

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
3
4 TRANSCRIPT OF PROCEEDINGS
5 On-The-Record Proceeding
6 August 4, 2010
7 Jefferson City, Missouri
8 Volume 9
9

10 In the Matter of Laclede Gas)
Company's Tariff to Increase Its) File No. GR-2010-0171
11 Annual Revenues for Natural Gas)
Service)
12

13

14 DANIEL JORDAN, Presiding,
REGULATORY LAW JUDGE
15

16 ROBERT M. CLAYTON III, Chairman,
JEFF DAVIS,
17 TERRY JARRETT,
KEVIN GUNN,
18 ROBERT S. KENNEY,
COMMISSIONERS.
19

20

21 REPORTED BY:

22 KELLENE K. FEDDERSEN, CSR, RPR, CCR
MIDWEST LITIGATION SERVICES
23

24

25

1 APPEARANCES:

2 MICHAEL C. PENDERGAST, Attorney at Law
3 RICK ZUCKER, Attorney at Law
4 Laclede Gas Company
5 720 Olive Street
6 St. Louis, MO 63101
7 (314)342-0532

8 FOR: Laclede Gas Company.
9 SARAH MANGELSDORF, Assistant Attorney General
10 P.O. Box 899
11 Supreme Court Building
12 Jefferson City, MO 65102
13 (573)751-3321
14 sarah.mangelsdorf@ago.mo.gov

15 FOR: Missouri Department of Natural
16 Resources.

17 LISA C. LANGENECKERT, Attorney at Law
18 Sandberg, Phoenix & von Gontard, P.C.
19 600 Washington Avenue, 15th Floor
20 St. Louis, Missouri 63101
21 (314)231-3332
22 Llangeneckert@sandbergphoenix.com

23 For: Missouri Energy Group.

24 MARC D. POSTON, Senior Public Counsel
25 Office of the Public Counsel
P.O. Box 2230
200 Madison Street, Suite 650
Jefferson City, MO 65102-2230
(573)751-4857

FOR: Office of the Public Counsel
and the Public.

1 KEVIN THOMPSON, Chief Staff Counsel
2 LERA L. SHEMWELL, Deputy Counsel/Gas
3 JENNIFER HERNANDEZ, Legal Counsel
4 ERIC DEARMONT, Legal Counsel
5 SAM RITCHIE, Legal Counsel
6 Missouri Public Service Commission
7 P.O. Box 360
8 200 Madison Street
9 Jefferson City, MO 65102
10 (573)751-3234
11
12 FOR: Staff of the Missouri Public
13 Service Commission.
14
15
16
17
18
19
20
21
22
23
24
25

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

2 JUDGE JORDAN: Good morning everyone. The
3 Missouri Public Service Commission is calling File
4 No. GR-2010-0171, which is in the matter of Laclede Gas
5 Company's tariff to increase its annual revenues for
6 natural gas service.

7 I'm Daniel Jordan. I'm the Regulatory Law
8 Judge assigned to this case. The subject of this
9 proceeding is the second Stipulation & Agreement which was
10 filed August 3rd, 2010 at 5:27 in the evening. That
11 Stipulation & Agreement refers to an earlier Stipulation &
12 Agreement which was filed July 23rd of this year.

13 Here's what I have in mind. I will take
14 entries of appearance, and the stipulation, paragraph 16,
15 provides that Staff may provide such explanation to the
16 Commission as the Commission may want and authorizes Staff
17 to do so. If Staff needs to defer to a witness, I will
18 swear that witness in. And since this is part of a
19 contested case, witnesses will be subject to
20 cross-examination, though I hope by this point in the
21 proceeding we won't need any cross-examination.

22 The other parties will also have a chance
23 to address the issues if they wish, and the same procedure
24 will apply to them. That is, if they wish to defer to a
25 witness, I will swear the witness in and so on.

1 And with that, I will begin with entries of
2 appearances. We'll start with Laclede Gas Company.

3 MR. PENDERGAST: Thank you, your Honor.
4 Michael C. Pendergast and Rick Zucker appearing on behalf
5 of Laclede Gas Company. Our business address is 720 Olive
6 Street, St. Louis, Missouri 63101.

7 JUDGE JORDAN: Thank you. For the Staff of
8 the Missouri Public Service Commission.

9 MS. SHEMWELL: Thank you, Judge. Good
10 morning. Lera Shemwell, Sam Ritchie, Eric Dearmont,
11 Jennifer Hernandez and Kevin Thompson appearing on behalf
12 of the Staff of the Missouri Public Service Commission,
13 Post Office Box 360, Jefferson City, Missouri 65102.
14 Thank you.

15 JUDGE JORDAN: Thank you. For the Office
16 of the Public Counsel.

17 MR. POSTON: Thank you, Judge. Mark Poston
18 appearing for the Office of the Public Counsel and the
19 public, P.O. Box 2230, Jefferson City, Missouri 65102.

20 JUDGE JORDAN: Thank you. For the Missouri
21 Department of Natural Resources.

22 MS. KLIETHERMES: Sarah Mangelsdorf for the
23 Missouri Department of Natural Resources, P.O. Box 899,
24 Jefferson City, Missouri 65102.

25 JUDGE JORDAN: Thank you. For the Missouri

1 Industrial Energy Consumers. Anyone there for Missouri

2 Industrial Energy Consumers, also known as MIEC?

3 (No response.)

4 JUDGE JORDAN: All right. For the Missouri
5 Energy Group.

6 MS. LANGENECKERT: Yes. Thank you, Judge.
7 Lisa Langeneckert. I'll spell that for the court
8 reporter. L-a-n-g-e-n-e-c-k-e-r-t. Appearing on behalf
9 of the Missouri Energy Group, law firm of Sandberg,
10 Phoenix and von Gontard, 600 Washington Avenue,
11 15th Floor, St. Louis, Missouri 63101.

12 JUDGE JORDAN: Thank you. And our file
13 will reflect that as for USW Local 11-6, they filed and
14 the Commission granted a motion to be excused from this
15 proceeding.

16 I have no questions for counsel or the
17 parties with regard to this matter, so I will move this
18 matter to other questions from the Bench and open it up to
19 questions from the Commissioners.

20 CHAIRMAN CLAYTON: Judge, if you don't
21 mind, if I could ask a couple of preliminary questions.
22 I'd like to go ahead and ask Mr. -- I assume
23 Mr. Pendergast is going to speak for the company. Why
24 don't you come on up so we can get you on camera. And if
25 Staff, Ms. Shemwell, you're going to be the principal

1 Staff person, if you can scoot up.

2 Okay. I want to -- first of all, just
3 walking through a number of random issues, just looking
4 through the stipulation. First of all, basically although
5 this total agreement may represent an increase in base
6 rates of 31 million, the net effect is actually around
7 \$20 million?

8 MR. PENDERGAST: That's correct, once you
9 take ISRS into account.

10 CHAIRMAN CLAYTON: So 10 million are
11 already -- that amount on an annualized basis is already
12 being paid by customers?

13 MR. PENDERGAST: Almost 11, that's correct.

14 CHAIRMAN CLAYTON: And those reflect
15 infrastructure investments that meet the ISRS guidelines
16 and statutes?

17 MS. SHEMWELL: Already being collected
18 through a surcharge.

19 CHAIRMAN CLAYTON: So we're talking about a
20 net effect of a \$20 million increase in annual rates.
21 What is the percentage increase for a typical residential
22 customer?

23 MR. PENDERGAST: For a typical residential
24 customer, it would be just a little bit more than -- well,
25 it would be right at 2.6 percent, or about \$2.07 per

1 month.

2 CHAIRMAN CLAYTON: \$2.07 a month. And is
3 that based on a certain number of -- an average?

4 MR. PENDERGAST: That would be based on
5 885 therms.

6 CHAIRMAN CLAYTON: And is a therm, how is
7 that measured in billion or million cubic feet? Is a
8 therm the same thing as MMBtu?

9 MR. PENDERGAST: That's approximately
10 equivalent to 80.5 MMBtus.

11 MS. SHEMWELL: 100 CCF.

12 CHAIRMAN CLAYTON: 100 CCF. Okay.

13 MS. SHEMWELL: And that's average
14 residential usage, right?

15 MR. PENDERGAST: Yes.

16 CHAIRMAN CLAYTON: And then would the
17 percentage be the same for all classes of customers once
18 you leave the residential? Is the increase any -- does it
19 deviate from that 2.6 percent increase for other classes?

20 MR. PENDERGAST: No, not really. I mean,
21 we have an equal percentage increase to spread the
22 increase through all the customer classes, so roughly they
23 should be the same. Of course, when it comes to
24 transportation customers, it appears higher because they
25 have their cost of gas separate from our other customers.

1 But generally speaking, it's around -- Mike, do you have
2 any additional information on that?

3 CHAIRMAN CLAYTON: That -- yeah. I think
4 we'd have to swear him in. I don't need any more
5 specificity for right now.

6 In terms of the rate design, is this a
7 55 percent -- we're not going to a straight fixed
8 variable --

9 MS. SHEMWELL: That is correct, we are not.

10 CHAIRMAN CLAYTON: -- in a rate design? So
11 we have both the fixed monthly charge as well as a
12 volumetric rate for the non-gas cost of service; is that
13 correct?

14 MS. SHEMWELL: That is correct.

15 MR. PENDERGAST: That's correct.

16 CHAIRMAN CLAYTON: So what is the
17 percentage of the cost of service built into the fixed
18 monthly charge?

19 MR. PENDERGAST: Well, we're proposing to
20 increase the fixed monthly charge to \$19.50. If you'd
21 gone all the way to straight fixed variable, I think it
22 would have been about 34. So it would be whatever
23 percentage of 19.50 is to 34.

24 CHAIRMAN CLAYTON: Sounds like about
25 55 percent.

1 MR. PENDERGAST: Around there I would
2 think, yeah.

3 CHAIRMAN CLAYTON: Would Staff agree or
4 disagree with that characterization?

5 MS. SHEMWELL: Yes. I'm looking to a
6 numbers person over there.

7 CHAIRMAN CLAYTON: Did you get the nod from
8 the numbers person?

9 MS. SHEMWELL: Do I get the nod on 55?
10 Yes.

11 CHAIRMAN CLAYTON: The rate design is
12 basically following the traditional model that has been
13 used for the most part in years past and we're not moving
14 to a new rate design in St. Louis?

15 MS. SHEMWELL: In a sense, Commissioner,
16 that is true. However, it's packed into the first
17 30 therms generally. The margin cost is packed into the
18 first 30 therms, and then there's a smaller charge for any
19 therms beyond that. So it is a form of decoupling. It's
20 just not a straight fixed variable.

21 CHAIRMAN CLAYTON: Help me with that.

22 MS. SHEMWELL: Margin recovery is more
23 assured when you collect the margin on the first 30 therms
24 because almost everybody uses 30 therms a month. We've
25 had this in Laclede for at least the last --

1 COMMISSIONER DAVIS: Six, seven, eight
2 years.

3 MS. SHEMWELL: -- for some time.

4 MR. PENDERGAST: Yeah. This is basically a
5 continuation of our weather mitigation rate design which
6 actually preceded straight fixed variable. And under that
7 rate design, not to go into too much detail, but it's the
8 kind of rate design that not only provides you with
9 additional protection from changes in customer usage, but
10 it also has a mitigating impact on low use customers.

11 And I know from the debate you had over
12 straight fixed variable that concerns about low use
13 customers have been raised, and the way it benefits low
14 use customers compared to straight fixed variable is first
15 a component of it still is being collected on a usage
16 basis in the first therm. Now, admittedly it's a small
17 block, first 30 therms, but to the extent you have less
18 usage, that's a benefit to you because it's not all being
19 loaded in the customer charge.

20 And secondly, we have a two-block PGA rate,
21 and when we first proposed this rate design, the way we
22 protected low use customers was to the extent that we were
23 increasing costs in the first block, recovery in the first
24 block, we had an offset in the first block of the PGA,
25 which tended to go ahead and even things out for the low

1 use customer so that it wasn't really as much of an impact
2 as it would otherwise be.

3 And just to illustrate it a little bit, if
4 you look at what this increase does even with the increase
5 to 19.50 on the customer charge for the lowest use
6 customer, which would be somebody that has maybe just
7 cooking and drying and maybe water heating, it would
8 result in an increase that's about one-fifth of what it
9 would be if you went to a straight fixed variable because
10 of these offsetting mechanisms we have in the rate design.

11 CHAIRMAN CLAYTON: Where is the break?
12 Where's the break in the two blocks that you mentioned?

13 MR. PENDERGAST: 30 therms.

14 CHAIRMAN CLAYTON: And forgive me.
15 30 therms would be how many CCF?

16 MS. SHEMWELL: 30 therms is very low usage.
17 Do you know how many CCFs it is?

18 CHAIRMAN CLAYTON: So it's 30 to 30.

19 MR. PENDERGAST: Yeah.

20 CHAIRMAN CLAYTON: That's what I was just
21 confused about.

22 CHAIRMAN CLAYTON: Now, did Staff -- in
23 making its direct case, did Staff advocate for moving to a
24 straight fixed variable in this case?

25 MS. SHEMWELL: Staff supports straight

1 fixed variable.

2 CHAIRMAN CLAYTON: It did?

3 MS. SHEMWELL: Yes.

4 CHAIRMAN CLAYTON: And is this the first
5 case in which Staff has advocated for straight fixed
6 variable for Laclede?

7 MS. SHEMWELL: No. We did in the last rate
8 case as well.

9 CHAIRMAN CLAYTON: Are there any reasons
10 that would justify Laclede having a different rate design
11 than two of the -- I guess two of the other three large
12 natural gas utilities in the state from Staff's
13 perspective?

14 MS. SHEMWELL: If I could mention one other
15 thing about the rate design? It's on tariff sheet No. 2.
16 They collect a higher rate in the winter, so they have a
17 winter and a summer rate. Staff -- since this predated,
18 Staff was not going to object to an agreement between the
19 Public Counsel and the company on rate design if they were
20 both comfortable. We were not going to object.

21 We do see this as a form of decoupling so
22 that the company should continue to have an incentive to
23 promote energy efficiency programs, and we do have energy
24 efficiency programs in this case. They're not objecting
25 to that. They're not objecting to DNR's recommendations

1 in that respect. So we have a fairly decoupled rate
2 design. It's just not quite the same as straight fixed
3 variable. They're still collecting enough of their margin
4 costs that they're willing to support energy efficiency.

5 CHAIRMAN CLAYTON: Okay. So from Staff's
6 perspective, there is sufficient justification for the
7 Commission not to move to a straight fixed variable in the
8 Laclede jurisdiction?

9 MS. SHEMWELL: That's correct.

10 CHAIRMAN CLAYTON: Aside from just the
11 settlement, there's more characteristics of the rate
12 design that Laclede uses that would justify not going to
13 the straight fixed variable?

14 MS. SHEMWELL: I actually think it's the
15 fact that they're willing to engage in energy efficiency
16 that has allowed us to feel comfortable not pushing harder
17 for straight fixed variable since they are willing to do
18 that.

19 CHAIRMAN CLAYTON: I'm not necessarily
20 advocating for it. I just want to know why Laclede is
21 different than MGE, is different than Atmos, that sort of
22 thing.

23 On page 4 there's reference to the low
24 income energy assistance program, and it cites in 9B the
25 Low Income Program Review and Evaluation Team. How big is

1 that group, and can you give me an idea of who is on that
2 group, either of you?

3 MS. SHEMWELL: Well, OPC is on the group,
4 DNR, Staff. Henry does low income, and Lisa Jenkins does
5 energy efficiency. Ted Reinhart for the company. And is
6 Jackie on that group?

7 MR. PENDERGAST: She hasn't been actively
8 participating, but I think she will be as we unfold it in
9 the future.

10 COMMISSIONER KENNEY: Jackie from?

11 MR. PENDERGAST: HDC.

12 MS. SHEMWELL: Have I missed anyone?

13 CHAIRMAN CLAYTON: I guess my question is,
14 it sounds like the team members tend to be Jeff City
15 people as opposed to St. Louis people, and I guess do we
16 have -- and I don't mean just St. Louis, but the Laclede
17 territory. Do we have people within that service
18 territory participating in the low income planning group?

19 MR. PENDERGAST: I would say Jackie more
20 than anybody else, and we've had continuing discussions
21 over the years. Obviously in implementing the program,
22 you know, it's primarily Jackie that we implement it with.
23 So she gives us lots of feedback on the program and lots
24 of suggestions on how it might be changed or modified, and
25 not only for Laclede but, as you know, AmerenUE had a low

1 different possibilities in addressing affordability. And
2 we've done that in other cases, and we didn't really have
3 that chance to issue an order. Time got away, and we
4 didn't issue an order with Laclede. But there is a strong
5 component of low income energy assistance or at least
6 addressing the affordability issue.

7 I guess my concern, I guess I just want to
8 throw these things out, and I don't know the most
9 appropriate way of trying to explore these concepts, is
10 one, coordination with other utilities in the community.
11 Coordinating with Ameren I think is important. MGE and
12 KCP&L have joint programs that they have in place. I
13 think those are worthwhile, and I'd like to see those
14 explored.

15 The second point is engaging more people in
16 the St. Louis area, and Jackie's definitely a part of that
17 from -- is it HDC, the right acronym?

18 MR. PENDERGAST: Right.

19 CHAIRMAN CLAYTON: I think there are a
20 number of different agencies and NGOs or community action
21 groups that need to be engaged as well, maybe even someone
22 from the city that can be engaged on the issues that --
23 because there are a lot of dollars that don't flow through
24 our agency, they don't even -- they may not even go
25 through DNR but go through Social Services, and I'd like

1 to see coordination with these programs, and if we can
2 supplement or work with -- have this program work with
3 those programs, I think that would be the most efficient.

4 MR. PENDERGAST: Agreed.

5 CHAIRMAN CLAYTON: And then can you give me
6 an idea, how often does the Low Income Program Review Team
7 meet, and do they make actual formal recommendations? Do
8 they -- do you keep, I don't want to say minutes, that
9 formal, but do you set out policy positions? Would it be
10 possible for the Commission to get such positions when
11 those decisions are made so that we can chime in with
12 concerns that we might have?

13 MS. SHEMWELL: Laclede has agreed to put
14 out an agenda before every meeting. The agreement says
15 that they will meet within 60 days of approval of this and
16 discuss ideas and alternative programs. Coordinate with
17 Ameren is also part of the agreement, and I know consumer
18 services has a list of all of the parties that you've
19 mentioned in terms of who is available in the St. Louis
20 area to work on this. They, I suppose, would be advisory
21 members if they join, but that would be fine.

22 Any member of the low income review team,
23 or they call it the PRET, and it's on page 4 of the second
24 stip, can recommend changes to the program. I will say
25 that one of our goals in this is to spend money wisely and

1 to try to develop programs that are actually effective,
2 and OPC, of course, participates in that. And on page 5
3 of the second stip we agreed to try to look at all
4 developing measures for coordinating with Ameren and
5 looking at effective programs. So we will do that.

6 CHAIRMAN CLAYTON: Anything else to add?

7 MR. PENDERGAST: No. And, you know, we try
8 and be as inclusive as we can be, and certainly if anybody
9 from the Commission is interested in participating in
10 that, I think that would be entirely appropriate.

11 CHAIRMAN CLAYTON: When the notices go out,
12 would it be possible, I don't know if they go out through
13 EFIS or not, just making us aware somehow?

14 MS. SHEMWELL: Yes, sir.

15 CHAIRMAN CLAYTON: And I don't know once
16 the case is finished, whether it's appropriate for us to
17 participate, but I just -- rather than wait for the next
18 rate case to get a report back, I'd rather the
19 Commissioners have the ability to participate at some
20 level that will be appropriate.

21 MS. SHEMWELL: You can at least see the
22 agenda and we can then talk about.

23 CHAIRMAN CLAYTON: Okay. On the
24 conservation and energy efficiency programs that begin on
25 page 5, there's a dollar amount that's listed there, and

1 it looks like there is a funding goal that would ratchet
2 up to .5 percent of total operating revenues sometime
3 around 2013, and I just want to get an idea of where we
4 stand today, what percentage of revenues. There's a -- I
5 don't think this is HC. This isn't HC?

6 MR. PENDERGAST: No, it's not, and we've
7 had a ramping up process. We had the collaborative come
8 together as a result of our last rate case, and, you know,
9 it takes a while to go ahead and discuss what kind of
10 programs you want to put into effect and get the
11 evaluation set up and then actually launch the programs.

12 But we've been, I think, fairly successful
13 in ramping that up. I think in our last year, Ted, we
14 spent somewhere in the neighborhood of 900,000, and that's
15 going to continue to grow. And, of course, we've got a
16 target now of 1.7 million for the first year after. In
17 fact, we may not completely meet it, but we're certainly
18 going to go ahead and do what we can to try and reach that
19 goal.

20 And I should note that that 1.7 million is
21 in addition to the 950,000 plus 150,000 in administrative
22 costs that we have for our low income weatherization
23 program. So if you add the two together, we're really up
24 to about 2.8 million as a target to spend next year, and
25 that will ratchet up the next two years until hopefully we

1 can reach the goal of the 0.5.

2 MS. SHEMWELL: And that's about .3 percent.

3 MR. PENDERGAST: Yeah, this should be about
4 .3 percent.

5 COMMISSIONER KENNEY: 2.8 is .3 percent?

6 MS. SHEMWELL: Yes. I'm thinking the 950
7 is approximately around .2 percent.

8 MR. PENDERGAST: Yeah. That's subject to a
9 little bit of change because we're going to base it on our
10 three years worth of gross revenues and '10's still out.
11 so depending on how that turns out to be, it might be a
12 little bit more, a little bit less.

13 MS. SHEMWELL: Since gas costs are
14 included, of course, those fluctuate as well. So the
15 total revenue can fluctuate substantially depending upon
16 gas costs.

17 CHAIRMAN CLAYTON: Okay. On page 9 of the
18 first stipulation, this is going back in the packet, it
19 relates to affiliate transactions, annual reporting and
20 affiliate allocations and transactions. Does this
21 stipulation in any way affect the outstanding litigation
22 on the PGA case that relates to the affiliate?

23 MR. PENDERGAST: It does not. I think if
24 you look at Attachment C, it specifically says that issues
25 related to gas supply will be handled in the ACA process.

1 That said, you know, I think we had a very
2 good discussion in this case about the whole affiliate
3 transaction process, about what kind of information is
4 most helpful to Staff and other parties to make sure that
5 they can get comfortable with what allocations are being
6 made, and I'm personally hopeful at least that that can
7 provide a springboard for maybe sitting down and having
8 additional discussions on the gas supply stuff so that at
9 one point in the future we might be able to resolve that.

10 Certainly nobody's made any representations
11 that that is in the near offing, but I do think that we
12 had a good discussion and hopefully some good groundwork
13 for continuing that in the future.

14 CHAIRMAN CLAYTON: Anything you want to
15 add?

16 MS. SHEMWELL: I would say that this
17 relates primarily to allocations of corporate costs that
18 go to the affiliates, which is corporate types of services
19 that Laclede provides to its affiliates, and that these
20 reporting requirements are directed primarily to that.
21 And I was -- I'm pleased that we were able to work out at
22 least this portion of it, but it applies just to this
23 case.

24 CHAIRMAN CLAYTON: What is the effective
25 date for the tariff sheets?

1 MS. SHEMWELL: September 1 is what we're
2 suggesting that the Commission look at.

3 CHAIRMAN CLAYTON: So you're looking at an
4 effective date of September 1st, which would suggest we
5 need to get something voted out of here, what, ten days
6 ahead of that?

7 MS. SHEMWELL: That would be good.

8 CHAIRMAN CLAYTON: Okay. Do what we can.
9 Let me ask one other question.

10 MR. PENDERGAST: Sure.

11 CHAIRMAN CLAYTON: Since we're looking at
12 new rates that are going to go into the winter heating
13 season, what are Laclede's expectations for gas costs,
14 including what purchases you've already made, what are
15 consumers looking at with these rates plus what the cost
16 of gas is going to be for this coming winter heating
17 season?

18 MR. PENDERGAST: You know, you have caught
19 me at a disadvantage here because the one guy I didn't
20 bring was our gas supply guy. And, Mike, do you have any
21 information on that that you can share? I mean, I don't
22 think there's going to be a major change, but I haven't
23 looked at it recently.

24 MR. CLINE: Yeah. We're not expecting any
25 major increases in gas costs going into the coming winter.

1 They should be fairly moderate. It will be that coupled
2 with relatively modest increase in these base rates.

3 MS. SHEMWELL: Let me just note that we
4 will be getting that information to the Commission in a
5 different format soon.

6 CHAIRMAN CLAYTON: For all utilities, not
7 just Laclede?

8 MS. SHEMWELL: Yes.

9 CHAIRMAN CLAYTON: Mr. Poston, are you the
10 OPC guy in this case?

11 MR. POSTON: Yes.

12 CHAIRMAN CLAYTON: Do you have anything
13 that you'd like to add or perspective on the questions
14 that I've raised or anything else?

15 MR. POSTON: No, I don't. We can answer
16 any questions. We have a few witnesses out in the hallway
17 that are here.

18 CHAIRMAN CLAYTON: And you-all are a
19 signatory to this or is it just no opposition?

20 MR. POSTON: No. We signed.

21 CHAIRMAN CLAYTON: On the dotted line?

22 MR. POSTON: Yes.

23 CHAIRMAN CLAYTON: I don't have anything
24 else. Thank you.

25 MR. PENDERGAST: Judge, the only other

1 thing I'd like to mention is that I did receive an e-mail
2 and a phone call from Diana Vuylsteke today who indicated
3 that we were authorized to sign for MIEC. So we'll file
4 another page with her signature on it, so this is now, I
5 guess you could deem it a Unanimous Stipulation &
6 Agreement. Just wanted to let you know.

7 JUDGE JORDAN: Thank you.

8 MS. SHEMWELL: We also attached the tariff
9 sheets to the Second Stipulation & Agreement, and we would
10 expect few if any changes to that. Yes, it is unanimous.

11 CHAIRMAN CLAYTON: I don't have anything
12 else. Commissioner Davis?

13 COMMISSIONER DAVIS: Okay. So the
14 settlement is for 31.4 million?

15 MR. PENDERGAST: Yes.

16 COMMISSIONER DAVIS: 10.9 million is ISRS?

17 MR. PENDERGAST: Correct.

18 COMMISSIONER DAVIS: And then another
19 15.5 million is OPEBs?

20 MR. PENDERGAST: Pension and OPEB increased
21 funding requirements.

22 COMMISSIONER DAVIS: Pension and OPEBs?

23 MR. PENDERGAST: Actually, the 15.5 is
24 simply for pension, I believe, and then we have a separate
25 amount for OPEBs which is also stated in the agreement.

1 And just to put a little color around that, we worked with
2 our union about I think it was two years ago to try and
3 make some modifications to our pension program. We were
4 concerned that it wouldn't be sustainable over the long
5 term, and fortunately we were able to come to an agreement
6 with them to modify it so that you now have a cash balance
7 account for a portion of it and a soft freeze on the other
8 that really is designed to make it more sustainable over
9 the long term.

10 At the same time, you had the Pension Act
11 of 2006 which required that you accelerate recognition of
12 what it takes to go ahead and reach full funding, and
13 we've had obviously the same kind of downward market
14 impacts everybody else has. So that did necessitate a not
15 insignificant increase for pension funding to be
16 recognized in this case.

17 I'm pleased to report that we were able to
18 work with the Staff and our union, who's also a party to
19 this case and I think filed something on that yesterday
20 supporting the settlement, and then in particular that
21 doesn't get us all the way to where we need to be but made
22 a substantial contribution in that direction.

23 And to answer your question, it's 15.5
24 altogether for the pension itself.

25 COMMISSIONER DAVIS: Now --

1 MR. PENDERGAST: Now -- go ahead. I just
2 wanted to say, that's not a revenue requirement number,
3 though. That's how much we will be contributing to it.
4 But because a portion of that amount goes to transfers to
5 construction, you capitalize it. In other words, revenue
6 requirement amount is smaller than that 15.5.

7 MS. SHEMWELL: The figure for employees'
8 benefits when that employee is working on a particular
9 job, that goes to construction. That percentage of the
10 benefit goes to construction.

11 COMMISSIONER DAVIS: Okay. Because I'm --
12 you asked for 60 million?

13 MR. PENDERGAST: Yes.

14 COMMISSIONER DAVIS: And there's roughly
15 31 million -- you're getting 31 million?

16 MR. PENDERGAST: (Nodded.)

17 COMMISSIONER DAVIS: And then on top of
18 that, you're -- basically, you're able to shave off two
19 months of the time frame. So just assuming 31 million on
20 an annualized basis, that's roughly 2 and a half million a
21 month. So that gives you some additional income that you
22 wouldn't have otherwise, but -- so you're telling me that
23 of that 15. -- because it's --

24 MS. SHEMWELL: On page 3.

25 COMMISSIONER DAVIS: Looking here, I'm just

1 looking at the agreement.

2 MS. SHEMWELL: Page 3 of the second.

3 COMMISSIONER DAVIS: Yeah. You've got an
4 allowance of 15.5, with 13 attributable to the Laclede
5 division, 1.6 million attributable to Missouri Natural
6 division. So it's a \$31 million rate increase, roughly,
7 but yet in that not all of that 15.5 million that's in
8 there is really going to rates?

9 MR. PENDERGAST: Yeah, not being recognized
10 as current revenue requirement.

11 COMMISSIONER DAVIS: All right. Because
12 correct me if I'm wrong, but the stip is silent on ROE?

13 MR. PENDERGAST: Yes.

14 MS. SHEMWELL: Except for ISRS.

15 COMMISSIONER DAVIS: Except for ISRS.
16 Uncollectibles?

17 MR. PENDERGAST: Yes.

18 COMMISSIONER DAVIS: Depreciation?

19 MR. PENDERGAST: Well, it does set out the
20 depreciation rates. There were a few modest adjustments
21 made to several depreciation rates, but by and large most
22 of them are just a continuation of ones that are in
23 effect.

24 MS. SHEMWELL: The rates are in the
25 attachment.

1 COMMISSIONER DAVIS: Right. And then there
2 was no real reference to the propane revenues issue that
3 Staff raised as well as the affiliates disallowances?

4 MS. SHEMWELL: Propane sales is on page 8
5 of the Stipulation & Agreement. It is a reference to it.

6 COMMISSIONER DAVIS: That's in the first
7 stip. Okay.

8 MR. PENDERGAST: Yeah, Partial
9 Stipulation & Agreement.

10 COMMISSIONER DAVIS: All right.

11 MS. SHEMWELL: Would you like to see that?

12 COMMISSIONER DAVIS: Yes, if you've got it,
13 please. Okay. And then what about the -- what was the --
14 was there an agreement on affiliate expenses, how that was
15 apportioned?

16 MR. PENDERGAST: Well, there was an
17 agreement that was subsumed in overall dollar amount, and
18 in addition to that, we did have the specific provisions
19 that are in Attachment C to the Partial Stipulation &
20 Agreement that lay out various changes and tweaks to our
21 reporting requirements for the future relating to
22 affiliate transaction, additional information that the
23 Staff would like to see and that we were agreeable to
24 providing. So I think it basically got resolved through
25 being part of an overall dollar settlement and by agreeing

1 to these specific provisions that we'll be taking in the
2 future.

3 COMMISSIONER DAVIS: I noticed in this stip
4 there was a reference that there would be -- Laclede
5 wasn't going to seek any more cost recovery of the
6 2005-2006 emergency cold weather rule changes.

7 MR. PENDERGAST: Yes. Public Counsel had
8 raised that as an issue. Quite frankly, we had a lot of
9 discussions about it, a lot of negotiations about it, and,
10 you know, that also was part of the black box settlement,
11 like any other black box settlement.

12 COMMISSIONER DAVIS: Okay. And I don't
13 want to invade your block box settlement here. I'm just
14 trying to ascertain, because this settled, I -- this was a
15 smaller issue, and I did not review that portion of your
16 pleading. So did you have something in the rate case on
17 that issue? If so, how much was it?

18 MR. PENDERGAST: There was testimony filed
19 in the rate case. I think Staff had included in its case
20 approximately 1.5 million for both the one that was due to
21 expire in two years, that was from the emergency
22 amendment, and another 500,000 for the one that was
23 associated with the permanent amendment.

24 Public Counsel had testimony in which they
25 opposed recovery of those amounts. You can probably guess

1 where we fell down on the issue. And ultimately we
2 managed to come up with an overall dollar settlement that
3 allowed us to go ahead and say that we will not seek any
4 further --

5 COMMISSIONER DAVIS: You're going to write
6 those off?

7 MR. PENDERGAST: No. I'm pretty sure we're
8 not going to. But what we're doing is taking the position
9 that we've gotten fair value for what --

10 COMMISSIONER DAVIS: When you're saying
11 you're not writing it off, you're saying you've received
12 adequate compensation?

13 MR. PENDERGAST: Yes.

14 MS. SHEMWELL: As part of the black box.

15 MR. PENDERGAST: And that we will not be
16 seeking to do any further --

17 COMMISSIONER DAVIS: Further recovery in
18 the future.

19 MR. PENDERGAST: Right. Correct. Whatever
20 recovery from our perspective there is is in the rates in
21 this case.

22 COMMISSIONER DAVIS: All right.

23 MR. PENDERGAST: From our perspective.

24 COMMISSIONER DAVIS: All right. Thank you,
25 Mr. Pendergast. Thank you, Mr. Chairman. No further

1 questions.

2 COMMISSIONER JARRETT: I don't have any
3 questions. Thank you.

4 COMMISSIONER GUNN: I just have a couple
5 little questions. It's nothing big. On the partial stip
6 on page 3, we talk about Laclede furnishing data to
7 establish class cost of service and class infrastructure
8 studies. Everybody agrees with that? Does everybody
9 agree what that data is, what that -- what that means? I
10 mean, obviously people can object to data requests on an
11 individual basis, but is this meant to do anything other
12 than that's not done on a normal basis?

13 MS. SHEMWELL: I think that Staff generally
14 has a very good idea of what goes into class cost of
15 service studies for natural gas companies, and there are
16 lists, and this is not intended to change or alter that.
17 It's simply to provide current data so that Staff and any
18 other interested party can do a cost of service study.

19 MR. PENDERGAST: And I'd also note, this is
20 identical to a provision we had in our 2007, so people are
21 pretty familiar, I think, with what it is, and there
22 haven't been any problems.

23 COMMISSIONER GUNN: I just wanted to make
24 sure we were all on the same page.

25 There are a couple places in both

1 agreements where there are basically overages that are
2 contemplated, and you define an interest rate on page 7 of
3 the second stip. Is that consistent throughout? It says
4 in advanced -- annual rate equal to Laclede's average. Is
5 that the interest rate that's consistent?

6 MS. SHEMWELL: I'm sorry. Where are you?

7 COMMISSIONER GUNN: Page 7 of the second
8 stip, last line. Sorry.

9 MS. SHEMWELL: Yes. Laclede's short-term
10 debt, Laclede's average short-term debt cost.

11 COMMISSIONER GUNN: And that's consistent
12 throughout both stips? That's the -- I don't think it's
13 defined anywhere else

14 MS. SHEMWELL: Yes.

15 COMMISSIONER GUNN: I just want to make
16 sure that we're consistent where potential overages are
17 contemplated.

18 MR. PENDERGAST: Yeah.

19 COMMISSIONER GUNN: And then the low
20 income -- the low income, the company's contribution is
21 deferred, is that --

22 MR. PENDERGAST: It's put into a regulatory
23 asset just like the vast bulk -- well, the major portion
24 of our energy efficiency expenditures are also put into a
25 regulatory asset, and then when we come into our next rate

1 case, those will be eligible for recovery. In fact, if
2 you look at the Stipulation & Agreement, I think there was
3 some being recovered in this case associated with our
4 former pro-- or our existing program in both energy
5 efficiency and in low income.

6 COMMISSIONER GUNN: But 100 percent of that
7 low income funding Staff and everybody deems is
8 recoverable through rates?

9 MR. PENDERGAST: Yeah. I think that's
10 what's in the terms of not only this agreement but the
11 existing program which also continues and was addressed in
12 the 2007 stipulation.

13 MS. SHEMWELL: I think we all agree that
14 those should be prudently incurred expenses. We're going
15 to try to do our best to spend the money very wisely.

16 COMMISSIONER GUNN: In one of the previous
17 case there was a ratepayer portion that was contributed
18 and there was a shareholder portion that was contributed.
19 Here this is all -- it's all -- it's all ratepayer?

20 MS. SHEMWELL: This is all ratepayer.

21 COMMISSIONER GUNN: I think -- I think
22 that's all I have. There is this rate switching issue on
23 page 9 of the -- of the partial stip, and that
24 contemplates that if a customer comes in and complains
25 that they were switched or something, we can still make

1 the determination. The eligibility to be switched back,
2 is that determined both by Laclede and the Commission?

3 MS. SHEMWELL: I think what we anticipate
4 is that a customer in the C&I, commercial and industrial
5 class, would say I want to switch from two to three or
6 three to two. They would agree with the company, or the
7 company would come out and consult with them and they
8 could have a study and they would see which class is
9 applicable to them. Then they would remain in that class
10 until the next rate case.

11 We don't want customers being switched
12 back, and Laclede has agreed with that, that they won't
13 switch a customer back. So the initial -- I think
14 initially we contemplate that the customer will contact
15 Laclede and say, let's look at my rates and see if I fit
16 into a different class.

17 MR. PENDERGAST: Yeah. I think there's
18 probably two parts. Lera's just explained the second
19 part, which is on a prospective basis customers, as
20 they've always been free to do in the past, will be able
21 to come in and say, hey, look, given usage changes and
22 whatever, there's a different class that's more suitable
23 for me, more financially advantageous. So the extent they
24 do, well of course switch them to whatever rate class
25 they're eligible for and want to be on.

1 And then as part of this process, we will
2 also be moving customers into whatever class they're now
3 eligible for based on the existing rates that are going to
4 be approved in this case and what their usage has to be.
5 So we'll be basically doing both, but moving the customers
6 as a result of this case is kind of separate from
7 customers in the future being able to go ahead and decide
8 which rate they want to be on.

9 COMMISSIONER GUNN: I don't have anything
10 else. Thanks for your time. Appreciate it.

11 COMMISSIONER KENNEY: I just have a couple
12 follow-up questions regarding the -- the 2.8 million is
13 low income weatherization and energy efficiency, right?

14 MR. PENDERGAST: Yes.

15 COMMISSIONER KENNEY: And I think I just
16 heard you say that in the last rate case some of that was
17 attributable to shareholders and some was placed in the
18 regulatory asset and recoverable in rates, right?

19 MR. PENDERGAST: Well, actually, I think
20 that you may be confusing this maybe with Ameren. From
21 what I can recall, it's always been recoverable either in
22 rates or in a regulatory asset. I don't think we've made
23 an explicit contribution. We do make contributions to
24 Dollar Help and that sort of thing but not to a low income
25 program.

1 So essentially what you have is, on the
2 energy efficiency, you have built into rates 1.1 million,
3 which goes to the energy efficiency program plus
4 evaluation costs, and then to the extent we spend
5 1.7 million this next year and if we get up to a higher
6 level the next year and a higher level, we will go ahead
7 and be putting that in a regulatory asset, you know,
8 funding it pending consideration in a future case and
9 hopefully recovery.

10 COMMISSIONER KENNEY: And this is more of a
11 question for OPC. Is OPC comfortable with those
12 amounts --

13 MR. POSTON: Yes.

14 COMMISSIONER KENNEY: -- the .5 percent?

15 MR. POSTON: Yes, sir.

16 COMMISSIONER KENNEY: That's actually all I
17 have. Thank you.

18 MS. SHEMWELL: That's DNR's issue as well,
19 Department of Natural Resources.

20 COMMISSIONER KENNEY: DNR is comfortable
21 with that?

22 MS. MANGELSDORF: Yes.

23 COMMISSIONER KENNEY: Thank you.

24 JUDGE JORDAN: Any further questions from
25 the Bench?

1 (No response.)

2 JUDGE JORDAN: I'm not hearing any, so on
3 behalf of the Commission I will thank the parties for
4 being here in these uncharacteristically cramped quarters.
5 It's what we had available today. Thank you very much.
6 And we will go off the record, and we are adjourned.

7 WHEREUPON, the on-the-record presentation
8 was concluded.

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1

2

C E R T I F I C A T E

3

STATE OF MISSOURI

)

4

COUNTY OF COLE

)

) ss.

5

I, Kellene K. Feddersen, Certified

6

Shorthand Reporter with the firm of Midwest Litigation

7

Services, do hereby certify that I was personally present

8

at the proceedings had in the above-entitled cause at the

9

time and place set forth in the caption sheet thereof;

10

that I then and there took down in Stenotype the

11

proceedings had; and that the foregoing is a full, true

12

and correct transcript of such Stenotype notes so made at

13

such time and place.

14

Given at my office in the City of

15

Jefferson, County of Cole, State of Missouri.

16

17

Kellene K. Feddersen, RPR, CSR, CCR

18

19

20

21

22

23

24

25