

Exhibit No.:	
Issue:	Dues and Donations, Medical Inflation, Health Care Reform Impact, Officer Expenses
Witness:	Elizabeth E. Wotawa
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	Laclede Gas Company
Case No.:	GR-2010-0171
Date Testimony Prepared:	June 24, 2010

LACLEDE GAS COMPANY

GR-2010-0171

REBUTTAL TESTIMONY

OF

ELIZABETH E. WOTAWA

JUNE 2010

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1                                    **REBUTTAL TESTIMONY OF ELIZABETH E. WOTAWA**

2        Q.        Please state your name and business address.

3        A.        My name is Elizabeth E. Wotawa, and my business address is 720 Olive St., St. Louis,  
4                   Missouri, 63101.

5        Q.        Are you the same Elizabeth E. Wotawa who previously filed direct testimony in this case  
6                   on behalf of Laclede Gas Company (“Laclede” or “Company”)?

7        A.        Yes.

8                                    **PURPOSE OF TESTIMONY**

9        Q.        What is the purpose of your rebuttal testimony?

10      A.        The purpose of my testimony is to respond to the following adjustments by Commission  
11                Staff (“Staff”) witnesses Erin Carle and Lisa Hanneken:

12            1.        *Dues and Donations.* I will describe those expenses removed from the test year in  
13                   Staff’s Dues and Donations adjustment that benefit Laclede’s customers and  
14                   therefore merit recovery in this case.

15            2.        *Medical Inflation.* I will describe an adjustment to Staff’s level of normalized  
16                   medical expense which reflects not only Staff’s adjustment for the reduction in  
17                   contract employees but also Laclede’s increased costs due to medical inflation.

18            3.        *Health Care Reform Act.* I will describe the adjustments necessary to reflect the  
19                   known and measurable impact of the Health Care Reform Act on Laclede’s  
20                   medical expenses.

21            4.        *Treasury Account Special.* I will respond to Staff’s treatment of the normal and  
22                   customary expenses of Laclede’s officers.

23      Q.        Please list the schedules you are sponsoring.

1 A. I am sponsoring Schedule EEW-1, which provides support to my discussion of Dues and  
2 Donations.

3  
4 ***A. Dues and Donations***

5 Q. Please describe your review of Staff's Dues and Donations adjustment.

6 A. My analysis of Staff's Dues and Donations adjustment is based on my review of the work  
7 papers Laclede received on this issue from Staff witness Erin Carle. I have identified  
8 several expenses which merit inclusion in Laclede's rates; for convenience I have  
9 organized these items into five categories based on the benefit they provide to Laclede's  
10 customers:

11 1. *Low-income assistance programs.* The expenses I identified in this category  
12 pertain primarily to two activities: Laclede's efforts to inform customers about  
13 Dollar-Help and Laclede's efforts to network with the agencies that pledge funds  
14 for bill assistance. Laclede's low-income customers benefit directly from the  
15 funds raised through these programs, and, to the degree that these funds mitigate  
16 uncollected revenue, Laclede's customer base benefits from a lower level of  
17 uncollectible revenue in rates.

18 2. *Business operations.* The expenses I identified in this category ensure that  
19 Laclede's employees have access to education, training, certification and other  
20 resources that allow the Company to conduct its business in an efficient and cost-  
21 effective manner. The business areas include collections, legal, corporate  
22 governance, safety, environmental regulation, industry standards, control of health  
23 care expenses, and investor relations.

3. *Energy conservation initiatives.* In previous rate cases Laclede has made the commitment to encourage its customers to lower their natural gas bills through energy conservation. The costs in this category relate to Laclede's efforts to identify appliances and practices which use natural gas more efficiently and the Company's efforts to communicate this knowledge to customers and developers.

4. *Community investment.* Laclede participates in community organizations to improve the business and social environment in its service territory, a factor that can have a direct effect on the cost of utility service to its customers.

5. *Safety.* Laclede customers benefit from the Company’s safety-related expenses to the degree that the Company can limit its exposure to accidents and injuries in the workplace.

Schedule EEW-1 provides a detailed list of these expenses.

Q. What is the impact of the items detailed in EEW-1 on Staff's Dues and Donations Adjustment?

A. Please see the table below, which details Laclede’s and Staff’s adjustments to test year expenses. The first column presents Laclede’s initial-filing adjustment to test year for dues and donations expenses; the second column is Staff’s adjustment to test year in excess of Laclede’s adjustment.

<b>Account Numbers</b>	<b>Laclede Initial Filing Adjustment</b>	<b>Staff Adjustment in Excess of Laclede</b>	<b>Laclede Rebuttal</b>	<b>Remaining Staff Adjustment</b>
548360	(450.00)	450.00		450.00
903110		(840.81)	840.81	-
903200		(2,834.58)	2,834.58	-
903300		(2,472.00)	-	(2,472.00)
903400		(2,573.74)	-	(2,573.74)
903700		(274.00)	274.00	-
908000		(9,360.57)	8,710.57	(650.00)
911000		(67,461.28)	38,010.00	(29,451.28)
912100	(249,801.25)	(27,561.38)	-	(27,561.38)
912120	(249,801.26)	(2,575.00)	1,240.00	(1,335.00)
912700		(11,476.31)	-	(11,476.31)
913100		(88,479.10)	-	(88,479.10)
913300		(4,407.02)	-	(4,407.02)
913310		(16,247.71)	-	(16,247.71)
921000		(2,329.61)	1,688.90	(640.71)
921010	(31,338.10)	(62,340.25)	7,051.51	(55,288.74)
921020		(3,171.88)	2,091.88	(1,080.00)
921030		(2,440.87)	1,513.61	(927.26)
921040	(12,230.68)	(3,016.59)	520.00	(2,496.59)
921060		(10,215.00)	7,675.00	(2,540.00)
921100		(250.00)	-	(250.00)
921110		(1,330.60)	-	(1,330.60)
921170		(43,204.00)	13,120.00	(30,084.00)
923230		(55.50)	-	(55.50)
926300		(55,144.30)	-	(55,144.30)
930400	(71,264.00)	(50,500.00)	45,000.00	(5,500.00)
	(614,885.29)	(470,112.10)	130,570.86	(339,541.24)

1

2 Q. What does the “Laclede Rebuttal” column represent?

3 A. After a review of Staff’s disallowance, Laclede identified several expenses which, in the  
4 Company’s opinion, provide a benefit to customers for the reasons described earlier in  
5 this testimony. Please see Schedule EEW-1 for additional detail on these calculations.

6 Q. Which adjustments should the Commission now use for purposes of resolving this issue?

7 A. For purposes of resolving this issue, the Commission should adjust test year expenses by  
8 Laclede’s initial proposed adjustment of \$614,885.29 plus the noncontested portion of  
9 Staff’s additional disallowance, \$339,541.24, for a total of \$954,426.53.

1    ***B. Medical Inflation***

2    Q.     What adjustment to Staff's level of normalized medical expense are you sponsoring?

3    A.     I am sponsoring an adjustment to represent Laclede's medical inflation experience in  
4           Staff's normalized medical expense. Staff adjusted Laclede's expense level for the  
5           Company's reduction in contract employees.

6    Q.     Why is this adjustment appropriate?

7    A.     The purpose of Staff's adjustment was to update Laclede's calculation to a March 31,  
8           2010 annualized level of expense. Staff took into account the fact that Laclede had fewer  
9           contract employees and reduced the company's normalized medical expense accordingly.  
10          However, Laclede experienced inflation in its medical expenses during the update period  
11          that is not reflected in Staff's adjustment. Laclede's adjustment is appropriate in order to  
12          present a more comprehensive snapshot of the components that drive Laclede's medical  
13          expense, both downward and upward.

14   Q.     What is the appropriate medical inflation rate to include in a March 2010 annualization?

15   A.     Laclede uses an annual experienced medical inflation rate of 6% based on the Towers  
16          Watson Health Care Cost Survey. The cost survey has represented a medical inflation  
17          rate of 6% to 8% since 2005. Staff based normalized medical expense on the 12 months  
18          ended March 31, 2010. The 6% annual inflation rate when applied to this period results  
19          in a 3% increase to reflect normalized medical costs experienced between September 30,  
20          2009 and March 31, 2010.

1 Q. What is the impact on Staff's adjustment to medical expense?

2 A. Please see the following calculation.

<b>Medical Inflation</b>	<u>Laclede</u>	<u>Monat</u>	<u>Total</u>
Staff Normalized Expense	12,638,272	1,036,343	13,674,615
Medical Inflation % (a)	3.00%	3.00%	
Increase	379,148	31,090	410,238
Staff O&M %	72.34%	86.72%	
Increase in O&M	274,276	26,961	301,238

3

4 ***C. Health Care Reform Act***

5 Q. What do Laclede's Health Care Reform Act adjustments represent?

6 A. Laclede is seeking rate recovery for the known and measurable adjustments to its benefit  
7 plans as a result of the recently passed health care reform legislation. Laclede is seeking  
8 recovery of the costs to meet the following requirements: (a) to equate the co-pay of  
9 mental health and chemical dependency ("MH/CD") providers with that of primary care  
10 physicians ("PCP") in accordance with the Mental Health Parity Act; (b) to eliminate the  
11 lifetime maximum payment available to a covered person under the medical plan; (c) to  
12 cover preventive and wellness services at no cost to the individual (Laclede already  
13 covered 100% for the care; this adjustment eliminates the co-pay); and (d) to cover  
14 children of covered employees up to age 26.

15 Q. What is the impact on Laclede's plans that needs to be reflected in rates?

16 A. Please see the schedule below.



	<u>Laclede</u>	<u>Monat</u>	<u>Total</u>
MH/CD same co-pay as PCP	7,236	593	7,829
Elimination of Lifetime Maximum	22,518	1,847	24,365
100% of Preventive Care Expenses covered	60,782	4,984	65,766
Children covered to age 26	133,087	10,913	144,000
Total	223,623	18,337	241,960
Staff O&M %	72.34%	86.72%	
Increase in O&M	161,769	15,902	177,671

Q. What is Laclede's source for this information?

A. Sax Benefits Group, the Company's health care consultant, developed these costs based on a review of the impact of the changes mandated by the new health care legislation on our participants.

***D. Treasury Account Special***

Q. What is the Treasury Account Special?

A. Treasury Account Special is an account used by the Company to book various expenses of its officers and other employees.

Q. Should these expenses be considered in setting Laclede's rates?

A. Laclede excluded some of these expenses. However, many of the expenses are normal and customary business expenses incurred in the ordinary course of the Company's operations. Such expenses should be considered in setting the Company's rates. Examples of these expenses include CPA licensing fees and other professional dues, travel expenses for Company business, and expenses related to membership in FRI.

Q. What is your objection to Staff's approach in this matter?

A. In the past, Staff and the utility normally have agreed to this issue based on a reasonable assessment of these expenses. In this case, Staff has made an adjustment that simply removes a wide swath of these ordinary expenses. However, Staff witness Hanneken

1 indicated on page 79 of the Staff's May 10 Cost of Service Report that Staff's  
2 disallowance is more of a placeholder than a final decision, and that Staff would review  
3 and consider further information as it becomes available. Since the May 10 filing of  
4 Staff's testimony, Laclede has discussed this issue with Staff and has responded to Staff  
5 inquiries. Laclede hopes and expects that upon further review that this issue will be  
6 resolved.

7 Q. Does this conclude your testimony?

8 A. Yes, it does.

**Laclede Gas Company  
GR-2010-0171**

**Dues and Donations**

Category	FERC	Amount	Organization / Activity	LGC Initial Filing	PSC Staff			LGC Rebuttal		
					Category	Treatment	Rationale	Treatment	Rationale	Amount
Low-income assistance programs										
	908000	1,325.00	National Fuel Funds Network (Dues)	Allow	Dues	Disallow	Already Allowed Similar Association	Allow	The National Fuel Funds Network (NFFN) helps Laclede support its low-income customers. Low-income customers benefit from the assistance on their gas bills, and, to the degree that such institutions can support Laclede's low-income customers, the remaining customers benefit from a lower level of uncollectible revenue reflected in their rates.	1,325.00
	903110	718.31	Dollar-Help informational inserts for Laclede Gas bills	Allow	900 Acct. Adj.	Disallow		Allow	Low-income customers benefit from the assistance on their gas bills, and, to the degree that Dollar-Help can support Laclede's low-income customers, the remaining customers benefit from a lower level of uncollectible revenue reflected in their rates.	718.31
	903200	2,834.58	Dollar-Help informational inserts for Laclede Gas bills	Allow	900 Acct. Adj.	Disallow		Allow	Low-income customers benefit from the assistance on their gas bills, and, to the degree that Dollar-Help can support Laclede's low-income customers, the remaining customers benefit from a lower level of uncollectible revenue reflected in their rates.	2,834.58
	903700	274.00	Dollar-Help informational inserts for Laclede Gas bills	Allow	900 Acct. Adj.	Disallow		Allow	Low-income customers benefit from the assistance on their gas bills, and, to the degree that Dollar-Help can support Laclede's low-income customers, the remaining customers benefit from a lower level of uncollectible revenue reflected in their rates.	274.00
	908000	7,385.57	Annual Agency and Dollar-Help Luncheons	Allow	900 Acct. Adj.	Disallow		Allow	The Annual Agency and Dollar-Help Luncheons provide Laclede with an opportunity to network with the community action agencies that work with Laclede's low-income customers. Low-income customers benefit from the assistance on their gas bills, and, to the degree that such agencies can support Laclede's low-income customers, the remaining customers benefit from a lower level of uncollectible revenue reflected in their rates.	7,385.57
	921010	10.00	Dollar-Help holiday cards	Allow	900 Acct. Adj.	Disallow		Allow	Laclede encourages its employees to contribute to Dollar-Help through a holiday card fundraiser. Low-income customers benefit from the assistance on their gas bills, and, to the degree that Dollar-Help can support Laclede's low-income customers, the remaining ratepayers benefit from a lower level of uncollectible revenue reflected in their rates.	10.00
	921010	180.00	Dollar-Help holiday cards	Allow	900 Acct. Adj.	Disallow		Allow	Laclede encourages its employees to contribute to Dollar-Help through a holiday card fundraiser. Low-income customers benefit from the assistance on their gas bills, and, to the degree that Dollar-Help can support Laclede's low-income customers, the remaining ratepayers benefit from a lower level of uncollectible revenue reflected in their rates.	180.00
Business operations										
	903110	122.50	Association of Collection Agencies (Dues)	Allow	Dues	Disallow	Not necessary for safe & reliable gas service	Allow	Although Laclede is limited in the scope of its collection efforts, Laclede customers do benefit to the degree that the revenue collected offsets the uncollectibles that would otherwise be incorporated into their rates. As a result, Laclede needs to remain aware of the industry's best practices in order to improve its collection rate.	122.5
	912120	240.00	Sheet Metal and Air Conditioning Contractors' National Association, Inc. (SMACNA) - St. Louis Chapter (Dues)	Allow	Dues	Disallow	Not necessary for safe & reliable gas service	Allow	SMACNA-St. Louis is a union trade organization for commercial and residential contractors. Laclede's customers benefit to the degree that the Company can educate such contractors about the safe and efficient use of natural gas appliances.	240

**Laclede Gas Company  
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**Dues and Donations**

Category	FERC	Amount	Organization / Activity	LGC Initial Filing	PSC Staff			LGC Rebuttal		
					Category	Treatment	Rationale	Treatment	Rationale	Amount
	921010	832.51	Associated General Contractors of St. Louis	Allow	Dues	Disallow	Not necessary for safe & reliable gas service	Allow	The Associated General Contractors of St. Louis provides a means through which Laclede can educate area contractors about locates and contacts at the Company. Laclede customers benefit to the degree that such efforts enhance the safety of the Company's infrastructure.	832.51
	921010	560.00	Association of Corporate Counsel	Allow	Dues	Disallow	Already Allowed Other Bar Associations	Allow	The Association of Corporate Counsel provides Laclede's lawyers with information targeted at in-house counsel issues, which is a valuable supplement to the information provided by the area Bar associations. Laclede's customers benefit to the degree that this information enhances Laclede's lawyers' practice on behalf of the Company.	560
	921040	520.00	Association of Corporate Counsel	Allow	Dues	Disallow	Already Allowed Other Bar Associations	Allow	The Association of Corporate Counsel provides Laclede's lawyers with information targeted at in-house counsel issues, which is a valuable supplement to the information provided by the area Bar associations. Laclede's customers benefit to the degree that this information enhances Laclede's lawyers' practice on behalf of the Company.	520
	921010	6,500.00	North American Energy Standards Board (NAESB)	Allow	Dues	Disallow	Already Allowed Similar Association	Allow 50%	The NAESB develops business practice standards for the energy industry and provides a forum for dialogue between companies, FERC, and state regulators. Both Laclede's customers and LER's customers benefit from the Company's access to and implementation of such standards.	3,250.00
	921060	475.00	American Society for Testing and Materials (ASTM)	Allow	Dues	Disallow	Already Allowed Similar Association	Allow	The ASTM is a voluntary standards development organization. Laclede's customers benefit to the degree that such standards maintain the safety and reliability of the Company's natural gas service.	475
	921060	7,200.00	REGFORM	Allow	Dues	Disallow	Not necessary for safe & reliable gas service	Allow	REGFORM provides information regarding the interpretation and implementation of environmental regulations. Laclede customers benefit to the degree that the Company can provide its services in an environmentally responsible and compliant manner.	7200
	921170	13,120.00	St. Louis Area Business Health Coalition (Dues)	Allow	Dues	Disallow	Not necessary for safe & reliable gas service	Allow	The St. Louis Area Business Health Coalition works to help businesses negotiate health care contracts with medical insurance companies. Laclede's customers benefit to the degree that such efforts allow the company to control its healthcare costs.	13120
	921020	202.88	How Arbitration Works (text)	Allow	900 Acct. Adj.	Disallow		Allow	Laclede customers benefit from an effective relationship between the Company and its unions, including the arbitration process.	202.88
	921020	1,889.00	Labor Arbitration Awards (online subscription)	Allow	900 Acct. Adj.	Disallow		Allow	Laclede customers benefit from an effective relationship between the Company and its unions, including the arbitration process.	1,889.00
	921030	437.36	Investor Relations Newsletter (subscription)	Allow	900 Acct. Adj.	Disallow		Allow Gas portion	Laclede is required to communicate certain events to its shareholders as part of a publicly traded company; Laclede customers benefit from Laclede's compliance with these regulations.	362.27
	921030	485.00	PR Newswire subscription	Allow	900 Acct. Adj.	Disallow		Allow Gas portion	Laclede is required to communicate certain events to its shareholders as part of a publicly traded company; Laclede customers benefit from Laclede's compliance with these regulations.	401.73
	921030	905.00	PR Newswire subscription	Allow	900 Acct. Adj.	Disallow		Allow Gas portion	Laclede is required to communicate certain events to its shareholders as part of a publicly traded company; Laclede customers benefit from Laclede's compliance with these regulations.	749.61
	921000	1,199.00	Compliance Week (subscription)	Allow	Questionable 146650	Disallow		Allow Gas portion	Laclede customers benefit from the company's compliance with SEC, employment, code of ethics, and other regulations.	993.13
	921000	295.00	Society of Corporate Compliance and Ethics (Dues)	Allow	Questionable 146650	Disallow		Allow Gas portion	Laclede customers benefit from the company's compliance with SEC, employment, code of ethics, and other regulations.	244.35

**Laclede Gas Company  
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**Dues and Donations**

Category	FERC	Amount	Organization / Activity	LGC Initial Filing	PSC Staff			LGC Rebuttal		
					Category	Treatment	Rationale	Treatment	Rationale	Amount
	921000	545.00	Society of Corporate Secretaries and Governance Professionals (Dues)	Allow	Questionable 146650	Disallow		Allow Gas portion	Laclede customers benefit from the company's compliance with SEC, employment, code of ethics, and other regulations.	451.42
<b>Energy conservation initiatives</b>										
	911000	935.00	Building Owners and Managers Association (BOMA) of Metropolitan St. Louis (Dues)	Allow	Dues	Disallow	Not necessary for safe & reliable gas service	Allow	BOMA of Metropolitan St. Louis provides a means through which Laclede can educate and inform customers about its rebate programs.	935.00
	911000	36,000.00	Energy Solutions Center (Dues)	Allow	Dues	Disallow	Not necessary for safe & reliable gas service	Allow 50%	The Energy Solutions Center informs Laclede Gas of emerging energy-efficiency products and technologies. Laclede customers benefit from the information that Laclede can pass on to them. \$36,000 represents two years' annual dues; Laclede is requesting rate recovery for one year's dues in rates.	18,000.00
	912120	1,000.00	Energy Solutions Center	Allow	Dues	Disallow	Not necessary for safe & reliable gas service	Allow	The Energy Solutions Center informs Laclede Gas of emerging energy-efficiency products and technologies. Laclede customers benefit from the information that Laclede can pass on to them. The \$1,000 represents Laclede's participation in the Gas Foodservice Equipment Network.	1,000.00
	911000	1,075.00	Home Builders Association of St. Louis - Green Energy Council (Event Sponsorship and Dues)	Allow	Dues	Disallow	Not necessary for safe & reliable gas service	Allow	The HBA Green Energy Council provides a means through which Laclede can network with builders and educate them about the energy-efficient natural gas practices that they can incorporate into their projects. The event sponsorship pertains to a home featuring such natural gas appliances.	1,075.00
	911000	3,000.00	U.S. Green Building Council - St. Louis Chapter (Dues)	Allow	Dues	Disallow	Not necessary for safe & reliable gas service	Allow	The U.S. Green Building Council provides a means through which Laclede can network with builders and educate them about the energy-efficient natural gas practices that they can incorporate into their projects.	3,000.00
<b>Community investment</b>										
	911000	15,000.00	Missouri Chamber of Commerce and Industry	Allow	Dues	Disallow	Already Allowed Area Dues, duplicative	Allow	The Missouri Chamber combines the efforts of Missouri businesses to support infrastructure improvements, protect the education system, and foster positive economic development opportunities for Missouri employers more effectively. Laclede customers benefit to the degree that such efforts help the company control the costs of doing business.	15,000.00
	930400	45,000.00	Civic Progress	Allow	Dues	Disallow	Involuntary Contribution	Allow	Civic Progress engages leadership of the St. Louis business community in civic development efforts, such as the establishment of charter schools. Laclede's customers benefit to the degree that such improvements occur in Laclede's service territory.	45,000.00
<b>Safety</b>										
	921010	205.00	American Society of Safety Engineers (Dues)	Allow	900 Acct. Adj.	Disallow		Allow	Laclede customers benefit to the degree that the Company can limit its exposure to accidents and injuries in the workplace.	205.00
	921010	2,014.00	National Safety Council and the Safety Council of Greater St. Louis (Dues)	Allow	900 Acct. Adj.	Disallow		Allow	Laclede customers benefit to the degree that the Company can limit its exposure to accidents and injuries in the workplace.	2,014.00

152,484.71

130,570.86

Allow - Allow 100% of the expense

Allow Gas Portion - Allow 82.83% - the amount allocated back to Laclede Gas through the FY2009 CAM three-factor allocator for Group expenses.

In the Matter of Laclede Gas Company's )  
Tariff to Revise Natural Gas Rate Schedules ) Case No. GR-2010-0171

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

1. My name is Elizabeth E. Wotawa. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Senior Business Analyst-Financial Services of Laclede Gas Company.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Elizabeth E. Wotawa  
Elizabeth E. Wotawa

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

Karen A. Justine  
Notary Public

