

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

The Staff of the Missouri Public Service Commission,	)	
	)	
	)	
Complainant,	)	
	)	
v	)	<b><u>Case No. GC-2011-0098</u></b>
	)	
Laclede Gas Company,	)	
	)	
	)	
Respondent.	)	

**STAFF’S MOTION FOR SUMMARY DETERMINATION**

1. Staff filed its *Complaint* on October 6, 2010, and its *Amended Complaint* on October 7, pursuant to § 386.390.1, RSMo.<sup>1</sup> On November 22, Staff answered Laclede’s Motion to Dismiss and further amended its Complaint and filed its *Second Amended Complaint*. The gravamen of Staff’s *Complaint* is that Respondent Laclede Gas Company (“Laclede”) has, in three specific ways, violated the Commission’s rules governing affiliate transactions (4 CSR 240-40.015) and affiliate transactions with gas marketing affiliates (4 CSR 240-40.016). In support of its Motion for Summary Determination Staff states:

2. Commission Rule 4 CSR 240-2.117(1) provides as follows:

(A) Except in a case seeking a rate increase or which is subject to an operation of law date, any party may by motion, with or without supporting affidavits, seek disposition of all or any part of a case by summary determination at any time after the filing of a responsive pleading, if there is a respondent, or at any time after the close of the intervention period. However, a motion for summary determination shall not be filed less than sixty (60) days prior to the hearing except by leave of the commission.

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<sup>1</sup> Unless noted otherwise, all references to Missouri statutes are to the Revised Statutes of Missouri 2000, as currently supplemented.

(B) Motions for summary determination shall state with particularity in separately numbered paragraphs each material fact as to which the movant claims there is no genuine issue, with specific references to the pleadings, testimony, discovery, or affidavits that demonstrate the lack of genuine issue as to such facts. Each motion for summary determination shall have attached thereto a separate legal memorandum explaining why summary determination should be granted and testimony, discovery or affidavits not previously filed that are relied on in the motion. The movant shall serve the motion for summary determination upon all other parties not later than the date upon which the motion is filed with the commission.

\* \* \*

(E) The commission may grant the motion for summary determination if the pleadings, testimony, discovery, affidavits, and memoranda on file show that there is no genuine issue as to any material fact, that any party is entitled to relief as a matter of law as to all or any part of the case, and the commission determines that it is in the public interest. An order granting summary determination shall include findings of fact and conclusions of law.

\* \* \*

3. The Respondent in this case, Laclede Gas Company ("Laclede") filed its *Answer* on November 8, 2010; this motion, therefore, is filed after Respondent has filed its responsive pleading as required by Rule 4 CSR 240-2.117(1)(A).

4. Pursuant to the Procedural Schedule in this case, the evidentiary hearing will begin on June 9, 2011, which is more than sixty days after the filing of this motion as required by Rule 4 CSR 240-2.117(1)(A).

5. There is no genuine issue as to the material facts set out below.

6. Laclede admits that Complainant is the Staff of the Missouri Public Service Commission.

7. Laclede objects to being referred to as a monopoly but admits it provides natural gas service to approximately 630,000 customers in eastern Missouri.

8. Laclede admits that it is a Missouri general business corporation in good standing, incorporated on March 2, 1857, as Laclede Gas Light Company. Its principle place of business is located at 720 Olive Street, St. Louis, Missouri 63101 and its registered agent is Mary Caola Kullman, 720 Olive Street, Suite 1517, St. Louis, Missouri 63101. Laclede Gas Company is a Missouri natural gas utility. (Laclede's Dec. 10 *Answer*.)

9. Laclede admits it is a wholly owned subsidiary of The Laclede Group, which is also a Missouri corporation in good standing located at 720 Olive Street, St. Louis, Missouri.

10. Laclede alleges it is in compliance with the Rules and its Cost Allocation Manual.

11. Laclede denies that its CAM violates Commission rules by failing to use asymmetrical pricing for gas purchases.

12. Laclede denies that its CAM does not require Laclede to use asymmetrical pricing. Laclede never denies that its CAM contains only one pricing provision for gas supply. The truth of Staff's assertion is apparent from the attached testimony of Charles Hyneman and Laclede's *Answer*.

13. On page 7 of its *Answer*, Laclede admits "for most gas supply transactions, the CAM requires only an FMP analysis." This is insufficient to comply with the Commission's rule which requires:

(B) In transactions that involve either the purchase or receipt of information, assets, goods or services by a regulated gas corporation from an affiliated entity, the regulated gas corporation shall document both the fair market price of such information, assets, goods and services and the fully distributed cost to the regulated gas corporation to produce the information, assets, goods or services for itself.

14. The truth of Staff's assertion is also shown by reference to Laclede's CAM, which has asymmetrical pricing provisions for some affiliate transactions, but contains a unique pricing provision for gas supply which does not require documentation of both "both the fair market price of such information, assets, goods and services and the fully distributed cost to the regulated gas corporation."

15. Count III alleges that Laclede has never submitted its CAM for Commission approval. The Commission's rule requires "[i]n transactions involving the purchase of goods or services by the regulated gas corporation from an affiliated entity, the regulated gas corporation will use a commission approved CAM which sets forth cost allocation, market valuation and internal cost methods."

16. Laclede admits it purchases goods and services from LER. This is demonstrated by reference to Laclede's Annual Report for the fiscal year ending September 30 2008, in which Laclede provides a "List and Description of Each Service and Good Provided to Laclede Gas Company From Each Affiliate and the Holding Company." In this List Laclede lists the "Service and Good" from Laclede Energy Resources, Inc., as "Natural Gas Supply" and describes the service and good as "Sale of natural gas and the associated transportation / storage services." This report is submitted in EFIS in the BAFT non-case files.

17. Thus accuracy of Staff's assertion that Laclede is involved in transactions purchasing goods (natural gas) and services (transportation) from LER is also affirmed in Charles Hyneman's attached Direct Testimony.

18. The fact that Laclede has never submitted its CAM for Commission approval is also evidenced by a search of the Commission's EFIS filing system. Staff

has searched the Commission's records and finds no record of Laclede submitting its CAM for Commission approval.

19. Laclede does make an annual submission into the BAFT portion of EFIS, which it titles Cost Allocation Manual – Annual Report. Staff's allegation that the Annual Report does not contain information required by the rule to be filed in the Company's annual CAM is affirmed in the Direct Testimony of Charles Hyneman filed in this case.

20. The rule requires:

(E) If a customer requests information from the regulated gas corporation about goods or services provided by an affiliated entity, the regulated gas corporation may provide information about its affiliate but must inform the customer that regulated services are not tied to the use of an affiliate provider and that other service providers may be available. The regulated gas corporation may provide reference to other service providers or to commercial listings, but is not required to do so. **The regulated gas corporation shall include in its annual Cost Allocation Manual (CAM) the criteria, guidelines and procedures it will follow to be in compliance with the rule.**

4 CSR 240-40.016(3)(E) (emphasis added).

21. In stating, "Since providing the CAM to Staff in December 2001, Laclede referred Staff to that CAM until 2004. Upon updating the CAM, Laclede provided the updated version to Staff in March 2004. The 2004 CAM is unchanged and has been in Staff's possession for more than six years" (Laclede *Answer*, p. 9, para. 37.) Laclede admits it has not complied with the rule.

The 2004 document contains the criteria, guidelines and procedures Laclede will follow to be in compliance with the rules. Laclede's Annual Report does not. The truth of Staff's assertion is apparent by review of Laclede's Annual Reports into the BAFT files in EFIS, which do not contain this required information. Staff's assertion is affirmed in the Direct testimony of Charles Hyneman.

22. Pursuant to law, penalties are fixed for violations of the orders of the Commission in § 386.570, RSMo, which provides:

1. Any corporation, person or public utility which violates or fails to comply with any provision of the constitution of this state or of this or any other law, or which fails, omits or neglects to obey, observe or comply with any order, decision, decree, rule, direction, demand or requirement, or any part or provision thereof, of the commission in a case in which a penalty has not herein been provided for such corporation, person or public utility, is subject to a penalty of not less than one hundred dollars nor more than two thousand dollars for each offense.

2. Every violation of the provisions of this or any other law or of any order, decision, decree, rule, direction, demand or requirement of the commission, or any part or portion thereof, by any corporation or person or public utility is a separate and distinct offense, and in case of a continuing violation each day's continuance thereof shall be and be deemed to be a separate and distinct offense.

3. In construing and enforcing the provisions of this chapter relating to penalties, the act, omission or failure of any officer, agent or employee of any corporation, person or public utility, acting within the scope of his official duties of employment, shall in every case be and be deemed to be the act, omission or failure of such corporation, person or public utility.

23. Additionally, § 386.600, RSMo, provides:

An action to recover a penalty or a forfeiture under this chapter or to enforce the powers of the commission under this or any other law may be brought in any circuit court in this state in the name of the state of Missouri and shall be commenced and prosecuted to final judgment by the general counsel to the commission. No filing or docket fee shall be required of the general counsel. In any such action all penalties and forfeitures incurred up to the time of commencing the same may be sued for and recovered therein, and the commencement of an action to recover a penalty or forfeiture shall not be, or be held to be, a waiver of the right to recover any other penalty or forfeiture; if the defendant in such action shall prove that during any portion of the time for which it is sought to recover penalties or forfeitures for a violation of an order or decision of the commission the defendant was actually and in good faith prosecuting a suit to review such order or decision in the manner as provided in this chapter, the court shall remit the penalties or forfeitures incurred during the pendency of such proceeding. All moneys

recovered as a penalty or forfeiture shall be paid to the public school fund of the state. Any such action may be compromised or discontinued on application of the commission upon such terms as the court shall approve and order.

**WHEREFORE**, Staff prays that the Commission will grant summary determination of its *Complaint* filed herein and enter its order (1) finding that Laclede has violated the Commission's affiliate transactions rules as charged by Staff herein; (2) deeming each day that Laclede's violation existed to be a separate offense and authorizing its General Counsel to proceed in Circuit Court to seek such penalties as are authorized by law; and granting such other and further relief as the Commission deems just.

Respectfully Submitted,

/s/ Lera L. Shemwell  
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### **Certificate of Service**

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, on this 8<sup>th</sup> day of April, 2011, on all counsel of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case.

/s/ Lera L. Shemwell

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**STAFF’S MEMORANDUM IN SUPPORT OF ITS  
MOTION FOR SUMMARY DETERMINATION**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its Suggestions in Support of its Motion for Summary Determination pursuant to Commission Rule 4 CSR 240-2.117(1), states as follows:

**Introduction**

Staff filed its *Complaint* on July 7, 2010, asserting that Respondent Laclede Gas Company (“Laclede”) has violated the Commission’s affiliate transactions rules. For relief, Staff prays that the Commission will: (1) find that Laclede has violated the Commission’s affiliate transactions rules as charged by Staff, and (2) authorize the Commission’s General Counsel to seek penalties in Circuit Court.

**Argument**

***Summary Determination:***

Commission Rule 4 CSR 240-2.117(1)(E) authorizes summary determination “if the pleadings, testimony, discovery, affidavits, and memoranda



on file show that there is no genuine issue as to any material fact, that any party is entitled to relief as a matter of law as to all or any part of the case, and the commission determines that it is in the public interest.” Filed simultaneously herewith are Staff’s motion and, as a supporting affidavit, the verified direct testimony of Staff’s witness, Charles Hyneman. These *Suggestions* constitute the “separate legal memorandum” that must be “attached” to a motion for summary determination pursuant to Rule 4 CSR 240-2.117(1)(B).<sup>1</sup> Staff suggests that its motion, affidavit and suggestions demonstrate that there is no dispute of material fact as to Counts II, III, and IV, that Staff is entitled to relief as a matter of law and that the public interest demands that Staff’s complaint be sustained.

Staff urges the Commission to understand that summary determination is reasonable and should be favored, not disfavored. In a proper case, summary determination conserves scarce resources, both fiscal and human, for the Commission and for all the parties. The Commission would gain nothing by holding an evidentiary hearing that it cannot get from either reading the filings in the case or holding an oral argument on Staff’s motion and Laclede’s response to Staff’s motion. It is within the Commission to hold oral argument, but it is not required to do so in a case like the present, in which the facts are not in dispute. 4 CSR 240-2.117(G)

***What is this Case about?***

This case is about a regulated utility Company’s compliance with Commission rules governing affiliate transactions. Laclede operates as one of a

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<sup>1</sup> Rule 4 CSR 240-2.117(1) has certain other requirements for summary determination, all of which are met here, as detailed in Staff’s accompanying Motion for Summary Determination.

number of entities owned, directly or indirectly, by a holding company named The Laclede Group. Of these various Laclede entities, only Respondent Laclede Gas Company is a public utility regulated by this Commission. Laclede purchases natural gas and transportation services from Laclede Energy Resources. Laclede shares management, facilities, equipment and employees with its unregulated affiliates. In addition, Laclede's employees perform services for the unregulated affiliates. This conduct is a matter of serious concern to Staff because of the significant opportunities and incentives to inappropriately benefit the unregulated operations at the expense of ratepayers known as cross-subsidization.<sup>2</sup> Inappropriate cross-subsidization is the practice of maximizing the profits of unregulated enterprises by passing some of their costs on to regulated public utilities. In that way, the shareholders reap the benefits of enhanced profits at the expense of the ratepayers, who are paying higher rates that include some portion of the costs of unregulated activities. Staff's Revenue Requirement Cost of Service Report in Laclede's last general rate case, Case No. GR-2010-0171, stated at page 53, "The Staff has serious concerns that the Company's policies, procedures and methods for its allocation of costs to its various affiliates is inadequate to prevent Laclede Gas' customers from paying expenses that are related to affiliates." The Report explained at page 40, "[w]hile the opportunity to share certain administrative and other functions may introduce efficiencies, it may also lead to inappropriate cross-subsidization."

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<sup>2</sup> *Atmos et. al v. Public Service Comm'n*, 103 S.W.3d 753 (Mo. 2003).

Laclede also engages in natural gas transactions with one of its unregulated affiliates, Laclede Energy Resources (“LER”). LER is described in The Laclede Group’s consolidated 10-K dated September 30, 2010, as a wholly-owned subsidiary engaged in the marketing of natural gas and related activities on a non-regulated basis. LER markets natural gas to both on-system utility transportation customers and customers outside of Laclede Gas’ traditional service territory, including large retail and wholesale customers. Other subsidiaries provide less than 10% of consolidated revenues. Laclede’s transactions with LER also offer significant opportunities and incentives for inappropriate cross-subsidization. The Commission’s rules cannot remove or even reduce the incentive to engage in such conduct, but the Commission’s affiliate transactions rules are designed to limit such opportunities.<sup>3</sup>

***The Commission’s Affiliate Transactions Rules***

In order to safeguard ratepayers against inappropriate cross-subsidization, the Commission adopted affiliate transactions rules for natural gas utilities 4 CSR 240-40.015 and for gas utility companies with gas marketing affiliates 4 CSR 240-40.016.

The purpose of the rule is to “prevent regulated utilities from subsidizing their nonregulated operations. In order to accomplish this objective, the rule sets forth financial standards, evidentiary standards and record keeping requirements applicable to any Missouri Public Service Commission (commission) regulated gas corporation whenever such corporation participates in transactions with any affiliated entity . . .”

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<sup>3</sup> *Id.*

The Commission's Gas Marketing Affiliate Transaction rules and the pricing standards were specifically written in contemplation of transactions between a regulated utility and a marketing affiliate in purchases and sales of natural gas. Clearly the Commission's pricing standard as described in 240-0.016(3)(A1)(A2) contemplated "energy-related" affiliate transactions.

In its CAM Laclede has created an alternative, which does not comply with the rules. Laclede's CAM requires that the pricing of "energy-related" goods or services purchased from marketing affiliate Laclede Energy Resources be priced according to Laclede's version of a fair market price. For the purposes of these transactions, Laclede defines the fair market price of gas supply purchases as the average price of similar purchases made by Laclede, or the average price of similar purchases made by other companies from non-affiliated entities, which transactions are entered into at similar times for similar duration and location of such purchases. The CAM does not refer to or require evaluation of Laclede's fully distributed cost. (Laclede "2004 CAM" page 13). Failure to consider fully distributed cost is a direct violation of the rule's asymmetrical pricing requirements.

Additionally, Laclede has never submitted its CAM for commission approval. The rule requires that "[i]n transactions involving the purchase of information, assets, goods or services by the regulated gas corporation from an affiliated entity, the regulated gas corporation will use a commission-approved CAM which sets forth cost allocation, market valuation and internal cost methods." 4 CSR 240-40.016(4)(D).

### ***Violations of Affiliate Transactions rules***

Laclede has failed to comply with the asymmetrical pricing standards of the rule, which require Laclede to compensate LER for goods or services of any kind at greater than the fair market price or fully distributed cost. The rule deems a utility to have provided a prohibited financial advantage to its affiliate if it pays the affiliate more than the lower of fair market price or the fully distributed cost to the regulated gas corporation for goods or services of any kind. 4 CSR 1240-40.015(2). In order to demonstrate compliance with the rule, a gas utility must “document both the fair market price of such information, assets, goods and services and the fully distributed cost to the regulated gas corporation to produce the information, assets, goods or services for itself.” 4 CSR240-40.015 (3)(A).

Whenever Laclede makes purchases from an affiliate to be in compliance with the rule it must do a pricing analysis or evaluation. Laclede must determine the fair market price (FMP) of the good or service and it must determine the fully distributed cost (FDC). The FDC is simply a dollar amount that includes all the costs that would be incurred by Laclede if it acquired that good or service by itself. As it relates to purchasing gas supply, the costs would be how much it would cost Laclede to use its own gas supply buyers (commodity costs and overhead) to purchase the natural gas “for itself.” Notably, in direct contradiction to this requirement Laclede’s CAM does not allow for such an evaluation. In fact, Laclede’s CAM precludes any recognition or evaluation whatsoever of how much it would cost Laclede (Laclede’s fully distributed cost) to acquire this natural gas for itself and not transact with an affiliate.

In addition to its failure to make the required pricing evaluations for transactions with Laclede Energy Resources, Laclede has not submitted its CAM for Commission approval. Laclede engages in transactions involving the purchase of information, assets, goods or services from an affiliated entity as shown in its annual submission in the BAFT section of EFIS.

Staff also asserts that Laclede has not made the required annual filing to explain how it complies with the provisions of the rules. The rules require a gas utility to inform customers who call about goods or services provided by an affiliated entity to provide information about its affiliate but to also inform the customer that regulated services are not tied to use of an affiliate provider. . . . The regulated gas corporation shall include in its annual Cost Allocation Manual (CAM), the criteria, guidelines and procedures it will follow to be in compliance with the rule. 4 CSR 240-40.015(2)(E) (emphasis added). Laclede has not included this information in its annual filings and thus has failed to comply with this section of the Commission's rules.

Each of these incidents constitutes a clear, undeniable and unambiguous violation of the Commission's affiliate rules for natural gas utilities.

## Penalties

Section 386.570.1, RSMo, provides for penalties for “[a]ny corporation, person or public utility which . . . fails, omits or neglects to obey, observe or comply with any order, decision, decree, rule, direction, demand or requirement, or any part or provision thereof, of the commission . . . .” Section 386.570.2, RSMo, provides that every violation “is a separate and distinct offense, and in case of a continuing violation each day's continuance thereof shall be and be deemed to be a separate and distinct offense.” Section 386.600, RSMo, authorizes the Commission to bring an action to recover penalties “in any circuit court in this state[.]”

This case is an egregious case given the length of time that Laclede has engaged in affiliate transactions in violation of the Commission's rules. ***Staff has attempted to work cooperatively with Laclede in numerous meetings, but all efforts have failed to resolve these issues, resulting in continuing violations.***

**WHEREFORE**, Staff prays that the Commission will grant summary determination of its *Complaint* filed herein and enter its order (1) finding that Laclede has repeatedly and continuously violated the Commission's affiliate transactions rules; (2) authorizing the General Counsel to pursue penalties against Laclede in the Circuit Court; and (3) granting such other and further relief as the Commission deems just.

Respectfully Submitted,

/s/ Lera L. Shemwell

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/s/ Lera L. Shemwell



*Exhibit No.:*  
*Issue:* *Affiliate Transactions*  
*Witness:* *Charles R. Hyneman*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Direct Testimony*  
*File No.:* *GC-2011-0098*  
*Date Testimony Prepared:* *March 22, 2011*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**CHARLES R. HYNEMAN**

**LACLEDE GAS COMPANY**

**FILE NO. GC-2011-0098**

**Jefferson City, Missouri**  
*March 2011*



1 operating within the state of Missouri. I have participated in examinations of electric, natural  
2 gas, water and telecommunication companies. I have been involved in cases concerning  
3 proposed rate increases, earnings investigations, and complaint cases, as well as cases relating  
4 to construction audits and prudence reviews, mergers and acquisitions and certifications.

5 Q. Have you previously testified before this Commission?

6 A. Yes. Schedule 1 to this testimony is a list of rate cases in which I have  
7 submitted testimony.

8 Q. In your work as an auditor with the Commission have you obtained extensive  
9 audit experience with utility affiliate transactions, shared corporate services, and corporate  
10 allocations policies and procedures?

11 A. Yes. I have extensive audit experience in the area of affiliate transactions and  
12 corporate allocations and have filed testimony with the Commission on these areas in several  
13 utility rate case audits and proceedings. I have led audits on affiliate transactions and  
14 corporate allocations on three separate major utility companies operating in Missouri.

15 Q. What is the purpose of your testimony?

16 A. The purpose of my testimony is to present facts that support the Missouri  
17 Public Service Commission Staff's (Staff) complaint against Laclede Gas Company (Laclede)  
18 and describe Laclede's noncompliance with 4 CSR 240-40.015 Affiliate Transactions  
19 (Affiliate Transactions Rule) and 4 CSR 240-40.016 Marketing Affiliate Transactions  
20 (Marketing Affiliate Transactions Rule) (collectively "the Rules")

21 Q. Are you familiar with Laclede?

22 A. Yes. Laclede is the largest natural gas local distribution company (LDC) in  
23 Missouri and is regulated by the Commission.

1 Q. Have you reviewed Laclede's organizational structure?

2 A. Yes. The Laclede Group refers to itself as a diversified natural gas holding  
3 company that is the parent organization of the regulated core utility component — Laclede  
4 Gas Company and of a non-regulated component. The Laclede Group asserts that its  
5 non-regulated component is being developed to achieve sustainable growth and its largest  
6 non-regulated activity is Laclede Energy Resources (LER). LER is a nonregulated natural gas  
7 marketer that purchases and sells natural gas primarily in the Midwest region of the  
8 United States. The Laclede Group's Chairman of the Board of Directors, President and  
9 Chief Executive Officer Douglas Yaeger refers to LER as "our steppingstone into the future."  
10 On The Laclede Group's website, LER's role is describes as:

11 LER...provides both on-system transportation customers and  
12 customers outside of Laclede's traditional service area with another  
13 choice of unregulated natural gas suppliers. We continue efforts to  
14 grow Laclede Energy Resources' sales to industrial and commercial  
15 businesses, natural gas utilities and other wholesale customers. Laclede  
16 Energy Resources offers its customers a variety of flexible pricing  
17 alternatives. It also provides various energy management services.

18 The Laclede Group's other nonregulated subsidiaries include Laclede Venture  
19 Corporation, Laclede Pipeline Corporation, Laclede Investment, Laclede Gas Family Services  
20 Inc., and Laclede Development Company.

21 Q. Does Laclede's organization cause you any concern?

22 A. Yes. It is my opinion that Laclede's regulated gas customers have a significant  
23 risk of paying higher utility rates if Laclede fails to properly allocate, assign, charge and  
24 collect corporate shared services to other members of the Laclede Group. Staff found  
25 significant concerns with Laclede's affiliate transactions in the Staff's May 2010 Revenue  
26 Requirement Cost of Service Report (Staff Report) in Laclede's last general rate case,

1 Case No. GR-2010-0171. It is my opinion, based on the Staff Report, discussions with Staff  
2 auditors who participated in this Laclede rate case, and my prior experience auditing affiliate  
3 transactions and corporate shared services allocation issues Laclede has significant problems  
4 in the area of affiliate transactions and shared service allocations that need to be addressed.

5 Q. Do you have concerns with Laclede's transactions with LER?

6 A. Yes. Laclede's Cost Allocation Manual (CAM), which I reviewed, contains  
7 the asymmetrical pricing provisions (as will be described later in this testimony) as required  
8 by the Commission in transactions between regulated utilities and affiliates as it relates to  
9 shared corporate services. However, Laclede's CAM does not contain the asymmetrical  
10 pricing requirement for what Laclede refers to as "Energy-Related Goods and Services"  
11 (purchases and sales of natural gas supplies, transportation and storage capacity) between  
12 Laclede and LER.

13 Q. What is the purpose and objective of the Commission's Rules on affiliate and  
14 marketing affiliate transactions as related to a regulated gas corporation (regulated utility or  
15 utility)?

16 A. The purpose and objective of the Rules are to prevent regulated utilities  
17 from subsidizing its non-regulated operations. The Rules, coupled with effective  
18 enforcement also provides public the assurance that utility rates are not adversely impacted by  
19 the utilities' non-regulated activities. Cross subsidization occurs because utility management  
20 has incentives to raise costs to ratepayers to generate higher returns to shareholders. If a  
21 utility buys a service or good (e.g. natural gas) from an affiliated entity at an inflated price,  
22 which would be a price above what the utility could acquire the service or good for itself or

1 from another supplier), utility management and utility shareholders benefit at utility  
2 ratepayers' expense.

3         The rules seek to prevent cross subsidization because affiliate transactions, by their  
4 very nature, create incentives for utility management to increase costs to the regulated utility  
5 so profits can be recognized by the non-regulated entity. Without ratepayer protections, such  
6 as the affiliate transaction rules, ratepayers would clearly be subsidizing non-regulated  
7 operations. While the affiliate transaction rules by themselves do not eliminate the risk of this  
8 occurring, the rules, coupled with effective utility oversight and effective enforcement of the  
9 Rules does somewhat lessen the risk of excessive costs being charged to utility ratepayers.  
10 However, even with close oversight and the affiliate transaction rules, the incentive for utility  
11 management to subsidize nonregulated operations exists and will continue to exist as long as  
12 utilities are allowed to transact business with affiliates. If a regulator allows utilities to  
13 engage in affiliated transactions, substantive ratepayer protections must be put in place to  
14 protect ratepayers from improper utility-affiliate behavior.

15         Q.     How do the Rules attempt to accomplish this objective?

16         A.     Whenever a regulated utility participates in a transaction with any of its  
17 affiliated entities, the Commission put in place: 1) financial standards, 2) evidentiary  
18 standards and 3) record keeping requirements in which the utility and its affiliates must  
19 comply with to minimize the risk of affiliate abuse.

20         Q.     What are the financial standards the Commission created to prevent regulated  
21 utilities from subsidizing their nonregulated operations and provide ratepayers the assurance  
22 that their rates are not adversely impacted by the utilities' nonregulated activities?

1           A.     Listed below are some of the Commission's financial standards as reflected in  
2 4 CSR 240-40.015(2):

- 3                   1. Utility shall not provide a financial advantage to an affiliated entity.
- 4                   2. Utility shall conduct its business in such a way as not to provide any  
5 preferential service, information or treatment to an affiliated entity over  
6 another party at any time.
- 7                   3. Utility shall not participate in any affiliated transactions which are  
8 not in compliance with this rule, except as otherwise provided in  
9 section (10) of this rule.
- 10                  4. If a customer requests information from the utility about goods or  
11 services provided by an affiliated entity, the utility may provide  
12 information about its affiliate but must inform the customer that  
13 regulated services are not tied to the use of an affiliate provider and that  
14 other service providers may be available.
- 15                  5. Utility shall include in its annual Cost Allocation Manual (CAM),  
16 the criteria, guidelines and procedures it will follow to be in  
17 compliance with the rule.

18           Q.     What are the standards in addition to the financial standards that the  
19 Commission created to prevent regulated utilities from subsidizing their nonregulated  
20 operations and provide ratepayers the assurance that their rates are not adversely impacted by  
21 the utilities' nonregulated activities?

22           A.     In addition to the financial standards, the rule also provides for  
23 evidentiary standards (which support the financial standards) and require the utility to create  
24 and maintain sufficient records to support its decision to enter into an affiliate transaction  
25 (4 CSR 240-40.015(3) and 4 CSR 240-40.016 (4)). Finally, the rules include  
26 record-keeping requirements that, among other things, that the utility keep records identifying

1 the basis (e.g., fair market price, fully distributed cost, etc.) to record the affiliate transaction  
2 (4 CSR 240-40.015(5) and 4 CSR 24-40.016(5)).

3 Q. For purposes of this case, are there particular sections of the Rules with which  
4 you are concerned?

5 A. Yes. In 4 CSR 240-40.015 (2)(A) the Rule states that a utility provides a  
6 prohibited financial advantage to an affiliate in purchases from an affiliate or sales to an  
7 affiliate if the utility does not apply the Rule's asymmetrical pricing standard.

8 In setting the price at which a utility can purchase from a non-regulated affiliate  
9 (compensate), the Commission uses the "lower of cost or market" accounting or cost principle  
10 to determine the maximum allowable compensation. In its Rule, the Commission required the  
11 dollar amount ceiling when a regulated utility pays a non-affiliate for goods or services to be  
12 the lower of *either* the fair market price of the good or service, or the cost to the utility to  
13 provide the good or services to itself. In setting the price at which a utility can sell to (transfer  
14 information, assets or goods and services) a non-regulated affiliate, the Commission uses the  
15 "higher of cost or market" cost principle to determine the minimum allowable sales price for  
16 all affiliate transactions, including shared corporate support services and energy-related sales  
17 with affiliates. The difference in the method that the Commission allows a regulated entity to  
18 pay for a good or service from an affiliate (the lower of cost or market) and the lowest  
19 amount the Commission allows a regulated utility to sell to an affiliate for a good or service  
20 (the higher of cost or market) is referred to as asymmetric pricing.

21 The exact language used by the Commission in its Rule at 40.015 is as follows:

22 (2) Standards.

23 (A) A regulated gas corporation shall not provide a financial advantage  
24 to an affiliated entity. For the purposes of this rule, a regulated gas



1 corporation shall be deemed to provide a financial advantage to an  
2 affiliated entity if—

3 1. It compensates an affiliated entity for goods or services above the  
4 lesser of—

5 A. The fair market price; or

6 B. The fully distributed cost to the regulated gas corporation to provide  
7 the goods or services for itself; or

8 2. It transfers information, assets, goods or services of any kind to an  
9 affiliated entity below the greater of—

10 A. The fair market price; or

11 B. The fully distributed cost to the regulated gas corporation

12 Q. How does this relate to your concern with Laclede's CAM?

13 A. The Commission's Marketing Affiliate Transaction rule

14 4 CSR 240-40-016 (4)(D) states:

15 In transactions involving the purchase of information, assets, goods or  
16 services by the regulated gas corporation from an affiliated entity, the  
17 regulated gas corporation will use a commission-approved CAM which  
18 sets forth cost allocation, market valuation and internal cost methods.  
19 This CAM can use bench marking practices that can constitute  
20 compliance with the market value requirements of this section if  
21 approved by the commission.

22 The Rules further requires that a "regulated gas corporation shall not participate in any  
23 affiliated transactions which are not in compliance with this rule" unless the utility requests a  
24 variance (4 CSR 240-40.016(3)(D)).

25 Q. Count II of Staff's complaint alleges Laclede's CAM does not contain the  
26 asymmetrical pricing requirement for goods or services purchased from an affiliate for gas  
27 services. Have you reviewed Laclede's CAM?

28 A. Yes, I have reviewed Laclede's CAM most recently submitted CAM, which is  
29 not dated.

30 Q. What are your concerns with this document?

1           A.     Laclede’s CAM, on page 1, indicates it “seeks” to address the “regulations  
2 adopted by the Commission in its Affiliate Transactions Rules.” However, under Section IX  
3 on page 7, TRANSFER PRICING/COSTONG METHODOLOGY, Laclede requires  
4 asymmetrical pricing for “*Use of Facilities or Services*” and defines both “*Fair Market Price*”  
5 and “*Fully Distributed Cos*” as its pricing standards. However, under “Gas supply services”  
6 on page 13, Laclede has a different pricing standard.

7           Q.     What is that pricing standard?

8           A.     Laclede’s CAM contains the following pricing provisions for gas supply  
9 purchases from an affiliate (Laclede CAM at p. 13):

10                   Gas supply purchases - shall be the fair market price which shall be  
11                   determined as the average price of similar purchases made by Laclede  
12                   Gas Company or other firms from non-affiliated entities entered into at  
13                   similar times for similar duration and location of such purchases. If  
14                   such purchases do not exist, the fair market price will be determined for  
15                   the location and period in question by using an industry accepted index  
16                   price or index prices applicable to such location published in either  
17                   Gas Daily, Inside FERC, or other similar publication widely accepted  
18                   in the industry for determining the value of such gas supplies.

19           Q.     Does this pricing provision comply with the Commission’s rules?

20           A.     No, obviously it does not. The Commission requires an asymmetrical pricing  
21 standard (the price has to be the lower of cost or market for utility purchases and the price has  
22 to be the higher of cost or market for utility sales). Laclede has created and inserted into its  
23 CAM for both gas sales and purchases a symmetrical, single-variable pricing standard  
24 (the only variable or pricing criteria is Laclede’s definition of a fair market price). It is not the  
25 required asymmetrical pricing provisions required by the Rules to be used by Laclede when it  
26 sells to or purchases from affiliates.

1 Q. How does the Commission's adoption of the asymmetrical pricing standard  
2 affect the pricing of transactions between Laclede Gas Company and LER when Laclede  
3 makes sales to its affiliate LER?

4 A. As described above, in setting the price at which Laclede can sell to LER, the  
5 Commission uses the "higher of cost or market" accounting or cost principle to determine the  
6 minimum allowable sales price. This is why the Commission's pricing rules for affiliated  
7 purchases and sales are referred to as asymmetrical – a utility can purchase at the lower of  
8 cost or market, but must sell at the higher of cost or market. These rules are intentionally  
9 designed to protect regulated ratepayers from paying higher rates for gas costs due to affiliate  
10 abuse.

11 The higher of cost or market principle is specifically designed to prevent a regulated  
12 utility from providing favorable treatment to its affiliate by harming its regulated customers.  
13 If a utility treats its affiliate in exactly the same manner as it would a  
14 non-affiliate gas customer, in all respects, regulated customers will be protected. However,  
15 this is not done in the case of utility affiliate transactions which involve the sharing of  
16 information, sharing corporate services and facilities, sharing executive management, and  
17 other factors which exist with utility-affiliate relationships that do not exist with utility-  
18 unaffiliated entity relationships. Under the higher of cost of market principle, the  
19 Commission sets a floor or minimum dollar amount of any payment from LER to a Laclede in  
20 the sale of a good or service. That dollar amount floor is either the fair market price of the  
21 good or service (what price Laclede can purchase gas on the open market in that transaction),  
22 or the cost to the utility to provide the good or service to itself, the fully distributed cost as  
23 defined in 4 CSR 240-40.015(1)(F).

1           If a utility sells to an affiliate a good or service below the Commission-established  
2 floor amount, the Commission determines that the utility is providing a financial advantage to  
3 its affiliate and this transaction would be a violation of the Commission's Rules.

4           Q.     Has Laclede requested a variance from the Commission to use these standards  
5 for gas supply purchases or sales?

6           A.     No. I have reviewed the Commission's records for Laclede's filings and I  
7 have not found any such filing or Commission order granting a variance. I have also inquired  
8 of other Staff auditors who have been associated with Laclede and its CAM and they are not  
9 aware of any variance sought by Laclede related to its decision not to apply the asymmetric  
10 pricing provisions of the Rules to its gas supply purchases or sales.

11          Q.     Count III of Staff's complaint alleges Laclede has never filed for Commission  
12 approval of its CAM. Is this a concern?

13          A.     Yes. As noted above, 4 CSR 240-40.016 (4)(D) Evidentiary Standards for  
14 Affiliate Transactions states that in transactions involving the purchase of goods or services  
15 by the regulated gas corporation from an affiliated entity, the regulated gas corporation will  
16 use a **commission-approved** CAM, which sets forth cost allocation, market valuation and  
17 internal cost methods.”(emphasis added.)

18          Q.     Has Laclede purchased goods or services from an affiliated entity?

19          A.     Yes. I have reviewed two of Laclede's recent Annual Reports submitted in the  
20 BAFT section of EFIS, which is used as a depository for non-case related utility submissions.  
21 On page 10 of its 2008 Annual Report for the Fiscal Year Ending September 30 2008,  
22 Laclede briefly lists goods and services it purchased from its affiliates, LER, Laclede Pipeline  
23 Company and SM&P Utility Resources, Inc. In its 2009 Annual Report for the Fiscal Year

1 Ending September 30, 2009, on page 12, Laclede lists the total cost of “each service and  
2 good” it purchased from affiliates LER and Laclede Pipeline Company.

3 Q. What is your conclusion from this review?

4 A. My conclusion based on general knowledge and confirmed in this review is  
5 that Laclede routinely engages in the type of activity which requires it to submit its CAM for  
6 commission approval.

7 Q. Has Laclede ever submitted its CAM for Commission approval?

8 A. No. I have searched the Commission’s records and I have not found any filing  
9 in which Laclede has submitted its CAM for Commission approval. I have also viewed  
10 Commission proceedings where counsel for Laclede, Mr. Michael Pendergast has admitted  
11 that, while he believes Laclede has come closer to getting approval of its CAM than other  
12 utilities; Laclede has not submitted or received Commission approval of its CAM.

13 Q. In Count IV Staff alleges Laclede has not filed the information required by  
14 4 CSR 240-40.015 (2)(E) and by 4 CSR 240-40.016 (3)(E) with its CAM. What does this  
15 section of the rules require?

16 A. This section requires “[t]he regulated gas corporation shall include in its annual  
17 Cost Allocation manual (CAM), the criteria, guidelines and procedures it will follow to be in  
18 compliance with the rule.”

19 Q. You indicated earlier in your testimony you reviewed Laclede’s undated CAM,  
20 which “seeks” to comply with the Commission’s rules. Did this CAM contain Laclede’s plan  
21 to comply with the rules you noted above?

22 A. Yes.

23 Q. Have you reviewed Laclede’s annual CAM submissions?

Direct Testimony of  
Charles R. Hyneman

1           A.     Yes, I have reviewed Laclede's annual submissions in the Commission's  
2 BAFT submission for years 2008 through 2010.

3           Q.     How does Laclede label these annual submissions?

4           A.     It calls them "COST ALLOCATION MANUAL." It also includes the  
5 description "Annual Report."

6           Q.     In your review did you find the criteria, guidelines and procedures it (Laclede)  
7 will follow to be in compliance with the Commission's Affiliate transactions rules as required  
8 by 4 CSR 240-40.015(2)(E).

9           A.     No. There is no information regarding the criteria, guidelines and procedures  
10 Laclede will follow to be in compliance with the Commission's rules.

11          Q.     In your opinion has Laclede complied with the Commission's affiliate  
12 transactions rules?

13          A.     No. As noted in the testimony above, Laclede to a very significant extent has  
14 not been in compliance with and continues not to be in compliance with the Commission's  
15 Affiliate Transaction Rules and Marketing Affiliate Transaction Rules.

16          Q.     Does this conclude your direct testimony?

17          A.     Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

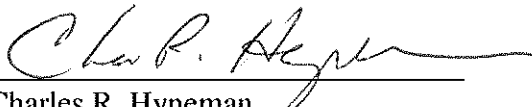
The Staff of the Missouri Public Service )  
Commission, Complainant, v. Laclede Gas )  
Company, Laclede Energy Resources and )  
The Laclede Group, Respondents )

Case No. GC-2011-0098

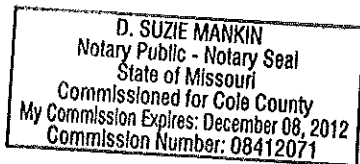
**AFFIDAVIT OF CHARLES R. HYNEMAN**


STATE OF MISSOURI     )  
  )     ss.  
COUNTY OF COLE     )

Charles R. Hyneman, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 13 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
Charles R. Hyneman

Subscribed and sworn to before me this 22<sup>nd</sup> day of March, 2011.



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

**CHARLES R. HYNEMAN**

**CASE PARTICIPATION**

<b>Date Filed</b>	<b>Case Name</b>	<b>Case Number</b>	<b>Issue</b>	<b>Exhibit</b>
2/25/11	Empire District Electric Company	<b>ER-2011-0004</b>	Iatan 1 and Iatan 2 and Common Plant Construction Audit and Prudence Review	Staff's Construction Audit And Prudence Review Of Iatan Construction Project For Costs Reported As Of October 30, 2010
2/23/11	Empire District Electric Company	<b>ER-2011-0004</b>	Generally Accepted Auditing Standards (GAAS)/ Iatan 1 and Iatan 2 and Common Construction Audit and Prudence Review/Plum Point Construction Audit and Prudence Review	Direct
2/23/11	Empire District Electric Company	<b>ER-2011-0004</b>	Staff's Construction Audit and Prudence Review of Plum Point	Construction Audit and Prudence Review Plum Point For Costs Reported as of October 31, 2010
2/22/11	Kansas City Power and Light Company-Greater Missouri Operations	ER-2010-0356	Iatan 1 and Iatan 2 and Common Plant Construction Audit and Prudence Review	Staff's Construction Audit And Prudence Review Of Iatan Construction Project For Costs Reported As Of October 30, 2010
2/22/11	Kansas City Power and Light Company	ER-2010-0355	Iatan 1 and Iatan 2 and Common Plant Construction Audit and Prudence Review	Staff's Construction Audit And Prudence Review Of Iatan Construction Project For Costs Reported As Of October 30, 2010
11/3/10	Kansas City Power and Light Company-Greater Missouri Operations	ER-2010-0356	Iatan 1 and Iatan 2 and Common Plant Construction Audit and Prudence Review	Staff's Construction Audit And Prudence Review Of Iatan Construction Project For Costs Reported As Of June 30, 2010



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**CASE PARTICIPATION**

<b>Date Filed</b>	<b>Case Name</b>	<b>Case Number</b>	<b>Issue</b>	<b>Exhibit</b>
11/3/10	Kansas City Power and Light Company	ER-2010-0355	Iatan 1 and Iatan 2 and Common Plant Construction Audit and Prudence Review	Staff's Construction Audit And Prudence Review Of Iatan Construction Project For Costs Reported As Of June 30, 2010
11/17/10, 12/15/10, 1/12/11	Kansas City Power and Light Company-Greater Missouri Operations	ER-2010-0355	Iatan 1 and Iatan 2 and Common Plant Construction Audit and Prudence Review/Generally Accepted Auditing Standards/DSM Costs	Direct/Rebuttal Surrebuttal
11/10/10, 12/8/10, 1/5/11	Kansas City Power and Light Company	ER-2010-0355	Iatan 1 and Iatan 2 and Common Plant Construction Audit and Prudence Review/Generally Accepted Auditing Standards/DSM Costs	Direct/Rebuttal Surrebuttal
8/6/2010	Kansas City Power and Light Company-Greater Missouri Operations	ER-2010-0356	Iatan 1 AQCS Construction Audit and Prudence Review	Staff's Construction Audit And Prudence Review Of Iatan 1 Environmental Upgrades (Air Quality Control System - AQCS) For Costs Reported As Of April 30, 2010
8/6/2010	Kansas City Power and Light Company	ER-2010-0355	Iatan 1 AQCS Construction Audit and Prudence Review	Staff's Construction Audit And Prudence Review Of Iatan 1 Environmental Upgrades (Air Quality Control System - AQCS) For Costs Reported As Of April 30, 2010

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**CASE PARTICIPATION**

<b>Date Filed</b>	<b>Case Name</b>	<b>Case Number</b>	<b>Issue</b>	<b>Exhibit</b>
1/1/2010	Kansas City Power and Light Company-Greater Missouri Operations	ER-2009-0090	Iatan 1 AQCS Construction Audit and Prudence Review	Staff's Report Regarding Construction Audit and Prudence Review of Environmental Upgrades to Iatan 1 and Iatan Common Plant
12/31/2009	Kansas City Power and Light Company	ER-2009-0089	Iatan 1 AQCS Construction Audit and Prudence Review	Staff's Report Regarding Construction Audit and Prudence Review of Environmental Upgrades to Iatan 1 and Iatan Common Plant
4/09/2009	Kansas City Power and Light Company-Greater Missouri Operations	ER-2009-0090	Transition costs, SJLP SERP, Acquisition Detriments, Capacity Costs, Crossroads Deferred Taxes	Surrebuttal
3/13/2009	Kansas City Power and Light Company-Greater Missouri Operations	ER-2009-0090	Crossroads Energy Center, Acquisition Saving and Transition Cost Recovery	Rebuttal
2/27/2009	Kansas City Power and Light Company-Greater Missouri Operations	ER-2009-0090	Various Ratemaking issues	Direct COS Report
4/7/2009	Kansas City Power and Light Company	ER-2009-0089	Transition Costs, Talent Assessment Program, SERP, STB Recovery, Settlements, Refueling Outage, Expense Disallowance	Surrebuttal
3/11/2009	Kansas City Power and Light Company	ER-2009-0089	KCPL Acquisition Savings and Transition Costs	Rebuttal
02/11/2009	Kansas City Power and Light Company	ER-2009-0089	Corporate Costs, Merger Costs, Warranty Payments	Direct COS Report
09/24/2007	Kansas City Power and Light Company	ER-2007-0291	Miscellaneous A&G Expense	Surrebuttal

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**CASE PARTICIPATION**

<b>Date Filed</b>	<b>Case Name</b>	<b>Case Number</b>	<b>Issue</b>	<b>Exhibit</b>
7/24/2007	Kansas City Power and Light Company	ER-2007-0291	Miscellaneous	Staff COS Report
07/24/2007	Kansas City Power and Light Company	ER-2007-0291	Talent Assessment, Severance, Hawthorn V Subrogation Proceeds	Direct
03/20/2007	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2007-0004	Hedging Policy Plant Capacity	Surrebuttal
02/20/2007	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2007-0004	Natural Gas Prices	Rebuttal
01/18/2007	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2007-0004	Fuel Prices Corporate Allocation	Direct
11/07/2006	Kansas City Power and Light Company	ER-2006-0314	Fuel Prices	True-Up
10/06/2006	Kansas City Power and Light Company	ER-2006-0314	Severance, SO <sub>2</sub> Liability, Corporate Projects	Surrebuttal
08/08/2006	Kansas City Power and Light Company	ER-2006-0314	Fuel Prices Miscellaneous Adjustments	Direct
12/13/2005	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2005-0436	Natural Gas Prices; Supplemental Executive Retirement Plan Costs; Merger Transition Costs	Surrebuttal
12/13/2005	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	HR-2005-0450	Natural Gas Prices; Supplemental Executive Retirement Plan Costs; Merger Transition Costs	Surrebuttal
11/18/2005	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2005-0436	Natural Gas Prices	Rebuttal
10/14/2005	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2005-0436	Corporate Allocations, Natural Gas Prices Merger Transition Costs	Direct
10/14/2005	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	HR-2005-0450	Corporate Allocations, Natural Gas Prices Merger Transition Costs	Direct
02/15/2005	Missouri Gas Energy	GU20050095	Accounting Authority Order	Direct
01/14/2005	Missouri Gas Energy	GU20050095	Accounting Authority Order	Direct

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**CASE PARTICIPATION**

<b>Date Filed</b>	<b>Case Name</b>	<b>Case Number</b>	<b>Issue</b>	<b>Exhibit</b>
06/14/2004	Missouri Gas Energy	GR20040209	Alternative Minimum Tax; Stipulation Compliance; NYC Office; Executive Compensation; Corporate Incentive Compensation; True-up Audit; Pension Expense; Cost of Removal; Lobbying.	Surrebuttal
04/15/2004	Missouri Gas Energy	GR20040209	Pensions and OPEBs; True-Up Audit; Cost of Removal; Prepaid Pensions; Lobbying Activities; Corporate Costs; Miscellaneous Adjustments	Direct
02/13/2004	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	HR20040024	Severance Adjustment; Supplemental Executive Retirement Plan; Corporate Cost Allocations	Surrebuttal
02/13/2004	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER20040034	Severance Adjustment; Corporate Cost Allocations; Supplemental Executive Retirement Plan	Surrebuttal
01/06/2004	Aquila, Inc.	GR20040072	Corporate Allocation Adjustments; Reserve Allocations; Corporate Plant	Direct
12/09/2003	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	HR20040024	Current Corporate Structure; Aquila's Financial Problems; Aquila's Organizational Structure in 2001; Corporate History; Corporate Plant and Reserve Allocations; Corporate Allocation Adjustments	Direct
12/09/2003	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER20040034	Corporate Plant and Reserve Allocations; Corporate Allocation Adjustments; Aquila's Financial Problems; Aquila's Organizational Structure in 2001; Corporate History; Current Corporate Structure	Direct
03/17/2003	Southern Union Co. d/b/a Missouri Gas Energy	GM20030238	Acquisition Detriment	Rebuttal

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**CASE PARTICIPATION**

<b>Date Filed</b>	<b>Case Name</b>	<b>Case Number</b>	<b>Issue</b>	<b>Exhibit</b>
08/16/2002	The Empire District Electric Company	ER2002424	Prepaid Pension Asset; FAS 87 Volatility; Historical Ratemaking Treatments-Pensions & OPEB Costs; Pension Expense-FAS 87 & OPEB Expense-FAS 106; Bad Debt Expense; Sale of Emission Credits; Revenues	Direct
04/17/2002	UtiliCorp United, Inc. d/b/a Missouri Public Service & St. Joseph Light & Power	GO2002175	Accounting Authority Order	Rebuttal
01/22/2002	UtiliCorp United, Inc. d/b/a Missouri Public Service	ER2001265	Acquisition Adjustment	Surrebuttal
01/22/2002	UtiliCorp United, Inc. d/b/a Missouri Public Service	EC2001265	Acquisition Adjustment; Corporate Allocations;	Surrebuttal
01/08/2002	UtiliCorp United, Inc. d/b/a Missouri Public Service	EC2002265	Acquisition Adjustment	Rebuttal
01/08/2002	UtiliCorp United, Inc. d/b/a Missouri Public Service	ER2001672	Acquisition Adjustment	Rebuttal
12/06/2001	UtiliCorp United, Inc. d/b/a Missouri Public Service	ER2001672	Corporate Allocations	Direct
12/06/2001	UtiliCorp United, Inc. d/b/a Missouri Public Service	EC2002265	Corporate Allocations	Direct
04/19/2001	Missouri Gas Energy, a Division of Southern Union Company	GR2001292	Revenue Requirement; Corporate Allocations; Income Taxes; Miscellaneous Rate Base Components; Miscellaneous Income Statement Adjustments	Direct
11/30/2000	Holway Telephone Company	TT2001119	Revenue Requirements	Rebuttal

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<b>Date Filed</b>	<b>Case Name</b>	<b>Case Number</b>	<b>Issue</b>	<b>Exhibit</b>
06/21/2000	UtiliCorp United, Inc. / Empire District Electric Company	EM2000369	Merger Accounting Acquisition	Rebuttal
05/02/2000	UtiliCorp United, Inc. / St. Joseph Light and Power	EM2000292	Deferred Taxes; Acquisition Adjustment; Merger Benefits; Merger Premium; Merger Accounting; Pooling of Interests	Rebuttal
03/01/2000	Atmos Energy Company and Associated Natural Gas Company	GM2000312	Acquisition Detriments	Rebuttal
09/02/1999	Missouri Gas Energy	GO99258	Accounting Authority Order	Rebuttal
04/26/1999	Western Resources Inc. and Kansas City Power and Light Company	EM97515	Merger Premium; Merger Accounting	Rebuttal
07/10/1998	Missouri Gas Energy, a Division of Southern Union Company	GR98140	SLRP AAOs; Reserve; Deferred Taxes; Plant	True-Up
05/15/1998	Missouri Gas Energy, a Division of Southern Union Company	GR98140	SLRP AAOs; Automated Meter Reading (AMR)	Surrebuttal
04/23/1998	Missouri Gas Energy, a Division of Southern Union Company	GR98140	Service Line Replacement Program; Accounting Authority Order	Rebuttal
03/13/1998	Missouri Gas Energy, a Division of Southern Union Company	GR98140	Miscellaneous Adjustments; Plant; Reserve; SLRP; AMR; Income and Property Taxes;	Direct
11/21/1997	UtiliCorp United, Inc. d/b/a Missouri Public Service	ER97394	OPEB's; Pensions	Surrebuttal
08/07/1997	Associated Natural Gas Company, Division of Arkansas Western Gas Company	GR97272	FAS 106 and FAS 109 Regulatory Assets	Rebuttal
06/26/1997	Associated Natural Gas Company, Division of Arkansas Western Gas Company	GR97272	Property Taxes; Store Expense; Material & Supplies; Deferred Tax Reserve; Cash Working Capital; Postretirement Benefits; Pensions; Income Tax Expense	Direct

**CHARLES R. HYNEMAN****CASE PARTICIPATION**

<b>Date Filed</b>	<b>Case Name</b>	<b>Case Number</b>	<b>Issue</b>	<b>Exhibit</b>
10/11/1996	Missouri Gas Energy	GR96285	Income Tax Expense; AAO Deferrals; Acquisition Savings	Surrebuttal
09/27/1996	Missouri Gas Energy	GR96285	Income Tax Expense; AAO Deferrals; Acquisition Savings	Rebuttal
08/09/1996	Missouri Gas Energy	GR96285	Income Tax Expense; AAO Deferrals; Acquisition Savings	Direct
05/07/1996	Union Electric Company	EM96149	Merger Premium	Rebuttal
04/20/1995	United Cities Gas Company	GR95160	Pension Expense; OPEB Expense; Deferred Taxes; Income Taxes; Property Taxes	Direct
05/16/1994	St. Joseph Light & Power Company	HR94177	Pension Expense; Other Postretirement Benefits	Direct
04/11/1994	St. Joseph Light & Power Company	ER94163	Pension Expense; Other Postretirement Benefits	Direct
08/25/1993	United Telephone Company of Missouri	TR93181	Cash Working Capital	Surrebuttal
08/13/1993	United Telephone Company of Missouri	TR93181	Cash Working Capital	Rebuttal
07/16/1993	United Telephone Company of Missouri	TR93181	Cash Working Capital; Other Rate Base Components	Direct