

*Exhibit No.:*  
*Issue:* Gas Safety AAOs  
*Witness:* John P. Cassidy  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Rebuttal Testimony  
*Case No.:* GR-2010-0171  
*Date Testimony Prepared:* June 24, 2010

**MISSOURI PUBLIC SERVICE COMMISSION**  
**UTILITY SERVICES DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**JOHN P. CASSIDY**

**LACLEDE GAS COMPANY**

**CASE NO. GR-2010-0171**

*Jefferson City, Missouri*  
*June 2010*

**REBUTTAL TESTIMONY**  
**OF**  
**JOHN P. CASSIDY**  
**LACLEDE GAS COMPANY**  
**CASE NO. GR-2010-0171**

Q. Please state your name and business address.

A. John P. Cassidy, 111 North 7<sup>th</sup> Street, Suite 105, St. Louis, Missouri 63101.

Q. Are you the same John P. Cassidy who sponsored sections in the Missouri Public Service Commission Staff's (Staff) Revenue Requirement Cost of Service Report and also filed direct testimony in support of the Staff's Revenue Requirement Cost of Service Report in this case on May 10, 2010?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony will address the proposal of Laclede Gas Company (Laclede or Company) witness James A. Fallert to include in rate base the unamortized deferred balances associated with the Company's Gas Safety Replacement Programs as referenced on page 31 of his direct testimony. The Staff will address why it believes that the Company's proposed ratemaking treatment is inconsistent with a previous Commission ruling which addressed the appropriate ratemaking treatment for costs related to service line replacement programs (SLRP).

Q. Please explain the Company's deferral associated with the replacement of gas lines and mains.

1           A.     As part of previous Laclede cases, the Commission has approved an  
2 accounting authority order (AAO) allowing the Company to defer depreciation, property tax  
3 and carrying costs associated with the replacement of gas service line and mains. Currently  
4 the Company maintains and tracks three separate balances, each starting at different points in  
5 time, but each balance is being amortized over a period of ten years. The following chart  
6 summarizes these SLRP AAO balances at March 31, 2010:

	<u>Dec 2001</u>	<u>Nov 2002</u>	<u>Oct 2005</u>
	<u>SLRP</u>	<u>SLRP</u>	<u>SLRP</u>
Beginning Balance	\$2,755,688	\$321,657	\$706,649
Amortization	<u>\$2,296,406</u>	<u>\$237,848</u>	<u>\$317,992</u>
Unamortized Balance	\$ 459,282	\$ 83,809	\$388,657
At March 31, 2010			

14 On March 31, 2010, these three unamortized AAO balances totaled \$931,748 and represent  
15 the amount Company witness Fallert proposed to include in rate base as part of his direct  
16 testimony filing.

17           Q.     Has the Staff included the unamortized balance of these three SLRP AAOs  
18 previously approved by the Commission in rate base?

19           A.     No. The Staff proposes the treatment prescribed by the Commission in its  
20 Order in Case No. GR-98-140 involving Missouri Gas Energy's (MGE) safety related service  
21 line replacement deferrals. In that case the Commission approved; (1) a ten-year amortization  
22 of the deferrals and (2) no inclusion of the unamortized balance in rate base. In its Order, the  
23 Commission noted that in using a ten-year amortization period it was recognizing a shorter  
24 cost recovery period than the twenty years the Staff had recommended and it had approved in  
25 prior rate cases. Given this reduced amortization period, the Commission deemed it

1 reasonable for the ratepayers and shareholders to share the effect of regulatory lag by  
2 allowing MGE to earn a return of, but not a return on, the deferred balance. The Staff's  
3 recommended treatment for Laclede's service line replacement deferred balances in this rate  
4 case is consistent with the Commission's Order issued in Case No. GR-98-140, which  
5 involved MGE.

6 Q. Is there any dispute between the Staff and the Company with regard to the ten  
7 year amortization of the deferrals in this case?

8 A. No. Both the Staff and the Company agree that the deferrals should be  
9 amortized over a period of ten years. The only dispute that exists between the Staff and the  
10 Company relates to whether the unamortized balances of these deferrals should be included in  
11 rate base. Consistent with the Commission's Order involving MGE in Case No. GR-98-140  
12 the Staff recommends that the unamortized balance of these deferrals should not be included  
13 in rate base.

14 Q. Does this conclude your rebuttal testimony?

15 A. Yes.

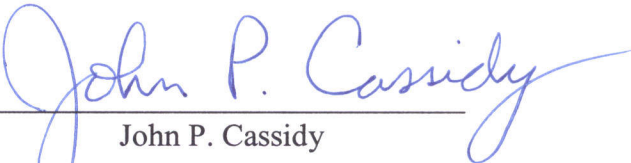
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of Laclede Gas Company's Tariff     )  
to Increase Its Annual Revenues for Natural     )     Case No. GR-2010-0171  
Gas Service     )

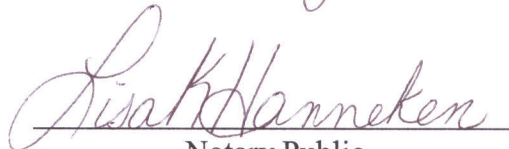
AFFIDAVIT OF JOHN P. CASSIDY

STATE OF MISSOURI     )  
                                      )     ss.  
COUNTY OF COLE     )

John P. Cassidy, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of   3   pages to be presented in the above case; that the answers in the foregoing Rebuttal 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.

  
\_\_\_\_\_  
John P. Cassidy

Subscribed and sworn to before me this   22   day of   June  , 2010.

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

