

Exhibit No.:
Issue(s):
Witness/Type of Exhibit:
Sponsoring Party:
Case No.:

Rate of Return
Burdette/True-Up
Public Counsel
GR-99-315

**TRUE-UP TESTIMONY
OF
MARK BURDETTE**

FILED
OCT 1 1999
Missouri Public
Service Commission

Submitted on Behalf of
the Office of the Public Counsel

LACLEDE GAS COMPANY

Case No. GR-99-315

October 1, 1999

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

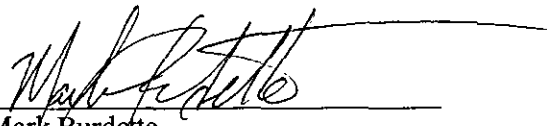
In the Matter of Laclede Gas Company's)
Tariff Sheets to Revise Natural Gas Rates) Case No. GR-99-315

AFFIDAVIT OF MARK BURDETTE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

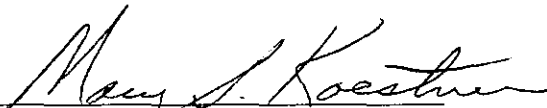
Mark Burdette, of lawful age and being first duly sworn, deposes and states:

1. My name is Mark Burdette. I am a Financial Analyst for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my true-up testimony consisting of pages 1 through 3 and Schedules MB-1(T) and MB-2(T).
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



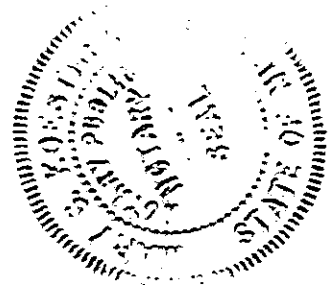
Mark Burdette

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



Mary S. Koestner
Notary Public

My commission expires August 20, 2001.



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A. Mark Burdette, P.O. Box 7800, Ste. 250, Jefferson City, Missouri 65102-7800.

A. Yes, I am.

A. I will comment on the capital structure and cost of capital for Laclede Gas Company for the true-up audit in this case.

A. Yes. I have prepared an analysis consisting of two schedules that is attached to this testimony (MB-1(T) and MB-2(T)). This analysis was prepared by me and is correct to the best of my knowledge and belief.

A. Yes. The capital structure as filed in my Direct, Rebuttal and Surrebuttal testimony should be adjusted to reflect Laclede's latest issuance of common stock and long term debt. Also,

1 the level of short-term debt will be updated through 31 July 1999. Laclede also had a
2 change in the level of preferred stock.

3 Q. WHAT WAS LACLEDE GAS COMPANY'S CAPITAL STRUCTURE AS OF 31 JULY
4 1999?

5 A. At 31 July 1999, Laclede's capital structure consisted of 50.70% common equity, 0.34%
6 preferred stock, 35.16% long term debt, and 13.80% short term debt. This capital structure
7 is shown on Schedule MB-1(T).

8
9 **COST RATES**

10 Q. WHAT IS THE APPROPRIATE EMBEDDED COST RATE FOR LACLEDE'S
11 PREFERRED STOCK?

12 A. The embedded cost rate is 4.96% for Laclede's preferred stock.

13 Q. WHAT IS THE APPROPRIATE EMBEDDED COST RATE FOR LACLEDE'S LONG
14 TERM DEBT?

15 A. The embedded cost rate is 7.67% for Laclede's long term debt. This is a change from the
16 7.78% cost of long term debt I filed in my direct testimony.

17 Q. WHAT IS THE APPROPRIATE EMBEDDED COST RATE FOR LACLEDE'S SHORT
18 TERM DEBT?

19 A. The embedded cost rate is 5.287% for Laclede's short term debt. This is a change from the
20 5.34% cost of short-term debt I filed in my direct testimony.

21 Q. HAVE YOU CHANGED YOUR RECOMMENDED COST OF COMMON EQUITY FOR
22 LACLEDE?

23 A. No. My recommended return on equity for Laclede remains 9.70%.

RATE OF RETURN

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Q. HAS THE OVERALL RATE OF RETURN (WEIGHTED AVERAGE COST OF CAPITAL) FOR LACLEDE GAS COMPANY CHANGED AS A RESULT OF THE CHANGES YOU'VE MADE FOR THE TRUE-UP AUDIT?

5

A. Yes. The rate of return has changed to 8.36% from 8.34%. This change is a cumulative

6

change resulting from the changes in capital structure components and embedded costs.

7

Q. DOES THIS END YOUR TESTIMONY?

8

A. Yes, it does.

BURDETTE - TRUE-UP
GR-99-315 Laclede Gas Company

Laclede Gas Company
Capital Structure

	As of 7/31/99	
	<u>Amount</u>	<u>Percent</u>
Common Stock Equity	\$ 291,738,842	50.70%
Preferred Stock	\$ 1,958,250	0.34%
Long Term Debt	\$ 202,335,995	35.16%
Short Term Debt	\$ 79,429,639	13.80%
	<hr/>	
	\$575,462,726	100.00%

Sources: Updated data as supplied by Company.

BURDETTE - TRUE-UP
GR-99-315 Laclede Gas Company

Laclede Gas Company
Weighted Average Cost of Capital

	<u>Amount</u>	<u>Percent</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Common Stock Equity	\$291,738,842	50.70%	9.70%	4.92%
Preferred Stock	\$1,958,250	0.34%	4.96%	0.02%
Long Term Debt	\$202,335,995	35.16%	7.67%	2.70%
Short Term Debt	\$79,429,639	13.80%	5.287%	0.73%
	<u>\$575,462,726</u>	<u>100.00%</u>		<u>8.36%</u>

Weighted Average Cost of Capital: 8.36%

Pre-Tax Interest Coverage

	<u>Weighted Cost</u>	<u>Pre-tax Weighted Cost</u>	<u>Tax Factor:</u>
Common Stock Equity	4.92%	7.97%	1.62
Preferred Stock	0.02%	0.03%	
Long Term Debt	2.70%	2.70%	
Short Term Debt	0.73%	0.73%	
Total	<u>8.36%</u>	<u>11.42%</u>	

Pre-tax weighted cost: 11.42%

Cost of Debt: 3.43%

Pre-Tax Interest Coverage (Long term and Short term debt): 3.33 times

Pre-Tax Interest Coverage (Long term debt only): 4.23

Pre-Tax Interest Coverage calculated as follows: After-tax costs of common equity and preferred stock were grossed up by the tax rate to arrive at pre-tax weighted costs. Total pre-tax weighted cost of capital was then divided by cost of long and short term debt to calculate number of times total pre-tax return covered debt expense.

Source: Schedule MB-1(T), data updates from Company.

Schedule MB-2(T)