

*Exhibit No.:*  
*Issues:* *Income Taxes*  
*Rate Base*  
*Rent, Lock box*  
*Depreciation Expense*  
*Witness:* *DOYLE L. GIBBS*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *True-Up Testimony*  
*Case No.:* *GR-99-315*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**TRUE-UP TESTIMONY**

**OF**

**DOYLE L. GIBBS**

**LACLEDE GAS COMPANY**

**CASE NO. GR-99-315**

*Jefferson City, Missouri*  
*October, 1999*

**FILED**

OCT 1 1999

Missouri Public  
Service Commission

1                                   **TRUE-UP TESTIMONY**  
2                                   **OF**  
3                                   **DOYLE L. GIBBS**  
4                                   **LACLEDE GAS COMPANY**  
5                                   **CASE NO. GR-99-315**  
6

7           Q.     Please state your name and business address.

8           A.     Doyle L. Gibbs, 815 Charter Commons Drive, Suite 100B, Chesterfield,  
9 Missouri 63017.

10          Q.     Are you the same Doyle L. Gibbs who has previously filed direct  
11 testimony in this case?

12          A.     Yes, I am.

13          Q.     What is the purpose of this testimony?

14          A.     The purpose of this testimony is to provide information regarding the  
15 current status of the Staff's recommended revenue requirement as a result of changes  
16 made during the pre-hearing and true-up.

17          Q.     What is the current revenue requirement recommendation of the Staff?

18          A.     The Staff's current revenue requirement recommendation ranges from  
19 \$2.850 to \$7.341 million as reflected on Accounting Schedule 1 of Staff True-up  
20 Accounting Schedules filed under separate cover.

21          Q.     Referring to the Staff True-up Accounting Schedules, have there been any  
22 changes in form or content from the accounting schedules that were filed in the Staff's  
23 direct case?

True-up Testimony of  
Doyle L. Gibbs

1           A.     Yes. On Accounting Schedule 1, Revenue Requirement, the estimated  
2 change for true-up has been eliminated because it is no longer necessary since the Staff  
3 has completed its true-up and a factor-up for bad debts has been included in the  
4 determination of gross revenue requirement. Plant additions have been identified by  
5 account number and shown as adjustments on Accounting Schedule 3, Plant In Service.  
6 The change to the depreciation reserve is presented as a single line item (Line 96) on  
7 Accounting Schedule 5, Depreciation Reserve. The only other changes made to the  
8 accounting schedules, besides the recalculation of amounts as a result of the true-up  
9 audit, are the inclusion of adjustments for facility locates, rate case expense and computer  
10 maintenance that were not part of the Staff's original filing. These adjustments are  
11 identified as S-11.3, S-15.28 and S-15.29 respectively in Accounting Schedule 10,  
12 Adjustments to Income Statement.

13           Q.     What did the Staff change from its original filing to arrive at the current  
14 revenue requirement recommendation?

15           A.     Schedule 1, attached to this testimony, reconciles, at the mid-point for the  
16 range of return on equity, the Staff's revenue requirement originally filed to its current  
17 true-up position. As in most cases, revisions were made during the pre-hearing process  
18 to reflect corrections and/or settlements reached between parties on potential issues.  
19 Schedule 1 summarizes the changes made to reflect the corrections and settlements as a  
20 result of the pre-hearing process and delineates the changes necessary to reflect the true-  
21 up of items affecting revenue requirement. It should be noted that the quantification of  
22 the true-up items listed on Schedule 1 attached to my testimony includes a gross-up for  
23 uncollectible accounts.

True-up Testimony of  
Doyle L. Gibbs

1 Q. How did the actual results of the true-up compare with the estimate the  
2 Staff included in its original filed case?

3 A. Actual results of the true-up were approximately \$500,000 less than the  
4 \$7.3 million allowance incorporated in the Staff's direct filed case. Although the overall  
5 results were less than anticipated, some of the items trued-up had a greater effect on  
6 revenue requirement than what was originally estimated, some less.

7 Q. What methodologies did the Staff employ in the performance of its true-up  
8 to quantify the effect of the items reviewed?

9 A. All the changes made by the Staff as a result of the true-up were made  
10 using methodologies consistent with those employed in its original filing except where  
11 necessary to: 1) correct for an error or, 2) reflect the negotiated settlement of an issue  
12 based on the Partial Stipulation and Agreement entered into during the pre-hearing  
13 conference.

14 Q. Could any of the changes made by the Staff during the true-up process be  
15 categorized as a correction of an error?

16 A. Yes. In its direct filing, the Staff's methodology to compute annualized  
17 payroll for contract employees included the development of an employee factor. That  
18 factor was intended to address the change in employee levels from the end of the  
19 historical test year, December 31, 1998 through the end of the up-date period, March 31,  
20 1999. During the true-up process it was discovered that the factor did not properly  
21 account for the employee change, and if calculated and applied as in the direct case,  
22 would significantly understate payroll expense. Other than the correction made in the

1 employee factor, all remaining methodology aspects of the annualized payroll calculation  
2 remained the same as in the original Staff's filing.

3 Q. Of the items listed On Schedule 1 attached to your testimony, two of them,  
4 plant related and payroll relate, would indicate that their value represents the effect of  
5 more than just a single item. Would you please identify what is included in the line item  
6 that is referred to as plant related?

7 A. The plant related changes include the true-up of:

- 8 • Utility plant additions
- 9 • Accumulated depreciation and amortization reserves
- 10 • Accumulated deferred income taxes related to plant in service
- 11 • Advances for construction
- 12 • Depreciation and amortization expense and
- 13 • The net plant investment in Laclede Pipeline Company (LPL) and the  
14 impact of that change on the net operating income of LPL

15 Q. What are the items encompassed in the change in revenue requirement  
16 associated with payroll?

17 A. Payroll was adjusted to reflect changes in salary levels, wage rates and  
18 employee levels as of August 1, 1999. Incorporated into the total effect of payroll  
19 reflected on Schedule 1 is the change in payroll taxes and Company 401k contributions  
20 related to the change in wages and the latest known cost of health care benefits. As  
21 previously stated, the method of calculating annualized payroll was modified to correct  
22 the factor to reflect the change in employee levels.

True-up Testimony of  
Doyle L. Gibbs

1           Q.     Are the Staff and Company in agreement as to the value of the true-up  
2 issues as presented on Schedule 1 attached to your testimony?

3           A.     Yes, with the exception of revenue for customer growth and capital  
4 structure. Staff witnesses Westerfield will be providing testimony regarding the customer  
5 growth issue and Staff witness Broadwater will address the issue on capital structure.

6           Q.     Does this conclude your testimony on true-up?

7           A.     Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

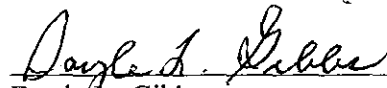
In the Matter of )  
Laclede Gas Company's Tariff )  
to revise Natural Gas Rate Schedules. )

Case No. GR-99-315

**AFFIDAVIT OF DOYLE L. GIBBS**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

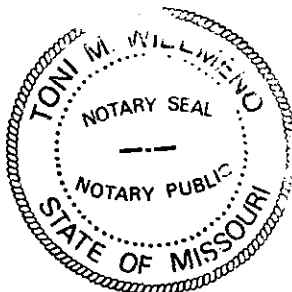
Doyle L. Gibbs, of lawful age, on his oath states: that he has participated in the preparation of the foregoing True-up Testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing True-up Testimony were given by him; that he has knowledge of the matters set forth in such answers, and that such matters are true and correct to the best of his knowledge and belief.

  
Doyle L. Gibbs

Subscribed and sworn to before me this 1st day of October 1999.



Toni M. Willmeno  
Notary Public, State of Missouri  
County of Callaway  
My Commission Expires June 24, 2000



**Laclede Gas Company  
Case No. GR-99-315**

**Reconciliation of Filed Case at Mid to True-up Position  
(000)**

<b>Original Revenue Requirement Filed Without Estimated Change For True-up</b>		\$ (9,178)
<b>Corrections and settled issues</b>		<u>7,503</u>
<b>Staff amended position at mid before true-up</b>		\$ (1,675)
<b>True-up changes</b>		
Plant related	\$ 4,973	
Customer deposits	(4)	
Revenue for customer growth	(712)	
Revenue for large customer rate switching	169	
Payroll related	1,967	
PSC assessment	(125)	
Facility locates	367	
Computer maintenance	285	
Rate case expense	14	
Capital structure	(347)	
Issuance cost	<u>227</u>	
Total changes for true-up		<u>6,814</u>
<b>Staff revised position after true-up</b>		\$ <u><u>5,139</u></u>