Exhibit No.:	
Issue:	PGA revisions to address gas cost portion of bad debt write-offs
Witness:	Russell A. Feingold
Sponsoring Party:	Laclede Gas Company
Case No.:	GT-2009-0026
Date Testimony Prepared:	November 20, 2008

LACLEDE GAS COMPANY

CASE NO. GT-2009-0026

SURREBUTTAL TESTIMONY

OF

RUSSELL A. FEINGOLD

NOVEMBER 2008

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SURREBUTTAL TESTIMONY OF RUSSELL A. FEINGOLD

Q. Please state your name and business address.

A. My name is Russell A. Feingold and my business address is 2525 Lindenwood Drive, Wexford, Pennsylvania 15090.

Q. By whom and in what capacity are you employed?

A. I am employed by Black & Veatch Corporation ("Black & Veatch") as a Vice President and I lead the Rate & Regulatory Advisory Group of its Enterprise Management Solutions ("EMS") Division.

Q. Please describe the firm of Black & Veatch.

A. Black & Veatch has provided comprehensive engineering and management services to utility, industrial, and governmental entities since 1915. EMS is the management consulting division of Black & Veatch. EMS delivers management consulting solutions in the energy and water sectors. Our services include broad-based strategic, regulatory, financial, and information systems consulting. In the energy sector, EMS delivers a variety of services for companies involved in the generation, transmission, and distribution of electricity and natural gas. From an industry-wide perspective, Black & Veatch has extensive experience in all aspects of the North American natural gas industry, including utility costing and pricing, gas supply and transportation planning, competitive market analysis and regulatory practices and policies gained through management and operating responsibilities at gas distribution, pipeline and other energy-related companies, and through a wide variety of client assignments. Black & Veatch has assisted numerous gas distribution companies located in the U.S. and Canada.

Q. Please describe your educational and professional background.

A. I received a Bachelor of Science Degree in Electrical Engineering from Washington

University in St. Louis in 1973 and a Master of Science Degree in Financial Management from Polytechnic University - New York in 1977.

Q. Mr. Feingold, have you previously testified before this Commission or any other regulatory authority?

A. Yes. I have presented expert testimony before the Federal Energy Regulatory Commission ("FERC") and numerous state and provincial regulatory commissions, including the Missouri Public Service Commission (the "Commission"). My expert testimony has dealt with the costing and pricing of energy-related products and services for gas and electric distribution and gas pipeline companies.

In addition to traditional utility costing and rate design concepts and issues, my testimony has addressed gas transportation rates, gas supply planning issues and activities, market-based rates, Performance-Based Ratemaking concepts and plans, competitive market analysis, gas merchant service issues, strategic business alliances, market power assessment, merger and acquisition analyses, multi-jurisdictional utility cost allocation issues, inter-affiliate cost separation and transfer pricing issues, seasonal rates, cogeneration rates, and pipeline ratemaking issues related to the importation of gas into the United States.

Q. What has been the nature of your work in the utility consulting field?

A. I have over thirty-three (33) years of experience in the utility industry, the last thirty (30) years of which have been in the field of utility management and economic consulting. Specializing in the gas industry, I have advised and assisted utility management, industry trade and research organizations and large energy users in matters pertaining to costing and pricing, competitive market analysis, regulatory planning and policy development, gas supply planning issues, strategic business planning, merger and acquisition analysis, corporate restructuring, new product and service development, load research studies and market planning. In addition to my presentation of expert testimony in utility regulatory proceedings that was just discussed, I have spoken widely on issues and activities dealing with the pricing and marketing of gas utility services. Further background information summarizing my work experience, presentation of expert testimony, and other industry-related activities is included in Schedule RAF-1.

Q. On whose behalf are you appearing in this proceeding?

A. I am appearing on behalf of Laclede Gas Company ("Laclede" or the "Company").

Purpose of Testimony

Q. What is the purpose of your surrebuttal testimony in this proceeding?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of the Commission Staff ("Staff") and the Office of the Public Counsel ("Public Counsel") related to the Company's proposal to utilize the Purchased Gas Adjustment ("PGA")/Actual Cost Adjustment ("ACA") mechanism to track and reconcile changes in the gas cost portion of its bad debt write-offs. I will specifically respond to the claims made in the rebuttal testimonies of Staff witness Thomas A. Solt and Public Counsel witness Russell W. Trippensee related to the manner in which the Company proposes to recover the gas cost portion of its debt bad write-offs.

Summary of Findings and Recommendations

Q. Can you please summarize your findings and recommendations related to these parties' presentations?

A. Yes. Based on my review of the points and underlying support provided by witnesses Solt and Trippensee concerning the Company's proposed recovery of the gas cost portion of its bad debt write-offs, I have reached the following findings and recommendations:

1. By rejecting the Company's ratemaking proposal, both Staff and the Public Counsel have effectively ignored the fundamental changes to the traditional utility ratemaking process that are occurring in the gas distribution utility industry today caused by the unprecedented business conditions and associated challenges and opportunities faced by utilities, regulators, and stakeholders;
2. The criticisms presented by these parties of the Company's proposed ratemaking treatment of the gas cost portion of its bad debt write-offs are without merit and are misplaced when viewed against the real factors driving the need for this type of ratemaking approach; and
3. This Commission should give no weight to the arguments presented by these parties and should approve the Company's proposed changes to the PGA/ACA mechanism to permit the recovery of the gas cost portion of its bad debt write-offs since it is a necessary ratemaking solution and in the best interest of the Company and its customers.

I will address these points in detail when I respond to each of the specific criticisms raised by these parties concerning the Company's proposed treatment of the gas cost portion of its bad debt write-offs.

Changes to the Traditional Utility Ratemaking Process

Q. Both Mr. Solt (at pages 3 and 8 of his rebuttal testimony) and Mr. Trippensee (at pages 7-9 11, and 13 of his rebuttal testimony) raise certain regulatory concerns or deficiencies under the traditional utility ratemaking process that they claim are associated with the Company's proposed ratemaking treatment of the gas cost portion of its bad debt write-offs. Do you agree with these witnesses that certain regulatory concerns and deficiencies exist with the Company's ratemaking proposal?

A. No, I disagree with each of these witnesses' views. In my opinion, we are experiencing a fundamental change to the traditional utility ratemaking process which is causing both utilities and regulators to re-assess and modify the traditional ratemaking approaches of the past. In this regard, there is a growing recognition, endorsement, and acceptance throughout the utilities industry of many ratemaking mechanisms that allow for a more accurate matching between the amounts charged and actual costs incurred to provide utility service to better address the business challenges faced today by utilities and their customers.

Q. Please describe the business conditions and key challenges facing both regulators and the gas distribution utility industry today.

A. The major business challenges faced by gas distribution utilities operating in North America include:

- Weather variability and warming temperatures;
- Declining use per customer;
- Increasingly volatile wholesale natural gas prices;
- Increasingly volatile customer bills as a result of gas price fluctuation;
- Increased promotion and impact of energy efficiency and conservation measures;
- Rising costs of labor and materials for expansion and growth;
- Increasing variability, both actual and potential, in bad debt expenses caused primarily by the level of wholesale natural gas prices; and

- Increasing requirements applicable to maintenance and improvement of aging infrastructure and system reliability requiring substantial additional capital, both debt and equity.

These challenges, in turn, create stresses and challenges for regulators such as managing more frequent and larger rate case filings or developing new regulatory tools for encouraging energy conservation without requiring still more general rate case filings.

Q. How do the business challenges you have described impact a gas utility's delivery service costs and its ability to recover these costs through base rates?

A. The business challenges I have described pertaining to weather, customer use, wholesale gas prices, bad debt expenses, energy efficiency and conservation, labor and materials costs, and infrastructure initiatives have a combined effect of introducing elements of considerable and recurring variability, unpredictability and uncontrollability related to a gas utility's costs of delivery service and the gas usage factors used to set its base rates to recover such costs.

Q. Please explain this phenomenon.

A. Very simply, these elements of variability cannot be accommodated within the context of the traditional utility ratemaking process. First, the traditional volumetric structure of a utility's base rates does not allow for the full recovery of a utility's non-gas cost of service approved by its utility regulator whenever a decline is experienced in the level of its billing determinants (*i.e.*, customers' gas consumption levels) used to establish base rates. Second, the static nature of how a utility's revenue requirement is determined precludes the recognition and timely recovery of changes in costs incurred by the utility in providing delivery service that is necessitated by unpredictable or uncontrollable business conditions that the utility has to accommodate.

Q. Have these business conditions and associated challenges caused utilities, regulators, and stakeholders to explore more innovative natural gas rate design approaches?

A. Yes. In my experience, it is widely recognized by industry participants, regulators, and other key stakeholders that innovative approaches to utility ratemaking can actually align all the various interests in a way that creates opportunities out of these challenges. In addition, the fixed cost nature of the gas distribution business warrants new approaches to the traditional ratemaking process in order that a utility be given a reasonable opportunity to recover its fixed costs of providing gas delivery service, and that its customers pay for that service in an appropriate and equitable manner. With the associated changes to key industry drivers - such as the gas supply/demand balance, marketplace price dynamics, and customer usage characteristics - the policy objectives of stakeholders pertaining to utility ratemaking also are changing. At the same time, there is a growing recognition that the current rate design approaches may not be working as intended as evidenced by stakeholder impacts and original rate design objectives not being satisfied. These impacts have included the inability of gas distribution utilities to fully recover their approved revenue requirements and customers paying more or less than expected for gas service due to fluctuations in weather from "normal" conditions.

Q. Please explain some of these innovative approaches to rate design for gas distribution utilities.

A. The above-described business conditions and challenges have led to fundamental changes in the ratemaking approaches traditionally relied upon by gas distribution utilities, and approved by utility regulators. These changes are reflected in the growing and widespread approval of various innovative ratemaking approaches by gas distribution utilities. These approaches can be characterized in broad terms as follows:

1. Revenue decoupling mechanisms,
2. Rate design utilizing a single, fixed monthly charge (i.e., Straight Fixed-Variable rate design).
3. Automatic adjustment rate mechanisms or rate trackers (that address items such as the recovery of bad debt expenses, infrastructure replacement costs, energy efficiency program costs, and margin revenue losses due to warmer-than-normal weather).
4. Revenue (return) stabilization mechanisms.

Q. Has Missouri regulation responded to these challenges in a positive way?

A. Yes. I would be remiss if I did not acknowledge the significant progress that has been made in this state on a number of these challenges. The Commission's implementation of a Straight-Fixed Variable ("SFV") rate design for some gas utilities has been very helpful in allowing those utilities to cope with weather and usage variability. It has also been extremely beneficial for customers in that it has helped moderate what customers have to pay for service during the winter period when the burden is highest. It has also served to ensure that, notwithstanding weather and usage variability, customers are only paying for the historical cost of distributing gas to them, no more and no less. Although Laclede itself has a rate design that still exposes it to modest impacts from changes in customer usage, significant progress has been made here as well. The infrastructure system replacement surcharge authorized by the Missouri General Assembly and implemented by the Commission has also been helpful in allowing gas utilities to more contemporaneously recover those non-revenue producing investments they make to keep their distribution systems safe and to accommodate public improvement projects. I view the Company's ratemaking proposal in this case as an additional and entirely appropriate step in furthering the goals underlying these earlier initiatives.

Conceptual Support for the Implementation of the Company's Proposal

Q. At page 8 of his rebuttal testimony, Mr. Solt claims that because Laclede's bad debt write-offs have been "relatively stable" in recent times, he could not recommend using the PGA/ACA mechanism to recover the gas cost portion of the Company's bad debt write-offs. Do you agree with his claim?

A. No. I believe Mr. Solt's claim is shortsighted because it fails to acknowledge the direct and material impact of the magnitude and variability of wholesale gas prices on utilities' bad debt levels.

Q. What impact has the magnitude and variability of wholesale gas prices had on utilities' bad debt experience?

A. Numerous gas utilities have experienced higher than forecast bad debt (uncollectible accounts) expense from the significant rise in customers' gas bills caused by the unprecedented level of wholesale gas prices. The higher customer bills result in more customers being slow or unable to pay, with resultant higher delinquent balances. More and higher delinquent balances have led to greater net write-offs for utilities. Those utilities that recover bad debt expense as a fixed cost component established in their base rate cases have experienced in recent years an under-recovery of actual bad debt expenses.

In a recent report by the Energy Information Administration ("EIA"), it was noted that the number of gas distribution utility customers in arrears and the dollar value of the overdue accounts have been rising since at least 2001. Past-due accounts and terminations are becoming more prevalent even during periods of mild weather, as energy price increases have outpaced growth in household incomes.[1]

Q. Does this mean that the factors causing arrearages and bad debt levels to rise are permanent?

A. No. In the past several months alone, we have already seen a dramatic correction in the natural gas markets, as forward prices have fallen over 50% from their July highs. While weakened economic conditions may slow realization of the impact that this market reversal portends for bad debt costs, the steep decline in prices, particularly if they persist for any significant period of time, may very well lead to an overcollection situation for many gas utilities.

Q. Why is the traditional utility ratemaking process inadequate to address the challenges posed by these market forces?

A. Because the challenging circumstances that have given rise to the greater magnitude and/or more variable nature of bad debt experienced by utilities are almost entirely outside the control of the utilities, there is not a great deal that utility management can do to mitigate the impact of these forces. Unfortunately, the static and historically based method upon which rates are designed renders it largely impossible for utilities or customers to protect themselves financially, except for the employment of post-bad debt measures.

Q. What do you mean by post-bad debt measures?

A. When bad debt spikes on a utility system such as Laclede, the utility's base rates only permit it to collect an amount that is not representative of current experience. The only response left to the utility is to employ mitigation measures that only address bad debt that has already

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[1] "Impact of Higher Natural Gas Prices on Local Distribution Companies and Residential

accumulated, hence my use of the term "post-bad debt measures." These measures include credit and collection enhancements, as well as strategic management of termination of service opportunities. While many utilities - including Laclede - have undertaken management initiatives to enhance their credit and collections activities in an attempt to reduce bad debt levels, there is only so much that can be done in the face of escalating gas prices and higher customer gas bills. Moreover, statutory and regulatory limitations prevent service disconnection in many cases. This can increase the amount of time required to disconnect service for non-payment, thus increasing bad debt.

Q. Has the financial community recognized the significance of gas utilities' bad debt?

A. Yes. In October 2005, Citigroup Research, a division of Citigroup Global Markets, conducted a survey[2] of 42 publicly traded gas utilities in order to determine the impact of high natural gas prices on bad debt expense for 2005 and 2006. Citigroup found that about 43 percent of the utilities it surveyed have ratemaking mechanisms that alleviate some bad debt concerns. The impact to earnings from higher gas prices generally is the "result of utilities obtaining rate relief in the form of bad debt trackers in recent years." Citigroup listed thirteen (13) utilities that have some sort of regulatory mechanism in place to recover most or all bad debt. Citigroup estimated that the highest impact on earnings due to bad debt expense would be to those utilities that have a combination of high heating load, a high percentage of uncollectible accounts and a lack of regulatory relief.

Q. Has Laclede experienced a similar increase in the magnitude and variability of its bad debt write-offs compared to the experiences of other gas utilities that you just discussed?

Customers," Energy Information Administration, August 2007, page 3.

[2] Citigroup Global Markets, "Integrated Natural Gas & Gas Utilities – How Bad Will Bad Debt Expense Be?" – October 20, 2005.

A. Yes. At page 5 of his direct testimony, Company witness Glenn W. Buck illustrates the magnitude and variability of Laclede's bad debt expense over the last ten (10) years. You can readily observe that as natural gas prices increased in the past, coupled with the deterioration of economic conditions in the U.S., there was a significant increase in the bad debt write-off level for Laclede. In addition, over the last few years, it is my opinion that a larger portion of the Company's bad debt write-offs were driven by its purchased gas costs rather than by its base rates.

Industry-Wide Activities Related to Bad Debt Cost Recovery Mechanisms

Q. At pages 9-10 of his rebuttal testimony, Mr. Solt discusses the activities in certain states related to the ratemaking treatment of utility bad debt write-offs. Do you agree with his discussion of the topic?

A. No. While I recognize that Mr. Solt's comments were simply an attempt on his part to downplay the industry-wide acceptance of bad debt cost recovery other than through a utility's base rates, it should be recognized that there are a number of other states where such ratemaking treatment also is permitted.

Q. Please describe the industry-wide activities related to bad debt recovery mechanisms.

A. Utility regulators have approved bad debt ratemaking mechanisms for forty-five (45) gas utilities in twenty-four (24) states. Schedule RAF-2 presents a map of the U.S. which depicts the extent to which bad debt ratemaking mechanisms have been approved in the various states.[3]

There are three alternative ratemaking methods to addressing bad debt recovery that have been approved by regulators: (1) a tracker or periodic adjustment mechanism; (2) periodic

[3] Bad Debt Cost Recovery 2008 Update, American Gas Association, dated September 2008, with

recovery through the utility's current Purchased Gas Adjustment ("PGA") mechanism; and (3) an explicit expense adjustment as part of the utility's PGA mechanism. The first ratemaking alternative permits recovery of the utility's actual bad debt expense using a deferral account which is periodically "zeroed out" through the application of either surcharges or credits to base rates. The second ratemaking alternative permits separate treatment and recovery of gas commodity-related bad debt expenses in a manner identical to that used to recover the utility's purchased gas expenses. The third ratemaking alternative permits a portion of the utility's bad debt expense to be recovered through its PGA mechanism as a component of its merchant service charges. These ratemaking methods each recognize the unpredictable nature of bad debt expenses and their close correlation with changes in the commodity price of natural gas.

In addition to the explicit treatment of bad debt expense discussed above, some jurisdictions periodically adjust utility rates for cost and revenue changes in a way that is designed to produce rates of return falling within a band around the utility's authorized rate of return. In those jurisdictions, the bad debt costs represent one of several cost elements that cause adjustments to the utility's rates.

Q. Have you also prepared an exhibit that provides further details of the ratemaking treatment of bad debt write-offs in other jurisdictions?

A. Yes. Schedule RAF-3 provides a summary of the gas distribution utilities with tracking mechanisms for bad debt write-offs (also called uncollectible expense or bad debt cost).

Q. Have you reviewed the decisions issued by utility regulators in those states where they have approved the recovery of bad debt expenses other than through the utility's base rates?

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supplemental information from Black & Veatch.

A. Yes, I have. A number of the regulatory decisions provide useful commentary on some of the same issues that Staff and Public Counsel have raised in this proceeding.

Q. Would you please provide some examples of the key findings made by utility regulators in those proceedings that are responsive to the concerns raised by Staff and/or Public Counsel?

A. Yes. I have provided below three examples of how utility regulators have addressed the issue of the appropriate ratemaking method to recover through rates a utility's bad debt expenses. It is important to note that in all three cases, the regulator has addressed the issue of volatility of the utility's purchased gas costs and has recognized this market condition as an important consideration in its decision to approve the utility's ratemaking proposal for recovery of its bad debt expenses.

Each of the following statements is excerpted from the referenced decision of the utility regulator in these states:

<u>Public Utilities Commission of Ohio</u>

The fundamental question before us is whether the proposed adjustment mechanism is just and reasonable. We accept the applicants' rationale supporting the proposed adjustment mechanism. There is no doubt gas costs have been volatile during the last few years. We recognize that those gas costs and the weather impact the dollar amounts of customer bills. Additionally, we are aware that gas companies across Ohio, including the applicants, have experienced difficulty in recovering their bills in full. We are not assigning blame or exculpating anyone for the large uncollectibles they have recently experienced. We agree that weather is not within the applicant's control. Certainly, the factors that the joint applicants noted as impacting gas costs (summarized in footnote 2 of this decision) are largely outside of their control. We *further agree that the weather and gas costs can substantially impact the dollar amounts of customer bills.*

Additionally, we do not accept that the uncollectible expense amounts allotted in applicants' rate bases so long ago (and determined at a time with very little gas cost volatility) can be appropriate at this time. OCC correctly points out that volatile gas prices include both high and low prices (which affect uncollectible levels). Yet, when extreme volatility exists, an expense mechanism that moves with volatility to allow more contemporaneous recovery of expenses or costs is an understandable business approach. In this respect, we disagree with the consumer commenters who claim that the uncollectible proposal is an improper shifting of the risk of volatile gas costs on to consumers. After all, the GCR rates would have to be considered improper shifting too and we have accepted for many years the benefits that adjusted GCR rates have provided. We believe the concept of an adjustment mechanism has practical merits.[4]

<u>Public Service Commission of Utah</u>

In the course of the parties' discussions/negotiations in these proceedings, they reached agreement on making adjustments for bad debt expense recovery in the portion of rates set through the 191 Account process and the portion set through the general rate case process. All parties agree that it is appropriate to use the 191 Account mechanism to recover the portion of bad debt that relates to commodity and supplier non-gas costs. They represent that the approach reflects a better match of the actual revenues and those costs. The parties maintain that as the 191 Account

[4] Case No. 03-1127-GA-UNC, issued on December 17, 2003, pages 10-11.

deals with commodity and supplier non-gas components, it is appropriate that the bad debt costs associated with these components be dealt with in the 191 Account as well, rather than the current practice of having all bad debt costs recovered through the general rate portion. The parties have proposed a reduction in general rates, equal to the commodity and supplier non-gas bad debt amounts, with a concomitant increase in the 191 Account portion of rates. Their stipulation provides the mechanism on how this change would be implemented and followed on a going-forward basis.

We will approve the stipulation with respect to recovery of bad debt. Since the 191 Account is not governed by the pass-through statute, we expect that the Division will continue to analyze the reasonableness of bad debt and propose normalization or other regulatory adjustments if necessary. We also approve the change in tariff language as an attempt to reflect regulatory practice. As we have stated before, accounting practice does not dictate regulatory policy. To that end, additional language should be added to the tariff changes. We have learned that while an expense or revenue item may be recorded in a Uniform System account, regulatory and public interest goals may require specific expense or revenue items to be alternatively recorded in other accounts associated with the 191 Account or general rate making processes or some combination of the two.[5]

<u>Massachusetts Department of Telecommunications and Energy</u>

Thus, in a market condition characterized by price volatility, fixing the total amount of uncollectible expense that could be recovered as part of a base rate proceeding *could have a significant effect on a company's earnings and could violate the Department's rate structure goal of earnings stability. The Department has defined earnings stability to mean that the amount a company earns from its rates should not vary significantly over a period of one or two years. D.T.E. 03-40, at 366, citing D.T.E. 01-56, at 135; D.T.E. 02-24/25, at 252-253. Accordingly, based on a review of this record, the Department finds that the ratemaking treatment and recovery method for gas cost-related bad debt expense established in D.T.E. 02-24/25 and affirmed in D.T.E. 03-40 no longer achieve the Department's rate structure goal of earnings stability.*

For the portion of the total uncollectible expense that is gas cost-related and determined to be reasonable in the instant case, the record shows that there are factors outside of the Company's control that could result in the level of actual post test year net write-offs to deviate from that level initially determined to be reasonable (Exh. DTE-KED-1-1 (Rev.)). Therefore, requiring the Company to reconcile CGA bad debt recovery to that initially-determined amount could result in over- or under-collections that depend on the vagaries of the ensuing market conditions. In turn, such over- or under-collections could – and, over time, likely would adversely affect the Company's earning stability, financial integrity, and its ability to attract capital. D.T.E. 05-66, at 15. Financial instability of this kind threatens customers' interest in receiving quality service, as well. In D.T.E. 02-24/25, the Department noted that Fitchburg is able to track its bad debt.[6]

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[5] Docket No. 01-057, issued on August 14, 2002, page 2.
[6] D.T.E. 05-027, issued on November 30, 2005, pages 183-185.

Q. How would you characterize the ratemaking proposal presented by Laclede to address its bad debt write-offs?

A. I would characterize Laclede's ratemaking proposal as an appropriate and necessary step to addressing bad debt recovery. This approach recognizes the variability of bad debt write-offs and the difficulties associated with establishing a fixed amount within the context of a utility rate case as a representative expense level. This ratemaking proposal will provide Laclede with a more equitable and accurate recovery of those costs than that afforded by the current approach using the Company's base rates. Further, the Company's proposal to track and reconcile changes in the gas cost portion of its bad debt write-offs is consistent with the spirit of the PGA/ACA provisions of Laclede's tariff. Namely, the PGA/ACA mechanism is designed to allow recovery of all prudently incurred purchased gas costs so that the gas cost component has no earnings impact on the Company. These points will be addressed in further detail later in my testimony.

Responding to Other Specific Claims Made by Staff and Public Counsel

Q. Mr. Solt and Mr. Trippensee both argue that the Commission should reject the Company's proposal to recover the gas cost portion of bad debt write-offs through its PGA/ACA mechanism. Please discuss your views on the concept of recovering the gas cost portion of bad debt write-offs as a component of purchased gas costs in the Company's PGA/ACA mechanism.

A. In my opinion, the stated purpose of the Company's PGA/ACA mechanism is to recover the actual, prudently incurred, cost of purchased gas from its customers so that the gas cost component of rates will be earnings neutral to shareholders and consumers alike. Moreover, I believe it is understood that both the Commission and the Missouri courts recognize that the ongoing recovery of purchased gas costs through the PGA/ACA mechanism is a necessary element of the utility ratemaking process. In a 1998 decision, the Court found that, "a PGA clause allows a local distribution company to automatically adjust the rates it charges its customers **in proportion to the change in the rate the local distribution company is charged by its wholesale suppliers**." *State ex rel. Midwest Gas Users' Ass'n v. Public Service Comm'n*, 976 S.W.2d 470 (Mo.App. W.D. 1998) (emphasis added). This provision specifically requires the <u>matching</u> of costs and revenues, thereby eliminating any potential impact of purchased gas costs on the earnings of the utility.

Q. In your opinion, is recovery of the gas cost portion of a utility's bad debt write-offs consistent with the purpose of the PGA/ACA mechanism?

A. Yes. As its name implies, the ACA represents the "Actual Cost Adjustment." The very purpose of the PGA/ACA mechanism is to include in it the actual cost of purchased gas incurred by the Company. On the revenue side, the PGA/ACA mechanism is designed to exactly match revenues to the costs incurred. The accounting for the PGA/ACA mechanism matches revenues and costs for the current accounting period so that the process has no impact on utility earnings in the current period. Any difference between costs and revenues is deferred for later recovery or return to customers.

Q. Are any other parts of a customer's bill treated this way?

A. Yes. Laclede bills some form of a tax, such as a gross receipts tax, to many of its customers. But if a customer does not pay the bill, Laclede does not have to pass on to the governmental entity a tax payment the Company never received. Accordingly, the State of Missouri recognizes a sale for tax purposes only to the extent that revenues are actually received.[7]

Q. Does the inclusion of a fixed amount of bad debt write-offs in the Company's current base rates constitute a proper matching of gas costs and revenues during a prospective period?

A. No. The estimated amount of bad debt write-offs consists of two components. The smaller of the two components recovers dollars associated with the Company's non-gas cost revenue requirement, including dollars associated with expenses and rate of return. The larger of the two components is designed to recover the purchased gas cost portion of the Company's bad debt write-offs. This portion of bad debt write-offs represents the level of actual purchased gas costs incurred by the Company at the time its last rate case decision was issued by the Commission. As such, it is a combined estimate, on an historical basis, of the future expected level of purchased gas costs and the expectation of the number and magnitude of gas bills that the Company will be unable to collect. Given the recognized volatility of purchased gas costs and other factors such as weather, the Company's service area economy, and the availability of energy assistance, this estimating process never actually results in a matching of the Company's actual purchased gas costs to the actual gas cost revenues. This failure to match purchased gas costs with gas cost revenues results in the unintended consequence that purchased gas costs have an impact on the Company's earnings - either to

7 Missouri Revised Statutes, Chapter 144, Section 144.010, August 2008

the detriment of the Company or to its customers.

Q. Please provide a conceptual illustration of the earnings impact on a utility arising from the base rate recovery of its bad debt write-offs.

A. Assume that the total revenue requirement of a hypothetical utility is $100. For this utility, the actual purchased gas cost component of the revenue requirement is $75. Of the remaining $25, the bad debt write-off amount is $2.00, or two percent of the utility's total revenues. Recognizing that these amounts are simply estimates of the costs for a prospective period, actual costs will differ. Assume further that during the year, the utility's cost of purchased gas increases to $100 and that all other costs except bad debt write-offs remain exactly the same. Now the level of bad debt write-offs increases to $2.50 based on the same two percent of revenue assumption. Since the only change in costs is purchased gas costs, the result is that $0.50 of the cost of purchased gas is not recovered. This means that the utility's gas cost portion of bad debt write-offs impacts its earnings negatively by reducing dollars available for earnings by the same $0.50 change. The impact when purchased gas costs decrease by $25 would be symmetrical, with customers paying $0.50 more than the actual cost to serve them, contributing to higher earnings caused by lower purchased gas costs.

Q. Does recovery of the utility's gas cost portion of bad debt write-offs in the PGA/ACA mechanism create a correct matching of gas costs and gas cost revenues?

A. Yes. Using the above example, the $25 increase in purchased gas costs would be included in the cost of gas calculation of the PGA/ACA process. $24.50 would be recovered from customers' bills that were paid and the remaining $0.50 would be added to the PGA/ACA mechanism for recovery from those paid bills - resulting in a correct matching of purchased gas costs and gas cost revenues. Since the PGA/ACA mechanism is symmetrical, if purchased gas costs decreased, the reduction in the gas cost portion of bad debt write-offs would reduce the PGA/ACA costs for all customers.

Q. Mr. Solt and Mr. Trippensee both argue that the Company would no longer have an incentive to pursue the collection of unpaid gas bills under its proposed ratemaking treatment of the gas cost portion of its bad debt write-offs. Does the inclusion of the gas cost portion of the Company's bad debt write-offs in the PGA/ACA mechanism eliminate its incentive to pursue collection of gas bills in arrears?

A. No. To the extent that the Company continues to recover a portion of its earnings through the non-gas cost portion of its bad debt write-offs, the incentive to collect unpaid gas bills remains.

Q. Does the Company's proposal to recover the gas cost portion of its bad debt write-offs in the PGA/ACA mechanism constitute retroactive ratemaking, as claimed by Mr. Trippensee at pages 13-14 of his rebuttal testimony?

A. No. Since the operation of the Company's ratemaking proposal is prospective with respect to both costs and revenues, it does not meet the definition of retroactive ratemaking. The Company is not requesting to recover the unrecovered portion of purchased gas costs from a prior period as Mr. Trippensee concludes. The proposed recovery of the gas cost portion of bad debt write-offs in excess of the amount included in the current base rates of the Company will only commence, on a going forward basis, with the approval of the proposed revisions to its current PGA/ACA mechanism.

Q. Both Mr. Solt and Mr. Trippensee claim that the Company's proposed ratemaking treatment of the gas cost portion of its bad debt write-offs constitutes "single issue ratemaking." Do you agree with their claims?

A. No. As I noted above, the current PGA/ACA mechanism provides for the recovery of all prudently incurred purchased gas costs. As the Company's current rates do not provide for the recovery of all of its purchased gas costs, the Company's ratemaking proposal permits it to comply with both the purpose of the PGA/ACA mechanism and the language in the currently approved mechanism. Further, the Company's ratemaking proposal does not alter any filed base rates and, hence, it is not a case of single issue ratemaking.

The Company's proposal modifies the current PGA/ACA mechanism to assure the proper matching of purchased gas costs and revenues. Under its proposal, the Company's approved level of bad debt write-offs is separated into two components- delivery service-related costs and purchased gas-related costs. The component related to purchased gas costs, which already is included in the Company's base rates, will be the amount that the actual gas cost portion of bad debt write-offs is compared to for purposes of computing an adjustment. This process assures that the Company's gas cost-related revenue equals its actual, prudently incurred cost of purchased gas.

The Company's proposal is not premised upon any additional revenue from its base rates. And contrary to the claim made by Mr. Solt, the Company is not proposing to pull a single cost item out of base rates and treat it differently than any other costs. The portion of the Company's purchased gas costs, which is represented by the gas cost portion of its bad debt write-offs that was approved to be recovered through its base rates, remains in base rates. To ensure there is no double counting of the gas cost component, this amount is included in the calculation of the gas cost revenue for purposes of the PGA/ACA mechanism. It simply is not single issue ratemaking to adhere to both the letter and the intent of the Company's current PGA/ACA mechanism.

Q. Does a dollar for dollar recovery of the gas cost portion of the Company's bad debt write-offs reduce the risk for the Company as claimed by Mr. Solt and Mr. Trippensee?

A. No. The PGA mechanism is structured to permit the Company to recover all purchased gas costs so that they will have no impact on utility earnings. Investor expectations would not change as a result of the approval of a dollar for dollar recovery of purchased gas costs consistent with the current PGA/ACA mechanism and the pronouncements of the Courts. As cited by Mr. Trippensee, the Commission properly recognizes that rates of a utility must be set to recover its ongoing expenses. Therefore, the Commission has already approved a PGA/ACA mechanism that mandates full recovery of purchased gas costs, including the purchased gas costs incurred to serve customers who ultimately do not pay their gas bills.

Q. Does the recovery of actual, prudently incurred purchased gas costs in the manner proposed by the Company guarantee it will achieve its allowed rate of return?

A. No. As noted above, purchased gas costs are recovered through the PGA/ACA mechanism so that those costs will not have either a positive or negative impact on the Company's allowed rate of return. Approving the recovery of Laclede's actual level of purchased gas costs, whether higher or lower than when base rates were last set, simply means that the Company remains subject to the business risks that investors expect. Further, the Company's ratemaking proposal has no impact on base rate revenue, or the underlying delivery service costs, and it is those elements that generate a utility's return, not its purchased gas costs.

Q. Is the concern expressed by Mr. Solt at pages 11-12 of his rebuttal testimony that a customer or a group of customers may over pay gas costs and produce additional earnings for the Company a valid concern?

A. No. The current PGA/ACA mechanism ensures that the matching of gas cost related revenues with actual purchased gas costs still applies. There is no over or under collection of purchased gas costs as a result of the Company's ratemaking proposal. Its proposal merely assures that the PGA/ACA mechanism recovers actual purchased gas costs- no more and no less. Interestingly, while attempting to make this argument, Mr. Solt failed to acknowledge the fact that it is even more likely under similar circumstances of declining costs that the current method of recovering all bad debt write-offs through the Company's base rates would result in an over-recovery of these costs.

Q. Does compliance with the Uniform System of Accounts ("USOA") provide any basis for the rejection of the Company ratemaking proposal, as argued by Mr. Solt at page 7 of his rebuttal testimony?

A. No. Mr. Solt seems to be concerned that the account for Uncollectible Accounts Expense (Account 904) established under the USOA does not require the separation of purchased gas costs from delivery service costs, but rather requires only booking the total expense into the account. Similarly, the USOA does not require that revenue accounts (Accounts 480-489) separate the revenue between purchased gas costs and delivery service. Nevertheless, utilities account for gas cost revenue in order to facilitate the operation of their PGA mechanisms. In the same way, the Company proposes to track the gas cost portion of its bad debt write-offs so that those costs may be properly recovered pursuant to the proposed amended PGA/ACA mechanism. This proposed separation ensures that all purchased gas costs are recovered as dictated by the Company's current PGA/ACA mechanism.

Q. Mr. Trippensee contends at pages 8-9 of his rebuttal testimony that symmetrical risks and opportunities arise for utility ratepayers and shareholders as a result of regulatory lag because favorable and unfavorable changes in the utility's revenue requirement can produce over or under-earning outcomes until either the utility or some other party initiates a new rate case. Do you view the concept of regulatory lag in a similar manner?

A. No. I am concerned that Mr. Trippensee has painted regulatory lag as a desirable concept to be preserved in the traditional regulatory process and I do not share his specific views on regulatory lag. I believe that regulatory lag has negative connotations for the utility and its customers that should be addressed in establishing a utility's revenue requirement and designing its rates. Perhaps most troubling to me, inherent in Mr. Trippensee's "regulatory lag" incentive argument, is the assumption that continuing to put the Company at peril with regard to its earnings and customers at peril for paying for more than their real cost of service through inappropriate ratemaking methods will somehow benefit customers. Indeed, the proposed ratemaking treatment of the gas cost portion of the Company's bad debt write-offs was filed to address these very challenges that are exacerbated by the existence of regulatory lag. For the same reasons, it is my opinion that regulators have worked hard to minimize regulatory lag through a variety of innovative regulatory changes, including:

1. Approval of rate stabilization mechanisms that enable a utility's revenue requirement to be adjusted on a periodic basis, outside of a general rate case, to reflect more current revenue and cost relationships that cannot be adequately captured in a traditional rate case environment.
2. Approval of other ratemaking riders that address particular cost elements or business factors (e.g., infrastructure costs, bad debt expense, pension expense, weather,

declining use per customer) that cannot adequately be recognized and reflected in rates through the traditional rate case process.

3. Approval of step rate adjustments to capture the known changes to a utility's infrastructure investments that do not warrant the separate filing of a rate case to be able to include these investments in rates.
4. Adoption of future test years and more liberal rate base and expense adjustments in rate cases in an attempt to reflect more realistic revenue requirement and rate levels.
5. The streamlining of the regulatory and ratemaking processes through the fostering of rate case settlements and other Alternate Dispute Resolution processes.

The Company's ratemaking proposal attempts to ameliorate the deficiencies inherent in regulatory lag in a similar manner.

Q. Mr. Feingold, does this complete your surrebuttal testimony?

A. Yes, it does.

EDUCATIONAL BACKGROUND, WORK EXPERIENCE AND REGULATORY EXPERIENCE RUSSELL A. FEINGOLD

EDUCATIONAL BACKGROUND

- Bachelor of Science degree in Electrical Engineering from Washington University in St. Louis
- Master of Science degree in Financial Management from Polytechnic University of New York

WORK EXPERIENCE

2007 – Present	**Black & Veatch Corporation** Vice President, Enterprise Management Solutions Division and Rate & Regulatory Advisory Lead
1996 – 2007	**Navigant Consulting, Inc.** Managing Director, Energy Practice - Litigation, Regulatory & Markets Group
1990 – 1996	**R.J. Rudden Associates, Inc**. Vice President and Director
1985 – 1990	**Price Waterhouse** Director, Gas Regulatory Services Public Utilities Industry Services Group
1978 – 1985	**Stone & Webster Management Consultants, Inc.** Executive Consultant Regulatory Services Division
1973 – 1978	**Port Authority of New York and New Jersey** Staff Engineer and Utility Rate Specialist

PRESENTATION OF EXPERT TESTIMONY

- Federal Energy Regulatory Commission
- Arkansas Public Service Commission
- British Columbia Utilities Commission (Canada)
- California Public Utilities Commission
- Connecticut Department of Public Utility Control
- Delaware Public Service Commission
- Georgia Public Service Commission
- Illinois Commerce Commission
- Indiana Utility Regulatory Commission
- Iowa Utilities Board
- Manitoba Public Utilities Board (Canada)
- Massachusetts Department of Public Utilities
- Michigan Public Service Commission
- Minnesota Public Utilities Commission
- Missouri Public Service Commission
- Montana Public Service Commission
- New Hampshire Public Utilities Commission
- New Jersey Board of Public Utilities
- New Mexico Public Regulation Commission
- New York Public Service Commission
- North Carolina Utilities Commission
- North Dakota Public Service Commission
- Ohio Public Utilities Commission
- Oklahoma Corporation Commission
- Ontario Energy Board (Canada)

- Pennsylvania Public Utility Commission
- Philadelphia Gas Commission
- Quebec Natural Gas Board (Canada)
- South Dakota Public Service Commission
- Utah Public Service Commission
- Vermont Public Service Board
- Virginia State Corporation Commission
- Washington Utilities and Transportation Commission
- Public Service Commission of Wyoming

EDUCATIONAL AND TRAINING ACTIVITIES

- Past Chairman, Rate Training Subcommittee, Rate and Strategic Issues Committee of the American Gas Association.
- Seminar organizer and co-moderator at the American Gas Association, “Workshop on Unbundling and LDC Restructuring,” July 1995.
- Course organizer and speaker at the annual industry course, American Gas Association – Gas Rate Fundamentals Course, University of Wisconsin – Madison, 1985 – 2008.
- Course organizer and speaker at the annual industry course, American Gas Association – Advanced Regulatory Seminar, University of Maryland - College Park, 1987 –1992.
- Co-founder, course director and instructor in the annual course, “Principles of Gas Utility Rate Regulation” sponsored by The Center for Professional Advancement 1982-1987.
- Contributing Author of the Fourth Edition of “Gas Rate Fundamentals,” American Gas Association, 1987 edition.
- Organizer, Editor, and Contributing Author of the upcoming Fifth Edition of “Gas Rate Fundamentals,” American Gas Association (in progress).

PUBLICATIONS AND PRESENTATIONS

- "Current Issues in Cost Allocation and Rate Design for Utilities," SNL Energy, Utility Rate Cases Today: The Issues and Innovations, November 6, 2008.
- "Current Issues in Revenue Decoupling for gas Utilities," American Gas Association, Financial and Investor Relations Webcast, October 16, 2008.
- "Addressing Utility Business Challenges Through the State Regulatory Process," American Gas Association, 2008 Legal Forum, July 20-22, 2008.
- "Earning on Natural Gas Energy Efficiency Programs," American Gas Association Rate and Regulatory Issues Conference Webcast, May 23, 2008.
- "State Regulatory Directions: Utility Challenges and Solutions," American Gas Association Financial Forum, May 4, 2008.
- "Ratemaking and Financial Incentives to Facilitate Energy Efficiency and Conservation," The Institute for Regulatory Policy Studies, Illinois State University, May 1, 2008.
- "Update on Revenue Decoupling and Innovative Rates," American Gas Association, Rate Committee Meeting and Regulatory Issues Seminar, March 10, 2008.
- "Update on Revenue Decoupling and Utility Based Energy Conservation Efforts," American Gas Association, Rate and Regulatory Issues Conference Webcast, May 30, 2007.
- "A Renewed Focus on Energy Efficiency by Utility Regulators," American Gas Association, Rate and Regulatory Issues Seminar and Committee Meetings, March 26, 2007.
- "The Continuing Ratemaking Challenge of Declining Use Per Customer," American Public Gas Association, Gas Utility Management Conference, October 31, 2006.
- "Understanding and Managing the New Reality of Utility Costs in the Natural Gas Industry," Financial Research Institute, Public Utility Symposium, University of Missouri – Columbia, September 27, 2006.
- "Ratemaking and Energy Efficiency Initiatives: Key Issues and Perspectives," American Gas Association, Ratemaking Webcast, September 14, 2006.

- "Ratemaking Solutions in an Era of Declining Gas Usage and Price Volatility," Northeast Gas Association, 2006 Executive Conference, September 10-12, 2006.

- "Rethinking Natural Gas Utility Rate Design," American Gas Foundation and The NARUC Foundation, Executive Forum, Ohio State University, May 2006.

- "Rate Design, Trackers, and Energy Efficiency – Has the Paradigm Shifted?" Energy Bar Assocation, Midwest Energy Conference, March 2006.

- "Key Regulatory Issues Affecting Energy Utilities," American Gas Association, Lunch 'n Learn Session, November 2005.

- "Decoupling, Conservation, and Margin Tracking Mechanisms," American Gas Association, Rate & Regulatory Issues – Audio Conference Series, October 2005.

- "In Search of Harmony, [Utilities and Regulators] Respondents Weigh in with Needed Actions", Public Utilities Fortnightly, November 2005

- "The Use of Trackers as a Regulatory Tool," Midwest Energy Association – Legal, Regulatory, and Government Relations Roundtable, October 9-11, 2005.

- "Rate Design and the Regulatory Environment," American Gas Association Finance Committee Meeting, October 2005.

- "Creative Utility Regulatory Strategies in a High Price Environment," American Gas Association Executive Conference, September 2005.

- "Revenue Decoupling Programs: Aligning Diverse Interests," The Institute for Regulatory Policy Studies, Illinois State University, May 2005.

- "Key Regulatory Issues Affecting Energy Utilities" American Gas Association Financial Forum, May 2005.

- "Energy Efficiency and Revenue Decoupling: A True Alignment of Customer and Shareholder Interests," American Gas Association Rate and Regulatory Issues Seminar and Committee Meetings, April 2005.

- "Rate Case Techniques: Strategies and Pitfalls" American Gas Association, Rate & Regulatory Issues – Audio Conference Series, March 2005.

- “Regulatory Uncertainty: The Ratemaking Challenge Continues” Public Utilities Fortnightly, Volume 142, No. 11, November 2004.
- “Current Trends in Utility Rate Cases and Pricing: Surveying the Landscape,” Platts Rate Case & Pricing Symposium, October 25-26, 2004.
- “State Regulatory Oversight of the Gas Procurement Function” Energy Bar Association, Natural Gas Regulation Committee, Energy Law Journal, Volume 25, No. 1, 2004.
- “Cost Allocation Across Corporate Divisions”, American Gas Association, Rate and Strategic Issues Committee Meeting, April 2003.
- “Unbundling Initiatives – How Far Can We Go?” American Gas Association Restructuring Seminar: Service and Revenue Enhancements for the Energy Distribution Business, December 2002.
- “Utility Regulation and Performance-Based Ratemaking (PBR),” PBR Briefing Session sponsored by BC Gas Utility Ltd., April 2002.
- “LDC Perspectives on Managing Price Volatility” American Gas Association, Rate and Strategic Issues Committee Meeting, March 2002.
- “Can a California Energy Crisis Occur Elsewhere?” American Gas Association, Rate and Strategic Issues Committee Meeting, March 2001.
- “Downstream Unbundling: Opportunities and Risks,” American Gas Association, Rate and Strategic Issues Committee Meeting, April 2000.
- “Form Follows Function: Which Corporate Strategy Will Predominate in the New Millennium?” American Gas Association 1999 Workshop on Regulation and Business Strategy for Utilities in the New Millennium, August 1999
- “Total Energy Providers: Key Structural and Regulatory Issues,” American Gas Association, Rate and Strategic Issues Committee Meeting, April 1999.
- “The Gas Industry: A View of the Next Decade,” National Association of Regulatory Utility Commissioners (NARUC) Staff Subcommittee on Accounts, 1998 Fall Meeting, September 1998.
- “Regulatory Responses to the Changing Gas Industry,” Canadian Gas Association, 1998 Corporate Challenges Conference, September 1998
- “Trends in Performance-Based Pricing,” American Gas Association Financial Analysts Conference, May 1998.

- "Unbundling – An Opportunity or Threat for Customer Care?" presented at the American Gas Association/Edison Electric Institute Customer Services Conference and Exposition, May 1998.

- "Experiences in Electric and Gas Unbundling," presented at the 1997 Indiana Energy Conference, December 1997.

- "Asset and Resource Migration Strategies," presented at the Strategic Marketing For The New Marketplace Conference sponsored by Electric Utility Consultants, Inc. and Metzler & Associates, November 1997.

- "The Status of Unbundling in the Gas Industry," presented at the American Gas Association Finance Committee, March 1997.

- Seminar organizer and co-moderator at the American Gas Association, "Workshop on Unbundling and LDC Restructuring," July 1995.

- "State Regulatory Update," presented at the American Gas Association - Financial Forum, May 1995.

- "Gas Pricing Strategies and Related Rate Considerations," presented before the Rate Committee of the American Gas Association, April 1995.

- "Avoided Cost Concepts and Management Considerations," presented before the Workshop on Avoided Costs in a Post-636 Industry, sponsored by the Gas Research Institute and Wisconsin Center for Demand-Side Research, June 1994.

- "DSM Program Selection Under Order No. 636: Effect of Changing Gas Avoided Costs," presented before the NARUC-DOE Fifth National Integrated Resource Planning Conference, Kalispell, MT, May 1994.

- "A Review of Recent Gas IRP Activities," presented before the Rate Committee of the American Gas Association, March 1994.

- Seminar organizer and co-moderator at the American Gas Association seminar, "The Statue of Integrated Resource Planning," December 1993.

- "Industry Restructuring Issues for LDCs, presented before the American Gas Association–Advanced Regulatory Seminar, University of Maryland, 1993-1996.

- "Acquiring and Using Gas Storage Services," presented before the 8th Cogeneration and Independent Power Congress and Natural Gas Purchasing '93, June 1993.

- "Capitalizing on the New Relationships Arising Between the Various Industry Segments: Understanding How You Can Play in Today's Market," presented before the Institute of Gas Technology's Natural Gas Markets and Marketing Conference, February 1993.

- "The Level Playing Field for Fuel Substitution (or, the Quest for the Holy Grail)," presented before the 4th Natural Gas Industry Forum - Integrated Resource Planning: The Contribution of Natural Gas, October 1992.

- "Key Methodological Considerations in Developing Gas Long-Run Avoided Costs," presented before the NARUC-DOE Fourth National Integrated Resource Planning Conference, September 1992.

- "Mega-NOPR Impacts on Transportation Arrangements for IPPs," co-presented before the 7th Cogeneration and Independent Power Congress and Natural Gas Purchasing '92, June 1992.

- "Cost Allocation in Utility Rate Proceedings," presented before the Ohio State Bar Association - Annual Convention, May 1992.

- "The Long and the Short of LRACs," presented before the Natural Gas Least-Cost Planning Conference April 1992, sponsored by Washington Gas Company and the District of Columbia Energy office.

- Seminar organizer and moderator at the American Gas Association seminar, "Integrated Resource Planning: A Primer," December 1991.

- Session organizer and moderator on integrated resource planning issues at the American Gas Association Annual Conference, October 1991.

- "Strategic Perspectives on the Rate Design Process," presented before the Executive Enterprises, Inc. conference, "Natural Gas Pricing and Rate Design in the 1990s," September 1990.

- "Distribution Company Transportation Rates," presented before the American Gas Association–Advanced Regulatory Seminar, University of Maryland 1987-1992.

- "Design of Distribution Company Gas Rates," presented before the American Gas Association - Gas Rate Fundamentals Course, University of Wisconsin, 1985-1998.

- Seminar organizer, speaker and panel moderator at the American Gas Association seminar, "Natural Gas Strategies: Integrating Supply Planning, Marketing and Pricing," 1988-1990.

- "Local Distribution Company Bypass - Issues and Industry Responses," (Co-author) June 1989.

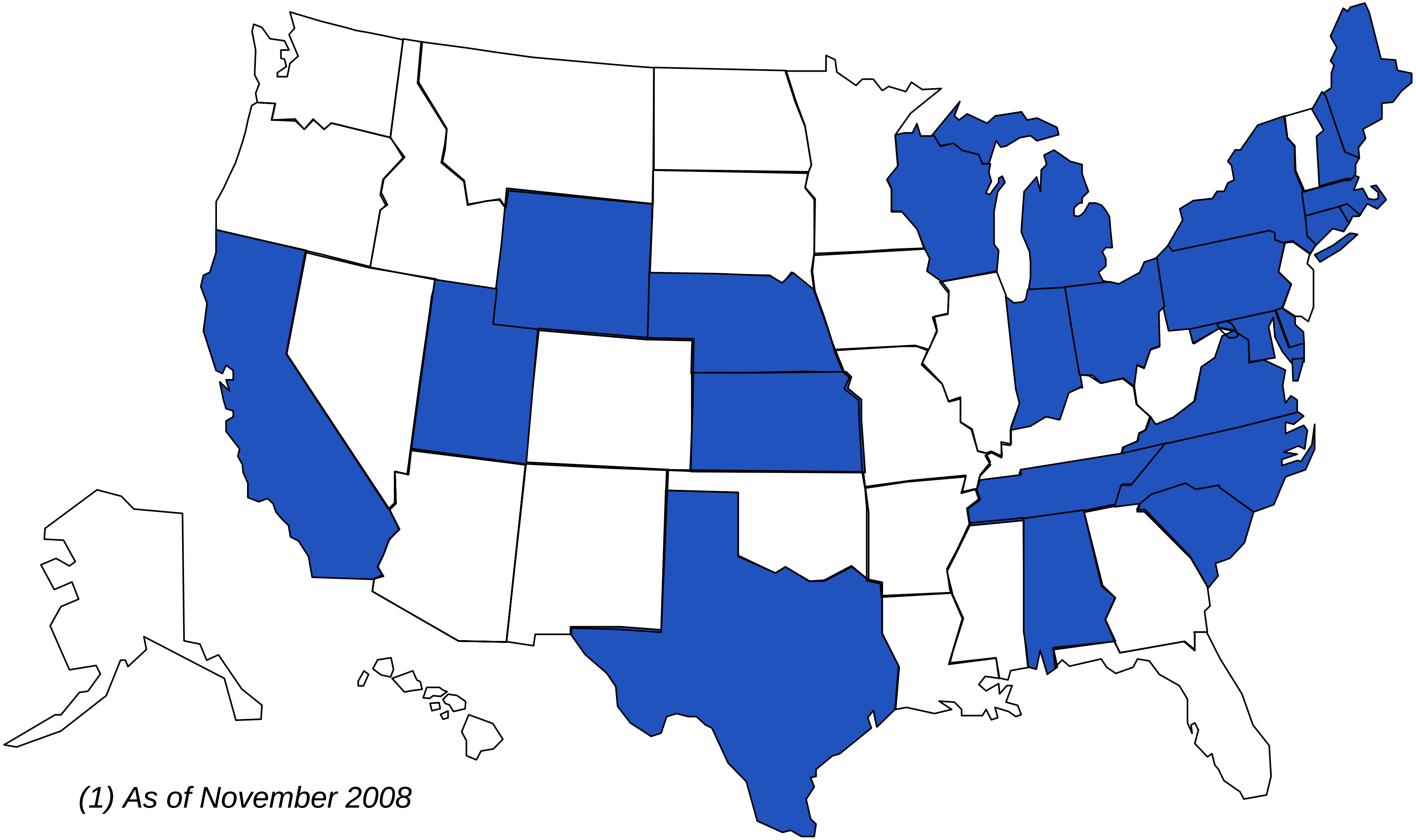
- "So You Think You Know Your Customers!," presented before the American Gas Association–Annual Marketing Conference, April 1990.
- "Gas Transportation Rate Considerations - A Review of Gas Transportation Practices Based on the Results of the A.G.A. Annual Pricing Strategies Survey," presented before the Rate Committee of the American Gas Association, April 1985-1991.
- "Market-Based Pricing Strategies - Targeted Rates to Meet Competition," presented before the American Gas Association Annual Marketing Conference, March 1989.
- "Gas Rate Restructuring Issues - Targeted Prices to Meet Competition," presented before the Fifteenth Annual Rate Symposium, University of Missouri, February 1989.
- "Gas Transportation Rates - An Integral Part of a Competitive Marketplace," *American Gas Association, Financial Quarterly Review*, Summer 1987.
- "Gas Distributor Rate Design Responses to the Competitive Fuel Situation," *American Gas Association, Financial Quarterly Review*, October 1983.
- "Demand-Commodity Rates: A Second Best Response to the Competitive Fuel Situation," presented before the American Gas Association, Ratemaking Options Forum, September 1983.
- Cofounder, course director and instructor in the annual course, "Principles of Gas Utility Rate Regulation" sponsored by The Center for Professional Advancement 1982-1987.
- "Current Rate and Regulatory Issues," presented before the National Fuel Gas Regulatory Seminar, July 1986.

AFFILIATIONS AND HONORS

- Financial Associate Member, American Gas Association
- Member, Rate Committee of the American Gas Association
- Member, Energy Bar Association
- Member, Institute of Electrical and Electronic Engineers
- Listed in Who's Who of Emerging Leaders in America, 1989-1992

(Current as of November 2008)

Approved Bad Debt Ratemaking Mechanisms – Gas Utilities (1)



(1) As of November 2008

Approved in 24 States

Laclede Gas Company
Details of the Approved Bad Debt Ratemaking Mechanisms – Gas Utilities

State	Company	Ratemaking Treatment of Bad Debt Write-Offs	Comments
Alabama	Alagasco	Rate Stabilization and Equalization (RSE) mechanism	RSE adjust rates quarterly within band including uncollectible accounts expense
California	Pacific Gas & Electric	Core Procurement	Recovery of all uncollectible expenses
California	Southern California Gas	Core Procurement	Recovery of all uncollectible expenses
California	San Diego Gas & Electric	Core Procurement	Recovery of all uncollectible expenses
California	Southwest Gas	Core Procurement	Recovery of all uncollectible expenses
Delaware	Delmarva Power	Gas Cost Rate	Recovery of gas cost component of uncollectible accounts expense
District of Columbia	Washington Gas	Gas Administrative Charge	Recovery of gas cost component of uncollectible accounts expense
Indiana	Southern Indiana Gas & Electric	Gas Cost Adjustment	Recovery of gas cost component of uncollectible accounts expense
Indiana	Vectren North	Gas Cost Adjustment	Recovery of gas cost component of uncollectible accounts expense
Kansas	Atmos Energy	Purchased Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Kansas	Black Hills (Aquila)	Purchased Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Maine	Northern Utilities	Cost of Gas Factor Clause	Recovery of gas cost component of uncollectible accounts expense
Maryland	Baltimore Gas & Electric	Gas Administrative Charge	Recovery of gas cost component of uncollectible accounts expense

State	Company	Ratemaking Treatment of Bad Debt Write-Offs	Comments
Maryland	Washington Gas	Gas Administrative Charge	Recovery of gas cost component of uncollectible accounts expense
Massachusetts	Bay State Gas	Cost of Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Massachusetts	NSTAR Gas	Cost of Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Massachusetts	Fitchburg Gas & Electric (Unitil)	Cost of Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Michigan	Michigan Consolidated Gas	Uncollectible Expense True-Up Mechanism	Recovery of actual bad debt expense
Nebraska	Nebraska Gas	Gas Cost Adjustment	Recovery of gas cost component of uncollectible accounts expense
New Hampshire	Northern Utilities	Cost of Gas Clause	Recovery of gas cost component of uncollectible accounts expense
New Hampshire	Keyspan Energy Delivery	Cost of Gas Clause	Recovery of gas cost component of uncollectible accounts expense
New York	Consolidated Edison	Gas Cost Factor and Monthly Rate Adjustment	Recovery of gas cost component of uncollectible accounts expense
New York	Central Hudson Gas & Electric	Gas Supply Charge	Recovery of gas cost component of uncollectible accounts expense
New York	KeySpan Energy Delivery	Gas Adjustment Clause	Recovery of gas cost component of uncollectible accounts expense
New York	National Fuel Gas	Merchant Function Charge	Recovery of gas cost component of uncollectible accounts expense
North Carolina	Piedmont Natural Gas	Purchased Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Ohio	Columbia Gas	Uncollectible Expense Rider	Recovery of all uncollectible accounts expense
Ohio	Dominion East Ohio	Uncollectible Expense Rider	Recovery of all uncollectible accounts expense

State	Company	Ratemaking Treatment of Bad Debt Write-Offs	Comments
Ohio	Vectren Ohio	Uncollectible Expense Rider	Recovery of all uncollectible accounts expense
Rhode Island	National Grid	Gas Cost recovery Clause	Recovery of gas cost component of uncollectible accounts expense
South Carolina	Piedmont Natural Gas	Purchased Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Tennessee	Chattanooga Gas	Purchased Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Tennessee	Atmos Energy	Purchased Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Tennessee	Nashville Gas	Purchased Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Texas	Atmos- Amarillo	Purchased Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Texas	Atmos- Mid-Texas Division	Purchased Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Texas	Texas Gas Service	Cost of Gas Clause	Recovery of gas cost component of uncollectible accounts expense
Texas	Centerpoint Energy Entex	Cost of Service Provision	Recovery of actual bad debt expense
Utah	Questar Gas	Gas Balancing Account Adjustment	Recovery of gas cost component of uncollectible accounts expense
Virginia	Atmos Energy	Purchased Gas Adjustment	Recovery of gas cost component of uncollectible accounts expense
Virginia	Washington Gas	Gas Administrative Charge	Recovery of gas cost component of uncollectible accounts expense
Wyoming	Questar Gas	Commodity Balancing Account	Recovery of gas cost component of uncollectible accounts expense

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Tariffs Designed to Permit Early Implementation of Cold Weather Rule Provisions and to Permit Laclede to Collect the Gas Cost Portion of its Write-off's through the PGA	)))))	Case No. GT-2009-0026 Tariff Number JG-2009-0033

AFFIDAVIT

STATE OF PENNSYLVANIA)
) SS.
COUNTY OF DAUPHIN)

Russell A. Feingold, of lawful age, being first duly sworn, deposes and states:

1. My name is Russell A. Feingold. My business address is 2525 Lindenwood Drive, Wexford, Pennsylvania 15090; and I am Vice President of Black & Veatch Corporation.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony, on behalf of Laclede Gas Company.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Russell A. Feingold

Subscribed and sworn to before me this 20th day of November, 2008.

Debra K. Hoover
Notary Public

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Debra K. Hoover, Notary Public
Swatara Township, Dauphin County
My commission expires November 02, 2012