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Witness: Gina M. Sparacino
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LACLEDE GAS COMPANY

GR-2013-0171

DIRECT TESTIMONY

OF

GINA M. SPARACINO

DECEMBER 2012

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1 **DIRECT TESTIMONY OF GINA M. SPARACINO**

2 Q. Please state your name and business address.

3 A. My name is Gina M. Sparacino, and my business address is 720 Olive St., St. Louis,
4 Missouri, 63101.

5 Q. What is your present position?

6 A. I am presently employed as a Senior Regulatory Business Analyst in Laclede Gas
7 Company's ("Laclede" or "Company") Financial Planning and Analysis Department. I
8 have held this position since May 2012. I joined Laclede as a Business Analyst in June
9 2010 before being promoted to my current position. I am currently transitioning into the
10 Regulatory and Legislative Affairs area of the Company. Prior to joining Laclede, I
11 worked as the Manager of Real Estate Owned at Sun Security Bank in St. Peters,
12 Missouri.

13 Q. What is your educational background?

14 A. I graduated from the University of Missouri in Columbia, Missouri in December 2008
15 with a Bachelor of Science in Business Administration with an emphasis in Finance. I
16 anticipate receiving my Masters in Business Administration in the summer of 2013 from
17 Webster University in St. Louis, Missouri.

18 Q. Have you previously filed testimony before this Commission?

19 A. No.

20 **PURPOSE OF TESTIMONY**

21 Q. What is the purpose of your testimony?

22 A. The purpose of my testimony is to provide support for the Company's filing in the
23 following areas:

- 1 1. The balances of certain Customer Financing Programs for inclusion in the
2 determination of rate base, along with a rate base adjustment for Deferred Energy
3 Efficiency expenditures, and a rate base offset for Customer Deposits; and
- 4 2. Income Statement adjustments related to interest on customer financing programs,
5 interest expense on customer deposits, dental and vision expenses, MPSC
6 assessment, rent expense, rate case expenses, 401(k) expenses, postal expenses,
7 energy efficiency amortization, and dues, fees, and other miscellaneous expenses.

8 Q. Please list the schedules you are sponsoring.

9 A. I am sponsoring certain adjustments to Schedules 1 and 5, as discussed in this direct
10 testimony.

11 **ADJUSTMENTS TO RATE BASE**

12 ***A. Customer Financing Programs***

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

15 A. I am sponsoring an item that reflects the impact on rate base of the Insulation Financing
16 and EnergyWise Programs, both of which are made available to Laclede customers
17 through its existing Commission-approved tariffs. The Insulation Financing Program
18 (IFP) is a program under which the Company grants loans to eligible residential
19 customers for the purpose of making certain home energy conservation improvements.
20 The EnergyWise Program is a program under which the Company makes financing
21 available to eligible residential and commercial customers for the purchase and
22 installation of high efficiency natural gas heating equipment, air conditioners or certain
23 other energy-efficient appliances and related equipment. The IFP loan balance

1 outstanding at September 30, 2012 is included in rate base. I have also included in rate
2 base the EnergyWise outstanding loan balance at September 30, 2012. It should be noted
3 that there is also a related miscellaneous revenue adjustment (Adjustment 1.k., Schedule
4 5) to include the offset to cost of service provided by the interest charges applied to IFP
5 and EnergyWise loans.

6 ***B. Customer Deposits***

7 Q. What other rate base adjustments are you sponsoring?

8 A. I am also sponsoring customer deposits as a deduction to the Company's rate base. I
9 have included a related customer accounts expense adjustment (Adjustment 5.b. of
10 Schedule 5) to reflect the impact of interest expense applied to customer deposits.

11 ***C. Energy Efficiency***

12 Q. Are there any other rate base adjustments you would like to include?

13 A. Yes, my final rate base adjustment is for Energy Efficiency. Coming out of Laclede's last
14 rate case, GR-2010-0171, the Company agreed to defer incremental energy efficiency
15 expenditures, and the deferral balance is included in rate base as of September 30, 2012.
16 The adjustment to normalize the energy efficiency expenses is incorporated below
17 (Adjustment 5.d. of Schedule 5).

18 **ADJUSTMENTS TO UTILITY OPERATING INCOME**

19 Q. Please explain the adjustments you are sponsoring to utility operating income.

20 A. I am sponsoring several adjustments to the income statement related to customer
21 financing programs, customer deposit interest expense, dental and vision insurance costs,
22 Missouri Public Service Commission assessments, rent, rate case expense, 401(k)

1 expense, postage, energy efficiency, and dues and donations. These adjustments appear
2 on Schedule 5 and are discussed below.

3 ***A. Customer Financing Programs***

4 Q. Please discuss your operating expense adjustment regarding the IFP and EnergyWise
5 Programs.

6 A. Adjustment 1.k. increases revenues to reflect interest income from the IFP and
7 EnergyWise Programs. This adjustment is consistent with the inclusion of loan balances
8 in rate base as I previously mentioned.

9 ***B. Customer Deposit Interest Expense***

10 Q. Please discuss your adjustment to customer deposit expense.

11 A. Adjustment 5.b. increases customer accounts expense to reflect interest expense related to
12 customer deposits. This adjustment is consistent with the inclusion of customer deposit
13 balances as a rate base offset that was previously mentioned.

14 ***C. Health Care Costs***

15 Q. What adjustment are you sponsoring for health care costs at this time?

16 A. None at this time. Due to changes in the health care plan offerings and employee
17 contribution levels, continuing significant inflation in the cost of providing health care
18 benefits, and changes resulting from the 2012 labor contract signed with Locals 11-6 and
19 11-194, the correct level of health care costs for this proceeding would most
20 appropriately be based on costs for the 12 months ended July 31, 2013, the requested
21 true-up period in this case.

22 ***D. Dental and Vision Insurance Costs***

23 Q. Please discuss the adjustment made to dental and vision insurance costs.

1 A. Adjustment 6.d. reflects an increase in the cost of dental insurance to reflect current cost
2 levels. This adjustment should be updated for the actual employee levels at July 31,
3 2013. Adjustment 6.e. reflects an increase in the cost of vision insurance to reflect
4 current cost levels. The level of vision insurance costs for this proceeding would also
5 most appropriately be based on costs for the 12 months ended July 31, 2013.

6 ***E. Missouri Public Service Commission Assessment***

7 Q. Please discuss your adjustment relating to the Missouri Public Service Commission's
8 assessment.

9 A. Adjustment 6.f. decreases Regulatory Commission expense to the annual level of
10 assessment as of July 1, 2012. The 2013 assessment will be known in late June 2013 and
11 should be used in the final determination of rates.

12 ***F. Rent Expense***

13 Q. Please discuss your adjustment to rent expense.

14 A. Adjustment 6.g. adjusts rent expense to the annualized January 2013 level based on the
15 Company's lease agreement for its main office.

16 ***G. Rate Case Expense***

17 Q. Please explain your next adjustment relating to rate case expense.

18 A. Adjustment 6.j. adjusts test year expense to reflect anticipated levels of out-of-pocket
19 costs to be incurred by the Company in connection with this proceeding, amortized over
20 two years.

21 ***H. 401(k) Expense***

22 Q. What adjustment have you made to 401(k) expenses?

23 A. Company contributions to 401(k) Wage and Salary Deferral Savings Plans have been
24 normalized to reflect the adjusted wage and salary levels sponsored by Company witness

1 Glenn W. Buck in Adjustment 8 as well as the new Company matching percentage as
2 determined in the recent labor negotiations. It would be appropriate to update the
3 percentage as the case progresses to reflect the employee adoption of the changes made.

4 ***I. Postage***

5 Q. Please describe your adjustment for postal expenses.

6 A. Adjustment 5.c. of Schedule 5 adjusts the test year for the full year effect of a postal rate
7 increase. Postal rates from the US Postal Service were increased by approximately 2.25%
8 in January of 2012, and they are estimated to increase by an additional 2.25% in January
9 of 2013.

10 ***J. Energy Efficiency***

11 Q. What adjustment are you proposing for energy efficiency?

12 A. Adjustment 5.d. of Schedule 5 adjusts for the amortization of the energy efficiency
13 amounts deferred subsequent to the completion of Laclede's last rate case, GR-2010-
14 0171 over a 10-year period. Such treatment is consistent with the Stipulation and
15 Agreement in our last case.

16 ***K. Dues, Fees, and Miscellaneous Expenses***

17 Q. Please discuss your adjustment relating to club memberships and miscellaneous
18 expenses.

19 A. Adjustment 6.1. transfers to "below-the-line" dues and fees related to certain
20 organizational memberships as well as other miscellaneous expenses.

21 Q. Does this conclude your direct testimony?

22 A. Yes, it does.

