

Exhibit No.:
Issue: Revenue Requirement
Witness: Greg Meyer
Type of Exhibit: Direct Testimony
Sponsoring Party: Missouri Industrial Energy Consumers
Case No.: GR-2010-0171
Date Testimony Prepared: May 10, 2010

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

**In the Matter of Laclede Gas
Company's Tariff to Increase Its Annual
Revenues for Natural Gas Service**

Case No. GR-2010-0171
Tariff No. YG-2010-0376

Direct Testimony and Schedule of

Greg Meyer

On behalf of

Missouri Industrial Energy Consumers

May 10, 2010



Project 9260

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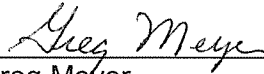
Case No. GR-2010-0171
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STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS) **SS**

Affidavit of Greg Meyer

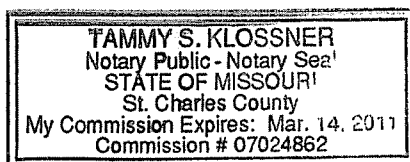
Greg Meyer, being first duly sworn, on his oath states:

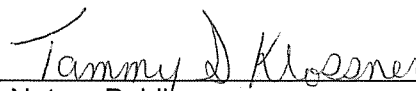
1. My name is Greg Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes are my direct testimony and schedule which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. GR-2010-0171.
3. I hereby swear and affirm that the testimony and schedule are true and correct and that they show the matters and things that they purport to show.



Greg Meyer

Subscribed and sworn to before me this 7th day of May, 2010.





Notary Public

**In the Matter of Laclede Gas
Company's Tariff to Increase Its Annual
Revenues for Natural Gas Service**

Table of Contents to the Direct Testimony of Greg Meyer

BRUBAKER & ASSOCIATES, INC.

Q WHAT IS THE SUBJECT OF YOUR TESTIMONY?

A My testimony addresses certain adjustments to Laclede's proposed revenue requirement. Listed below is each adjustment with a short explanation discussing the adjustment. The value of each adjustment is detailed in a table following this discussion.

1. Cash Working Capital

- a. Usage and Billing Lag – I am recommending that these lags be computed without weighting them by billed revenues.
- b. Collection Lag – I am recommending a collection lag of 23.31 days based on the results of several customer samples.
- c. Postage, Rents, and Group Insurance – I recommend that these expenses either be included as a component of cash working capital or as prepayments in Laclede's revenue requirement, but not included in both sections.
- d. PSC Assessment – Laclede has not assigned an expense lag to this expense. I believe either Laclede is recording this expense as a prepayment whereby it should be removed from cash working capital or an expense lag should be calculated.
- e. Uncollectibles – I recommend that this non-cash expense be excluded from the cash working capital allowance.

2. Propane Inventory – I recommend that the propane inventory continue to be included in ratepayer rates and propose that the profits from a propane sale during the update period be normalized over a two-year period and the test year revenues and expenses remain in cost of service.

3. Uncollectible Tracker – I recommend that Laclede's proposal for an uncollectible tracker be denied.

4. Sales Revenues – I recommend that Laclede's proposal to reduce test year sales revenues related to the loss of customers be denied.

I have included a table of contents that lists each issue and the corresponding beginning page for that issue. The fact that I do not address an issue should not be interpreted as approval or acceptance by MIEC of any positions taken by Laclede, unless I state otherwise in my testimony.

1 **Case Overview**

2 **Q WHAT IS THE NET REVENUE REQUIREMENT REQUESTED BY LACLEDE?**

3 A Laclede has requested an increase of \$52.6 million over current revenues.

4 **Q PLEASE PROVIDE A CASE OVERVIEW OF THE MIEC ADJUSTMENTS.**

5 A Mr. Mike Gorman and I are the two witnesses filing direct testimony on behalf of the
6 MIEC. Mr. Gorman addresses Laclede's return on equity and capital structure, and
7 also sponsors an adjustment to depreciation expense. Please refer to the previous
8 page for a listing of the issues detailed in my testimony. The following table lists the
9 issues the MIEC is sponsoring and the approximate value for each issue.

<u>Issue</u>	<u>Witness</u>	<u>Values (\$000)</u>
Return on Equity	Gorman	\$11,490
Capital Structure	Gorman	13,613
Depreciation	Gorman	880
Cash Working Capital	Meyer	2,505
Revenues	Meyer	99
Propane Sale	Meyer	<u>3,252</u>
TOTAL		\$31,839

10 Therefore, the MIEC recommends that Laclede's revenue requirement be
11 reduced by approximately \$31.8 million on an annual basis. This list is not exclusive
12 as other parties may propose reasonable adjustments.

1 **Cash Working Capital (CWC)**

2 **Q DID LACLEDE REQUEST A CWC ALLOWANCE TO BE INCLUDED IN RATE**
3 **BASE?**

4 A Yes, Laclede requested \$17.4 million be included in rate base.

5 **Q WHAT METHODOLOGY DID LACLEDE USE TO DEVELOP ITS CWC**
6 **REQUIREMENT?**

7 A Laclede determined its CWC requirement using a lead-lag study originally performed
8 as part of its GR-2005-0284 rate case, with an update for billing lag and use of
9 annualized expenses.

10 **Q PLEASE DESCRIBE A LEAD-LAG STUDY.**

11 A A lead-lag study is an analysis of the cash flows related to the payments received by
12 Laclede from its ratepayers for the provision of service and the disbursements made
13 by Laclede to vendors. These cash flows are measured in days. A lead-lag analysis
14 compares the number of days Laclede is allowed or takes to make payments after
15 receiving service or goods from vendors with the number of days it takes Laclede to
16 receive payment for the service provided to ratepayers.

17 **Q HOW SHOULD THE RESULTS OF A LEAD-LAG STUDY BE INTERPRETED?**

18 A A negative CWC requirement indicates that the ratepayer provided the cash working
19 capital in the aggregate during the test year. This means that the ratepayer has
20 provided the necessary cash on average before Laclede has had to pay for the
21 expenses incurred to provide utility gas service.

1 A positive CWC requirement indicates that Laclede has provided the cash
2 working capital in the aggregate during the test year. This means that Laclede has
3 paid on average, the cash expenses necessary to provide gas utility service, before
4 Laclede has collected cash from ratepayers for the gas utility service provided.

5 **Q DID YOU REVIEW LACLEDE'S LEAD-LAG STUDY?**

6 A Yes, I have reviewed Schedule 2 of Laclede's Accounting Schedules. Schedule 2 is
7 the results from Laclede's lead-lag study.

8 **Q DO YOU HAVE ANY CONCERNS WITH LACLEDE'S LEAD-LAG STUDY?**

9 A Yes, I have several concerns with Laclede's lead-lag study. Listed below are my
10 concerns with the study:

- 11 1. The calculation of the usage lag and billing lag should not be weighted by billed
12 revenues.
- 13 2. Laclede's collection lag for sales customers is excessively long.
- 14 3. Laclede has included prepaid expenses in the lead-lag study and also in
15 prepayments thus requesting a double return on those prepayments.
- 16 4. Laclede has not assigned an expense lag to the PSC assessment payment.
- 17 5. Laclede has included a cash working capital requirement for a portion of their
18 uncollectibles.

19 **Q ITEMS 1 & 2 LISTED ABOVE RELATE TO LACLEDE'S REVENUE LAG. PLEASE**
20 **DESCRIBE THE REVENUE LAG.**

21 A The revenue lag is the amount of time between the provision of utility service by
22 Laclede and the receipt of payment for service from the ratepayers. The revenue lag
23 is comprised of three subcomponent lags: usage, billing and collection.

Q PLEASE DESCRIBE THE SUBCOMPONENTS OF THE REVENUE LAG.

A The usage, billing and collection lags are described below:

- a. Usage Lag: The midpoint of the average time elapsed from the beginning of the first day of a service period through the last day of that service period.
- b. Billing Lag: The period of time between the last day of the service period and the day the customer bill is placed in the mail by Laclede.
- c. Collection Lag: The period of time between when the customer bill is placed in the mail and the day Laclede receives payment from the ratepayer for services rendered.

Q PLEASE DESCRIBE THE CONCERNS YOU HAVE WITH LACLEDE'S USAGE AND BILLING LAGS.

A Laclede calculated the usage and billing lags by weighting those lags by the billed revenues of Laclede for a calendar year. The weighting of the usage lag and billing lag is not appropriate because these lags are not influenced by the billed revenues of Laclede. The usage lag is the average amount of time the customer receives service. Laclede bills their customers on a monthly basis.

As discussed above, the usage lag is the midpoint of the average time elapsed from the beginning of the first day of the service period through the last day of that service period. Therefore, based on a 365-day year, and 12 billing periods, the midpoint of the usage lag would be 15.21 days ($365 \text{ days in a year} \div 12 \text{ monthly billing periods} \div 2 \text{ average time in usage period}$). This calculation of the usage lag is not and should not be influenced by the billed revenues of Laclede.

The billing lag, as discussed above, is the amount of time needed to calculate the customer's bill and place it in the mail. Again, this lag is not influenced by the billed revenues of Laclede. Both the usage and billing lags are distinct time periods which should not be lengthened or influenced by billed revenues. For example, the

1 usage period for a Residential customer in July should equal the usage period for that
2 same customer in December. Weighting the usage period in December because
3 December's bill is larger than the bill in July is not justified. In both cases, the
4 customer received service for 31 days. Similarly, calculating and placing the bill in
5 the mail also should not be influenced by the billed revenues. Using the above
6 example, the time to process a bill in July should equal the processing time in
7 December and no weighting should be done.

8 **Q WHAT IS YOUR RECOMMENDATION REGARDING THE USAGE LAG AND THE**
9 **BILLING LAG FOR LACLEDE?**

10 A I recommend that the usage lag be set at 15.21 days (as described earlier in my
11 testimony) and that the billing lag be 1.92 for utility sales customers and 2.60 for
12 transportation customers, which has been adjusted for the reduced time (one day)
13 associated with automatic meter reading. In August of 2009, Laclede implemented
14 CellNet Automated Meter Reading which reduced the billing lag by one day.

15 **Q PLEASE DESCRIBE THE CONCERNS YOU HAVE WITH THE COLLECTION LAG**
16 **PROPOSED BY LACLEDE.**

17 A The collection lag proposed by Laclede is excessively long. Laclede proposes to
18 include a collection lag of 32.74 days for utility sales customers. Laclede's witness,
19 Glenn Buck, admits in his direct testimony that the proposed collection lag is nearly
20 five weeks after ratepayer bills are calculated. Mr. Buck goes on to provide examples
21 why the collection lag is "perfectly reasonable." However, Mr. Buck has provided no
22 quantitative analysis to justify or support the reasons why he asserts that the
23 collection lag of 32.74 days is reasonable.

1 Laclede's tariffs provide that customers are required to pay their bills within
2 specified periods of time. Residential customers are allowed 21 days to pay their bills
3 before late payment charges are applicable. Similarly, Commercial and Industrial
4 customers have 15 days to pay their bill before late charges are applied. In addition,
5 the Commission has a rule [4 CSR 240-13.020 (7)] which requires that customers are
6 allowed 21 days to pay their bills before a late payment charge can be enforced. To
7 suggest that, on average, every Laclede customer pays their bill approximately 11
8 days beyond the due date for Residential customers is an unreasonable assumption.

9 **Q DO YOU HAVE ANY HISTORICAL INFORMATION ABOUT THE PAYING HABITS**
10 **OF LACLEDE CUSTOMERS?**

11 A Yes, in several previous rate cases involving Laclede, customer samples have been
12 performed measuring the number of days it takes for customers to pay their bills.
13 These samples showed that customers paid their gas bills on average between 21
14 and 25 days.

15 **Q PLEASE DESCRIBE WHAT A CUSTOMER SAMPLE IS AS IT RELATES TO THE**
16 **COLLECTION LAG FOR UTILITY SALES CUSTOMERS.**

17 A A customer sample measures the actual days it takes customers to pay their bills
18 after the bills have been placed in the mail by Laclede. Generally, customer samples
19 trace payment habits for specific customers over a 12-month period. The customer
20 payments are dollar weighted by the number of days it takes the customer to pay
21 their bill. This product was summed for each customer in the sample and divided by
22 the sum of the amounts billed to each customer.

1 **Q PLEASE DESCRIBE THE COLLECTION LAGS THAT HAVE BEEN PREPARED**
2 **FROM HISTORIC CUSTOMER SAMPLES.**

3 A In Laclede Case No. GR-94-220, the Staff performed a customer sample which
4 produced a collection lag of 21.3 days. In that same case, the Staff calculated
5 another collection lag from a different customer sample and found that collection lag
6 to be 23.62 days. In Laclede's next rate case, Case No. GR-96-193, the Staff
7 performed another customer sample and derived a collection lag of 20.43 days, which
8 was later corrected to 21.07 days. In Laclede's next rate case, Case No. GR-98-374,
9 **Laclede** computed a customer sample which determined a collection lag of 25.4
10 days. Finally, in Case No. GR-2002-356, the Staff performed another customer
11 sample which derived a collection lag of 25.18 days. I have summarized the
12 customer samples and the respective cases in the following table:

<u>Laclede Customer Samples</u>	
<u>Case No.</u>	<u>Collection Lag</u>
GR-94-220	21.3 days 23.62 days
GR-96-193	21.07 days
GR-98-374	25.4 days
GR-2002-356	25.18 days
Average	23.31 days

13 As can be seen from the above table, the collection lags determined using a
14 customer sample are substantially less than the 32.74 days for utility sales customers
15 requested by Laclede in this rate case.

1 **Q DO YOU HAVE ANY OBSERVATIONS FROM THESE HISTORICAL CUSTOMER**
2 **SAMPLES?**

3 A Yes. In each of the five different customer samples, including one in which the
4 sample was solely determined by Laclede, the collection lags derived were in close
5 proximity with one another. It is quite clear that those customer samples are
6 significantly shorter than the collection lag currently proposed by Laclede. Five
7 different samples with different customers which continue to produce substantially
8 similar results must be given consideration in this rate case.

9 **Q WHAT DO YOU PROPOSE FOR THE COLLECTION LAG IN THIS CASE?**

10 A I propose to use the average of the customer samples from the above table. Taking
11 the average of those samples produces a collection lag of 23.31 days.

12 **Q DO YOU HAVE ANY OTHER CONCERNS WITH LACLEDE'S LEAD-LAG STUDY?**

13 A Yes, I contend that certain prepayments are being included in Laclede's case twice.
14 Therefore, Laclede is seeking a return on these prepayments twice in their rate base.
15 Specifically, I believe Laclede has included rents, postage, and possibly group
16 insurance in both their CWC requirement and the prepayments component of rate
17 base. Laclede has provided no documentation which shows that these items are not
18 included twice in their rate base. I contend that Laclede should only recover a return
19 on these prepayments once.

1 **Q ARE THERE ANY OTHER COMPONENTS OF THE LEAD-LAG STUDY WHICH**
2 **YOU WOULD LIKE TO ADDRESS?**

3 A Yes, there are two. First, I propose that the PSC assessment expense lag should be
4 reviewed to determine if a zero lag is indeed proper. Laclede has included a zero lag
5 for expense and only reflected the revenue lag for this expense item. I contend that
6 Laclede is given a payment option for this expense and thus an expense lag should
7 be calculated. However, if the expense is included as a prepayment in Laclede's
8 prepayment allowance, then this item should be removed from CWC.

9 Second, Laclede has included an amount of uncollectible expense in their
10 lead-lag study for which they seek CWC recognition. Requesting CWC recognition
11 for a non-cash item is a serious flaw in the Company's study. As was discussed
12 previously in this testimony, CWC is the amount of **cash** needed by Laclede to
13 perform the day-to-day operations of providing utility service. Uncollectibles, as the
14 title suggests, are revenues which are not collected from customers, hence non-cash.
15 To request CWC treatment for uncollectibles is wrong. I propose that the incremental
16 amount of uncollectibles be zeroed out of Laclede's lead-lag study.

17 **Q DO YOU HAVE A PRELIMINARY VALUE FOR THE ADJUSTMENTS YOU HAVE**
18 **DESCRIBED FOR THE CWC REQUIREMENT?**

19 A Yes, the following table provides an estimate of the base effect of the changes to
20 Laclede's lead-lag study that I have discussed in this testimony.

Laclede Gas Company

MIEC Adjustments to Laclede CWC Study

Line	Description	MIEC Amount		Rate Base Effect of Change
		Sales (1)	Transportation (2)	
1	Revenue Lag:			
2	Usage Lag	15.21 days	15.21 days	\$ (443,000)
3	Billing Lag	1.92 days	2.6 days	(104,000)
4	Collection Lag	23.31 days	NA	(23,945,000)
5	Postage Expense Lag	40.29 days		(363,000)
6	PSC Assessment Lag	40.29 days		(231,000)
7	Rents Expense Lag	40.29 days		(94,000)
8	Uncollectibles Expense Lag	40.29 days		(204,000)
9	Total Rate Base Effect of MIEC Changes to CWC			\$ (25,384,000)
10	MIEC Pre-Tax Rate of Return			9.87%
11	Revenue Requirement Impact of MIEC Changes to CWC			\$ (2,505,401)

1 Q HAVE YOU PREPARED A CWC SCHEDULE TO ILLUSTRATE YOUR
2 ADJUSTMENTS?

3 A Yes. Attached as Schedule GRM-1 to this direct testimony is a calculation of CWC
4 with my proposed adjustments. As can be seen from the schedule, incorporating my
5 adjustments decreases Laclede's proposed CWC requirement from a positive
6 \$17.351 million to a negative \$8.033 million.

1 **Propane Inventory**

2 **Q WHAT IS LACLEDE PROPOSING WITH REGARD TO PROPANE INVENTORY**
3 **WHICH HAS HISTORICALLY BEEN INCLUDED IN CUSTOMER RATES?**

4 A Laclede is proposing to remove the propane inventory from rates calculated through
5 Laclede's PGA clause and transfer those assets below-the-line for purposes of this
6 case.

7 **Q DO YOU SUPPORT THIS PROPOSAL?**

8 A No. The propane inventory has been a component of rates for many years. Prior to
9 Case No. GR-2005-0284, the propane inventory was included in Laclede's margin
10 rates which were included in its revenue requirement. In Case No. GR-2005-0284,
11 the propane inventory was transferred to the PGA clause. Laclede in this case now
12 proposes to remove the propane inventory from rates paid by ratepayers and treat
13 that inventory and related expenses as a below-the-line item.

14 **Q WHY ARE YOU OPPOSED TO THIS RATEMAKING TREATMENT?**

15 A Laclede made a sale of a portion of its inventory during the update period in this case.
16 By proposing to move the propane inventory below-the-line, Laclede would benefit
17 from the profits of that sale to the detriment of ratepayers. Furthermore, reviewing the
18 testimony of Laclede provides little justification why the propane inventory is no
19 longer needed for serving ratepayers. Mr. Yaeger devotes approximately nine lines
20 to describe this sudden departure from historic ratemaking treatment. Mr. Cline of
21 Laclede devotes even less testimony and relies on Mr. Yaeger's explanation as the
22 basis for moving the propane inventories below-the-line.

1 **Q WHAT IS YOUR PROPOSAL FOR TREATING THE PROFITS FROM THE SALE**
2 **OF PROPANE?**

3 A I recommend that the profits (\$5.96 million) must be flowed back to ratepayers over a
4 two-year period. This period is consistent with the period Laclede seeks to recover its
5 rate case expense. In this way, the ratepayers of Laclede will receive the benefit of
6 those profits since the rates they paid currently include recovery of those propane
7 inventories and expenses. Furthermore, if the market for the sale of propane gas has
8 now developed, there is no reason why those profits should not be retained for the
9 ratepayers of Laclede instead of benefitting Laclede's shareholders.

10 **Q DO YOU BELIEVE THE PROFITS OF THOSE SALES SHOULD FLOW TO**
11 **RATEPAYERS REGARDLESS OF HOW THE COMMISSION DETERMINES THE**
12 **FUTURE RATEMAKING TREATMENT OF THE PROPANE INVENTORY?**

13 A Yes, ratepayers are still funding that inventory and are entitled to any profits from
14 those sales until such time as they are removed from ratepayer rates.

15 **Q ARE YOU PROPOSING ANOTHER ADJUSTMENT TO THE PROPANE**
16 **INVENTORY?**

17 A Yes. In addition to not recognizing the profit from the sale of propane during the
18 updated period, Laclede's witness, Pat Krieger, is proposing to eliminate \$549,000 of
19 propane revenue booked during the test year. In addition, Laclede's witness, Glenn
20 Buck, sponsors an adjustment to eliminate test year propane expense of \$277,000.
21 Since I have proposed to continue to keep these assets in the PGA, I would propose
22 that the test year revenues and expenses continue to be included in cost of service.

1 Therefore, I am opposed to Ms. Krieger's and Mr. Buck's revenue and expense
2 disallowances.

3 **Q PLEASE SUMMARIZE YOUR POSITION REGARDING THE PROPANE**
4 **INVENTORY.**

5 A Laclede has not provided sufficient justification in their direct testimony to remove
6 propane inventory from the PGA clause. Therefore, I recommend that the profits
7 realized from the sale of propane be credited back to customers over a two-year
8 period, and the revenues and expenses recorded in the test year associated with
9 propane remain in the cost of service.

10 **Uncollectible Tracker**

11 **Q IS LACLEDE PROPOSING TO IMPLEMENT A TRACKER FOR**
12 **UNCOLLECTIBLES?**

13 A If the Commission rejects Laclede's arguments to move the gas portion of
14 uncollectibles into the PGA, then Laclede is requesting that an uncollectibles tracker
15 be implemented.

16 **Q DO YOU AGREE THAT AN UNCOLLECTIBLE TRACKER SHOULD BE**
17 **IMPLEMENTED?**

18 A No. I am generally opposed to the use of trackers for expense. I believe it is a
19 superior regulatory approach to consider all relevant factors when setting rates. To
20 selectively carve out portions of the total cost of service calculation to be tracked
21 separately deviates from the all relevant factor concept. Laclede has not filed a rate
22 case for approximately three years. Therefore, utilizing the all relevant factor

concept, it is clear that uncollectibles were not as significant when grouped with all other costs and operations of Laclede to cause them to file sooner. Laclede is merely seeking to protect one aspect of its cost of service in between scheduled rate cases. Laclede wants this protection regardless of the results from an all relevant factor test. Laclede's request should be denied.

Sales Revenues

Q PLEASE DESCRIBE LACLEDE'S PROPOSED SALES REVENUE ADJUSTMENT FOR CUSTOMER GROWTH.

A Laclede proposes to reduce test year revenues by approximately \$99 thousand to reflect projected loss of customers through March 2010. This loss of customers is projected for both the Residential and Commercial classes.

Q PLEASE DESCRIBE THE DIFFERENT DISTRICTS OF LACLEDE.

A Laclede divides its operations into four districts. Those districts are Laclede, St. Charles, MoNat, and Midwest. The Laclede district is the largest district in terms of customers. The St. Charles district is the next largest district, followed by the MoNat and Midwest districts.

Q WHAT IS LACLEDE PROPOSING FOR CUSTOMER GROWTH IN THESE DISTRICTS FOR PURPOSES OF THIS RATE CASE?

A Laclede is proposing that revenues should be annualized based on customer losses in both the Laclede and MoNat districts. Laclede has proposed to increase revenues for customer growth in the St. Charles and Midwest districts. These projections of customer levels by district apply to both the Residential and Commercial classes of

1 customers. When combining all districts, Laclede is proposing to reduce the level of
2 customers from those experienced during the test year for both the Residential and
3 Commercial classes.

4 **Q DO YOU AGREE WITH LACLEDE'S PROPOSAL TO REDUCE TEST YEAR**
5 **REVENUES FOR LOSS OF CUSTOMERS?**

6 A No. Laclede has not proven that the adjustment is reasonable. I have reviewed the
7 customer numbers only through January 31, 2010. I do not have the customer
8 information through March 31, 2010 to determine if an overall customer loss revenue
9 adjustment should be adopted.

10 **Q ARE THERE ANY ASSUMPTIONS BUILT INTO LACLEDE'S REVENUE**
11 **ANNUALIZATION THAT CONCERN YOU?**

12 A Yes, Laclede projects that its largest district (Laclede) and the MoNat district will
13 continue to lose customers for six months beyond the test year in this case. I have
14 concerns that at some point customer losses must stabilize. The Laclede and MoNat
15 districts customer levels must stabilize at some time. Furthermore, Mr. Yaeger of the
16 Laclede testified that, "its recent overall net growth in customers has averaged less
17 than one percent a year." This quote and the Company's revenue annualization do
18 not match. One cannot experience less than one percent **growth** in customers, yet
19 propose to reduce annualized revenues for purposes of the rate case. Therefore, I
20 am opposed at this time to a decrease in revenues until the positions of Laclede can
21 be reconciled and I have had the opportunity to review customer data through
22 March 31, 2010.

1 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

2 **A Yes, it does.**

Appendix A

Qualifications of Greg Meyer

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Greg Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q PLEASE STATE YOUR OCCUPATION.**

5 A I am a consultant in the field of public utility regulation with the firm of Brubaker &
6 Associates, Inc. (BAI), energy, economic and regulatory consultants.

7 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND
8 EXPERIENCE.**

9 A I graduated from the University of Missouri in 1979 with a Bachelor of Science Degree
10 in Business Administration, with a major in Accounting. Subsequent to graduation I
11 was employed by the Missouri Public Service Commission. I was employed with the
12 Commission from July 1, 1979 until May 31, 2008.

13 I began my employment at the Missouri Public Service Commission as a
14 Junior Auditor. During my employment at the Commission, I was promoted to higher
15 auditing classifications. My final position at the Commission was an Auditor V, which I
16 held for approximately ten years.

17 As an Auditor V, I conducted audits and examinations of the accounts, books,
18 records and reports of jurisdictional utilities. I also aided in the planning of audits and
19 investigations, including staffing decisions, and in the development of Staff positions
20 in which the Auditing Department was assigned. I served as Lead Auditor and/or

1 Case Supervisor as assigned. I assisted in the technical training of other auditors,
2 which included the preparation of auditors' workpapers, oral and written testimony.

3 During my career at the Missouri Public Service Commission, I have
4 presented testimony in nine electric rate cases, nine gas rate cases, seven telephone
5 rate cases and several water and sewer rate cases. In addition, I have been involved
6 in cases involving service territory transfers. In the context of those cases listed
7 above, I have presented testimony on all conventional ratemaking principles that are
8 related to a utility's revenue requirement. During the last three years of my
9 employment with the Commission, I was involved in developing transmission policy
10 for the Southwest Power Pool as a member of the Cost Allocation Working Group.

11 In June of 2008, I joined the firm of Brubaker & Associates, Inc. as a
12 Consultant. The firm Brubaker & Associates, Inc. provides consulting services in the
13 field of energy procurement and public utility regulation to many clients including
14 industrial and institutional customers, some utilities and, on occasion, state regulatory
15 agencies.

16 More specifically, we provide analysis of energy procurement options based
17 on consideration of prices and reliability as related to the needs of the client; prepare
18 rate, feasibility, economic, and cost of service studies relating to energy and utility
19 services; prepare depreciation and feasibility studies relating to utility service; assist
20 in contract negotiations for utility services, and provide technical support to legislative
21 activities.

22 In addition to our main office in St. Louis, the firm has branch offices in
23 Phoenix, Arizona and Corpus Christi, Texas.

LACLEDE GAS COMPANY - WITH MIEC ADJUSTMENTS
SUMMARY OF LAG TIME FROM PAYMENT OF EXPENSE UNTIL REVENUE IS RECEIVED
TEST YEAR ENDED SEPTEMBER 30, 2009
(Thousands of Dollars)

	Normalized 12 Month <u>Expenses</u>	Average Daily <u>Expense</u>	Lag Days From Day of Expense <u>To Day Paid</u>	Net (Lead)/Lag Days from Day Exp. Paid <u>To Day Rev. Rec'd</u>	Cash Required For Operating <u>Expenses</u>
Gas Costs					
Natural Gas	619,275	1,692.008	40.7	(0.4)	(694)
L.P. - Peaking	5,645	15.423	31.5	8.8	136
L.P. - Subdivision	101	0.276	50.8	(10.5)	(3)
Total Gas Costs	<u>625,021</u>	<u>1,707.707</u>			<u>(561)</u>
Labor and Related Expenses					
Wages - Contract	53,060	144.973	12.0	28.3	4,101
- Management	27,733	75.773	16.2	24.1	1,825
- Missouri Natural	6,252	17.082	13.0	27.3	466
Group Insurance	12,183	33.287	(2.4)	42.7	1,421
401 (k) Contributions	2,818	7.699	13.2	27.1	209
Pensions and Other Postretirement Benefits	27,124	74.109	52.6	(12.3)	(912)
Total Labor and Related Expenses	<u>129,170</u>	<u>352.923</u>			<u>7,110</u>
Other Expenses					
Materials and Supplies	3,846	10.508	24.1	16.2	170
Transportation	7,720	21.093	22.2	18.1	382
Natural Gas Costs to Operations	501	1.369	35.4	4.9	7
Utilities	1,078	2.945	26.0	14.3	42
Postage	2,864	7.825	40.3	0.0	0
Misc. Customer Accounts Expense	3,572	9.760	42.0	(1.7)	(17)
Uncollectible Accounts - Actual	13,792	37.683	182.5	(142.2)	(5,359)
Uncollectible Accounts - Adjustment	1,853	5.063	40.3	0.0	0
Fees - Misc. Services	2,767	7.560	92.6	(52.3)	(395)
MoPSC Assessment	2,099	5.735	40.3	0.0	0
Rents	825	2.254	40.3	0.0	0
Miscellaneous Expense	23,671	64.675	30.0	10.3	666
Total Expense	<u>64,588</u>	<u>176.470</u>			<u>(4,504)</u>
Incidental Oil Sales - Expense	<u>45</u>	<u>0.123</u>	67.3	(27.0)	<u>(3)</u>
Subtotal of Above Expenses	<u>818,824</u>	<u>2,237.223</u>			<u>2,042</u>
Taxes (Other Than Deferred Taxes)					
Distribution - Income Taxes	(1,198)	(3.273)	62.5	(22.2)	73
- Gross Receipts Taxes	50,603	138.260	*	(17.4)	(2,400)
- Employment Taxes	6,463	17.658	16.1	24.2	427
- Property Taxes	11,443	31.265	182.5	(142.2)	(4,446)
- Other Taxes	744	2.033	(1.0)	41.3	84
Total Taxes	<u>68,055</u>	<u>185.943</u>			<u>(6,262)</u>
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION, AMORTIZATION, AND DEFERRED TAXES	886,879	2,423.166			(4,220)
Sales Taxes	13,017	35.566	*	0.8	30
Employee Taxes Withheld	26,778	73.164	*	(13.6)	(992)
Interest Expense Offset - LTD	20,950	57.240	90.1	(49.8)	(2,851)
Interest Expense Offset - STD	<u>-</u>	<u>0.000</u>	12.4	27.9	<u>0</u>
TOTAL CASH WORKING CAPITAL ITEMS	<u>947,624</u>	<u>2,589.136</u>			<u>(8,033)</u>

* - Net (Lead)/Lag Days determined independently for these items. Incremental Change in Revenue