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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

On-the-Record Presentation
May27, 2014
Jefferson City, Missouri
Volume 2

In the Matter of the Joint)
Application of Southern Union)
Company d/b/a Missouri Gas)
Energy, The Laclede Group, Inc.)
and Laclede Gas Company for an)
Order Authorizing the Sale,)Case No. GM-2013-0254
Transfer, and Assignment of)
Certain Assets and Liabilities)
from Southern Union Company to)
Laclede Gas Company and in)
Connection Therewith, Certain)
Other Related Transactions)

MORRIS L. WOODRUFF, Presiding
CHIEF REGULATORY LAW JUDGE
ROBERT S. KENNEY, Chairman,
WILLIAM P. KENNEY,
SCOTT T. RUPP,
COMMISSIONERS

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1 P R O C E E D I N G S

2 JUDGE WOODRUFF: All right. Let's go
3 ahead and get started. We're here for an
4 on-the-record presentation concerning the merger
5 between Southern Union Company and Laclede Group
6 creating the Missouri Gas Energy.

7 This is File No. GM-2013-0254, and we'll
8 begin today by taking entries of appearance
9 beginning with Staff.

10 MR. BERLIN: Thank you, Judge. Appearing
11 on behalf of the Staff of the Missouri Public
12 Service Commission are Bob Berlin and John
13 Borgmeyer at the Commission's offices at Post
14 Office Box 360, Jefferson City, Missouri, 65102.

15 JUDGE WOODRUFF: And for Public Counsel?

16 MR. POSTON: Thank you. Mark Poston,
17 appearing for Office of the Public Counsel.

18 JUDGE WOODRUFF: And for Laclede Gas
19 Company?

20 MR. ZUCKER: Rick Zucker appearing for
21 Laclede Gas Company and for Missouri Gas Energy,
22 720 Olive Street, St. Louis, Missouri, 63101. And
23 Mark Darrell is also here. He's our General
24 Counsel for Laclede Group.

25 JUDGE WOODRUFF: And for Pan Handle

1 Eastern, Southern Union?

2 MR. COOPER: Thank you, your Honor. Dean
3 Cooper, P.O. Box 456, Jefferson City, Missouri,
4 65102, appearing on behalf of Panhandle Eastern
5 Pipeline Company, LP, the Successor to Southern
6 Union Company.

7 And with me today is Mr. John Davis,
8 former Vice President, controller and IT of
9 Southern Union Company when it was doing business
10 as Missouri Gas Energy.

11 JUDGE WOODRUFF: Midwest Gas Users?

12 MR. CONRAD: Stu Conrad, Kansas City.
13 Fagan, Conrad & Peterson. I obviously can't give a
14 written appearance to the reporter, but, hopefully,
15 that will be sufficient. She should have that.

16 JUDGE WOODRUFF: And for the record,
17 Mr. Conrad is on the phone. Anyone here from City
18 of Kansas City, Kansas City? For the unions, they
19 were asked to be excused? MDNR also asked to be
20 excused. Anybody hear from KCP&L or Greater
21 Missouri Operating Company? No? Okay.

22 Well, this is basically an opportunity to
23 gather more information about how the merger has
24 gone. And I believe Staff wanted to start things
25 off, if you want to come up to the podium.

1 STAFF PRESENTATION

2 MR. BERLIN: Thank you. Good morning.
3 May it please the Commission. I am Bob Berlin. I
4 am the lead Staff Attorney on this case. And I
5 have just a few brief explanatory comments before
6 we begin today.

7 On July 10th, 2013, we held an
8 on-the-record presentation in which we presented
9 the Stipulation Agreement to the Commission. And
10 the Commission approved that Stipulation and
11 Agreement on July 17th of last year.

12 The Stipulation and Agreement in and by
13 itself contained approximately 43 pages requiring
14 nearly 70 different information submissions to
15 Staff or Public Counsel or other related Commission
16 filings.

17 Since the July approval of the agreement,
18 the Staff, Public Counsel and the company have met
19 several times to discuss and review the company's
20 progress toward achieving a successful transition.

21 A key requirement of the agreement and why
22 we are here today is to allow the company to
23 present to the Commission a progress report
24 regarding their transition activities and to allow
25 the Commission an opportunity to ask the company

1 questions about the transition.

2 I would like to point out that this is the
3 second time that the parties have required a
4 company to hold an on-the-record presentation
5 regarding the progress of transition activities.

6 The first time was in the Liberty
7 Utilities' acquisition of the former Atmos Energy
8 Missouri Gas LDC Properties. The CEO of Algonquin
9 Power & Utilities and his management team presented
10 an on-the-record report to the Commission detailing
11 the progress of that transition.

12 The parties in this case believe this to
13 be an important part of monitoring the acquisition
14 and transition process.

15 Today's presentation is required under
16 Section 13, paragraph H of the Agreement, and this
17 is the first of two on-the-record presentations
18 that are required under the agreement.

19 The second presentation is required in
20 December of this year. In effect, today's
21 presentation provides the Commission and the
22 parties to come together some miles down the road
23 and to look under the hood to make sure things are
24 operating or moving along as they should be.

25 In an effort to move today's presentation

1 along, the Staff had prepared and submitted
2 questions and topics for Laclede's management to
3 address this morning. Staff and Laclede management
4 have discussed the topics and issues, and Staff is
5 assured that Laclede will address them in their
6 presentation today.

7 Generally, the Staff asks Laclede
8 management to address questions along the following
9 topics: The acquisition of Alagasco and corporate
10 structure, the headquarters relocation, matters
11 related to the call center function, gas supply
12 operations, status of continuing services
13 agreement, implementation of its new enterprise
14 management system known as New Blue, and how the
15 company is identifying and managing any transition
16 related problems or bumps in the road.

17 And, finally, I would like to thank Susan
18 Sitherwood and Steve Lindsey and Mike Pendergast
19 and the entire Laclede management team for being
20 here today. Thank you.

21 JUDGE WOODRUFF: Okay.

22 CHAIRMAN ROBERT KENNEY: Mr. Berlin, what
23 did you name after the call scene of the topics to
24 be addressed? What was the -- I didn't write it
25 down.

1 MR. BERLIN: We had also included topics
2 of gas supply operations.

3 CHAIRMAN ROBERT KENNEY: Gas supply.
4 Okay.

5 MR. BERLIN: Status of the continuing
6 services agreement.

7 CHAIRMAN ROBERT KENNEY: I got the rest.
8 Thank you.

9 COMMISSIONER WILLIAM KENNEY: Mr. Berlin,
10 I noticed that -- are these 30 day reports, are
11 those going well?

12 MR. BERLIN: Yes. Yes, they are.

13 COMMISSIONER WILLIAM KENNEY: And they're
14 performing and they're meeting with you or they're
15 giving you reports every 30 days?

16 MR. BERLIN: Yes. Commissioner Kenney,
17 the company and Staff are meeting regularly as set
18 forth in the agreement.

19 COMMISSIONER WILLIAM KENNEY: Thank you.

20 JUDGE WOODRUFF: Thank you. Let's move
21 on, then, with Laclede's presentation.

22 MR. ZUCKER: Thank you, your Honor.

23 LACLEDE GAS PRESENTATION

24 MR. ZUCKER: Good morning, everybody. My
25 name is Rick Zucker. I'm here representing Laclede

1 Gas Company and Missouri Gas Energy.

2 And as Mr. Berlin pointed out, last July,
3 we presented a Stipulation to you, which the
4 Commission approved. And as part of that
5 Stipulation, there's a Section 13, also as
6 Mr. Berlin pointed out, entitled Continuing
7 Services Agreement.

8 And this section seeks to ensure that the
9 hand-off of MGE from Southern Union to Laclede is
10 done in a way that is seamless to customers and not
11 disruptive of service. And so we attempted to do
12 exactly that, and we will show you the progress of
13 that today.

14 At the time we entered into the Agreement,
15 we estimated that it would take about nine months
16 to complete the hand-off and for Laclede to take
17 over full operation of MGE.

18 And so because we assumed a September 2013
19 closing, added nine months to that, we planned on
20 coming back here in May of 2014 to let you know how
21 we were doing. And so here we are.

22 In a few moments, I will yield the floor
23 to three of our executives as provided in the
24 Stipulation and Agreement, who will bring you up to
25 date on the status of the transition and also

1 address a few other matters of interest having to
2 do with Laclede Gas.

3 And so allow me to introduce, though,
4 before we start, the members of the Laclede team
5 that are here today. All right. First, the three
6 speakers, they are Susan Sitherwood, President and
7 CEO of the Laclede Group. Steve Lindsey, who is
8 the Laclede Group's Executive Vice President and
9 Chief Operating Officer for Distribution Operations
10 as well as President of Laclede Gas Company.

11 Mike Spotanski is here. He is our senior
12 Vice President, Chief Integration and Innovation
13 Officer.

14 Also with us today is Mark Darrell, who is
15 Senior Vice President and General Counsel of the
16 Laclede Group. Craig Dowdy, who is Senior -- or
17 the Senior Vice President for External Affairs,
18 Corporate Communications and Marketing.

19 We also have Ron Crow, who is Vice
20 President of Customer Experience, Ryan Hyman, who
21 is our Vice President and Chief Information
22 officer.

23 Also with us today are several key
24 regulatory people, including Mike Pendergast, Mike
25 Noack, Glen Buck, and Gina Hackenworth. And I

1 believe Larry Ployce is also in the room. Larry,
2 stand up there in the back. Thank you.

3 As Bob Berlin pointed out, we had the
4 benefit of receiving a number of questions from
5 staff in advance of today's proceeding, and I want
6 to thank Bob and John and the Staff for providing
7 us those questions which helped to shape our
8 presentation.

9 And so now with the Commission's
10 permission, I would like to present the President
11 and CEO of the Laclede group, Susan Sitherwood.

12 JUDGE WOODRUFF: Mr. Zucker, I have a
13 question before we get started on that. And this
14 is procedural for all the parties.

15 Since we are on the record, we can swear
16 witnesses -- people -- your executives in as
17 witnesses. Does anybody want me to do that? I
18 don't see anybody responding that they do, so we'll
19 just allow them to -- to speak, then. And if
20 somebody does have a question that they want to
21 have sworn testimony, let me know.

22 MR. ZUCKER: Thank you, your Honor.
23 Susan?

24 MS. SITHERWOOD: Thank you and good
25 morning. I appreciate everyone being here this

1 morning, especially after a holiday weekend, and I
2 trust everybody had a nice Memorial Day weekend.

3 And I also want to thank everyone for
4 being here. I will give you just a little bit of
5 background information, tell you a little bit about
6 our philosophy and approach regarding the company
7 going forward. And then I'd like to turn it over
8 to Steve Lindsey to get into some of the details
9 around some of the specific questions. And then
10 Mike Spotanski, who is responsible for integration
11 will also get into some more detailed information.

12 But I wanted to go back in time a bit.
13 Mike Pendergast came -- would come back to me from
14 time to time and give updates regarding the work he
15 was doing with the Commission regarding the
16 transaction.

17 And one day he came back to me and was
18 giving me an update and said, Hey, one of the
19 things that the parties and the Staff is interested
20 in is having an update from the senior executives,
21 yourself included. And I immediately put that --
22 before he got to the period, quite frankly, said, I
23 think that's an excellent idea. I think it's
24 important, certainly, to have the proper filings
25 and the proper information that is filed at the

1 Commission and engagement between my staff and the
2 Commission Staff.

3 But I also think it's important, too, for
4 this Commission to hear from the executives
5 regarding sort of a health check, if you will, and
6 have the opportunity to look us in the eye and ask
7 us any questions that you might want to have.

8 So I truly am glad that we're here today,
9 and we brought the broader team and the broader
10 introductions. In the event that you have any
11 questions, we want to make sure that we have the
12 proper people here to answer those questions.

13 I also wanted to share with you, I came
14 here and visited a couple years ago. I met the
15 Commission, and a lot has changed since then. But
16 I wanted to harken back a bit before I get to the
17 task at hand.

18 And that harken back was when I was
19 visiting with you, I came here and shared a little
20 bit about my history and why I was brought to the
21 fine state of Missouri and what my intent was with
22 the company.

23 I've been in the gas company business for
24 34 years. The gas company business really is
25 serving customers. The gas -- natural gas

1 industry, of course, is from well head to burner
2 tip. But my career has been in the gas company
3 business, the local distribution companies serving
4 retail customers, be it residential, commercial or
5 industrial customers. That's what I know.

6 And, quite frankly, the other two
7 gentlemen that are going to get up and follow me,
8 that's all they've known. That's what they've been
9 doing for the entirety of their career as well.

10 I also shared that, as a result of that,
11 when the Board at the Laclede Group was looking for
12 a CEO to run the company because the prior CEO was
13 retiring, they conducted a very broad search.
14 And it was important to them and still is important
15 to them today that they found a CEO and found an
16 executive team that understands -- understood and
17 understands what it means to operate a gas company.
18 And so as they were conducting that search, they
19 found me.

20 I was with the largest company in the peer
21 group. And I was one of the architects for the
22 significant change that occurred to that company
23 over time. And when I say significant change, what
24 I mean by that is it growing and becoming the
25 largest in the peer group.

1 So when they found me and brought me here,
2 we worked together to lay out a growth plan, a
3 growth strategy. And that growth strategy doesn't
4 mean growth for growth's sake. What a growth
5 strategy means is taking care of the interests of
6 your customers as well as your employees and as
7 well as your shareholders, and so that's the
8 strategy that we laid out. And I'll be brief,
9 Commissioners, when I worked -- when I came to you
10 before was in four areas.

11 One of those areas is acquiring gas
12 companies. And they call it being inquisitive.
13 And we're inquisitive only in the area of acquiring
14 gas companies because I mentioned to you that's
15 what I know and that's the industry that we're in.

16 And we've done that with the announcement,
17 of course, of MGE as well as Alagasco. And after
18 we sort of wrap up the topic at hand here today,
19 I'll come back up and give you an update on
20 Alagasco if you'd like.

21 So with that, I wanted to get into
22 delivering on our promises. Again, we are a gas
23 company of a lot of employees. And predominantly,
24 that growth area of acquiring gas companies means
25 delivering reliable, safe service to our customers.

1 And when we think about acquiring a gas
2 company, it's just not acquiring any gas company
3 that comes along. We have a very methodical method
4 about how we think about that.

5 As you know, in the instance of MGE, the
6 parent condition, ETE, when they acquired Southern
7 Union, they made it very clear that the gas company
8 business is not strategic to them. So, therefore,
9 they made it public that they were going to sell
10 this property or this gas company.

11 We, of course, were very interested
12 because our management team knew their management
13 team very well. Also knew the pipeline structures,
14 the operating structure and, of course, the
15 regulatory mechanisms in this Commission. So it
16 seemed like a natural fit for us to engage in that
17 process.

18 Fortunately, we were fortunate enough to
19 win the bid process as well as closing and, also,
20 working through the transition, if you will. And
21 so have had great success to this date.

22 The other area that we -- that I laid out
23 was also organic growth. In that, when you acquire
24 a gas company, the other thing that we need to make
25 sure that we stay on top of is servicing our

1 customers and how are we growing around our
2 customer base and how are we keeping our customers
3 and also replacing aging infrastructure. That's
4 another important element that we look at when we
5 look at gas companies.

6 And the third area that I had laid out for
7 the Commission when I visited besides acquiring gas
8 companies and growing the gas companies that we
9 have is looking at the installation of interval --
10 different intervals of piece of pipeline.

11 And what I mean by that, if there's a
12 customer that needs to be served that isn't
13 currently being served, be it a manufacturing
14 industry, power plant or a municipal system that's
15 interested in natural gas, we will also look at
16 those because those are retail users of natural
17 gas. So that was the third area.

18 And then the fourth area that I mentioned
19 to the Commission when I visited was the emerging
20 technology area. The emerging technology area
21 means simply the non-traditional burner tips, like
22 space heating, water heating, cooking traditional
23 burner tips, but what about compressed natural gas
24 vehicles and micro turbines?

25 So you have probably seen some materials

1 where we've launched Fire, which is a natural gas
2 vehicle fueling solution for customers. And so we
3 want to make sure we're focused on additional
4 burner tips and the value of that is it gives more
5 options for customers as well as over time drives
6 the cost down for customers as well.

7 So those are the four areas that I laid
8 out, and that's what we've been doing those last
9 two years. And so that's why you've seen us
10 engaged in the MGE transaction as well as the
11 Alagasco transaction and launched Fire, in addition
12 to the other things that we do every day.

13 When you're a growing company and you're
14 adding other gas companies, we knew that one of the
15 first things we needed to do was establish an
16 organization that would be consistent with that.

17 And all I mean by that is simply that we
18 created a shared services model, not a formal
19 shared services, but a shared service model that
20 has corporate shared services. Like myself. You
21 don't need three, four, five CEOs. You don't
22 three, four, five General Counsels. And you have
23 your corporate shared services.

24 But we also share -- set up distribution
25 shared services which reports then to Steve Lindsey

1 for things like call center, gas control, those
2 kinds of things that are central and necessary to
3 provide safe, reliable customer service.

4 And then we have the regional areas that,
5 in essence, are where our field employees reside
6 that they can be responsive on a daily matter with
7 our customers.

8 That was necessary in order to make sure
9 that we could effectively manage multiple gas
10 companies. The technology platforms that we have
11 in place, the New Blue, is also necessary besides
12 the policies that we set out in the organization.
13 We also have to have the technology to be able to
14 scale across different gas companies instead of
15 running each one in isolation.

16 If we're managing them in isolation, it's
17 complicated in terms of trying to get to best
18 practices across those gas companies.

19 And the technology is one of the -- the bigger
20 drivers, and that's one of the reasons we embarked
21 on New Blue. It creates efficiencies as far as
22 savings, but it also helps you improve your
23 customer service.

24 So that's what we've been working on for
25 the last couple of years. And I'd like to ask

1 Spotanski to come up and go through the integration
2 process as our Senior Integration Officer. And
3 then Steve Lindsey will then come up and give you
4 more detail about the gas company.

5 So --

6 JUDGE WOODRUFF: Any questions for Ms.
7 Sitherwood? Any Commissioners? Any parties wish
8 to ask any questions? All right. Thank you.

9 MR. SPOTANSKI: Thank you, Suzanne. Good
10 morning. Thanks for the opportunity to talk with
11 you this morning. Rick's taken us through this, so
12 we know how to operate the controller here.

13 I wanted to begin this morning by talking
14 a little bit about the continuing services that
15 were provided to MGE by ETE SUG as a result of the
16 acquisition.

17 You can see from the slide there that
18 those services were primarily IT related,
19 Information Technology related. They supported
20 largely the Finance and Accounting and HR
21 functions, and they were provided either by ETE SUG
22 or by a third party.

23 But one of the other key provisions of the
24 Continuing Services Agreement was that we made sure
25 that it provided for ongoing audit support,

1 including the provision of relevant data should we
2 be audited later and need access to data that ETE
3 SUG held in custody, we would be able to get that.

4 And that provision extends for four years
5 post-close, so we've got three plus years or so to
6 go with that.

7 As Rick mentioned also, on this next
8 slide, Rick mentioned also that the Stip originally
9 estimated that we would need continuing services
10 through the month of May, through this month. I'm
11 glad to record that by early April of this year,
12 April 1st and April 9th was the final pull, as the
13 slide shows, assumed all of those functions and our
14 need for support from ETE SUG ended according to
15 plan, if not earlier.

16 So as promised, our Day 1 ownership
17 transfer in September and the April service cut
18 over, system cut over were both accomplished
19 seamlessly and without disruption to any of our
20 customers.

21 In addition to taking over those IT
22 functions that ETE SUG had previously provided, and
23 Suzanne has mentioned New Blue, we're also on track
24 to bring MGE into Laclede's enterprise-wide
25 information management system, also known as New

1 Blue.

2 As of April 1st, we completed integration
3 of MGE into Laclede's finance, HR and supply chain
4 systems, so they're now as of April 1st live on our
5 systems.

6 And you may recall that MGE owned their
7 aging main frame based customer information system.
8 This worked out very well for the integration and
9 for overall planning because we're able to maintain
10 that system and continue billing MGE's customers
11 under that system as we migrate MGE to Laclede's
12 Oracle CC&B customer information system. And we're
13 on track to make -- to finalize that information in
14 July of next year.

15 On MGE employees, I also wanted to provide
16 a general update. The Staff had a question
17 relative to what has been the impact on MGE's
18 employees as a result of the acquisition.

19 I would say that, to date, 20 employee
20 reductions have occurred at Missouri Gas Energy out
21 of about 678 total employees. Additionally, there
22 were four other individuals that were offered
23 full-time positions in St. Louis, but elected
24 instead to take the severance rather than to
25 relocate. So total of 24.

1 Of those 24, two were senior positions
2 that are provided by Laclede as Suzanne mentioned.
3 There were also 16 positions in the corporate
4 shared services functions, areas like IT and
5 Corporate Accounting, and then finally, six
6 positions in the Distribution Operations shared
7 services areas. So those included things like
8 customer experience and fleet management.

9 I would also say, though, that in the
10 process, over the period of time in almost, well,
11 nine months or so since the close, we've also --
12 both MGE and Laclede have experienced additional
13 personnel reductions related to normal attrition
14 and also a number of positions that had previously
15 been budgeted by one or the other of the two
16 companies, both MGE and Laclede, and but that will
17 go unfilled now give the combination of the two
18 organizations.

19 I do want to say, though, that one thing
20 that we've been very careful about and made a
21 policy and a practice throughout this process is to
22 give impacted employees both on the MGE side and
23 the Laclede side as much notice as possible.

24 And the reason we did that was so that as
25 additional jobs are posted, those people are given

1 the opportunity to apply for those jobs or any
2 other job that they're qualified for and to be
3 considered for those jobs.

4 And I would say that several, as a result
5 of that process, have landed long-term positions
6 with the company either in Kansas City or
7 St. Louis, and we have some of both. And even
8 others have also landed key leadership positions.

9 And I think Mr. Crow is one of those as
10 our VP of Customer Experience. So Ron's come over
11 from MGE, and now he's the Vice President in the
12 Customer Experience after for Laclede Group -- or
13 Laclede Gas.

14 With regard to the call center, I'll touch
15 on that. The employee impacts tied to the
16 consolidation of the MGE call center with the
17 outside call center will take place over a longer
18 period of time than we had originally anticipated
19 because of the Collective Bargaining Agreement that
20 we recently reached and was ratified with the MGE
21 call center employees.

22 But I would note that there are a number
23 of MGE call center employees that are of retirement
24 age and may elect to retire in the near future.

25 At the same time, pending completion of

1 the Collective Bargaining Agreement with the field
2 employees, we anticipate that MGE will be able to
3 add a number additional employees in the field as
4 we work to accelerate their infrastructure to many
5 replacement programs.

6 With that, I'll introduce Steve Lindsey,
7 as Suzanne said, President of Laclede Gas Company.
8 Steve is going to talk about those programs and
9 some other transition matters.

10 COMMISSIONER RUPP: I had a question.

11 JUDGE WOODRUFF: Go ahead, Commissioner.

12 COMMISSIONER RUPP: And I don't know if I
13 should be directing these to you, but you said a
14 couple things that I was -- had some questions on.
15 And if it's someone else, just let me know.

16 But you said a large percent -- you said
17 what percentage of your employees were close to
18 retirement? You had mentioned that. I didn't
19 catch the number.

20 MR. SPOTANSKI: In the call center, there
21 are a number. It's roughly a third to 40 percent.

22 COMMISSIONER RUPP: Okay. And I saw that
23 J.P. Morgan had the retirement plan over at MGE and
24 it was being transferred to Laclede. Who does
25 Laclede use for your 401K and benefits?

1 MR. SPOTANSKI: Fidelity manages our 401K.

2 COMMISSIONER RUPP: Okay. And that -- all
3 that transfers -- everything is done and fine and
4 transferred over?

5 MR. SPOTANSKI: That -- that has
6 transferred. Yes.

7 COMMISSIONER RUPP: Okay. And then your
8 pension costs, did you have to put any money into
9 -- into the pension fund to shore it up from --
10 from MGE? And how actuarially funded were they?

11 MR. SPOTANSKI: I am going to defer that
12 question because I don't have those answers off the
13 top of my head. But I'll -- I'll come back with an
14 answer. I'll check with some of the folks that we
15 have --

16 COMMISSIONER RUPP: Okay.

17 MR. SPOTANSKI: -- with us today.

18 COMMISSIONER RUPP: Great. Thank you.
19 And then -- and I don't know if it should be
20 directed to you or not, but your bond rating was
21 lowered by S&P and Fitch in the fourth quarter of
22 '13, but I didn't have time to see the comments.
23 Was that -- was that due to the merger, or what
24 were the reasons for the debt for the --

25 MR. SPOTANSKI: Again, I'll defer that

1 comment --

2 COMMISSIONER RUPP: Okay.

3 MR. SPOTANSKI: -- at this point.

4 COMMISSIONER RUPP: Sure. And -- and then
5 when is the -- and then the -- for whoever comes
6 up, the other rating agency, did they also make a
7 change? And then just answer those questions for
8 me would be great.

9 MR. SPOTANSKI: Okay. And I know we have
10 the answers to the rating agency questions. So --

11 COMMISSIONER RUPP: Okay. Thank you.

12 MR. SPOTANSKI: This is Steven Lindsey.

13 MR. LINDSEY: Good morning. My name is
14 Steve Lindsey. I'm with Laclede, and I've been
15 here for about 18 months now. But I've been in the
16 industry for about 25 years. I, too, came from AGL
17 where I spent the majority of my -- actually, all
18 of my career up to this point, so I'm very excited
19 to be here.

20 After I heard Suzanne's comments, I'm the
21 green rookie of the group. I've only been doing
22 this for 25 years. I've got a lot of work to do.

23 As Suzanne mentioned, a couple things that
24 I'm going to try address things in a little bit
25 more detail. One is around just our overall

1 approach to safety.

2 And first and foremost, that's -- that's
3 our top value at Laclede. We start every meeting
4 around safety. We start board meetings around
5 safety.

6 And one of the things I wanted to bring to
7 your attention is our safety record for our
8 employees since the acquisition. Our motor vehicle
9 accidents and employee injuries for both companies
10 have -- have improved dramatically since -- since
11 the acquisition, particularly at MGE, so I'm
12 extremely proud of those employees and the
13 management team for all the focus that they put on
14 that during a time when there possibly could have
15 been some distractions. So a tremendous amount of
16 effort and great results there.

17 Last week, I had the good fortune of
18 sharing the AGA conference in Pittsburg, and there
19 were about, you know, a thousand plus employees
20 from all the gas companies throughout the country.
21 And in the primary focus of the discussions, they
22 was around pipeline safety. And a big piece of
23 pipeline safety is around infrastructure
24 replacement.

25 I think if you look at the slide we

1 prepared here, it shows that we're really living up
2 to our commitment around doing what we say we were
3 going to do.

4 If you really kind of focus on the third
5 line, which is the line that references the total
6 miles -- and this is -- this is total between bare
7 steel replaced and cast iron replaced pipelines.

8 In 2012, MGE had 17 miles. In 2013, 21. In
9 this year, we're projecting upwards of 50-plus
10 miles. Obviously, the numbers had a little bit of
11 impact on that, but we think we're going to be on
12 track by the end of the year. So this one year,
13 2014, will more than the previous two years added
14 up. And I think that says a lot about the focus on
15 the infrastructure replacement.

16 And to kind of give you a little
17 correlation on the other side of the state, at
18 Laclede in 2012, we were in the mid 40s.
19 Last year, we were at 68 miles. And this year,
20 we're approaching around 70 miles of replacement
21 again. So a lot of strong commitment there.

22 And as we really think about that, you
23 know, what are the benefits of doing this?
24 Obviously, improve safety. It dramatically
25 enhances the reliability of our systems. It

1 actually lowers O&M costs over time because we have
2 less ongoing maintenance to those older pipes, and
3 it really provides an uplift in customer
4 satisfaction because a lot of that work that we
5 have to do in streets and yards will go away over
6 time as we replace that infrastructure.

7 And one key point is it provides very good
8 jobs. These are long-term jobs for employees who
9 are looking for opportunities. They'll come in.
10 We train them. And these are very long-term
11 programs.

12 And then the final point on this is I
13 really want to commend the Commission and everybody
14 that's worked together from a legislative
15 perspective over the years to have the ISRA
16 mechanism in place that allows the gas companies,
17 and it really incents them to do the right thing,
18 which is do this infrastructure, don't get caught
19 up in how you make the recoveries. Do the right
20 things. Come in every three years and present --
21 present what we did and make sure everybody has a
22 complete understanding of how we're approaching our
23 program. And it's been an incredibly well-received
24 program. And thank you for that.

25 As we move to the -- to the call center

1 update -- again, I'll try to start at a high level
2 and work a little bit down.

3 Our senior team, and this is a lot of
4 folks in this room and some others, met a couple
5 weeks ago to talk about how we approach our
6 customers.

7 One of the ways we're really going to try
8 to move forward is to focus on the quality of the
9 services we provide. That doesn't all mean the
10 same thing to every customer. You have a lot of
11 different types of customers as we have over 1.1
12 million here in Missouri, and we're really going to
13 try and figure out what each of those types of
14 customers in those groups want.

15 And I just want to ensure to the
16 Commission here and, really, to the Staff here that
17 nobody cares about our customers more than we do.
18 You know, we work very hard to get these customers
19 over many, many years. We need to make sure we're
20 doing everything to continue to earn their business
21 each and every day.

22 So if you think about, you know, what went
23 on over this past winter and what went on with some
24 of the things that we've touched on already, right
25 after the -- the acquisition and the closing, we

1 actually had some very, very strong performance in
2 September and October. But then we entered into
3 the early parts of some union negotiations.

4 And as has already been mentioned, the
5 union negotiations have resulted in the ultimate
6 outsourcing of a -- of a portion of that work to an
7 outsourced third party as well as some of the work
8 coming to Laclede. Obviously, that's caused some
9 performance issues. And we're very focused on that
10 right now.

11 Another piece of that -- and I know that
12 Staff has shared with us some concerns around the
13 virtual hold technology. And the bottom line is
14 what we're trying to really evaluate is what's the
15 way that customers would like to communicate with
16 us.

17 Some would like to do it from a phone
18 perspective. Some would like to do it online, some
19 through social media. We're really trying to
20 evaluate every channel that we have to making sure
21 that we can provide all of those for our customers.

22 As we said, the Agreement was reached
23 between MGE and IBW, and it has already been
24 ratified. And we've already seen some transitions
25 of some calls to the outsourced third party

1 contractor. And this is actually going to give us
2 a nice opportunity to evaluate their performance
3 between now and July as opposed to if we went
4 completely there right out of the gate. So I think
5 it's going to give us a much better runway to
6 understand their performance and hold them
7 accountable for the service that we're -- we're
8 expecting.

9 And then as was also mentioned, employee
10 assistance perspective. We're doing some things
11 around some early retirement opportunities and some
12 things to really help transition employees as they
13 look for their next opportunities.

14 You know, and the point that isn't up
15 here, but I will go ahead and touch on it, is
16 around the performance at the Laclede call center
17 in St. Louis. We implemented in July the roll-out
18 of a CC&B customer care and billing, which is a
19 transformational type of program that allows us to
20 do things for our customers that we've never been
21 able to do, provide information to really help them
22 in a way that we never have.

23 But as with everything, this is a learning
24 curve, and there are some, you know, opportunities
25 for improvement. And we're going through that

1 right now. If you lay that over with extreme
2 winter that we just had, you know, we've got some
3 challenges that we're dealing with.

4 We're very, very focused on the training
5 we're providing as well as making we're staffing
6 accordingly in terms of shifts and some overtime
7 and things like that.

8 And we've seen dramatic improvement here
9 in April, and I think we're going to be back on
10 track. But there were some bumps in the road at
11 Laclede, and we're very focused on that as well.

12 One of the other topics that we wanted to
13 bring you a little bit up to speed on is from the
14 gas supply perspective.

15 You know, again, we said winter, winter,
16 winter. I didn't think it was ever going to go
17 away. And coming from the South, I really didn't
18 think it was going to go away.

19 And one of the things I would like to say
20 is, you know, I can't say enough about the
21 employees on both sides of the state. Our system
22 operated incredibly well going through really first
23 stress test in many, many years, but that wasn't by
24 accident. That was employees working 24/7 doing
25 things for our customers at all hours of the night,

1 and they really should be commended.

2 As we went through the acquisition and the
3 closing, Laclede was able to assume all the
4 necessary pipeline contracts. There was one that
5 we had a little bit of an issue with, and Staff was
6 very helpful, and we appreciate their assistance
7 with us in getting through that.

8 There are some statistics up there about
9 the winter. I don't think it's surprising to
10 anybody. But, again, it really stressed our
11 system. But we were very prepared on both sides of
12 the state.

13 You know, we did use quite a bit of
14 storage, as you can see, 50 percent more than a
15 normal winter. But that's why you have your
16 storage there for those type of peak type events.
17 And, really, coming out, we're in about as good of
18 shape as I think we could have expected to be given
19 that type of winter.

20 Again, as -- as I met with the folks at
21 AGA, there were a lot of companies that are coming
22 out of winter in a much more challenging situation
23 than we are on both sides of the state. So I think
24 a very good job was done there.

25 The bottom line is -- it's what second

1 from the bottom and is the most important, we had
2 had no disruptions to our gas supply or
3 transportation services.

4 The only outages we had were, ironically
5 enough, were from water lines that were freezing
6 and breaking and water was getting into our system.
7 So we were having to react to that. But from a
8 system perspective, we held up very well.

9 The last -- the last bulletin there on gas
10 supply organization, we had communicated with the
11 Staff at the start of the year, given when the
12 closing occurred, that we were not going to make
13 any organizational changes going into the winter.
14 We were going to continue to operate the two gas
15 supply and gas operation functions independently.

16 Obviously, they were communicating quite a
17 bit and we're evaluating the two -- the two
18 operations. But we let them operate independently,
19 and we think that was the right decision as we came
20 out of this winter.

21 Moving forward, just as we've done with
22 all the other pieces of integrations, we'll
23 continue to look for best practices and
24 opportunities in those two functions and then
25 present an overall organizational structure as we

1 approach the summer, and that will be communicated
2 with the Commission and with Staff.

3 The last piece here -- or the last slide
4 just shows the outcomes of the last three rate
5 cases going back to 2006. And I think what you can
6 see is that a tremendous amount of reduction,
7 obviously, and the need for a rate increase.

8 Primarily, a lot of that is from
9 operational efficiencies, best practices. And
10 these last two cases for Laclede and MGE ultimately
11 came down to basically being ISRA only type cases
12 given that we're required to come in every three
13 years for those type of proceedings.

14 It think as, you know, the weather scale
15 and some of the benefits from our acquisition
16 financing really gave us the ability to really try
17 to hold down the cost for our customers because, at
18 the end of the day, you know, our job is to provide
19 safe and reliable, but also cost efficient services
20 for our customers. And that's what I think this
21 shows a steady track record of doing.

22 So I'll pause there for any questions
23 where turning it back over to Suzanne.

24 JUDGE WOODRUFF: Mr. Rupp?

25 COMMISSIONER RUPP: Thank you. Yeah. I

1 had a couple questions when you were talking about
2 the replacement of your steel pipe. Is -- the
3 large increase projected in the 2014 is that due to
4 the merger, or is that because iron ore prices are
5 dropping and steel is cheap? Or are you trying to
6 finance as much replacement as you can right now,
7 or what's the drive?

8 MR. LINDSEY: Great question. No. It's
9 not around anything to do with pricing of any type
10 of physical commodities because, actually, this
11 pipe gets replaced with plastic pipe.

12 So these are old bare steal or cast iron.
13 And oftentimes, they're low pressure systems. And
14 so what we're able to do is go in in some cases
15 with even a small or plastic pipe at an elevated
16 pressure and serve the system more reliably.

17 And so first part of your question, this
18 is a focus of Laclede. You could tell if you had
19 the last five years of Laclede's track record in
20 terms of pipeline replacement, this is where we've
21 spent a lot of our focus and capital. So that's
22 the same type philosophy that we've taken to MGE.

23 COMMISSIONER RUPP: Okay. Thank you.

24 MR. LINDSEY: Okay.

25 JUDGE WOODRUFF: Thank you, sir.

1 MR. LINDSEY: All right. I'll now turn it
2 to over to Suzanne. She'll give you an update on
3 Alagasco and facilities.

4 MS. SITHERWOOD: Thanks. Thank you,
5 Steve. I'll use the technology there to advance my
6 slide.

7 Before I get into Alagasco, I thought, in
8 addition, I'd try to address your questions a bit
9 about the credit rating agencies.

10 We meet with them with quite a bit of
11 regularity, especially our financial groups, S&P
12 and Fitch, and that we met them post announcement
13 of the Alagasco transaction as well as we're
14 scheduled to meet with them this week.

15 I wanted to share a little background to
16 get into more specificity around your question.
17 With the acquisitions of gas companies, it's not
18 unusual for one of the rating agencies to give you
19 a slight downturn on your credit rating.

20 If you noticed, with MGE, when we
21 announced that transaction had occurred, as the
22 rating agencies began to understand the transaction
23 better and could see the line of sight in terms of
24 our financing and expectations, they turned that
25 back around.

1 But regardless, I will assure when we were
2 going through our analysis, we are very engrossed
3 in the very question that you laid out. It's very
4 important to us that we maintain investment grade,
5 not only at the gas company level, but at the
6 parent level.

7 And in terms of the gas company itself,
8 the first mortgage bonds, which I don't have to
9 tell you is important, especially from a credit
10 rating agency perspective. So MGE, we've moved
11 back up. Also, we've de-leveraged a bit there at
12 that organization.

13 Additionally, when we announced Alagasco,
14 we saw the same thing occur with one of the rating
15 agencies, which is why we meet with them to educate
16 them about the transaction. And we'll be doing the
17 same this week.

18 Also, note that there are no assets or
19 line of credit at Laclede Gas that are in any way
20 engaged in the financing of Alagasco. So that
21 might be a nice entree, in fact, to this topic
22 today.

23 But I had mentioned to you with MGE, why
24 did it become available, why did ETE want to sell?
25 There's a similar story that goes along with

1 Alagasco. Entergen, the parent of Alagasco,
2 started out and Alagasco was basically Entergen.

3 But they started getting more and more
4 involved in the exploration, production of natural
5 gas, the gas projectory that I talked about. And
6 as that became a bigger and bigger and bigger part
7 of their company, that really became their
8 strategy, the core of their business and not
9 necessarily being a gas company.

10 And so while it is a very strong, good gas
11 company, it just wasn't strategic to them.

12 And how do I know that it was a very strong, good
13 gas company?

14 As Steve mentioned, the company that we
15 worked for before was in Atlanta, Georgia. And so,
16 operationally, and also from the interstate
17 pipelines and supply basins and all of that, Steve
18 and I, from an operational level, knew that system
19 extremely well.

20 We knew the management team extremely well
21 from Southern Gas Association meetings, American
22 Gas Association meetings, NARUK meetings. Craig
23 Dowdy, who happened to be born and raised in
24 Montgomery, Alabama, went to undergraduate at
25 Auburn, double E, and also knows that Commission

1 well, and he's practiced energy law for 25 years
2 and knows the regulatory construct very well.

3 So a bit like with MGE, the existing
4 Laclede team knew that gas company very well.
5 Steve, Craig and I knew Alagasco very well.

6 And, again not just the management team, but the
7 actual operation of the system, everything upstream
8 to the supply basins.

9 So it seemed in terms of our process when
10 we, as a management team, based on public
11 information evaluate an acquisition, we do look at
12 it mathematically. We look at it from a financing
13 perspective and, Commissioner, as you mentioned,
14 from the credit rating agency impact and several
15 others.

16 But we also ask ourselves, do we stand
17 ready from a managerial perspective? Do we have
18 the ability to integrate not just from managerial,
19 but technology as well as other scenarios that we
20 brought in our molding process.

21 And before we engage if, quote, Round 2,
22 we sit around the table with that information and
23 ask is -- is this right for us at this point in
24 time? And we said, yes, and we said yes for large
25 reason because of what I just mentioned.

1 We knew that system well. We knew it was
2 well-run. We know it operates well. We know they
3 have a very reliable system and a strong
4 management. And we also know because they're on a
5 different technology platform and the way that that
6 company is managed that we did not have to quickly
7 move into integration and -- and right things that
8 were wrong.

9 Again, it's a very well run company.
10 Again, the only reason that Entergen has decided to
11 sell that company is because it's no longer
12 strategic for them.

13 The other thing I wanted to mention that
14 you see up on the -- the slide, oftentimes, I'm
15 asked about geography. Well, you know, it's not in
16 the state of Missouri. Does geography matter?

17 I would submit to you, it's fairly close.
18 St. Louis to Birmingham is 500 miles. It's 250
19 miles from Kansas City to St. Louis. But you'll
20 notice that they're focused on an urban area that I
21 call a Tier 2 City. And then they sprawl outside
22 of that urban center.

23 And they also have pipeline infrastructure
24 and an urban center that is old. These gas
25 companies were started over 150 years ago.

1 And as Steve Lindsey mentioned, that was
2 one of the reasons we were very, very focused on
3 the pipeline replacement program and management
4 with a high degree of discipline.

5 You'll also notice they have a similar
6 customer count. You'll also notice the sides of
7 the states aren't greatly larger. They're
8 relatively the same size.

9 So for us, they look and feel similar as
10 well as the shared services model that I mentioned
11 earlier. We can support something that is similar.
12 And so that's why we decided to engage in the
13 process.

14 And, you know, with a lot of hard work and
15 good fortune, we came out the winner on that.
16 Clearly, we haven't closed the transaction. We
17 filed as the Commission requested jointly with
18 Alagasco Entergen asking the Commission to approve
19 the transaction.

20 There is a hearing set for July 1 where
21 myself and Steve Lindsey on our CFO, Steve Rashu
22 will be testifying. It's a public interest test.
23 Our obligation is to show that we have technical,
24 financial and managerial wherewithal. I believe
25 we'll pass that test given, again, we're a gas

1 company that is -- that is asking for that.

2 And, again, we come from a similar look
3 and feel and even a similar cultural look and feel.
4 And so from a transaction timeline, we would expect
5 to close that transaction by the end of September,
6 which is, of course, the end of our fiscal year as
7 well.

8 The other thing I wanted to mention while
9 I was here because there has been some amount of
10 coverage on that is, you know, the Olive Street
11 office that Laclede has been in for many decades,
12 quite frankly, that lease is expiring, so we were
13 looking for a new central home for our campus of
14 offices.

15 In the future, we will have offices from
16 Kansas City to Joplin over to St. Louis down to
17 Montgomery. I had mentioned the shared services
18 group, so there is a central office that we are
19 looking for and for their shared services.

20 We were looking for a space that had open
21 floor plates, areas that we could create
22 collaborative centers, centers of excellence and a
23 call center or in a gas control area or in
24 engineering or in design or in construction, in
25 regulatory where you can put your strategic teams

1 together and it's open and they can have dialogue
2 and exchanges and stay current.

3 This building that you've heard about, 700
4 Market Street, as I affectionately call it, was
5 such a building. We did a great amount of study
6 around available real estate.

7 I will tell you that I was highly
8 committed to staying in the City of St. Louis. I
9 thought that was important for us to put a stake in
10 the ground and get that out, you know, quickly, and
11 we did.

12 Then we did a lot of homework to find a
13 space that works for us. But I do call it a campus
14 because it's -- all of our facilities are
15 strategic, and they're designed around how well we
16 can serve our customers through our people, through
17 the process they engage in, and then through the
18 technology that supports them. And so we always
19 keep that top of mind when we're evaluating those
20 locations. I'm excited about it.

21 We also -- you may have heard our Forest
22 Park property, which was the main center for our
23 distribution operations that Steve oversees, is
24 that property was highly sought after by Ikea.
25 They wanted to come to St. Louis. That was their

1 property of choice. Given that we were looking at
2 this strategic overview of our facilities, we made
3 the decision to sell that property to Ikea to
4 benefit the city as well as it gave us an
5 opportunity because of this strategic look to move
6 those field employees closer to the work as we
7 replace aging infrastructure in terms of how we're
8 going to maintain our facilities, our response
9 rates and those sorts of things.

10 So, you know, with the request always
11 comes opportunities. And so we were happy that we
12 would have the opportunity again to benefit the
13 city through the sale of the Ikea property and do
14 something, too, that's meaningful for our customers
15 as well.

16 So with that, I'll stop there and
17 everybody in the room, I will be happy to answer
18 any questions that anybody might have.

19 JUDGE WOODRUFF: Let me ask the
20 Commissioners first if they have any questions.
21 Mr. Chairman?

22 CHAIRMAN ROBERT KENNEY: Thanks for being
23 here. Thanks to the whole Laclede team. I won't
24 name everybody by name. And just on behalf of my
25 wife, thanks for selling that property to Ikea.

1 MS. SITHERWOOD: Tell her I get it.

2 CHAIRMAN ROBERT KENNEY: We're very
3 excited about that. I'm going to ask just a couple
4 of questions about the Alagasco. I wasn't thinking
5 to ask about that when we got here today, but since
6 you guys discussed it, I'll go ahead and ask.

7 Are there any efficiencies or synergies
8 that will be realized as a result of the
9 acquisition that will benefit the Missouri
10 ratepayers? And can you describe those?

11 MS. SITHERWOOD: Great question. As of
12 now, I don't have specific information or specific
13 areas, but this is what I can share with you.

14 Through the analysis, we look at precedent
15 transactions or acquisitions, not just our own, but
16 others that have occurred over the last ten years,
17 and you hear us from time to time mention dues.
18 And the reason and the basis of that is because
19 they have the modeling and data on those
20 transactions.

21 We have found, generally, from an O&M
22 perspective, there's a 6 to 12 percent savings, and
23 mostly because of the shared services pieces that I
24 mentioned. Again, you don't need, you know, three
25 of me.

1 So, yes, there will be savings. I can't
2 tell you the specific areas because the way that
3 the bid process worked, clearly, we were in, quote,
4 the data room, but we haven't been able to get in
5 and looking at that same level that Mike Spotanski
6 earlier went through. So there will be those
7 savings. When they hit and how much in that range,
8 I don't have a direct line of sight to that
9 particular number.

10 CHAIRMAN ROBERT KENNEY: Okay. And then
11 the other question I have, and this may be a legal
12 question, it's about the continuing services
13 agreement. And I asked this at the last
14 on-the-record, but there was an entity created
15 called the Plaza Massachusetts Acquisition, a
16 Delaware corporation. What was the purpose of that
17 entity?

18 MS. SITHERWOOD: Mark Darrell?

19 MR. DARRELL: Good morning, Commissioner
20 Kenney.

21 CHAIRMAN ROBERT KENNEY: Good morning.

22 MR. DARRELL: The purpose was it was an
23 acquisition vehicle that was created as an
24 acquisition vehicle for purposes of acquiring the
25 assets of the gas company. And it was -- it was

1 done -- it was done that way principally in the --
2 in the event that we were in -- in the situation we
3 ultimately ended up in, which was someone came and
4 offered to -- to purchase the company.

5 CHAIRMAN ROBERT KENNEY: So the -- so
6 there are -- there aren't, then, any continuing
7 service agreement costs associated with that
8 acquisition anymore, then?

9 MR. DARRELL: Not anymore. Not to my
10 knowledge.

11 CHAIRMAN ROBERT KENNEY: So Plaza Missouri
12 acquisition was the entity created for this
13 transaction with MGE. Once -- once the continuing
14 service agreement obligations are fulfilled, does
15 that entity cease to exist?

16 MR. DARRELL: Well that, as you recall,
17 Commissioner, we -- we transferred that with the --
18 with this Commission's approval, we transferred the
19 rights to purchase Missouri Gas Energy to
20 Laclede.

21 CHAIRMAN ROBERT KENNEY: Okay.

22 MR. DARRELL: And so, ultimately, I think,
23 Plaza Missouri no longer -- I think no longer
24 exists.

25 CHAIRMAN ROBERT KENNEY: Okay. And then a

1 final question, so there's a -- there's a cost
2 allocation manual that I think is being developed
3 or in the process of being developed. Will any of
4 -- is that right? It's still being developed, cost
5 allocation manual?

6 MR. ZUCKER: We have -- we have a cost
7 allocation manual, and it's been approved and we
8 negotiated with Staff.

9 CHAIRMAN ROBERT KENNEY: Okay. Is -- with
10 that -- with the acquisition ever Alagasco, will
11 there have to be amendments to that or will there
12 be a separate cost allocation manual for that?

13 MR. ZUCKER: Well, if we've done it right,
14 it should -- it should operate without any changes.

15 CHAIRMAN ROBERT KENNEY: Okay. I don't
16 have any questions. You guys answered everything.
17 Very thorough presentation, and I very much
18 appreciate all of you taking the time to come down
19 here and do that.

20 So I guess there's a second one scheduled.
21 Are we still going to have that one? We'll see you
22 then, but this is very thorough, and I appreciate
23 it.

24 MR. SPOTANSKI: Commissioner Kenney, if I
25 may follow-up on that question real fast?

1 CHAIRMAN ROBERT KENNEY: Okay.

2 MR. SPOTANSKI: We are on a routine
3 pension funding schedule. There were no special
4 attachment contributions or any other types of
5 contributions made after the acquisition. And,
6 hopefully, with Suzanne's answer, you got what you
7 wanted out of the ratings.

8 CHAIRMAN ROBERT KENNEY: Thank you.

9 COMMISSIONER RUPP: Thank you.

10 MS. SITHERWOOD: Thank you, Mike. I
11 forgot to mention that one, so thank you.

12 JUDGE WOODRUFF: Commissioner Kenney, any
13 questions?

14 COMMISSIONER WILLIAM KENNEY: I have no
15 questions. I just appreciate the update. And I
16 think this is a good move for both sides of the
17 state. And as a Missouri Gas Energy user for the
18 last 30-some-odd years, I'm looking forward to
19 excellent service.

20 MS. SITHERWOOD: Thank you.

21 JUDGE WOODRUFF: Commissioner --

22 COMMISSIONER WILLIAM KENNEY: I didn't say
23 I wasn't getting excellent service.

24 CHAIRMAN ROBERT KENNEY: Continued
25 excellent service.

1 COMMISSIONER RUPP: Continued excellent
2 service. Are you guys merging your lobbying
3 efforts? Just curious.

4 MS. SITHERWOOD: I'm looking at Mr. Dowdy
5 back there. So we -- we've got top shelf back
6 there with Larry and the team, so --

7 COMMISSIONER WILLIAM KENNEY: I was just
8 curious, so --

9 MS. SITHERWOOD: No one -- no one's made
10 that representation to me.

11 COMMISSIONER WILLIAM KENNEY: I just saw I
12 got a text from Andy Arnold and -- I'm just
13 kidding.

14 MR. PENDERGAST: I think it's fair to say
15 Joe and Andy are working very closely.

16 COMMISSIONER WILLIAM KENNEY: That was a
17 joke. But thank you.

18 JUDGE WOODRUFF: Do any of the parties
19 have any follow-up questions for Laclede? All
20 right. I don't --

21 MR. CONRAD: Judge, this is Stu. I did
22 have, I guess, just a -- just a couple. I'm not --
23 and I'm not sure if they have been addressed
24 because I couldn't hear all of it. But let me fire
25 away.

1 I'm not sure who the appropriate person is
2 from Laclede to respond. But at an earlier time, I
3 had raised the issue that they were going to --
4 this was post-merger -- they were going to look
5 into what the potential was for opening up
6 additional transportation corridors for customers
7 that wanted to move their own gas thinking, of
8 course, of Panhandle Eastern.

9 But there are also some opportunities that
10 open up Laclede there in St. Louis, RT, TPL, those
11 -- those are potential candidates. I was kind of
12 wondering if there had been anything looked at in
13 that area if anybody could respond.

14 Second question maybe is -- is prompted by
15 some -- some other questions from the Bench there
16 earlier, things that I heard. What is the status
17 of the energy efficiency programs that MGE had
18 ongoing and how those have been adopted,
19 integrated, whatever proper word is, for -- for the
20 now combined entity?

21 Those are the two questions, Judge, that I
22 had. Just -- just kind of throw it open. I'm not
23 sure who the proper person is to respond, but
24 I'll --

25 JUDGE WOODRUFF: Mrs. Sitherwood is

1 indicating that she can respond, so I'll let her.

2 MS. SITHERWOOD: I'll start with the first
3 question. I think your question is regarding
4 interstate pipelines that serve our gas companies.

5 As Steve Lindsey mentioned we just had, I
6 guess, the tenth coldest winter on record out of
7 100, 120 years, something like that. And our
8 system performed well both from a supply basin
9 perspective, interstate pipeline perspective and
10 storage.

11 I can also tell you that we, on a
12 continuous basis, are evaluating that -- those
13 supply options as well as those transportation
14 options to make sure that we stay focused on how
15 reliable is our delivery infrastructure as well as
16 from a cost perspective to our customers.

17 And, you know, those are the best
18 solutions. We -- we do that through understanding
19 those load duration curves, the modeling and our
20 aspects of the business. So there's nothing direct
21 on the drawing board, so to speak, in terms of
22 recommended changes, but we are constantly
23 evaluating, again, those -- those options.

24 And we have regular ongoing discussions,
25 as I understand it, with the Staff on those.

1 That's correct. Yes.

2 Regarding the efficiency programs, I'll
3 take my best shot and turn around and look at my
4 team and make sure I haven't missed anything.

5 It's my understanding from an MGE
6 perspective that as far as the energy efficiency
7 programs that we are maintaining those. There has
8 been a significant amount of work, also, this past
9 session in terms of Utilicare and the funding and
10 availability of those dollars because, again,
11 coming out of the -- one of the worst winters, we
12 do have customers that in the past have struggled,
13 but we also have them that haven't struggled before
14 because we haven't had the severe winter in quite a
15 while.

16 So we were very conscientious of that. so
17 those that struggle as well as an ongoing energy
18 efficiency program is part of a utility obligation,
19 and I know that that was maintained coming out of
20 the MGE rate case. Did I get that right, Mike?

21 MR. SPOTANSKI: Yes. The only thing I
22 would add is that we are combining administration
23 for those two programs across the state for
24 improved efficiency. I think this will allow
25 better opportunities for those customers that need

1 that.

2 MR. ZUCKER: And one other point, out of
3 the MGE rate case we just finished, Stu's client,
4 the Midwest Gas Users Association, just joined the
5 MGE Energy Efficiency Collaborative. And I believe
6 Stu participated in a meeting in the last week so
7 the first meeting that the MGUA participated in.

8 And the goal there is to -- from an
9 administrative efficiency standpoint, combine the
10 Laclede and MGE energy efficiency collaboratives so
11 that there -- they're both run efficiently and the
12 reporting is consistent.

13 So -- and in addition, we are going to be
14 adding some -- again, this came out of the MGE rate
15 case -- some new measures for commercial entities
16 on the MGE side. So a lot's happening in the --
17 the EEC field.

18 JUDGE WOODRUFF: Okay. Any other question
19 for Laclede?

20 MR. CONRAD: Very good. Thank you, Judge.

21 JUDGE WOODRUFF: Thank you, Mr. Conrad.

22 All right, then.

23 MS. SITHERWOOD: Thank you, Judge.

24 JUDGE WOODRUFF: Mr. Cooper, did your
25 client wish to make any statements?

1 MR. COOPER: Not today. No, thank you,
2 your Honor.

3 JUDGE WOODRUFF: Okay. Any questions for
4 Southern Union? Panhandle Eastern? I see no
5 response. Anything else from Staff or Public
6 Counsel?

7 MR. POSTON: No, sir.

8 MR. BERLIN: Judge, I would only move that
9 we enter the presentation into the record.

10 JUDGE WOODRUFF: Okay. There is a paper
11 copy that was handed out. We'll go ahead and mark
12 it as Exhibit 1 and receive it into evidence.
13 Okay. Anything else? Then we are adjourned.
14 Thank you.

15 (Exhibit 1 was offered and admitted into
16 evidence.)

17 (The proceedings were concluded at 11:35 a.m. on
18 May 27, 2014.)

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E X H I B I T S

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REPORTER'S CERTIFICATE

STATE OF MISSOURI)

) ss.

COUNTY OF OSAGE)

I, Monnie S. Mealy, Certified Shorthand Reporter,
Certified Court Reporter #0538, and Registered Professional
Reporter, within and for the State of Missouri, do hereby
certify that I was personally present at the proceedings as
set forth in the caption sheet hereof; that I then and there
took down in stenotype the proceedings had at said time and
was thereafter transcribed by me, and is fully and accurately
set forth in the preceding pages.

IN WITNESS WHEREOF, I have hereunto set my hand and
seal on _____, 2014.

Monnie S. Mealy, CSR, CCR #0538
Registered Professional Reporter

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