

Exhibit No.: _____
Issues: Accounting Authority Order
Witness: Michael R. Noack
Sponsoring Party: Missouri Gas Energy
Case No.: GU-2005-0095
Type of Exhibit: Direct Testimony
Date: January 14, 2005

MISSOURI PUBLIC SERVICE COMMISSION

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MISSOURI GAS ENERGY

CASE NO. GU-2005-0095

Missouri Public
Service Commission

DIRECT TESTIMONY OF

MICHAEL R. NOACK

Jefferson City, Missouri

January 2005

Exhibit No. 1
Case No(s). GU-2005-0095
Date 3-8-05 Rptr TC

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Missouri Gas)
Energy, a Division of Southern Union Company,)
for an Accounting Authority Order Concerning the)
Kansas Property Tax for Gas in Storage)

Case No. GU-2005-0095

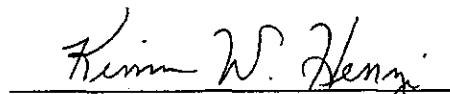
AFFIDAVIT OF MICHAEL R. NOACK

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss.

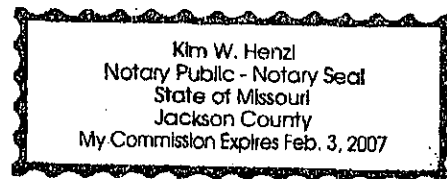
Michael R. Noack, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


MICHAEL R. NOACK

Subscribed and sworn to before me this 7th day of January 2005.


Notary Public

My Commission Expires: Feb. 3, 2007



DIRECT TESTIMONY OF MICHAEL R. NOACK

CASE NO. GU-2005-0095

JANUARY, 2005

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

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

5

6 **Q. WHO ARE YOU EMPLOYED BY?**

7 A. I am employed by Missouri Gas Energy, a division of Southern Union Company
8 (MGE or Company), as Director of Pricing and Regulatory Affairs.

9

10 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
11 **EXPERIENCE.**

12 A. I received a Bachelor of Science in Business Administration with a major in
13 Accounting from the University of Missouri in Columbia in 1973. Upon
14 graduation, I was employed by Troupe Kehoe Whiteaker & Kent (TKWK), a
15 Certified Public Accounting Firm in Kansas City, Missouri. I spent
16 approximately 20 years working with TKWK or firms that were formed from
17 former TKWK employees or partners. I was involved during that time in public
18 utility consulting and financial accounting, concentrating primarily on rate cases
19 for electric and gas utilities and financial audits of independent telephone
20 companies across the United States. In 1992, I started Carleton B. Fox Co. Inc. of
21 Kansas City which was an energy consulting company specializing in billing
22 analysis and tariff selection for large commercial and industrial customers. In
23 July of 2000, I started my employment with MGE. Presently, I hold in good

1 standing, a Certified Public Accountant certificate in the state of Kansas and am a
2 member of the Kansas Society of Certified Public Accountants.

3

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

6 A. The purpose of my testimony is to support MGE's request that the Commission
7 issue an Accounting Authority Order ("AAO") that will allow MGE to defer for
8 consideration in the next rate case, property taxes assessed by Kansas tax
9 authorities, and paid by MGE, on inventories of gas held on MGE's account for
10 resale and stored in underground formations (gas in storage) in the State of
11 Kansas. I will explain to the Commission why this expense should be considered
12 for deferral.

13

14 **Q. WOULD YOU PLEASE DESCRIBE THE KANSAS STORAGE GAS**
15 **PROPERTY TAX AT ISSUE, AS YOU UNDERSTAND IT?**

16 A. During its 2004 session, the Kansas Legislature passed Senate Bill 147 (attached
17 hereto as Schedule MRN-1). This bill created a new property tax associated with
18 the inventories of gas held for resale and stored in underground formations in the
19 state of Kansas. The legislation was made retroactive to inventories held as of
20 January 1, 2004, which means property taxes are being assessed in 2004 based
21 upon gas in storage at December 31, 2003.

22

23

24

1 **Q. WHAT IS THE AMOUNT OF THE BILLED PROPERTY TAX BASED**
2 **UPON THE DECEMBER 31, 2003 GAS IN STORAGE?**

3 A. The amount of property taxes billed and payable, based on December 31, 2003
4 storage volumes in Kansas, is \$1,721,830. Attached as Schedule MRN-2, are
5 copies of the tax bills for the 2004 tax year. Although these taxes technically
6 were due one-half on December 20, 2004 with the other half due on May 10,
7 2005, MGE is not required to pay on these dates pending the outcome of a hearing
8 before the Kansas Board of Tax Appeals that we have been advised will be
9 scheduled for sometime in May or June 2005.

10

11 **Q. HAVE THESE TAXES BEEN RECORDED ON MGE'S BOOKS AND**
12 **RECORDS AT THE TIME THIS TESTIMONY WAS WRITTEN?**

13 A. Yes, \$1,721,830 has been recorded on MGE's books as an expense as of
14 December 2004.

15

16 **Q. WHEN DID MGE FILE ITS LAST RATE CASE?**

17 A. MGE filed proposed tariff sheets on November 4, 2003. This general rate case
18 tariff filing was identified by the Commission as Case No. GR-2004-0209.

19

20 **Q. AT THE TIME MGE FILED ITS RATE CASE IN DOCKET GR-2004-**
21 **0209, WAS MGE AWARE OF ANY TAX THAT WAS GOING TO BE**
22 **ASSESSED ON ITS STORAGE GAS IN KANSAS?**

1 A. No. As stated earlier, the Kansas legislature did not enact the subject legislation
2 until 2004. As a result, there was no adjustment made in either the original filing
3 or the updated filing (made in January 2004) to reflect this expense.

4

5 **Q. DID MGE BRING THIS MATTER TO THE COMMISSION'S**
6 **ATTENTION DURING THE RATE CASE?**

7 A. Yes. MGE requested rate recovery for this item as a part of its true-up filing
8 (made in July 2004) in Docket No. GR-2004-0209. MGE requested
9 approximately \$1.3 million in expense at the true-up hearing. Because MGE fully
10 intended to protest the tax on its legality, and because the certainty of the amount
11 of the tax to ultimately be paid was not then known, MGE also indicated that an
12 Accounting Authority Order allowing MGE to defer any expense incurred and
13 request rate treatment at the time of the next rate case would be reasonable.
14 Attached, as Schedule MRN-3 is a copy of the transcript from Case No. GR-
15 2004-0209, in which this option was also recommended by the Commission Staff
16 in the testimony of staff auditor Charles Hyneman.

17

18 **Q. IS IT MGE'S INTENTION TO CHALLENGE THE LAWFULNESS OF**
19 **THIS TAX?**

20 A. Yes. MGE will continue to vigorously challenge the lawfulness of this new tax.
21 As stated above, MGE has been informed that a hearing will be scheduled before
22 the Board of Tax Appeals in the State of Kansas in either May or June concerning
23 these taxes.

24

1 Q. YOU MENTIONED THAT THIS ISSUE WAS BROUGHT BEFORE THE
2 COMMISSION IN CASE NO. GR-2004-0209. WHAT WAS THE
3 RESOLUTION OF THE ISSUE IN THAT CASE?

4 A. All parties to the case, with the exception of MGE, argued against allowing
5 recovery of costs associated with the property taxes on the Kansas storage gas.
6 The Commission Staff recommended approval of an AAO while the OPC argued
7 for exclusion of the expense and denial of an AAO. The result was that the
8 Commission denied recovery of the costs associated with the property taxes in
9 Case No. GR-2004-0209, stating that this "potential tax liability is not currently
10 known or measurable and on that basis it cannot be included in MGE's cost of
11 service." Report and Order, Case No. GR-2004-0209, p. 79. The Commission
12 further declined to issue an Accounting Authority Order in that case, but rather
13 suggested that MGE could file an application for an Accounting Authority Order
14 in a new case.

15

16 Q. UNDER WHAT CIRCUMSTANCES MAY THE COMMISSION GRANT
17 AN ACCOUNTING AUTHORITY ORDER?

18 A. An accounting authority order may generally be utilized in situations where the
19 requesting utility has incurred a cost that is extraordinary, unusual or unique.

20

21 Q. WHY SHOULD THIS EXPENSE BE DEFERRED THROUGH AN AAO?

22 A. This tax is unusual in that it has never been assessed against the gas in storage
23 held in Kansas and is unique in that MGE has never before paid property taxes on
24 storage gas in the State of Kansas. As mentioned earlier, MGE could not have

1 known at the time of the initial filing in Case No. GR-2004-0209, the time of the
2 update or the time of the filing of rebuttal and surrebuttal testimony during its rate
3 case, that the State of Kansas would enact a statute requiring property tax to be
4 paid on the value of the storage gas.

5

6 **Q. IS THIS TAX AN ORDINARY RECURRING PROPERTY TAX?**

7 A. No. This is not an ordinary recurring property tax at this time. By the time the
8 next rate case is filed, the property tax on gas stored in Kansas might very well be
9 an ordinary and recurring expense similar to other property taxes. Currently,
10 however, this is not an ordinary expense in that MGE has never paid it before.
11 MGE will continue to vigorously oppose the assessment of the tax on the grounds
12 that it is an illegal tax and hopes that it never becomes an ordinary recurring
13 property tax.

14

15 **Q. IS THE AMOUNT OF THIS EXPENSE MORE THAN APPROXIMATELY 5**
16 **PERCENT OF INCOME COMPUTED BEFORE EXTRAORDINARY**
17 **ITEMS?**

18 A. Yes. Based on the final rate case model in GR-2004-0209, including the
19 authorized increase of \$22,381,193, the property taxes on gas in storage would
20 amount to 9.03% of net income. Schedule MRN-4 details the calculations
21 supporting the 9.03%.

22

23

24

1 **Q. WHY WAS THE RATE CASE MODEL USED TO COMPUTE THE 5%**
2 **OF NET INCOME TEST FOR EXTRAORDINARY ITEMS?**

3 A. Because MGE is a division of Southern Union Company, all of the debt and
4 interest expense is recorded on the books of Southern Union Company and not on
5 MGE's books. The monthly operating statements of MGE only show operating
6 income and not net income. As a result an actual 5 % net income test cannot be
7 performed on actual MGE results. By using the rate case true-up model which is
8 consistent with the Commission's Order, a more accurate representation of the
9 magnitude of the property taxes can be shown. In this case the percentage is
10 9.03%.

11

12 **Q. WHAT HAPPENS IF THE AAO IS DENIED AND MGE ULTIMATELY**
13 **HAS TO PAY THE PROPERTY TAXES TO KANSAS?**

14 A. Because MGE was denied recovery of the property tax in Case No. GR-2004-
15 0209, if the AAO is denied, MGE will not be afforded any reasonable opportunity
16 to earn the return authorized in Case No. GR-2004-0209. This is because
17 \$1,721,830 of property tax expense for 2004 will have been paid by MGE even
18 though \$0 for such item have been included in MGE's cost of service and rates.
19 Of course, the situation compounds for the worse in each successive year that the
20 taxes are paid by MGE without either an AAO or inclusion of such amounts in the
21 calculation of its cost of service and rates.

22

23

24

1 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**

2 A. I recommend the Commission grant MGE an AAO allowing MGE to defer the
3 new Kansas storage gas property taxes for potential recovery in a future rate case,
4 to the extent they are ultimately paid by MGE.

5

6 **Q. WHAT LANGUAGE DOES MGE ASK THE COMMISSION TO ADOPT**
7 **IN REGARD TO AN ACCOUNTING AUTHORITY ORDER?**

8 A. MGE asks that the Commission issue an order that includes the following
9 language:

10 "MGE is authorized to record on its books a regulatory asset, which represents the
11 expenses associated with the property tax to be paid to the state of Kansas
12 pursuant to Kansas Senate Bill 147. MGE may maintain this regulatory asset on
13 its books until the effective date of the Report and Order in MGE's next general
14 rate proceeding."

15

16 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

17 A. Yes it does.

18

As Amended by Senate Committee

Session of 2003

SENATE BILL No. 147

By Committee on Assessment and Taxation

2-5

AN ACT relating to sales taxation; authorizing ~~Chase-county certain~~
counties to impose a countywide sales tax; amending K.S.A. 12-192
and K.S.A. 2002 Supp. 12-187 and repealing the existing section
sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2002 Supp. 12-187 is hereby amended to read as
follows: 12-187. (a) (1) No city shall impose a retailers' sales tax under
the provisions of this act without the governing body of such city having
first submitted such proposition to and having received the approval of a
majority of the electors of the city voting thereon at an election called
and held therefor. The governing body of any city may submit the ques-
tion of imposing a retailers' sales tax and the governing body shall be
required to submit the question upon submission of a petition signed by
electors of such city equal in number to not less than 10% of the electors
of such city.

(2) The governing body of any class B city located in any county which
does not impose a countywide retailers' sales tax pursuant to paragraph
(5) of subsection (b) may submit the question of imposing a retailers' sales
tax at the rate of .25%, .5%, .75% or 1% and pledging the revenue re-
ceived therefrom for the purpose of financing the provision of health care
services, as enumerated in the question, to the electors at an election
called and held thereon. The tax imposed pursuant to this paragraph shall
be deemed to be in addition to the rate limitations prescribed in K.S.A.
12-189, and amendments thereto. As used in this paragraph, health care
services shall include but not be limited to the following: Local health
departments, city, county or district hospitals, city or county nursing
homes, preventive health care services including immunizations, prenatal
care and the postponement of entry into nursing homes by home health
care services, mental health services, indigent health care, physician or
health care worker recruitment, health education, emergency medical
services, rural health clinics, integration of health care services, home
health services and rural health networks.

(b) (1) The board of county commissioners of any county may submit

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1 the question of imposing a countywide retailers' sales tax to the electors
2 at an election called and held thereon, and any such board shall be re-
3 quired to submit the question upon submission of a petition signed by
4 electors of such county equal in number to not less than 10% of the
5 electors of such county who voted at the last preceding general election
6 for the office of secretary of state, or upon receiving resolutions request-
7 ing such an election passed by not less than $\frac{3}{4}$ of the membership of the
8 governing body of each of one or more cities within such county which
9 contains a population of not less than 25% of the entire population of the
10 county, or upon receiving resolutions requesting such an election passed
11 by $\frac{3}{4}$ of the membership of the governing body of each of one or more
12 taxing subdivisions within such county which levy not less than 25% of
13 the property taxes levied by all taxing subdivisions within the county.

14 (2) The board of county commissioners of Anderson, Atchison, Bar-
15 ton, Butler, Chase, Cowley, Cherokee, Crawford, Ford, Jefferson, Lyon,
16 Montgomery, Neosho, Osage, Ottawa, Riley, Saline, Seward, Wabaunsee,
17 Wilson and Wyandotte counties may submit the question of imposing a
18 countywide retailers' sales tax and pledging the revenue received there-
19 from for the purpose of financing the construction or remodeling of a
20 courthouse, jail, law enforcement center facility or other county admin-
21 istrative facility, to the electors at an election called and held thereon.
22 The tax imposed pursuant to this paragraph shall expire when sales tax
23 sufficient to pay all of the costs incurred in the financing of such facility
24 has been collected by retailers as determined by the secretary of revenue.
25 Nothing in this paragraph shall be construed to allow the rate of tax
26 imposed by Butler, Chase, Cowley, Lyon, Montgomery, Neosho, Riley or
27 Wilson county pursuant to this paragraph to exceed or be imposed at any
28 rate other than the rates prescribed in K.S.A. 12-189, and amendments
29 thereto.

30 (3) (A) Except as otherwise provided in this paragraph, the result of
31 the election held on November 8, 1988, on the question submitted by
32 the board of county commissioners of Jackson county for the purpose of
33 increasing its countywide retailers' sales tax by 1% is hereby declared
34 valid, and the revenue received therefrom by the county shall be ex-
35 pended solely for the purpose of financing the Banner Creek reservoir
36 project. The tax imposed pursuant to this paragraph shall take effect on
37 the effective date of this act and shall expire not later than five years after
38 such date.

39 (B) The result of the election held on November 8, 1994, on the
40 question submitted by the board of county commissioners of Ottawa
41 county for the purpose of increasing its countywide retailers' sales tax by
42 1% is hereby declared valid, and the revenue received therefrom by the
43 county shall be expended solely for the purpose of financing the erection.

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1 construction and furnishing of a law enforcement center and jail facility.

2 (4) The board of county commissioners of Finney and Ford counties
3 may submit the question of imposing a countywide retailers' sales tax at
4 the rate of .25% and pledging the revenue received therefrom for the
5 purpose of financing all or any portion of the cost to be paid by Finney
6 or Ford county for construction of highway projects identified as system
7 enhancements under the provisions of paragraph (5) of subsection (b) of
8 K.S.A. 68-2314, and amendments thereto, to the electors at an election
9 called and held thereon. Such election shall be called and held in the
10 manner provided by the general bond law. The tax imposed pursuant to
11 this paragraph shall expire upon the payment of all costs authorized pur-
12 suant to this paragraph in the financing of such highway projects. Nothing
13 in this paragraph shall be construed to allow the rate of tax imposed by
14 Finney or Ford county pursuant to this paragraph to exceed the maximum
15 rate prescribed in K.S.A. 12-189, and amendments thereto. If any funds
16 remain upon the payment of all costs authorized pursuant to this para-
17 graph in the financing of such highway projects in Finney county, the
18 state treasurer shall remit such funds to the treasurer of Finney county
19 and upon receipt of such moneys shall be deposited to the credit of the
20 county road and bridge fund. If any funds remain upon the payment of
21 all costs authorized pursuant to this paragraph in the financing of such
22 highway projects in Ford county, the state treasurer shall remit such funds
23 to the treasurer of Ford county and upon receipt of such moneys shall
24 be deposited to the credit of the county road and bridge fund.

25 (5) The board of county commissioners of any county may submit the
26 question of imposing a retailers' sales tax at the rate of .25%, .5%, .75%
27 or 1% and pledging the revenue received therefrom for the purpose of
28 financing the provision of health care services, as enumerated in the ques-
29 tion, to the electors at an election called and held thereon. Whenever any
30 county imposes a tax pursuant to this paragraph, any tax imposed pursuant
31 to paragraph (2) of subsection (a) by any city located in such county shall
32 expire upon the effective date of the imposition of the countywide tax,
33 and thereafter the state treasurer shall remit to each such city that portion
34 of the countywide tax revenue collected by retailers within such city as
35 certified by the director of taxation. The tax imposed pursuant to this
36 paragraph shall be deemed to be in addition to the rate limitations pre-
37 scribed in K.S.A. 12-189, and amendments thereto. As used in this par-
38 agraph, health care services shall include but not be limited to the follow-
39 ing: Local health departments, city or county hospitals, city or county
40 nursing homes, preventive health care services including immunizations,
41 prenatal care and the postponement of entry into nursing homes by home
42 care services, mental health services, indigent health care, physician or
43 health care worker recruitment, health education, emergency medical.

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1 services, rural health clinics, integration of health care services, home
2 health services and rural health networks.

3 (6) The board of county commissioners of Allen county may submit
4 the question of imposing a countywide retailers' sales tax at the rate of
5 .5% and pledging the revenue received therefrom for the purpose of
6 financing the costs of operation and construction of a solid waste disposal
7 area or the modification of an existing landfill to comply with federal
8 regulations to the electors at an election called and held thereon. The tax
9 imposed pursuant to this paragraph shall expire upon the payment of all
10 costs incurred in the financing of the project undertaken. Nothing in this
11 paragraph shall be construed to allow the rate of tax imposed by Allen
12 county pursuant to this paragraph to exceed or be imposed at any rate
13 other than the rates prescribed in K.S.A. 12-189 and amendments
14 thereto.

15 (7) The board of county commissioners of Clay, Dickinson and Miami
16 county may submit the question of imposing a countywide retailers' sales
17 tax at the rate of .50% in the case of Clay and Dickinson county and at a
18 rate of up to 1% in the case of Miami county, and pledging the revenue
19 received therefrom for the purpose of financing the costs of roadway
20 construction and improvement to the electors at an election called and
21 held thereon. The tax imposed pursuant to this paragraph shall expire
22 after five years from the date such tax is first collected.

23 (8) The board of county commissioners of Sherman county may sub-
24 mit the question of imposing a countywide retailers' sales tax at the rate
25 of .25%, .5% or .75% and pledging the revenue therefrom for the purpose
26 of financing the costs of the county roads 64 and 65 construction and
27 improvement project. The tax imposed pursuant to this paragraph shall
28 expire upon payment of all costs authorized pursuant to this paragraph
29 in the financing of such project.

30 (9) The board of county commissioners of Cowley, Russell and
31 Woodson county may submit the question of imposing a countywide re-
32 tailers' sales tax at the rate of .5% in the case of Russell and Woodson
33 county and at a rate of up to .25%, in the case of Cowley county and
34 pledging the revenue received therefrom for the purpose of financing
35 economic development initiatives or public infrastructure projects. The
36 tax imposed pursuant to this paragraph shall expire after five years from
37 the date such tax is first collected.

38 (10) The board of county commissioners of Franklin county may sub-
39 mit the question of imposing a countywide retailers' sales tax at the rate
40 of .25% and pledging the revenue received therefrom for the purpose of
41 financing recreational facilities. The tax imposed pursuant to this para-
42 graph shall expire upon payment of all costs authorized in financing such
43 facilities.

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1 (11) The board of county commissioners of Douglas county may sub-
2 mit to the question of imposing a countywide retailers' sales tax at the
3 rate of .25% and pledging the revenue received therefrom for the pur-
4 poses of preservation, access and management of open space, and for
5 industrial and business park related economic development.

6 (12) *The board of county commissioners of Shawnee county*
7 *may submit the question of imposing a countywide retailers' sales*
8 *tax at the rate of .25% and pledging the revenue received therefrom*
9 *to the city of Topeka for the purpose of financing the costs of re-*
10 *building the Topeka boulevard bridge and other public infrastruc-*
11 *ture improvements associated with such project to the electors at*
12 *an election called and held thereon. The tax imposed pursuant to*
13 *this paragraph shall expire upon payment of all costs authorized in*
14 *financing such project.*

15 (c) The boards of county commissioners of any two or more conti-
16 guous counties, upon adoption of a joint resolution by such boards, may
17 submit the question of imposing a retailers' sales tax within such counties
18 to the electors of such counties at an election called and held thereon
19 and such boards of any two or more contiguous counties shall be required
20 to submit such question upon submission of a petition in each of such
21 counties, signed by a number of electors of each of such counties where
22 submitted equal in number to not less than 10% of the electors of each
23 of such counties who voted at the last preceding general election for the
24 office of secretary of state, or upon receiving resolutions requesting such
25 an election passed by not less than $\frac{1}{3}$ of the membership of the governing
26 body of each of one or more cities within each of such counties which
27 contains a population of not less than 25% of the entire population of
28 each of such counties, or upon receiving resolutions requesting such an
29 election passed by $\frac{1}{3}$ of the membership of the governing body of each
30 of one or more taxing subdivisions within each of such counties which
31 levy not less than 25% of the property taxes levied by all taxing subdivi-
32 sions within each of such counties.

33 (d) Any city retailers' sales tax in the amount of .5% being levied by
34 a city on July 1, 1990, shall continue in effect until repealed in the manner
35 provided herein for the adoption and approval of such tax or until re-
36 pealed by the adoption of an ordinance so providing. In addition to any
37 city retailers' sales tax being levied by a city on July 1, 1990, any such city
38 may adopt an additional city retailers' sales tax in the amount of .25% or
39 .5%, provided that such additional tax is adopted and approved in the
40 manner provided for the adoption and approval of a city retailers' sales
41 tax. Any countywide retailers' sales tax in the amount of .5% or 1% in
42 effect on July 1, 1990, shall continue in effect until repealed in the manner
43 provided herein for the adoption and approval of such tax.

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1 (e) A class D city shall have the same power to levy and collect a city
2 retailers' sales tax that a class A city is authorized to levy and collect and
3 in addition, the governing body of any class D city may submit the ques-
4 tion of imposing an additional city retailers' sales tax in the amount of
5 .125%, .25%, .5% or .75% and pledging the revenue received therefrom
6 for economic development initiatives, strategic planning initiatives or for
7 public infrastructure projects including buildings to the electors at an
8 election called and held thereon. Any additional sales tax imposed pur-
9 suant to this paragraph shall expire no later than five years from the date
10 of imposition thereof, except that any such tax imposed by any class D
11 city after the effective date of this act shall expire no later than 10 years
12 from the date of imposition thereof.

13 (f) Any city or county proposing to adopt a retailers' sales tax shall
14 give notice of its intention to submit such proposition for approval by the
15 electors in the manner required by K.S.A. 10-120, and amendments
16 thereto. The notices shall state the time of the election and the rate and
17 effective date of the proposed tax. If a majority of the electors voting
18 thereon at such election fail to approve this proposition, such proposition
19 may be resubmitted under the conditions and in the manner provided in
20 this act for submission of the proposition. If a majority of the electors
21 voting thereon at such election shall approve the levying of such tax, the
22 governing body of any such city or county shall provide by ordinance or
23 resolution, as the case may be, for the levy of the tax. Any repeal of such
24 tax or any reduction or increase in the rate thereof, within the limits
25 prescribed by K.S.A. 12-189, and amendments thereto, shall be accom-
26 plished in the manner provided herein for the adoption and approval of
27 such tax except that the repeal of any such city retailers' sales tax may be
28 accomplished by the adoption of an ordinance so providing.

29 (g) The sufficiency of the number of signers of any petition filed
30 under this section shall be determined by the county election officer.
31 Every election held under this act shall be conducted by the county elec-
32 tion officer.

33 (h) The governing body of the city or county proposing to levy any
34 retailers' sales tax shall specify the purpose or purposes for which the
35 revenue would be used, and a statement generally describing such pur-
36 pose or purposes shall be included as a part of the ballot proposition.

37 *Sec. 2. K.S.A. 12-192 is hereby amended to read as follows: 12-*
38 *192. (a) Except as otherwise provided by subsection (b), (d) or (h),*
39 *all revenue received by the director of taxation from a countywide*
40 *retailers' sales tax shall be apportioned among the county and each*
41 *city located in such county in the following manner: (1) One-half*
42 *of all revenue received by the director of taxation shall be appor-*
43 *tioned among the county and each city located in such county in*

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1 the proportion that the total tangible property tax levies made in
2 such county in the preceding year for all funds of each such gov-
3 ernmental unit bear to the total of all such levies made in the pre-
4 ceding year, and (2) $\frac{1}{2}$ of all revenue received by the director of
5 taxation from such countywide retailers' sales tax shall be appor-
6 tioned among the county and each city located in such county, first
7 to the county that portion of the revenue equal to the proportion
8 that the population of the county residing in the unincorporated
9 area of the county bears to the total population of the county, and
10 second to the cities in the proportion that the population of each
11 city bears to the total population of the county, except that no per-
12 sons residing within the Fort Riley military reservation shall be
13 included in the determination of the population of any city located
14 within Riley county. All revenue apportioned to a county shall be
15 paid to its county treasurer and shall be credited to the general fund
16 of the county.

17 (b) (1) As an alternative and in lieu of the apportionment for-
18 mula provided in subsection (a), all revenue received by the direc-
19 tor of taxation from a countywide retailers' sales tax imposed within
20 Johnson county at the rate of .75% or 1% after the effective date of
21 this act may be apportioned among the county and each city located
22 in such county in the following manner: (A) The revenue received
23 from the first .5% rate of tax shall be apportioned in the manner
24 prescribed by subsection (a) and (B) the revenue received from the
25 rate of tax exceeding .5% shall be apportioned as follows: (i) One-
26 fourth shall be apportioned among the county and each city located
27 in such county in the proportion that the total tangible property tax
28 levies made in such county in the preceding year for all funds of
29 each such governmental unit bear to the total of all such levies made
30 in the preceding year and (ii) one-fourth shall be apportioned
31 among the county and each city located in such county, first to the
32 county that portion of the revenue equal to the proportion that the
33 population of the county residing in the unincorporated area of the
34 county bears to the total population of the county, and second to
35 the cities in the proportion that the population of each city bears
36 to the total population of the county and (iii) one-half shall be re-
37 tained by the county for its sole use and benefit.

38 (2) In lieu of the apportionment formula provided in subsection
39 (a), all money received by the director of taxation from a county-
40 wide sales tax imposed within Montgomery county pursuant to the
41 election held on November 8, 1994, shall be remitted to and shall
42 be retained by the county and expended only for the purpose for
43 which the revenue received from the tax was pledged. All revenue

SB 147—Am.

8

1 apportioned and paid from the imposition of such tax to the trea-
2 surer of any city prior to the effective date of this act shall be re-
3 mitted to the county treasurer and expended only for the purpose
4 for which the revenue received from the tax was pledged.

5 (c) (1) Except as otherwise provided by paragraph (2) of this
6 subsection, for purposes of subsections (a) and (b), the term "total
7 tangible property tax levies" means the aggregate dollar amount of
8 tax revenue derived from ad valorem tax levies applicable to all
9 tangible property located within each such city or county. The ad
10 valorem property tax levy of any county or city district entity or
11 subdivision shall be included within this term if the levy of any such
12 district entity or subdivision is applicable to all tangible property
13 located within each such city or county.

14 (2) For the purposes of subsections (a) and (b), any ad valorem
15 property tax levied on property located in a city in Johnson county
16 for the purpose of providing fire protection service in such city shall
17 be included within the term "total tangible property tax levies" for
18 such city regardless of its applicability to all tangible property lo-
19 cated within each such city. If the tax is levied by a district which
20 extends across city boundaries, for purposes of this computation,
21 the amount of such levy shall be apportioned among each city in
22 which such district extends in the proportion that such tax levied
23 within each city bears to the total tax levied by the district.

24 (d) (1) All revenue received from a countywide retailers' sales
25 tax imposed pursuant to paragraphs (2), (6), (7), (8) or (9) or (12)
26 of subsection (b) of K.S.A. 12-187, and amendments thereto, shall
27 be remitted to and shall be retained by the county and expended
28 only for the purpose for which the revenue received from the tax
29 was pledged.

30 (2) Except as otherwise provided in paragraph (5) of subsection
31 (b) of K.S.A. 12-187, and amendments thereto, all revenues received
32 from a countywide retailers' sales tax imposed pursuant to para-
33 graph (5) of subsection (b) of K.S.A. 12-187, and amendments
34 thereto, shall be remitted to and shall be retained by the county
35 and expended only for the purpose for which the revenue received
36 from the tax was pledged.

37 (e) All revenue apportioned to the several cities of the county
38 shall be paid to the respective treasurers thereof and deposited in
39 the general fund of the city. Whenever the territory of any city is
40 located in two or more counties and any one or more of such coun-
41 ties do not levy a countywide retailers' sales tax, or whenever such
42 counties do not levy countywide retailers' sales taxes at a uniform
43 rate, the revenue received by such city from the proceeds of the

SB 147--Am.

9

1 countywide retailers' sales tax, as an alternative to depositing the
2 same in the general fund, may be used for the purpose of reducing
3 the tax levies of such city upon the taxable tangible property located
4 within the county levying such countywide retailers' sales tax.

5 (f) Prior to March 1 of each year, the secretary of revenue shall
6 advise each county treasurer of the revenue collected in such county
7 from the state retailers' sales tax for the preceding calendar year.

8 (g) Prior to December 31 of each year, the clerk of every county
9 imposing a countywide retailers' sales tax shall provide such infor-
10 mation deemed necessary by the secretary of revenue to apportion
11 and remit revenue to the counties and cities pursuant to this section.

12 (h) The provisions of subsections (a) and (b) for the apportion-
13 ment of countywide retailers' sales tax shall not apply to any rev-
14 enues received pursuant to a county or countywide retailers' sales
15 tax levied or collected under K.S.A. 2001-Supp. 74-8929, and amend-
16 ments thereto. All such revenue collected under K.S.A. 2001-Supp.
17 74-8929, and amendments thereto, shall be deposited into the re-
18 development bond fund established by K.S.A. 2001-Supp. 74-8927,
19 and amendments thereto, for the period of time set forth in K.S.A.
20 2001-Supp. 74-8927, and amendments thereto.

21 Sec. 9 J. K.S.A. 12-192 and K.S.A. 2002 Supp. 12-187 is are hereby
22 repealed.

23 Sec. 9 K. This act shall take effect and be in force from and after its
24 publication in the statute book.

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**Missouri Gas Energy
Property Tax Assessment on Storage Gas
State of Kansas for Tax Year 2004**

<u>County</u>	<u>Field</u>	<u>Taxable MMBtu</u>	<u>Cost Of Gas 1/1/04</u>	<u>Kansas Assessed Value</u>	<u>Billed Tax</u>
ALLEN	Piqua (50%)	50,027	\$ 5.380	\$ 88,818	\$ 11,451
ANDERSON	Colony, N. & S. Welda	3,885,176	\$ 5.380	6,897,741	820,011
ELK	Elk City (50%)	923,961	\$ 5.380	1,640,399	217,204
JEFFERSON	McLouth (50%)	339,799	\$ 5.380	603,279	73,789
LEAVENWORTH	McLouth (50%)	339,799	\$ 5.380	603,279	55,360
MEADE	Borchers	715,412	\$ 5.335	1,259,519	105,717
MONTGOMERY	Elk City (50%)	923,961	\$ 5.380	1,640,399	199,186
RICE	Alden	1,183,716	\$ 5.380	2,101,569	225,776
WOODSON	Piqua (50%)	50,027	\$ 5.380	88,818	13,336
		<u>8,411,877</u>		<u>\$ 14,923,823</u>	<u>\$ 1,721,830</u>



MISSOURI GAS ENERGY

3420 Broadway • Kansas City, MO • 64111 • (816) 756-5261

December 17, 2004

Ms. Sharon Utley
Allen County Treasurer
Courthouse
One North Washington Ave.
Iola, KS 66749

Re: 2004 Tax Statement for Missouri Gas Energy

Dear Ms. Utley:

Missouri Gas Energy (MGE) has received a 2004 Tax Statement from Allen County in the full amount of \$11,450.56 and for which the first half payment is due December 20, 2004. The property upon which the tax has been imposed is state-assessed natural gas inventory that has been allocated to Allen County.

On December 2, 2004, MGE filed an application for tax exemption for the allocated natural gas inventory with the Director of the Property Valuation Division ("PVD") pursuant to K.S.A. 79-213.

Attached is a copy of a letter from the PVD's Attorney acknowledging receipt of the exemption application and stating that it is being processed by PVD. And will be filed with the Board of Tax Appeals.

K.S.A. 79-213 provides that during the time period that the request for exemption is pending, the requesting taxpayer is not required to pay property tax on the subject property from the date the request is filed until expiration of 30 days after the Board of Tax Appeals issues its order and the order becomes final. Accordingly, MGE will not be making a tax payment to Allen County for taxes on the state-assessed natural gas inventory until the matter is resolved, as provided by statute.

Please feel welcome to contact me if you have any questions. Thank you for your consideration.

Sincerely,


Larry S. Kravitz
Tax Coordinator

CC: Ms. Sandra Drake, County Appraiser

381 SHARON K UTLEY
 ALLEN COUNTY TREASURER
 1 N WASHINGTON
 IOLA, KS 66749
 620-365-1409

Tax Year 04 Page 1
 Statement # 7715
 Taxpayer I.D. SGMI0001
 Name. SG-MISSOURI GAS ENERGY
 % MR JOHN DAVIS, VP-CONTROLLER

TAX STATEMENT

Owner SG-MISSOURI GAS ENERGY
 % MR JOHN DAVIS, VP-CONTROLLER
 Parcel 60- 13800
 CAMA #.000-00-0-00-00-000-00-0-00

Unit IOLA TWP
 Legal SG-MISSOURI

Address 0

Deed Information:
 SG-MISSOURI GAS ENERGY

, 00000

Values: Code UG Land. 0 Impr. 90059 Tax. 11450.56

Levy. 127.14500	1st Half	2nd Half	Total Tax
Real Estate Tax Amount.....	5725.28	5725.28	11450.56

TOTAL FOR TAX STATEMENT	5725.28	5725.28	11450.56 *
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NOTE: No second half notice mailed.
 Interest charged on delinquent tax.
 Valuation questions? Phone (620)365-1415

Distribution of Taxes

State... 135.09	City.... 1.00	School... 4477.02	Special Assessments
County... 4643.72	Township 6.57	Library. 122.84	Total.. .00
Fire.... 442.01	Cemetery .00	Other 1623.31	

KEEP THIS STATEMENT FOR YOUR RECORDS

RETURN STUB 2 WITH SECOND PAYMENT.
 RETURN BOTH STUBS WITH FULL YEAR
 PAYMENT.

STUB
 #2

RETURN STUB 1 WITH FIRST PAYMENT.
 RETURN BOTH STUBS WITH FULL YEAR
 PAYMENT.

STUB
 #1

Taxes are collectable beginning Nov 1
 2nd Half is DELINQUENT May 11th

\$5725.28

Real Estate 2004
 Statement #. 7715 TX ID. SGMI0001

SG-MISSOURI GAS ENERGY
 % MR JOHN DAVIS, VP-CONTROLLER
 3420 BROADWAY
 KANSAS CITY, MO 64111

Taxes are collectable beginning Nov 1
 1st Half is DELINQUENT December 21st.

\$5725.28

Real Estate 2004
 Statement #. 7715 TX ID. SGMI0001

SG-MISSOURI GAS ENERGY
 % MR JOHN DAVIS, VP-CONTROLLER
 3420 BROADWAY
 KANSAS CITY, MO 64111



MISSOURI GAS ENERGY

3420 Broadway • Kansas City, MO • 64111 • (816) 756-5261

December 17, 2004

Ms. Dena McDaniel
Anderson County Treasurer
Courthouse
100 East 4th Street
Garnett, KS 66032

Re: 2004 Tax Statement for Missouri Gas Energy

Dear Ms. McDaniel:

Missouri Gas Energy (MGE) has received a 2004 Tax Statement from Anderson County in the full amount of \$820,011.08 and for which the first half payment is due December 20, 2004. The property upon which the tax has been imposed is state-assessed natural gas inventory that has been allocated to Anderson County.

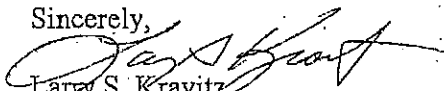
On December 2, 2004, MGE filed an application for tax exemption for the allocated natural gas inventory with the Director of the Property Valuation Division ("PVD") pursuant to K.S.A. 79-213.

Attached is a copy of a letter from the PVD's Attorney acknowledging receipt of the exemption application and stating that it is being processed by PVD And will be filed with the Board of Tax Appeals.

K.S.A. 79-213 provides that during the time period that the request for exemption is pending, the requesting taxpayer is not required to pay property tax on the subject property from the date the request is filed until expiration of 30 days after the Board of Tax Appeals issues its order and the order becomes final. Accordingly, MGE will not be making a tax payment to Anderson County for taxes on the state-assessed natural gas inventory until the matter is resolved, as provided by statute.

Please feel welcome to contact me if you have any questions. Thank you for your consideration.

Sincerely,


Larry S. Kravitz
Tax Coordinator

CC: Mr. Gary Stapp, County Appraiser

ANDERSON COUNTY TREASURER
DENA MCDANIEL 785-448-5824
100 E FOURTH AVE COURTHOUSE
GARNETT, KANSAS 66032-1595
ancotreas@Terrorworld.net

ASSESSMENT CLASS	REAL	OTHER	LEVY 110.806 TAX
2.3		2186,369	242,262.80
Total Val	2186,369	Tax	242,262.80

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SG-MISSOURI GAS ENERGY G4006
% MR JOHN DAVIS, VP-CONTROLLER (MGE)
3420 BROADWAY
KANSAS CITY MO 64111

PAYMENT INSTRUCTIONS
1st 1/2 due 12/20/04. PLEASE NOTE
FOLLOWING CHANGE: 2ND 1/2 DUE MAY 10
05. Pers. prop. taxes are due in
full if the 1st 1/2 isn't pd on or
before 12/20/04. Interest is charged
for delinquent taxes. Information on
Homestead Tx Refund can be obtained
in the County Clerk's Office. Taxes
\$10 or less must be pd in full.

PROPERTY INFORMATION
TAX UNIT-001 City-COLONY CITY
USD 479

DISTRIBUTION OF TAX	TAX AMT
USD 479 GENERAL	43,727.38
USD 479-LESS GEN	17,707.40
STATE	3,279.55
COUNTY	145,421.96
COLONY CITY	22,311.90
OZARK TWP GENERAL	607.81
ANDERSON FIRE DIST #1	6,777.74
COLONY-OZARK CEM #2	2,429.06
TOTAL TAX DUE	242,262.80
Half due 12/20/2004	121,131.40

Please remit appropriate payment stub with payment

ANDERSON COUNTY
FIRST HALF PAYMENT
DUE 12/20/2004

STATEMENT # 689
1st Half 121,131.40

Tax ID # 2004 4-034001
SG-MISSOURI GAS ENERGY G4006
% MR JOHN DAVIS, VP-CONTROLLER (MGE)



20040000068906

() Check for change of address.
Anderson County Treasurer
100 E 4th Garnett Ks 66032

ANDERSON COUNTY
SECOND HALF / FULL PAYMENT
DUE 05/10/2005 / 12/20/2004

STATEMENT # 689
2nd Half 121,131.40
Full Amt 242,262.80

Tax ID # 2004 4-034001
SG-MISSOURI GAS ENERGY G4006
% MR JOHN DAVIS, VP-CONTROLLER (MGE)



20040000068912

() Check for change of address.
Anderson County Treasurer
100 E 4th Garnett Ks 66032

2004 State Assessed Tax Statement # 690
Tax ID 2004 4-034080

Schedule MRN-2
Page 6 of 21

ANDERSON COUNTY TREASURER
DENA MCDANIEL 785-448-5824
100 E FOURTH AVE COURTHOUSE
GARNETT, KANSAS 66032-1595
ancotreas@Terraworld.net

ASSESSMENT	LEVY	120.169
CLASS	REAL	OTHER
2.3	4807,798	577,748.28
Total Val	4807,798	Tax 577,748.28

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SG-MISSOURI GAS ENERGY G4006
% MR JOHN DAVIS, VP-CONTROLLER (MGE)
3420 BROADWAY
KANSAS CITY MO 64111

PAYMENT INSTRUCTIONS
1st 1/2 due 12/20/04. PLEASE NOTE
FOLLOWING CHANGE: 2ND 1/2 DUE MAY 10
05. Pers. prop. taxes are due in
full if the 1st 1/2 isn't pd on or
before 12/20/04. Interest is charged
for delinquent taxes. Information on
Homestead Tx Refund can be obtained
in the County Clerk's Office. Taxes
\$10 or less must be pd in full.

PROPERTY INFORMATION
TAX UNIT 080 Twp-WELDA TOWNSHIP
USD 365

DISTRIBUTION OF TAX	TAX AMT
USD 365 GENERAL	96,155.96
USD 365 LESS GEN	82,208.54
U.S.D. #365 BOND & INT	37,496.02
STATE	7,211.70
COUNTY	319,781.06
WELDA TWP	5,158.77
ANDERSON FIRE DIST #1	14,904.17
POTTAWATOMIE WS #90	8,274.22
SE KANSAS LIBRARY	6,557.84
TOTAL TAX DUE	577,748.28
Half due 12/20/2004	288,874.14

Please remit appropriate payment stub with payment

ANDERSON COUNTY
FIRST HALF PAYMENT
DUE 12/20/2004

STATEMENT # 690
1st Half 288,874.14

Tax ID # 2004 4-034080

SG-MISSOURI GAS ENERGY G4006
% MR JOHN DAVIS, VP-CONTROLLER (MGE)



20040000069006

() Check for change of address.
Anderson County Treasurer
100 E 4th Garnett Ks 66032

ANDERSON COUNTY
SECOND HALF / FULL PAYMENT
DUE 05/10/2005 / 12/20/2004

STATEMENT # 690
2nd Half 288,874.14
Full Amt 577,748.28

Tax ID # 2004 4-034080

SG-MISSOURI GAS ENERGY G4006
% MR JOHN DAVIS, VP-CONTROLLER (MGE)



20040000069012

() Check for change of address.
Anderson County Treasurer
100 E 4th Garnett Ks 66032



MISSOURI GAS ENERGY

3420 Broadway • Kansas City, MO • 64111 • (816) 756-5261

December 17, 2004

Ms. Deanna Jones
Elk County Treasurer
Courthouse
127 North Pine Street
Howard, KS 67349-0325

Re: 2004 Tax Statement for Missouri Gas Energy

Dear Ms. Jones:

Missouri Gas Energy (MGE) has received a 2004 Tax Statement from Elk County in the full amount of \$217,204.42 and for which the first half payment is due December 20, 2004. The property upon which the tax has been imposed is state-assessed natural gas inventory that has been allocated to Elk County.

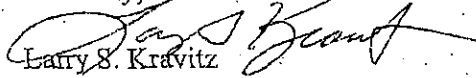
On December 2, 2004, MGE filed an application for tax exemption for the allocated natural gas inventory with the Director of the Property Valuation Division ("PVD") pursuant to K.S.A. 79-213.

Attached is a copy of a letter from the PVD's Attorney acknowledging receipt of the exemption application and stating that it is being processed by PVD
And will be filed with the Board of Tax Appeals.

K.S.A. 79-213 provides that during the time period that the request for exemption is pending, the requesting taxpayer is not required to pay property tax on the subject property from the date the request is filed until expiration of 30 days after the Board of Tax Appeals issues its order and the order becomes final. Accordingly, MGE will not be making a tax payment to Elk County for taxes on the state-assessed natural gas inventory until the matter is resolved, as provided by statute.

Please feel welcome to contact me if you have any questions. Thank you for your consideration.

Sincerely,


Larry S. Kravitz
Tax Coordinator

CC: Mr. Terry Brown, County Appraiser

2004 State Assessed Tax Statement # 3217
Tax ID 2004 4-006060

Schedule MRN-2
Page 8 of 21

Elk County Treasurer
PO Box 325
Howard, KS 67349

ASSESSMENT	LEVY	
CLASS	REAL	OTHER
UTIL	1663,331	217,204.42

Total Val 1663,331 Tax 217,204.42

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MISSOURI GAS ENERGY
% JOHN DAVIS, VP-CONTROLLER (MGE)
3420 BROADWAY
KANSAS CITY MO 64111

PAYMENT INSTRUCTIONS

First half due 12-20-2004.
Second half due 5-10-2005.
Personal property becomes due in full if 1st half is not paid.
Interest charged on delinquent tax.
Avoid standing in line and pay by mail. Postmarks with due date will be accepted without penalty.

DISTRIBUTION OF TAX

	TAX AMT
USD 282 GENERAL	33,266.62
USD 282 OTHER	30,003.17
COUNTY	142,426.04
ELK FALLS TW	628.74
ELK FALLS CM	532.27
SEK LIBRARY	2,268.78
FIRE DISTRICT	5,583.80
KANSAS STATE	2,495.00

PROPERTY INFORMATION

TAX-UNIT 060 Twp-ELK FALLS TWP
USD 282

TOTAL TAX DUE	217,204.42
Half due 12/20/2004	108,602.21

Please remit appropriate payment stub with payment

ELK COUNTY
FIRST HALF PAYMENT
DUE 12/20/2004

STATEMENT # 3217
1st Half 108,602.21

Tax ID # 2004 4-006060
MISSOURI GAS ENERGY
% JOHN DAVIS, VP-CONTROLLER (MGE)
3420 BROADWAY KANSAS CITY MO 64111

ELK COUNTY
SECOND HALF / FULL PAYMENT
DUE 05/10/2005 / 12/20/2004

STATEMENT # 3217
2nd Half 108,602.21
Full Amt 217,204.42

Tax ID # 2004 4-006060
MISSOURI GAS ENERGY
% JOHN DAVIS, VP-CONTROLLER (MGE)
3420 BROADWAY KANSAS CITY MO 64111

Please note any change of address.
Delinquent years must be paid prior
to acceptance of current year tax.

Please note any change of address.
Delinquent years must be paid prior
to acceptance of current year tax.



MISSOURI GAS ENERGY

3420 Broadway • Kansas City, MO • 64111 • (816) 756-5261

December 17, 2004

Ms. Mary F. Underwood
Jefferson County Treasurer
Courthouse
300 Jefferson Street
Oskaloosa, KS 66066

Re: 2004 Tax Statement for Missouri Gas Energy

Dear Ms. Underwood:

Missouri Gas Energy (MGE) has received a 2004 Tax Statement from Jefferson County in the full amount of \$73,788.98 and for which the first half payment is due December 20, 2004. The property upon which the tax has been imposed is state-assessed natural gas inventory that has been allocated to Jefferson County.


On December 2, 2004, MGE filed an application for tax exemption for the allocated natural gas inventory with the Director of the Property Valuation Division ("PVD") pursuant to K.S.A. 79-213.

Attached is a copy of a letter from the PVD's Attorney acknowledging receipt of the exemption application and stating that it is being processed by PVD. And will be filed with the Board of Tax Appeals.

K.S.A. 79-213 provides that during the time period that the request for exemption is pending, the requesting taxpayer is not required to pay property tax on the subject property from the date the request is filed until expiration of 30 days after the Board of Tax Appeals issues its order and the order becomes final. Accordingly, MGE will not be making a tax payment to Jefferson County for taxes on the state-assessed natural gas inventory until the matter is resolved, as provided by statute.

Please feel welcome to contact me if you have any questions. Thank you for your consideration.

Sincerely,


Larry S. Kravitz
Tax Coordinator

CC: Mr. Rick Stuart, County Appraiser

2004 State Assessed Tax Statement # 14890
Tax ID 2004 4-4006042

Schedule MRN-2
Page 10 of 21

Mary Underwood, Jeff. Co. Treasurer
PO Box 458
Oskaloosa, Ks 66066
www.jfcountyks.com/treasurer
Phone: 785-863-2691

ASSESSMENT		LEVY	120.627
CLASS	REAL	OTHER	TAX
2.3		611,712	73,788.98
Total Val	611,712	Tax	73,788.98

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SG-MISSOURI GAS ENERGY
% JOHN DAVIS, VP-CONTROLLER (MGE)
3420 BROADWAY
KANSAS CITY MO 64111

PAYMENT INSTRUCTIONS
*Full amt due on personal property if 1st 1/2 not paid by 12/20/04
*No motor vehicle transactions can be processed for persons having delinquent personal property taxes
*Please verify you received a statement for each tax you owe.
*Failure to receive a bill doesn't relieve you from tax or penalties

PROPERTY INFORMATION
TAX UNIT 042 Twp-JEFFERSON TWP
USD 339
PIPELINE

DISTRIBUTION OF TAX	TAX AMT
USD 339-GENERAL	12,234.24
USD 339-MISC FUNDS	12,937.71
USD 339 BOND	8,002.42
STATE OF KANSAS	917.57
JEFFERSON COUNTY	35,463.99
JEFFERSON TOWNSHIP	723.04
JEFFERSON FIRE DIST #10	2,508.02
REFORMED PRES CEMETERY	346.23
NEK REGIONAL LIBRARY	655.76
*Levy sheet available on request	
TOTAL TAX DUE	73,788.98
Half due 12/20/2004	36,894.49

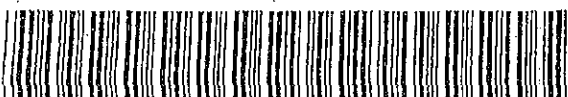
Please remit appropriate payment stub with payment

JEFFERSON COUNTY
FIRST HALF PAYMENT
DUE 12/20/2004

STATEMENT # 14890
1st Half 36,894.49

Tax ID # 2004 4-4006042

SG-MISSOURI GAS ENERGY
% JOHN DAVIS, VP-CONTROLLER (MGE)



20040001489006

You may pay your taxes by mail or
online www.jfcountyks.com/treasurer
A receipt will be returned

JEFFERSON COUNTY
SECOND HALF / FULL PAYMENT
DUE 05/10/2005 / 12/20/2004

STATEMENT # 14890
2nd Half 36,894.49
Full Amt 73,788.98

Tax ID # 2004 4-4006042

SG-MISSOURI GAS ENERGY
% JOHN DAVIS, VP-CONTROLLER (MGE)



20040001489012

You may pay your taxes by mail or
online www.jfcountyks.com/treasurer
A receipt will be returned



MISSOURI GAS ENERGY

3420 Broadway • Kansas City, MO • 64111 • (816) 756-5261

December 17, 2004

Ms. Janice Young
Leavenworth County Treasurer
Courthouse
300 Walnut Street
Leavenworth, KS 66048

Re: 2004 Tax Statement for Missouri Gas Energy

Dear Ms. Young:

Missouri Gas Energy (MGE) has received a 2004 Tax Statement from Leavenworth County in the full amount of \$55,359.94 and for which the first half payment is due December 20, 2004. The property upon which the tax has been imposed is state-assessed natural gas inventory that has been allocated to Leavenworth County.


On December 2, 2004, MGE filed an application for tax exemption for the allocated natural gas inventory with the Director of the Property Valuation Division ("PVD") pursuant to K.S.A. 79-213.

Attached is a copy of a letter from the PVD's Attorney acknowledging receipt of the exemption application and stating that it is being processed by PVD. And will be filed with the Board of Tax Appeals.

K.S.A. 79-213 provides that during the time period that the request for exemption is pending, the requesting taxpayer is not required to pay property tax on the subject property from the date the request is filed until expiration of 30 days after the Board of Tax Appeals issues its order and the order becomes final. Accordingly, MGE will not be making a tax payment to Leavenworth County for taxes on the state-assessed natural gas inventory until the matter is resolved, as provided by statute.

Please feel welcome to contact me if you have any questions. Thank you for your consideration.

Sincerely,


Larry S. Kravitz
Tax Coordinator

CC: Ms. Donna Graf, County Appraiser

2004 State Assessed Tax Statement 29954
Tax ID 2004 4-520042

Schedule MRN-2
Page 12 of 21

Leavenworth County Treasurer
Janice A. Young
300 Walnut St Ste 105
Leavenworth, Ks. 66048-2725

ASSESSMENT	LEVY	90.500
CLASS	REAL	OTHER TAX
UTIL.	611,712	55,359.94
Total Val	611,712	Tax 55,359.94

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 6006 SG-MISSOURI GAS ENERGY
 % JOHN DAVIS - VP CONTROLLER (MGE)
 3420 BROADWAY
 KANSAS CITY MO 64111

PAYMENT INSTRUCTIONS
 TREASURER'S PHONE: 913-684-0434
 Make checks payable to Leavenworth
 County Treasurer. Interest will be
 charged after due date, if personal
 tax becomes delinquent the full tax
 becomes due. TREASURER IS NOT
 RESPONSIBLE FOR OMISSIONS, PLEASE
 MAKE SURE THAT ALL YOUR PROPERTY
 IS LISTED.

PROPERTY INFORMATION
 TAX UNIT 042 Twp-ALEXANDRIA TOWNSHIP
 USD 342

DISTRIBUTION OF TAX	TAX AMT
USD 342 - GENERAL	12,234.24
USD 342 - OTHER	11,473.88
STATE	917.57
LEAVENWORTH COUNTY	23,483.02
ALEXANDRIA TWP.	280.16
N.E. KANSAS LIBRARY	655.76
FOWLER CEMETERY	398.22
UNION FIRE DISTRICT 9	2,402.19
JUNIOR COLLEGE	293.01
LOCAL SERVICE/COUNTY	3,221.89
Pay at www.kansastrsurers.org	
TOTAL TAX DUE	55,359.94
Half due 12/20/2004	27,679.97
Pay at www.officialpayments.com	

Please remit appropriate payment stub with payment

LEAVENWORTH COUNTY
 FIRST HALF PAYMENT
 DUE 12/20/2004

STATEMENT # 29954
 1st Half 27,679.97

Tax ID # 2004 4-520042
 6006 SG-MISSOURI GAS ENERGY



20040002995406

NO STATEMENT FOR SECOND HALF WILL
 BE MAILED.

LEAVENWORTH COUNTY
 SECOND HALF / FULL PAYMENT
 DUE 05/10/2005 / 12/20/2004

STATEMENT # 29954
 2nd Half 27,679.97
 Full Amt 55,359.94

Tax ID # 2004 4-520042
 6006 SG-MISSOURI GAS ENERGY



20040002995412

NO STATEMENT FOR SECOND HALF WILL
 BE MAILED.



MISSOURI GAS ENERGY

3420 Broadway • Kansas City, MO • 64111 • (816) 756-5261

December 17, 2004

Ms. Michelle Benear
Meade County Treasurer
Courthouse
200 N. Fowler Street
Meade, KS 67864

Re: 2004 Tax Statement for Missouri Gas Energy

Dear Ms. Benear:

Missouri Gas Energy (MGE) has received a 2004 Tax Statement from Meade County in the full amount of \$105,717.88 and for which the first half payment is due December 20, 2004. The property upon which the tax has been imposed is state-assessed natural gas inventory that has been allocated to Meade County.

On December 2, 2004, MGE filed an application for tax exemption for the allocated natural gas inventory with the Director of the Property Valuation Division ("PVD") pursuant to K.S.A. 79-213.

Attached is a copy of a letter from the PVD's Attorney acknowledging receipt of the exemption application and stating that it is being processed by PVD. And will be filed with the Board of Tax Appeals.

K.S.A. 79-213 provides that during the time period that the request for exemption is pending, the requesting taxpayer is not required to pay property tax on the subject property from the date the request is filed until expiration of 30 days after the Board of Tax Appeals issues its order and the order becomes final. Accordingly, MGE will not be making a tax payment to Meade County for taxes on the state-assessed natural gas inventory until the matter is resolved, as provided by statute.

Please feel welcome to contact me if you have any questions. Thank you for your consideration.

Sincerely,


Larry S. Kravitz
Tax Coordinator

CC: Mr. Mark Low, County Appraiser
Mr. Benjamin Neill, Attorney for County

OFFICE OF MEADE COUNTY TREASURER
MICHELLE BENEAR TREASURER
200 N FOWLER - PO BOX 670
MEADE KS 67864
TELE. (620) 873-8740

ASSESSMENT	LEVY	98.940
CLASS REAL OTHER TAX		
UTIL	1068,505	105,717.88
Total Val	1068,505 Tax	105,717.88

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MISSOURI GAS ENERGY
% JOHN DAVIS VP-CONTROLLER
3420 BROADWAY
KANSAS CITY MO 64111

PAYMENT INSTRUCTIONS
FIRST HALF DUE 12/20/2004
SECOND HALF DUE 5/10/2005
Delinquent tax interest rate 7%
See enclosed instructions for the Homestead Tax information.
BE SURE ALL YOUR PROPERTY IS LISTED
TREASURER IS NOT RESPONSIBLE FOR OMISSIONS.

PROPERTY INFORMATION
TAX UNIT 025 Twp-MEADE CENTER TWP
USD 226

DISTRIBUTION OF TAX	TAX AMT
STATE	1,602.76
MEADE COUNTY	45,384.74
MEADE CENTER TWP	1,748.07
USD #226 GENERAL FUND	21,370.10
USD #226	16,035.05
FIRE DISTRICT	2,460.77
MEADE HOSPITAL	15,031.73
GRACELAND CEMETERY	630.42
SW KS LIBRARY	1,454.24
TOTAL TAX DUE	105,717.88
Half due 12/20/2004	52,858.94

Please remit appropriate payment stub with payment

MEADE COUNTY
FIRST HALF PAYMENT
DUE 12/20/2004

STATEMENT # 11205 Added
1st Half 52,858.94

Tax ID # 2004 4-052025A

MISSOURI GAS ENERGY 3420 BROADWAY
% JOHN DAVIS VP-CONTROLLER
KANSAS CITY MO 64111



20040001120506

MEADE COUNTY TAX PAYMENT COUPON
MARK FOR CHANGE OF ADDRESS ()
MARK FOR PRINTED RECEIPT ()

MEADE COUNTY
SECOND HALF / FULL PAYMENT
DUE 05/10/2005 / 12/20/2004

STATEMENT # 11205 Added
2nd Half 52,858.94
Full Amt 105,717.88

Tax ID # 2004 4-052025A

MISSOURI GAS ENERGY 3420 BROADWAY
% JOHN DAVIS VP-CONTROLLER
KANSAS CITY MO 64111



20040001120512

MEADE COUNTY TAX PAYMENT COUPON
MARK FOR CHANGE OF ADDRESS ()
MARK FOR PRINTED RECEIPT ()



MISSOURI GAS ENERGY

3420 Broadway • Kansas City, MO • 64111 • (816) 756-5261

December 17, 2004

Ms. Billie L. Lewark-Wood
Montgomery County Treasurer
Courthouse
217 Myrtle Street
Independence, KS 67301

Re: 2004 Tax Statement for Missouri Gas Energy

Dear Ms. Lewark-Wood:

Missouri Gas Energy (MGE) has received a 2004 Tax Statement from Montgomery County in the full amount of \$199,185.56 and for which the first half payment is due December 20, 2004. The property upon which the tax has been imposed is state-assessed natural gas inventory that has been allocated to Montgomery County.

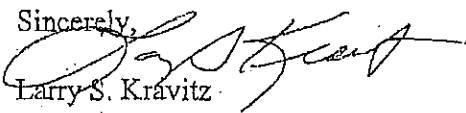
On December 2, 2004, MGE filed an application for tax exemption for the allocated natural gas inventory with the Director of the Property Valuation Division ("PVD") pursuant to K.S.A. 79-213.

Attached is a copy of a letter from the PVD's Attorney acknowledging receipt of the exemption application and stating that it is being processed by PVD. And will be filed with the Board of Tax Appeals.

K.S.A. 79-213 provides that during the time period that the request for exemption is pending, the requesting taxpayer is not required to pay property tax on the subject property from the date the request is filed until expiration of 30 days after the Board of Tax Appeals issues its order and the order becomes final. Accordingly, MGE will not be making a tax payment to Montgomery County for taxes on the state-assessed natural gas inventory until the matter is resolved, as provided by statute.

Please feel welcome to contact me if you have any questions. Thank you for your consideration.

Sincerely,



Larry S. Kravitz
Tax Coordinator

CC: Mr. Bill Hendrix, County Appraiser

2004
4614 TAX STATEMENT
IMPORTANT!

BILLIE LEWARK WOOD
MONTGOMERY COUNTY TREASURER
INDEPENDENCE, KANSAS 67301

P.O. Box 267

REAL ESTATE TAXES
IF YOU FEEL YOUR VALUATION IS IN ERROR CONTACT
THE COUNTY APPRAISER, PHONE 330-1050
THE COUNTY TREASURER, PHONE 330-1100

LOUISBURG TWP - 150234 ICC - 0011

TAXES DUE FOR PRIOR YEAR(S)

CLS	LAND	IMPR	GENERAL TAX	SEWER	PAVING	NUISANCE	WATER WORKS	MISC.	1ST HALF PAYMENT	2ND HALF PAYMENT	TAX BILL NUMBER
UG											
TOTAL LEVY	119.751	7.663	331					199	3592.79	9592.79	1418025
STATE	COUNTY	SCHOOL FOUNDATION	JR. COLLEGE	CITY	TOWNSHIP	U. SCHOOL DIST.	SEWER DIST.				INTEREST
U. SCHOOL BOND	SEWER DIST.	DRAINAGE DIST.	FIRE DIST.	WATERSHED	CEMETERY	S.E.K. LIBRARY					TOTAL

THIS IS A DISTRIBUTION - BREAKDOWN OF YOUR GENERAL TAX

00 00 00

SEWER DIST. 150234

TRACT NUMBER

PROPERTY ADDRESS

SG-MISSOURI GAS ENERGY
% MR JOHN DAVIS
3420 BROADWAY
KANSAS CITY, MO 64111

CHECK
CASH
TAX
CHANGE

64111-0000

TAX UNIT

360

NOTE: 1ST HALF DUE ON OR BEFORE DEC. 20, 2004 2ND HALF DUE ON OR BEFORE MAY 10, 2005
INTEREST ACCRUED ON DELINQUENT TAXES SECOND HALF BILLS ARE NOT SENT
BRING OR SEND THIS NOTICE WITH YOUR REMITTANCE

BANK # / LOAN #



MISSOURI GAS ENERGY

3420 Broadway • Kansas City, MO • 64111 • (816) 756-5261

December 17, 2004

Ms. Shawna Bieberle
Rice County Treasurer
Courthouse
101 W. Commercial Street
Lyons, KS 67554

Re: 2004 Tax Statement for Missouri Gas Energy

Dear Ms. Bieberle:

Missouri Gas Energy (MGE) has received a 2004 Tax Statement from Rice County in the full amount of \$225,775.98 and for which the first half payment is due December 20, 2004. The property upon which the tax has been imposed is state-assessed natural gas inventory that has been allocated to Rice County.

On December 2, 2004, MGE filed an application for tax exemption for the allocated natural gas inventory with the Director of the Property Valuation Division ("PVD") pursuant to K.S.A. 79-213.

Attached is a copy of a letter from the PVD's Attorney acknowledging receipt of the exemption application and stating that it is being processed by PVD. And will be filed with the Board of Tax Appeals.

K.S.A. 79-213 provides that during the time period that the request for exemption is pending, the requesting taxpayer is not required to pay property tax on the subject property from the date the request is filed until expiration of 30 days after the Board of Tax Appeals issues its order and the order becomes final. Accordingly, MGE will not be making a tax payment to Rice County for taxes on the state-assessed natural gas inventory until the matter is resolved, as provided by statute.

Please feel welcome to contact me if you have any questions. Thank you for your consideration.

Sincerely,


Larry S. Kravitz
Tax Coordinator

CC: Gaylo Godfrey, County Appraiser

Shawna Bieberle
777 RICE COUNTY TREASURER
PO BOX 59
LYONS KS 67554
620-257-2852

Schedule MRN-2 Page 18 of 21
Tax Year 2004 Statement # 7915
Taxpayer I.D. SGMI0001
Name. SG-MISSOURI GAS ENERGY
% JOHN DAVIS, CONTROLLER

TAX STATEMENT

Owner..SG-MISSOURI GAS ENERGY
% JOHN DAVIS, CONTROLLER
Parcel.210-9506600200
CAMA #.000-00-0-00-00-000-00- -00.

Unit.VALLEY TWP:USD #376,AVC.
Legal.

Address. 0

Values: Code.UG Land. 0 Impr. 2130947 Tax. 225775.98

Levy. 105.95100	1st Half	2nd Half	Total Tax
Real Estate Tax Amount.....	112887.99	112887.99	225775.98

TOTAL FOR TAX STATEMENT	112887.99	112887.99	225775.98 *
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NOTE:PAID TAX RECEIPTS WILL NOT BE MAILED OUT UNLESS REQUESTED

Distribution of Taxes

State... 3196.42	City.... .00	School.. 89271.77	Special Assessments
County..110581.23	Township 12973.21	Library.. 2162.91	Total.. .00
Fire..... 6085.99	Cemetery 1504.45	Other.... .00	

KEEP THIS STATEMENT FOR YOUR RECORDS

RETURN STUB 2 WITH SECOND PAYMENT.
RETURN BOTH STUBS WITH FULL YEAR
PAYMENT.

STUB
#2

RETURN STUB 1 WITH FIRST PAYMENT.
RETURN BOTH STUBS WITH FULL YEAR
PAYMENT.

STUB
#1

axes are collectable after Nov. 1st.
nd Half is DELINQUENT MAY 11TH

2nd HALF TAX AMOUNT DUE \$112887.99
Real Estate 2004.
Statement #.0007915 TX ID.SGMI0001

SG-MISSOURI GAS ENERGY
% JOHN DAVIS, CONTROLLER
3420 BROADWAY
KANSAS CITY, MO 64111

Taxes are collectable after Nov. 1st.
1st Half is DELINQUENT December 21st.

1st HALF TAX AMOUNT DUE \$112887.99
Real Estate 2004
Statement #.0007915 TX ID.SGMI0001

SG-MISSOURI GAS ENERGY
% JOHN DAVIS, CONTROLLER
3420 BROADWAY
KANSAS CITY, MO 64111



MISSOURI GAS ENERGY

3420 Broadway • Kansas City, MO • 64111 • (816) 756-5261

December 17, 2004

Mr. Raymond Hite
Woodson County Treasurer
Courthouse
105 Rutledge Street
Yates Ceter, KS 66783

Re: 2004 Tax Statement for Missouri Gas Energy

Dear Mr. Hite:

Missouri Gas Energy (MGE) has received a 2004 Tax Statement from Woodson County in the full amount of \$13,334.50 and for which the first half payment is due December 20, 2004. The property upon which the tax has been imposed is state-assessed natural gas inventory that has been allocated to Woodson County.

On December 2, 2004, MGE filed an application for tax exemption for the allocated natural gas inventory with the Director of the Property Valuation Division ("PVD") pursuant to K.S.A. 79-213.

Attached is a copy of a letter from the PVD's Attorney acknowledging receipt of the exemption application and stating that it is being processed by PVD. And will be filed with the Board of Tax Appeals.

K.S.A. 79-213 provides that during the time period that the request for exemption is pending, the requesting taxpayer is not required to pay property tax on the subject property from the date the request is filed until expiration of 30 days after the Board of Tax Appeals issues its order and the order becomes final. Accordingly, MGE will not be making a tax payment to Woodson County for taxes on the state-assessed natural gas inventory until the matter is resolved, as provided by statute.

Please feel welcome to contact me if you have any questions. Thank you for your consideration.

Sincerely,


Larry S. Kravitz
Tax Coordinator

CC: Mr. Jerry Mentzer, County Appraiser

2004 State Assessed Tax Statement 5546

Tax ID 2004 4-1701060

Schedule MRN-2

Page 20 of 21

Woodson County Treasurer
Raymond A. Hite
105 W. Rutledge, Room 105
Yates Center, KS 66783-1498
www.woodsoncount

ASSESSMENT LEVY 148.064
CLASS REAL OTHER TAX
UTIL 90.059 13,334.50

Total Val 90,059 Tax 13,334.50

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SG-MISSOURI GAS ENERGY
C/O MR JOHN DAVIS VP-CONTROLLER
3420 BROADWAY
KANSAS CITY MO 64111

PAYMENT INSTRUCTIONS

Be sure you have statements for all
of your properties.
PERSONAL PROPERTY TAX (all boats,
trucks, etc.) must have the first
half paid by Dec 20th. If the
amount becomes due and delinquent
immediately thereafter.

PROPERTY INFORMATION

TAX UNIT 030 Twp-TORONTO
USD 389
PIPELINE

DISTRIBUTION OF TAX TAX AMT
USD #389 GENERAL 1,801.18
USD #389 OTHER 2,061.48
USD #389 END & INTEREST 11,594.13
STATE 435.40
COUNTY 7,165.01
TORONTO TOWNSHIP 240.26
BIG SANDY CEMETERY 27.89
SEKAL LIBRARY 122.84

Receipts will be sent upon request

TOTAL TAX DUE 13,334.50

Half due 12/20/2004 6,667.25

Please remit payment on or before the date indicated

WOODSON COUNTY
FIRST HALF PAYMENT
DUE 12/20/2004

STATEMENT # 5546
1st Half 6,667.25

WOODSON COUNTY
SECOND HALF / FULL PAYMENT
DUE 05/10/2005 / 12/20/2004

STATEMENT # 5546
2nd Half 6,667.25
Full Amt 13,334.50

Tax ID # 2004 4-1701060
SG-MISSOURI GAS ENERGY
C/O MR JOHN DAVIS VP-CONTROLLER

Tax ID # 2004 4-1701060
SG-MISSOURI GAS ENERGY
C/O MR JOHN DAVIS VP-CONTROLLER

** Questions call (620)625-8650 **
If payment is past due please call
to get balance with interest.

** Questions call (620)625-8650 **
If payment is past due please call
to get balance with interest.

DEC 13 2004

*cc: Larry
Brewster*



K A N S A S

JOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE
DIVISION OF PROPERTY VALUATION

KATHLEEN SEBELIUS, GOVERNOR

December 10, 2004

Robert J. Hack
VP_Pricing & Regulatory Affairs
Missouri Gas Energy
3420 Broadway
Kansas City, MO 64111

Re: Missouri Gas Energy

Dear Mr. Hack:

This letter acknowledges receipt on December 6, 2004, of the above referenced company's application for tax exemption of stored natural gas, filed pursuant to K.S.A. 79-213. The application is being processed by this office and will be filed with the Board of Tax Appeals as soon as possible.

If you have any questions please contact me.

Sincerely,

William E. Waters

William E. Waters
Division Attorney

cc: Mike Lennen

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Hearing

July 23, 2004

Jefferson City, Missouri

Volume 23

In the Matter of Missouri)
Gas Energy's Tariffs to)
Implement a General Rate) No. GR-2004-0209
Increase for Natural)
Gas Service)

MORRIS L. WOODRUFF, Presiding,
SENIOR REGULATORY LAW JUDGE.

CONNIE MURRAY,
JEFF DAVIS,
COMMISSIONERS.

REPORTED BY:

TARA SCHWAKE, CRR, CCR, RPR, CSR
MIDWEST LITIGATION SERVICES

1 in other utility proceedings?

2 A Yes, I have.

3 Q Is an audit of rate case expense
4 something that a regulated utility should
5 reasonably anticipate?

6 A Yes, it is.

7 MR. SCHWARZ: I tender the witness
8 for cross.

9 JUDGE WOODRUFF: All right. For
10 cross examination, we go to Public Counsel?

11 MR. MICHEEL: Nope.

12 JUDGE WOODRUFF: Jackson County,
13 Midwest Gas?

14 MR. FINNEGAN: No questions.

15 JUDGE WOODRUFF: MGE?

16 CROSS EXAMINATION BY MR. HACK:

17 Q Good afternoon, Mr. Hyneman.

18 A Hello, Mr. Hack.

19 Q Do you recommend the -- that the
20 Commission grant an AAO allowing MGE to defer the
21 new Kansas storage gas property taxes for
22 potential recovery in a future case to the extent
23 they're actually incurred?

24 A It would be my position that this
25 type of cost, the best way to handle it would be

Page 2608

1 for MGE to seek an accounting authority order
2 instead of inclusion in rates. Yeah, I think the
3 AAO would be appropriate for this type of cost.

4 Q So do you recommend that the
5 Commission grant an AAO in this case?

6 A I don't know the specifics of an AAO
7 in this case, but the use of the AAO vehicle would
8 be appropriate, yes. But I don't -- I have to
9 look at a specific request to determine if it's --
10 if it's appropriate.

11 Q We made the request, so do you
12 recommend that the Commission grant it?

13 A Well, the generic use of an
14 accounting authority order for this type of cost
15 would be something that I believe I would support.

16 Q And do you recommend that the
17 Commission grant such an accounting authority
18 order in this case?

19 A Generically speaking, yes.

20 Q Specifically I'm asking you, not
21 generically.

22 A Well, I mean, allowed deferral under
23 an AAO for future consideration, yes.

24 Q Correct.

25 A Right.

MISSOURI GAS ENERGY
A Division of Southern Union Company
Twelve Months Ending June 30, 2003
Updated Through April 30, 2004
Summary of Net Operating Income
Per Books and Adjusted

Line No.	Description (a)	Per Books (b)	Adjustments (c)	As Adjusted (d)	As Adjusted With Increase (e)
<u>REVENUES</u>					
1	Operating Base Revenues	\$486,795,087	(\$351,976,675)	\$134,818,412	\$157,199,605
2	Other Utility Revenues	8,302,684	107,878	8,410,560	8,410,560
3	Total Operating Revenues	<u>\$495,097,771</u>	<u>(\$351,868,799)</u>	<u>\$143,228,972</u>	<u>\$165,610,165</u>
<u>OPERATING EXPENSES</u>					
4	Distribution Expense	\$343,360,842	(\$320,958,874)	\$22,401,768	\$22,401,768
5	Customer Accounts Expense	17,519,501	1,454,438	18,973,939	18,973,939
6	Customer Service and Information Expense	476,630	165,851	642,481	642,481
7	Sales Expense	245,559	15,037	260,596	260,596
8	Administrative and General Expense	20,946,520	8,628,190	29,574,710	29,574,710
9	Total Operating and Maintenance Expenses	<u>\$382,548,852</u>	<u>(\$310,695,359)</u>	<u>\$71,853,493</u>	<u>\$71,853,493</u>
10	Depreciation & Amortization Expense	\$22,691,101	\$4,576,102	\$27,267,203	\$27,267,203
11	Interest on Customer Deposits	218,822	(82,175)	136,647	136,647
12	Taxes Other Than Income	40,041,548	(29,284,617)	10,756,931	10,756,931
13	Total Operating Expenses	<u>\$445,500,323</u>	<u>(\$335,486,049)</u>	<u>\$110,014,274</u>	<u>\$110,014,274</u>
14	Operating Income Before Income Tax	\$49,597,448	(\$16,382,750)	\$33,214,698	\$55,595,891
15	Less: Income Tax Expense	11,319,347	(8,034,756)	3,284,591	<u>\$11,876,450</u>
16	Net Operating Income	<u>\$38,278,101</u>	<u>(\$8,347,994)</u>	<u>\$29,930,107</u>	\$43,719,441
17	Interest Expense				<u>\$24,659,199</u>
18	Net Income				<u>\$19,060,242</u>
19	Property Tax Expense				<u>\$1,721,830</u>
20	Percent of Net Income				<u>9.03%</u>