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MAR 11 1999

Missouri Public
Service Commission

Case No. GR-99-315

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

1. My name is Michelle T. Dorries. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Manager of Corporate Accounting for Laclede Gas Company.

2. Attached hereto and made a part hereof for all purposes is my direct testimony, consisting of pages 1 to 9, inclusive and Section C - Schedules 17, 19 and 24.

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

Michelle Dorries
Michelle T. Dorries

Subscribed and sworn to before me this 10TH day of March, 1999.

PATRICIA P. HICKS
Notary Public — Notary Seal
STATE OF MISSOURI
City of St. Louis
My Commission Expires: June 27, 2002

Patricia P. Hicks



Exhibit No.:

Issue:

Witness:

Type of Exhibit:

Sponsoring Party:

Case No.:

Accounting Schedules

Michelle T. Dorries

Direct Testimony

Laclede Gas Company

GR-99-315

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LACLEDE GAS COMPANY

GR-99-315

DIRECT TESTIMONY

OF

MICHELLE T. DORRIES



Direct Testimony of Michelle T. Dorries

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DIRECT TESTIMONY OF MICHELLE T. DORRIES

1 Q. Please state your name and business address.

2 A. My name is Michelle T. Dorries, and my business
3 address is 720 Olive St., St. Louis, Missouri 63101.

4 Q. What is your present position?

5 A. I am Manager of Corporate Accounting for Laclede Gas
6 Company.

7 Q. Please state how long you have held this position and
8 describe your responsibilities.

9 A. I was appointed Manager of Corporate Accounting in
10 July, 1994. The Corporate Accounting Department
11 maintains the books of the Company in accordance with
12 generally accepted accounting principles and the
13 rules and regulations of this Commission. Corporate
14 Accounting duties also include preparing reports to
15 the Securities and Exchange Commission, to stockhold-
16 ers, and to this Commission.

17 Q. What is your educational background?

18 A. I graduated from Southeast Missouri State University
19 in 1983 with the degree of Bachelor of Science in
20 Business Administration, majoring in accounting.

21 Q. Have you passed the Uniform CPA exam?

22 A. Yes, I passed the Uniform CPA exam in 1997.

1 Q. Will you briefly describe your experience with
2 Laclede prior to becoming Manager of Corporate Ac-
3 counting?

4 A. I joined Laclede in June, 1983 as an Accountant in
5 the Corporate Accounting Department. I was promoted
6 to Administrative Accountant in June, 1985 and trans-
7 ferred to Plant Accounting in February, 1986. In
8 June, 1988, I was promoted to Senior Accountant in
9 Corporate Accounting and held this position until
10 being promoted in July, 1994 to Manager of Corporate
11 Accounting.

12 Q. Are you a member of any professional societies?

13 A. Yes, I am a member of the American Institute of Certi-
14 fied Public Accountants and the Missouri Society of
15 Certified Public Accountants.

16 Q. Have you previously filed testimony before this Com-
17 mission?

18 A. Yes, I have, in Case No. GR-98-374.

19 Q. What is the purpose of your testimony in this case?

20 A. I am sponsoring rate base items and income statement
21 adjustments to several expense categories.

22 Q. Please list the schedules you are sponsoring.

23 A. The following schedules were prepared by me or under
24 my supervision: Section C, TEST YEAR UTILITY OPERAT-
25 ING INCOME STATEMENTS AND ADJUSTMENTS, Schedules 17,
26 19 and 24. These schedules provide supporting detail
27 for certain adjustments to test year utility operat-

1 ing income that I am sponsoring. These adjustments
2 are described later in my testimony.

3 Rate Base Adjustments

4 Q. What items are you sponsoring for inclusion in the
5 Company's original cost rate base (Schedule 1 of
6 Section A)?

7 Customer Deposits

8 A. I am sponsoring customer deposits as a deduction to
9 the Company's rate base. I have also included a
10 related customer accounts expense adjustment (Adjust-
11 ment 3.e. of Schedule 2 of Section C) to reflect the
12 impact of interest expense applied to customer depos-
13 its.

14 Customer Financing Programs

15 I am also sponsoring an item that reflects the impact
16 on rate base of the Insulation Financing and
17 EnergyWise Programs. The Insulation Financing Pro-
18 gram (IFP) is a program under which the Company
19 grants loans to eligible residential customers for
20 the purpose of making certain home energy conserva-
21 tion improvements. The EnergyWise Program is a pro-
22 gram under which the Company makes financing avail-
23 able to eligible residential and commercial customers
24 for the purchase and installation of high efficiency
25 natural gas heating equipment, air conditioners or
26 certain other energy-efficient appliances and related
27 equipment. An IFP loan balance of \$713,274, which is
28 the twelve month average of the test period ending

1 December 31, 1998, was included in rate base. In
2 previous rate cases, the maximum IFP loan amount of
3 \$2 million, which was the amount agreed to in the
4 settlement of Case No. GR-81-245, was included in
5 rate base. Also included in rate base is a
6 \$3,348,042 EnergyWise loan balance, which is the
7 twelve month average for the test year period ending
8 December 31, 1998. It should be noted that I have
9 also included a related miscellaneous revenue
10 adjustment (Adjustment 1.j., Schedule 2 of Section C)
11 to reflect the impact of the interest charges applied
12 to IFP and EnergyWise loans.

13 Adjustments to Utility Operating Income

14 Q. Please explain the adjustments you are sponsoring to
15 utility operating income.

16 A. I am sponsoring several adjustments to the income
17 statement. These adjustments appear on Schedule 2 of
18 Section C and are discussed below. I am also sponsor-
19 ing schedules that provide supporting detail to these
20 adjustments.

21 Customer Financing Programs

22 Q. Please discuss your operating expense adjustment
23 regarding the IFP and EnergyWise Program.

24 A. Adjustment 1.j. increases revenues to reflect inter-
25 est income from the IFP and EnergyWise Program. This
26 adjustment is consistent with the inclusion of loan
27 balances in rate base as I previously mentioned.

1 Customer Deposit Interest Expense

2 Q. Please discuss your adjustment to customer deposit
3 expense.

4 A. Adjustment 3.e. increases customer account expense to
5 reflect interest expense related to customer depos-
6 its. This adjustment is consistent with the inclu-
7 sion of customer deposit balances in rate base as I
8 previously mentioned.

9 Health Care Costs

10 Q. Please discuss your adjustment to health care costs.

11 A. Adjustment 4.e., detailed on Schedule 17 of
12 Section C, reflects increases in the cost of provid-
13 ing health care to current employees. This adjust-
14 ment reflects medical costs paid for the twelve
15 months ended December 31, 1998 increased to reflect
16 current cost levels.

17 Dental and Vision Insurance Costs

18 Q. Please discuss the adjustment made to dental and
19 vision insurance costs.

20 A. Adjustment 4.f., detailed on Schedule 17 of
21 Section C, reflects an increase in the cost of dental
22 insurance to reflect current cost levels. Adjustment
23 4.g., on Schedule 17, also reflects an increase in
24 the cost of vision insurance to reflect current cost
25 levels.

26 MPSC Assessment

27 Q. Please discuss your adjustment to Regulatory Commis-
28 sion Expense.

1 A. Adjustment 4.h., detailed on Schedule 17 of
2 Section C, increases Regulatory Commission expense to
3 the annual level of assessment as of July 1, 1998, as
4 subsequently revised by the Commission in Case No.
5 00-99-44.

6 Rent Expense

7 Q. Please discuss your adjustment to rent expense.

8 A. Adjustment 4.i., detailed on Schedule 17 of
9 Section C, increases rent expense to the annualized
10 January 1999 level based on the Company's lease agree-
11 ment for its main office.

12 Injuries and Damages

13 Q. Please describe your adjustment to injuries and damag-
14 es expense.

15 A. I have adjusted injuries and damages expense to the
16 actual level of cash payments made by the Company
17 during the test year ended December 31, 1998 (Adjust-
18 ment 4.k. on Schedule 2 of Section C). I believe
19 this period to be the best indication of the likely
20 level of payments during the period rates will be in
21 effect.

22 Merchandise Sales Personnel Salaries

23 Q. Please explain your adjustment relating to Merchan-
24 dise Sales personnel.

25 A. Adjustment 6.a., detailed on Schedule 19, removes
26 from cost of service the base salaries and associated
27 expenses of Merchandise Sales personnel.

1 Non-Utility Allocations

2 Q. Please discuss your adjustment relating to non-utility
3 allocations.

4 A. Adjustment 6.b., also detailed on Schedule 19, removes
5 from cost of service certain amounts related to
6 Laclede's non-utility operations, adjusting test year
7 expenses.

8 Q. Can you describe Laclede's non-utility operations?

9 A. Yes. Laclede operates several non-regulated subsidiaries.
10 These wholly owned subsidiaries, together
11 with a description of their current activities are as
12 follows:

13 Laclede Investment Corp.

14 Invests in other enterprises and has made loans
15 to several joint ventures engaged in real estate
16 development.

17 Laclede Energy Resources, Inc.

18 Natural gas marketer

19 Laclede Gas Family Services, Inc.

20 As a registered insurance agent in the State of
21 Missouri, promotes the sale of supplemental
22 hospitalization, accident, supplemental medicare
23 and life insurance.

24 Laclede Development Company

25 Participates in real estate development, primarily
26 through joint ventures.

1 Laclede Venture Corp.

2 Offers natural gas compression services to third
3 parties who use or sell compressed natural gas
4 for use in vehicles.

5 Additionally, Laclede is in the business of selling
6 gas appliances and other products at retail.

7 Q. How are costs for these non-utility operations record-
8 ed on Laclede's books?

9 A. Direct subsidiary and merchandise costs are charged
10 to the proper subsidiary or merchandise accounts.
11 Other costs associated with non-utility operations
12 are allocated from utility accounts to the "below-
13 the-line", non-utility accounts.

14 Q. Do Laclede's operations include any additional non-
15 regulated activities?

16 A. Yes. Laclede provides appliance repair service work
17 for its customers in its service area.

18 Q. How are these costs recorded on Laclede's books?

19 A. The treatment of these costs is addressed in the
20 direct testimony of P. A. Krieger.

21 Q. How did you arrive at your allocation adjustment?

22 A. Pursuant to the Stipulation and Agreement approved in
23 the Company's last rate case proceeding, the Company
24 has instituted an ongoing review and study of expense
25 allocations to non-utility operations. The alloca-
26 tion adjustment reflects a full-year effect of alloca-
27 tions based upon the findings of the review at this
28 time.

1 Laclede Pipeline Company

2 Q. Please discuss your Laclede Pipeline Company adjust-
3 ment.

4 A. Adjustment 10 (detailed in Schedule 24 of Section C)
5 includes estimated normalized income for Laclede
6 Pipeline Company. Adjustment 10 is made to include
7 such income as utility operating income in accordance
8 with past ratemaking treatment.

9 Q. Does this conclude your testimony?

10 A. Yes, it does.

