

Exhibit No:
Issues: *Tariff*
Witness: *Kimberly K. Bolin*
Sponsoring Party: *MOPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *GT-2009-0056*
Date Testimony Prepared: *September 29, 2009*

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY
OF
KIMBERLY K. BOLIN

LACLEDE GAS COMPANY
CASE NO. GT-2009-0056

Jefferson City, Missouri
September 2009

DIRECT TESTIMONY
OF
KIMBERLY K. BOLIN
LACLEDE GAS COMPANY
CASE NO. GT-2009-0056

Q. Please state your name and business address.

A. Kimberly K. Bolin, 200 Madison Street, Suite 440, Jefferson City, MO 65102.

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

A. I am a Utility Regulatory Auditor for the Missouri Public Service Commission (PSC or Commission).

Q. What is your educational and employment background?

A. I graduated from Central Missouri State University in Warrensburg, Missouri, with a Bachelor of Science in Business Administration, major emphasis in Accounting, in May 1993. Before coming to work at the Commission, I was employed by the Missouri Office of the Public Counsel (Public Counsel or OPC) as a Public Utility Accountant from September 1994 to April 2005. I commenced employment with the Commission in April 2005.

Q. What was the nature of your job duties when you were employed by Public Counsel and in your current position with the Commission?

A. I was responsible for performing audits and examinations of the books and records of public utilities operating within the state of Missouri.

Q. Have you previously filed testimony before this Commission?

1 A. Yes. Please refer to Schedule 1, attached to this Surrebuttal testimony, for a
2 list of the major audits on which I have assisted and filed testimony with the Public Counsel
3 and with the Commission.

4 Q. What is the purpose of your Surrebuttal Testimony?

5 A. The purpose of my Surrebuttal Testimony is to address the Rebuttal Testimony
6 of the Office of the Public Counsel witness Barbara A. Meisenheimer relating to OPC's
7 concerns regarding Laclede Gas Company's (Laclede or Company) liability tariff language.

8 Q. Witness Meisenheimer states on page four lines 18 through 20, "The modified
9 tariff language is over broad in defining compliance with duties and obligations in providing
10 gas service and in limiting liability related to accident or negligence." Are liability insurance
11 premiums included in Laclede's cost of service?

12 A. Yes. Liability insurance premiums are an expense item included in Laclede's
13 cost of service. Insurance coverage is believed to be a prudent and ongoing activity that
14 should be included in the Company's cost of service. Staff normally includes an annualized
15 level of insurance expense into a Company's cost of service during the ratemaking process.
16 By including the insurance premiums into the cost of service, the liability insurance is paid for
17 by the ratepayers through the rates charged for gas service provided by Laclede Gas
18 Company.

19 Q. Were the revenues or expenses incurred in relation to the unregulated services
20 witness Meisenheimer quotes on page 8, lines 5 through 8, included in the rate making
21 process in the Company's last rate case, Case No. GR-2007-0208?

22 A. No. The revenues and expenses associated with the sales of natural gas
23 appliances were recorded below-the-line as merchandising activities on the Company's books

1 and were not included in Laclede's cost of service or in the ratemaking process. The Staff
2 reviewed how the Company was booking its direct and indirect costs associated with retail
3 sales of appliances. From its audit, the Staff concluded that these non-regulated revenues and
4 expenses are separately tracked and appropriately reported below-the-line in the
5 Company's books.

6 Q. Did the Staff include any revenues or expenses associated with non-regulated
7 services that Laclede provides to customers?

8 A. Yes. Staff included Heating Ventilating/Air Conditioning (HVAC)
9 maintenance and repairs and home sale inspections that are performed by Laclede Gas
10 personnel. These services are non-regulated, but have been traditionally treated above-the-
11 line for financial reporting and ratemaking purposes. However, the Commission does not
12 establish the prices charged for these services.

13 The Staff included the revenues and expenses for these unregulated services in the cost
14 of service because Company personnel perform these services and the Company does not
15 track the time personnel spend on performing these services separately from time spent
16 performing regulated duties. The Company also does not track other costs such as mileage
17 and other miscellaneous expenses that are associated with providing these non-regulated
18 services.

19 Q. Witness Meisenheimer states on page 13, lines 11 and 12, "The modified tariff
20 language may impact the Company's revenue requirement and is therefore best addressed in a
21 rate case." Are there costs included in the revenue requirement that may be impacted by the
22 modified tariff language?

1 A. Yes. The modified tariff language may help to decrease the amount of injuries
2 and damages expense and the outside service expense. However, the impact of the proposed
3 language cannot be quantified at this time and it may not be easily identifiable in future years.

4 Q. Are the costs of hiring outside legal counsel to defend claims cases included in
5 the outside services expense?

6 A. Yes. Outside legal expense is included in outside services expense. Staff
7 includes in its cost of service a normalized level of outside services expense.

8 Q. Did Staff include an amount in its cost of service in the Case No. GR-2007-
9 0208 for injuries and damages?

10 A. In the last Laclede Gas Company rate case, Staff included in its cost of service
11 the actual claim payments made during the test year (12 months ending September 30, 2006)
12 for injuries and damages expense. The Staff position on the rate treatment of injuries and
13 damages is to include a normalized level of cash payouts in the cost of service. Staff believed
14 the test year level of actual claim payments made to be a normalized level of cash payouts to
15 include in the cost of service.

16 Q. On page 13 of witness Meisenheimer's Rebuttal testimony, she states,
17 "As discussed above, the proposed limitations on liability are extensive and seek to shift risk
18 and associated cost to ratepayers." Are costs already being shifted to the ratepayers without
19 this proposed tariff language?

20 A. Yes. The costs of hiring outside legal counsel and the cost of paying
21 settlements related to claims for "injuries and damages" are already included in the cost of
22 service, thus costs are shifted to the ratepayers and those costs are being paid by
23 the ratepayers.

1 Q. Are injuries and damages claim payouts disallowed for ratemaking, thus
2 becoming shareholder responsibility?

3 A. Very seldom are injuries and damages claim payouts disallowed in ratemaking.
4 If an injuries and damages claim payout is disallowed it is because such payout was connected
5 to the Company being found of improper or negligent actions. However, in many cases, the
6 injuries and damages claims are a result of a negotiated settlement, in which the utility will
7 agree to a settlement for a certain dollar amount, while not admitting any wrongdoing. These
8 settlements are included in the costs of service and are thus paid by ratepayers.

9 Q. Does this conclude your surrebuttal testimony?

10 A. Yes, it does.

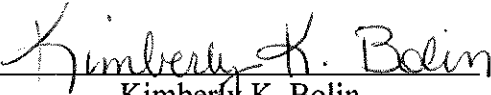
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's)
Tariff Revision Designed to Clarify its) Case No. GT-2009-0056
Liability for Damages Occurring on)
Customer Piping and Equipment Beyond the)
Company's Meter)

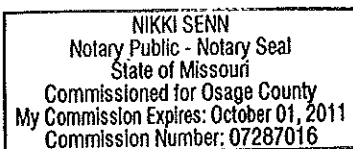
AFFIDAVIT OF KIMBERLY K. BOLIN

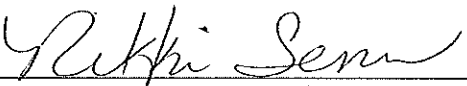
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Kimberly K. Bolin, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.


Kimberly K. Bolin

Subscribed and sworn to before me this 28th day of September, 2009.




Notary Public

**CASE PARTICIPATION
OF
KIMBERLY K. BOLIN**

<u>Company Name</u>	<u>Case Number</u>	<u>Testimony/Issues</u>	<u>Contested or Settled</u>
Missouri-American Water Company	WR-2008-0311 & SR-2008-0312	<u>Report on Cost of Service</u> – Tank Painting Tracker, Lobbying Costs, PSC Assessment <u>Direct</u> – Overview of Staff’s Filing <u>Rebuttal</u> – True-Up Items, Unamortized Balance of Security AAO, Tank Painting Expense, Fire Hydrant Painting Expense <u>Surrebuttal</u> – Unamortized Balance of Security AAO, Cedar Hill Waste Water Plant, Tank Painting Expense, Fire Hydrant Painting Expense	Settled
Missouri Gas Utility, Inc.	GR-2008-0060	<u>Report on Cost of Service</u> – Plant-in Service/Capitalization Policy, Plant-in Service/Purchase Price Valuation, Depreciation Reserve, Revenues, Uncollectible Expense	Settled
Laclede Gas Company	GR-2007-0208	<u>Direct</u> - Test Year and True-Up, Environmental costs, AAOs, Revenue, Miscellaneous Revenue, Gross receipts Tax, Gas Costs, Uncollectibles, EWCR, AMR, Acquisition Adjustment	Settled
Kansas City Power & Light	ER-2006-0314	<u>Direct</u> - Gross Receipts Tax, Revenues, Weather Normalization, Customer Growth/Loss Annualization, Large Customer Annualization, Other Revenue, Uncollectible (Bad Debt) Expense, Payroll, A&G Salaries Capitalization Ratio, Payroll Taxes, Employer 401 (k) Match, Other Employee Benefits <u>Surrebuttal</u> - Uncollectible (Bad Debt) Expense, Payroll, A&G Salaries Capitalization Ratio, Other Employee Benefits	Contested
Missouri Gas Energy	GR-2006-0204	<u>Direct</u> - Payroll, Incentive Compensation, Payroll Taxes, Employee Benefits, Lobbying, Customer & Governmental Relations Department, Collections Contract	Settled

WHILE EMPLOYED WITH THE OFFICE OF THE PUBLIC COUNSEL

<u>Company Name</u>	<u>Case Number</u>	<u>Testimony/Issues</u>	<u>Contested or Settled</u>
Missouri Gas Energy	GU-2005-0095	<u>Rebuttal</u> - Accounting Authority Order <u>Surrebuttal</u> - Accounting Authority Order	Contested
The Empire District Electric Company	ER-2004-0570	<u>Direct</u> - Payroll	Settled
Missouri American Water Company & Cedar Hill Utility Company	SM-2004-0275	<u>Direct</u> - Acquisition Premium	Settled
Missouri Gas Energy	GR-2004-0209	<u>Direct</u> - Safety Line Replacement Program; Environmental Response Fund; Dues & Donations; Payroll; Customer & Governmental Relations Department Disallowance; Outside Lobbyist Costs <u>Rebuttal</u> - Customer Service; Incentive Compensation; Environmental Response Fund; Lobbying/Legislative Costs <u>True-Up</u> - Rate Case Expense	Contested
Osage Water Company	ST-2003-0562 / WT-2003-0563	<u>Direct</u> - Payroll <u>Rebuttal</u> - Payroll; Lease Payments to Affiliated Company; alleged Legal Requirement of a Reserve	Case Dismissed
Missouri American Water Company	WR-2003-0500	<u>Direct</u> - Acquisition Adjustment; Water Treatment Plant Excess Capacity; Retired Treatment Plan; Affiliated Transactions; Security AAO; Advertising Expense; Customer Correspondence	Settled
Empire District Electric	ER-2002-424	<u>Direct</u> - Dues & Donations; Memberships; Payroll; Security Costs <u>Rebuttal</u> - Energy Traders' Commission <u>Surrebuttal</u> - Energy Traders' Commission	Settled

<u>Company Name</u>	<u>Case Number</u>	<u>Testimony/Issues</u>	<u>Contested or Settled</u>
Laclede Gas Company	GR-2002-356	<u>Direct</u> - Advertising Expense; Safety Replacement Program and the Copper Service Replacement Program; Dues & Donations; Rate Case Expense <u>Rebuttal</u> - Gas Safety Replacement Program / Deferred Income Taxes for AAOs	Settled
Missouri-American Water Company	WO-2002-273	<u>Rebuttal</u> - Accounting Authority Order <u>Cross-Surrebuttal</u> - Accounting Authority Order	Contested
Environmental Utilities	WA-2002-65	<u>Direct</u> - Water Supply Agreement <u>Rebuttal</u> - Certificate of Convenience & Necessity	Contested
Warren County Water & Sewer	WC-2002-160 / SC-2002-155	<u>Direct</u> - Clean Water Act Violations; DNR Violations; Customer Service; Water Storage Tank; Financial Ability; Management Issues <u>Surrebuttal</u> - Customer Complaints; Poor Management Decisions; Commingling of Regulated & Non-Related Business	Contested
Laclede Gas Company	GR-2001-629	<u>Direct</u> - Advertising Expense; Safety Replacement Program; Dues & Donations; Customer Correspondence	Settled
Gateway Pipeline Company	GM-2001-585	<u>Rebuttal</u> - Acquisition Adjustment; Affiliated Transactions; Company's Strategic Plan	Contested
Empire District Electric	ER-2001-299	<u>Direct</u> - Payroll; Merger Expense <u>Rebuttal</u> - Payroll <u>Surrebuttal</u> - Payroll	Settled
Osage Water Company	SR-2000-556/ WR-2000-557	<u>Direct</u> - Customer Service	Contested
St. Louis County Water Company	WR-2000-844	<u>Direct</u> - Main Incident Expense	Settled

<u>Company Name</u>	<u>Case Number</u>	<u>Testimony/Issues</u>	<u>Contested or Settled</u>
Missouri American Water Company	WR-2000-281/ SR-2000-282	<u>Direct</u> - Water Plant Premature Retirement; Rate Case Expense <u>Rebuttal</u> - Water Plant Premature Retirement <u>Surrebuttal</u> - Water Plant Premature Retirement	Contested
Laclede Gas Company	GR-99-315	<u>Direct</u> - Advertising Expense; Dues & Donations; Miscellaneous Expense; Items to be Trued-up	Contested
St. Joseph Light & Power	HR-99-245	<u>Direct</u> - Advertising Expense; Dues & Donations; Miscellaneous Expense; Items to be Trued-up <u>Rebuttal</u> - Advertising Expense <u>Surrebuttal</u> - Advertising Expense	Settled
St. Joseph Light & Power	ER-99-247	<u>Direct</u> - Merger Expense; Rate Case Expense; Deferral of the Automatic Mapping/Facility Management Costs <u>Rebuttal</u> - Merger Expense; Rate Case Expense; Deferral of the Automatic Mapping/Facility Management Costs <u>Surrebuttal</u> - Merger Expense; Rate Case Expense; Deferral of the Automatic Mapping/Facility Management Costs	Settled
Laclede Gas Company	GR-98-374	<u>Direct</u> - Advertising Expense; Gas Safety Replacement AAO; Computer System Replacement Costs	Settled
Missouri Gas Energy	GR-98-140	<u>Direct</u> - Payroll; Advertising; Dues & Donations; Regulatory Commission Expense; Rate Case Expense	Contested
Gascony Water Company, Inc.	WA-97-510	<u>Rebuttal</u> - Rate Base; Rate Case Expense; Cash Working Capital	Settled
Union Electric Company	GR-97-393	<u>Direct</u> - Interest Rates for Customer Deposits	Settled
St. Louis County Water Company	WR-97-382	<u>Direct</u> - Interest Rates for Customer Deposits, Main Incident Expense	Settled

<u>Company Name</u>	<u>Case Number</u>	<u>Testimony/Issues</u>	<u>Contested or Settled</u>
Associated Natural Gas Company	GR-97-272	<u>Direct</u> - Acquisition Adjustment; Interest Rates for Customer Deposits <u>Rebuttal</u> - Acquisition Adjustment; Interest Rates for Customer Deposits <u>Surrebuttal</u> - Interest Rates for Customer Deposits	Contested
Missouri-American Water Company	WA-97-45	<u>Rebuttal</u> - Waiver of Service Connection Charges	Contested
Imperial Utility Corporation	SC-96-427	<u>Direct</u> - Revenues, CIAC <u>Surrebuttal</u> - Payroll; Uncollectible Accounts Expense; Rate Case Expense, Revenues	Settled
St. Louis Water Company	WR-96-263	<u>Direct</u> -Main Incident Repairs <u>Rebuttal</u> - Main Incident Repairs <u>Surrebuttal</u> - Main Incident Repairs	Contested
Steelville Telephone Company	TR-96-123	<u>Direct</u> - Depreciation Reserve Deficiency	Settled
Missouri-American Water Company	WR-95-205/ SR-95-206	<u>Direct</u> - Property Held for Future Use; Premature Retirement of Sewer Plant; Depreciation Study Expense; Deferred Maintenance <u>Rebuttal</u> - Property Held for Future Use; Premature Retirement of Sewer Plant; Deferred Maintenance <u>Surrebuttal</u> - Property Held for Future Use; Premature Retirement of Sewer Plant	Contested
St. Louis County Water Company	WR-95-145	<u>Rebuttal</u> - Tank Painting Reserve Account; Main Repair Reserve Account <u>Surrebuttal</u> - Main Repair Reserve Account	Contested