Exhibit No.:	
Issue:	**Uncollectible Accounts**
Witness:	**Sondra S. Brown**
Type of Exhibit:	**Direct Testimony**
Sponsoring Party:	**Laclede Gas Company**
Case No.:	**GR-2013-0171**
Date Prepared:	**December 21, 2012**

LACLEDE GAS COMPANY

GR-2013-0171

DIRECT TESTIMONY

OF

SONDRA S. BROWN

DECEMBER 2012

TABLE OF CONTENTS

DIRECT TESTIMONY OF SONDRA S. BROWN

Q. Please state your name and business address.

A. My name is Sondra S. Brown, and my business address is 720 Olive Street, St. Louis, Missouri 63101.

Q. What is your present position?

A. I am Vice President, Controller for The Laclede Group, Inc. and I am Controller 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 hired by the Company into my present position in March, 2012. In this position, I am responsible for the Company's accounting, budgeting, management information reporting, external financial reporting and financial planning functions.

Q. Will you briefly describe your experience prior to joining Laclede and becoming Vice President, Controller?

Q. I started my career with Deloitte, Haskins and Sells in 1988 as a staff auditor. I held various positions with increasing responsibility with the firm prior to leaving public accounting in 1999 as a Senior Manager in Audit Services. During my time in public accounting, I obtained my Certified Public Accountant certification and licensure in the states of Iowa, Illinois and Missouri and I am currently licensed in the states of Illinois and Missouri. I joined Smurfit-Stone Container Corporation as a Manager in the Accounting area with responsibility for Accounts Payable, Management and External Reporting. I developed their FASB 133 program for natural gas and cross-currency hedging including all required audit documentation. I progressed to Senior Manager and was one of the functional leads for the implementation of SAP financial modules of

Accounts Receivable, Accounts Payable, Treasury, Reporting and Consolidations. I joined Sigma-Aldrich as their Director of External Reporting in April, 2006. I was promoted to Director, Worldwide Financial Reporting and Planning in 2008 and Director, Investor Relations in 2011. My duties in these progressive management roles included the management of ten pension plans in six countries including the U.S. GAAP accounting and statutory treatment. I coordinated and managed all audit activities on a worldwide basis and monitored statutory reporting for all 70 reporting locations. I was responsible for the worldwide audit fee negotiation and management of the relationship with the external auditor. I managed the preparation, review and filing of Form 8K, 10Q, 10K and Proxy filings for the organization as well as compliance with disclosure rules. I also coordinated the global planning process and created periodic reporting and analysis for the Board of Directors, executive management and business unit presidents. What is your educational background?

A. I graduated from the University of Iowa with the degree of Bachelor of Science in Business Administration, majoring in accounting, minoring in French.

Q. Have you previously filed testimony before this Commission?

A. No.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present evidence to the Commission concerning the following items:

1. Level and treatment of uncollectible accounts expense;
2. Treatment of Cold Weather Rule Amendment amortization;

Q. Are you sponsoring any adjustments?

A. I am sponsoring several adjustments listed on Schedule 5. Specific items are detailed later in my testimony.

UNCOLLECTIBLE ACCOUNTS EXPENSE

Q. Please describe your calculation relating to uncollectible accounts expense.

A. I am sponsoring an adjustment to uncollectible accounts based on the appropriate level of expense using the traditional treatment of this item.

Q. How did you calculate the level of bad debt expense to be included in base rates?

A. This calculation reflects a normalized level of expense. Calculation of this amount is determined by multiplying the "percentage loss factor" times applicable normalized Company revenues.

Q. How was the percentage loss factor derived?

A. Net revenues used for this calculation are customer revenues less transportation revenues, and less gross receipts tax expensed. The total write-offs were then divided by net revenues for the five years ending November, 2011. This calculation results in the percentage loss factor used to determine normalized bad debts applicable to total uncollectible accounts. The total normalized uncollectible accounts were included as an adjustment in this case.

Q. Why are different time periods used for purposes of determining the uncollectible accounts and revenue amounts used in the calculation?

A. Laclede has found that there is generally a ten-month lag between the revenue periods when the customer is rendered service and the period when the customer's account will be written off. Uncollectible accounts written off for the year ending September are, therefore, compared with revenues for the year ending the prior November because such a ten-month lag period allows us to better compare write-offs with the revenue period that actually generated the write-off amount.

Q. Why did you base the percentage loss factor on a five-year period?

A. This was the longest period available that includes the full effect of the cold weather rule amendment.

Q. Does this pro forma level of Uncollectible Accounts Expense include the effect resulting from higher revenues associated with this rate request?

A. Yes. The Company is entitled to recognition of the increased bad debt expense from higher revenues associated with this rate request.

Q. Are you aware of any other factors that could significantly affect Laclede's uncollectible accounts expense in the future?

A. In general, the Commission's rules regarding service disconnection and restoration can also have a significant impact on the level of uncollectible expense incurred by the Company. Experience has shown that more lenient disconnection and restoration rules will result in greater uncollectible expense to the Company and its paying customers. Other factors include the cost of gas, the economy in the service area, the collection policies of the Company, and the level of energy assistance (heat grant) payments. A major cut in such payments, or a shortfall between the level of energy assistance available and the growing amount required by customers, would have a significant adverse impact on Laclede's uncollectible accounts. All of these factors, in addition to increases and decreases in gas prices, have historically caused significant volatility in uncollectible accounts.

Q. Please explain the impact of the federal Low-Income Home Energy Assistance Programs (LIHEAP) on Laclede.

A. LIHEAP funds do impact the net write-offs and overall bad debt expense for Laclede. The LIHEAP funding for Laclede peaked in recent years at $12.212 million in 2009 from $6.945 million in the previous year. Since that high mark in 2009, it has been steadily decreasing to a 2012 amount of $8.165 million and an expected amount of $6.0 million in fiscal 2013. In general, the reduced funding of federal home energy assistance programs puts pressure on our customer base and can negatively impact our customers' ability to pay their heating bills.

Q. Considering all of these factors, does the Company exert significant control over the level of uncollectible expense it incurs?

A. No. I believe factors beyond the Company's control impact the level of uncollectible expense ultimately incurred by Laclede to a far greater degree than do any of the actions or policies the Company could possibly undertake within the relatively narrow confines of the Commission's rules. While Laclede certainly understands the important public policy considerations underlying The Cold Weather Rule and, as discussed by Laclede witness Dan Ryan, vigorously supports a variety of programs aimed at helping customers to maintain service, the fact remains that the Rule has a significant impact on Laclede's ability to control bad debt. Among other things, the service restoration requirements and the temperature threshold for disconnection prevent the Company from both collecting arrearages and from stopping the snowballing of debt during high use periods. We are unable to condition restoration of service upon full payment, to collect a deposit, or to disconnect service during cold spells. As such, the Company's uncollectible expense is largely hostage to the vagaries of weather, natural gas prices, the economy, and the political will to provide energy assistance for those in need.

COLD WEATHER RULE AMENDMENTS

Q. Please describe the Cold Weather Rule Amendments approved by the Commission in Case Nos. GX-2006-0181 and GX-2006-0434.

A. In Case No. GX-2006-0181, the Commission significantly relaxed the terms under which customers that had service discontinued as a result of nonpayment or were in threat of disconnection for nonpayment could regain or retain service from January 1, 2006 through March 31, 2006. In Case No. GX-2006-0434, the Commission adopted certain of these terms on a permanent basis effective November 1, 2006 and also prescribed a specific mechanism designed to provide for the recovery of costs related to the amendments.

Q. Had the amortization of the costs deferred under these programs been reflected in rates?

A. Yes. The amortization of costs related to both of these proceeding was included in rates in the Company's last rate case, Case No. GR-2010-171.

Q. Have the costs of these Cold Weather Rule deferrals been fully amortized?

A. The amortization of costs related to both deferrals is now complete. Adjustment No. 5.a adjusts the test year for both the normalization of Uncollectible Accounts as well as the removal of amortization amounts related to the Cold Weather Rule deferrals.

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)

Sondra S. Brown, of lawful age, being first duly sworn, deposes and states:

1. My name is Sondra S. Brown. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Controller 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.

Sondra S Brown

Sondra S. Brown

Subscribed and sworn to before me this 11 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