

<b>Exhibit No.:</b>	
<b>Issue:</b>	<b>Affiliate Transactions</b>
<b>Witness:</b>	<b>Glenn W. Buck</b>
<b>Type of Exhibit:</b>	<b>Rebuttal Testimony</b>
<b>Sponsoring Party:</b>	<b>Laclede Gas Company</b>
<b>Case No.</b>	<b>GC-2011-0006</b>
<b>Date Testimony</b>	
<b>Prepared:</b>	<b>January 21, 2011</b>

**LACLEDE GAS COMPANY**

**GC-2011-0006**

**REBUTTAL TESTIMONY**

**OF**

**GLENN W. BUCK**

**REBUTTAL TESTIMONY OF GLENN W. BUCK**

1 Q. Please state your name and business address.

2 A. My name is Glenn W. Buck, 720 Olive St., St. Louis, Missouri, 63101.

3 Q. Are you the same Glenn W. Buck who filed direct testimony in this case on behalf of  
4 Laclede Gas Company (“Laclede” or “Company”) on December 15, 2010?

5 A. I am.

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

7 A. The purpose of this testimony is to respond to a portion of the direct testimony of Staff  
8 witness Anne Allee regarding how affiliate transactions were handled in Laclede’s recent  
9 rate case, Case No. GR-2010-0171 (the “Rate Case”) .

10 Q. Did Laclede and Staff deal with affiliate transactions in the Rate Case?

11 A. Yes.

12 Q. Was Ms. Allee directly involved in those dealings?

13 A. No. The affiliate transaction discussions in the Rate Case primarily focused on allocation  
14 of common costs that are incurred by one affiliate and charged or allocated to another.  
15 Ms. Allee is in the Procurement Analysis Department. The affiliate transactions that her  
16 group deals with tend to involve the pricing of gas supply affiliate transactions.

17 Q. Were gas supply affiliate transactions discussed in the Rate Case?

18 A. No. Staff explicitly excluded any discussion of gas supply affiliate transactions, because  
19 of the ongoing dispute over the proper pricing standard for those transactions.

20 Q. If Ms. Allee and her group were not directly involved in the Rate Case affiliate  
21 discussions on behalf of the Staff, who was?

1 A. Laclede's discussions on cost allocations were primarily held with the Staff's Auditing  
2 Department personnel from the Commission's St. Louis office.

3 Q. At page 3, lines 8-10 of her direct testimony, Ms. Allee states that Staff's position in the  
4 Rate Case was that "While the opportunity to share certain administrative and other  
5 functions may introduce efficiencies, it may also lead to inappropriate cross-  
6 subsidization." Do you agree?

7 A. Yes, that was Staff's position. I agree that the opportunity to share organizational costs is  
8 beneficial to Laclede and its customers, because I believe that Laclede's general and  
9 administrative costs would be higher without the presence of affiliates to shoulder some  
10 of the burden. I also agree that, as set forth in the Commission's affiliate transaction  
11 rules (the "rules") and the Company's CAM, cost allocations should be handled in such a  
12 manner that the utility avoids subsidizing the affiliates.

13 Q. The Staff refers to "inappropriate cross-subsidization?" Is there an appropriate level of  
14 cross-subsidization?

15 A. No, the rules prohibit the utility from subsidizing the affiliates. There should be no  
16 subsidization, cross or otherwise. Simply put, the affiliates should bear a fair share of the  
17 organization's costs, and the utility should not bear more than its fair share of such costs.  
18 Similarly, when goods or services are sold or purchased between the utility and its  
19 affiliates, they should be priced in a manner that avoids any detriment to ratepayers. In  
20 fact, that is exactly what the rules and the CAM, both of which were actively promoted  
21 by the Staff, are designed to accomplish. Unfortunately, these are the very safeguards  
22 that the Staff has repeatedly ignored by trying to obtain information pursuant to a pricing

1 standard that is completely at odds with the standards the set forth in the rules and the  
2 CAM.

3 Q. But isn't it possible that the information requested by Staff is necessary to address some  
4 prudence or other regulatory issue or condition of the 2001 Holding Company Stipulation  
5 and Agreement that falls outside the CAM or the rules?

6 A. No. It is my understanding that Staff has never articulated any facts which would suggest  
7 that there is any prudence or other regulatory issue raised by these transactions that is not  
8 squarely and completely addressed by the CAM and the rules. For example, Staff has  
9 never alleged that Laclede was imprudent because it purchased more gas to meet peak  
10 requirements than it needed or purchased it from an unreasonably expensive location. To  
11 the contrary, the only issue Staff has ever raised is whether the transactions were priced  
12 appropriately, an issue that is directly addressed by the CAM and the rules. As a  
13 consequence, Staff's assertions that such information is necessary to determine the  
14 "prudence" of these transactions or verify compliance with other regulatory matters or  
15 conditions of the 2001 Agreement are really just empty code words aimed at deflecting  
16 attention from Staff's own effort to evade the pricing standards that the rules and CAM  
17 say should be used to prevent any detriment to Laclede utility customers.

18 Q. Were the Rate Case discussions of affiliate transaction allocations as contentious as the  
19 gas supply affiliate transaction discussions?

20 A. The parties enjoyed productive discussions in the Rate Case. Just as it had as a result of  
21 similar discussions in our 2005 rate case, I believe the Staff gained a more in-depth  
22 knowledge of why and how allocations are charged among Laclede and its affiliated

1 entities, and Laclede had an opportunity to hear and respond to certain Staff concerns  
2 regarding documentation and reporting.

3 Q. What was the result of the Rate Case discussions on affiliate transactions?

4 A. Within a matter of weeks from the start of these discussions in June 2010, the parties not  
5 only resolved a number of Rate Case issues, but also came to a meeting of the minds on  
6 cost allocation procedures. Their agreement on reporting requirements was documented  
7 in the Partial Stipulation and Agreement in the Rate Case, filed on July 23, 2010.

8 Q. In your opinion, how is it that the cost allocation part of affiliate transactions could be  
9 resolved so easily, while the gas supply part of affiliate transactions seems to drag on  
10 endlessly?

11 A. My opinion is that cost allocation was resolved quickly because the Staff's Auditing  
12 Department and Laclede saw eye-to-eye on the legal requirements concerning affiliate  
13 transactions. Conversely, Ms. Allee's group, the Staff's Procurement Analysis  
14 Department, has a much different view of the rules than Laclede.

15 Q. Can you briefly summarize that difference?

16 A. My understanding is that Laclede stands ready to support its gas supply affiliate  
17 transactions with evidence of "comparables" that will demonstrate the fair market price  
18 of those transactions. However, Staff seeks to pry into LER's books and records in order  
19 to support Staff's view that sales of gas supply by the affiliate to the utility should be  
20 conducted at the affiliate's cost, a standard that conflicts with both the Commission's  
21 rules and the Company's CAM, and that would essentially make it impossible to conduct  
22 such transactions even though they are explicitly permitted by both of these controlling  
23 documents.

1 Q. On page 3, lines 11-25 of her direct testimony, Ms. Allee states that Laclede engages in  
2 questionable transactions with LER, and as evidence cites that Staff is seeking to disallow  
3 \$4.5 million in gas costs over two ACA periods. Do you agree with her assessment?

4 A. Ms. Allee's assessment suffers from circular logic. Staff's assertion of disallowances  
5 does not mean that the transactions are questionable, only that the Staff's Procurement  
6 Analysis Department believes they are questionable. The fact is that Laclede's affiliate  
7 transactions *should* be questioned in order to ensure that they comply with the rules and  
8 the Company's CAM. The sad irony in all of these cases is that, while Staff's  
9 Procurement Analysis Department freely accuses Laclede of questionable activity, it is  
10 that very group itself that refuses to comply with these requirements by asking the  
11 questions and conducting its audit in accordance with the standards prescribed by the  
12 affiliate transaction rules and the CAM.

13 Q. Does that conclude your rebuttal testimony?

14 A. Yes, it does.

15



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

The Staff of the Missouri Public Service  
Commission,

Complainant,

v.

Laclede Gas Company,

Respondent.

Case No. GC-2011-0006

**AFFIDAVIT**

STATE OF MISSOURI )

) SS.

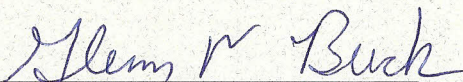
CITY OF ST. LOUIS )

Glenn W. Buck, of lawful age, being first duly sworn, deposes and states:

1. My name is Glenn W. Buck. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Manager-Financial Services of Laclede Gas Company.

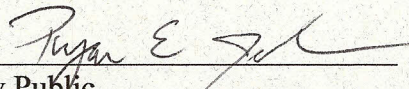
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony submitted on behalf of Laclede Gas Company.

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.

  
Glenn W. Buck

Subscribed and sworn to before me this 20<sup>th</sup> day of January, 2011.



  
Notary Public