

*Exhibit No.:*

*Issue:*

*Accounting Schedules, Rate Base,  
Plant in Service, Adjustments to  
Plant in Service, Depreciation  
Reserve, Cash Working Capital,  
Interest on IFP & EWP,  
Depreciation Expense, Cost of  
Removal, Advertising, Postage  
Expense, Property Taxes, MO  
Franchise Taxes, Postage  
Expenses, Regulatory Expenses,  
Outside Services*

*Witness:*

*Paula Mapeka*

*Sponsoring Party:*

*MoPSC Staff*

*Type of Exhibit:*

*Direct testimony*

*Case No.:*

*GR-2007-0208*

*Date Testimony Prepared:*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**PAULA MAPEKA**

**LACLEDE GAS COMPANY**

**CASE NO. GR-2007-0208**

Jefferson City, Missouri

*May 2007*

**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-2007-0208

**AFFIDAVIT OF PAULA MAPEKA**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Paula Mapeka, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 2 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

  
\_\_\_\_\_  
Paula Mapeka

Subscribed and sworn to before me this 2nd day of May 2007

  
\_\_\_\_\_  
Notary Public



ASHLEY M. HARRISON  
My Commission Expires  
August 31, 2010  
Cole County  
Commission #08888878

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Q. Please state your name and business address.

A. My name is Paula Mapeka. My business address is Governor Office Building, Suite 440, 200 Madison Street, Jefferson City, MO 65102.

Q. By whom are you employed and in what capacity?

A. I am a Utility Regulatory Auditor with the Missouri Public Service Commission (Commission or PSC).

Q. Please describe your educational background.

A. I graduated with a Masters degree in Business Administration (MBA) from Lincoln University, Jefferson City, Missouri in August 2005. I attained a Bachelor of Science degree in Accounting from Lincoln University in May 2004.

Q. Please describe your employment history.

A. Prior to employment with the Commission, I was employed by the Department of Health and Senior Services. I assumed my current position as a Utility Regulatory Auditor with the Commission in March 2006.

Q. What are your responsibilities with the Commission?

A. I am responsible for assisting in the audits and examinations of the books and records of regulated utility companies operating within the state of Missouri.

1           Q.     What knowledge, skill, experience, training or education do you have in these  
2 matters?

3           A.     In addition to my MBA and degree in Accounting, I have acquired knowledge  
4 of the audit topics assigned to me through the review of the Staff's testimony and workpapers  
5 from previous rate cases involving Laclede Gas Company (Laclede or Company), as well as  
6 materials from rate cases filed by other Missouri jurisdictional utilities. I have reviewed in-  
7 house training materials on the topics assigned to me in this proceeding. I have also reviewed  
8 prior Commission decisions regarding these areas. I have reviewed the Company's  
9 testimony, workpapers and responses to the Staff's data requests addressing these topics. My  
10 immediate supervisor and other senior auditors have provided guidance and training in these  
11 areas and oversight of my work.

12          Q.     Did you make an examination and analysis of the books and records of Laclede  
13 in regard to issues raised in this case?

14          A.     Yes, in conjunction with other members of the Commission Staff (Staff), I  
15 specifically examined and analyzed the following documentation: the Company's filed  
16 testimony, the Company's responses to Staff data requests, general ledger information related  
17 to my assigned issues and Company workpapers.

18          Q.     Have you previously filed testimony before this Commission?

19          A.     Yes, I filed testimony in Case No. ER-2006-0315, The Empire District Electric  
20 Company; and Case No. GR-2006-0422, Missouri Gas Energy. A listing of the issues I  
21 addressed in testimony in those cases can be found in Schedule 1, attached to my Direct  
22 testimony.

**EXECUTIVE SUMMARY**

Q. Please give a brief summary of your Direct testimony in this case.

A. The purpose of this Direct testimony is to address Staff's proposed treatment of various rate base items in this case, including plant in service, depreciation reserve and cash working capital.

The Staff's income statement adjustments supported within this testimony include advertising, property taxes, Missouri franchise taxes, amortization expenses, rents and leases, cost of removal, PSC assessment, rate case expenses and lockbox fees.

Each of these items will be discussed in turn in my testimony.

Q. What Staff accounting schedules and adjustments are you sponsoring?

A. I am sponsoring the following accounting schedules:

<u>Accounting Schedule</u>	<u>Description</u>
Schedule 2	Rate Base
Schedule 3	Plant in Service
Schedule 4	Adjustments to Plant in Service
Schedule 5	Depreciation Reserve
Schedule 6	Adjustments to Depreciation Reserve
Schedule 7	Depreciation Expense
Schedule 8	Cash Working Capital

Q. What adjustments are you sponsoring?

A. I am sponsoring the following Income Statement adjustments:

Insulation Financing Income:	S-7.1
Energy Wise Financing Income:	S-7.2
Depreciation Expenses:	S-17.1

1	Cost of Removal:	S-12.3
2	Advertising:	S-15.3 & S-16.12
3	Postage Expense:	S-13.4
4	Rents and Leases:	S-16.17
5	Amortization Expenses:	S-18.1
6	Property Taxes:	S-19.3
7	MO Franchise Taxes:	S-19.5
8	PSC Assessment:	S-16.14
9	Rate Case Expenses:	S-16.16
10	Outside Services	S-16.22

11 **RATE BASE**

12 Q. Please describe Accounting Schedule 2, Rate Base.

13 A. This Accounting Schedule represents the investment upon which the Company  
14 is allowed to earn a rate of return. This Accounting Schedule includes the Company's  
15 adjusted jurisdictional plant in service balance from Accounting Schedule 3, Total Plant in  
16 Service, and deducts the Company's adjusted jurisdictional depreciation reserve (Accounting  
17 Schedule 6) to compute the net plant in service amount. Added to net plant in service are  
18 amounts for cash working capital, materials and supplies, prepayments and prepaid pension  
19 asset. Rate base deductions include the federal income tax offset, state income tax offset,  
20 interest expense offset, customer advances for construction, customer deposits and deferred  
21 income taxes. The mathematical total of these items is the rate base amount incorporated in  
22 the gross revenue requirement recommendation shown on Accounting Schedule 1, Revenue  
23 Requirement.



1     **MATERIALS AND SUPPLIES**

2             Q.     What are materials and supplies?

3             A.     These are small dollar assets intended for use in the utility business for  
4 construction, operation and maintenance activities. Materials and supplies are stored in  
5 inventory by the utility and are dispensed as needed.

6             Q.     Please describe the Staff's treatment of materials and supplies.

7             A.     The Staff used a 13-month average balance method ending March 31, 2007, to  
8 normalize or smooth out variations for purposes of determining the value of materials and  
9 supplies to include in rate base. March 31, 2007, is the endpoint of the Staff's test year update  
10 period in this proceeding.

11     **PREPAYMENTS**

12            Q.     What are prepayments?

13            A.     These are goods or services a company pays for in advance of their intended  
14 use in order to obtain the goods or services for the utility to carry out its normal operations.  
15 Such items include, but are not limited to, insurance, taxes, rents, interest and other  
16 miscellaneous items.

17            Q.     Please describe the Staff's treatment of prepayments.

18            A.     As there were variations or fluctuations in the balances of Laclede's  
19 prepayment accounts throughout the audit period, the Staff used a 13-month average balance  
20 method for the period ending March 31, 2007, to normalize or smooth out these variations for  
21 purposes of determining the value of prepayments to include in rate base.

1     **SPECIAL DEPOSITISTS**

2             Q.     What are special deposits and how are they treated for rate purposes?

3             A.     These are amounts paid to municipalities or counties that are required before  
4     Laclede can begin construction activities on city or county land. The special deposits amount  
5     in rate base is the balance at March 31, 2007.

6     **INSULATION FINANCING AND ENERGY WISE PROGRAMS**

7             Q.     What are the Insulation Financing Program (IFP) and the Energy Wise  
8     Programs (EWP) and how are they treated for rate purposes?

9             A.     These are programs whereby Laclede will provide its customers with financing  
10     through interest-bearing loans to make improvements to their properties in order to achieve  
11     greater energy conservation.

12            The Staff used the balance as of March 31, 2007, for the EWP as representative on a  
13     forward going basis, in relation to the upward trend in the EWP monthly balances. The Staff  
14     used a 13-month average balance ending March 31, 2007, for the IFP to normalize or smooth  
15     out these variations for purposes of determining the value to include in rate base.

16    **INTEREST REVENUE FOR LOAN PROGRAMS**

17            Q.     Please explain Income Statement adjustments S-7.1 and S-7.2.

18            A.     Adjustments S-7.1 and S-7.2 include interest revenue for Laclede's IFP and  
19     EWP. The IFP currently permits a residential customer to borrow up to \$2,000 from Laclede  
20     at a 3% annual rate for the purpose of insulating their home. The EWP allows a 7.5% annual  
21     rate to commercial and residential customers for heating/cooling appliance equipment  
22     package purchases.

1     **CUSTOMER ADVANCES**

2             Q.     Please describe the customer advances amount that is deducted from rate base.

3             A.     Customer advances are funds provided by customers to cover certain specific  
4 costs incurred by the Company on behalf of these customers. These funds represent interest -  
5 free money to the Company; therefore, it is appropriate to include the funds as an offset to  
6 rate base. The customer advances amount in rate base is the balance at March 31, 2007.

7     **PLANT IN SERVICE**

8             Q.     Please discuss Accounting Schedule 3, Plant In Service, and Accounting  
9 Schedule 4, Adjustments to Plant In Service.

10            A.     Accounting Schedule 3, Plant In Service, provide the detail for the Staff's  
11 utility gas plant in service rate base component. The adjustments on Accounting Schedule 4,  
12 Adjustments to Plant in Service, are sponsored by Staff Auditing witness Kimberly K. Bolin.

13     **DEPRECIATION RESERVE**

14            Q.     Please discuss the accounting schedules supporting depreciation reserve.

15            A.     Accounting Schedule 5, Depreciation Reserve, provides the detail of the  
16 accumulated depreciation related to the plant balances on Accounting Schedule 3. The  
17 purpose of Accounting Schedule 6, Adjustments to Depreciation Reserve, is to provide the  
18 detail of any adjustments made to the depreciation reserve. The Staff adjustments to the  
19 depreciation reserve on Accounting Schedule 6 are sponsored by Staff Auditing witness Mark  
20 L. Oligschlaeger and Kimberly K. Bolin.

21     **DEPRECIATION EXPENSE**

22            Q.     Please explain Accounting Schedule 7, Depreciation Expense.

1           A.     This Accounting Schedule calculates the annual depreciation expense applied  
2 to the Company's plant in service. Column D contains the depreciation rates approved for the  
3 Company by the Commission in Laclede's last rate proceeding, Case No. GR-2005-0284.  
4 The rates in Column D are then applied to the plant balances in Column C to determine the  
5 annualized level of depreciation expense that appear in Column E.

6     **COST OF REMOVAL**

7           Q.     Please explain Income Statement adjustment S-12.3

8           A.     Adjustment S-12.3 adjusts the actual cost of removal amount expensed by the  
9 Company in the test year in account 874.200. This adjustment is appropriate because, per  
10 past Commission Orders, cost of removal is no longer treated as an expense for ratemaking  
11 purposes, but is now treated as a component of depreciation expense.

12     **CASH WORKING CAPITAL**

13          Q.     What is cash working capital (CWC)?

14          A.     CWC is the amount of cash necessary for the Company to pay the day-to-day  
15 expenses incurred to provide gas service to Laclede's customers.

16          Q.     Where are the results of the Staff's CWC analysis?

17          A.     The results of the Staff's CWC analysis can be found on Accounting  
18 Schedule 8, Cash Working Capital.

19          Q.     Is the method you used to calculate Laclede's CWC requirement the same  
20 method the Staff has used in previous rate cases?

1           A.     Yes, the method has been used by the Staff and adopted by the Commission in  
2 numerous rate proceedings dating back to the 1970s, including the Company's most recent  
3 rate cases.

4           Q.     How did the Staff determine the CWC requirement?

5           A.     The Staff calculated the CWC requirement by performing a lead/lag study.

6           Q.     What is the purpose of a lead/lag study?

7           A.     The lead/lag study determines the amount of cash that is necessary on a day-to-  
8 day basis in order for Laclede to provide service to its ratepayers. The lead/lag study analyzes  
9 the cash flows related to the payments received from the Company's customers for the  
10 provision of service and the disbursements made by the Company to its suppliers and vendors  
11 for goods and services necessary to provide gas service. The lead/lag study takes into account  
12 the number of days it takes Laclede to make payments after receiving goods or services from  
13 a vendor, compared with the number of days it takes the Company to receive payments for the  
14 gas service provided to its customers. A lead/lag study also determines who provides CWC.

15          Q.     What are the sources of CWC?

16          A.     The shareholders and the ratepayers are the sources of CWC.

17          Q.     How do the shareholders supply CWC?

18          A.     When Laclede spends cash to pay for an expense before the ratepayer provides  
19 the cash, the shareholders are the source of the funds. This cash represents a portion of the  
20 shareholders' total investment in the Company. The shareholders are compensated for the  
21 CWC funds by the inclusion of these funds in the rate base, thereby providing a return on  
22 their investment.

23          Q.     How do the ratepayers provide CWC?

1           A.     Ratepayers supply CWC when they pay for the gas service received before  
2     Laclede pays for expenses incurred in providing that service. The ratepayers are compensated  
3     for the funds supplied through a reduction to rate base by the amount of CWC the ratepayers  
4     provide.

5           Q.     How should lead/lag studies be interpreted?

6           A.     A positive CWC requirement indicates that in the aggregate, the shareholders  
7     provide the CWC for the test year. This also means that, on the average, the Company paid  
8     the expenses incurred to provide the gas service to the ratepayers before the ratepayers in turn  
9     paid for that service.

10          A negative CWC requirement indicates that, in the aggregate, the ratepayers provide  
11     the cash working capital during the test year. This means that, on average, the ratepayers paid  
12     for their gas service before the Company paid the expense incurred to provide that service.

13          Q.     Please explain the components of the Staff's calculation of CWC, which  
14     appear on Accounting Schedule 8, Cash Working Capital.

15          A.     The components of the Staff's calculation are as follows:

- 16               1)     Column A (Account Description): lists the types of cash expenses  
17                       which the Company pays on a day-to-day basis.
- 18               2)     Column B (Test Year Expenses): provides the amount of annualized  
19                       expense included in the cost of service. It shows the dollars associated  
20                       with the items listed in Column A on an adjusted Missouri  
21                       jurisdictional basis.
- 22               3)     Column C (Revenue Lag): indicates the number of days between the  
23                       midpoint of the provision of service by the Company and the payment

1 for the service by the ratepayer. The revenue lag addressed in this case  
2 is explained later in this Direct testimony.

3 4) Column D (Expense Lag): indicates the number of days between the  
4 receipt of and the payment for, the goods and services (i.e., cash  
5 expenditures) used to provide service to the ratepayer. The expense  
6 lags addressed in this case are discussed later in this Direct testimony.

7 5) Column E (Net Lag): results from the subtraction of the Expense Lag  
8 (Column D) from the Revenue Lag (Column C).

9 6) Column F (Factor): expresses the net lag in days as a fraction of the  
10 total days in the test year. This is accomplished by dividing the net lags  
11 in Column E by 365.

12 7) Column G (CWC Requirement): represents the average amount of cash  
13 necessary to provide service to the ratepayer. This is computed by  
14 multiplying the annualized amount in the Test Year Expenses (Column  
15 B) by the CWC Factor (Column F).

16 Q. Please describe the revenue lag.

17 A. The revenue lag is the amount of time from when the Company provides the  
18 service to when it receives payment from the ratepayers for that service. The overall revenue  
19 lag in this case is the sum of three subcomponent lags. They are the following:

20 1) Usage Lag: The midpoint of the average time elapsed from the  
21 beginning of the first day of a service period through the last day of that  
22 service period.

2) Billing Lag: The period of time between the end of the last day of a service period and the day the bill is placed in the mail by a utility.

3) Collection Lag: The period of time between the day the bill is placed in the mail by a utility and the day the utility receives payment from the ratepayer for services performed.

The Staff's subcomponent calculations and overall revenue results are as follows:

**Staff**

Usage Lag	15.21 days
Billing Lag	3.17 days
Collection Lag	<u>28.70 days</u>
Total	<b>47.08 days</b>

Q. Please explain how the usage lag was determined.

A. The usage lag was determined by dividing the number of days in a typical year (365) by the number of months in a year (12) to yield the average number of days in a month (30.42). This 30.42 total was then divided by two to yield an average usage lag of 15.21 days. Two was used as the divisor since the Company bills monthly; the Staff assumed service is delivered to the customer evenly throughout the month.

Q. Please explain how the Staff determined its billing lag recommendation.

A. The Staff is using the billing lag first used for Laclede in Case No. GR-2002-356, which was determined by analyzing the number of days between the end of the service period and the day that the bill was mailed.

Q. Please explain the Staff's approach to determining the collection lag.

A. The collection lag is the average number of days that elapse between the day that the bill was mailed and the day the Company receives payment for that bill. As its basis



1 for the collection lag, the Staff used an accounts receivable turnover calculation used by  
2 Laclede in its last rate proceeding, Case No. GR-2005-0284.

3 Q. What is an accounts receivable turnover calculation?

4 A. An accounts receivable turnover calculation is a methodology used to ascertain  
5 the lag days associated with the collection period. Under this method, a utility's average  
6 accounts receivable balance for a period of time (in this case, a year), are divided by the  
7 average sales totals for the same period of time. The result is the number of days a customer  
8 bill remains in the utility's accounts receivable balance before being collected by the utility.  
9 As such, the results of an accounts receivable turnover calculation are a proxy for a utility's  
10 collection lag.

11 Q. Did the Staff accept in entirety the results of Laclede's turnover calculation for  
12 purposes of calculating the Company's collection lag?

13 A. No. The Staff adjusted the Company's accounts receivable turnover results by  
14 removing bad debt write-offs from the daily accounts receivable balances contained within  
15 Laclede's GR-2005-0284 calculation. The Staff subtracted the preceding ten months of bad  
16 debt write-offs from each monthly average daily accounts receivable amount. This is in  
17 conjunction with page 8, of James A. Fallert's, Direct testimony in this proceeding where he  
18 indicated, "There is generally a ten-month lag between the revenue period when the customer  
19 is rendered service and the period when the customer's account will be written off."

20 Q. Why did the Staff remove the actual bad debt write-off from the average daily  
21 accounts receivable balances?

1           A.     Bad debt write-offs represent the amount of billings that the Company will  
2 never recover from customers. Bad debt expense is a non-cash expense and, therefore, should  
3 not be considered in a lead/lag analysis.

4           Q.     What expense lags did the Staff calculate in this case?

5           A.     The Staff has continued to use the following expense lags it calculated in  
6 Laclede's rate proceeding, Case No. GR-2002-356, for purposes of this audit: natural gas,  
7 payroll and tax withholdings, group insurance, 401K contributions, pension and benefits,  
8 materials and supplies, transport expense, postage expense, PSC assessment, rent, cash  
9 vouchers, bad debts, payroll taxes, Missouri franchise taxes, gross receipts taxes, property  
10 taxes, sales taxes, the Staff is not aware of any reasons why these expense lags would have  
11 materially changed since Case No. GR-2002-0356.

12          Q.     Please explain the expense lags for purchased gas.

13          A.     The expense lag for purchased gas is the time elapsed between the midpoint of  
14 the period when Laclede receives the gas from suppliers and the date on which payments for  
15 such gas are due.

16          Q.     Please explain the base payroll expense lags.

17          A.     The base payroll expense lag is the time elapsed between the midpoint of the  
18 period in which employees earn wages and the date the wages are paid by Laclede. The base  
19 payroll expense lags are comprised of non-contract and contract employee lags.

20          Q.     What is the basis for the expense lag days assigned to tax withholdings?

21          A.     The tax withholding expense lag was based on the federal tax withholding,  
22 state tax withholding, city tax withholding and FICA (social security/Medicare) tax  
23 withholding. The withholding lag days were based upon the same periods used for base

1 payroll. The respective lag day computations considered the time-lapse between the average  
2 date the respective payroll was earned and the tax due dates.

3 Q. Please explain the expense lag calculation for 401(k) contributions.

4 A. The expense lag for the 401(k) contributions are based on the same payroll  
5 periods as base payroll; the time elapsed between the midpoint of the period in which  
6 employees earn wages and the date the benefits are paid by Laclede.

7 Q. Please explain the Staff's calculation of Laclede's pensions and benefits  
8 expense lags.

9 A. The pensions and benefits line item within the CWC Accounting Schedule  
10 represents the time elapsed between the midpoint of the period of service and the date on  
11 which payments are due.

12 Q. Please explain how the expense lag for group insurance was calculated.

13 A. The lag for group insurance was computed using data provided in Laclede's  
14 response to Staff Data Request No. 123 from Case No. GR-2002-356, which included actual  
15 amounts and dates paid and service periods to which the payments pertained.

16 Q. Please explain the treatment of the expense lag for materials and supplies.

17 A. Materials and supplies are already included in the rate base calculation because  
18 the utility pays for these items in advance of their use in order to provide service. Applying a  
19 net lag to the test year expenses associated with materials and supplies would, in essence,  
20 count it twice in the Staff's overall calculation of revenue requirement. The Staff has  
21 assigned an expense lag equal to the revenue lag for this item in order to produce a zero CWC  
22 effect.

1 Q. Please explain the expense lags for transportation, postage and cash vouchers  
2 expenses.

3 A. The transportation, postage expense and cash vouchers lags represent the  
4 amount of time elapsed between the receipt of and payment for goods and services necessary  
5 to provide service to ratepayers. The data used to compute the lags included actual amounts  
6 and dates of payments, as well as the service periods to which they pertained. The cash  
7 vouchers line item is designed to include all operation and maintenance (O&M) expenses  
8 within the study that are not specifically analyzed in a separate line item.

9 Q. Please explain the expense lag for rent expense

10 A. The rent expense lag was calculated using dates paid and service periods to  
11 which the payments applied. Calculations were based on the number of days from the invoice  
12 date to the date the invoice was paid.

13 Q. Please explain the expense lag for bad debts/uncollectible accounts.

14 A. Uncollectible are an expense in name only. This expense actually represents a  
15 failure to collect revenue owed to Laclede, and, therefore, it does not involve a cash flow  
16 impact related to payment of an expense. An expense lag equal to the revenue lag has been  
17 assigned to this item so that a zero CWC impact is produced.

18 Q. Please explain the expense lag for the employer's portion of FICA taxes.

19 A. The employer's portion of FICA (social security) taxes is the amount of taxes  
20 paid by the employer on payroll paid to the employees. The expense lag for employer's  
21 portion of FICA is computed as the period of time between the midpoint of the pay period for  
22 which the taxes are withheld, and the date the tax withholdings must be paid to the taxing  
23 authorities.

1 Q. Please explain the expense lag for federal and state unemployment taxes.

2 A. The expense lags for federal and state unemployment taxes represent the length  
3 of time between the average date services are rendered by the employee and the date Laclede  
4 pays the tax associated with that service.

5 Q. Please explain the expense lag for Missouri corporate franchise tax.

6 A. Corporation franchise taxes are paid annually. The expense lag considers the  
7 time elapsed between the midpoint of the taxable period (a calendar year) and the statutory  
8 due date.

9 Q. Please explain the expense lag for gross receipts taxes on Accounting  
10 Schedule 8 at Line 15.

11 A. Gross receipts taxes are paid based upon the individual payment requirements  
12 of the municipal taxing entities. The Staff calculated an expense lag of 47.08 days.

13 Q. Why does the revenue lag depicted on Accounting Schedule 8 for sales tax and  
14 gross receipts taxes differ from the revenue lag calculation of 47.08 days you discussed  
15 above?

16 A. Laclede acts as an agent of the taxing authority in collecting sales and use  
17 taxes and gross receipts taxes from the ratepayer and in paying the proper institution on a  
18 timely basis. Laclede does not provide any service to the ratepayers associated with these  
19 taxes. Since the expense lags for gross receipts taxes is measured from the date of billing, the  
20 revenue lag equals only the period of time required to collect revenues. The revenue lag  
21 associated with gross receipt taxes, as well as sales and use taxes, was calculated to be 28.70  
22 days.

23 Q. Please explain the expense lag for property taxes.

1           A.     The property tax lag days were calculated by using the midpoint of the service  
2 period (a calendar year) and the required due date for property taxes paid by Laclede.

3           Q.     Please explain the sales taxes expense lag.

4           A.     The expense lag for sales taxes take into consideration the time elapsed  
5 between the midpoint of the taxable month and the date sales tax was paid to the state of  
6 Missouri.

7           Q.     Please identify any other components of CWC that do not directly appear in  
8 the Staff's Accounting Schedule 8.

9           A.     The federal income tax offset, state income tax offset and interest expense  
10 offset line items do not directly appear in the Accounting Schedule 8, Cash Working Capital.  
11 These items appear as separate line items in the Staff's Accounting Schedule 2, Rate Base.  
12 These cash payments are known and certain obligations of Laclede with payment periods and  
13 payment dates established by statute or bond indentures. The Staff believes amounts  
14 collected from ratepayers, which the Company intends to use for the payment of taxes and  
15 interest, represent a source of cash for Laclede which has use of such funds until they are  
16 passed on to the appropriate taxing authority or bondholder. The Staff believes it is  
17 appropriate to include taxes and interest as offsets in a lead/lag analysis.

18          Q.     Why are the federal income tax offset, state income tax offset and interest  
19 expense offsets included in the Staff's Accounting Schedule 2, Rate Base, rather than  
20 Accounting Schedule 8, Cash Working Capital?

21          A.     The expense component used for these offsets is tied directly to the mechanical  
22 computation of the revenue requirement. The Staff's computer-generated revenue  
23 requirement is based on a computer program with the capability of extracting appropriate

1 amounts for federal income tax, state income tax and interest expense based on amounts  
2 obtained from Accounting Schedule 11, Income Tax. The computer program applies the  
3 CWC factor for each respective component and places the CWC revenue requirement directly  
4 in Accounting Schedule 2.

5 Q. Please explain the Staff's federal and state income tax offset recommendations.

6 A. The federal and state income tax offsets represent the period of time between  
7 the midpoint of the taxable period (a calendar year) and the required dates taxes are due to the  
8 federal and state taxing authorities. Currently, 100% of the estimated federal tax must be paid  
9 during the year in four quarterly installments, which are due by the 15th day of April, July,  
10 October and January. The same due dates apply to state income taxes.

11 Q. Please explain the interest expense offset.

12 A. The interest expense lag is computed by determining the time elapsed between  
13 the midpoint of the interest period and the required due date for the payment of interest on  
14 long-term debt. The Staff then calculated a dollar-weighted average to derive an overall  
15 interest expense lag of 90.93 days. This expense lag was subtracted from the revenue lag and  
16 then divided by 365 days to determine the CWC factor used for calculating the interest offset  
17 appearing on Accounting Schedule 2, Rate Base.

18 Q. What was the result of the Staff's lead/lag calculation?

19 A. The aggregate of the individual calculations, including the offsets for interest  
20 and income taxes, result in total net shareholder-supplied funds and illustrate the excess of  
21 CWC supplied by the shareholders over the amount supplied by the ratepayers.

22 **ADVERTISING EXPENSES**

23 Q. Please explain adjustment S-15.3 and S-16.12.

1           A.     Adjustments S-15.3 and S-16.12 disallow certain advertising costs incurred by  
2 the Company.

3           Q.     Please describe the history of such adjustments before the Commission.

4           A.     As part of RE: Kansas City Power and Light Company, 28 Mo. P.S.C. (N.S.)  
5 228 (1986) (hereinafter *KCPL*), the Commission adopted an approach that classifies  
6 advertisements into five categories and provides separate rate treatment for each category.  
7 The five categories of advertisements adopted by the Commission for purposes of this  
8 approach are:

- 9               1. General - informational advertising that is useful in the provision of  
10               adequate service;
- 11              2. Safety - advertising which conveys the ways to use the Company's  
12               service safely and to avoid accidents;
- 13              3. Promotional - advertising used to encourage or to promote the use of  
14               the particular commodity the utility is selling;
- 15              4. Institutional - advertising used to improve the Company's public  
16               image; and
- 17              5. Political - advertising which is associated with political issues.

18           The Commission adopted these categories of advertisements because it believed that a  
19 utility's revenue requirement should include the reasonable and necessary cost of general and  
20 safety advertisements, but should disallow the cost of institutional or political advertisements,  
21 and only include the cost of promotional advertisements to the extent that the utility can  
22 provide cost justification for the advertisement (*Ibid.*, pp. 269-271).



1 Q. Did the Staff use the KCPL standard to evaluate the Company's advertising  
2 expense in this case?

3 A. Yes, the Staff utilized the standards as initially established in the *KCPL* case  
4 and in subsequent cases, to determine the test year level of allowable advertising expense for  
5 the general, safety, institutional, promotional and political advertising categories. The Staff  
6 proposes to disallow advertisements that are institutional, promotional or unrelated to the  
7 natural gas industry. The Staff proposes to allow all general and safety-related advertisements  
8 to the extent that they are related to the natural gas industry and beneficial to Missouri  
9 ratepayers.

10 Q. How did you apply the standard established in the *KCPL* case to your  
11 examination of advertising expense in this case?

12 A. I categorized all of the Company's advertisements on an ad-by-ad basis using  
13 the *KCPL* standard to determine the amount to be allowed or disallowed. The Staff reviewed  
14 each advertisement to determine which of the following primary messages the advertisement  
15 was designed to communicate:

- 16 1. the promotion of a service or product (Promotional);
- 17 2. the dissemination of information necessary to obtain safe and adequate  
18 electric service (General and Safety);
- 19 3. the promotion of the Company image (Institutional); or
- 20 4. the endorsement of a political candidate or any political message  
21 (Political).

1           Schedule 2, attached to this testimony, shows Staff's itemized analysis of the  
2   Company's advertising costs and a copy of Laclede's advertisements that Staff proposed for  
3   disallowance as being promotional or institutional in nature.

4           Q.     How did the Staff develop its advertising adjustments?

5           A.     The Staff requested that the Company supply the cost of all advertisements.  
6   Based on its categorization, the Staff disallowed the expense associated with advertisements  
7   that it classified as institutional or promotional. The Staff also extracted and disallowed the  
8   costs associated with the portions of Laclede's institutional advertisements that were on the  
9   same page as its general advertisements.

10          Q.     Describe the institutional advertisements that the Staff disallowed.

11          A.     Institutional advertising is designed to enhance the Company's public image.  
12   The Staff asserts that this form of advertising is not necessary for the Company to provide  
13   safe and adequate service and, therefore, should not be included in the cost of service. The  
14   Staff believes that this type of image enhancement advertising only serves to benefit the  
15   shareholders of the utility. The Staff has classified the 'Part of the Family' advertisements as  
16   being institutional. These advertisements can be found attached to Staff's testimony under  
17   Schedule 2.

18          Q.     Describe the promotional advertisements that the Staff disallowed.

19          A.     The Staff disallowed advertisements entitled 'Art of Cooking' and 'At  
20   moments like this'. The Staff removed these advertisements as the Company did not provide  
21   the Staff with cost justification for promotional advertising on an advertisement by  
22   advertisement basis or even on an advertisement campaign basis. These advertisements can  
23   be found attached to Staff's Direct testimony under Schedule 2.

1     **POSTAGE EXPENSES**

2             Q.     Please describe the Staff's postage expense annualization, adjustment S-13.4.

3             A.     Adjustment S-13.4 reflects the increase on postal rates which became effective  
4     January 2006 and the increase that will be effective on May 14, 2007.

5     **AMORTIZATION EXPENSE**

6             Q.     Please explain adjustment S-18.1

7             A.     Adjustment S-18.1 annualizes the Company's booked amortization expenses.

8     **PROPERTY TAXES**

9             Q.     Please explain Adjustment S-19.3.

10            A.     This adjustment annualizes property taxes using Laclede's December 2006  
11     plant in service balances.

12            Q.     Please explain how you calculated the Staff's property tax adjustment in this  
13     case.

14            A.     The Staff's approach first calculates the ratio of Laclede's plant in service  
15     balance at January 1, 2006, to the assessment value placed upon that plant by taxing  
16     authorities, and then applies the ratio to Laclede's plant in service balance as of January 1,  
17     2007.

18            Q.     How are property taxes paid?

19            A.     The state and local taxing authorities determine the annual property tax  
20     payment through an assessment of utilities' real property. This assessment is made based  
21     upon the utilities' property balances on January 1 of each year. The taxing authorities also  
22     determine a property tax rate that is applied to the assessed values to compute the property tax

1 amount billed to utilities. The assessment values and property tax rates that will be applied to  
2 Laclede's January 1, 2007, plant in service balances will not be known until later this year.

3 Q. When are property taxes paid by the utility?

4 A. The property taxes related to a utility's plant in service level at January 1<sup>st</sup> of  
5 each year are paid to the state and local taxing authorities at the end of each year, generally by  
6 December 31<sup>st</sup>.

7 **MISSOURI FRANCHISE TAXES**

8 Q. Please describe adjustment S-19.5

9 A. The Staff adjusted the test year amount of Missouri franchise tax to the actual  
10 amount owed by Laclede to the state in January 2007.

11 **RENT EXPENSE**

12 Q. Please explain adjustment S-16.17.

13 A. Adjustment S-16.17 reflects the annualized rent expense amounts for the space  
14 leased or rented by Laclede as reflected in the Company's response to Staff Data Request  
15 No. 18.

16 **RATE CASE EXPENSE**

17 Q. Please describe adjustment S-16.16.

18 A. This adjustment normalizes rate case expense over a two-year period. The  
19 total amount of rate case expense incurred by Laclede in this case through March 2007 is  
20 being allowed at this time. The Staff considers all reasonably incurred expenses by utilities  
21 seeking rate changes throughout the rate case process. This approach allows costs such as  
22 consulting fees, employee travel expenditures and legal representation, which are directly

1 associated with the length of the case, to be properly included in this case. This adjustment  
2 however, does not include those rate case expenses booked within the test year that are  
3 associated with Laclede's previous case, Case No. GR-2005-0284, or any other rate case  
4 proceeding. This exclusion is appropriate because the Staff's believes it is appropriate to  
5 recommend recovery in rates of normalized rate case expense only on a prospective basis.  
6 Staff believes it is inappropriate to allow specific recovery in rates of amounts related to past  
7 rate proceedings.

8 The Staff will work with the Company through the duration of this case to establish a  
9 reasonable and ongoing normalized level of rate case expense for inclusion in rates.

10 Q. Why is the Staff recommending that Laclede's rate case expenses be  
11 normalized over a two-year period?

12 A. Staff reviewed Laclede's recent rate case filing pattern (Case Nos.  
13 GR-2007-0208, GR-2005-0284, GR-2002-356 and GR-2001-629) and determined that a two-  
14 year normalization would be appropriate.

15 Q. Is the Staff recommending that Laclede's rate case expense associated with this  
16 proceeding be amortized on the Company's books and records?

17 A. No. The Staff believes that the correct accounting for utilities is to book rate  
18 case expenses in the period they are incurred.

## 19 **PSC ASSESSMENT**

20 Q. Please discuss adjustment S-16.14 to annualize the PSC Assessment.

21 A. This adjustment represents the difference between the Staff's annualized PSC  
22 Assessment and the test year recorded assessment expense. The most recent PSC  
23 Assessment, in effect for the fiscal year July 1, 2006 to June 30, 2007, was used in the Staff's

1 annualization. The Staff will reflect the new July 1, 2007, PSC assessment in its proposed  
2 true-up audit in this case. The Staff's true-up recommendations can be found in the Direct  
3 testimony of Staff Witness Bolin.

4 **OUTSIDE SERVICES**

5 Q. Please describe Adjustment S-16.22

6 A. Independent (outside) contractors and vendors provided various services to  
7 Laclede in the test year. We have requested further information from Laclede in Staff Data  
8 Request No. 51.2 concerning some of the outside services costs incurred by Laclede. Pending  
9 receipt of that information, the Staff has proposed disallowances of outside service fees  
10 associated with the following vendors: Burroughs, Helper, Broom, Macdonald, Hebrank &  
11 True; Scott Madden and The Vandiver Group. The Staff may withdraw these proposed  
12 disallowances depending upon Laclede's data request response on this matter.

13 Q. Does this conclude your Direct testimony in this proceeding?

14 A. Yes, it does.

CASE PARTICIPATION  
OF  
PAULA MAPEKA

Schedule 1				
Date Filed	Issue	Case Number	Exhibit	Case Name
06/23/2006	Postage Expenses, Property and Liability Insurance, Injuries and Damages & Worker's Compensation, Customer Deposits, PSC Assessment, Rate Case Expense, Customer Advances, Material &Supplies,	ER20060315	Direct	The Empire District Electric Company
10/12/2006	Miscellaneous Expenses, Insurance, Postage, Property Taxes, Regulatory Expenses, Dues & Donations, Accounting Schedules, Promotional Giveaways, Other Ratebase Issues, Advertising, Depreciation Expense, Inquiries & Damages, Interest on Customer Deposits, Case Working Capital, Depreciation Reserve, Plant in Service	GR20060422	Direct	Missouri Gas Energy
11/21/2006	Cash Working Capital, Software Amortization	GR20060422	Rebuttal	Missouri Gas Energy

**LACLEDE GAS COMPANY**

**Case No. GR-2007-0208**

**Source: DR 48**

**Staff: P Mapeka**

Prepared 4/24/2007

Printed 5/2/2007

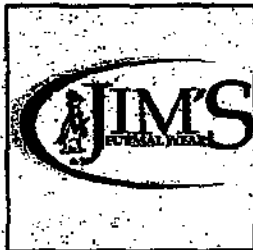
ID#	MEDIA	AD/COMMERCIAL	TOTAL	913.10	913.30	909.00	921.03	
1	PRINT	At moments like this (Cooking)	\$5,360.00				\$5,360.00	Institutional
2	PRINT	At moments like this (Bathtub)	\$7,920.00				\$7,920.00	Institutional
3	PRINT	At moments like this (Pateo)	\$13,440.00				\$13,440.00	Institutional
4	PRINT	At moments like this (Fireplace)	\$5,940.00				\$5,940.00	Institutional
5	PRINT	Art of Cooking	\$1,075.00	\$1,075.00				Promotional
6	PRINT	Follow Your Nose	\$20,611.65			20,611.65		Safety
7	PRINT	Elderly & Disabled	\$14,942.73			\$14,942.73		Beneficial information
8	PRINT	Safety Tips	\$21,420.45			\$21,420.45		Safety
9	PRINT	Part of the Family(Family Shot)	\$4,655.00		\$4,655.00			Half informational/safety
10	PRINT	Part of the Family(Bridal Shot)	\$1,125.00		\$1,125.00			10/14 institutional
11	RADIO	Winter Campaign	\$99,680.00				\$99,680.00	Institutional general/informational
		<b>TOTAL</b>	\$196,169.83	\$1,075.00	\$5,780.00	\$56,974.83	\$132,340.00	
		Disallowed	\$36,190.00	\$1,075.00	\$ 2,455.00	0	\$32,660.00	
		Annualized amounts	\$159,979.83	\$0.00	\$3,325.00	\$56,974.83	\$99,680.00	
		Adjustment		(1,075.00)	(2,455.00)	0.00	(\$32,660.00)	

Laclede provided Staff with 7 pages of part of the family shot. 4 of those pages contained informational information on half of the full pages. Staff multiplied the 7 pages by 2 to make it 14 as Staff then allowed 4 out of the 14 advertisements to allow the general information



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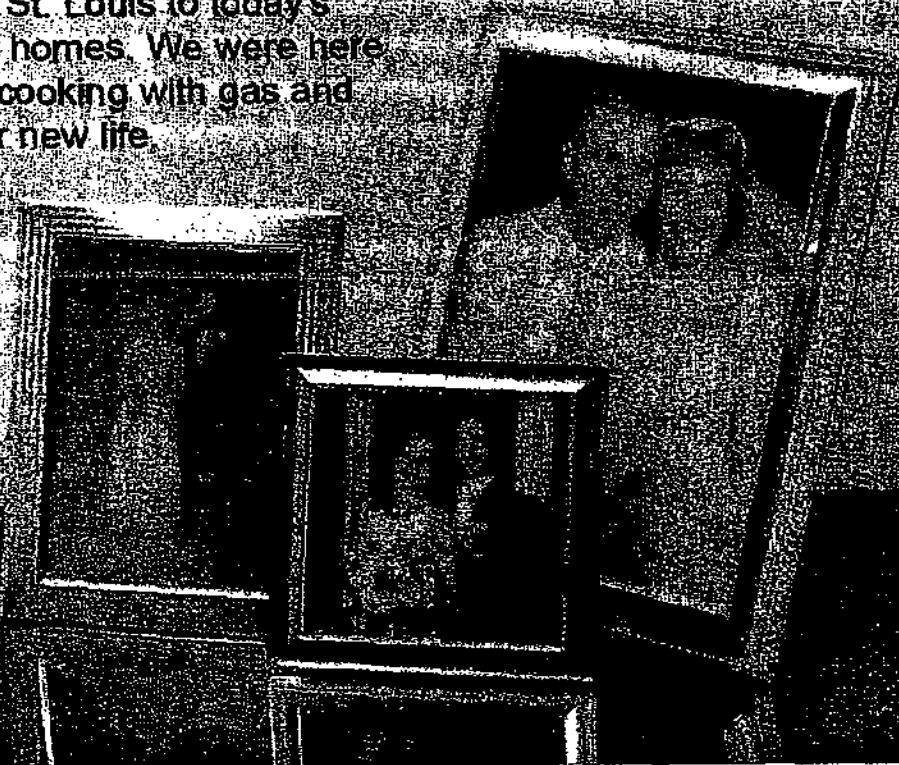
Laclede Gas Company: We're part of the family.



For nearly 150 years, Laclede Gas has been your family's gas company—from the gas streetlights in St. Louis to today's reliable and efficient natural gas in our homes. We were here when your great-grandmother started cooking with gas and we'll be here for you as you begin your new life.

Whether it's a natural gas appliance,  
a house sale inspection or just the  
comfort of a warm home,  
Laclede Gas will be there.

Sales: (314) 342-0709  
Service: (314) 621-6960  
www.lacledegas.com



Mid Rivers Magazine - Sept. 20, 2006

FREE AD

# etched in stone

YOUR GUESTS CAN NOW SIGN (OR FILM)  
MEMORIES TO LAST A LIFETIME

If you want your guest book to be simple, traditional and basic, you will likely go to your local stationery store and pick up one of those pretty lined books for your guests to sign. After your wedding day, you'll stow it away with your other wedding mementos, possibly never to be seen until your 50th anniversary party.

Your guest book doesn't have to collect dust ... or even be a book for that matter. Here are some suggestions on ways your guests can put a personal stamp on your day:

- ❑ Frame a favorite photo (possibly your engagement photo) of you and your new spouse with a large mat around it and have your guests sign the mat. After the wedding, frame it and hang it in your home.
- ❑ Instead of having a guest book attendant, have a camera attendant take Polaroid shots of guests as they enter your reception site. They can then sign the bottoms of the photos and you can create a scrapbook with them after the honeymoon.
- ❑ If you are using place cards, have your guests write notes or advice for a happy marriage on the back of them and then put them in a scrapbook.
- ❑ Are you a sports fan? Have your guests sign jerseys, hockey sticks, baseballs or any other sports memorabilia to proudly display in your home. Forget signing altogether and use modern technology. Have a video station at your wedding, where guests can videotape a message to be kept on film forever.

Laclede Gas Company

 Laclede Gas

*We're part of the family.*

For nearly 150 years, Laclede Gas has been your family's gas company - from yesterday's gas streetlights to today's reliable and efficient natural gas in our homes. We were here when your great-grandmother started cooking with gas and we'll be here for you as you begin your new life.

Whether it's a natural gas appliance, a house sale inspection or just the comfort of a warm home, Laclede Gas will be there.

Sales: 314.342.0709

Service: 314.621.6960

[www.lacledegas.com](http://www.lacledegas.com)

GAS APPLIANCE SERVICE  
WORK IS NOT SUBJECT TO  
PSC REGULATION.

SPRING & SUMMER

Volume 3 Number 1 spring & summer 2006 Schedule PM 2-3

Laclede Gas Company.



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For nearly 150 years, Laclede Gas has been your family's gas company—from the gas streetlights in St. Louis to today's reliable and efficient natural gas in our homes. We were here when your great-grandmother started cooking with gas and we'll be here for you as you begin your new life.

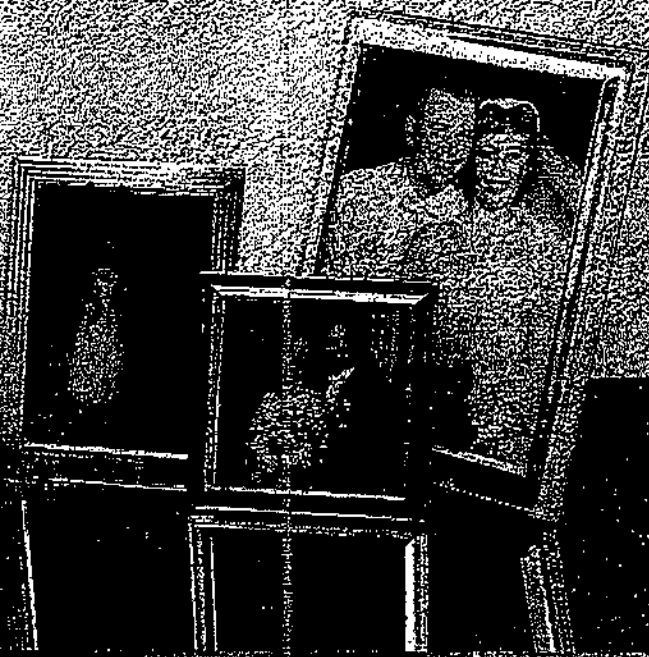
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10  
Volume 2 Number 2

Fall & winter Schedule PM 2-4  
2003

ask the expert

## Save Energy; Save Dollars; Winterize Your Home Now

By Pamela  
Kramer Childress

Winter is just around the corner and that usually means cold weather and higher energy costs. Fight off "Old Man Winter" by making your home more energy efficient.

The biggest area for daily savings is with your home heating system. If your furnace is old, it might not be the most energy efficient. Look for the EnergyGuide label when purchasing a furnace—today's models can be up to 96 percent efficient. Also, clean or change the filter in your furnace every month. If it's dirty, the unit has to work that much harder.

Annual inspections on your heating equipment are also a smart way to make sure your furnace is operating the way it was meant to—call a licensed heating and cooling contractor, or call the natural gas experts at Laclede. To schedule a gas furnace inspection, call us at (314) 621-6960.

Thermal windows are another way to save big on your heating bills. The cost upfront is high, but the money you'll save in the long run makes it a smart investment—not just when you're heating your home but when you're keeping it cool too.



If purchasing a new furnace or windows just isn't in the budget, try these other quick fixes to prepare your home for the winter season:

- Turn your thermostat down when you're sleeping or leaving the house. If you've purchased a programmable thermostat that does the temperature for you—program it to cool down when you're sleeping or not there and warm up shortly before you're due to wake up or arrive home.

- Weatherize using heavy plastic and caulking around your window and door. Also, insulate your outlet covers with special foam available at hardware stores.

- Insulate your duct work, pipes and water heaters with insulation "sleeves" or Turn the setting down a few notches on the water heater—the less work it has to heat the water in the tank, the more money you'll save.

- Participate in a budget billing program. These programs look at your annual bill and break the cost down to 12 level payments. It's like a savings plan for you—bill—you'll pay more in the summer when you're not heating your home so the cost is accrued for the winter when your bill is typically higher.

- Close vents to unused rooms and make sure your attic and walls are properly insulated. Some utility companies offer programs that help consumers finance home repairs and the purchase of high-efficiency furnaces. Laclede Gas does not sell furnace insulation service work, but they will help you finance these items at low interest. Call (314) 621-6960 and ask about the Residential Insulation Financing Program, EnergyWise Appliance Financing Program.

For more energy-saving tips, visit our Web site at [www.lacledegas.com](http://www.lacledegas.com).

### Laclede Gas Company

**Laclede** 6

*Part of the family.*

For nearly 150 years, Laclede Gas has been your family's gas company, from yesterday's gas streetlights to today's efficient, clean-burning natural gas in the home. Year after year, we provide dependable clean-burning natural gas to thousands of St. Louis families.

Whether it's furnishing a new home, a house sale or a replacement of a warm home, Laclede Gas will be there.

Call us at (314) 342-0709

or (314) 621-6960

[www.lacledegas.com](http://www.lacledegas.com)

GAS APPLIANCE SERVICE  
NOT SUBJECT TO





ask the expert

## Enjoy Grilling Year Round With a Natural Gas Grill

By Tammy Sansoe DeClue of Laclede Gas

Even though the days are shorter and the kids are back to school, the backyard barbecue doesn't have to end. With the convenience and ease of a natural gas grill, you can have the flavor and fun of the "summertime barbecue" year round. Imagine the wonderful flavors of outdoor grilling—without the mess and inconvenience of charcoal or propane.

Grilling with natural gas is the choice for many St. Louis families—not only because it's convenient and less expensive to operate than a charcoal or propane grill—but also because natural gas is the "natural choice" for our environment. It's good to know that natural gas grills are virtually pollution-free.

Laclede Gas Appliance Sales has a broad selection of high-quality grills, with many new features. In the past, most natural gas grills couldn't be moved and were installed on a post in the ground, or mounted on a deck. Today, natural gas grills are available on a portable cart with a hose that attaches to a "quick-disconnect"—an outlet that allows you to plug in the grill without the use of tools. And, using multiple quick-disconnect outlets in the yard, patio or deck allow the grill to move to the place most convenient. The portable natural gas grill can also be stored inside to protect it from the elements.

Some natural gas grills can also be converted into a smoker or oven—enabling you to smoke your favorite meats without having to purchase a separate smoker or bake those famous brownies without overheating the kitchen.

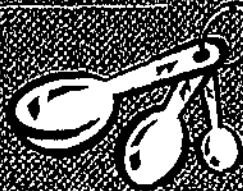
The natural gas grill is also great for the holiday season when space for cooking a feast is cramped. Just grab a coat and head outside to that reliable, clean burning natural gas grill.

There are many wonderful recipes for the natural gas grill—listed here one of our favorites. If you would like to purchase Laclede's "Blue Pla Favorites" Cook Book, contact the Consumer Education Department (314) 768-7730 (all profits go to Dollar Help).

For more information about purchasing a natural gas grill, contact Appliance Sales at (314) 342-0709, or visit [www.lacledeappliances.com](http://www.lacledeappliances.com).

### RANCHER'S MARINATED STEAKS

- 6 (3-lb.) steaks, chuck or brisket
- 1/2 cup soy sauce
- 2 large garlic, minced
- 1 tbsp. brown and yellow mustard
- 1 tsp. onion, finely ground
- 2 tsp. salt
- 1/2 cup olive oil



Combine all ingredients in a large bowl. Mix thoroughly. Place steaks in a large plastic bag or a large roasting pan. Pour the marinade over the steaks. Seal the bag or cover the pan. Refrigerate for 24 hours. Turn the steaks over and marinate for another 24 hours. Remove the steaks from the marinade and grill over medium heat for 10-12 minutes per side. Let the steaks rest for 5 minutes before serving.

## Laclede Gas Company

## Laclede Gas

### Member of the family

Laclede Gas Company is a member of the family of companies that make up the Laclede Group. We are proud to be a part of this family and to provide the highest quality products and services to our customers. Our commitment to excellence is reflected in every aspect of our business, from the quality of our products to the service we provide.

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LACLEDE GAS COMPANY  
A MEMBER OF THE LACLEDE GROUP



ask the expert

# Exact Technology

## Automated Meter Reading Devices Virtually Eliminate the Need for Estimated Bills

By Pamela Kramer Childress

Most people don't ever look at the natural gas meter in or outside their home. But, for years, Laclede Gas has manually read meters to get accurate usage information on how much natural gas a household consumes. Many households receive bills that are estimated — based on usage from years past — especially when a meter is located inside the house and access is difficult.

Estimated readings don't make sense for anyone. Why should customers be paying for product that they might not be using? And it doesn't make good business sense for a company not to charge for product that is used. But, obtaining physical readings has always been a challenge — locked gates, unrestrained pets in the yard, or indoor meters, where appointments are required to gain access, impede the process of obtaining accurate readings.

Finally, technology has caught up with the system. Automated Meter Reading (AMR) devices allow the customer's meter to be read at any time, remotely. So, whether your meter is outside next to Fido's doghouse, or hiding in the basement corner, you will be charged for the actual use of natural gas.

Eliminating estimated readings keeps you from being inconvenienced and ultimately allows you to better plan your budget.

By early 2007, all 650,000 Laclede Gas and Missouri Natural customers will have AMR devices installed. Cellnet Technology, an independent contractor hired by Laclede Gas, performs the installation that involves attaching the device to the existing natural gas meter. The installation takes about 15 minutes. There is no installation charge and gas service is not interrupted.

AMR devices are installed on a rotating basis. Laclede will notify customers via mail 30-45 days before installation. Customers with outside meters do not need to be home for the installer, assuming access to the meter is possible. For customers with inside meters, the installer will leave a door hanger with a phone number if the customer is not home when the installation is attempted. In those instances, customers will need to call the phone number listed on the door hanger to schedule an appointment.

More than 66 million utility customers around the country use a system like AMR. It's a concept that has long been in the making at Laclede. And the company is proud to finally be able to bring the convenience of this technology to our customers.

Laclede appreciates our customers' patience with the installation process. And we look forward to the improved quality service the new AMR devices will provide our customers.

Inspections can be scheduled Monday through Friday as well as limited hours on evenings and Saturdays. Call Laclede Gas Customer Service at (314) 621-6960 to schedule an inspection or visit [www.lacledegas.com](http://www.lacledegas.com) for more information.

### Laclede Gas Company



*We're part of the family.*

At Laclede Gas, we're not just a utility company. We're a family. We're the ones who make sure you have the gas you need to keep your home warm and comfortable. We're the ones who make sure you have the gas you need to keep your business running. We're the ones who make sure you have the gas you need to keep your life going.

At Laclede Gas, we're not just a utility company. We're a family. We're the ones who make sure you have the gas you need to keep your home warm and comfortable. We're the ones who make sure you have the gas you need to keep your business running. We're the ones who make sure you have the gas you need to keep your life going.

Sales: 314-342-0709

Service: 314-621-6960

[www.lacledegas.com](http://www.lacledegas.com)

GAS APPLIANCE SERVICE WORK IS  
NOT SUBJECT TO PSC REGULATION



ask the expert

# Gas Appliance Inspections

## Protect the New Homebuyer

By Pamela Kramer Childress

In today's competitive market, it's good to know somebody still looks out for the consumer. When buying a house, the gas appliance inspection is a consumer's best defense against unsafe equipment in the most important purchase ever — the home.

The house sale inspection, as it's commonly known, ensures that the gas appliances specified in the real estate contract pass safety code requirements in accordance with the National Fuel Gas Codes. Those codes are continually reviewed and updated to remain current with new industry developments.

Because of the constant updates, it takes a highly qualified and experienced impartial party to decipher and implement the codes. A St. Louis landmark for nearly 150 years, the gas experts at Laclede Gas Company take pride in its highly trained service technicians.

During a house sale inspection, Laclede inspects all natural gas appliances,

unless otherwise specified. Each appliance is inspected to ensure it complies with the manufacturer's intended use, is operating as it was originally designed and is working in compliance with all the applicable codes.

Buying a house can be unnerving and although no one can predict the cycle of an appliance, the inspections are a good service and provide peace of mind at a critical point in the purchasing process. House sale inspections typically are one of the last steps before closing on a house, so timing is critical. Laclede advises that to make a house sale inspection run smoothly, someone should be available, either during the inspection or via a telephone number for notification if an appliance fails. That individual can either ask the Laclede technician to repair the appliance on the spot if time and materials permit or contact an outside contractor to repair it. The advantage of Laclede making the repair is that the problem is resolved immediately, eliminating potential scheduling conflicts and saving the realtor and seller valuable time.

All single-family house sale inspections cost \$100 for the initial inspection. If repairs are needed and authorized, additional time and material charges apply. Once repairs are made, a second inspection may or may not be required, depending on the mortgage lender. Follow-up inspections are also completed on a time and material basis. In all cases, the charges may be added to the customer's gas account.

Inspections can be scheduled Monday through Friday as well as limited hours evenings and Saturdays. Call Laclede Gas Customer Service at (314) 621-6900 to schedule an inspection or visit [www.lacledegas.com](http://www.lacledegas.com) for more information.

### Laclede Gas Company

### Laclede Gas

We're part of the family.

Laclede Gas Company is a member of the Laclede Group, which also includes Laclede Electric, Laclede Water and Laclede Sewer. Together, we provide a full range of services to our customers, ensuring that they have everything they need to keep their homes safe and comfortable.

For more information about our services, please call us at (314) 621-6900 or visit our website at [www.lacledegas.com](http://www.lacledegas.com).

Call us at (314) 621-6900  
or visit our website at [www.lacledegas.com](http://www.lacledegas.com)

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# Why Is My Natural Gas Bill So High?

By Pamela  
Kramer  
Childress

The wholesale cost of natural gas makes up the majority of a customer's Laclede Gas bill – typically 75 to 80 percent. When the company increases or decreases the Purchased Gas Adjustment (PGA) this refers to the market price. It's similar to gas stations passing on the commodity cost of gasoline to the consumer at the gas pump. However, when Laclede needs to adjust this market price, the Missouri Public Service Commission must approve it. Although the market price isn't regulated, Laclede's rate is.

Along with local taxes, the other components of a customer's bill – distribution and transmission – comprise the remaining 20 to 25 percent. Transmission costs, regulated by the Federal Energy Regulatory Commission, are the charges to move the gas by pipeline from the producers to Laclede. The distribution cost, regulated by the Missouri Public Service Commission, is Laclede's charge to bring gas from its facilities to the residence. This is also the portion of the bill where operating expenses fall, as well as any profits the company generates. The profit margin for Laclede, after expenses, is typically three percent of the bill.

## HOW NATURAL GAS PRICES ARE SET

As a commodity, natural gas is bought and sold the same way as oil, gold or even coffee. The wholesale cost of natural gas is determined by the marketplace – supply and demand influence its worth and price. This market price isn't regulated by any federal or state agency. However, the cost to move it through the pipeline and the cost to distribute it to the end-user is.

## WHY DEMAND IS HIGH

Natural gas is drilled from the ground by wells, much like oil, and transported via pipelines across the country. Natural gas is desirable because it can

be used in its truest form – it doesn't need to be refined like oil, making it not only convenient, but efficient.

Natural gas is also highly efficient at its end-use – fueling appliances. A gas water heater reaches the desired temperature nearly twice as fast as typical electric units. Natural gas is environmentally friendly – called the green energy because of its next-to-nothing emissions. And in today's volatile world market, natural gas is attractive because nearly all supplies come from the United States.

## FACTORS THAT AFFECT PRICE

There are definite factors that affect supply and demand, and ultimately, the market price. A span of cold weather or brief severe weather increases demand in the winter months, when the use of natural gas is at its peak. Limited supplies, caused by weather (such as hurricane damage along the Gulf Coast) or high-usage, affect storage inventories. Problems within the infrastructure of other energy markets, such as a prolonged disruption in oil, also increase the demand for natural gas.

For more information on the natural gas industry, visit the American Gas Association Web site at [www.aga.org](http://www.aga.org), or Laclede Gas Company at [www.lacledegas.com](http://www.lacledegas.com).

Laclede Gas Company

Laclede Gas

*We're part of the family.*

For nearly half a century, Laclede Gas has been your family's source for safe, reliable, and affordable gas. From the gas that lights your home to the gas that powers your appliances, Laclede Gas is there for you. Year after year, we're proud to be the dependable, clean-burning natural gas provider for our customers.

Whether you're looking for a new appliance, a house sale, or just want to make sure your home is safe, Laclede Gas is here to help.

SALES: 314-342-0709  
SERVICE: 314-342-1550  
[www.lacledegas.com](http://www.lacledegas.com)

GAS APPLIANCE SAFETY: Laclede Gas is not responsible for gas leaks or fires. NOT SUBJECT TO PSC REGULATION.





# Using Energy Wisely Helps Minimize Raising Home Heating Bills

By Pamela Kramer Childress  
of Laclede Gas

Conserving energy is a hot topic once the weather colder. This season's high market price for natural gas makes the case for conserving even more compelling. While distribution companies like Laclede Gas are regulated by the Public Service Commission, the wholesale price of natural gas is not. The local utility is at the mercy of the market, and this year, increased demand coupled with hurricane damage put stress on the supply. These factors affect the wholesale price, which puts distribution companies in a pinch. The good news is that while most of the country is seeing increases in heating bills of between 50 and 70 percent, Laclede's rates have increased by 38 percent. Laclede uses financial instruments and other strategies like hedging in the off-season and storing natural gas in underground facilities. In some states, gas shortages require rolling outages, but Laclede has always had enough supply to keep customers warm for nearly 150 years. Laclede works hard to try to hold costs down—

now it's the consumer's turn. Make your home more energy efficient and you will notice definite dollar savings on your monthly bill. The list below details some quick solutions.

- Turn your thermostat down when you're sleeping or leave the house. Or, purchase a programmable thermostat that does the temperature monitoring for you—program it to cool down when you're sleeping or not there and then warm up shortly before you're due to wake up or arrive home.
- Weatherize using heavy plastic and caulking around your window and door frames. Also, insulate your outdoor covers with special foam available at hardware stores. Anywhere air can escape in your home is a potential energy saving opportunity!
- Insulate your duct work, pipes and water heaters with insulation "sleeves" or "jackets". The less work your water heater has to do to heat the water in the tank, the more money you'll save. Turning the setting down a few notches on

water heaters also helps.

- Close vents to unused rooms and make sure your attic and walls are properly insulated. Some utility companies offer programs that help consumers finance home insulation and the purchase of high-efficiency furnaces. Laclede Gas does not sell furnaces or do insulation service work, but they will help you finance these items at low-interest rates. Call (314) 621-6960 and ask about the Residential Insulation Financing Program or the EnergyWise Appliance Financing Program.
- Participate in a budget billing program. These programs look at your annual usage and break the cost down to 12 level payments. It's like a savings plan for your energy bill—you'll pay more in the summer when you're not heating your home so credit is accrued for the winter when your bill is typically higher.

For more information, visit [www.lacledegas.com](http://www.lacledegas.com) and click on "Hot Tips for Cold Weather."

## Laclede Gas Company

## Laclede Gas

*We're part of the family.*

Laclede Gas has been your family's natural gas provider for over 150 years. From streetlights to today's homes, Laclede Gas is a part of the home. Year after year, Laclede Gas provides clean-burning natural gas to keep your home warm and comfortable.

Laclede Gas also provides gas appliances, a house sale assistance program, and a warm home.

Call (314) 312-0709  
or (314) 621-6960  
for more information.

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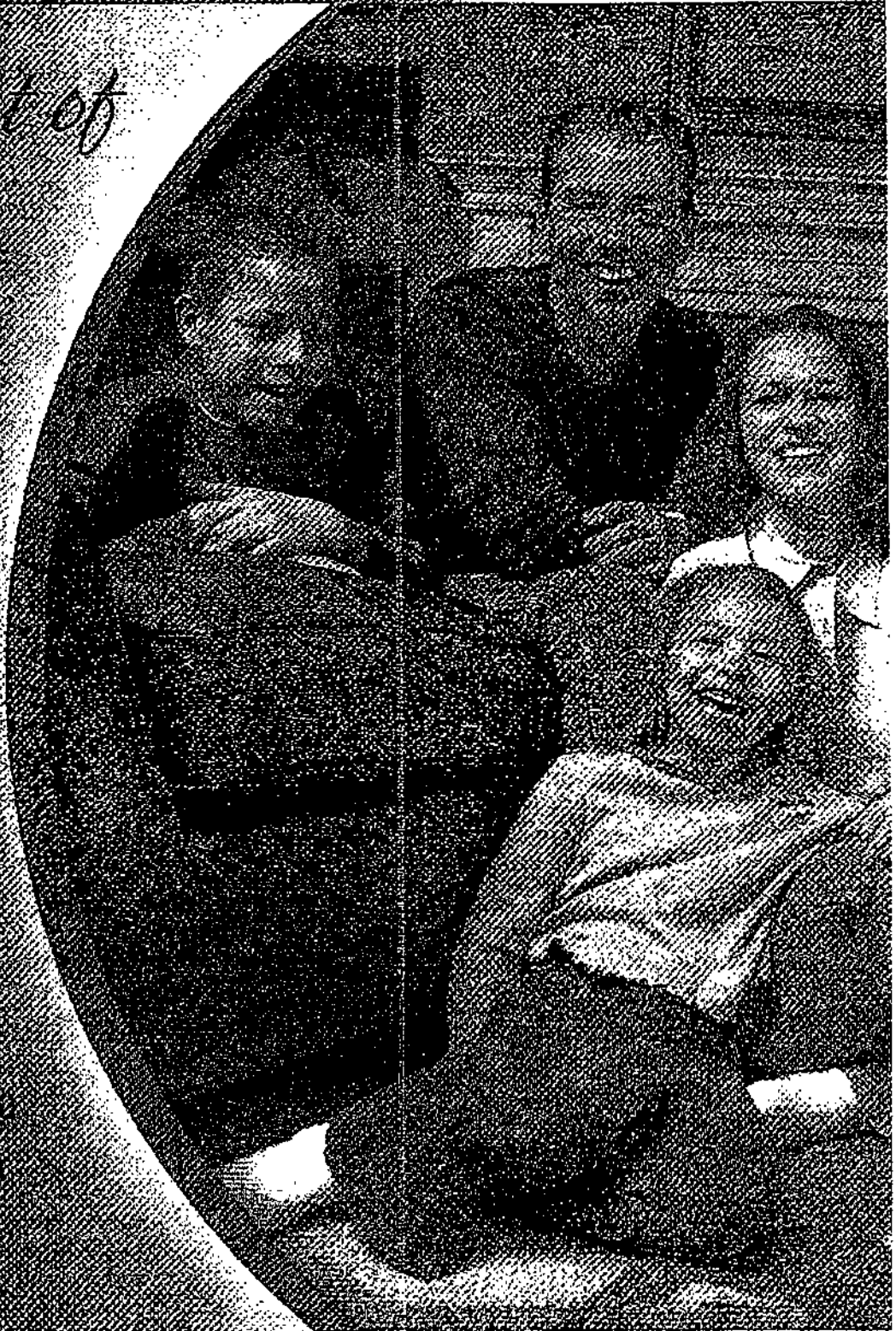
*We're part of  
the family.*

For nearly 120 years,  
Laclede Gas has been your  
family's gas company. From  
your stove and furnace to  
your refrigerator and efficient  
air conditioning, we have the  
expertise and experience to  
help you make the most of  
your gas appliances.

Whether you're looking for  
a new furnace or a new  
water heater, we'll help you  
choose the right one for your  
home.

And if you're looking for  
a new gas appliance, we'll  
help you choose the right one  
for your budget.

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# *The Art of Cooking*

**The greatest chefs in the world  
all agree: When creating a  
culinary masterpiece for your  
guests or family, choose natural  
gas. It's the fuel of choice to  
lock in the full flavor of your  
favorite recipe. Whether you're  
cooking on the stove top or the  
grill in your back yard, nothing  
beats natural gas.**



[www.lacledegas.com](http://www.lacledegas.com)

**At moments like this...**

*One thing you can be sure of.*



**Laclede Gas**

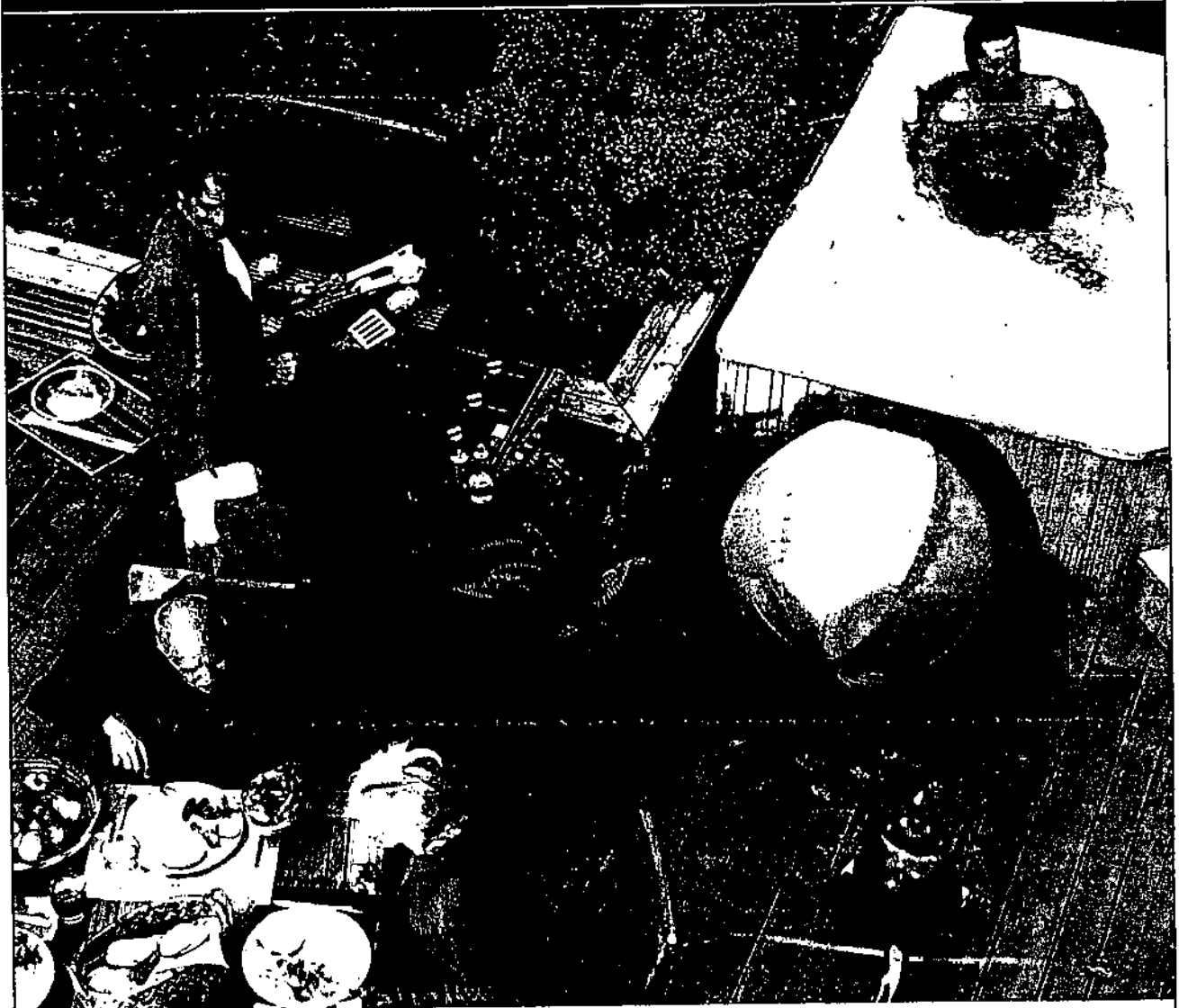
At moments like this, when your family is warm and comfortable, you probably don't give a second thought to the natural gas used to heat your home. Isn't that the way it should be? Laclede Gas. One thing you can be sure of.

[www.lacledegas.com](http://www.lacledegas.com)

Schedule PM 2-13

**At moments like this...**

*One thing you can be sure of.*



**Laclede Gas**

At moments like this, you probably don't give a second thought to the natural gas that makes your family gatherings even more enjoyable. Isn't that the way it should be? Laclede Gas. One thing you can be sure of.

[www.lacledegas.com](http://www.lacledegas.com)

Schedule PM 2-14

# At moments like this ...

One thing you can be sure of.



At moments like this, you probably don't give a second thought to the natural gas that heats the water for your luxurious bath. And isn't that the way it should be? Laclede Gas. One thing you can be sure of.

[www.lacledegas.com](http://www.lacledegas.com)

Schedule PM 2-15

**At moments like this...**

*One thing you can be sure of.*



**Laclede Gas**

At moments like this, you probably don't give a second thought to the natural gas used to prepare your family's meals. And isn't that the way it should be? Laclede Gas. One thing you can be sure of.

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Schedule PM 2-16