Exhibit No.:	
Issue:	**Rate Base, Accounting Schedules**
Witness:	**Patricia A. Krieger**
Type of Exhibit:	**Direct Testimony**
Sponsoring Party:	**Laclede Gas Company**
Case No.	**GR-2007-0___**
Date Testimony Prepared:	**December 1, 2006**

LACLEDE GAS COMPANY

GR-2007-0___

DIRECT TESTIMONY

OF

PATRICIA A. KRIEGER

DECEMBER 2006

Direct Testimony of Patricia A. Krieger

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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 newly formed department that is responsible for the Company's external financial reporting, as well as compliance with generally accepted accounting principles and the accounting-related rules and regulations of this Commission. The department is responsible for filings with the Securities and Exchange Commission, 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-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, costs of removal, 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 Schedules 4 and 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 March 31, 2007. Deducted from these amounts is the estimated balance of accumulated provision for depreciation, depletion and amortization at the same date. I also deducted the September 30, 2006 balance of customer advances for construction. The gross plant amounts and accumulated depreciation associated with Laclede's purchase of certain assets of Fidelity Natural Gas Company in February 2006, as approved by the Commission, are included in these balances.

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

A. During the twelve-month period ended September 30, 2006, the Company recorded on its books asset retirement costs associated with asset retirement obligations as defined in the Financial Accounting Standards Board's (FASB's) Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," and its Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47). The Company also recorded an associated regulatory liability, in conjunction with adoption of these accounting standards, to reflect asset removal costs accrued through regulated depreciation rates in excess of actual removal costs. These amounts were

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. Please continue.

A. In conjunction with recording certain natural gas assets purchased from Fidelity Natural Gas Company, as approved by the Commission during the test year, the Company recorded a negative acquisition adjustment as prescribed by FERC's Gas Plant Instructions and consistent with this Commission's treatment of such transactions. Accordingly, this amount has not been included in rate base, but the Company has proposed the amortization of this negative acquisition adjustment over a five-year period.

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, 2006. Schedule 1 also includes the average balances in Prepayments and General Materials and Supplies over the test period ending September 30, 2006. Effective October 1, 2005, in accordance with the settlement of GR-2005-0284, certain natural gas and propane inventory balances are no longer included in rate base, because financing costs associated with these balances are included in the Purchased Gas Adjustment Clause.

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

A. The Prepaid Pension Asset, Gas Safety Deferral, and Deferred Income Taxes are described in the testimony of Company witness James Fallert. The cash working capital requirement of the Company is described in the testimony of Company witness Glenn Buck. The impact on rate base of the Insulation Financing Program, the EnergyWise Program, and Customer Deposits is described in the testimony of Company witness Amy DeWitte.

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 large users, increases or decreases in residential and small commercial customers, annualization of the general rate increase, and the elimination of unbilled revenue accruals and amounts recorded associated with the Infrastructure

System Replacement Surcharge on the Company's books. In addition, I am sponsoring adjustments concerning the effect of weather on the Company's revenues. I am also sponsoring adjustments to depreciation and amortization expense, cost of removal expense, taxes other than income expense, and to the revenues and expenses related to off-system sales and releases of pipeline capacity. These adjustments appear on Schedule 5.

LARGE USER LOAD CHANGES

Q. Please discuss the adjustments related to large users.

A. Adjustments 1.c., 1.d., 1.e., and 1.f. reflect known and measurable changes through March 31, 2007 in the usage levels and/or rate schedules for several of our large customers. These are customers whose circumstances have changed or are expected to change due to changes in volumes, newly contracted-for demand levels, and/or changes in the rates under which they purchase gas. These adjustments are necessary to include the most recent known sales information for these customers in normalized revenues. Adjustment 1.c. reflects the rate switching and/or load changes of 23 specific customers who were or are served under the Firm Sales Service rate classification. Adjustment 1.d. reflects the rate switching and/or load changes of 12 specific customers who were or are served under the Firm Transportation and Sales Service classification. Adjustment 1.e. reflects the rate switching and/or load changes of 8 specific customers who were or are served under the Basic Transportation and Sales Service rate classification. Adjustment 1.f. reflects the rate switching and/or load changes of 3 specific

customers who were or are served under the Interruptible Sales Service rate classification.

Q. What other adjustments are you sponsoring related to large users?

A. Adjustment 1.g. reflects a normalized level of unauthorized use charges for the Company's basic transportation customers. During the test year ended September 30, 2006, this group of customers was billed a lower than normal level of unauthorized use charges due to fewer days of limitation during the test year. Adjustment 1.g. increases revenues related to unauthorized use charges to a normal level based on the average number of days of limitation per year since the year that the unauthorized charge commenced.

Q. Are you sponsoring any other adjustments related to large users?

A. Yes. Adjustment 1.h. reflects a normalized level of demand charges to be billed to the Company's large volume and transportation customers. During the test year ended September 30, 2006, the large volume customers were billed a level of demand charges below the level that would be expected to be billed during subsequent periods. Adjustment 1.h. adjusts revenues related to billing demand charges for large volume customers to an annualized January 2007 billing level. It also adjusts revenues related to billing demand charges for transportation customers to current contract levels adjusted to reflect typical increases in billing demands associated with periods of limitation.

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 modest growth in both its residential and small commercial customers billed at the General Service rate, primarily in its St. Charles and Midwest operating divisions. The Laclede operating division experienced customer losses. Adjustment 1.i. 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 adds revenues related to projected customer growth through March 31, 2007 in the operating divisions of the Company that experienced growth.

Q. What is the basis for this adjustment?

A. This overall residential and small commercial customer adjustment reflects annualized customer changes based on the period ended January 2006, and the same rate of growth through March 31, 2007 in the St. Charles, Missouri Natural and Midwest operating divisions.

Q. What other adjustments did you make with respect to customers?

A. The acquisition of certain natural gas assets of Fidelity Natural Gas Company, as approved by the Commission during the test year, resulted in the addition of approximately 1,300 new natural gas customers to Laclede's system effective March 1, 2006. These customers were billed by Laclede Gas based on Fidelity's existing tariff rates for the March 1, 2006 through September 30, 2006 period. Adjustment 1.p. adjusts sales levels for those customers to include the October through February period and adjusts revenues for the test year to reflect Laclede's tariff rates effective October 1, 2005.

WEATHER NORMALIZATION

Q. Please discuss the adjustments you are sponsoring 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. If weather is colder than was anticipated, each of these items (i.e., sales, revenues and gas cost expenses) will increase in amount. Conversely, if weather is warmer than was anticipated, the amount of these items will decrease.

Q. Is the effect of weather significant on the Company's sales levels, revenues, and gas cost expense?

A. Yes. The weather sensitivity of a Midwestern local gas distributor's sales levels is widely recognized in the industry and in financial and regulatory circles. Space heating constitutes by far the largest end-use of gas in Laclede's system. During the test year, space heating revenues accounted for more than 90% of total revenues billed to on-system customers.

Approximately 98% of Laclede's residential customers use gas for their primary heat source. A number of the remaining residential customers use gas for a secondary heat source. In our service area, the vast majority of an average heating customer's usage is for space heating, followed by water heating usage. Other end uses, such as cooking, clothes drying, and lighting constitute a small fraction of the total. Because Laclede is particularly dependent on space heating for its revenues, weather is a primary variable in determining Laclede's revenues.

Q. How does the ratemaking process address the impact of weather fluctuations on a gas utility's operations?

A. Space heating sales levels are primarily determined by heating season temperatures in the gas utility's service area. In setting rates, this Commission has traditionally approved an adjustment to Laclede's test year data to account for the effects of weather through use of a measure known as heating degree days (also referred to as "degree day deficiencies" or simply "degree days"). This adjustment has traditionally been calculated through a comparison of the actual number of degree days experienced in the test year in Laclede's service area with an historical measure of degree days considered to be normal in such area. The adjustment is designed to adjust test year operating results to levels which would have been experienced had the test year contained a normal number of heating degree days.

Q. Please define the term "heating degree day."

A. A heating degree day is a unit used to measure the requirement for space heating due to the coldness of weather. Specifically, each heating degree day represents each degree by which the average temperature for a day falls below 65° Fahrenheit based on daily high and low temperatures recorded and published by the National Oceanic and Atmospheric Administration (NOAA), an agency of the United States Government. Thus, an average daily temperature of 45° Fahrenheit would be equal to 20 degree days. Degree days can be calculated and accumulated for a number of days, such as a month or a heating season, to provide a measure of heat requirements.

Q. How are normal degree days determined?

A. Generally, normal degree days are determined by an analysis of historical data. In the past, the Company's rates have been based on various normals calculated by averaging actual degree days experienced over periods ranging from thirty years to longer-term averages which used all historical weather data available for the past century. More recently, rates have been set based on 30 years of historical data or parameters agreed upon by the parties developed from 30-year data.

Q. What has recent experience shown the deviation to be between actual degree days and such 30-year normals?

A. Recent experience has shown that traditional 30-year normals are unreliable in approximating expected degree days, even over a span of a number of years. The attached Schedule PAK-1 shows the heating season degree days, as reported by NOAA, that were actually experienced during recent years compared with the NOAA 30-year normal degree days for St. Louis, Missouri.

The predominantly warmer-than-normal weather experienced between 1985 and 2002 caused Laclede's sales levels to fall short of those levels predicated on long-term norms upon which rates were set, having a significant adverse effect on the Company's earnings and rate of return. Earnings were depressed by millions of dollars during those years, resulting in long-term earnings shortfalls from the levels justified and approved by the Commission in previous rate cases.

Q. What was the effect of weather variations in 2003 through 2006?

A. Actual degree days continued to vary from NOAA's published normals, particularly in 2004 through 2006 when the weather was significantly warmer than normal. However, in Case No. GR-2002-356, the Commission approved a new rate design, effective November 9, 2002, that more equitably serves both the customer and the shareholder, despite weather fluctuations that vary significantly from the traditional 30-year normals. Due to the implementation of the new rate design, the Company did not experience an earnings windfall in 2003 as a result of weather that was colder than normal. Nor did it experience as large of an adverse earnings effect that would have otherwise occurred due to the significantly warmer-than-normal weather that occurred in 2004 through 2006. The weather mitigation rate design did not eliminate the impact of the three years of significantly warmer weather in 2004 through 2006, but lessened that impact to a more modest, but still significant level. The current rate design, including modifications proposed in this case as described below, greatly improves and simplifies the ratemaking process with regard to weather normalization, and makes the lack of reliability, as well as timing and measurement issues, associated with traditional 30-year normals, tolerable.

Q. Please explain what you mean by timing and measurement issues associated with traditional 30-year normals.

A. NOAA publishes normals at the end of each decade based on three decades of data. For instance, the current normals, published after the end of calendar 2000, reflect the weather conditions experienced during the January 1971 through

December 2000 period. NOAA does not update normals again until the end of the next decade; therefore, more recent weather experience is not reflected for many years thereafter. Also, during each decade, the type and location of the instruments used to measure temperature may change at the weather sites, and variations in temperature measurement may result that are not reflected in NOAA's normals until publication of subsequent normals at the end of the next decade. These complications make traditional weather normalization extremely complex as the slightest bias in temperature data may result in material variations in revenue requirement when applied on such a precise basis in ratemaking.

Q. How do weather mitigation measures help alleviate the problems associated with weather normalization and determining an appropriate level of normal heating degree days?

A. The Company's weather mitigation rate design allows the Company to recover a significant portion of what are basically fixed distribution costs, as well as providing a more stable pricing environment for the Company's customers, despite extreme variations in weather conditions. Therefore, the weather mitigation rate design reduces the need to determine precisely an appropriate number of normal heating degree days in establishing sales levels because the financial impact of biases or significant variations from those levels is not as material as it would otherwise be without weather mitigation measures. Although the weather mitigation rate design reduces the magnitude of the shortfalls or windfalls in customer revenues that are likely to occur using 30-year normals, it has not eliminated them completely. That is why Laclede is proposing necessary

revisions to the weather mitigation rate design in this proceeding, including a reduction in therms that comprise the first rate block of Laclede's residential and commercial rate classes, extension of the rate design to additional months, and the use of billing determinants that are reflective of more recent temperature experience. The weather mitigation rate design and these proposed modifications are described in the testimony of Company witness Michael Cline.

Q. What level of heating degree days are you sponsoring in your adjustment?

A. Subject to the weather mitigation rate design modifications being proposed by Mr. Cline, adjustment 1.a. reflects the increase in revenues at base rates for customers served under the general service rate to the level that would have been achieved at 4,662 degree days. This level of heating degree days reflects the 30-year period ended September 2006. Under the current rate design structure, including the proposed modifications, continued use of a 30-year normal is tolerable. This level of heating degree days was determined by incorporating the 30-years of historical data utilized in NOAA's most recently published normals based on the 1971-2000 period, updated through September 2006 to incorporate more recent weather experience. Actual revenues for the twelve months ending September 2006 reflected 4,154 heating degree days on a billing cycle basis. This was 508 heating degree days, or 10.9%, less than the normal heating degree day level.

Q. What is the significance of using heating degree days on a billing cycle basis?

A. Heating degree days recorded on a calendar day basis have been converted by the Company to a billing cycle basis, which reflects the Company's cycle method of billing its customers. Although the Company recognizes revenues on a calendar-

month basis for financial reporting, its underlying records are maintained on a cycle billing basis, with a separate entry each month to adjust to a calendar month basis. I am also sponsoring an adjustment to reverse this entry, effectively returning the income statement set out on Schedule 4 to a billing cycle basis. Under this method, the Company recognizes revenue as recorded by its meters, which are read throughout the month.

Q. Please continue with your explanation of adjustment 1.a.

A. Normalization adjustments were calculated to reflect the effect of normal weather on therm sales and revenues. A separate calculation was made for each of the general service rates for each operating division. The general service rates include residential and three classes of commercial and industrial customers categorized by annual usage requirements. Under the current rate design structure, each rate billed under the general service tariff is billed monthly based on therms used in two billing blocks. In each case, regression analysis was used to determine the normalized total monthly average use per bill. Regression analysis was also used to determine the normalized average monthly use per bill for the therms billed in the first billing block. The normalized monthly average use per bill for the second billing block was calculated by subtracting the normalized average monthly use per bill for therms billed in the first billing block from the total.

Q. How did you calculate the revenue adjustment?

A. The normalized block 1 and block 2 use per bill amounts were subtracted from the respective actual block 1 and block 2 use per bill amounts for each month of the

test year. The adjustments to average block 1 and block 2 use per bill were next multiplied by the actual bills for each month of the test year. The resulting block 1 and block 2 therm sale adjustments were then multiplied by the appropriate rate per therm for each block to calculate the adjustment to net revenues for each rate class by division.

Q. Please describe the regression methodology employed to determine the monthly normalized use per bill.

A. Regression analysis was used to develop quantitative measures to determine relationships between average monthly therm sales per bill and factors upon which therm usage is dependent. Although customer usage is primarily dependent on heating degree days, it has long been recognized that other factors, to a lesser extent, play a role in determining customer usage. These factors include the average number of days in each month's billing cycle and variations in seasonal responses to heating degree days. Regression analysis was used to determine the best fit between actual average use per bill per month and actual billing cycle degree days by month, along with other factors deemed statistically significant in providing the best results. For the residential class, the regression analyses were generated using data from the June 1996 through September 2006 period to allow the analyses to consider sufficient data points, thereby taking into account actual usage results under a wider variety of weather conditions.

Q. Were there other reasons to use multiple years of data?

A. Yes. The normalization of therms in the first billing block by month is critical under the current rate design structure. It is necessary to use more than one data

point for each month to capture block 1 usage under varying weather conditions and thereby produce more reliable results for the first billing block.

Q. Please continue.

A. Effective with implementation of rates on November 9, 2002, the commercial and industrial general service class was subdivided into three different groups, each with different block 1 seasonal thresholds for billing purposes. For purposes of weather normalization, billing history was generated for each of the three commercial and industrial rate classes based on customer profiles for each rate class so that a sufficient amount of billing data could be utilized in the regression analyses. The data used in the commercial and industrial regression analyses was based on actual billing data for the January 1998 through September 2006 period. Since the threshold for the first billing block is different in the winter and summer periods for two of the three rate classes, regression analyses were performed separately for the winter and summer periods to determine normalized block 1 use per bill for these groups.

Q. Please describe the results of your regression analyses.

A. A detailed analysis of the model performance statistics demonstrates good correlation and supports the use of this approach. Further analytical evaluation of the results concluded that the projections were reasonable when compared to actual experience over an extended period of time.

Q. Are you sponsoring any other adjustments related to weather normalization?

A. Yes. Adjustment 1.b. reflects the increase in revenues at base rates for customers served on the large volume and transportation service rates to the level that would

have been achieved at 4,662 degree days. Although gas requirements for customers served on these service rates are primarily for purposes other than space heating, some customers served on these rates exhibit some degree of weather sensitivity. An average heating use per degree day for each rate and revenue class was determined by deducting the annualized May through October usage from the total usage for these groups of customers and dividing by actual degree days for the test year. The degree day variation from normal was multiplied by the average heating usage per degree day and priced at the appropriate second block base rate.

Q. Does this complete your discussion of weather?

A. Yes, it does.

INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE

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

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

Q. Why have you made this adjustment?

A. The Company reads meters throughout the month, so revenues billed to our customers do not reflect usage through the end of the month in most cases. 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 date meters were read and the end of the month. Adjustments 1.k. 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.l. and 2.b. adjust revenues and gas cost expense related to off-system sales and capacity release to zero, as described more fully in the testimony of Kenneth Neises.

Q. Please continue.

A. In conjunction with the settlement of Case No. GR-2005-0284, effective October 1, 2005, the Company shares with customers 50% of pre-tax income from off-system sales and capacity release exceeding $12 million on an annual basis. Laclede is proposing to provide a one-time bill credit to its sales customers, upon implementation of new rates in this case, representing the customers' share of such income deferred during the test year aggregating to approximately $3.5 million.

UNREALIZED PORTION OF GENERAL RATE INCREASE

Q. Please explain the adjustment related to the Company's last general rate increase.

A. The Stipulation and Agreement in Case No. GR-2005-0284 provided for new customer rate schedules to be effective October 1, 2005, on a pro rata basis. Accordingly, natural gas sales billed to customers during the test year ended September 30, 2006 included a portion of sales billed at rate schedules in effect prior to October 1, 2005. Adjustment 1.o. increases expected revenues to the level of non-gas revenues that would have been realized during the test year if the new rate schedules had been fully effective for the entire period.

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 October 1, 2005, 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.n. 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.

GROSS RECEIPTS TAXES

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

A. Adjustment 9.e. 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 8.a. and 8.b. show calculations that increase depreciation and amortization expense to the levels expected as of March 31, 2007. This amount is based on depreciation rates effective January 1, 2006, as established in Case No. GR-2005-0284. Applicable utility plant in service estimated at March 31, 2007 was multiplied by these effective rates. The resulting annualized amount was compared to actual test year expense to derive the adjustment. The test year included reduced expense associated with a theoretical reserve adjustment as ordered in Case No. GR-2002-356. Adjustment 8.a. effectively terminates the negative amortization associated with that Order, as provided for in Case No. GR-2005-0284. The annualized amount of depreciation expense excludes depreciation expenses associated with asset retirement costs recorded on the Company's books in accordance with SFAS No. 143 and FIN 47, as described previously in the rate base section of my testimony.

COSTS OF REMOVAL

Q. Are you sponsoring any other income statement adjustments?

A. Yes. During the 12 months ended September 30, 2006, actual removal costs of retired utility plant were included in operating expense, pursuant to the Stipulation and Agreement in Case No. GR-2001-629. As provided for by Case No. GR-2005-0284, the Company's depreciation rates include an accrual for removal costs effective January 1, 2006 and actual removal costs are therefore no longer expensed as incurred. Adjustment 8.a. adjusts depreciation expense to a level reflecting implementation of the approved depreciation rates effective January 1, 2006. Accordingly, adjustment 8.c. provides for costs of removal to be treated as an item of depreciation expense, by excluding the actual costs of removal incurred during the test year charged to operating expense.

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	)	
Tariff to Revise Natural Gas Rate Schedules	)	Case No. GR-2007-0___

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 for Laclede Gas Company.

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

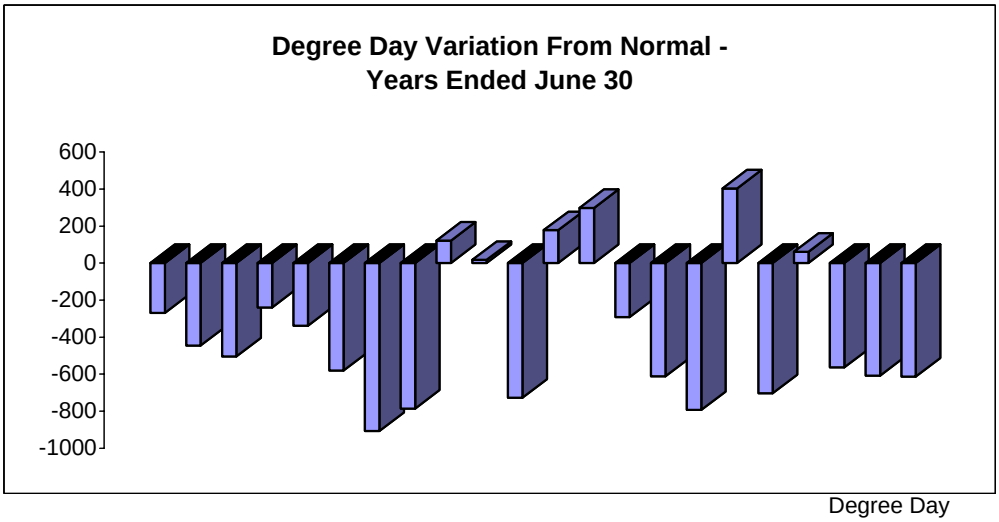
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Patricia A. Krieger
Patricia A. Krieger

Subscribed and sworn to before me this 30th day of November, 2006.

Karen A. Zurliene
Notary Public

KAREN A. ZURLIENE
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI, CITY OF ST. LOUIS
MY COMMISSION EXPIRES FEBRUARY 18, 2008



Year	Actual Degree Days	Normal Degree Days		Degree Day Variation From Normal
1985	4,669	4,938	*	(269)
1986	4,493	4,938	*	(445)
1987	4,433	4,938	*	(505)
1988	4,698	4,938	*	(240)
1989	4,600	4,938	*	(338)
1990	4,357	4,938	*	(581)
1991	4,031	4,938	*	(907)
1992	4,152	4,938	*	(786)
1993	4,880	4,758	**	122
1994	4,775	4,758	**	17
1995	4,030	4,758	**	(728)
1996	4,936	4,758	**	178
1997	5,056	4,758	**	298
1998	4,467	4,758	**	(291)
1999	4,146	4,758	**	(612)
2000	3,964	4,758	**	(794)
2001	5,161	4,758	**	403
2002	4,054	4,757	***	(703)
2003	4,818	4,757	***	61
2004	4,193	4,757	***	(564)
2005	4,149	4,757	***	(608)
2006	4,143	4,757	***	(614)

* 30-year normal based on 1951-1980 period published by NOAA
** 30-year normal based on 1961-1990 period published by NOAA
*** 30-year normal based on 1971-2000 period published by NOAA