Exhibit No.: Issues: Witness: Sponsoring Party: MoPSC Staff

Emergency Cold Weather Rule AAO Line of Credit Fees JOHN P. CASSIDY Type of Exhibit:Surrebuttal TestimonyCase No.:GR-2010-0171Date Testimony Prepared:July 20, 2010

## **MISSOURI PUBLIC SERVICE COMMISSION**

# UTILITY SERVICES DIVISION

## SURREBUTTAL TESTIMONY

OF

**JOHN P. CASSIDY** 

## LACLEDE GAS COMPANY

**CASE NO. GR-2010-0171** 

Jefferson City, Missouri July 2010

1	SURREBUTTAL TESTIMONY		
2	OF		
3	JOHN P. CASSIDY		
4	LACLEDE GAS COMPANY		
5	CASE NO. GR-2010-0171		
6	Q. Please state your name and business address.		
7	A. John P. Cassidy, 111 North 7th Street, Suite 105, St. Louis, MO 63101.		
8	Q. Are you the same John P. Cassidy who sponsored sections in the Missouri		
9	Public Service Commission (Commission) Staff's (Staff) Revenue Requirement Cost of		
10	Service Report and also filed direct testimony in support of the Staff's Revenue Requirement		
11	Cost of Service on May 10, 2010 and rebuttal testimony on June 24, 2010?		
12	A. Yes, I am.		
13	Q. What is the purpose of your surrebuttal testimony?		
14	A. The purpose of this surrebuttal testimony is to respond to the rebuttal		
15	testimony of Laclede Gas Company (Company) witness James A. Fallert regarding his		
16	comments about the interest associated with the emergency cold weather rule AAO. My		
17	surrebuttal testimony will also address a concern raised in the rebuttal testimony of Company		
18	witness Glenn W. Buck regarding the mechanics of treating the short-term line of credit fees		
19	as additional interest cost.		
20	INTEREST ASSOCIATED WITH EMERGENCY COLD WEATHER RULE AAO		
21	Q. Please respond to Company witness Fallert's concern, addressed on page 7 on		
22	lines 13 through 19 of his rebuttal testimony, that the Staff has omitted interest cost that was		

1 accumulated subsequent to September 30, 2007 associated with the cold weather rule as 2 described in the Commission Order in Case No. GU-2007-0138.

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Since the time of Staff's filing of the Revenue Requirement Cost of Service A. 4 Report the Company has provided additional information to the Staff regarding the interest that has accumulated from September 30, 2007 through March 31, 2010. Based on this information, I have updated the accumulated deferred balance associated with the Cold Weather Rule Amendment from Case No. GU-2007-0138. As a result the Staff has increased the amortization of the deferred cost by \$26,205 in the cost of service calculation. 9 The Staff believes that this inclusion of interest associated with the cold weather rule resolves 10 this matter with the Company.

11

## LINE OF CREDIT FEES

12 Q. Has the Staff corrected its direct filed case to address line of credit fees that 13 were incurred during the test year?

14 A. Yes. Staff witness Zephania Marevangepo has recommended that short-term 15 debt costs, including reasonable line of credit fees, should be included with the recovery of 16 short-term debt. To be consistent with this recommendation, the Staff has updated its cost of 17 service calculation to remove line of credit fees that were incurred during the test year. At the 18 time of its direct filing the Staff had omitted this adjustment and has since had discussions 19 with Company witness Buck in order to explain the need for this adjustment.

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**Q**. How would the Staff recommend that reasonable line of credit fees be recovered?

22 A. Since these line of credit fees are a cost of securing short term debt, these fees should be treated as additional interest in the calculation of the short term debt rate. Short 23

### Surrebuttal Testimony of John P. Cassidy

term debt is primarily incurred as funding for purchased gas, but can also fund construction 1 2 work in progress (CWIP). As a result, a portion of the line of credit fees will be included in CWIP as applicable and the remainder would be included as part of the short term carrying costs that are already included in the PGA process. The Staff also recommends that the Company provide a copy of all contracts that support all line of credit fees that they will be seeking to recover through the PGA process.

Q.

Does this conclude your surrebuttal testimony?

- 8
- A. Yes, it does.

#### **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

### AFFIDAVIT OF JOHN P. CASSIDY

STATE OF MISSOURI	)	
	)	SS.
COUNTY OF COLE	)	

John P. Cassidy, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the foregoing Surrebuttal 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.

John P. Cassidy

Subscribed and sworn to before me this

2010. day of

Notar∳ Public

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri **Commissioned for Cole County** My Commission Expires: December 08, 2012 Commission Number: 08412071