

Exhibit No.: \_\_\_\_\_  
Issues: Change of Position on  
Certain Issues  
Witness: Michael R. Noack  
Sponsoring Party: Missouri Gas Energy  
Type of exhibit: Supplemental testimony  
Case No.: GR-2001-292  
Date testimony prepared: June 22, 2001

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2001-292

SUPPLEMENTAL TESTIMONY OF MICHAEL R. NOACK IN SUPPORT OF A  
CHANGE OF POSITION ON CERTAIN ISSUES

Jefferson City, Missouri

June 22, 2001

Exhibit No. 216  
Date 6-25-01 Case No. GR-2001-292  
Reporter Stewart

**SUPPLEMENTAL TESTIMONY OF MICHAEL R. NOACK IN SUPPORT OF A  
CHANGE OF POSITION ON CERTAIN ISSUES**

**CASE NO. GR-2001-292**

**June 22, 2001**

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

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

4  
5    **Q.    ARE YOU THE SAME MICHAEL R. NOACK WHO FILED DIRECT,**  
6           **REBUTTAL AND SUPPLEMENTAL REBUTTAL TESTIMONY IN THIS**  
7           **PROCEEDING?**

8    A.    Yes I am.

9

10   **Q.    WHAT IS THE PURPOSE OF THIS SUPPLEMENTAL TESTIMONY?**

11   A.    The purpose of this testimony is to explain and quantify Missouri Gas Energy's  
12           ("MGE" or "Company") change in position on certain issues in relation to MGE's  
13           requested revenue increase.

14

15   **Q.    MR. NOACK, WHAT IS THE COMPANY'S CHANGED POSITION FOR**  
16           **THE INCREASE IN REVENUES?**

17   A.    MGE's changed position is that an overall increase in revenue of \$9,900,000 is  
18           reasonable.

1   **Q.   WHAT CHANGES HAVE BEEN MADE FROM THE COMPANY'S**  
2   **ORIGINAL POSITIONS TO ARRIVE AT \$9,900,000?**

3   A.   I would like to preface my response with the understanding that all of these items,  
4       while evaluated individually, are also being evaluated on the basis of a total package.  
5       For example, MGE's use of a return on equity of 10.50% to compute the revenue  
6       requirement is in connection with, and conditional upon, valuing gas storage  
7       inventory on the basis of a 13-month average and priced at the current cost of gas plus  
8       additional storage and injection fees of \$.467 per Mcf. The other items in the package  
9       are similarly conditional upon one another. The package of changed MGE positions  
10      produces a \$9.9 million revenue increase, although it should be clear that there may  
11      be a number of different reasonable ways to reach \$9.9 million. Finally, if the  
12      package is not treated as proposed by MGE, and/or a revenue increase of \$9.9 million  
13      is not ordered, MGE's fallback position on these items is contained in previously filed  
14      testimony.

15

16   **Q.   WHAT ARE THE ISSUES YOU ARE OFFERING SUPPLEMENTAL**  
17   **TESTIMONY ON?**

18   A.   The nine issues I am offering testimony on are:

19               1) Cost of Capital

20               2) Depreciation

21               3) Gas Storage Inventory

22               4) Joint and Common Costs

23               5) Off-System Sales and Capacity Release Revenues

1           6) SLRP Deferrals

2           7) Land Based Digitized Mapping System

3           8) Low Income Weatherization Plan

4           9) Customer Service Effectiveness/Gas Safety Experimental Incentive Plan  
5           ("CSE/GSIP")

6  
7   **Q.   WHAT IS THE COMPANY'S CHANGED POSITION ON COST OF**  
8   **CAPITAL?**

9   A.   MGE's changed position is to use the actual capital structure as of April 30, 2001,  
10       include short-term debt in an amount in excess of construction work in progress and a  
11       10.50% return on equity. This changed position is consistent with the testimony of  
12       Staff witness Murray.

13  
14   **Q.   WHAT IS MGE's CHANGED POSITION ON DEPRECIATION EXPENSE**  
15   **INCLUDING RATES, SERVICE LIVES AND NET SALVAGE VALUE?**

16   A.   MGE's changed position is to adopt Staff witness Adam's depreciation  
17       recommendations including rates, service lives and treatment of net salvage value  
18       with the exception of A/C 376 Mains, where MGE's changed position is an increase  
19       of 10% to the service life of 40 years indicated by the MGE depreciation study to 44  
20       years. This is reasonable in light of the underlying data upon which MGE's  
21       depreciation study is based. That change in service life results in a depreciation rate  
22       for Mains of 2.27%.

1   **Q.   WHAT IS MGE'S POSITION ON STORAGE INVENTORY?**

2   A.   MGE's position is to use a 13-month average of volumes in storage and a price of  
3       \$4.248 per Mcf, which represents the current price of gas plus the additional costs  
4       associated with storage and injection fees. This is not a change of position but simply  
5       an update based on current information regarding gas prices.

6

7   **Q.   WHAT IS MGE'S CHANGED POSITION REGARDING JOINT AND**  
8       **COMMON COSTS?**

9   A.   MGE's changed position is that MGE's share of 50% of the Chairman and Vice-  
10       Chairman's salaries be eliminated from the cost of service along with all of the  
11       remaining costs of the New York office. In addition, according to MGE's changed  
12       position, MGE's share of 50% of the salary and overheads of Southern Union  
13       Company's Senior Vice-President -- Legal and Secretary, 37.5% of the salary and  
14       overheads of Southern Union Company's President and Chief Operating Officer and  
15       25% of Southern Union Company's Executive Vice-President and Chief Financial  
16       Officer are eliminated from the revenue requirement in this case. This change in  
17       position is reasonable in light of the Staff's initial recommendation on these items and  
18       the fact that—as revealed during interviews by Staff auditors of Company  
19       personnel—all of these individuals contribute meaningfully to the overall  
20       performance of MGE.

21

22       In addition to the above items, 100% of the manufactured gas plant related expenses  
23       have been eliminated from the revenue requirement under MGE's changed position.

1    **Q.    WHAT IS MGE'S CHANGED POSITION FOR OFF-SYSTEM SALES AND**  
2    **CAPACITY RELEASE REVENUES?**

3    A.    MGE's changed position is to recognize in revenue requirement a total of \$1,200,000  
4    in revenues for off-system sales and capacity release, subject to the following  
5    conditions:

6           a.    The current provisions regarding off-system sales and capacity release  
7               shall be removed from MGE's tariff, including removal from the  
8               Purchased Gas Adjustment ("PGA") clause, and there shall be no further  
9               review and/or adjustment with respect to off-system sales and/or capacity  
10              release activities in any of the Company's Actual Cost Adjustment  
11              ("ACA") or PGA-related dockets for ACA years beginning after June 30,  
12              2001;

13          b.    The level of off-system sales and capacity release revenues recognized  
14               in revenue requirement in this case shall not be re-based until after  
15               October 6, 2003, except that such re-basing may be proposed in any  
16               general rate case filed by MGE prior to October 6, 2003; and

17          c.    With respect to the off-system sales portion of this adjustment, MGE  
18               asserts that its off-system sales, and associated revenues, are wholly  
19               beyond the Commission's jurisdiction and authority and has changed its  
20               position on this adjustment, with respect to off-system sales revenues, as a  
21               package only as described above. As such, MGE's change of position on  
22               this adjustment shall not be construed as acquiescence *to* or agreement by  
23               MGE that the Commission possesses any jurisdiction or authority

1                   whatsoever with respect to MGE's off-system sales and associated  
2                   revenues. Further, this change of position shall not constitute evidence, or  
3                   any indication, that MGE acquiesces to Commission jurisdiction or  
4                   authority with respect to MGE's off-system sales and associated revenues.

5                   This change of position is reasonable in light of the recommendations made by the  
6                   Staff and Public Counsel on these matters as well as the countervailing testimony of  
7                   MGE witness Langston.

8  
9                   **Q.   WHAT IS MGE'S CHANGED POSITION FOR SLRP DEFERRALS AND**  
10                   **THE ASSOCIATED DEFERRED INCOME TAXES?**

11                  A.   MGE's changed position is that in connection with the \$9,900,000 increase in  
12                   revenue requirement that the unamortized balance of SLRP deferrals be excluded  
13                   from rate base and the associated deferred income taxes reduce the rate base. This  
14                   change in position is consistent with the testimony of Staff witness Oligschlaeger.

15  
16                  **Q.   WHAT IS MGE'S CHANGED POSITION REGARDING THE RECORDING**  
17                   **OF REVENUES (IF ANY) ASSOCIATED WITH MGE'S LAND BASED**  
18                   **DIGITIZED MAPPING SYSTEM?**

19                  A.   MGE's changed position is that all revenues received prospectively associated with  
20                   the land based digitized mapping system be credited as a reduction to the digitized  
21                   mapping system plant account. This change in position is consistent with the  
22                   testimony of Public Counsel witness Robertson.

1 Q. WHAT IS MGE'S CHANGED POSITION REGARDING STAFF'S  
2 PROPOSAL TO EXPAND MGE'S LOW INCOME WEATHERIZATION  
3 PROGRAM?

4 A. MGE's changed position is that the Staff proposal to increase the weatherization  
5 program by \$90,000 be implemented so long as the costs are included in the  
6 \$9,900,000 increase in revenue requirement. This changed position is consistent with  
7 the testimony of Staff witness Warren.

8

9 Q. WHAT IS MGE'S CHANGED POSITION REGARDING MGE'S PROPOSED  
10 CUSTOMER SERVICE EFFECTIVENESS/GAS SAFETY EXPERIMENTAL  
11 INCENTIVE PLAN ("CSE/GSIP")?

12 A. MGE's changed position is to withdraw the CSE/GSIP from consideration in this  
13 case, conditional on the package treatment as proposed by MGE and/or an overall  
14 revenue increase of \$9.9 million, subject to the following additional conditions:

15 1) that an Accounting Authority Order ("AAO") shall be granted for MGE's  
16 Safety Line Replacement Program costs (e.g., carrying costs, depreciation expense  
17 and property taxes) beginning on July 1, 2001 (e.g., the day after the conclusion of the  
18 immediately preceding AAO). In the event that MGE does not file a general rate case  
19 by December 31, 2003, MGE will commence amortization of these deferrals  
20 beginning January 1, 2004, over a ten-year period, and will cease further deferrals  
21 unless the Commission grants a new AAO. The fact that MGE would commence  
22 amortization of the deferrals on January 1, 2004, if MGE has not filed a general rate  
23 case by December 31, 2003, in no way indicates acquiescence on the part of the Staff



1 or Public Counsel as to the deferred costs to be amortized. Whether or not  
2 amortization of the deferrals begins on January 1, 2004, the Staff and Public Counsel  
3 retain the right to review and recommend alternative regulatory ratemaking treatment  
4 of any and all costs deferred pursuant to this AAO authorized by the Commission in  
5 any future general rate proceeding; and 2) that MGE shall be considered to have  
6 fulfilled certain provisions of the Unanimous Stipulation and Agreement in Case No.  
7 GM-2000-43 (*In the matter of the application of Southern Union Company for*  
8 *authority to acquire and merge with Pennsylvania Enterprises Inc., and in connection*  
9 *therewith, certain other related transactions.*) and shall be released therefrom. In  
10 particular, this release applies to certain provisions of paragraph 2.b.) of that  
11 Unanimous Stipulation and Agreement, which read as follows: "The Company will  
12 credit to customers a like amount (annual revenue requirement) during the subsequent  
13 year for the year in which the indicator was exceeded. The credit may be booked to a  
14 deferred liability account, if the Company, Staff and OPC agree, until a sufficient  
15 amount is accumulated to warrant a credit to customers." The reporting requirements  
16 of the Unanimous Stipulation and Agreement in Case No. GM-2000-43 are  
17 unaffected by this release.

18  
19 This changed position is reasonable in light of the fact that the CSE/GSIP was  
20 proposed by MGE as an alternative to the SLRP AAO process. It is also reasonable  
21 in light of the customer service performance results reported by MGE in Case No.  
22 GM-2000-43 as well as the fact that the CSE/GSIP would have put in place a  
23 symmetrical approach whereby customer service performance superior to a certain

1 level would have provided the opportunity for Company benefits just as customer  
2 service inferior to a certain level would expose the Company to the opportunity for  
3 losses as provided in the Unanimous Stipulation and Agreement in Case No. GM-  
4 2000-43.

5  
6 **Q. HAVE YOU ATTACHED A SCHEDULE THAT SUPPORTS MGE'S**  
7 **CHANGE IN POSITION ON THE ISSUES MENTIONED IN THIS**  
8 **TESTIMONY?**

9 A. Yes. Schedule MRN-1 is the revenue deficiency summary that supports the requested  
10 increase of \$9,900,000.

11  
12 **Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL TESTIMONY AT THIS**  
13 **TIME?**

14 A. Yes it does.

Affidavit of Michael R. Noack

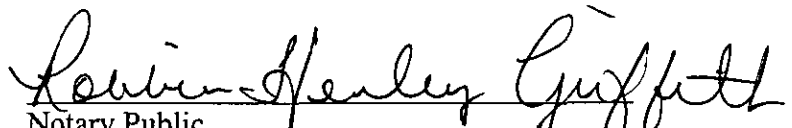
STATE OF MISSOURI     )  
                                      )ss  
COUNTY OF COLE     )

Michael R. Noack, of lawful age, on his oath, states that he has participated in the preparation of the foregoing testimony in question and answer form and that he has knowledge of the matters set forth in such answers and that such matters are true and correct to the best of his knowledge and belief.

  
Michael R. Noack

Subscribed and sworn to before me this 21<sup>st</sup> day of June, 2001.



  
Notary Public

# **Schedule MRN-1**

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**Revenue Deficiency**

Line No.	Description (a)	Ref. (b)	Required Return (c)	Earnings Deficiency (d)	Net Revenue Deficiency (e)
1	Rate Base	B	\$502,430,152		
2	Rate of Return	F	<u>9.049%</u>		
3	<b>Required Return</b>		<u><b>\$45,464,904</b></u>	\$45,464,904	
4	Adjusted Test Year Net Operating Income	A-1		<u>39,387,183</u>	
5	<b>Earnings Deficiency</b>			<u><b>\$6,077,721</b></u>	\$6,077,721
6	Multiply by Income Tax Gross-up Factor				<u>1.628900</u>
7	<b>Net Revenue Deficiency - Gross of Tax</b>				<u><u><b>\$9,900,000</b></u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**Summary of Net Operating Income  
Per Books and Adjusted**

Line No.	Description (a)	Per Books (b)	Adjustments (c)	As Adjusted (d)
<b><u>REVENUES</u></b>				
1	Operating Base Revenues	\$424,708,278	(\$293,946,255)	\$130,762,023
2	Other Utility Revenues	13,431,287	(4,720,893)	8,710,394
3	Total Operating Revenues	<u>\$438,139,565</u>	<u>(\$298,667,148)</u>	<u>\$139,472,417</u>
<b><u>OPERATING EXPENSES</u></b>				
4	Distribution Expense	\$301,556,412	(\$279,334,088)	\$22,222,324
5	Customer Accounts Expense	13,830,337	332,726	14,163,063
6	Customer Service and Information Expense	405,692	89,998	495,690
7	Sales Expense	1,059,863	(287,163)	772,700
8	Administrative and General Expense	16,410,431	6,704,734	23,115,165
9	Total Operating and Maintenance Expenses	<u>\$333,262,735</u>	<u>(\$272,493,793)</u>	<u>\$60,768,942</u>
10	Depreciation & Amortization Expense	\$22,726,304	\$498,404	\$23,224,708
11	Interest on Customer Deposits	386,897	(58,427)	328,470
12	Taxes Other Than Income	36,148,514	(26,885,278)	9,263,236
13	Total Operating Expenses	<u>\$392,524,450</u>	<u>(\$298,939,094)</u>	<u>\$93,585,356</u>
14	Operating Income Before Income Tax	\$45,615,115	\$271,946	\$45,887,061
15	Less: Income Tax Expense	9,634,535	(3,134,657)	6,499,878
16	Net Operating Income	<u>\$35,980,580</u>	<u>\$3,406,603</u>	<u>\$39,387,183</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**Income Tax**

Line No.	Description (a)	Reference (b)	Per Books (c)	As Adjusted (d)
1	Total Operating Revenues	A-1	\$438,139,565	\$139,472,417
2	Total Operating Expenses	A-1	<u>(392,524,450)</u>	<u>(93,585,356)</u>
3	Net Operating Income	A-1	<u>\$45,615,115</u>	<u>\$45,887,061</u>
4	Equity Portion of SLRP Deferrals		\$877,075	\$0
5	COLI Amortization		303,497	303,497
6	Less: Interest on Long Term Debt		<u>(21,074,636)</u>	<u>(28,588,276)</u>
7	Total Tax Adjustments		<u>(\$19,894,064)</u>	<u>(\$28,284,779)</u>
8	Net Taxable Income		<u>\$25,721,051</u>	<u>\$17,602,282</u>
9	Income Tax		\$9,930,898	\$6,796,241
10	Less: Income Tax Reduction per Case No. GM-94-40		<u>(296,363)</u>	<u>(296,363)</u>
11	Net Income Tax		<u>\$9,634,535</u>	<u>\$6,499,878</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**Rate Base**

Line No.	Description (a)	Reference (b)	Amount (c)
1	Intangible Plant - Per Settlement	C	\$10,879,341
2	Distribution Plant - Per Settlement	C	654,678,587
3	General Plant - Per Settlement	C	61,084,678
4	Gross Plant In Service		<u>\$726,642,606</u>
5	Accumulated Depreciation & Amortization - Per Settlement	D	<u>(216,231,812)</u>
6	Net Plant in Service		\$510,410,794
7	SLRP Deferrals	B-1	\$0
8	Working Capital	E	51,099,038
9	Alternative Minimum Tax Credit - Per Settlement		12,363,267
10	Customer Deposits - Per Settlement - 12/31/00 Balance	B-2	(4,857,207)
11	Customer Advances - Thirteen Month Average	B-3	(10,678,465)
12	Unamortized Deferred Credit per Case No. GM-94-40		(9,000,000)
13	Deferred Income Taxes - SLRP	B-1	(6,898,638)
14	Deferred Income Taxes - Other	B-4	<u>(40,008,637)</u>
15	<b>Total Rate Base</b>		<u><u>\$502,430,152</u></u>



**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**SLRP Deferrals and Deferred Taxes**

Line No.	Description (a)	Gross Deferral (b)	Accumulated Amortization (c)	Amount (d)
<u>SLRP Deferrals</u>				
1	Order GO-92-185 (Deferred Balance @ 5/31/98)	\$5,776,280	\$1,441,628	\$4,334,652
2	Order GO-94-234 (Deferred Balance @ 5/31/98)	12,399,117	3,059,187	9,339,930
3	Order GO-97-301 (Deferred Balance @ 5/31/98)	3,060,876	714,204	2,346,672
4	Order GR-98-140	6,180,888	0	6,180,888
5	Total SLRP Deferrals	<u>\$27,417,161</u>	<u>\$5,215,019</u>	<u>\$22,202,142</u>
 <u>SLRP Deferred Taxes - Per Settlement</u>				
6	Order GO-92-185			0
7	Order GO-94-234			3,606,147
8	Order GO-97-301			906,050
9	Order GR-98-140			2,386,441
10	Total SLRP Deferred Taxes			<u>\$6,898,638</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Thirteen Months Ending December 31, 2000

**Customer Deposits**

Line No.	Month	Residential Amount	Commercial & Industrial		Total Amount
			Amount	Amount	
	(a)	(b)	(c)		(d)
1	Dec-99	(\$3,648,523)	(\$2,661,180)		(\$6,309,703)
2	Jan-00	(3,642,495)	(2,644,313)		(6,286,808)
3	Feb-00	(3,540,070)	(2,644,313)		(6,184,383)
4	Mar-00	(3,570,003)	(2,515,638)		(6,085,641)
5	Apr-00	(3,462,224)	(2,469,214)		(5,931,438)
6	May-00	(3,326,599)	(2,427,857)		(5,754,456)
7	Jun-00	(3,169,669)	(2,387,478)		(5,557,147)
8	Jul-00	(3,051,182)	(2,339,885)		(5,391,067)
9	Aug-00	(2,922,749)	(2,312,726)		(5,235,475)
10	Sep-00	(2,808,176)	(2,283,367)		(5,091,543)
11	Oct-00	(2,757,744)	(2,241,143)		(4,998,887)
12	Nov-00	(2,681,247)	(2,235,920)		(4,917,167)
13	Dec-00	(2,641,126)	(2,216,081)		(4,857,207)
14	13 Month Total	<u>(\$41,221,807)</u>	<u>(\$31,379,115)</u>		<u>(\$72,600,922)</u>
15	13 Month Average	<u>(\$3,170,908)</u>	<u>(\$2,413,778)</u>		<u>(\$5,584,686)</u>

SCHEDULE B-3

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
Thirteen Months Ending December 31, 2000

**Customer Advances**

Line No.	Month (a)	Amount (b)
1	Dec-99	(\$10,067,227)
2	Jan-00	(10,743,283)
3	Feb-00	(10,660,560)
4	Mar-00	(10,499,534)
5	Apr-00	(10,718,307)
6	May-00	(10,772,060)
7	Jun-00	(10,681,577)
8	Jul-00	(10,901,654)
9	Aug-00	(10,750,842)
10	Sep-00	(10,907,542)
11	Oct-00	(10,937,755)
12	Nov-00	(10,776,332)
13	Dec-00	<u>(10,403,370)</u>
14	13 Month Total	<u><u>(\$138,820,043)</u></u>
15	13 Month Average	<u><u>(\$10,678,465)</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**Deferred Taxes (Other than SLRP)**

Line No.	Description (a)	Amount (b)
1	Deferred Taxes, MGE Direct Plant as of 6/30/00	(\$33,236,263)
2	Deferred Taxes - Settlement	(4,636,965)
3	Deferred Taxes, Corporate Plant	<u>(2,135,409)</u>
4	Total Accumulated Deferred Income Taxes (Other than SLRP)	<u><u>(\$40,008,637)</u></u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**Plant In Service**

Line No.	Description	Direct	Completed Not Classified	Total Direct & Completed	Corporate Allocated	Total Adjustments	Total As Adjusted
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
<b>INTANGIBLE PLANT</b>							
1	(301) Organization	\$15,600	\$0	\$15,600	\$0	\$0	\$15,600
2	(302) Franchises	51,046	0	51,046	0	0	51,046
3	(303) Miscellaneous Intangible	10,370,947	0	10,370,947	0	0	10,370,947
4	Total Intangible Plant	\$10,437,593	\$0	\$10,437,593	\$0	\$0	\$10,437,593
<b>DISTRIBUTION PLANT</b>							
5	(374.1) Land	\$240,448	\$0	\$240,448	\$0	\$0	\$240,448
6	(374.2) Land Rights	993,492	0	993,492	0	0	993,492
7	(375.1) Structures	5,983,365	23,703	6,007,068	0	0	6,007,068
8	(375.2) Leasehold Improvements	13,965	0	13,965	0	0	13,965
9	(376) Mains	270,057,394	8,912,537	278,969,931	0	0	278,969,931
10	(378) Meas. & Reg. Station - General	10,354,134	67,890	10,422,024	0	0	10,422,024
11	(379) Meas. & Reg. Station - City Gate	2,762,737	311,276	3,074,013	0	0	3,074,013
12	(380) Services	249,039,889	1,180,960	250,220,849	0	(2,172,784)	248,048,065
13	(381) Meters	28,138,572	11,933	28,150,505	0	0	28,150,505
14	(382) Meter Installations	49,673,982	300,711	49,974,693	0	0	49,974,693
15	(383) House Regulators	9,497,032	43,122	9,540,154	0	0	9,540,154
16	(385) Electronic Gas Measuring	293,923	26,165	320,088	0	0	320,088
17	(387) Other Equipment	0	0	0	0	0	0
18	Total Distribution Plant	\$627,048,933	\$10,878,297	\$637,927,230	\$0	(\$2,172,784)	\$635,754,446
<b>GENERAL PLANT</b>							
19	(389) Land	\$810,049	\$0	\$810,049	\$0	\$0	\$810,049
20	(390.1) Structures	465,528	51,773	517,301	295,765	0	813,066
21	(390.2) Leasehold Improvements	1,286,799	40,557	1,327,356	0	0	1,327,356
22	(391) Furniture & Fixtures	3,017,576	9,254	3,026,830	10,474,116	0	13,500,946
23	(392) Transportation Equipment	4,601,351	0	4,601,351	0	0	4,601,351
24	(393) Stores Equipment	499,757	0	499,757	0	0	499,757
25	(394) Tools	4,535,973	3,333	4,539,306	0	0	4,539,306
26	(395) Laboratory Equipment	0	0	0	0	0	0
27	(396) Power Operated Equipment	535,765	0	535,765	0	0	535,765
28	(397.1) Communication Equipment - AMR	32,969,219	0	32,969,219	0	0	32,969,219
29	(397.0) Communication Equipment	1,478,273	38,562	1,516,835	4,220	0	1,521,055
30	(398) Miscellaneous Equipment	166,410	8,192	174,602	2,547	0	177,149
31	Total General Plant	\$50,166,700	\$151,671	\$50,318,371	\$10,776,648	\$0	\$61,095,019
<b>Projected Plant Increases - 6/30/01</b>							
32	Projected Increases - Intangible	\$0	\$0	\$0	\$441,748	\$0	\$441,748
33	Projected Increases - Distribution	0	0	0	18,924,141	0	18,924,141
34	Projected Increases - General Plant	0	0	0	(10,341)	0	(10,341)
35	Total Projected Plant Increases	\$0	\$0	\$0	\$19,355,548	\$0	\$19,355,548
36	Total Original Cost Plant in Service	\$687,653,226	\$11,029,968	\$698,683,194	\$30,132,196	(\$2,172,784)	\$726,642,606
37	Accumulated Depreciation and Amortization	(206,119,139)	0	(206,119,139)	(3,557,993)	(6,554,680)	(216,231,812)
38	Net Plant In Service	\$481,534,087	\$11,029,968	\$492,564,055	\$26,574,203	(\$8,727,464)	\$510,410,794

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**Plant in Service**

Line No.	Description	Retire Inactive Meters No. 1	Total Adjustments
	(a)	(b)	(c)
<u><b>INTANGIBLE PLANT</b></u>			
1	(301) Organization	\$0	\$0
2	(302) Franchises	0	0
3	(303) Miscellaneous Intangible	0	0
4	Total Intangible Plant	<u>\$0</u>	<u>\$0</u>
<u><b>DISTRIBUTION PLANT</b></u>			
5	(374.1) Land	\$0	\$0
6	(374.2) Land Rights	0	0
7	(375.1) Structures	0	0
8	(375.2) Leasehold Improvements	0	0
9	(376) Mains & Mains - Cast Iron	0	0
10	(378) Meas. & Reg. Station - General	0	0
11	(379) Meas. & Reg. Station - City Gate	0	0
12	(380) Services	(2,172,784)	(2,172,784)
13	(381) Meters	0	0
14	(382) Meter Installations	0	0
15	(383) House Regulators	0	0
16	(385) Electronic Gas Metering	0	0
17	(387) Other Equipment	0	0
18	Total Distribution Plant	<u>(\$2,172,784)</u>	<u>(\$2,172,784)</u>
<u><b>GENERAL PLANT</b></u>			
19	(389) Land	\$0	\$0
20	(390.1) Structures	0	0
21	(390.2) Leasehold Improvements	0	0
22	(391) Furniture & Fixtures	0	0
23	(392) Transportation Equipment	0	0
24	(393) Stores Equipment	0	0
25	(394) Tools	0	0
26	(395) Laboratory Equipment	0	0
27	(396) Power Operated Equipment	0	0
28	(397) Communication Equipment - AMR	0	0
29	(397) Communication Equipment	0	0
30	(398) Miscellaneous Equipment	0	0
31	Total General Plant	<u>\$0</u>	<u>\$0</u>
32	Total Original Cost Plant in Service	<u>(\$2,172,784)</u>	<u>(\$2,172,784)</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**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	(\$6,255,418)	\$0	\$0	(\$6,255,418)
2	Distribution Reserve	(199,863,721)	0	2,008,021	(197,855,700)
3	Projected Increase - Distribution	0	0	(8,562,701)	(8,562,701)
4	Corporate Allocated Reserve	0	(3,557,993)	0	(3,557,993)
5	Total Accumulated Reserves	<u>(\$206,119,139)</u>	<u>(\$3,557,993)</u>	<u>(\$6,554,680)</u>	<u>(\$216,231,812)</u>

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

Accumulated Reserves for Depreciation and Amortization

Line No.	Description	Adjustments to Plant in Service	Deprec. Rates	Adj. to Reserve for Add'l Depr. (see note) No. 1	Retire Inactive Meters No. 2	Remove Debit Balance No. 3	Total Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
<b>DISTRIBUTION PLANT</b>							
1	(374.1) Land	\$0	0.00%	\$0	\$0	\$0	\$0
2	(374.2) Land Rights	0	Amort.	0	0	0	0
3	(375.1) Structures	0	1.65%	0	0	0	0
4	(375.2) Leasehold Improvements	0	Amort.	0	0	0	0
5	(376) Mains & Mains - Cast Iron	0	2.27%	0	0	0	0
6	(378) Meas. & Reg. Station - General	0	2.86%	0	0	0	0
7	(379) Meas. & Reg. Station - City Gate	0	2.13%	0	0	0	0
8	(380) Services	(2,172,784)	2.27%	0	2,172,784	0	2,172,784
9	(381) Meters	0	2.86%	0	0	0	0
10	(382) Meter Installations	0	2.86%	0	0	0	0
11	(383) House Regulators	0	2.44%	0	0	0	0
12	(385) Electronic Gas Metering	0	3.33%	0	0	0	0
13	(387) Other Equipment	0	4.60%	0	0	0	0
14	Total Distribution Plant	<u>(\$2,172,784)</u>		<u>\$0</u>	<u>\$2,172,784</u>	<u>\$0</u>	<u>\$2,172,784</u>
<b>GENERAL PLANT</b>							
15	(389) Land	\$0	0.00%	\$0	\$0	\$0	\$0
16	(390.1) Structures	0	2.00%	0	0	0	0
17	(390.2) Leasehold Improvements	0	Amort.	0	0	0	0
18	(391) Furniture & Fixtures	0	8.06%	0	0	0	0
19	(392) Transportation Equipment	0	8.70%	0	0	0	0
20	(393) Stores Equipment	0	2.70%	0	0	0	0
21	(394) Tools	0	2.38%	0	0	0	0
22	(395) Laboratory Equipment	0	6.00%	0	0	(164,763)	(164,763)
23	(396) Power Operated Equipment	0	8.33%	0	0	0	0
24	(397) Communication Equipment - AMR	0	5.00%	0	0	0	0
25	(397) Communication Equipment	0	6.25%	0	0	0	0
26	(398) Miscellaneous Equipment	0	3.85%	0	0	0	0
27	Total General Plant	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>	<u>(\$164,763)</u>	<u>(\$164,763)</u>
28	Total Adjustment	<u>(\$2,172,784)</u>		<u>\$0</u>	<u>\$2,172,784</u>	<u>(\$164,763)</u>	<u>\$2,008,021</u>

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



## SCHEDULE E

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**Working Capital**

Line No.	Description (a)	Reference (b)	Amounts (c)
1	Materials and Supplies Inventory - Per Settlement - 12/31/00 Balance	E-1	\$1,884,628
2	Prepayments - Thirteen Month Average	E-2	415,611
3	Gas Inventory - Settled Volumes and Price	E-3	41,730,351
4	Cash Working Capital	E-4	(754,389)
5	Prepaid Pension	E-5	<u>7,822,837</u>
6	Total Working Capital		<u><u>\$51,099,038</u></u>

## SCHEDULE E-1

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Thirteen Months Ending December 31, 2000

**Materials & Supplies**

Line No.	Month (a)	Amount (b)
1	Dec-99	2,198,929
2	Jan-00	2,096,629
3	Feb-00	2,087,509
4	Mar-00	2,068,101
5	Apr-00	2,047,869
6	May-00	2,097,372
7	Jun-00	2,118,013
8	Jul-00	2,074,261
9	Aug-00	2,005,029
10	Sep-00	2,022,894
11	Oct-00	1,886,655
12	Nov-00	1,880,932
13	Dec-00	1,884,628
14	13 Month Total	<u>\$26,468,821</u>
15	13 Month Average	<u>\$2,036,063</u>

SCHEDULE E-2

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
Thirteen Months Ending December 31, 2000

**Prepayments**

Line No.	Month (a)	Amount (b)
1	Dec-99	434,161
2	Jan-00	352,469
3	Feb-00	326,111
4	Mar-00	306,212
5	Apr-00	233,905
6	May-00	234,976
7	Jun-00	32,507
8	Jul-00	343,828
9	Aug-00	709,523
10	Sep-00	658,984
11	Oct-00	605,713
12	Nov-00	594,694
13	Dec-00	<u>569,858</u>
14	13 Month Total	<u><u>\$5,402,941</u></u>
15	13 Month Average	<u><u>\$415,611</u></u>

## SCHEDULE E-3

**MISSOURI GAS ENERGY**

A Division of Southern Union Company  
 Thirteen Months Ending December 31, 2000

**Gas Inventory**

Line No.	Month (a)	Volumes (b)
1	Dec-99	15,807,564
2	Jan-00	10,050,227
3	Feb-00	6,237,796
4	Mar-00	4,574,627
5	Apr-00	664,507
6	May-00	2,295,712
7	Jun-00	5,833,048
8	Jul-00	9,112,905
9	Aug-00	12,401,741
10	Sep-00	14,597,387
11	Oct-00	16,041,777
12	Nov-00	17,766,963
13	Dec-00	<u>12,321,628</u>
14	13 Month Average	9,823,529
15	Current Injection Prices	<u>\$4.248</u>
16	Inventory Value	<u><u>\$41,730,351</u></u>

MISSOURI GAS ENERGY  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**Cash Working Capital**

Line No.	Description (a)	Test Year Expenses (b)	Revenue Lag (c)	Expense Lead (d)	Net Lag (C-D) (e)	Factor (E/365) (f)	CWC Requirement (B*F) (g)
<b>Operation &amp; Maintenance Expense</b>							
1	Cash Vouchers	\$29,811,543	43.0000	23.1000	19.9000	0.0545	\$1,625,342
2	Bad Debt Expense	4,323,292	43.0000	43.0000	-	-	0
3	Net Payroll Expense	16,083,990	43.0000	12.5000	30.5000	0.0836	1,344,005
4	Fica Withheld	1,774,630	43.0000	9.6000	33.4000	0.0915	162,391
5	Federal Income Tax Withheld	3,172,249	43.0000	15.5900	27.4100	0.0751	238,223
6	State Income Tax Withheld	875,845	43.0000	48.7600	(5.7600)	(0.0158)	(13,822)
7	City Tax Withheld	128,476	43.0000	20.2200	22.7800	0.0624	8,018
8	Resident State Tax Withheld	15,465	43.0000	30.7271	12.2729	0.0336	520
9	Vacation Expense - Nonunion	313,128	43.0000	182.5000	(139.5000)	(0.3822)	(119,675)
10	Vacation Expense - Union	830,091	43.0000	388.1500	(345.1500)	(0.9456)	(784,948)
11	Sick Leave	559,164	43.0000	68.6400	(25.6400)	(0.0702)	(39,279)
12	Pensions	(2,200,000)	43.0000	43.0000	-	-	0
13	Medical Expense	4,653,115	43.0000	-	43.0000	0.1178	548,175
14	Purchased Gas	279,598,590	43.0000	39.1900	3.8100	0.0104	2,918,550
15	Building Rents and Leases	<u>427,954</u>	43.0000	(14.6500)	57.6500	0.1579	<u>67,593</u>
16	Total Operation & Maintenance Expense	<u>340,367,532</u>					<u>5,955,093</u>
<b>Taxes</b>							
17	Property Taxes	7,005,609	43.0000	182.0000	(139.0000)	(0.3808)	(2,667,889)
18	Franchise Taxes	423,815	43.0000	59.4100	(16.4100)	(0.0450)	(19,054)
19	Gross Receipts Taxes	23,202,387	43.0000	59.4100	(16.4100)	(0.0450)	(1,043,154)
20	Employer Portion of FICA	1,774,630	43.0000	9.6000	33.4000	0.0915	162,391
21	Federal and State Unemployment	43,880	43.0000	87.8200	(44.8200)	(0.1228)	(5,388)
22	Use Taxes	30,185	43.0000	76.1200	(33.1200)	(0.0907)	(2,739)
23	Sales Taxes	<u>5,420,783</u>	43.0000	24.9700	18.0300	0.0494	<u>267,772</u>
24	Total Taxes	<u>37,901,289</u>					<u>(3,308,062)</u>
25	Total Cash Working Capital Requirement						2,647,031
26	Settlement Adjustment						<u>(587,081)</u>
27	Adjusted Total Cash Working Capital Requirement						<u>2,059,950</u>
28	Estimated Interest Expense Offset	21,700,000	43.0000	75.6000	(32.6000)	(0.0893)	(1,937,810)
29	Estimated Income Tax Offset	7,200,000	43.0000	45.0000	(2.0000)	(0.0055)	<u>(39,600)</u>
30	Settled Adjustment						<u>(836,929)</u>
31	Net Cash Working Capital						<u>(\$754,389)</u>

SCHEDULE E-5

**MISSOURI GAS ENERGY**

A Division of Southern Union Company

Balances Ending December 31

**Deferred Pension**

Line No.	Year Ended (a)	Balance (b)
1	December 31, 2000	<u>7,822,837</u>

SCHEDULE F

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**Summary of Cost of Capital**

Line No.	Description	Reference	04/30/01 Ratio	Cost Rate	Weighted Composite Rate
	(a)	(b)	(c)	(d)	(e)
1	Long-Term Debt	F-1	57.80%	8.36%	4.832%
2	Short-Term Debt		5.94%	7.31%	0.434%
3	Preferred Equity	F-2	4.27%	9.93%	0.424%
4	Common Equity	F-2	<u>31.99%</u>	10.50%	<u>3.359%</u>
5	Total		<u>100.00%</u>		9.049%
6	Rate of Return Incentive Adjustment				<u>0.000%</u>
7	Requested Rate of Return				<u>9.049%</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**Long Term Debt**

Line No.	Description	Outstanding Debt	Annual Interest Rate	Annualized Cost
	(a)	(b)	(c)	(d)
1	7.6% Senior Notes	\$364,515,000	7.600%	\$27,703,140
2	8.25% Senio Notes	300,000,000	8.250%	24,750,000
3	8.375% Mortgage Bonds	30,000,000	8.375%	2,512,500
4	9.34% Mortgage Bonds	15,000,000	9.340%	1,401,000
5	7.7% Valley	6,839,000	7.700%	526,603
6	5.62% Providence	4,800,000	5.620%	269,760
7	6.5% Providence	14,531,000	6.500%	944,515
8	6.82% Providence	15,000,000	6.820%	1,023,000
9	7.24% Fall River	6,000,000	7.240%	434,400
10	7.5% Providence	15,000,000	7.500%	1,125,000
11	7.99% Fall River	7,000,000	7.990%	559,300
12	8.09% Providence	12,500,000	8.090%	1,011,250
13	8.46% Providence	12,500,000	8.460%	1,057,500
14	9.44% Fall River	6,500,000	9.440%	613,600
15	9.63% Providence	10,000,000	9.630%	963,000
16	10.25% Providence	2,182,000	10.250%	223,655
17	Term Loan	529,000,000	7.500%	39,675,000 (1)
18	Capital Lease - AMR	24,166,396	5.790%	1,399,234
19	Total Long-Term Debt	<u>\$1,375,533,396</u>		<u>\$106,192,457</u>
20	Unamortized Debt Costs - 181	(17,176,367)		2,513,563
21	Unamortized Costs/Loss/Gain on Reacquired Debt - 189 & 257	(13,249,201)		570,460
22	Net Long Term Debt	<u>\$1,345,107,828</u>		<u>\$109,276,480</u>
23	Cost of Debt			8.124%
24	Debt as Proportion of Total Capitalization (Line 7, Column B divided by Line 3, Column B, Schedule F)			<u>0.5780 (2)</u>
25	Composite Debt Cost Rate			<u>4.696%</u>

**NOTES:**

(1) The Term Loan rate is a floating rate base off the LIBOR + 87.5 bps.

(2) Total Capitalization for 12/31/2000 has not been finalized.



**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

**Equity Capital**

Line No.	Description	Cost Rate	Ratio	Composite Cost Rate
	(a)	(b)	(c)	(d)
	<b>Common Equity</b>			
1	Common Equity			
2	Required Return on Common Equity	10.500%		
3	Common Equity as Proportion of Total Capitalization (Line 10, Column B divided by Line 3, Column B, Schedule F)		32.0%	
4	Composite Common Cost Rate			3.359%
5	<b>Total Equity Capital</b>			<u>3.783%</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

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

Line No.	Main Acct.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
(a)	(b)		(c)	(d)	(e)
<b>OPERATING REVENUE</b>					
1	480	Residential	\$296,474,501	(\$202,914,914)	\$93,559,587
2	481.1	Commercial	121,856,787	(90,442,108)	31,414,679
3	481.2	Industrial	4,171,343	(2,763,966)	1,407,377
4	483	Sales for Resale	4,912	0	4,912
5	487	Late Payment Charges	983,440	0	983,440
6	488	Miscellaneous Service Revenue	1,217,295	2,174,733	3,392,028
7	489	Transport	13,362,735	(4,720,893)	8,641,842
8	493	Rent From Property	0	0	0
9	495	Other Gas Revenue	68,552	0	68,552
10		Total Operating Revenue	<u>\$438,139,565</u>	<u>(\$298,667,148)</u>	<u>\$139,472,417</u>
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
<b>Operation Expense</b>					
11	805	Other Gas Purchases	\$279,598,590	(\$279,598,590)	\$0
12	807	Purchased Gas Expense	186,500	(186,500)	0
13	859	Other Joint Expense	0	0	0
14	870	Operation, Supervision and Engineering	937,672	5,106	942,778
15	871	Distribution and Load Dispatching	20,193	83	20,276
16	872	Compressor Station Labor and Expense	1,375	(575)	800
17	874	Mains and Service Expenses	2,659,695	13,882	2,673,577
18	875	Distributing Regulating Station Expenses	610,461	17,859	628,320
19	876	Measuring and Regulating - Station Expenses	885	(544)	341
20	877	Measuring and Regulating - Station Expenses	15,549	(648)	14,901
21	878	Meter and House Regulator Expenses	4,382,171	142,405	4,524,576
22	879	Customer Installation Expenses	2,467,761	46,147	2,513,908
23	880	Other Expenses	1,135,231	(14,047)	1,121,184
24	881	Rents	121,136	0	121,136
25		Total Operation Expense	<u>\$292,137,219</u>	<u>(\$279,575,422)</u>	<u>\$12,561,797</u>
<b>Maintenance Expense</b>					
26	885	Maintenance Supervision and Engineering	\$524,476	\$4,613	\$529,089
27	886	Maintenance of Structures and Improvements	210,430	7,558	217,988
28	887	Maintenance of Mains	6,713,827	177,534	6,891,361
29	889	Maint. of Measuring and Reg. Stat Equip - General	289,508	4,632	294,140
30	890	Maint. of Measuring and Regulating Equipment	147,448	5,925	153,373
31	891	Maint. of Measuring and Regulating Equipment	15,283	566	15,849
32	892	Maintenance of Services	225,256	7,100	232,356
33	893	Maintenance of Meters and House Regulators	956,242	30,568	986,810
34	894	Maintenance of Other Equipment	336,723	2,838	339,561
35		Total Maintenance Expenses	<u>\$9,419,193</u>	<u>\$241,334</u>	<u>\$9,660,527</u>
36		Total Distribution Expense	<u>\$301,556,412</u>	<u>(\$279,334,088)</u>	<u>\$22,222,324</u>
<b>Customer Accounts Expense</b>					
37	901	Supervision	\$657,796	\$2,352	\$660,148
38	902	Meter Reading Expense	597,624	17,567	615,191
39	903	Customer Records and Collection Expense	8,343,253	(1,059)	8,342,194
40	904	Uncollectible Accounts	4,005,044	318,248	4,323,292
41	905	Miscellaneous Customer Accounts Expense	226,620	(4,382)	222,238
42		Total Customer Accounts Expenses	<u>\$13,830,337</u>	<u>\$332,726</u>	<u>\$14,163,063</u>

**MISSOURI GAS ENERGY**  
A Division of Southern Union Company  
Twelve Months Ending December 31, 2000

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

Line No.	Main Acct.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
(a)	(b)	(c)	(d)	(e)	
<b>Customer Service and Informational Expense</b>					
43	907	Supervision	\$0	\$0	\$0
44	908	Customer Assistance	344,488	89,998	434,486
45	909	Informational and Instructional Advertising Exp.	53,043	0	53,043
46	910	Miscellaneous Customer Accounts Expense	8,161	0	8,161
47		Total Cust. Service and Information Exp.	<u>\$405,692</u>	<u>\$89,998</u>	<u>\$495,690</u>
<b>Sales and Advertising Expense</b>					
48	911	Supervision	\$106,156	\$86	\$106,242
49	912	Demonstrating and Selling Expenses	947,470	(287,249)	660,221
50	913	Advertising Expenses	0	0	0
51	916	Miscellaneous Sales Expenses	6,237	0	6,237
52		Total Sales and Advertising Expenses	<u>\$1,059,863</u>	<u>(\$287,163)</u>	<u>\$772,700</u>
<b>Administrative and General Expense</b>					
53	920	Administrative and General Salaries	\$2,584,656	(\$97,392)	\$2,487,264
54	921	Office Supplies and Expenses	2,726,877	(81,199)	2,645,678
55	922	Administrative Expenses Transferred	(408,925)	0	(408,925)
56	923	Outside Services Employed	2,307,589	6,575,551	8,883,140
57	924	Property Insurance	77,688	0	77,688
58	925	Injuries and Damages	1,123,657	252,795	1,376,452
59	926	Employee Pensions and Benefits	5,766,483	43,048	5,809,531
60	927	Franchise Requirements	0	0	0
61	928	Regulatory Commission Expense	1,454,879	135,445	1,590,324
62	930	Miscellaneous General Expenses	243,219	(84,943)	158,276
63	931	Rents	463,947	(35,993)	427,954
64	932	Maintenance of General Plant	90,361	(2,578)	87,783
65		Total Administration and General Expense	<u>\$16,410,431</u>	<u>\$6,704,734</u>	<u>\$23,115,165</u>
66		Total O & M Expense	<u>\$333,262,735</u>	<u>(\$272,493,793)</u>	<u>\$60,768,942</u>
67	403	Depreciation	21,816,176	(2,189,858)	19,626,318
68	404, 405	Amortization	910,128	2,688,262	3,598,390
69	431	Interest on Customer Deposits	386,897	(58,427)	328,470
70	408	Payroll Taxes	1,618,628	215,184	1,833,812
71	408	Property Taxes	6,544,654	460,955	7,005,609
72	408	Gross Receipts Tax	27,690,995	(27,690,995)	0
73	408	Other Taxes	294,237	129,578	423,815
74	408	Taxes Other Than Income	<u>\$36,148,514</u>	<u>(\$26,885,278)</u>	<u>\$9,263,236</u>
75		TOTAL EXPENSES	<u>\$392,524,450</u>	<u>(\$298,939,094)</u>	<u>\$93,585,356</u>
76		OPERATING INCOME BEFORE INCOME TAX	<u>\$45,615,115</u>	<u>\$271,946</u>	<u>\$45,887,061</u>
77	409,410	Income Taxes	\$9,634,535	(\$3,134,857)	\$8,499,878
78		NET OPERATING INCOME	<u>\$35,980,580</u>	<u>\$3,406,603</u>	<u>\$39,387,183</u>

Distribution of Revenue and Expense Adjustments by Account No.

			H-1	H-2	H-3	H-4	H-5	H-6	H-7	H-8	H-9	H-10	H-11	
Line No.	Main Acct.	Description	Test Year Per Books	Adj. GL Rev to Test Year Margin	Normalize & Adj. Test Year Margin	Remove Purch.. Gas Cost and GRT	Payroll Expense	Employee Benefits	Payroll Taxes	Insurance	Joint and Common Costs	Uncollectible Expense	Regulatory Commission Expense	Interest on Customer Deposits
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
OPERATING REVENUE														
1	480	Residential	\$296,474,501	(\$207,615,104)	\$4,700,190									
2	481.1	Commercial	121,856,787	(92,411,882)	1,969,774									
3	481.2	Industrial	4,171,343	(2,763,966)	0									
4	483	Sales for Resale	4,912	0	0									
5	487	Late Payment Charges	983,440	0	0									
6	488	Miscellaneous Service Revenue	1,217,295	(137,140)	2,311,873									
7	489	Transport	13,362,735	(4,481,802)	(239,091)									
8	493	Rent From Property	0											
9	495	Other Gas Revenue	68,552											
10		Total Operating Revenue	\$438,139,565	(\$307,409,694)	\$8,742,746	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING & MAINTENANCE EXPENSE														
Operation Expense														
11	805	Other Gas Purchases	\$279,598,590			(\$279,598,590)								
12	807	Purchased Gas Expense	186,500											
13	859	Other Joint Expense	0											
14	870	Operation, Supervision and Engineering	937,672				4,907							
15	871	Distribution and Load Dispatching	20,193				80							
16	872	Compressor Station Labor and Expense	1,375				(575)							
17	874	Mains and Service Expenses	2,659,695				13,807							
18	875	Distributing Regulating Station Expenses	610,481				17,756							
19	876	Measuring and Regulating - Station Expenses	885				(544)							
20	877	Measuring and Regulating - Station Expenses	15,549				(651)							
21	878	Meter and House Regulator Expenses	4,382,171				141,596							
22	879	Customer Installation Expenses	2,467,761				45,678							
23	880	Other Expenses	1,135,231				(7,340)							
24	881	Rents	121,136											
25		Total Operation Expense	\$292,137,219	\$0	\$0	(\$279,598,590)	\$214,714	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Maintenance Expense														
26	885	Maintenance Supervision and Engineering	\$524,476				\$4,505							
27	886	Maintenance of Structures and Improvements	210,430				7,524							
28	887	Maintenance of Mains	6,713,827				176,424							
29	889	Maint. of Measuring and Reg. Stat Equip - General	289,508				4,868							
30	890	Maint. of Measuring and Regulating Equipment	147,448				5,898							
31	891	Maint. of Measuring and Regulating Equipment	15,283				583							
32	892	Maintenance of Services	225,256				7,050							
33	893	Maintenance of Meters and House Regulators	956,242				30,698							
34	894	Maintenance of Other Equipment	336,723				2,799							
35		Total Maintenance Expenses	\$9,419,193	\$0	\$0	\$0	\$240,329	\$0	\$0	\$0	\$0	\$0	\$0	\$0
36		Total Distribution Expense	\$301,556,412	\$0	\$0	(\$279,598,590)	\$455,043	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Customer Accounts Expense														
37	901	Supervision	\$657,796				\$2,198							
38	902	Meter Reading Expense	597,624				17,457							
39	903	Customer Records and Collection Expense	8,343,253				(77,440)							
40	904	Uncollectible Accounts	4,005,044									318,248		
41	905	Miscellaneous Customer Accounts Expense	226,620				(79)							
42		Total Customer Accounts Expenses	\$13,830,337	\$0	\$0	\$0	(\$57,864)	\$0	\$0	\$0	\$0	\$318,248	\$0	\$0

Distribution of Revenue and Expense Adjustments by Account No.

		H-1	H-2	H-3	H-4	H-5	H-6	H-7	H-8	H-9	H-10	H-11		
Line No.	Main Acct.	Description	Test Year Per Books	Adj. GL Rev to Test Year Margin	Normalize & Adj. Test Year Margin	Remove Purch.. Gas Cost and GRT	Payroll Expense	Employee Benefits	Payroll Taxes	Insurance	Joint and Common Costs	Uncollectible Expense	Regulatory Commission Expense	Interest on Customer Deposits
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
Customer Service and Informational Expense														
43	907	Supervision	\$0											
44	908	Customer Assistance	344,488				(19)							
45	909	Informational and Instructional Advertising Exp.	53,043											
46	910	Miscellaneous Customer Accounts Expense	8,161											
47		Total Cust. Service and Information Exp.	\$405,692	\$0	\$0	\$0	(\$19)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales and Advertising Expense														
48	911	Supervision	\$106,156				\$61							
49	912	Demonstrating and Selling Expenses	947,470				(263,696)							
50	913	Advertising Expenses	0											
51	916	Miscellaneous Sales Expenses	6,237											
52		Total Sales and Advertising Expenses	\$1,059,663	\$0	\$0	\$0	(\$263,635)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative and General Expense														
53	920	Administrative and General Salaries	\$2,564,656				(\$5,602)							
54	921	Office Supplies and Expenses	2,726,877				(278)							
55	922	Administrative Expenses Transferred	(408,925)											
56	923	Outside Services Employed	2,307,589								6,934,982			
57	924	Property Insurance	77,688							0				
58	925	Injuries and Damages	1,123,657				(480)			253,275				
59	926	Employee Pensions and Benefits	5,766,483					46,687						
60	927	Franchise Requirements	0											
61	928	Regulatory Commission Expense	1,454,879										135,445	
62	930	Miscellaneous General Expenses	243,219											
63	931	Rents	463,947											
64	932	Maintenance of General Plant	90,361				0							
65		Total Administration and General Expense	\$16,410,431	\$0	\$0	\$0	(\$6,360)	\$46,687	\$0	\$253,275	\$6,934,982	\$0	\$135,445	\$0
66		Total O & M Expense	\$333,262,735	\$0	\$0	(\$279,598,590)	\$127,165	\$46,687	\$0	\$253,275	\$6,934,982	\$318,248	\$135,445	\$0
67	403	Depreciation	\$21,816,176											
68	404, 405	Amortization	910,128											
69	431	Interest on Customer Deposits	386,897											(58,427)
70	408	Payroll Taxes (1****)	1,618,628						222,272					
71	408	Property Taxes (2****)	6,544,654											
72	408	Gross Receipts Tax (3300 + 4000)	27,690,995			(27,690,995)								
73	408	Other Taxes (41**)	294,237											
74	408	Taxes Other Than Income	\$36,148,514	\$0	\$0	(\$27,690,995)	\$0	\$0	\$222,272	\$0	\$0	\$0	\$0	\$0
75		TOTAL EXPENSES	\$392,524,450	\$0	\$0	(\$307,289,585)	\$127,165	\$46,687	\$222,272	\$253,275	\$6,934,982	\$318,248	\$135,445	(\$58,427)
76		OPERATING INCOME BEFORE INCOME TAX	\$45,615,115	(\$307,409,894)	\$8,742,746	\$307,289,585	(\$127,165)	(\$46,687)	(\$222,272)	(\$253,275)	(\$6,934,982)	(\$318,248)	(\$135,445)	\$58,427
77	409,410	Income Taxes	9,634,535											
Note: per book & adjusted income tax computed on A-2														
78		NET OPERATING INCOME	\$35,980,580	(\$307,409,894)	\$8,742,746	\$307,289,585	(\$127,165)	(\$46,687)	(\$222,272)	(\$253,275)	(\$6,934,982)	(\$318,248)	(\$135,445)	\$58,427

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

SCHEDULE H  
Page 5 of 8

H-12	H-13	H-14	H-15	H-16	H-17	H-18	H-19	H-20	H-21	H-22	H-23
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Line No.	Main Acct.	Description	Test Year Per Books	Depreciation Expense	Amortization Expense	TWE Clearing	Stores Load Clearing	Paid Time Off Clearing	State Franchise Tax	Property Tax	Y2K Amortization	Office Lease Expense	Dues Expense	Incentive Compensation & Bonuses	Collection Costs
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
OPERATING REVENUE															
1	480	Residential	\$296,474,501												
2	481.1	Commercial	121,856,787												
3	481.2	Industrial	4,171,343												
4	483	Sales for Resale	4,912												
5	487	Late Payment Charges	983,440												
6	488	Miscellaneous Service Revenue	1,217,295												
7	489	Transport	13,362,735												
8	493	Rent From Property	0												
9	495	Other Gas Revenue	68,552												
10		Total Operating Revenue	\$438,139,565	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING & MAINTENANCE EXPENSE															
Operation Expense															
11	805	Other Gas Purchases	\$276,598,590												
12	807	Purchased Gas Expense	186,500												
13	859	Other Joint Expense	0												
14	870	Operation, Supervision and Engineering	937,672			0		0						199	
15	871	Distribution and Load Dispatching	20,193			0		0						3	
16	872	Compressor Station Labor and Expense	1,375			0		0						0	
17	874	Mains and Service Expenses	2,659,895			0	0	0						75	
18	875	Distributing Regulating Station Expenses	610,461			0	0	0						103	
19	876	Measuring and Regulating - Station Expenses	885			0	0	0						0	
20	877	Measuring and Regulating - Station Expenses	15,549			0	0	0						3	
21	878	Meter and House Regulator Expenses	4,382,171			0	0	0						809	
22	879	Customer Installation Expenses	2,467,761			0	0	0						469	
23	880	Other Expenses	1,135,231			0	0	0						179	
24	881	Rents	121,136												
25		Total Operation Expense	\$292,137,219	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,840	\$0
Maintenance Expense															
26	885	Maintenance Supervision and Engineering	\$524,476			\$0	\$0	\$0						\$108	
27	886	Maintenance of Structures and Improvements	210,430			0	0	0						34	
28	887	Maintenance of Mains	6,713,827			0	0	0						1,110	
29	889	Maint. of Measuring and Reg. Stat Equip - General	289,508			0	0	0						49	
30	890	Maint. of Measuring and Regulating Equipment	147,448			0	0	0						27	
31	891	Maint. of Measuring and Regulating Equipment	15,283			0		0						3	
32	892	Maintenance of Services	225,256			0	0	0						50	
33	893	Maintenance of Meters and House Regulators	956,242			0	0	0						169	
34	894	Maintenance of Other Equipment	336,723			0	0	0						39	
35		Total Maintenance Expenses	\$9,419,193	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,589	\$0
36		Total Distribution Expense	\$301,556,412	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,429	\$0
Customer Accounts Expense															
37	901	Supervision	\$657,796											\$154	
38	902	Meter Reading Expense	597,624			0	0	0						110	
39	903	Customer Records and Collection Expense	8,343,253			0	0	0						1,131	75,803
40	904	Uncollectible Accounts	4,005,044												
41	905	Miscellaneous Customer Accounts Expense	226,620				0								
42		Total Customer Accounts Expenses	\$13,830,337	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,395	\$75,803

Distribution of Revenue and Expense Adjustments by Account No.

			H-12	H-13	H-14	H-15	H-16	H-17	H-18	H-19	H-20	H-21	H-22	H-23	
Line No.	Main Acct.	Description	Test Year Per Books	Depreciation Expense	Amortization Expense	TWE Clearing	Stores Load Clearing	Paid Time Off Clearing	State Franchise Tax	Property Tax	Y2K Amortization	Office Lease Expense	Dues Expense	Incentive Compensation & Bonuses	Collection Costs
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
Customer Service and Informational Expense															
43	907	Supervision	\$0												
44	908	Customer Assistance	344,488											17	
45	909	Informational and Instructional Advertising Exp.	53,043												
46	910	Miscellaneous Customer Accounts Expense	8,161												
47		Total Cust. Service and Information Exp.	\$405,692	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17	\$0
Sales and Advertising Expense															
48	911	Supervision	\$106,158											\$25	
49	912	Demonstrating and Selling Expenses	947,470			0								138	
50	913	Advertising Expenses	0												
51	916	Miscellaneous Sales Expenses	6,237												
52		Total Sales and Advertising Expenses	\$1,059,863	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$163	\$0
Administrative and General Expense															
53	920	Administrative and General Salaries	\$2,584,656											\$596	
54	921	Office Supplies and Expenses	2,726,877			0	0				23,267	(36,486)		0	
55	922	Administrative Expenses Transferred	(408,925)												
56	923	Outside Services Employed	2,307,589												
57	924	Property Insurance	77,688												
58	925	Injuries and Damages	1,123,657				0							0	
59	926	Employee Pensions and Benefits	5,766,483												
60	927	Franchise Requirements	0												
61	928	Regulatory Commission Expense	1,454,879												
62	930	Miscellaneous General Expenses	243,219												
63	931	Rents	483,947												
64	932	Maintenance of General Plant	90,361												
65		Total Administration and General Expense	\$16,410,431	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,267	(\$69,441)	(\$54,118)	\$596	\$0
66		Total O & M Expense	\$333,262,735	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,267	(\$69,441)	(\$54,118)	\$5,600	\$75,803
67	403	Depreciation	\$21,816,176	(\$2,189,858)											
68	404, 405	Amortization	910,128		2,731,624						(43,362)				
69	431	Interest on Customer Deposits	386,897												
70	408	Payroll Taxes (1****)	1,818,628												
71	408	Property Taxes (2****)	6,544,654							460,955					
72	408	Gross Receipts Tax (3300 + 4000)	27,690,995												
73	408	Other Taxes (41**)	294,237						129,578						
74	408	Taxes Other Than Income	\$36,148,514	\$0	\$0	\$0	\$0	\$0	\$129,578	\$460,955	\$0	\$0	\$0	\$0	\$0
75		TOTAL EXPENSES	\$392,524,450	(\$2,189,858)	\$2,731,624	\$0	\$0	\$0	\$129,578	\$460,955	(\$20,095)	(\$69,441)	(\$54,118)	\$5,600	\$75,803
76		OPERATING INCOME BEFORE INCOME TAX	\$45,615,115	\$2,189,858	(\$2,731,624)	\$0	\$0	\$0	(\$129,578)	(\$460,955)	\$20,095	\$69,441	\$54,118	(\$5,600)	(\$75,803)
77	409, 410	Income Taxes	9,634,535												
78		NET OPERATING INCOME	\$35,980,580	\$2,189,858	(\$2,731,624)	\$0	\$0	\$0	(\$129,578)	(\$460,955)	\$20,095	\$69,441	\$54,118	(\$5,600)	(\$75,803)

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

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-24 Record Non-refundable Payment Bond	H-25 Remove Non-utility Activities	H-26 Disallowance of 50% of meals	H-27 Eliminate Severance Costs	H-28 Eliminate Promotional Advertising	H-29 Eliminate Lobbying Expense	H-30 Remove Non-recurring Legal Costs	H-31 Various Other Items	Income Tax Adjustment	Total Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)	(ah)	(ai)	(aj)	(ak)
<b>OPERATING REVENUE</b>														
1	480	Residential	\$296,474,501										(\$202,914,914)	\$93,559,587
2	481.1	Commercial	121,856,787										(90,442,108)	31,414,679
3	481.2	Industrial	4,171,343										(2,763,966)	1,407,377
4	483	Sales for Resale	4,912										0	4,912
5	487	Late Payment Charges	983,440										0	983,440
6	488	Miscellaneous Service Revenue	1,217,295										2,174,733	3,392,028
7	489	Transport	13,362,735										(4,720,893)	8,641,842
8	483	Rent From Property	0										0	0
9	495	Other Gas Revenue	68,552										0	68,552
10		Total Operating Revenue	\$438,139,565	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$298,667,148)	\$139,472,417
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>														
<b>Operation Expense</b>														
11	805	Other Gas Purchases	\$279,598,590										(\$279,598,590)	\$0
12	807	Purchased Gas Expense	186,500	(186,500)									(186,500)	0
13	859	Other Joint Expense	0										0	0
14	870	Operation, Supervision and Engineering	937,672										5,106	942,778
15	871	Distribution and Load Dispatching	20,193										83	20,276
16	872	Compressor Station Labor and Expense	1,375										(575)	800
17	874	Mains and Service Expenses	2,659,695										13,882	2,673,577
18	875	Distributing Regulating Station Expenses	610,461										17,859	628,320
19	876	Measuring and Regulating - Station Expenses	885										(544)	341
20	877	Measuring and Regulating - Station Expenses	15,549										(648)	14,901
21	878	Meter and House Regulator Expenses	4,382,171										142,405	4,524,576
22	879	Customer Installation Expenses	2,467,761										48,147	2,515,908
23	880	Other Expenses	1,135,231			(6,886)							(14,047)	1,121,184
24	881	Rents	121,136										0	121,136
25		Total Operation Expense	\$282,137,219	(\$186,500)	\$0	(\$6,886)	\$0	\$0	\$0	\$0	\$0	\$0	(\$279,575,422)	\$12,561,797
<b>Maintenance Expense</b>														
26	885	Maintenance Supervision and Engineering	\$524,476										\$4,613	\$529,089
27	886	Maintenance of Structures and Improvements	210,430										7,558	217,988
28	887	Maintenance of Mains	6,713,827										177,534	6,891,361
29	889	Maint. of Measuring and Reg. Stat Equip - General	289,508			(285)							4,632	294,140
30	890	Maint. of Measuring and Regulating Equipment	147,448										5,925	153,373
31	891	Maint. of Measuring and Regulating Equipment	15,283										566	15,849
32	892	Maintenance of Services	225,256										7,100	232,356
33	893	Maintenance of Meters and House Regulators	956,242			(299)							30,568	986,810
34	894	Maintenance of Other Equipment	336,723										2,838	339,561
35		Total Maintenance Expenses	\$9,419,193	\$0	\$0	(\$584)	\$0	\$0	\$0	\$0	\$0	\$0	\$241,334	\$9,660,527
36		Total Distribution Expense	\$301,556,412	(\$186,500)	\$0	(\$7,470)	\$0	\$0	\$0	\$0	\$0	\$0	(\$279,334,088)	\$22,222,324
<b>Customer Accounts Expense</b>														
37	901	Supervision	\$657,796										\$2,352	\$660,148
38	902	Meter Reading Expense	597,624										17,567	615,191
39	903	Customer Records and Collection Expense	8,343,253			(553)							(1,059)	8,342,194
40	904	Uncollectible Accounts	4,005,044										318,248	4,323,292
41	905	Miscellaneous Customer Accounts Expense	226,620			(4,303)							(4,382)	222,238
42		Total Customer Accounts Expenses	\$13,830,337	\$0	\$0	(\$4,856)	\$0	\$0	\$0	\$0	\$0	\$0	\$332,726	\$14,163,063



Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books (c)	H-24 Record Non-refundable Payment Bond (aa)	H-25 Remove Non-utility Activities (ab)	H-26 Disallowance of 50% of meals (ac)	H-27 Eliminate Severance Costs (ad)	H-28 Eliminate Promotional Advertising (ae)	H-29 Eliminate Lobbying Expense (af)	H-30 Remove Non-recurring Legal Costs (ag)	H-31 Various Other Items (ah)	Income Tax Adjustment (ai)	Total Adjustments (aj)	Test Year As Adjusted (ak)
<b>Customer Service and Informational Expense</b>														
43	907	Supervision	\$0										\$0	\$0
44	908	Customer Assistance	344,488								90,000		89,998	434,486
45	909	Informational and Instructional Advertising Exp.	53,043										0	53,043
46	910	Miscellaneous Customer Accounts Expense	8,161										0	8,161
47		Total Cust. Service and Information Exp.	\$405,692	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$90,000	\$0	\$89,998	\$485,690
<b>Sales and Advertising Expense</b>														
48	911	Supervision	\$106,156										\$86	\$106,242
49	912	Demonstrating and Selling Expenses	947,470			(3,499)		(7,883)			(12,309)		(287,249)	660,221
50	913	Advertising Expenses	0										0	0
51	916	Miscellaneous Sales Expenses	6,237										0	6,237
52		Total Sales and Advertising Expenses	\$1,059,863	\$0	\$0	(\$3,499)	\$0	(\$7,883)	\$0	\$0	(\$12,309)	\$0	(\$287,163)	\$772,700
<b>Administrative and General Expense</b>														
53	920	Administrative and General Salaries	\$2,584,858								(\$92,386)		(\$97,382)	\$2,467,284
54	921	Office Supplies and Expenses	2,726,877			(27,455)	(5,000)	(3,453)			(31,794)		(81,199)	2,645,678
55	922	Administrative Expenses Transferred	(408,825)										0	(408,825)
56	923	Outside Services Employed	2,307,589		(20,459)		(86,145)		(30,500)	(194,911)	(27,416)		6,575,551	8,863,140
57	924	Property Insurance	77,688										0	77,688
58	925	Injuries and Damages	1,123,657										252,795	1,376,452
59	926	Employee Pensions and Benefits	5,766,483								(3,639)		43,048	5,809,531
60	927	Franchise Requirements	0										0	0
61	928	Regulatory Commission Expense	1,454,879										135,445	1,590,324
62	930	Miscellaneous General Expenses	243,219			(1,571)		(19,183)			(10,071)		(84,943)	158,276
63	931	Rents	463,847								(5,616)		(35,993)	427,954
64	932	Maintenance of General Plant	90,361										(2,578)	87,783
65		Total Administration and General Expense	\$16,410,431	\$0	(\$20,459)	(\$29,026)	(\$91,145)	(\$22,636)	(\$30,500)	(\$194,911)	(\$170,922)	\$0	\$6,704,734	\$23,115,165
66		Total O & M Expense	\$333,262,735	(\$186,500)	(\$20,459)	(\$44,851)	(\$91,145)	(\$30,519)	(\$30,500)	(\$194,911)	(\$93,231)	\$0	(\$272,493,793)	\$60,768,942
67	403	Depreciation	\$21,816,176										(\$2,189,858)	\$19,626,318
68	404, 405	Amortization	910,128										2,688,262	3,598,390
69	431	Interest on Customer Deposits	386,897										(58,427)	328,470
70	408	Payroll Taxes (1***)	1,618,628								(7,088)		215,184	1,833,812
71	408	Property Taxes (2***)	6,544,654										460,955	7,005,609
72	408	Gross Receipts Tax (3300 + 4000)	27,690,995										(27,690,995)	0
73	408	Other Taxes (41**)	294,237										129,578	423,815
74	408	Taxes Other Than Income	\$36,148,514	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$7,088)	\$0	(\$26,885,278)	\$9,263,236
75		TOTAL EXPENSES	\$392,524,460	(\$186,500)	(\$20,459)	(\$44,851)	(\$91,145)	(\$30,519)	(\$30,500)	(\$194,911)	(\$100,319)	\$0	(\$298,939,094)	\$93,585,356
76		OPERATING INCOME BEFORE INCOME TAX	\$45,615,115	\$186,500	\$20,459	\$44,851	\$91,145	\$30,519	\$30,500	\$194,911	\$100,319	\$0	\$271,946	\$45,887,061
77	409,410	Income Taxes	9,634,535									(3,134,657)	(3,134,657)	6,499,878
78		NET OPERATING INCOME	\$35,980,580	\$186,500	\$20,459	\$44,851	\$91,145	\$30,519	\$30,500	\$194,911	\$100,319	\$3,134,657	\$3,406,803	\$39,387,183

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

**MISSOURI GAS ENERGY**  
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**Adjust Test Year Revenue per Book to Test Year Margin**

Line No.	Description	Main Account/Revenue Class					Total
		480	481.1	481.2	483, 489	487, 488, 493, 495	
	(a)	21 (b)	22 & 23 (c)	25 (d)	28, 38 (e)	(f)	(g)
1	Total Revenue per Book	\$296,474,501	\$121,856,787	\$4,171,343	\$13,367,647	\$2,269,287	\$438,139,565
2	Less: GRT Revenue, Unbilled Revenue, PGA Revenue, and Miscellaneous Adjustments	(207,615,104)	(92,411,882)	(2,763,966)	(4,481,801)	(137,140)	(307,409,893)
3	Test Year Margin	<u>\$88,859,397</u>	<u>\$29,444,905</u>	<u>\$1,407,377</u>	<u>\$8,885,846</u>	<u>\$2,132,147</u>	<u>\$130,729,672</u>

**MISSOURI GAS ENERGY**  
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**Test Year Margin Adjustments**

Line No.	Description	Main Account/Revenue Class					Total
		Residential Gas Sales	Commercial Gas Sales	Industrial Gas Sales	Transportation Revenues	Service Charges and Other	
		480 21	481.1 22 & 23	481.2 25	489, 483 38, 28	487, 488, 493, 495	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Test Year Margin	\$88,859,397	\$29,444,905	\$1,407,377	\$8,885,846	\$2,132,147	\$130,729,672
2	Weather Normalize	3,314,356	1,396,596		118,494		4,829,446
3	Customer Growth Annualization	1,365,378	637,687				2,003,065
4	Rate Switching GS to LVS (1)		(82,352)		49,325		(33,027)
5	LVS Customer Deletions		(2,047)		(3,859)		(5,906)
6	Annualize Flex Credits				(388,739)		(388,739)
7	Economic Development Discounts				(14,312)		(14,312)
8	365 Days Consumption	20,456	19,890				40,346
9	Off-System Sales					1,200,000	1,200,000
10	Settled Adjustment					31,139	31,139
11	Proposed Reconnect Fee Increase					1,080,734	1,080,734
12	Total Adjustments	4,700,190	1,969,774	0	(239,091)	2,311,873	8,742,746
13	As Adjusted Test Year Margin	\$93,559,587	\$31,414,679	\$1,407,377	\$8,646,755	\$4,444,020	\$139,472,418

- (1) LVS customer charges are recorded in 481.1 and 481.2. The (\$82,352) adjustment is the sum of (\$132,696) in general service revenue reductions and \$50,344 added LVS customer charges. The total LVS revenue effect is \$95,190, or \$50,344 plus \$44,846.

**MISSOURI GAS ENERGY**  
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**Remove Purchase Gas Costs and Gross Receipts Tax**

Line No.	Description (a)	Amount (b)
1	Purchase Gas Costs (Acct. 805)	(\$279,598,590)
2	Gross Receipts Tax (Acct. 4081)	(27,690,995)
3	Total Adjustment	<u>(\$307,289,585)</u>

**MISSOURI GAS ENERGY**  
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**Payroll Expense**

Line No.	Main Acct.	Proforma Payroll Expense	Settlement - Payroll Increases	Settled Proforma Payroll Expense	Payroll Expense Per Book	Adjustment to Test Year
	(a)	(b)	(c)	(d)	(e)	(f)
1	870	\$819,749	\$32,824	\$852,573	\$847,666	\$4,907
2	871	13,962	555	14,517	14,437	80
3	872	298	0	298	873	(575)
4	874	310,883	12,390	323,273	309,466	13,807
5	875	424,110	16,920	441,030	423,274	17,756
6	876	0	0	0	544	(544)
7	877	11,521	462	11,983	12,634	(651)
8	878	3,339,403	133,606	3,473,009	3,331,413	141,596
9	879	1,937,471	77,482	2,014,953	1,969,275	45,678
10	880	737,683	29,495	767,178	774,518	(7,340)
11	885	445,047	17,845	462,892	458,387	4,505
12	886	141,364	5,640	147,004	139,480	7,524
13	887	4,580,004	183,165	4,763,169	4,586,745	176,424
14	889	201,349	8,044	209,393	204,525	4,868
15	890	111,858	4,438	116,296	110,398	5,898
16	891	11,807	462	12,269	11,706	563
17	892	205,613	8,229	213,842	206,792	7,050
18	893	698,157	27,923	726,080	695,382	30,698
19	894	162,522	6,472	168,994	166,195	2,799
20	901	634,567	25,427	659,994	657,796	2,198
21	902	454,067	18,122	472,189	454,732	17,457
22	903	4,669,914	186,868	4,856,782	4,934,222	(77,440)
23	905	0	0	0	79	(79)
24	908	70,770	2,866	73,636	73,655	(19)
25	911	102,149	4,068	106,217	106,156	61
26	912	568,074	22,745	590,819	854,515	(263,696)
27	920	2,461,105	98,471	2,559,576	2,565,178	(5,602)
28	921	1,819	92	1,911	2,189	(278)
29	925	0	0	0	480	(480)
30	932	0	0	0	0	0
31	Total	\$23,115,266	\$924,611	\$24,039,877	\$23,912,712	\$127,165

**MISSOURI GAS ENERGY**  
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**Employee Benefits**

Line No.	Description (a)	Amount (b)	Amount (c)
1	Pension - Settled	(\$2,200,000)	
2	Retirement Power - Settled	547,133	
3	Life & AD&D Insurance	167,714	
4	Long Term Disability Insurance	107,256	
5	Medical / Dental Benefit - Settled	4,256,022	
6	FAS 106 - Accrual - Settled	1,500,000	
7	FAS 106 - Amortization of	2,664,792	
8	401K - Settled	1,201,530	
9	COLI Amortization	303,497	
10	Supplemental Retirement	135,560	
11	Settlement of capitalization	(1,027,644)	
12	Other Benefits	85,382	
13	Total Proforma Benefits	<u>\$7,741,242</u>	
14	Payroll Expense Ratio	0.750935	
15	Proforma Benefits Expense	<u>\$5,813,170</u>	\$5,813,170
16	Less Test Year Benefits Expense	(\$5,766,483)	
17	Add back payroll charged to Acct. 9260 (already deducted from proforma amounts on payroll adjustment)	0	
18	Net Test Year Benefits Expense (not deducted elsewhere)	<u>(\$5,766,483)</u>	<u>(5,766,483)</u>
19	Adjustment to Test Year Expense - Acct. 926		<u><u>\$46,687</u></u>

**MISSOURI GAS ENERGY**  
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**Payroll Taxes**

Line No.	Description (a)	Amount (b)
1	Total Proforma Payroll Taxes	\$2,354,574
2	Payroll Taxes on Incentive Compensation Adjustment	576
3	Per Settlement	93,712
4	Payroll Taxes on step/pay grade increases	<u>2,615</u>
5	Total Proforma Payroll Taxes	\$2,451,477
6	Payroll Expense Ratio	0.750935
7	Proforma Payroll Tax Expense	<u>\$1,840,900</u>
8	Less Test Year Payroll Tax Expense	<u>(1,618,628)</u>
9	Adjustment to Test Year Expense - Acct. 4081	<u><u>\$222,272</u></u>

**MISSOURI GAS ENERGY**  
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**Insurance - Account 924 & Account 925**

Line										
No.	Description	1996	1997	1998	1999	2000	5 Year Avg.	925 Amount	924 Amount	Total Amount
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
MGE Claims:										
1	Workers Compensation claims paid	\$592,929	\$580,294	\$476,028	\$607,686	\$752,140	\$601,815			
2	Auto & General Liability	145,399	403,507	284,683	2,053,498	275,978	632,613			
3	Total Proforma Claims	<u>\$738,328</u>	<u>\$983,801</u>	<u>\$760,711</u>	<u>\$2,661,184</u>	<u>\$1,028,118</u>	<u>\$1,234,428</u>	\$1,234,428		\$1,234,428
4	Per Settlement							(72,850)		(72,850)
5	Adjusted Total Proforma Claims							1,161,578	0	1,161,578
6	Insurance Premiums - 924								77,688	77,688
7	Insurance Premiums - 925							639,264		639,264
8	Non-Insurance Items - 925							<u>32,781</u>		<u>32,781</u>
9	Total Proforma Insurance Cost							\$1,833,623	\$77,688	\$1,911,311
10	Test Year Payroll Expense Ratio							0.750935	1.000000	
11	Proforma Insurance Expense							<u>\$1,376,932</u>	<u>\$77,688</u>	<u>\$1,454,620</u>
12	Less Test Year Insurance Expense							(1,123,657)	(77,688)	(1,201,345)
13	Adjustment to Test Year - Accts. 924 and 925							<u>\$253,275</u>	<u>\$0</u>	<u>\$253,275</u>



**MISSOURI GAS ENERGY**  
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**Joint and Common Costs**

Line No.	Description (a)	Amount (b)
1	Proforma Joint and Common Costs	\$10,565,268
2	Expense Capital Ratio	79.2495%
3	Proforma Joint and Common Expense	<u>\$8,372,923</u>
4	Settled - SERP	(847,620)
5	Settled - FAS 87 Pension	73,152
6	Settled - Dental	30,970
7	Settled - Meals & Entertainment	(19,610)
8	Settled - 1/2 Payroll (NY Office)	(101,959)
9	Settled - 1/2 Payroll (M&A)	(132,915)
10	Settled - 1/2 Payroll (Litigation)	(48,462)
11	Settled - SGA Dues	(5,786)
12	Settled - AGA Dues	(18,007)
13	Settled - Manufactured Gas	(267,550)
14	Settled - Various	(3,425)
15	Settled - Rent (NY Office)	(77,180)
16	Settled - Legal Fees	(8,637)
17	Settled - IT Payment	(8,837)
18	Settled - IT Equipment	(2,075)
19	Settled Proforma Joint and Common Expense	<u>\$6,934,982</u>
20	Less Test Year Expense Recorded on MGE's Books	<u>0</u>
21	Adjustment to Test Year - Acct. 923	<u><u>\$6,934,982</u></u>

**MISSOURI GAS ENERGY**  
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**Uncollectible Expense**

Line No.	Description	Amount	Amount
	(a)	(b)	(c)
1	Twelve Months Ended 1996 Charge Offs	\$4,605,837	
2	Twelve Months Ended 1997 Charge Offs	5,249,016	
3	Twelve Months Ended 1998 Charge Offs	5,327,305	
4	Twelve Months Ended 1999 Charge Offs	2,507,795	
5	Twelve Months Ended 2000 Charge Offs	<u>2,532,408</u>	
6	Five Year Average		\$4,044,472
7	Adjustment to Settlement		<u>278,820</u>
8	Total Settled Expense		\$4,323,292
9	Less Test Year Uncollectible Expense		(4,005,044)
10	Adjustment to Test Year - Acct. 904		<u><u>\$318,248</u></u>

**MISSOURI GAS ENERGY**  
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**Regulatory Commission Expense**

Line No.	Description (a)	Amount (b)	Amount (c)
1	Proforma, Current Rate Case	\$600,000	
2	Normalization Period (years)	<u>2</u>	
3	Normalization - Current Case		\$300,000
4	Normalized level of expense for depreciation study ( <b>Note 1</b> )		\$7,444
5	Proforma NARUC Assessment - fiscal 7/1/00-6/30/01		6,198
6	Proforma MPSC Assessment - fiscal 7/1/00-6/30/01		<u>1,276,682</u>
7	Total Proforma Regulatory Commission Expense		\$1,590,324
8	Less Test Year Regulatory Commission Expense		(1,454,879)
9	Adjustment to Test Year - Acct. 928		<u><u>\$135,445</u></u>

**Note 1:**

	Total charges from Black & Veatch for	
10	the depreciation study	\$37,218
11	Amortization period (years)	<u>5</u>
12	Annual amortization	<u><u>\$7,444</u></u>

**MISSOURI GAS ENERGY**  
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**Interest on Customer Deposits**

Line No.	Description (a)	Reference (b)	Residential (c)	Commercial & Industrial (d)	Amount (e)
1	Customer Deposits	B-2	\$2,641,126	\$2,216,081	\$4,857,207
2	Interest Rate		9.50%	3.50%	6.76%
3	Proforma Interest on Customer Deposits		<u>\$250,907</u>	<u>\$77,563</u>	<u>\$328,470</u>
4	Less Test Year Interest on Customer Deposits				<u>(386,897)</u>
5	Adjustment to Test Year - Acct. 431				<u><u>(\$58,427)</u></u>

**MISSOURI GAS ENERGY**  
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Depreciation Expense								
Line No.	Description (a)	Amount (b)	Approved Rate (c)	Annualized Depreciation (d)	Proposed Rate (e)	Proforma Total Depreciation (f)	Less Depr. Capitalized To Clearing Accts. (g)	Proforma Depreciation Expense (h)
<b>INTANGIBLE PLANT</b>								
1	(301) Organization	\$15,600	0.00%	\$0	0.00%	\$0	\$0	\$0
2	(302) Franchises	51,046	0.00%	0	0.00%	0	0	0
3	(303) Miscellaneous Intangible	10,370,947	(see adj. H-13)	0	(see adj. H-13)	0	0	0
4	Total Intangible Plant	\$10,437,593		\$0		\$0	\$0	\$0
<b>DISTRIBUTION PLANT</b>								
5	(374.1) Land	\$240,448	0.00%	\$0	0.00%	\$0	\$0	\$0
6	(374.2) Land Rights	993,492	2.17%	21,559	2.09%	20,764	0	20,764
7	(375.1) Structures	6,007,068	2.28%	136,961	1.65%	99,117	0	99,117
8	(375.2) Leasehold Improvements	13,965	(see adj. H-13)	0	(see adj. H-13)	0	0	0
9	(376) Mains & Mains - Cast Iron	278,969,931	1.88%	5,244,635	2.27%	6,332,617	0	6,332,617
10	(378) Mains & Reg. Station - General	10,422,024	3.00%	312,661	2.86%	298,070	0	298,070
11	(379) Mains & Reg. Station - City Gate	3,074,013	2.66%	81,769	2.13%	65,476	0	65,476
12	(380) Services	248,048,065	5.50%	13,642,644	2.27%	5,630,691	0	5,630,691
13	(381) Meters	28,150,505	2.05%	577,085	2.86%	805,104	0	805,104
14	(382) Meter Installations	49,974,693	2.05%	1,024,481	2.86%	1,429,276	0	1,429,276
15	(383) House Regulators	9,540,154	2.05%	195,573	2.44%	232,780	0	232,780
16	(385) Electronic Gas Metering	320,088	5.00%	16,004	3.33%	10,659	0	10,659
17	(387) Other Equipment	0	6.33%	0	4.60%	0	0	0
18	Total Distribution Plant	\$635,754,446		\$21,253,372		\$14,924,654	\$0	\$14,924,554
<b>GENERAL PLANT - DIRECT</b>								
19	(389) Land	\$610,049	0.00%	\$0	0.00%	\$0	\$0	\$0
20	(390.1) Structures	517,301	3.33%	17,226	2.00%	10,346	0	10,346
21	(390.2) Leasehold Impr.	1,327,356	(see adj. H-13)	0	(see adj. H-13)	0	0	0
22	(391) Furniture & Fixtures	3,026,830	3.06%	92,621	8.06%	243,962	0	243,962
23	(392) Transportation Equipment	4,601,351	10.13%	466,117	8.70%	400,318	(112,175)	288,143
24	(393) Stores Equipment	499,757	3.33%	16,642	2.70%	13,493	0	13,493
25	(394) Tools	4,539,306	4.00%	181,572	2.38%	108,035	0	108,035
26	(395) Laboratory Equipment	0	4.00%	0	6.00%	0	0	0
27	(396) Power Operated Equipment	535,765	6.25%	33,485	8.33%	44,629	(12,506)	32,123
28	(397.1) Communication Equipment - AMR	32,969,219	5.00%	1,648,461	5.00%	1,648,461	0	1,648,461
29	(397.0) Communication Equipment - Other	1,516,835	4.50%	68,258	6.25%	94,802	0	94,802
30	(398) Miscellaneous Equipment	174,602	6.25%	10,913	3.85%	6,722	0	6,722
31	Total Direct General Plant	\$50,318,371		\$2,535,295		\$2,570,768	(\$124,681)	\$2,446,087
<b>GENERAL PLANT - CORPORATE</b>								
32	(390) Structures	\$295,765	2.83%	\$8,370	2.00%	\$5,916	\$0	\$5,915
33	(390) Leasehold Impr.	0	(amortized)	0	(amortized)	0	0	0
34	(391) Furniture & Fixtures	10,474,118	10.00%	1,047,412	10.00%	1,047,412	0	1,047,412
35	(392) Transportation Equipment	0	12.50%	0	10.00%	0	0	0
36	(397) Communication Equipment	4,220	2.83%	119	6.25%	264	0	264
37	(398) Miscellaneous Equipment	2,547	2.83%	72	3.85%	98	0	98
38	Total Corporate General Plant	\$10,778,648		\$1,055,973		\$1,053,689	\$0	\$1,053,689
39	Total Proforma Plant & Depreciation	\$707,287,058		\$24,844,640		\$18,549,011	(\$124,681)	\$18,424,330
40	Projected Plant Increases - Intangible	\$441,748	10.00%	\$44,175	10.00%	\$44,175	\$0	\$44,175
41	Projected Plant Increases - Distribution	18,924,141	3.34%	632,066	2.35%	444,717	0	444,717
42	Projected Plant Increases - General Plant	(10,341)	5.04%	(521)	5.11%	(528)	0	(528)
43	Total Projected Plant Increases	\$19,355,548		\$675,720		\$488,364	\$0	\$488,364
44	Total Proforma Plant & Depreciation	\$726,642,606		\$25,520,360		\$19,037,375	(\$124,681)	\$18,912,694
45	Less Depreciation Charged to Clearing A/Cs			(499,602)		(444,947)		
46	Amortize 5 Year Net Salvage							\$713,624
47	Less Test Year Depreciation Expense			(\$21,816,176)		(\$25,520,360)		(\$21,816,176)
48	Adjustment to Test Year - Acct. 403			\$3,204,582		(\$6,927,932)		(\$2,189,858)

**MISSOURI GAS ENERGY**  
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**Amortization Expense**

Line No.	Description	Original Cost Plant	Monthly Test Year Amortization Expense	Proforma Amortization Expense
	(a)	(b)	(c)	(d)
<u>MGE Direct Non-SLRP Amortization:</u>				
1	(375.2) Leasehold Improvements	\$13,965	\$423	\$5,078
2	(390.2) Leasehold Improvements	1,327,356	5,013	60,158
3	Sub Total	<u>\$1,341,321</u>	<u>\$5,436</u>	<u>\$65,236</u>
4	(303) Misc. Intangible - Corrosion Control Mgmt. System (4000)	\$1,117,800	\$9,555	\$114,665
5	(303) Misc. Intangible - Landbase Digitized Mapping (4500)	1,393,602	12,454	149,445
6	(303) Misc. Intangible - Premise Data System (5000)	985,196	0	0
7	(303) Misc. Intangible - AMR - Beta Phase (5500)	415,236	2,307	27,682
8	(303) Misc. Intangible - Facility Priority Index (6000)	894,795	7,465	89,583
9	(303) Misc. Intangible - Geographic Information System (6500)	1,006,719	7,191	86,296
10	(303) Misc. Intangible - Customer Service System (7000)	3,786,000	21,035	252,426
11	(303) Misc. Intangible - Licensing Office Pro2000 (7500)	54,012	450	5,401
12	(303) Misc. Intangible - Stoner Low Pressure/Intermediate Model (8000)	154,584	1,104	13,251
13	(303) Misc. Intangible - BASIC (8500)	294,516	3,005	36,063
14	(303) Misc. Intangible - TCS System (9000)	189,193	1,592	19,106
15	(303) Misc. Intangible - Geo Tax Software (9500)	79,294	661	7,929
16	Sub Total - Acct. 303	<u>\$10,370,947</u>	<u>\$66,821</u>	<u>\$801,847</u>
<u>SLRP Amortization:</u>				
17	SLRP Deferrals Subject to Amortization	<u>\$27,417,161</u>	<u>Amort. Period 10</u>	<u>\$2,741,716</u>
18	Amortize Debit Reserve Balance In Account 395.0	<u>\$164,763</u>	<u>5</u>	<u>\$32,953</u>
19	Pro-Forma Amortization Expense			\$3,641,752
20	Less Test Year Amortization Expense			<u>(910,128)</u>
21	Adjustment to Test Year - Accts. 404 and 405			<u>\$2,731,624</u>

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**Transportation and Work Equipment Clearing**

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into TWE Clearing Account 1841		\$4,406,743		
2	Less Test Year Amounts Cleared Out of Account 1841		<u>(4,407,135)</u>		
3	Test Year Amount Under/(Over) Cleared		<u>(\$392)</u>		(\$392)
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 1841:				
		Proforma	Test Year	Adjustment	
5	Depreciation	\$0	\$482,065	(\$482,065)	
6	Lease Costs	2,366,340	1,965,803	400,537	
7	Other	2,040,795	1,958,875	81,920	
8	Total	<u>\$4,407,135</u>	<u>\$4,406,743</u>	<u>\$392</u>	392
9	Total Adjusted Amount Under/(Over) Cleared				<u>\$0</u>

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

	Main Acct.	Amount	Percentage	Amount
10	870	\$71,902	0.016315	\$0
11	871	3,984	0.000904	0
12	872	297	0.000067	0
13	874	78,641	0.017844	0
14	875	92,413	0.020969	0
15	876	150	0.000034	0
16	877	1,822	0.000413	0
17	878	727,519	0.165078	0
18	879	403,635	0.091587	0
19	880	45,559	0.010338	0
20	885	52,919	0.012008	0
21	886	37,401	0.008486	0
22	887	1,013,315	0.229926	0
23	889	31,135	0.007065	0
24	890	29,867	0.006777	0
25	891	2,858	0.000648	0
26	892	47,699	0.010823	0
27	893	116,207	0.026368	0
28	894	28,704	0.006513	0
29	902	111,517	0.025304	0
30	903	226,478	0.051389	0
31	912	4,018	0.000912	0
32	921	44,151	0.010018	0
33	<b>Total Adjustment to Test Year Expense</b>	<b>\$3,172,191</b>	<b>0.719786</b>	<b>\$0</b>
34	Balance Sheet Accounts	1,234,944	0.280215	0
35	Total Test Year Clearing	<u>\$4,407,135</u>	<u>1</u>	<u>\$0</u>

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**Stores Clearing**

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into Stores Account 1630		\$2,247,290		
2	Less Test Year Amounts Cleared Out of Account 1630		(2,107,937)		
3	Test Year Amount Under/(Over) Cleared		<u>\$139,353</u>		\$139,353
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 1630:				
		Proforma	Test Year	Adjustment	
5	Other	2,107,937	2,247,290	(139,353)	
6	Total	<u>\$2,107,937</u>	<u>\$2,247,290</u>	<u>(\$139,353)</u>	(139,353)
7	Total Adjusted Amount Under/(Over) Cleared				<u>\$0</u>

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

	Main Acct.	Amount	Percentage	Amount
8	874	\$5,454	0.002587	\$0
9	875	14,536	0.006896	0
10	876	0	0.000000	0
11	877	31	0.000015	0
12	878	30,538	0.014487	0
13	879	6,454	0.003062	0
14	880	2,240	0.001063	0
15	885	1	0.000000	0
16	886	1,534	0.000728	0
17	887	126,757	0.060133	0
18	889	5,228	0.002480	0
19	890	41	0.000019	0
20	892	8,776	0.004163	0
21	893	17,312	0.008213	0
22	894	23,725	0.011255	0
23	902	208	0.000099	0
24	903	69	0.000033	0
25	905	114	0.000054	0
26	921	2,496	0.001184	0
27	925	1,220	0.000579	0
28	<b>Total Adjustment to Test Year Expense</b>	<u>246,734</u>	<u>0.11705</u>	<u>0</u>
29	Balance Sheet Accounts	1,861,203	0.882950	0
30	Total Test Year Clearing	<u>2,107,937</u>	<u>1</u>	<u>0</u>



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**Paid Time Off Clearing**

Line No.	Description	Proforma	Test Year	Adjustment	Amount
	(a)	(b)	(c)	(d)	(e)
1	Test Year Charges into Paid Time Off Account 1846		\$4,929,033		
2	Less Test Year Amounts Cleared Out of Account 1846		(4,615,028)		
3	Test Year Amount Under/(Over) Cleared		<u>\$314,005</u>		\$314,005
4	Plus/Minus Adjustments to Test Year Amounts Charged into Acct. 1846:				
		Proforma	Test Year	Adjustment	
5	Other	4,615,028	4,929,033	(314,005)	
6	Total	<u>\$4,615,028</u>	<u>\$4,929,033</u>	<u>(\$314,005)</u>	(314,005)
7	Total Adjusted Amount Under/(Over) Cleared				<u>\$0</u>

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

	Main Acct.	Amount	Percentage	Amount
8	870	\$75,151	0.016284	\$0
9	871	3,902	0.000845	0
10	872	216	0.000047	0
11	874	79,619	0.017252	0
12	875	96,545	0.020920	0
13	876	191	0.000041	0
14	877	1,421	0.000308	0
15	878	790,145	0.171211	0
16	879	423,584	0.091784	0
17	880	50,520	0.010947	0
18	885	56,486	0.012240	0
19	886	36,816	0.007977	0
20	887	1,043,309	0.226068	0
21	889	29,589	0.006411	0
22	890	28,460	0.006167	0
23	891	3,217	0.000697	0
24	892	47,297	0.010248	0
25	893	160,911	0.034867	0
26	894	29,953	0.006490	0
27	902	109,461	0.023718	0
28	903	237,375	0.051435	0
29	<b>Total Adjustment to Test Year Expense</b>	<b>3,304,168</b>	<b>0.715957</b>	<b>0</b>
30	Balance Sheet Accounts	1,310,858	0.284041	0
31	Total Test Year Clearing	<u>4,615,026</u>	<u>1</u>	<u>0</u>

**MISSOURI GAS ENERGY**  
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**Missouri State Franchise Tax**

Line No.	Description (a)	Amount (b)
1	Proforma State Franchise Tax Expense	\$423,815
2	Less Test Year State Franchise Tax Expense	<u>(294,237)</u>
3	Adjustment to Test Year - Acct. 4081	<u><u>\$129,578</u></u>

**MISSOURI GAS ENERGY**  
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**Property Tax Expense**

Line No.	Description	Reference	Amount
	(a)	(b)	(c)
1	Total Direct Plant In Service @ 12/31/00		\$687,653,226
2	Material & Supply Inventory @ 12/31/00		1,884,628
3	Completed Not Classified @ 12/31/00		<u>11,023,023</u>
4	Proforma Plant, excluding Intangible Plant		\$700,560,877
5	Property tax rate		<u>1.00000%</u>
6	Proforma Property Tax Expense		\$7,005,609
7	Less Test Year Property Tax Expense		<u>(6,544,654)</u>
8	Adjustment to Test Year - Acct. 4081		<u><u>\$460,955</u></u>

**MISSOURI GAS ENERGY**  
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**Y2K Amortization**

Line No.	Description (a)	Amount (b)
1	Deferred Balance of MGE's Y2K Expenses	\$173,930
2	Number of Years to Amortize	<u>10</u>
3	Yearly Amortization	<u>\$17,393</u>
4	Deferred Balance of MGE's share of Corporate Y2K Expenses	\$804,200
5	Number of Years to Amortize	<u>10</u>
6	Yearly Amortization	<u>\$80,420</u>
7	Total Proforma Amortization	\$97,813
8	Settled Adjustment	<u>(4,458)</u>
9	Adjusted Total Proforma Amortization	<u>\$93,355</u>
10	Reclassify Test Year Expense	
11	From Account 404.3	<u>(\$43,362)</u>
12	To Account 921.0	<u>\$43,362</u>
13	Less Test Year Amortization in Account 921.0	<u>(70,088)</u>
14	Adjustment to Test Year - Account 921.0 (Line 7 plus Line 11 minus Line 10)	<u>(\$20,095)</u>

**MISSOURI GAS ENERGY**  
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**Office Lease Expense**

Line No.	Description (a)	Amount (b)
1	Net Proforma Broadway and PBO Office Lease Expense	\$319,202
2	Less Test Year Broadway and PBO Office Lease Expense	<u>(349,579)</u>
3	Adjustment to Test Year - Acct. 931	<u><u>(\$30,377)</u></u>
4	Net Proforma Broadway Utilities, Outside Services & Supplies Expense	\$271,589
5	Less Test Year Broadway Utilities, Outside Services & Supplies Expense	<u>(308,075)</u>
6	Adjustment to Test Year - Acct. 921	<u><u>(\$36,486)</u></u>
7	Net Proforma Broadway Maintenance Expense	\$17,937
8	Less Test Year Broadway Maintenance Expense	<u>(20,515)</u>
9	Adjustment to Test Year - Acct. 932	<u><u>(\$2,578)</u></u>

**MISSOURI GAS ENERGY**  
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**Dues Expense**

Line No.	Description (a)	Amount (b)
1	Remove Certain Expense from Acct. 930.2	<u>(54,118)</u>

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**Incentive Compensation and Bonuses**

Line No.	Description	Incentive Compensation	Bonuses	Total
	(a)	(b)	(c)	(d)
1	1998 Incentive and Bonus Payments	\$117,053	\$180,453	\$297,506
2	1999 Incentive and Bonus Payments	249,566	119,333	368,899
3	2000 Incentive and Bonus Payments	<u>0</u>	<u>111,401</u>	<u>111,401</u>
4	Three-Year Average	<u>\$122,206</u>	<u>\$137,062</u>	\$259,269
5	Per Settlement			(140,411)
6	Test Year Incentive and Bonus Payments			<u>(111,401)</u>
7	Adjustment			7,457
8	Expense Ratio			<u>0.750935</u>
9	Amount Charged to Expense			<u>\$5,600</u>

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**Customer Collection Costs**

Line No.	Description (a)	Total (b)
1	Proforma Charges for Customer Collections	\$309,520
2	Less: Actual cost of collection	<u>\$233,717</u>
3	Adjustment	<u><u>\$75,803</u></u>



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**Non-refundable Payment Bond**

Line No.	Description (a)	Total (b)
1	Adjust for non-refundable payment bond to energy supplier	\$0
2	Less Test Year Expense	<u>(186,500)</u>
3	Adjustment to Test Year - Acct. 807	<u><u>(\$186,500)</u></u>

**MISSOURI GAS ENERGY**  
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**Non-Utility Activity**

Line No.	Description (a)	Total (b)
1	Remove non-utility activity from account 9230	<u>(\$20,459)</u>

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**Per Settlement - Disallowance of 50% of Meals & Entertainment**

Line No.	Description (a)	Total (b)
1	Remove 50% of meals - Acct. 880.0	(\$6,886)
2	Remove 50% of meals - Acct. 889.0	(285)
3	Remove 50% of meals - Acct. 893.0	(299)
4	Remove 50% of meals - Acct. 903.0	(553)
5	Remove 50% of meals - Acct. 905.0	(4,303)
6	Remove 50% of meals - Acct. 912.0	(3,499)
7	Remove 50% of meals - Acct. 921.0	(27,455)
8	Remove 50% of meals - Acct. 930.0	<u>(1,571)</u>
9	Total Adjustment	<u><u>(\$44,851)</u></u>

SCHEDULE H-27

**MISSOURI GAS ENERGY**  
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**Per Settlement - Eliminate Severance Costs**

Line No.	Description (a)	Total (b)
1	Remove Severance Payment - Acct. 921.0	(\$5,000)
2	Remove Severance Payment - Acct. 923.0	<u>(86,145)</u>
3	Total Adjustment	<u><u>(\$91,145)</u></u>

SCHEDULE H-28

**MISSOURI GAS ENERGY**  
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**Per Settlement - Eliminate Promotional Advertising**

Line No.	Description (a)	Total (b)
1	Remove Advertising - Account 912.0	(\$7,883)
2	Remove Advertising - Account 921.0	(3,453)
3	Remove Advertising - Account 930.0	<u>(19,183)</u>
4	Total Adjustment	<u><u>(\$30,519)</u></u>

SCHEDULE H-29

**MISSOURI GAS ENERGY**  
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**Per Settlement - Eliminate Lobbying Expense**

Line No.	Description (a)	Total (b)
1	Remove Lobbying Expense	<u><u>(\$30,500)</u></u>

SCHEDULE H-30

**MISSOURI GAS ENERGY**  
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**Per Settlement - Remove Nonrecurring Legal Costs**

Line No.	Description (a)	Total (b)
1	Remove Nonrecurring Legal Costs	(\$93,926)
2	Adjust Legal Fees	<u>(100,985)</u>
3	Remove Legal Costs	<u><u>(\$194,911)</u></u>

SCHEDULE H-31

**MISSOURI GAS ENERGY**  
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**Per Settlement - Various Other Items**

Line No.	Description (a)	Total (b)
1	Normalize MP Gold database - Acct. 912.0	<u>(\$12,309)</u>
2	Capitalize sink & water heater installation	(\$5,000)
3	Remove 2nd Christmas party	(1,138)
4	Capitalize refinish of furniture	<u>(1,945)</u>
5	Adjustment Account 921.0	<u>(\$8,083)</u>
6	Remove preliminary survey costs of an abandoned project - Acct. 930.0	<u>(\$2,500)</u>
7	Annualize rent offset from Broadway Ford - Acct. 931.0	<u>(\$5,616)</u>
8	Remove 50% of Public & Community Relations	
9	Account 920.0	(\$92,386)
10	Account 921.0	(23,711)
11	Account 923.0	(27,416)
12	Account 926.0	(3,639)
13	Account 930.0	(7,571)
14	Account 408.1	<u>(7,088)</u>
15	Total Remove of 50% of Public & Community Relations	<u>(\$161,811)</u>
16	Increase Weatherization Program	<u>\$90,000</u>