Exhibit No.:	
Issue:	**Rate Base, Accounting Schedules**
Witness:	**Patricia A. Krieger**
Type of Exhibit:	**Direct Testimony**
Sponsoring Party:	**Laclede Gas Company**
Case No.	**GR-2013-0171**
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LACLEDE GAS COMPANY

GR-2013-0171

DIRECT TESTIMONY

OF

PATRICIA A. KRIEGER

DECEMBER 2012

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DIRECT TESTIMONY OF PATRICIA A. KRIEGER

Q. Please state your name and business address.

A. My name is Patricia A. Krieger, and my business address is 720 Olive St., St. Louis, Missouri 63101.

Q. What is your present position?

A. I am Director, External Financial Reporting for Laclede Gas Company ("Laclede" or "Company").

Q. Please state how long you have held your position and briefly describe your responsibilities.

A. I was promoted to my present position in September 2006. I am responsible for managing a department that is responsible for the Company's external financial reporting, as well as compliance with accounting principles generally accepted in the United States of America, and the accounting-related rules and regulations of this Commission. The department is responsible for filings with the Securities and Exchange Commission (SEC), this Commission, and the FERC.

Q. Will you briefly describe your experience with the Company prior to becoming Director, External Financial Reporting?

A. I joined Laclede in November, 1976 as an Accountant in the Corporate Accounting Department. I was promoted to Senior Auditor in June, 1979 and transferred to the Internal Audit Department. In June, 1983, I was transferred to the Budget Department, where I served as Senior Budget Analyst and Assistant Manager until being promoted to Manager of the Budget Department in April, 1988. I held that position until being promoted to Manager of Accounting in January 1997 where I was responsible for managing three departments: Financial Reporting, Gas Accounting and Asset Management. These departments maintain the books of the Company, are responsible for accounting activities relating to the Company's natural gas costs and customer revenues (including analyses of the effects of weather on customer sales), and are responsible for maintaining the continuing property records of the Company.

Q. What is your educational background?

A. I graduated from Saint Louis University in 1976 with the degree of Bachelor of Science in Business Administration, majoring in accounting.

Q. Have you previously filed testimony before this Commission?

A. Yes, I have. I have previously filed testimony in Cases Nos. GR-2011-0006, GR-2010-0171, GR-2007-0208, GR-2005-0284 GR-2002-356, GR-2001-629, GM-2001-342, GR-99-315, GR-98-374, GR-96-193, and GR-94-220.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. I am sponsoring the Company's rate base on an original cost basis and certain components of working capital for inclusion in the Company's rate base. I am also sponsoring income statement adjustments in the areas of revenue and gas cost, depreciation and amortization, and taxes other than income.

Q. Please list the schedules you are sponsoring.

A. The following items were prepared by me or under my supervision: Schedule 1. This schedule summarizes the components of the Company's original cost rate base. I am also sponsoring certain adjustments to Schedule 5, as discussed in this direct testimony.

RATE BASE

Q. What items are you sponsoring for inclusion in the Company's original cost rate base (Schedule 1)?

A. Gross Plant amounts for Laclede have been estimated to July 31, 2013. Deducted from these amounts is the estimated balance of accumulated provision for depreciation, depletion and amortization at the same date. I also deducted the estimated balance of customer advances for construction as of July 31, 2013.

Q. Please describe any other items associated with utility plant amounts recorded on the Company's books as they pertain to rate base.

A. The Company records on its books asset retirement costs associated with asset retirement obligations as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 410, "Asset Retirement and Environmental Obligations." The Company also records an associated regulatory liability to reflect asset removal costs accrued through regulated depreciation rates in excess of actual removal costs. These amounts are recorded for external financial reporting purposes only, in compliance with generally accepted accounting principles. Accordingly, the amounts recorded on the Company's books to comply with these external financial reporting standards have been eliminated for ratemaking purposes, and the Company's rate base and related depreciation expenses are presented consistent with traditional regulatory treatment.

Q. What other items are you sponsoring for inclusion in the Company's original cost rate base?

A. I have also included balances for working capital, which I am sponsoring as additions to rate base.

Q. What is "working capital?"

A. Working capital, as I use the term here, is the average amount of investment in the utility business provided by investors, in excess of that which is included in net utility plant, offset by appropriate deferred income taxes. Working capital includes the Company's investment in its various prepayments, deposits, and materials and supplies.

Q. Please explain the working capital items you are sponsoring on Schedule 1.

A. Schedule 1 includes the average balance for Special Deposits over the test year ending September 30, 2012. Schedule 1 also includes the average balances in Prepayments and General Materials and Supplies over the test period ending September 30, 2012. Certain natural gas inventory balances are no longer included in rate base, because financing costs associated with these balances are included in the Purchased Gas Adjustment Clause, in accordance with the settlement of Case No. GR-2005-0284, effective October 1, 2005.

Q. What items of rate base do other Company witnesses address in this case?

A. The Prepaid Pension Assets and OPEB Assets are described in the testimony of Company witness Steven Rasche. The Gas Safety Deferral and cash working capital requirement are described in the testimony of Company witness Glenn Buck. The Deferred Income Taxes are described in the testimony of Company witness Christopher Reck. The impact on rate base of the Insulation Financing Program, the EnergyWise Program, the Energy Efficiency deferrals, and Customer Deposits is described in the testimony of Company witness Gina Sparacino.

ADJUSTMENTS TO UTILITY OPERATING INCOME

Q. Please explain the adjustments you are sponsoring to Laclede's operating income.

A. I am sponsoring adjustments to revenues and gas costs to reflect the impact of changes in residential and small commercial customers, the elimination of unbilled revenue accruals, the elimination of revenues and expenses related to off-system sales and releases of pipeline capacity, and amounts recorded associated with the Infrastructure System Replacement Surcharge on the Company's books. I am also sponsoring adjustments to depreciation and amortization expense and taxes other than income expense. These adjustments appear on Schedule 5.

RESIDENTIAL AND SMALL COMMERCIAL CUSTOMER CHANGES

Q. Please explain the revenue adjustment made to reflect changes in residential and small commercial customers.

A. During the test year, the Company experienced increases or decreases, depending on the operating division, in both its residential and small commercial customers billed at the General Service rate. Adjustment 1.g. adjusts revenues to an annualized level that includes these changes in customer levels as if those levels had been experienced for the full year. Furthermore, the adjustment reflects revenues related to projected customer changes through July 31, 2013.

Q. What is the basis for this adjustment?

A. This overall residential and small commercial customer adjustment reflects annualized customer changes based on the estimated number of bills for the period ended January 2013, and the same rate of change through July 31, 2013.

WEATHER NORMALIZATION

Q. Are you sponsoring an adjustment concerning the effect of weather on the Company's revenues and expenses?

A. Actual weather experienced in the heating season affects the Company's sales levels, its revenues and its gas cost expenses. However, the Company's weather mitigation rate design, approved by the Commission and first implemented in Case No. GR-2002-356, improves the Company's ability to recover its fixed distribution costs while providing a more stable pricing environment for the Company's customers, despite extreme variations in weather conditions. Accordingly, the effects of weather variations from normal levels are not as significant as they otherwise would be absent the weather mitigation rate design. I am not sponsoring an adjustment to the test year for weather normalization in this case, but see the testimony of Company witness Michael T. Cline regarding a related proposal that equitably serves both the customer and the shareholder.

INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE

Q. Please explain the adjustment related to the Infrastructure System Replacement Surcharge (ISRS).

A. Adjustment 1.h. excludes the total amount recorded during the test year for the ISRS. Amounts billed under the ISRS will cease with the implementation of new rates established through this proceeding.

UNBILLED REVENUES

Q. Please explain the revenue adjustment involving accruals of unbilled revenues.

A. Adjustment 1.i. removes accruals of unbilled revenues from test year operating income.

Q. Why have you made this adjustment?

A. The Company bills customers for usage on a cycle basis throughout the month, so revenues billed to our customers do not reflect usage through the end of the month in most cases. For external financial reporting purposes, the Company records revenues and the related cost of gas for all gas delivered during a month. This method properly reports revenues in the period in which gas was used by our customers but requires that estimates of sales be made each month between the last date included in billed amounts and the end of the month. Adjustments 1.i. and 2.a. eliminate the effect of these estimates so that test year revenues and gas costs are based on an actual billed twelve-month period.

OFF-SYSTEM SALES AND CAPACITY RELEASE

Q. Please explain the adjustments related to the Company's revenues from off-system sales and the release of pipeline capacity.

A. Adjustments 1.j. and 2.b. remove revenues and gas cost expense related to off-system sales and capacity release from test year utility operating income.

Q. Please continue.

A. In conjunction with the settlement of Case No. GR-2007-0208, effective October 1, 2007, the Company is allowed to retain 15% to 25% of the first $6 million in annual pre-tax income earned (depending on the level of income earned) and 30% of income exceeding $6 million annually from off-system sales and capacity release. These adjustments effectively eliminate the Company's portion of income realized in utility operating income during the test year.

RATES USED IN CALCULATION OF ADJUSTMENTS

Q. What rates have you used to price out the revenue adjustments you have made to test year utility operating income related to on-system sales levels?

A. Revenue adjustments related to on-system sales have been calculated using the non-gas rates in the Company's tariffs, effective September 1, 2010, that are designed to recover the Company's cost of service, other than the cost of purchased gas. The Purchased Gas Adjustment (PGA) Clause included in Laclede's tariffs provides for current recovery of projected gas cost levels and for deferred recovery of other gas cost price differences. Changes in the PGA rate are made on a prorated basis for billing purposes, based on number of days at the respective rate. In addition, differences that occur between PGA revenue recovery and experienced gas cost are adjusted through deferral. Adjustment 1.l. eliminates from the income statement all gas costs included in revenues associated with amounts billed to customers under the Company's PGA Clause. Accordingly, Adjustment 2.c. eliminates the natural gas costs associated with billed sales. Since all gas costs have been removed from the income statement, we have not adjusted revenues for PGA rates in our individual adjustments of revenue. This makes some of the adjustments less complicated and has absolutely no impact on the Company's pro forma operating income because in each case we use non-gas rates to calculate revenue. In other words, if we had changed PGA revenue, we would also have changed expenses by exactly the same amount of adjusted natural gas cost and the result would have been the same operating income as the one calculated in our filing. In addition, we have not adjusted for gross receipts taxes in the revenue adjustments because if we had done so, we would have again adjusted exactly the same amount of dollars in the expense account for Taxes Other Than Income. As with the PGA, we have eliminated several calculations without changing the net result. This same methodology was also used by Company witness Keri Feldman for the calculation of other adjustments to revenues and gas costs.

GROSS RECEIPTS TAXES

Q. Please explain the adjustment to Taxes Other Than Income related to gross receipts tax expense.

A. Adjustment 11.d. normalizes, for ratemaking purposes, the gross receipts tax expense related to certain townships based on the level of gross receipts taxes recorded in test year revenues. Gross receipts taxes are levied upon and collected by the Company as a license to do business in certain municipalities that impose a license tax on gas sales. All gross receipts taxes billed to customers are recorded in the billing month as revenues, and are ultimately expensed in the current or subsequent months as appropriate. This adjustment is necessary to eliminate net revenues during the test year resulting from timing differences in recognizing revenues and expenses related to these particular municipalities, thereby eliminating any impact on revenue requirement as a result of obligations imposed on the Company to collect and remit gross receipts taxes on behalf of these municipalities.

DEPRECIATION AND AMORTIZATION

Q. Are you sponsoring any adjustments to depreciation and amortization expense?

A. Yes. Adjustments 10.a. and 10.b. show calculations that increase depreciation and amortization expense to the levels expected as of July 31, 2013. This amount is based on depreciation rates sponsored by Company witness John Spanos in this case. Applicable utility plant in service estimated at July 31, 2013 was multiplied by those rates. The resulting annualized amount was compared to actual test year expense to derive the adjustment. The annualized amount of depreciation expense excludes depreciation expenses associated with asset retirement costs recorded on the Company’s books in accordance with FASB ASC Topic 410, as described previously in the rate base section of my testimony.

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Filing of Revised Tariffs to Increase its Annual Revenues For Natural Gas Service	)))	Case No. GR-2013-0171

AFFIDAVIT

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Patricia A. Krieger, of lawful age, being first duly sworn, deposes and states:

1. My name is Patricia A. Krieger. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Director, External Financial Reporting of Laclede Gas Company.

2. Attached hereto and made a part hereof for all purposes is my direct testimony, on behalf of Laclede Gas Company.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Patricia A. Krieger
Patricia A. Krieger

Subscribed and sworn to before me this 13 day of December, 2012.

Lisa M. Reed
Notary Public

LISA M. REED
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Nov. 7, 2015
Commission # 11265169