses	588										
50	916	Miscellaneous Sales Expenses	4,091										
51		Total Sales and Advertising Expenses	\$888,540	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative and General Expense													
52	920	Administrative and General Salaries	\$3,712,659										
53	921	Office Supplies and Expenses	3,324,860										
54	922	Administrative Expenses Transferred	(498,337)					23,507	284				
55	923	Outside Services Employed	1,598,882										
56	924	Property Insurance	547,116										
57	925	Injuries and Damages	1,435,032										
58	926	Employee Pensions and Benefits	6,121,860										
59	927	Franchise Requirements	0										
60	928	Regulatory Commission Expense	1,183,197	444,908									
61	930	Miscellaneous General Expenses	405,428										
62	931	Rent	836,869										
63	935	Maintenance of General Plant	318,273										
64		Total Administration and General Expense	\$19,045,689	\$444,908	\$0	\$0	\$0	\$24,084	\$417	\$50	\$0	\$0	\$127,421
Total O & M Expense													
65	403	Depreciation	15,273,893			\$4,818,187							
66	404, 405	Amortization	838,658				2,823,228						
67	431	Interest on Customer Deposits	832,108		(112,923)								
68	408	Payroll Taxes	\$1,709,880										
69	408	Property Taxes	4,199,531										
70	408	Gross Receipts Tax	23,848,353									1,538,131	
71	408	Other Taxes	(193,488)										
72	408	Taxes Other Than Income	\$34,524,278	0	0	0	0	0	0	0	491,354	1,538,131	0
73		TOTAL EXPENSES	\$392,131,087	\$444,908	(\$112,923)	\$4,818,187	\$2,823,228	\$581,240	\$9,150	\$19,209	\$481,354	\$1,538,131	\$127,421
74		OPERATING INCOME BEFORE INCOME TAX	\$39,930,706	(\$444,908)	\$112,923	(\$4,818,187)	(\$2,823,228)	(\$581,240)	(\$9,150)	(\$19,209)	(\$481,354)	(\$1,538,131)	(\$127,421)
75	409,410	Income Taxes	6,409,120										
76		Notes per book & adjusted income tax computed on A-2											
77		NET OPERATING INCOME	\$33,521,586	(\$444,908)	\$112,923	(\$4,818,187)	(\$2,823,228)	(\$581,240)	(\$9,150)	(\$19,209)	(\$481,354)	(\$1,538,131)	(\$127,421)

Distribution of Revenue and Expense Adjustments by Main

Line No.	Main Acct.	Description (b)	Test Year Per Books (c)	Weatherization Program (w)	Broadway Rent (x)	Now Business Office Costs (y)	Dues Expense (z)	Billing Process Enhancement (aa)	Meter Reading Cost Reductions (ab)	Remove Billing Error Costs (ac)	Total Adjustments (ad)	Test Year As Adjusted (ae)
OPERATING REVENUE												
1	480	Residential	\$288,802,802								(\$208,448,338)	\$82,233,464
2	481.1	Commercial	124,965,286								(95,925,851)	28,038,435
3	481.2	Industrial	3,620,678								(2,391,517)	1,229,158
4	483	Sales for Resale	6,092								(420)	5,672
5	487	Late Payment Charges	1,344,927								336,141	1,681,068
6	488	Miscellaneous Service Revenue	1,667,867								488,872	2,156,739
7	489	Transport	11,828,193								(4,825,898)	7,000,507
8	493	Rent From Property	22,245								0	22,245
9	495	Other Gas Revenue	(74,294)								0	(74,294)
10		Total Operating Revenue	\$432,061,793	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$308,767,789)	\$123,293,984
OPERATING & MAINTENANCE EXPENSE												
Operation Expense												
11	804-808	Natural Gas Purchases and Expenses	\$282,101,115								(\$282,101,115)	\$0
12	859	Other Joint Expense	3,688								\$0	\$3,688
13	870	Operation, Supervision and Engineering	384,746								(21,791)	362,955
14	871	Distribution and Load Dispatching	7,220								0	7,220
15	872	Compressor Station Labor and Expense	251								(0)	251
16	874	Mains and Service Expenses	1,839,928								29,593	1,869,518
17	875	Distributing Regulating Station Expenses	675,234								4,457	679,701
18	876	Measuring and Regulating - Station Expenses	25,998								420	26,418
19	877	Measuring and Regulating - Station Expenses	1,409								28	1,438
20	878	Meter and House Regulator Expenses	4,705,344								116,596	4,821,940
21	879	Customer Installation Expenses	2,648,734								32,581	2,681,314
22	880	Other Expenses	1,595,118								10,593	1,605,712
23	881	Rents	104,241								0	104,241
24		Total Operation Expense	\$284,033,021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$281,928,628)	\$12,124,393
Maintenance Expense												
25	885	Maintenance Supervision and Engineering	\$171,291								\$558	\$171,847
26	886	Maintenance of Structures and Improvements	103,053								1,284	104,347
27	887	Maintenance of Mains	8,195,594								129,883	8,325,476
28	889	Maint. of Measuring and Reg. Stat Equip - General	220,628								4,918	225,546
29	890	Maint. of Measuring and Regulating Equipment	83,923								1,557	85,480
30	891	Maint. of Measuring and Regulating Equipment	1,887								22	1,909
31	892	Maintenance of Services	230,233								12,298	242,501
32	893	Maintenance of Meters and House Regulators	334,851								954	335,805
33	894	Maintenance of Other Equipment	216,866								4,561	221,418
34		Total Maintenance Expenses	\$7,553,116	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$156,013	\$7,714,129
35		Total Distribution Expense	\$301,611,137	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$281,772,615)	\$19,838,522
Customer Accounts Expense												
36	901	Supervision	\$400,892								(\$41,965)	\$358,727
37	902	Meter Reading Expense	3,157,912						(753,026)		(717,509)	2,440,402
38	903	Customer Records and Collection Expense	7,181,817					411,139		(150,776)	1,301,158	8,482,875
39	904	Uncollectible Accounts	7,993,944								(283,838)	7,700,105
40	905	Miscellaneous Customer Accounts Expense	21,478								27,437	48,913
41		Total Customer Accounts Expenses	\$18,755,841	\$0	\$0	\$27,437	\$0	\$411,139	(\$753,026)	(\$150,776)	\$305,281	\$19,061,122
Customer Service and Informational Expense												
42	907	Supervision	\$0								\$0	\$0
43	908	Customer Assistance	455,254	(42,208)							(\$7,182)	398,072
44	909	Informational and Instructional Advertising Exp.	98,128								0	98,128
45	910	Miscellaneous Customer Accounts Expense	6,553								0	6,553
46		Total Cust. Service and Information Exp.	\$560,937	(\$42,208)	\$0	\$0	\$0	\$0	\$0	\$0	(\$57,182)	\$503,755

MISSOURI GAS ENERGY
A Division of Southern Union Company
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Distribution of Revenue and Expense Adjustments by Main

Line No.	Main Acct.	Description	Test Year Per Books	Weatherization Program	Broadway Rent	New Business Office Costs	Dues Expense	Billing Process Enhancement	Meter Reading Cost Reductions	Remove Billing Error Costs	Total Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(w)	(x)	(y)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)
Sales and Advertising Expense												
47	811	Supervision	\$141,940								(\$3,200)	\$138,740
48	812	Demonstrating and Selling Expenses	741,842								98,190	840,132
49	813	Advertising Expenses	568								0	568
50	916	Miscellaneous Sales Expenses	4,081								0	4,081
51		Total Sales and Advertising Expenses	\$888,540	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$94,990	\$883,530
Administrative and General Expense												
52	920	Administrative and General Salaries	\$3,712,859								(\$227,447)	\$3,485,212
53	821	Office Supplies and Expenses	3,324,880			9,900	(5,441)				28,230	3,353,120
54	822	Administrative Expenses Transferred	(438,337)								0	(438,337)
55	823	Outside Services Employed	1,598,832								7,782,815	9,358,487
56	824	Property Insurance	547,118								(547,116)	0
57	925	Injuries and Damages	1,435,032								(29,813)	1,405,119
58	826	Employee Pensions and Benefits	6,121,680								(1,579,361)	4,542,328
59	827	Franchise Requirements	0								0	0
60	828	Regulatory Commission Expense	1,183,197								444,908	1,628,105
61	830	Miscellaneous General Expenses	405,428			15,000	(9,582)				(9,582)	395,846
62	831	Rents	839,889		(115,380)						30,051	699,900
63	835	Maintenance of General Plant	318,273								528	318,802
64		Total Administration and General Expense	\$19,045,889	\$0	(\$115,380)	\$27,900	(\$15,023)	\$0	\$0	\$0	\$5,872,883	\$24,918,592
Total O & M Expense												
			\$340,852,155	(\$42,208)	(\$115,380)	\$55,337	(\$15,023)	\$411,139	(\$753,026)	(\$150,776)	(\$275,558,633)	\$85,305,522
65	403	Depreciation	15,273,893								\$4,818,187	\$19,892,080
66	404, 405	Amortization	838,858								2,823,229	3,881,888
67	431	Interest on Customer Deposits	632,108								(112,823)	519,183
68	408	Payroll Taxes	\$1,708,880								\$43,747	\$1,753,627
69	408	Property Taxes	4,189,531								1,538,131	5,687,662
70	408	Gross Receipts Tax	28,848,353								(28,848,353)	0
71	408	Other Taxes	(193,488)								481,354	287,866
72	408	Taxes Other Than Income	\$34,524,278	0	0	0	0	0	0	0	(28,775,121)	7,749,155
73		TOTAL EXPENSES	\$392,131,087	(\$42,208)	(\$115,380)	\$55,337	(\$15,023)	\$411,139	(\$753,026)	(\$150,776)	(\$295,003,260)	\$97,127,827
74		OPERATING INCOME BEFORE INCOME TAX	\$39,930,706	\$42,208	\$115,380	(\$55,337)	\$15,023	(\$411,139)	\$753,026	\$150,776	(\$13,784,539)	\$28,186,187
75	408,410	Income Taxes	8,408,120								(\$5,075,716)	\$1,333,403
76		Note: per book & adjusted income tax computed on A-2										
77		NET OPERATING INCOME	\$33,521,588	\$42,208	\$115,380	(\$55,337)	\$15,023	(\$411,139)	\$753,026	\$150,776	(\$8,868,822)	\$24,832,764

MISSOURI GAS ENERGY

A Division of Southern Union Company
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Adjust Test Year Revenue per Book to Test Year Margin

Line No.	Description (a)	Main Account/Revenue Class							Total (i)
		480 21 (b)	481.1 22 & 23 (c)	481.2 25 (d)	483 28 (e)	487 33 (f)	489 38 (g)	(488,493,495) (h)	
1	Total Revenue per Book	\$288,682,802	\$124,965,286	\$3,620,676	\$6,092	\$1,344,927	\$11,826,193	\$1,615,818	\$432,061,793
2	Less: GRT Revenue, Unfilled Revenue, PGA Revenue, and Miscellaneous Adjustments	(207,537,755)	(96,659,453)	(2,361,251)	(420)	(91)	(4,928,145)	3,348	(311,483,766)
3	Test Year Margin	\$81,145,047	\$28,305,833	\$1,259,425	\$5,672	\$1,344,836	\$6,898,048	\$1,619,166	\$120,578,027

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Test Year Margin Adjustments

Line No.	Description	Main Account/Revenue Class							Total
		480	481.1	481.2	483	487	489	(488,453,495)	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Test Year Margin	\$81,145,047	\$28,305,833	\$1,259,425	\$5,672	\$1,344,836	\$6,898,048	\$1,619,166	\$120,578,027
2	Annualize Revenue to Current Rates	4,186,591	1,985,986	16,527			318,004		6,507,108
3	Annualize Customer Charge Proration	(705,314)	(190,106)	(5,413)					(900,833)
4	Weather Normalize	(2,636,971)	(985,773)	695			(78,337)		(3,700,386)
5	Customer Growth Annualization	244,111	(98,887)	(19,064)			0		126,160
6	Rate Switching LGS to LVS		24,149	6,140			22,977		53,265
7	Annualize LVS Customers		(11,870)	(31,516)			(145,371)		(188,757)
8	Load changes of LVS Customers						(4,666)		(4,666)
9	Annualize Flex Credits						(14,059)		(14,059)
10	Economic Development Discounts						11,993		11,993
11	Late Payment Charge Tariff Adjustment					336,232			336,232
12	Proposed Reconnect Fee Increase							485,524	485,524
13	Reclassify Customers from LVS to LGS								
14	Total Adjustments	1,088,417	733,602	2,365	0	336,232	(8,082)	485,524	4,386
				(30,267)			102,459		
15	As Adjusted Test Year Margin	\$82,233,464	\$29,039,435	\$1,229,158	\$5,672	\$1,681,068	\$7,000,507	\$2,104,690	\$123,293,994

MISSOURI GAS ENERGY
A Division of Southern Union Company
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Remove Purchase Gas Costs and Gross Receipts Tax

Line No.	Description (a)	Amount (b)
1	Purchase Gas Costs (Accts. 804-808)	(\$282,101,115)
2	Gross Receipts Tax (Acct. 4081)	(28,848,353)
3	Total Adjustment	<u>(\$310,949,468)</u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Payroll Expense

Line No.	Main Acct.	Proforma Payroll Expense	Payroll Expense Per Book	Adjustment to Test Year
	(a)	(b)	(c)	(d)
1	870	\$311,963	\$341,867	(\$29,904)
2	872	179	180	(1)
3	874	333,495	334,628	(1,133)
4	875	421,731	440,367	(18,636)
5	876	18,449	18,512	(63)
6	877	818	821	(3)
7	878	3,065,116	3,095,542	(30,426)
8	879	2,054,879	2,061,787	(6,908)
9	880	711,389	705,950	5,439
10	885	115,650	124,732	(9,082)
11	886	54,534	54,719	(185)
12	887	3,530,437	3,592,925	(62,488)
13	889	137,957	138,425	(468)
14	890	55,630	55,819	(189)
15	891	1,230	1,234	(4)
16	892	286,243	287,216	(973)
17	893	212,026	212,746	(720)
18	894	104,632	101,577	3,055
19	901	352,203	395,582	(43,379)
20	902	1,547,037	1,569,550	(22,513)
21	903	4,830,889	3,834,510	996,379
22	908	121,230	136,204	(14,974)
23	911	137,894	141,094	(3,200)
24	912	834,565	736,375	98,190
25	920	3,485,202	3,712,649	(227,447)
26	926	4,041	4,041	0
27	930	22,233	22,233	(0)
28	935	28,817	28,915	(98)
29	Total	\$22,780,469	\$22,150,200	\$630,269

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Employee Benefits

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Pension	(\$2,293,526)	
2	Life & AD&D Insurance	71,213	
3	Long Term Disability Insurance	109,793	
4	Medical / Dental Benefit	3,298,896	
5	FAS 106	3,809,280	
6	401K	1,041,960	
7	COLI Amortization	245,893	
8	Other Benefits	188,639	
9	Total Proforma Benefits	<u>\$6,472,148</u>	
10	Payroll Expense Ratio	0.701179	
11	Proforma Benefits Expense	<u>\$4,538,134</u>	<u>\$4,538,134</u>
12	Less Test Year Benefits Expense	(\$6,121,690)	
13	Add back payroll charged to Acct. 9260 (already deducted from proforma amounts on payroll adjustment)	4,041	
14	Net Test Year Benefits Expense (not deducted elsewhere)	<u>(\$6,117,649)</u>	<u>(6,117,649)</u>
15	Adjustment to Test Year Expense - Acct. 926		<u><u>(\$1,579,515)</u></u>

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending May 31, 1997

Payroll Taxes

Line No.	Description (a)	Amount (b)
1	Total Proforma Payroll Taxes	\$2,500,969
2	Payroll Expense Ratio	0.701179
3	Proforma Payroll Tax Expense	<u>\$1,753,627</u>
4	Less Test Year Payroll Tax Expense	<u>(1,709,880)</u>
5	Adjustment to Test Year Expense - Acct. 4081	<u><u>\$43,747</u></u>

MISSOURI GAS ENERGY
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Insurance

Line No.	Description	1995	1996	1997	3 Year Avg.	Amount
	(a)	(b)	(c)	(d)	(e)	(f)
	MGE Claims:					
1	Workers Compensation claims paid	\$528,070	\$592,929	\$580,294	\$567,098	
2	Auto Liability	45,185	56,850	271,113	124,383	
3	General Liability	86,962	88,549	132,394	102,635	
4	Total Proforma Claims	<u>\$660,217</u>	<u>\$738,328</u>	<u>\$983,801</u>	<u>\$794,115</u>	\$794,115
5	Insurance Premiums					<u>1,209,822</u>
6	Total Proforma Insurance Cost					\$2,003,937
7	Test Year Payroll Expense Ratio					<u>0.701179</u>
8	Proforma Insurance Expense					\$1,405,119
9	Less Test Year Insurance Expense					(1,982,148)
10	Adjustment to Test Year - Accts. 924 and 925					<u><u>(\$577,029)</u></u>

MISSOURI GAS ENERGY
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Joint and Common Costs

Line No.	Description (a)	Amount (b)
1	Proforma Joint and Common Costs	\$12,520,347
2	MGE Expense Ratio	62%
3	Proforma Joint and Common Expense	\$7,762,615
4	Less Test Year Expense Recorded on MGE's Books	<u>0</u>
5	Adjustment to Test Year - Acct. 923	<u><u>\$7,762,615</u></u>

MISSOURI GAS ENERGY

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Uncollectible Expense

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Test Period As Adjusted Volumes (excluding transportation)	\$62,255,228	
2	Adjusted Test Year Cost of Gas per MCF	\$3.9323	
3	Adjusted Test Year PGA	\$244,806,233	
4	Test Year Gas Sales Margin	123,293,994	
5	Total As Adjusted Gas Sales Revenue (including PGA)	\$368,100,227	\$368,100,227
6	Uncollectible Expense Ratio		2.1%
7	Proforma Uncollectible Expense		\$7,730,105
8	Less Test Year Uncollectible Expense		(7,993,944)
9	Adjustment to Test Year - Acct. 904		(\$263,839)

MISSOURI GAS ENERGY

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Regulatory Commission Expense

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Proforma, Current Rate Case	\$300,000	
2	Amortization Period (years)	2	
3	Amortization - Current Case	\$150,000	
4	Amortization - Case No. GR96-285	268,596	
5	Total Proforma Rate Case Expense	\$418,596	\$418,596
6	Proforma MPSC Assessment - fiscal 7/1/97-6/31/98		1,209,509
7	Total Proforma Regulatory Commission Expense		\$1,628,105
8	Less Test Year Regulatory Commission Expense		(1,183,197)
9	Adjustment to Test Year - Acct. 928		\$444,908

MISSOURI GAS ENERGY
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Interest on Customer Deposits

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
1	Customer Deposits	B	\$8,653,055
2	Interest Rate		6.00%
3	Proforma Interest on Customer Deposits		<u>\$519,183</u>
4	Less Test Year Interest on Customer Deposits		<u>(632,106)</u>
5	Adjustment to Test Year - Acct. 431		<u><u>(\$112,923)</u></u>

MISSOURI GAS ENERGY
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Depreciation Expense and Adjustments

Line No.	Description	Amount	Rate	Proforma Total Depreciation	Less Depr. Booked to Clearing Accts.	Proforma Depreciation Expense
	(a)	(b)	(c)	(d)	(e)	(f)
<u>INTANGIBLE PLANT</u>						
1	(301) Organization	\$15,600	0.00%	\$0	\$0	\$0
2	(302) Franchises	55,749	0.00%	0	0	0
3	(303) Miscellaneous Intangible	9,366,784	(see adj. H-13)	0	0	0
4	Total Intangible Plant	<u>\$9,438,133</u>		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>DISTRIBUTION PLANT</u>						
5	(374.1) Land	\$167,237	0.00%	\$0	\$0	\$0
6	(374.2) Land Rights	810,105	2.17%	17,579	0	17,579
7	(375) Structures	8,483,609	2.28%	147,826	0	147,826
8	(375) Leasehold Improvements	988,961	(see adj. H-13)	0	0	0
9	(376) Mains & Mains - Cast Iron	226,827,550	1.88%	4,264,358	0	4,264,358
10	(378) Meas. & Reg. Station - General	9,811,155	3.00%	294,335	0	294,335
11	(379) Meas. & Reg. Station - City Gate	2,422,582	2.66%	64,441	0	64,441
12	(380) Services	213,558,186	5.50%	11,745,700	0	11,745,700
13	(381) Meters	26,340,062	2.05%	539,971	0	539,971
14	(382) Meter Installations	36,532,970	2.05%	748,926	0	748,926
15	(383) House Regulators	8,630,011	2.05%	176,915	0	176,915
16	(385) Electronic Gas Metering	204,552	5.00%	10,228	0	10,228
17	(387) Other Equipment	0	6.33%	0	0	0
18	Total Distribution Plant	<u>\$532,776,979</u>		<u>\$18,010,279</u>	<u>\$0</u>	<u>\$18,010,279</u>
<u>GENERAL PLANT - DIRECT</u>						
19	(389) Land	\$708,569	0.00%	\$0	\$0	\$0
20	(390) Structures	436,945	3.33%	14,550	0	14,550
21	(390) Leasehold Impr.	909,675	(see adj. H-13)	0	0	0
22	(391) Furniture & Fixtures	3,273,242	3.06%	100,161	0	100,161
23	(392) Transportation Equipment	689,201	10.13%	69,816	(69,816)	0
24	(393) Stores Equipment	547,487	3.33%	18,231	0	18,231
25	(394) Tools	4,729,931	4.00%	189,197	0	189,197
26	(395) Laboratory Equipment	58,441	4.00%	2,338	0	2,338
27	(396) Power Operated Equipment	3,120,925	6.25%	195,058	(195,058)	0
28	(397) Communication Equipment - AMR	11,327,528	6.67%	755,546	0	755,546
29	(397) Communication Equipment - Other	2,078,768	4.50%	93,545	0	93,545
30	(398) Miscellaneous Equipment	168,678	6.25%	10,542	0	10,542
31	Total Direct General Plant	<u>\$28,049,391</u>		<u>\$1,448,985</u>	<u>(\$264,874)</u>	<u>\$1,184,111</u>
<u>GENERAL PLANT - CORPORATE</u>						
32	(390) Structures	\$300,439	3.33%	\$10,005	\$0	\$10,005
33	(390) Leasehold Impr.	0	(amortized)	0	0	0
34	(391) Furniture & Fixtures - Computer Equip	6,029,353	10.00%	602,935	0	602,935
35	(391) Furniture & Fixtures - Other	2,383,104	3.06%	72,923	0	72,923
36	(392) Transportation Equipment	45,476	10.13%	4,607	(4,607)	0
37	(397) Communication Equipment	116,294	6.67%	7,757	0	7,757
38	(398) Miscellaneous Equipment	65,124	6.25%	4,070	0	4,070
39	Total Corporate General Plant	<u>\$6,939,790</u>		<u>\$702,297</u>	<u>(\$4,607)</u>	<u>\$697,690</u>
40	Total Proforma Plant & Depreciation	<u>\$579,204,293</u>		<u>\$20,161,560</u>	<u>(\$269,481)</u>	<u>\$19,892,080</u>
41	Less Test Year Depreciation Expense					<u>(\$15,273,893)</u>
42	Adjustment to Test Year - Acct. 403					<u>\$4,618,187</u>

MISSOURI GAS ENERGY
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Amortization Expense

Line No.	Description (a)	Original Cost Plant (b)	Test Year Amortization Expense (c)	Proforma Amortization Expense (d)
	<u>MGE Direct Non-SLRP Amortization:</u>			
1	(375.2) Leasehold Improvements	\$988,961	\$9,921	\$119,052
2	(390.2) Leasehold Improvements	909,675	9,055	108,664
3	Sub Total	<u>\$1,898,636</u>	<u>\$18,976</u>	<u>\$227,715</u>
4	(303) Misc. Intangible - Corrosion Control Mgmt. System	\$1,117,800	\$9,555	\$114,665
5	(303) Misc. Intangible - Stoner Low Pressure/Intermediate Model	154,584	1,104	13,251
6	(303) Misc. Intangible - Geographic Information System	1,006,719	7,191	86,296
7	(303) Misc. Intangible - Landbase Digitized Mapping	630,073	5,251	63,007
8	(303) Misc. Intangible - Premise Data System	985,196	0	0
9	(303) Misc. Intangible - Facility Priority Index	894,795	7,433	89,196
10	(303) Misc. Intangible - Customer Service System	4,577,617	21,035	252,426
11	Sub Total - Acct. 303	<u>\$9,366,784</u>	<u>\$51,570</u>	<u>\$618,840</u>
	<u>SLRP Amortization:</u>		<u>Amort. Period</u>	
12	SLRP Deferrals Subject to Amortization	<u>\$28,153,321</u>	<u>10</u>	<u>\$2,815,332</u>
13	Pro-Forma Amortization Expense			\$3,661,888
14	Less Test Year Amortization Expense			<u>(838,658)</u>
15	Adjustment to Test Year - Accts. 404 and 405			<u><u>\$2,823,229</u></u>

MISSOURI GAS ENERGY
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Transportation and Work Equipment Clearing

Line No.	Description	Test Year	Amount		
	(a)	(b)	(c)		
1	Test Year Charges into TWE Clearing Account 1841	\$3,277,455			
2	Less Test Year Amounts Cleared Out of Account 1841	<u>(3,127,602)</u>			
3	Test Year Amount Under/(Over) Cleared	<u>\$149,853</u>	\$149,853		
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 1841:				
		Proforma	Test Year	Adjustment	
5	Depreciation	\$269,481	\$179,159	\$90,321	
6	Lease Costs	1,329,205	668,806	660,399	
7	Payroll	72,508	80,957	(8,449)	
8	Benefits	14,446	37,437	(22,991)	
9	Injuries and Damages	4,473	7,282	(2,809)	
10	Payroll Taxes	5,582	6,430	(848)	
11	Other	2,297,384	2,297,384	0	
12	Total	<u>\$3,993,078</u>	<u>\$3,277,455</u>	<u>\$715,623</u>	715,623
13	Total Adjusted Amount Under/(Over) Cleared				<u>\$865,476</u>

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

	Main Acct.	Amount	Percentage	Amount
14	870	\$29,043	0.009286	\$8,037
15	874	99,134	0.031696	27,432
16	875	77,003	0.024620	21,308
17	876	1,612	0.000515	446
18	877	106	0.000034	29
19	878	480,579	0.153657	132,986
20	879	129,456	0.041391	35,823
21	880	16,411	0.005247	4,541
22	885	34,576	0.011055	9,568
23	886	4,943	0.001580	1,367
24	887	703,175	0.224829	194,584
25	889	17,413	0.005568	4,819
26	890	5,953	0.001904	1,648
27	891	87	0.000028	24
28	892	40,566	0.012970	11,225
29	893	4,610	0.001474	1,276
30	894	5,046	0.001613	1,396
31	901	5,110	0.001634	1,414
32	902	200,350	0.064059	55,442
33	903	158,247	0.050597	43,790
34	921	84,948	0.027161	23,507
35	935	2,084	0.000666	576
36	Total Adjustment to Test Year Expense	\$2,100,452	0.671584	\$581,240
37	Balance Sheet Accounts	1,027,150	0.328415	284,235
38	Total Test Year Clearing	<u>\$3,127,602</u>	1	<u>\$865,475</u>

MISSOURI GAS ENERGY
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Stores Load Clearing

Line No.	Description	Test Year	Amount
	(a)	(b)	(c)
1	Test Year Charges into Stores Account 1630	\$1,896,430	
2	Less Test Year Amounts Cleared Out of Account 1630	(1,535,846)	
3	Test Year Amount Under/(Over) Cleared	<u>\$360,584</u>	\$360,584
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 1630:		
		Proforma	Test Year
5	Payroll	\$432,555	\$436,226
6	Benefits	86,170	148,257
7	Injuries and Damages	26,680	29,657
8	Payroll Taxes	33,298	36,108
9	Other	1,246,182	1,246,182
10	Total	<u>\$1,824,885</u>	<u>\$1,896,430</u>
			(Adjustment)
			(\$3,671)
			(62,087)
			(2,977)
			(2,810)
			0
			<u>(71,545)</u>
11	Total Adjusted Amount Under/(Over) Cleared		<u>\$289,040</u>

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

	Main Acct.	Amount	Percentage	Amount
12	874	\$14,343	0.009339	\$2,699
13	875	6,812	0.004435	1,282
14	876	15	0.000010	3
15	878	48,352	0.031482	9,100
16	879	3,801	0.002475	715
17	880	1,998	0.001301	376
18	886	14	0.000009	3
19	887	(40,068)	-0.026089	(7,541)
20	889	1,725	0.001123	325
21	892	8,295	0.005401	1,561
22	893	26	0.000017	5
23	902	1,091	0.000711	206
24	921	1,401	0.000912	264
25	926	815	0.000531	153
26	Total Adjustment to Test Year Expense	<u>48,620</u>	<u>0.031657</u>	<u>9,150</u>
27	Balance Sheet Accounts	1,487,226	0.968343	279,889
28	Total Test Year Clearing	<u>1,535,846</u>	<u>1</u>	<u>289,040</u>

MISSOURI GAS ENERGY
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Paid Time Off Clearing

Line No.	Description	Test Year	Amount		
	(a)	(b)	(c)		
1	Test Year Charges into Paid Time Off Account 1846	\$4,871,194			
2	Less Test Year Amounts Cleared Out of Account 1846	<u>(4,378,407)</u>			
3	Test Year Amount Under/(Over) Cleared	<u>\$492,787</u>	\$492,787		
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 1846:				
		Proforma	Test Year	Adjustment	
5	Payroll	\$3,288,222	\$3,291,240	(\$3,018)	
6	Benefits	655,053	1,056,180	(401,127)	
7	Injuries and Damages	202,821	239,568	(36,747)	
8	Payroll Taxes	253,126	279,254	(26,128)	
9	Other	4,951	4,951	0	
10	Total	<u>\$4,404,173</u>	<u>\$4,871,194</u>	<u>(\$467,021)</u>	(467,021)
11	Total Adjusted Amount Under/(Over) Cleared				\$25,766

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

	Main Acct.	Amount	Percentage	Amount
12	870	\$12,985	0.002966	\$76
13	872	72	0.000016	0
14	874	101,040	0.023077	595
15	875	87,100	0.019893	513
16	876	5,827	0.001331	34
17	877	287	0.000066	2
18	878	838,767	0.191569	4,936
19	879	501,333	0.114501	2,950
20	880	40,192	0.009180	237
21	885	11,866	0.002710	70
22	886	18,529	0.004232	109
23	887	905,185	0.206738	5,327
24	889	41,246	0.009420	243
25	890	16,739	0.003823	99
26	891	342	0.000078	2
27	892	77,367	0.017670	455
28	893	66,985	0.015299	394
29	894	18,745	0.004281	110
30	902	404,816	0.092457	2,382
31	903	106,240	0.024265	625
32	935	8,538	0.001950	50
33	Total Adjustment to Test Year Expense	3,264,201	0.745522	19,209
34	Balance Sheet Accounts	1,114,207	0.254478	6,557
35	Total Test Year Clearing	<u>4,378,407</u>	<u>1</u>	<u>25,766</u>

MISSOURI GAS ENERGY
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Missouri State Franchise Tax

Line No.	Description (a)	Amount (b)
1	Proforma State Franchise Tax Expense	\$297,866
2	Less Test Year State Franchise Tax Expense	<u>193,488</u>
3	Adjustment to Test Year - Acct. 4081	<u><u>\$491,354</u></u>

MISSOURI GAS ENERGY
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Property Tax Expense

Line No.	Description (a)	Reference (b)	Amount (c)
1	Proforma Total Plant in Service	C	\$579,204,293
2	Less Intangible Plant	C	<u>(9,438,133)</u>
3	Proforma Plant, excluding Intangible Plant		\$569,766,160
4	Property tax rate		<u>1.000%</u>
5	Proforma Property Tax Expense		\$5,697,662
6	Less Test Year Property Tax Expense		<u>(4,159,531)</u>
7	Adjustment to Test Year - Acct. 4081		<u><u>\$1,538,131</u></u>

MISSOURI GAS ENERGY
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Call Center Conversion

Line No.	Description (a)	Amount (b)
1	Proforma conversion cost of Call Center Ability to transfer calls to El Paso Call Center	\$127,421
2	Less Test Year Expense	<u>0</u>
3	Adjustment to Test Year - Acct. 931	<u><u>\$127,421</u></u>

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Experimental Weatherization Program

Line No.	Description	Amount
	(a)	(b)
1	GR-96-285 Stipulation & Agreement	\$250,000
2	Less Test Year Expense	(292,208)
3	Adjustment to Test Year - Acct. 908	<u>(\$42,208)</u>

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3420 Broadway Lease Expense

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Test Year Broadway Lease Expense	\$370,335	
2	Less Annualized sublease income from Cornerstone	(114,000)	
3	Less Annualized sublease income from Mercado Gas Services	(1,389)	
4	Proforma Broadway Lease Expense	<u>\$254,945</u>	\$254,945
5	Less Test Year Broadway Lease Expense		<u>(370,335)</u>
6	Adjustment to Test Year - Acct. 931		<u><u>(\$115,390)</u></u>

MISSOURI GAS ENERGY
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New Business Office - 39th & Main

Line No.	Description	Lease Expense Acct. 931	Customer Expense Acct. 905	Office Supplies Acct. 921	Total
	(a)	(b)	(c)	(d)	(e)
1	Proforma Expenses	\$24,000	\$32,280	\$11,880	\$68,160
2	Less Test Year Expenses	(6,000)	(4,843)	(1,980)	(12,823)
3	Adjustments to Test Year	\$18,000	\$27,437	\$9,900	\$55,337

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Dues Expense

Line No.	Description (a)	Amount (b)
1	Remove Certain Expense from Acct. 921	<u>(\$5,441)</u>
2	Remove Certain Expense from Acct. 930.2	<u>(9,582)</u>

MISSOURI GAS ENERGY
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Billing Process Enhancement

Line No.	Description (a)	Amount (b)
1	Costs Relating to Customer Billing Improvements	\$822,278
2	Amortization Period (years)	2
3	Adjustment to Test Year - Acct. 903	<u>\$411,139</u>

MISSOURI GAS ENERGY
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Meter Reading Cost Reductions

Line No.	Description (a)	Total (b)
1	Remove Non-Recurring Contractor Costs Incurred in Test Year to "Catch Up" Meters Reads	(\$227,763)
2	Remove Costs Incurred in Test Year which have been Eliminated Due to AMR	(525,263)
3	Adjustment to Test Year - Acct. 902	<u>(\$753,026)</u>

MISSOURI GAS ENERGY

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Remove Billing Error Costs

Line No.	Description (a)	Total (b)
1	Remove Billing Error Costs - Acct. 903	<u>(\$150,776)</u>