Exhibit No.:	
Issue:	Financing Authority
Witness:	Lynn D. Rawlings
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Laclede Gas Company
Case No.:	GR-2009-0450
Date Testimony Prepared:	February 23, 2010

LACLEDE GAS COMPANY

GF-2009-0450

DIRECT TESTIMONY

OF

LYNN D. RAWLINGS

DIRECT TESTIMONY OF LYNN D. RAWLINGS

Q. Please state your name and business address.

A. My name is Lynn D. Rawlings and my business address is 720 Olive Street, St. Louis, Missouri 63101.

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

A. I am employed by Laclede Gas Company ("Laclede" or "Company") in the position of Treasurer and Assistant Secretary.

Q. Please describe your qualifications and work experience.

A. I joined Laclede in February 2000 as the Assistant Treasurer. I was elected to my current position of Treasurer and Assistant Secretary in June 2006. In these positions, I have been responsible for overseeing the Company's cash management, borrowing, establishment of bank lines of credit, compliance with debt covenants, rating agency and bank relationship management, processing of all customer remittances, credit analysis for commercial customers, purchasing and materials management.

Q. What was your work experience prior to joining Laclede?

A. I began my career in 1974, working for the State of Missouri, as an Analyst, Bureau of Research and Statistics for the Missouri Division of Family Services in Jefferson City, Missouri. In 1976, I joined AmeriFirst Federal Savings and Loan (Miami), where I worked as a Market Research Analyst. After completing an M.B.A. degree in 1983, I assumed the position of Vice President of Corporate Treasury for Bank of America (San Francisco). While serving in that position, I was responsible for capital planning, interest rate risk management, deposit and loan pricing, mortgage securitizations, medium-term note issuance and other capital markets activity. In 1991, I joined Mercantile

Bancorporation of St. Louis (now US Bank). While there I served in the position of Vice President and Assistant Treasurer, in which I had responsibility for capital planning, line bank relationship management and capital markets activity, as well as the position of Vice President, Asset/Liability Management, in which I was responsible for interest rate risk analysis and management, investment portfolio management, and mortgage portfolio management.

Q. What is your educational background?

A. I received a Bachelor of Arts degree, with a major in Economics, from the University of Missouri-Columbia in 1974. In 1983, I received a Master of Business Administration degree, with a concentration in Finance, from the Wharton School of the University of Pennsylvania.

Purpose of Testimony

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

A. The purpose of my direct testimony in this proceeding is to address the differences between Laclede and the Staff of the Missouri Public Service Commission ("Staff") over the Company's request for financing authority in this case. Specifically, I will explain why the Staff's proposal to significantly reduce the financing flexibility that the Commission has traditionally afforded Laclede in its financing authorizations is not in the best interests of the Company, its customers or the Commission itself.

Background

Q. Please describe how this impasse arose.

A. On June 30, 2009, the Company filed a Verified Application in which it sought Commission authorization, for a three year period, to issue and sell first mortgage bonds, unsecured debt and preferred stock, to issue common stock and receive capital contributions, to issue and accept private placement investments, and to enter into capital leases, all in a total amount not to exceed $600 million.

Q. Was the Company's authorization request similar to ones that had been filed and approved by the Commission in the past?

A. Yes. For the past ten years, the Commission has authorized Laclede to issue and use a number of different financing vehicles subject to an overall cap on total issuances, with the requirement that the total amount of long-term debt outstanding at any point in time not exceed an amount equal to: (a) 65% of Laclede's overall capital structure, or (b) the value of its regulated rate base, whichever is less. For example, for the three years ending February 15, 2010, the Company was operating under a financing authorization that allowed it to issue up to $500 million in debt and equity subject to these conditions.

Q Has the Company complied with these conditions in its previous financing activities?

A. Yes. In managing its financial portfolio, Laclede has consistently taken a conservative approach, with the overall goal of ensuring that the Company will maintain the access to the financial markets that is so critical to meeting its financial obligations. The results of this conservative approach are reflected in the fact that the Company has been able to maintain an "A" credit rating for its bonds as well as relatively favorable access to the credit markets, all in the face of the very challenging disruptions that have occurred in those markets over the past two years. They are also reflected in the degree to which the Company has met and exceeded the financing conditions noted above. Specifically, the total long-term debt currently on Laclede's books amounts to 48.3% of its capital structure as of December 31, 2009, compared to the 65% amount that Laclede is authorized to carry, and such debt is more than $275 million *below* the value of Laclede's regulated rate base.

Q. Did Laclede propose any changes to the basic structure of its financing authority with its current financing application?

A. No. Although Laclede sought to increase the overall cap from $500 million to $600 million and obtain explicit authorization to enter into capital leases and place debt privately with accredited investors, it proposed to maintain the basic structure and flexibility afforded by the terms of its current authority. Laclede also indicated its willingness to abide by the financing safeguards previously approved by the Commission in connection with such authority.

Q Why did Laclede seek authorization to use capital leases and private placements as part of its financing portfolio?

A. Capital leases are transactions that are determined by current generally accepted accounting principals to be essentially the same as secured borrowings. Therefore the asset that is leased is included in a company's assets on its balance sheet and the lease is recorded as a liability. By comparison, operating leases are generally for a shorter proportion of the asset's useful life and are not recorded on the balance sheet, but the lease payments are recorded as an expense in the income statement. Laclede already utilizes operating leases for a variety of its utility assets, including vehicles, telephone switches, and other equipment. However, because of changes being contemplated by the Financial Accounting Standards Board ("FASB") to eliminate the operating lease classification, Laclede may be required to reclassify its existing operating leases as capital leases and record all future leases in that manner. While the Staff has indicated that any mandated reclassification of operating leases to capital leases should be included in Laclede's authorization, it has not recommended giving Laclede the authority to enter into new capital leases. However, because Laclede believes that capital leases, which are routinely used by numerous companies, can be a useful financing alternative in their own right, it is requesting that it be given authorization to use this alternative, regardless of any changes in Generally Accepted Accounting Principles ("GAAP"). The same is true for private placements, which are non-registered investments made by insurance companies and other sophisticated investors who wish to loan money, usually for extended periods of time at set interest rates and without the need for a public issuance of debt. Because such private placements avoid some of the costs of a public issuance and may have terms that are more favorable than public issues, they too are another financing vehicle that should be available to Laclede.

Q. How did the Staff respond to Laclede's authorization request?

A. After multiple exchanges of information and several meetings between the Company and the Staff, the Staff issued its Recommendation and Memorandum on December 29, 2009, in which it recommended that the Commission grant Laclede's application subject to a number of new conditions and modifications. The Staff recommended approval of the $600 million in overall financing authority proposed by the Company, as well as the Company's request to issue debt as private placements. The Staff also recommended only partial approval of the Company's request for authorization to enter into capital leases -- to the extent the Company becomes required by changes in financial accounting standards to reclassify its operating leases as capital leases – but no authorization for new capital leases. At the same time, the Staff also recommended a number of new conditions which Laclede believes are inappropriate, impractical and/or contrary to the interests of Laclede's customers.

Q. Please summarize where the Company disagrees with Staff's recommended conditions and what alternatives the Company would propose in place of those conditions.

A. As Laclede has indicated in its previous filings in this case, it takes specific issue with five of the conditions proposed by Staff. The first three are inter-related in that they all seek to prohibit or impose strict limitations on the availability and use of certain financing vehicles. In effect, Staff's position would significantly curtail the breadth and extent to which the Company can avail itself of the financing vehicles available to it, thereby impacting its financing flexibility and access to the various capital markets. Specifically, in place of the current, more flexible approach, the Staff has recommended that any financing authority granted by the Commission in this case: (a) limit the amount of long-term (i.e., longer than one year) debt that the Company can issue to no more than $100 million over the next three years; (b) prohibit the issuance of any preferred stock unless further Commission approval is obtained; and (c) limit the use of capital leases solely to those existing operating leases that may need to be reclassified as capital leases as a result of a future change in GAAP. Laclede strongly disagrees with each of these limitations. Instead, consistent with those safeguards that have already been approved by the Commission to protect customers from potentially improvident financing activities, including the reasonable overall dollar limitation proposed by the Company, Laclede believes it should be authorized to issue or enter into any combination of long-term debt, preferred stock or capital leases it believes is reasonable and prudent given the prevailing circumstances so long as the total value of these issuances or leases does not exceed an amount equal to: (a) 65% of Laclede's overall capital structure, or (b) the value of its regulated rate base, whichever is less.

Q. What are the other two recommended conditions with which the Company disagrees?

A. Because of copyright and practicality concerns Laclede objects to Staff's recommendation that Laclede file credit rating agency reports on it and its parent company in EFIS whenever such reports are issued. Laclede also objects to Staff's recommendation that the Company be required to submit reports tying specific long-term debt issuances to specific capital expenditures since it is really not practical or appropriate to establish such a tie in all cases. My testimony will explain in detail why the Company believes its position on each of these items is the appropriate one.

Restrictions on Long-Term Debt, Preferred Stock and Capital Leases

Q. Are the Staff's recommendations to place a $100 million cap on the amount of long-term debt that Laclede may issue over the next three years, to preclude the issuance of preferred stock without additional Commission approval, and to place limits on the use of capital leases consistent with prior Commission financing authorizations?

A. No. As I previously indicated, for the past ten years, Laclede, like many other Missouri utilities, has been authorized to issue debt, equity (including preferred stock) and other financing instruments over predefined periods of time subject to an overall limit on the amount that Laclede could issue, as well as several other conditions designed to ensure that customers would not be harmed by the exercise of such authority.

Q. If the Commission were to accept Laclede's recommendations regarding the financing authorization, would Laclede be likely to use all of this authority within three years?

A. No. As Laclede has projected for Staff, currently-known financing needs are less than the amount of the authority requested. But as Laclede has demonstrated in the past, the Company will not use the authority just because it is available, but will use it only when and to the extent it is appropriate to do so. Although Laclede has requested a larger authorization than would be required solely to finance its planned capital expenditures and scheduled debt repayments, the amount of the authorization is nevertheless warranted by the Company's potential need to respond on a timely basis to financing requirements that cannot be forecasted at this time because the future market and other circumstances that may drive them are impossible to predict. In fact, the very nature of prudent risk management requires that provision be made for these kinds of uncertainties.

Q. Is there any additional cost if the Commission were to grant this authority, as requested by Laclede?

A. No. In fact, this approach is a lower-cost alternative, in administrative terms, than requiring the Company to return to the Commission to request additional authorizations. It could also lead to lower overall financing costs for Laclede and its customers if the Company has greater flexibility as to the timing, amount and form of its financing.

Q. What kind of safeguards would be in place to prevent Laclede from excessive reliance on long-term debt?

A. The Company has proposed maintaining the safeguards that are already in place and functioning well, specifically that the total amount of Laclede's long-term debt outstanding not exceed 65% of its overall capital structure, or the value of its regulated rate base, whichever is less. See Case Nos. GF-2007-0220 and GM-2001-342, respectively. In addition, the Company continues to be obligated by the terms of Case

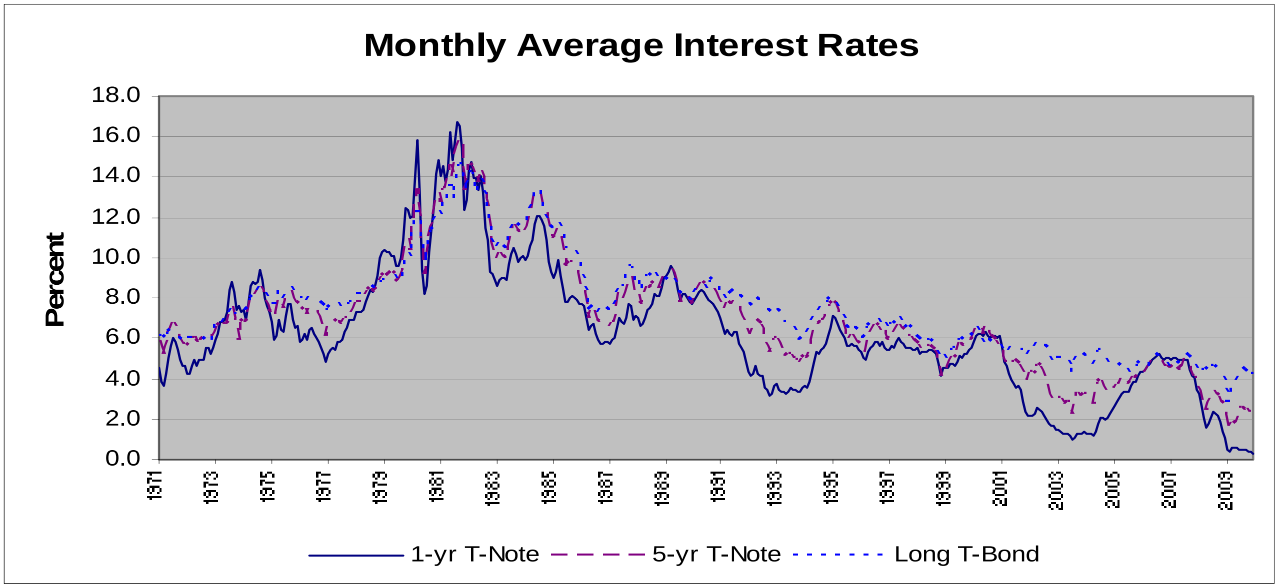
No. GM-2001-342 to maintain debt and preferred stock ratings at investment grade levels.

Q. Describe further the benefits of the flexibility you are seeking.

A. Certainly. I believe the greater flexibility afforded by the current approach has a number of inherent benefits for the Company, its customers and the Commission. First, it provides the Company with the agility it requires to respond on a timely basis to external factors that can quickly alter the relative cost, availability and need for various forms of capital. By doing so, it enhances the Company's ability to take advantage of favorable pricing opportunities that may arise in the credit markets, including the ability to determine the mix of financing alternatives that is best calibrated to benefit customers based on changing market conditions. It also allows Laclede to respond proactively to challenging credit environments, like the one that has prevailed since 2007, that have and can threaten or economically preclude its access to certain forms of credit. Finally, such an approach relieves the Commission and its Staff of the need to separately evaluate and approve each financing decision – an exercise in efficiency that not only frees up Commission resources for other regulatory demands but also honors what I understand to be a long-standing dividing line between permissible regulation and impermissible management of utility business activities.

Q. How important is it to maintain this kind of financing flexibility?

A. I think it is absolutely critical As just one example of why that's the case, consider the potential need to respond to changes in the absolute and relative cost of the "long-term" debt instruments (i.e., those with maturities of one year or more) that require financing authorization from this Commission. Currently, rates for long-term debt with shorter (one- to five-year) maturities are low, due largely to current federal fiscal policies, but that has not always been the case.



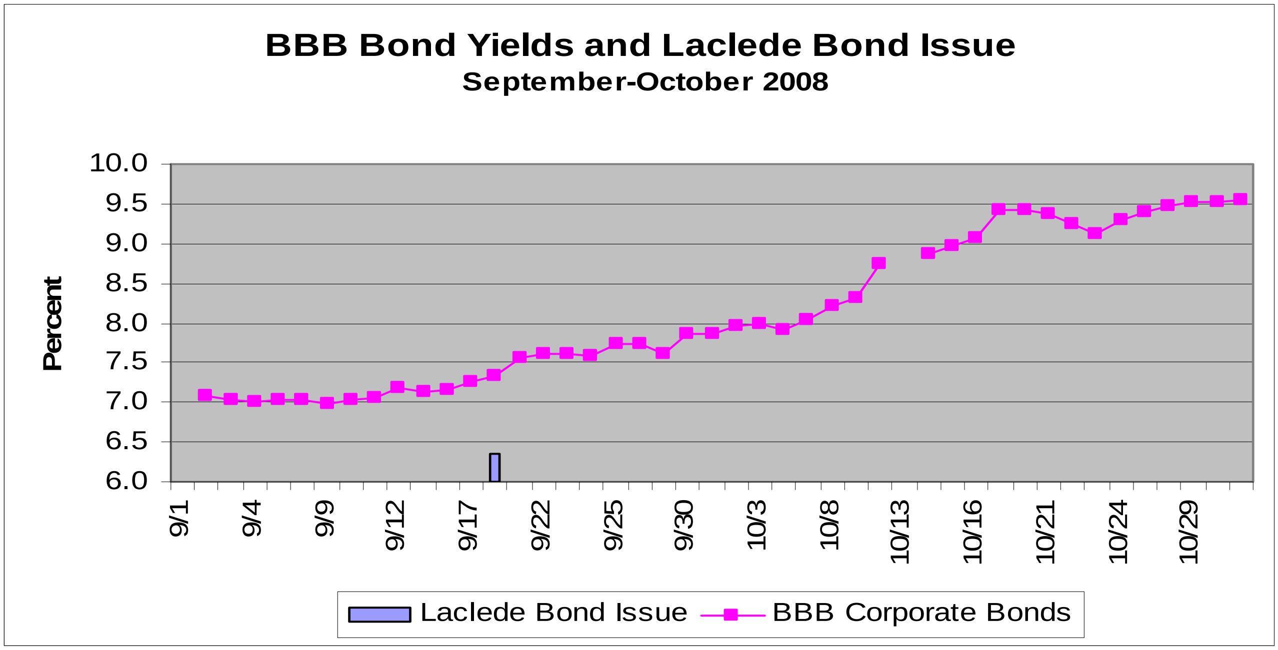
As the above graph shows, U.S. Treasury securities yields of all maturities (on which the cost of Laclede's debt would be based) have fluctuated widely over the years. Treasury rates have declined below 6% in more recent periods, after having exceeded 9% for nearly a decade in the 70's and 80's, with a peak approaching and even exceeding 16% in 1981. Increases and decreases in the cost of corporate debt instruments such as Laclede must issue can be just as significant and volatile.[1]

Q. Can these wide fluctuations in the cost of debt occur rapidly?

A. Yes. A good example of just how rapidly can be found in the movements of bond yields that occurred around the time Laclede last issued long-term debt in 2008. As the graph presented below shows, within just weeks of the time Laclede completed its debt issuance

[1] The graph presented above utilizes historical rates for one-year treasury notes, five-year treasury notes, and long-term treasury bonds, as taken from the Federal Reserve Statistical Release H.15 Selected Interest Rates (www.federalreserve.gov/releases/h15/).

in September 2008, the yield on BBB-rated corporate bonds had increased by an astounding 250 basis points (that is, 2.5 percentage points)! Given the $80 million value of the financing, this would have represented an additional cost of nearly $2 million per year over the 30-year duration of the bonds, had Laclede been delayed in completing the transaction.[2]



While Laclede has a somewhat higher bond rating, these movements in BBB bond yields are indicative of what Laclede could have experienced had it not been able to issue bonds on a timely basis. Fortunately, the current approach to financing authorizations provides utilities, like Laclede, with the ability to take these absolute and relative cost trends into account – and make appropriate and timely adjustments – when determining what mix of debt securities is best designed to meet the capital needs of the business and achieve favorable results for their customers.

[2] The graph utilizes data on the Moody's BBB Corporate Bond Index from the Federal Reserve Statistical Release H.15 Selected Interest Rates (www.federalreserve.gov/releases/h15/).

Q. Are there other factors that also support the need to maintain such financing flexibility?

A. Yes. Another external factor driving the need to maintain such flexibility is a change in the working capital requirements that Laclede and other LDCs face as a result of fundamental changes in their businesses and the natural gas marketplace. For example, Laclede has always been required to purchase and pay for gas supplies in advance of when it receives payment for such supplies from its customers. The cost of procuring such supplies, however, has increased several-fold over more recent years. So too has the magnitude of upward spikes in natural gas prices, which can impose particularly heavy cash demands over short periods of time, as evidenced by comparing the peak NYMEX price of about $4.50 per MMBtu for the period of 1994-1999 to the peak NYMEX prices seen in the 2000's, which exceeded $8.00 per MMBtu in eight of the ten years of that decade, and climbed to over $15.00 per MMBtu in 2005.[3] This simply reconfirms the need to maintain the financing flexibility necessary to issue various layers of debt or equity on a timely basis so that the Company's overall funding portfolio can support such cash requirements.

Q. Does the need to ensure access to the credit markets in challenging times also argue in favor of maintaining such flexibility?

A. Yes. The possibility that disruptions in the credit market may make certain forms of debt completely unavailable is another factor that argues for such flexibility. Certainly the credit events that began in 2007 indicate that this is not an idle concern, as even utilities regulated by this Commission effectively found themselves shut out of certain portions of the commercial paper market, and bank lines of credit became difficult or impossible to

[3] See the website of the U.S. Energy Information Administration, U.S. Department of Energy, http://tonto.eia.doe.gov/dnav/ng/hist/rngc1d.htm

obtain. If such a circumstance were to recur, Laclede might be forced to look to medium-term notes (with maturities of one to five years) to fund its operations. While the Company does not currently plan to take such action, establishing and maintaining the ability to do so is simply prudent risk management. Although Laclede has, to date, managed to retain sufficient access to the credit markets – in part because of its careful stewardship of its financial portfolio – the possibility that future credit market disruptions that might be severe enough to eliminate even its access to certain forms of credit cannot be dismissed and, once again, argues for not only maintaining the financing flexibility inherent in the existing approach but also enhancing it by authorizing additional forms of funding. I would refer again to Laclede's issuance of bonds in September 2008, which the Company was able to complete quickly after credit markets had just begun to falter, and before access to bond markets became more severely restricted.

Q. What impact would Staff's proposed limitations on long-term debt, preferred stock and capital leases have on this flexibility?

A. It would severely reduce it. In fact, by limiting Laclede's long-term debt issuances to only the amount necessary to fund currently-projected capital improvements and replace long-term debt maturing over the next three years (and by precluding the issuance of preferred stock and capital leases altogether), Staff's proposed limitations would effectively ignore the possibility of changes in capital expenditure plans, as well as require the Company to use Funds From Operations solely to fund long-term needs. Staff's limitations would preclude the Company from using long-term debt, preferred stock or capital leases as a means of responding to the kind of external changes in market conditions described above – at least without going through a potentially lengthy and entirely new approval process.

Q. Has the Staff provided any rationale that in your view would warrant the more restrictive approach it has taken in this case?

A. No. First, the Staff has not provided any reason why the current financing restrictions are no longer adequate. Second, the Staff certainly has access to the same historical financial market data that Laclede does and should therefore appreciate how dramatically and how quickly conditions bearing on financing decisions can change. So there should really be no misunderstanding on the part of the Staff regarding the potential need for such flexibility.

Q. Has the Staff pointed to anything to suggest that the Company has not properly and prudently managed the financing flexibility it currently has under its existing authority?

A. No. In fact, the Staff itself pointed out at page 7 of its Memorandum in this case that Laclede had only issued $80 million in long-term debt under its existing $500 million financing authorization. When coupled with the $50 million in equity that Laclede also issued during this time frame, these facts point out how just conservative and prudent Laclede has been in exercising its authority. The Staff counter-intuitively characterizes Laclede's conservative approach to issuing long-term debt under its existing authority as a matter of "concern" that presumably justifies the limitations it has proposed. It is exceedingly difficult to understand, however, how evidence of a utility's historically prudent and conservative approach to issuing long-term debt can be deemed supportive of the need to place additional limitations on the exercise of such authority.

Q. Has the Staff raised any concerns regarding Laclede's compliance with the financing safeguards that Staff proposed and the Commission approved for protecting customers in prior cases?

A. No. As I have previously discussed, Laclede has substantially exceeded *all* of the safeguards that the Staff itself has previously recommended to ensure that customers are not adversely affected by Laclede's exercise of its authority to issue long-term debt, by maintaining an investment grade credit rating as well as an overall amount of long-term debt that is substantially less than 65% of its capital structure and some $275 million below the value of its regulated rate base.

Q. Given this history, do you believe Staff has provided any justification for suddenly limiting the financing flexibility that the Company has previously been afforded in this area, as it has proposed to do in this case?

A. No. By eroding Laclede's ability to respond to changing market conditions on a timely basis, Staff's limitations may very well result in higher costs for Laclede's customers over both the near term and the long term as opportunities to lock in favorable rates or use effective financing instruments are delayed or missed entirely. Moreover, implementation of the restrictions proposed by Staff would impair the Company's ability to deal effectively with such market movements, and to raise funds in the event that either its cash requirements suddenly increase or credit markets are once again disrupted. Staff's restrictions could be viewed negatively by credit rating agencies and investors as subjecting Laclede to additional liquidity risk – a factor that could likewise increase the Company's cost of capital to the detriment of customers.

Q. Why would measures that increase liquidity risk be viewed negatively?

A. Appropriate liquidity management is one of a number of activities that are considered by rating agencies as an essential component of effective risk management – i.e., the management of risks that can profoundly affect the financial health and ongoing ability of a firm to operate. Accordingly, measures that potentially impair liquidity by restricting timely access to capital will tend to be viewed negatively.

Q. Would adoption of Staff's much more restrictive approach have any other detrimental effects?

A. Yes. It would also eviscerate the regulatory efficiencies inherent in the current approach by requiring that the Staff review, and the Commission approve, each and every issuance of debt or preferred stock that is proposed to be made for some reason other than to fund projected capital expenditures. In addition to increasing regulatory costs for both the Company and the Commission, such an approach would also take resources away from other regulatory activities. Notably, the Staff Counsel recently advised the Commission that because of the multitude of rate case filings before the Commission, the Staff had been forced to operate in a "triage" mode when performing its regulatory and auditing duties. (*See* Staff comments in December 15, 2009 remand discussion in Case No. GR-2006-0387). If Staff's resources are indeed stretched to a point where only the most serious regulatory matters can receive its attention, Laclede submits that it is a singularly inopportune time for the Staff to be undertaking even more review responsibilities, particularly in areas that have shown absolutely no need for additional Staff scrutiny.

Q. Would the need to have Staff review and the Commission approve each and every financing create other problems?

A. Yes. I think such an approach would be fundamentally inconsistent with the Commission's duty to regulate, but not manage, the utilities subject to its jurisdiction. I have been advised by legal counsel that the Commission may regulate a public utility's operations but it may not substitute its business judgment for that of the company's management so long as safe and adequate service is being provided. If approved by the Commission, however, the limitations recommended by Staff would result in this very kind of outcome by requiring that the Commission specifically approve any instance where Laclede seeks to issue long-term debt for market-driven reasons, to enter into a capital lease or to issue preferred stock.

Q. Do you know how such an approval process would work?

A. I really don't know what Staff has in mind. I can only presume that such an approach would entail having the Company come forward with whatever market data or circumstances it believes warrants a particular issuance. Such data, together with the Company's supporting analysis, would be evaluated by the Staff and then the Commission for purposes of determining whether the issuance should be approved. Then, and only then, would the Company be permitted to move forward with the issuance, assuming that there were no issues to litigate and the Staff and the Commission decided it was reasonable and appropriate to do so under the circumstances.

Q. Do you think such an approval process could be completed quickly enough to allow the Company to respond appropriately to market-driven developments?

A. As I indicated before, recent experience has shown that bond yields can change by over 250 basis points in just a month. Cash requirements can also escalate tremendously in just a month or two as the result of external factors beyond the Company's control. And we have also seen the breathtaking speed with which serious disruptions in the credit markets can take place. Given these considerations, I do not think a regulatory approval process that took months to complete (let alone the 8 to 9 months that has elapsed in this financing case) would give the Company a realistic opportunity to respond to market developments in a timely way. And I think it is our customers who would stand to lose the most from such an inability to act promptly.

Q. How would such a process affect the Commission's traditional condition that its approval of a financing does not predetermine any specific ratemaking treatment of the associated financing costs?

A. In my view, if the Staff and the Commission are going to assume the responsibility for specifically approving every financing that is done in response to market factors, then they should also assume the responsibility of reflecting in rates whatever the consequences of that decision are. In essence, the Staff is urging the Commission to be the final decision-maker on whether specific financings should be approved based on the same information that management has at the time it would seek such approval for the financing. While I do not believe it is advisable for the Commission to interject itself in this fashion, if it does engage in this kind of pre-approval I do not think it would be either fair or appropriate for the Commission to continue to disclaim responsibility for the ratemaking implications of its decisions.

Q. Why do you believe it is more appropriate to continue the financing safeguards that have already been approved by the Commission to protect customers, in lieu of adopting the new conditions proposed by the Staff?

A. First and foremost, I base that conclusion on the fact that these safeguards have proved to be more than adequate in the past to protect customers and there is every reason to believe that they will be equally effective in the future. Moreover, they are ideally suited to addressing Staff's concern that long-term debt not be used to support ongoing operating expenses. Specifically, by ensuring that Laclede's total long-term debt issuances will never exceed the value of its rate base, these conditions guarantee that there will always be nexus between the amount of long-term debt held by Laclede and the amount of long-term assets on Laclede's books – something that squarely prevents a situation where long-term debt is being inappropriately accumulated to finance operating expenses rather than capital needs. The requirements to maintain a capital structure comprised of no more than 65% debt and an investment grade credit rating simply add additional assurances that financings will be done in a prudent and reasonable way. At the same time, the implementation of such safeguards will continue to provide the Company with the flexibility it requires to manage its financings in a way that is most likely to achieve favorable results for its customers and ensure the kind of access to capital markets that is so critical to performing its public utility obligations, while still maintaining the Commission's ability to review the prudence of such actions when Laclede seeks to recover the associated costs in rates.

Other Staff Recommendations

Q. You also expressed reservations regarding two of Staff's other recommended conditions. Please explain your concerns.

A. In paragraph 8 of its Memorandum, the Staff recommended that Laclede be required to file with the Commission any reports issued by credit rating agencies on Laclede, any of its debt issuances, or The Laclede Group. Such materials, however, are copyrighted and cannot be provided unless specific permission is obtained from the rating agency each time. Moreover, rating agencies routinely issue industry reports that mention Laclede but provide no new substantive information regarding the Company – a circumstance that would result in Laclede making numerous filings for no apparent purpose. Given these considerations, it would seem far more efficient and appropriate for the Staff to simply obtain its own access to the reports issued by such rating agencies so that it can receive whatever information Staff believes is appropriate, not only for Laclede but for other utilities as well. Such an approach would also avoid cluttering up EFIS with filings that may have no particular relevance to anything.

Q. What is the other recommended condition with which Laclede disagrees?

A. Laclede also objects to the recommendation in paragraph 12 of Staff's Memorandum that would require Laclede to provide detailed evidence showing the amounts of long-term capital investments that have not been financed under the prior financing authority, the type of long-term securities the Company intends to issue and when the Company intends to issue such securities. Laclede already files with the Securities and Exchange Commission quarterly statements of cash flow that report the amount of capital expenditures and the amounts of any long-term financing. Laclede does not invest in large, discrete capital projects that would be financed individually with specific debt issuances (commonly referred to as "project finance"). Operating companies such as Laclede use many sources of cash to fund their long-term investments, and the requirement to specifically tie the issuance of long-term debt to capital spending ignores both other sources of long-term funds as well as other long-term investments that are not capital in nature. We believe that our current filings provide full and adequate disclosure of overall financing and cash flows, and that the Staff recommendation is neither necessary nor workable.

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 Verified Application for Authority to Issue and Sell First Mortgage Bonds, Unsecured Debt and Preferred Stock, in Connection with a Universal Shelf Registration Statement, to Issue Common Stock and Receive Capital Contributions, to Issue and Accept Private Placement Securities, and to Enter Into Capital Leases, all in a Total Amount Not to Exceed $600 Million	)	Case No. GF-2009-0450

AFFIDAVIT

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

Lynn D. Rawlings, of lawful age, being first duly sworn, deposes and states:

1. My name is Lynn D. Rawlings. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Treasurer and Assistant Secretary 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 in the above referenced case.

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.

Lynn D Rawlings

Lynn D. Rawlings

Subscribed and sworn to before me this 23rd day of February, 2010.

Deborah A. Nelson

Notary Public

DEBORAH A. NELSON
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis City
My Commission Expires: Aug. 25, 2012
Commission # 08512233