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Impacts/Conditions
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Gas Company
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THE LACLEDE GROUP, INC

LACLEDE GAS COMPANY

GM-2013-0254

DIRECT TESTIMONY

OF

STEVEN L. LINDSEY

JANUARY 14, 2013

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- Q. Please state your name and business address.
- A. My name is Steven L. Lindsey, and my business address is 720 Olive Street, St. Louis, Missouri 63101.
- Q. By whom are you employed and in what capacity?
- A. I am employed by The Laclede Group, Inc. (“LG”) as the Executive Vice President and Chief Operating Officer for Distribution Operations and by Laclede Gas Company (“Laclede Gas”) as its President.
- Q. How long have you been with LG and Laclede Gas?
- A. I officially joined LG and Laclede Gas on October 1 of 2012.
- Q. Where were you employed prior to joining Laclede Gas?
- A. Prior to joining Laclede Gas, I was employed by AGL Resources, Inc. or its subsidiaries for nearly 24 years. Most recently, I served as Senior Vice President, Southern Operations of AGL Resources, Inc. and President of its Atlanta Gas Light, Chattanooga Gas and Florida City Gas subsidiaries since December 2011. In these roles, I managed the operations, top-line growth and strategic affairs of the utilities. Before assuming that role, I served as Vice President and General Manager of Atlanta Gas Light and Chattanooga Gas from 2005 to 2011, overseeing the day-to-day operations and market development of the utilities. Prior to that, I held a variety of positions within Atlanta Gas Light, including: Managing Director – marketing, new business & marketer services; Managing Director, field operations; Manager, engineering & new construction supervisor; Distribution Engineer; and Commercial and Industrial Representative.
- Q. What is your educational background?

1 A I am a graduate of the Georgia Institute of Technology, where I received a bachelor's
2 degree in mechanical engineering.

3 Q. Have you testified in other regulatory proceedings?

4 A. Yes. As part of my responsibilities with my prior employer, I had an opportunity to
5 submit testimony in a number of regulatory proceedings on a variety of regulatory issues.

6 **PURPOSE OF TESTIMONY**

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

8 A. The purpose of my direct testimony is to provide certain background information
9 regarding LG and Laclede Gas and to discuss the operational impacts of Laclede Gas'
10 proposed acquisition of the assets of Missouri Gas Energy ("MGE") from Southern
11 Union Company ("SUG") and explain why those impacts will not be detrimental to the
12 public interest. I will also discuss the conditions that Laclede Gas has proposed to ensure
13 that this transaction will not be detrimental to the public interest.

14 **BACKGROUND**

15 Q. Please describe Laclede Gas.

16 A. Laclede Gas is a public utility currently engaged in the distribution of natural gas to the
17 public and conducts business in Missouri in those areas of the state certificated to it by
18 the Commission. LG is the corporate parent of Laclede Gas. Specifically, Laclede Gas
19 provides natural gas service to approximately 630,000 customers in the St. Louis,
20 Missouri Metropolitan area and surrounding counties in Eastern Missouri.
21 Consequently, Laclede Gas is a "gas corporation" and "public utility" as those terms are
22 defined in §386.030(18) and (43) RSMo and, as such, is subject to the supervision of the
23 Commission as provided by law.

1 Q. Does Laclede Gas have any pending actions or final unsatisfied judgments or decisions
2 against it from any state or federal agency or court which involve customer service or
3 rates occurring with three years immediate preceding the filing of this Joint Application?

4 A. No.

5 Q. Is Laclede Gas current with regard to its annual report and assessment fee obligations to the
6 Commission?

7 A. Yes.

8 **OPERATIONAL IMPACTS**

9 Q. Are you familiar with the standard employed by the Commission for determining whether
10 it should approve a transaction like the one under consideration in this proceeding?

11 A. Yes. I have been advised by legal counsel that the Commission must approve such a
12 transaction if it finds that it will not be detrimental to the public interest.

13 Q. Does the transaction under review in this proceeding satisfy this standard?

14 A. I believe it does in all respects. The focus of my direct testimony, however, will be on
15 the operational impacts of the proposed transaction on the quality, safety and reliability of
16 utility service and why those impacts warrant a determination that the transaction will not
17 be detrimental to the public interest.

18 Q. What is the basis for your statement that the Transaction will not have a detrimental
19 impact on the operations of the post-acquisition operations of MGE or on the quality,
20 safety and reliability of service received by MGE's customers?

21 A. The proposed sale, transfer and assignment of the involved assets and liabilities to
22 Laclede Gas will not have a detrimental impact because the Transaction will not result in
23 any reduced level of service or reliability for the involved Missouri customers presently

1 being served by SUG through its MGE operating division. Those customers will see no
2 change or interruption in their day-to-day gas utility service and will continue to be
3 served effectively and efficiently. Laclede Gas is fully qualified, in all respects, to own
4 and operate the assets being transferred and to otherwise engage in the business of
5 providing natural gas service for the public in the areas in question subject to the
6 Commission's jurisdiction. Moreover, MGE's employees will be offered the opportunity
7 to be employed by Laclede Gas in order to operate the business and continue to provide
8 service to customers in a seamless, safe and adequate manner.

9 Q. Will Laclede Gas also assume all gas supply, transportation, storage, and other contracts
10 necessary to maintain quality utility service for MGE's customers?

11 A. Yes. Our intent is to ensure that the Transaction is seamless for MGE's customers and all
12 steps necessary to achieve that will be taken.

13 Q. Why do you believe that the Transaction will also provide operational and service
14 benefits for customers?

15 A. Laclede Gas and MGE both have field and administrative personnel with substantial
16 experience and expertise in the operational functions needed to provide natural gas
17 safely, reliably and in a manner designed to meet our customer's expectations. If there is
18 any meaningful difference at all between the workforces and operational approaches of
19 the two Companies, it would be that Laclede Gas has typically done more of its
20 construction-related field work "in house" as opposed to contracting out a significant
21 portion of this work. Laclede Gas has also had a greater share of its corporate support
22 and other administrative functions provided by in house personnel located at its
23 headquarters in St. Louis. These differences, however, are relatively modest in

1 comparison to the substantial LDC operational knowledge, experience and expertise that
2 Laclede Gas and MGE share. Given these shared traits, I am convinced that the
3 operational performance of each company would only be enhanced by combining the two
4 companies, their respective assets, and, most importantly, the skill sets and best practices
5 of their employees.

6 Q. Why do you believe that integrating the two companies would enhance operational
7 performance?

8 A. Because I know from experience that when different companies with different
9 approaches to a particular function or activity combine their operations, opportunities
10 abound to identify, exchange and implement the practices that are most cost effective and
11 responsive to customer needs. While every business needs to constantly evaluate
12 whether there are changes in its practices or procedures that can and should be made in
13 order to improve service or make it more efficient – a process that Laclede Gas
14 undertakes on a routine basis – a combination of the kind contemplated here brings with
15 it a far more comprehensive review of each company’s existing practices, together with a
16 unique opportunity to assess which practices have, in fact, been most effective in those
17 instances where there are differences. Whether the evaluation concerns gas procurement
18 practices, customer call center procedures, field work, customer metering and billing
19 practices, or the manner in which corporate support services are provided, there is almost
20 always something positive that can be learned and implemented as the result of such
21 analyses. While many of them cannot even be identified today, I am certain that such a
22 process will also result in meaningful operational benefits once the two companies are
23 integrated.

1 Q. Are there other reasons why you believe that the combination of these companies would
2 have a favorable rather than detrimental impact on MGE's operational performance in the
3 future?

4 A. Yes. It has been my experience that another key driver of superior operational
5 performance is a company's willingness to invest in the infrastructure and technology
6 necessary to provide service in a manner that meets the needs and expectations of its
7 customers.

8 Q. Is there anything to suggest that Laclede Gas would not make the investments necessary
9 to achieve this goal for MGE's customers?

10 A. No. In fact, Laclede Gas has repeatedly demonstrated its willingness to make such
11 investments.

12 Q. Can you provide some examples of where it has done so?

13 A. I will briefly describe two of the more significant and recent examples of our
14 commitment in this regard. The first relates to our most basic service obligation of all,
15 namely the obligation to keep our system safe and secure, for both our customers and the
16 public generally. One of the most important initiatives we've undertaken recently in
17 furtherance of that obligation is the acceleration of our cast iron main replacement
18 program. Just a few years ago, we were replacing cast iron main at a rate of about 6 or 7
19 miles per year. Over that past two years, however, we have increased our replacement
20 rate by nearly fivefold, to the point where we replaced more than 30 miles of cast iron
21 main this past fiscal year. By accelerating the program in this fashion, we are making
22 our system safer more quickly, becoming more efficient in how we go about doing the
23 replacement work, and reducing customer inconvenience by lessening the number of leak

1 calls to which we have to respond and repair. Above all else, we are making the strategic
2 investments in our distribution system in a way and at a pace that demonstrates our robust
3 commitment to meeting the needs of our customers.

4 Q. What is the second example you referenced?

5 A. The second example involves our design and implementation of a new enterprise-wide
6 information management system (“EIMS”). By the time it is fully implemented, this
7 new system will touch in one way or another over 80% of the Company’s business
8 functions, including our accounting and reporting systems, customer billing and call
9 center, supply chain, payment processing and work management. Although the capital
10 outlays for this system are equivalent to what the Company used to spend annually on its
11 entire capital budget, Laclede Gas did not hesitate to invest in this information
12 technology platform when it became apparent that such an expenditure was needed to
13 maintain high quality and efficient utility service for our customers.

14 Q. What does this track record say about the likely impact of the proposed acquisition on the
15 operational needs of the two companies?

16 A. I think it demonstrates that far from raising any concerns regarding the future quality,
17 safety, or reliability of the utility service being provided by the companies, approval of
18 the transaction would create the opportunity for Laclede Gas to bring its approach to the
19 acceleration of cast iron main and investment in the technologies required to maintain
20 outstanding customer service to other areas of the State. That is clearly an outcome that
21 promotes the public interest, including the interests of our current and future customers.

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1 **OPERATIONAL CONDITIONS**

2 Q. Has Laclede Gas proposed operational conditions in order to assure the Commission that
3 MGE customers will not see a decline in the quality of their natural gas service?

4 A. Yes, our proposed conditions are attached as Appendix 3 of the Joint Application and
5 Schedule MDW-1 to the direct testimony of Laclede witness Mark Waltermire.

6 Q. Please describe your understanding as to what these conditions require.

7 A. In terms of operational requirements, the conditions impose a number of customer service
8 performance standards and reporting obligations relating to MGE’s call center activities.
9 These include standards for average abandoned call rates and average speed of answer, as
10 well as reporting requirements relating to both these activities and MGE’s experience
11 with virtual hold technology. We are also willing to provide the Staff and the Office of
12 the Public Counsel (“OPC”) with a full and complete explanation of any significant
13 increase in the annual average number of complaints/inquiries received by the
14 Commission should such an increase occur.

15 Q. Do the conditions also mandate certain customer service operating procedures?

16 A. Yes they do, including the obligation to ensure that the quality of MGE’s credit and
17 collection and service restoral practices are maintained or even enhanced and that such
18 practices comply with applicable Commission rules, the obligation to use bill tests to
19 ensure bill accuracy, and the requirement to maintain MGE’s automated meter reading
20 system. These conditions also require MGE to notify Staff and OPC of any substantive
21 changes in customer service procedures in call center operations and staffing, customer
22 billing, meter reading, customer remittance, credit and collections, and connections and
23 disconnection.

1 Q. Is Laclede Gas willing to accept and ensure that MGE complies with these conditions on
2 a going forward basis?

3 A. Yes, we are.

4 Q. Is Laclede Gas also willing to ensure MGE's obligation under these conditions to
5 identify: (a) personnel responsible for handling Commission complaints and ensure they
6 have proper authority, (b) after hours contact personnel, and (c) management employee(s)
7 accountable for ensuring MGE employees are trained in and maintain a working
8 knowledge of Missouri customer service rules and regulations?

9 A. Absolutely. Ensuring employee proficiency in these critical areas will continue to be a
10 high priority for the Company. Consistent with the conditions approved by the
11 Commission and its own historical practice, Laclede Gas will ensure that MGE continues
12 to participate in LIHEAP. We will also make sure that MGE continues to provide Staff
13 and OPC with monthly reports regarding abandoned call rate and average speed of
14 answer performance, customer service organization charts, customer service staffing,
15 number of estimated bills (including consecutive estimates), a list of customer pay station
16 locations, and actual Missouri jurisdictional bad debt write-off by customer class,
17 including the dollar amount written off, number of accounts written off and revenue by
18 customer class.

19 Q. Will Laclede Gas also ensure that MGE complies with those conditions relating to the
20 procurement of interstate and intrastate pipeline transportation services?

21 A. Yes. In making decisions regarding interstate or intrastate pipeline transportation and
22 storage capacity, we commit that MGE will continue to evaluate alternatives with the
23 objective of minimizing cost while obtaining adequate assurances of reliability. We also

1 commit to having MGE continue to conduct a formal, comprehensive evaluation as
2 deemed necessary by MGE but no less frequently than every three years. This evaluation
3 will be submitted and presented to Staff, OPC, and other interested parties subject to the
4 protections found in 4 CSR 240-2.135 and/or 4 CSR 240-2.085.

5 Q. Do you believe that Laclede Gas' commitment to comply with these conditions warrants
6 expeditious approval of the proposed transaction?

7 A. Yes. As described in MGE witness Rob Hack's testimony, these conditions were drawn
8 from conditions previously agreed to by SUG and approved and adopted by the
9 Commission in a number of recent cases, including the recent SUG/Energy Transfer
10 merger. The conditions provide for substantive operational, financial, structural and rate
11 protections for customers. Accordingly, I respectfully urge the Commission to make
12 such a finding and approve the transaction as expeditiously as possible.

13 Q. Does this conclude your direct testimony?

14 A. Yes, it does. Thank you.