

Exhibit No.:
Issues: *Stipulation and Agreement in Case No. GM-2001-0342*
Witness: *Anne M. Allee*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *GC-2011-0006*
Date Testimony Prepared: *December 15, 2010*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

ANNE M. ALLEE

LACLEDE GAS COMPANY

CASE NO. GC-2011-0006

Jefferson City, Missouri

December 2010

DIRECT TESTIMONY

OF

ANNE M. ALLEE

LACLEDE GAS COMPANY

CASE NO. GC-2011-0006

Q. Please state your name and business address.

A. Anne M. Allee, P.O. Box 360, Jefferson City, MO 65102.

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

A. I am a Regulatory Auditor with the Missouri Public Service Commission (Commission).

Q. Please describe your educational background.

A. I graduated from the University of Missouri at Columbia with a Bachelor of Science degree in Accounting in 1989. I am currently a licensed CPA in Missouri.

Q. What has been the nature of your duties while in the employ of the Commission?

A. My employment with the Commission began in October 1990 as a Regulatory Auditor in the Accounting Department. My duties included assisting with audits and examinations of the books and records of utility companies operating within the state of Missouri.

In October 1993, I obtained my current position as a Regulatory Auditor in the Procurement Analysis Department. Since that time, my responsibilities include reviewing and analyzing amounts charged by natural gas local distribution companies (LDCs) through the Purchased Gas Adjustment (PGA)/Actual Cost Adjustment (ACA) mechanism.

1 Q. What knowledge, skill, experience, training or education do you have in
2 these matters?

3 A. I have been assigned and testified in PGA/ACA and rate case proceedings. I have
4 reviewed numerous ACA filings and have evaluated the purchasing practices of various LDCs in
5 Missouri. I have also attended conferences and seminars related to the natural gas issues.

6 Q. Have you previously testified before this Commission?

7 A. Yes. A list of cases and issues in which I have filed testimony is included as
8 Schedule 1 of my testimony.

9 **EXECUTIVE SUMMARY:**

10 Q. What is the purpose of your direct testimony?

11 A. The purpose of my direct testimony is to present the facts that support the
12 Missouri Public Service Commission Staff's (Staff) complaint against Laclede Gas Company
13 (Laclede).

14 Q. Are you familiar with Laclede Gas Company?

15 A. Yes. Laclede is the largest LDC in the state of Missouri and is regulated by this
16 Commission. I regularly review Laclede's filings in the course of my duties at the Commission.

17 Q. Do you know how Laclede is organized?

18 A. Yes. Laclede is one of a number of corporations owned by an unregulated
19 holding company, The Laclede Group. In addition to Laclede Gas Company,
20 The Laclede Group includes a number of unregulated entities,
21 including Laclede Energy Resources ("LER"), Laclede Venture Corporation,
22 Laclede Pipeline Corporation, Laclede Investment, LLC, Laclede Gas Family Services, Inc., and
23 Laclede Development Company.

1 Q. Does Laclede's organization cause you any concern?

2 A. Yes. Laclede and its unregulated affiliates share facilities, equipment and
3 employees, which is a matter of some concern to Staff. In addition, Laclede's employees
4 perform services for the unregulated affiliates. Staff's Revenue Requirement Cost of Service
5 Report in Laclede's last general rate case, Case No. GR-2010-0171, stated at page 53, "The Staff
6 has serious concerns that the Company's policies, procedures and methods for its allocation of
7 costs to its various affiliates is inadequate to prevent Laclede Gas' customers from paying
8 expenses that are related to affiliates." The Report explained at page 40, "While the opportunity
9 to share certain administrative and other functions may introduce efficiencies, it may also lead to
10 inappropriate cross-subsidization."

11 Additionally, Laclede engages in questionable transactions with its affiliate, LER.
12 LER is described in The Laclede Group's consolidated 10-K dated September 30, 2010, as

13 A wholly-owned subsidiary engaged in the marketing of natural gas and
14 related activities on a non-regulated basis. LER markets natural gas to
15 both on-system Utility transportation customers and customers outside of
16 Laclede Gas' traditional service territory, including large retail and
17 wholesale customers. As such, LER's operations and customer base are
18 more subject to fluctuations in market conditions than the Utility. Other
19 subsidiaries provide less than 10% of consolidated revenues.

20 According to The Laclede Group's consolidated 10-K, LER's operating revenues for fiscal year
21 2010 were \$858,782,000 compared to Laclede's operating revenues of \$864,297,000.

22 Q. How are Laclede's transactions with LER questionable?

23 A. In ongoing litigation before this Commission, Staff is seeking to disallow
24 Laclede's recovery of about \$4.5 million in gas costs attributable to transactions between
25 Laclede and LER. The cases are GR-2005-0203 and GR-2006-0288.

26 Q. When will these cases be resolved?

1 A. I don't know. The cases have been stalled by a discovery dispute for over
2 two years.

3 Q. What is the nature of the discovery dispute?

4 A. Staff has been attempting to obtain various documents from Laclede since
5 July 2008. Laclede has been ordered to produce them.

6 Q. Has Laclede produced the documents?

7 A. No. Laclede has stated that it cannot produce them because they are
8 LER's documents.

9 Q. Why is Staff seeking these documents from Laclede and not from LER?

10 A. Because of a stipulation and agreement between Staff and Laclede dating from
11 when Laclede reorganized into its present configuration. When Laclede sought permission from
12 this Commission to reorganize, Staff had concerns and offered only conditional support of
13 the reorganization.

14 Q. What were Staff's concerns?

15 A. Among other things, Staff was concerned that Laclede would use its new
16 organization to impede Staff's ability to obtain the information necessary to regulate Laclede
17 effectively and to protect the public interest. Staff witness Stephen M. Rackers testified as
18 follows at page 5 lines 1-5 of his Rebuttal Testimony in Case No. GM-2001-342, the
19 Laclede Reorganization docket:

20 Operational separation of Laclede's current regulatory operations
21 will also hinder the Commission's discovery powers regarding
22 information related to activities engaged in with affiliates. For example,
23 after the reorganization, Laclede may seek to object to certain discovery
24 on the basis that particular records and employees are no longer under the
25 control of the Company.

26 Q. Did Staff propose conditions designed to address its concerns?

1 A. Yes. The conditions were embodied in a stipulation and agreement that both Staff
2 and Laclede signed and which the Commission approved. The Commission authorized the
3 reorganization subject to the conditions in the stipulation and agreement. Section IV of the
4 stipulation and agreement, entitled "Access to Information Conditions," includes the following
5 as Paragraph 2:

6 2. Upon request, Laclede Gas Company and The Laclede Group,
7 Inc. agree to make available to Staff, Public Counsel and PACE, upon
8 written notice during normal working hours and subject to appropriate
9 confidentiality and discovery procedures, all books, records and
10 employees of The Laclede Group, Inc., Laclede Gas Company and its
11 affiliates as may be reasonably required to verify compliance with the
12 CAM and the conditions set forth in this Stipulation and Agreement and,
13 in the case of PACE, to ensure that it continues to have the same degree
14 and kind of access to information relevant to the investigation and
15 processing of grievances and the enforcement of collective bargaining
16 agreements, whether from affiliates or otherwise, as it currently has under
17 Laclede's existing corporate structure . In addition to following standard
18 discovery procedures, Staffs and Public Counsel's access to bargaining
19 unit employees shall also be conditioned on Staff and Public Counsel
20 providing reasonable notice to the employee's Union of their intent to seek
21 such access and the right of such employee to be represented by the
22 Union. Laclede Gas Company and The Laclede Group, Inc. shall also
23 provide Staff and Public Counsel any other such information (including
24 access to employees) relevant to the Commission's ratemaking, financing,
25 safety, quality of service and other regulatory authority over
26 Laclede Gas Company; **provided that Laclede Gas Company and any**
27 **affiliate or subsidiary of The Laclede Group, Inc. shall have the right**
28 **to object to such production of records or personnel on any basis**
29 **under applicable law and Commission rules, excluding any objection**
30 **that such records and personnel of affiliates or subsidiaries: (a) are**
31 **not within the possession or control of Laclede Gas Company; or**
32 **(b).are either not relevant or are not subject to the Commission's**
33 **jurisdiction and statutory authority by virtue of or as a result of the**
34 **implementation of the Proposed Restructuring.**

35 (Emphasis added.) The entire stipulation and agreement is attached to Staff's Complaint.

36 Q. Did the Commission order Laclede to comply with that condition?

1 A. Yes. In its order issued on August 14, 2001, in Case No. GM-2001-342, the
2 Commission approved the stipulation and agreement and authorized Laclede to reorganize,
3 “subject to the conditions contained in the Unanimous Stipulation and Agreement referred to in
4 Ordered Paragraph 2, above.”

5 Q. As far as you know, has Laclede ever asserted a position inconsistent with the
6 conditions contained in Paragraph 2 of Section IV of the stipulation and agreement?

7 A. Yes. I have already referred to the ongoing discovery dispute in Laclede’s
8 ACA cases, Nos. GR-2005-0203 and GR-2006-0288. On May 11, 2010, a hearing was held
9 before Judge Paul Wilson of the Circuit Court of Cole County on the Commission’s application
10 to enforce its discovery orders against Laclede in these ACA cases. I was not present at that
11 hearing, but I have read the transcript, which is attached to Staff’s Complaint. During the course
12 of that hearing, Laclede’s attorney argued that the documents sought by the Staff and ordered by
13 the Commission to be provided, "aren't something that Laclede Gas has possession, custody or
14 control over. They belong to LER" (Tr. pg. 14, lines 9-11). Laclede's position was that
15 "[w]e have, we being Laclede Gas Company, have provided everything that's in our possession.
16 We have indicated to the Commission that we have provided everything in our possession"
17 (Tr. pg. 14, lines 3-6). "We don't believe that these are in our possession, custody and control"
18 (Tr. pg. 45, lines 5-6).

19 Q. Have you personally witnessed Laclede taking a position inconsistent with the
20 stipulation and agreement?

21 A. Yes. I attended a hearing before the Commission on November 4, 2010, in
22 Cases GR-2005-0203 and GR-2006-0288. At that hearing, Mr. Michael Pendergast stated, with
23 respect to the documents sought in the discovery dispute, “Commissioner, if that's directed to

1 me, I think we would go ahead and say our defense is we've complied and we've given
2 everything we have and what we don't have is not in our possession. We have requested it from
3 LER, they have declined to go ahead and provide it.” (Case GR-2005-0203, Transcript, vol. 5,
4 p. 350; Case GR-2006-0288, Transcript, vol. 5, p. 372).

5 Q. Are you aware of any other instances?

6 A. Yes. At the November 4, 2010, hearing, Mr. Pendergast offered a letter as an
7 exhibit, which the Commission received and marked as Exhibit 3. That letter, dated
8 November 9, 2009, and written by Mr. Pendergast to Kevin Thompson and Lera Shemwell,
9 stated “Accordingly, and in compliance with the above mentioned orders, Laclede states that,
10 other than the substantial volume of documents, including LER documents, that have previously
11 been furnished to Staff, Laclede is not in possession of any documents responsive to the
12 information described in the October 20, 2008 Order.”

13 Q. Does that conclude your testimony?

14 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

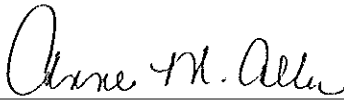
The Staff of the Missouri Public Service)
Commission (Complainant) v. Laclede Gas)
Company (Respondent).)

Case No. GC-2011-0006

AFFIDAVIT OF ANNE M. ALLEE

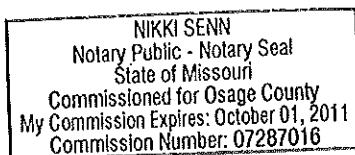
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Anne M. Allee, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 7 pages to be presented in the above case; that the answers in the foregoing Direct 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.



Anne M. Allee

Subscribed and sworn to before me this 15th day of December, 2010.





Notary Public

SUMMARY OF TESTIMONY

ANNE M. ALLEE

Company Name	Case Number	Issues
Choctaw Telephone Company	TR-91-336	Payroll; Payroll Taxes; Employee Pensions/Benefits; Voucher Analysis; Other Misc. Expenses
Laclede Gas Company	GR-92-165	Payroll; Payroll Taxes; Employee Pensions and Benefits
United Cities Gas Company	GR-93-47	Rate Base; CWC; Dues & Donations; Misc. Expenses
St. Louis County Water Company	WR-93-204	Rate Base; CWC; Dues & Donations; Misc. Expenses
Ozark Natural Gas Company	GA-96-264	Cost of Gas per Dth; Reliability of Transportation
Missouri Gas Energy Company	GR-96-285	Natural Gas Storage Inventory Prices
St. Joseph Light and Power Company	GR-96-47	Gas Purchasing Practices
Union Electric Company	GR-97-393	Natural Gas Storage Inventory Prices
Missouri Public Service	GR-96-192	Winter Storage Allocation; Overrun Penalties
Missouri Gas Energy	GR-98-140	Natural Gas Storage Inventory Prices
Ozark Natural Gas Company	GA-98-227	Cost of Gas per Dth; Reliability of Supply and Transportation
St. Joseph Light and Power Company	GR-99-246	Natural Gas Inventory Prices
UtiliCorp United Inc. and St. Joseph Light and Power Company	EM-2000-292	Conditions to be Made Part of Approved Merger
Atmos Energy Corporation and United Cities Gas Company	GR-2001-396 & GR-2001-397 (Consolidated)	Purchasing Practices – Neelyville; Purchasing Practices-Consolidated District; Deferred Carrying Cost Balance; Propane
Missouri Gas Energy	GR-2001-382, GR-2000-425, GR-99-304 & GR-98-167 (Consolidated)	Purchasing Practices; Refunds
Union Electric Company	GR-2003-0517	Gas Inventories

SUMMARY OF TESTIMONY
ANNE M. ALLEE

Company Name	Case Number	Issues
Missouri Gas Energy	GR-2004-0209	Gas Inventory, Capacity, Release and Gas Purchasing Practices
Missouri Gas Energy	GR-2006-0422	Gas Inventory, Uncollectible Expense and ACA documentation
Union Electric Company	GR-2007-0003	Gas Inventory, ACA documentation
Missouri Gas Energy	GR-2007-0256	Billing Error
Missouri Gas Energy	GR-2009-0355	Capacity Release and Off-System Sales
Laclede Gas Company	GR-2010-0171	Natural Gas Underground Storage and Gas Supply Incentive Plan