Exhibit No.:	
Issue:	**Allocation of Rate Increase, Weather Mitigation Rate Design, PGA Modifications, Miscellaneous Tariff and Rate Issues**
Witness:	**Michael T. Cline**
Type of Exhibit:	**Direct Testimony**
Sponsoring Party:	**Laclede Gas Company**
Case No.:	**GR-2013-0171**
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LACLEDE GAS COMPANY

GR-2013-0171

DIRECT TESTIMONY

OF

MICHAEL T. CLINE

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DIRECT TESTIMONY OF MICHAEL T. CLINE

Q. Please state your name and address?

A. My name is Michael T. Cline and my business address is 720 Olive Street, St. Louis, Missouri 63101.

Q. What is your present position?

A. I am Director of Tariff and Rate Administration at Laclede Gas Company ("Laclede" or "Company").

Q. Please state how long you have held your present position, and briefly describe your responsibilities.

A. I was promoted to my present position in August 1999. In this position I am responsible for administration of Laclede's tariff. In addition, I perform analyses pertaining to Laclede's purchased gas costs and various federal and state regulatory matters which affect Laclede.

Q. Please describe your work experience with Laclede prior to assuming your current position.

A. I joined Laclede in June 1975 and have held various positions in the Budget, Treasury, and Financial Planning departments of the Company. In 1987, I began work in areas related to many of my duties today.

Q. What is your educational background?

A. I graduated from St. Louis University in May 1975, with the degree of Bachelor of Science in Business Administration, majoring in economics.

Q. Have you previously submitted testimony before regulatory bodies?

A. Yes. I have submitted testimony in numerous proceedings before this Commission which I have identified in Schedule- MTC-D1 that is attached to this testimony. I have also testified before the Illinois Commerce Commission and the Federal Energy Regulatory Commission.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. My testimony explains the manner in which the rate schedules filed by the Company on December 21, 2012 were revised to reflect the net annual incremental revenue increase of $48.4 million requested by the Company in this case. In addition, I will discuss: (1) how the Company plans to address revenue variations that may still occur even with the weather mitigation rate design of the Company's General Service rate schedules; (2) the Company's proposal in this proceeding to allow its Vehicular Fuel customers to purchase their own gas; and (3) several other miscellaneous tariff and ratemaking issues.

ALLOCATION OF PROPOSED RATE INCREASE

Q. Please explain how Laclede's rates were adjusted to produce the additional revenues requested by Laclede.

A. Laclede proposes to increase its base rates by $58.4 million annually, which will be partially offset by the elimination and corresponding inclusion in base rates of $10 million of Infrastructure System Replacement Surcharge ("ISRS") revenues that are currently being collected by the Company, resulting in the $48.4 million net revenue increase I mentioned above.

Q. How were the new base rates derived?

A. First I allocated the $58.4 million increase in base rate revenues to each individual rate schedule. This was done in two steps. I allocated $49.3 million of the $58.4 million rate increase by multiplying the non-gas revenues in each rate schedule by a uniform percentage that I describe in more detail below. The remaining $9.1 million rate increase I allocated entirely to the Company's General Service and Seasonal and Air Conditioning rate schedules.

Q. Why did you split the base rate increase into these pieces for purposes of allocation by rate schedule?

A. As I will explain in more detail later in my testimony, $9.1 million of the $58.4 million rate increase is attributable to using the Company's actual block 1 and block 2 billing determinants for the Company's General Service and Seasonal and Air Conditioning ("G&AC") rate schedules for the 12 months ended September 2012, as adjusted only for customer growth, rather than more "normalized" block 1 and block 2 volumes. Thus, the $9.1 million increase in revenue requirement needed to make up for the revenue shortfall produced by the difference in these volume assumptions is allocated only to the Company's General Service and Seasonal and Air Conditioning rate schedules. The remaining $49.3 million is allocable to all rate schedules.

Q. You mentioned earlier that non-gas revenues are used to allocate the $49.3 million to the various rate schedules. What do you mean by non-gas revenues?

A. Non-gas revenues represent that portion of Laclede's revenues which recover Laclede's cost of service, other than the cost of purchased gas, and were derived by multiplying the billing determinants associated with each of the Company's rate schedules by the non-gas rates stated in Sheet Nos. 2 through 11 and Sheet No. 34 of the Company's tariff.

Q. What billing determinants did you use to allocate $49.3 million of the proposed rate increase?

A. For the General Service and Seasonal Air Conditioning ("G&AC') rates schedules, I used the volumes from the settlement of the Company's last general rate case. For all other rate schedules I used the Company's latest estimate of normalized billing determinants.

Q. Why did you not use the latest estimate of normalized billing determinants for the G&AC rate schedules as well?

A. For purposes of arriving at a fair allocation of the $49.3 million among the Company's various rates schedules, I used the more normalized billing determinants established in our last rate case. This helps to ensure that our proposed use of actual billing determinants for the G&AC rate schedules will not result in an inappropriate shifting of revenue responsibility between classes. The Company recognizes that frequently other participants in the case, especially the Staff, take different approaches to the estimate of these volumes. Rather than devote a great deal of time and effort now to such an estimate, I chose to use the billing determinants established in our last case as a reasonable proxy for normalized volumes, recognizing that if the parties accept the Company's overall approach, it likely can stipulate to the normalized volumes for the G&AC rate schedules on which the other parties can agree.

Q. How did you derive the uniform percentage increase that was applicable to the non-gas revenues of each rate schedule?

A. The percentage was derived by dividing $49.3 million by Laclede's estimated total current normalized non-gas revenues of $310 million, excluding revenues from the Company's ISRS. After multiplying the normalized non-gas revenues in each rate schedule by this uniform percentage to allocate $49.3 million of the base rate increase, I then added the remaining $9.1 million base rate increase to the individual G&AC rate schedules in proportion to the revenue difference created by the use of actual volumes, adjusted for customer growth, versus the volumes established in our last rate case.

Q. What impact did Laclede's total non-gas revenue allocation of $58.4 million have on the total revenues produced under each rate schedule?

A. The additional revenues expressed as a percent of total normalized current revenues will vary by rate schedule as shown in Schedule-MTC-D2. Overall, the revenues of the Company would increase by 6.7% as a result of the Company's rate filing compared to the Company's existing revenues including ISRS.

Q. Why is the percentage increase for the LVTSS rate schedule larger than the percentage increase under most of Laclede's other rate schedules?

A. Since LVTSS customers purchase most of their gas from third parties, LVTSS revenues exclude a significant amount of gas costs which will not be billed by Laclede. In contrast, Laclede's sales rates cover all costs, including gas costs. Thus, it is axiomatic that LVTSS revenues will appear to be increasing by a larger percentage than most other rates simply because the LVTSS revenue base is much smaller due to the exclusion of most gas costs. However, if LVTSS customers' total costs for natural gas service (Laclede transportation service as well as the cost of gas) are used as the base from which Laclede's proposed increase is measured, as is the case with the other rate schedules, the percentage for LVTSS customers would be lower and more in line with the increases for customers purchasing gas from Laclede under other rate schedules.

Q. After allocating the rate increase to each rate schedule in proportion to the non-gas revenues derived from such schedule, how were the charges within each rate schedule adjusted to produce the allocated increase?

A. For all rate schedules other than the G&AC schedules, I increased all charges within each rate schedule by approximately the same uniform average percentage of overall non-gas revenues that I mentioned earlier. For the Residential G&AC rates schedules virtually the entire base rate increase is being recovered through increased customer charges. The customer charges for the Commercial and Industrial General Service rate schedules were increased by the same percentage that was used for Residential General Service.

Q. Were any other rates adjusted as a result of the Company's proposed increase?

A. Yes. The Infrastructure System Replacement Surcharge ("ISRS") amounts reflected on Sheet No. 12 were reduced to zero as required by statute with the completion of a new rate case.

Q. What impact would the general rate increase proposed by the Company in this proceeding have on the bill of a typical residential heating customer?

A. The annual gas bill of a typical residential heating customer would increase by approximately 6.6%. This translates into an average monthly increase of approximately $4.93, or $59 on an annual basis.

WEATHER MITIGATION RATE DESIGN

Q. Is the Company recommending continuation of the weather mitigation rate design ("WMRD") that was initially approved and modified in the Company's 2002 and 2006 rate cases, respectively?

A. Yes. The WMRD has been successful in helping the Company achieve a better matching of its revenues to its costs of providing distribution service. However, I am proposing that another step be taken in the context of the existing rate design in order to better ensure that the Company does not over or under recover its fixed distribution costs.

Q. Please describe the Company's existing WMRD.

A. The Company has designed its charges for gas used, or volumetric charge, in its General Service rate schedules so that during the November through April period, all of the Company's non-gas, distribution charges, other than customer charges, are billed to customers based solely on their consumption in the first rate block.

Q. Please explain.

A. There are two rate blocks in each of the Company's General Service rate schedules. Using residential customers as an example, that means that one set of charges applies to the first 30 therms used during the month and another set of charges applies to consumption in excess of 30 therms. The charges included in these rate blocks cover both the costs Laclede incurs to provide distribution service as well as the PGA-related gas costs it incurs to supply its customers with gas. During the winter season the Company's distribution charge only applies to consumption in the first rate block. There is no charge for distribution service in the second rate block.

Q. Are the rate blocks different for Commercial and Industrial customers?

A. Yes, there are different rate blocks for each of the three Commercial and Industrial general service rate schedules. However, in each rate schedule, as with the residential customers, the Company's distribution charges only apply to the first rate block during the winter.

Q. How does the WMRD help the Company to collect but not over collect revenues that will match its cost of providing distribution service?

A. Since the first rate block for each general service rate schedule is not particularly weather sensitive in most winter months it follows that the amounts billed to customers to cover the Company's distribution costs under the WMRD are more stable from one winter season to the next and are less sensitive to weather. Thus, the Company's revenue stream is more likely to match the costs that the Company's rates were designed to cover. On the other hand, since rates are being charged only on usage within the first 30 therm rate block, the Company's upside potential from colder than normal weather is limited.

Q. Is the WMRD unique?

A. In some respects it is. Certainly, its overall goal of decoupling distribution revenues from throughput is not only common in other jurisdictions, but it has also been gaining increasing acceptance in recent years by utilities and regulators alike as a way of removing disincentives to the aggressive pursuit of conservation programs. These decoupling mechanisms have taken a variety of forms, ranging from weather normalization clauses to rate designs that seek to recover all distribution costs through a flat monthly customer charge.

Q. Has the federal government also expressed a strong preference for rate designs that remove such disincentives?

A. Yes. Congress even explicitly acknowledged the importance of the decoupling rate mechanism to promoting energy efficiency when it enacted the stimulus spending bill known as the American Recovery and Reinvestment Act of 2009. The Act requires that the governors of states seeking state energy grants notify the Secretary of Energy that "the applicable State regulatory authority will seek to implement, in appropriate proceedings for each electric and gas utility a general policy that ensures that utility financial incentives are aligned with helping their customers use energy more efficiently . . . " – an outcome that is advanced by the Company WMRD rate design.

Q. How then is WMRD unique?

A. WMRD is unique in that it addresses this objective through a rate design approach that uses distribution usage charges and offsetting reductions in PGA usage rates to cushion what would otherwise be a much more significant impact on small users from a Straight Fixed Variable ("SFV') rate design.

Q. Is WMRD less effective than some of these other decoupling rate mechanisms in ensuring that the Company does not over or under recover its fixed distribution costs?

A Yes. As our experience this past winter clearly demonstrated, unusually warm weather in shoulder months, such as October, November, April and May, can still subject the Company to earnings losses due to weather. Similarly, unusually cold weather in those same months could result in earnings increases, albeit limited.

Q. Why is that?

A. Since the weather in these months is normally warmer than the other winter months, customers are less likely to use all of the therms in the first rate block. Because of weather, block 1 usage in these months may vary substantially from year to year, unlike the other winter months when many customers' usage exceeds the first rate block. Thus, if block 1 billing determinants are based on "normal" weather in these shoulder months, and the weather turns out to be warmer than normal, the Company is likely to under-recover its distribution costs. Similarly, the Company could recover more than its distribution costs if weather during these periods was materially colder than the normal established in developing the billing determinants.

Q. What occurred during the most recent year under WMRD?

A. Due to weather that was 27% warmer than normal, the Company estimates that it lost $7.5 million due to reduced block 1 usage during this period which is why I mentioned earlier that the Company needs to remedy this for the future.

Q. What about the months of May through October that aren't covered by WMRD?

A. The Company lost another $2.4 million in those months as well due to usage that was lower than the determinants used in the settlement of the Company's last rate case.

Q. How does the Company propose to address these types of revenue shortfalls in the future?

A. First, I propose to increase the Company's customer charges so that a greater share of the Company's fixed distribution costs are appropriately recovered on a fixed basis while still keeping such charges well below the levels that would result from an SFV rate design. I should note that even with the increase I am proposing for residential customers, the average monthly customer charge will be only 65% of an SFV-designed customer charge. Moreover, the impact of the Company's proposed increase on low use residential customers is smaller under the Company's proposal than under SFV. For example, under the Company's proposed rates, the bill for a customer with usage that is half that of a typical residential customer would increase 9.4% before any possible refund under the Company's proposal as explained below, whereas under SFV such customer's bill would increase by over 13%. Also, in an effort to mitigate this impact during low usage summer months, I have proposed seasonal customer charges for all of the General Service rate schedules so that the increases in such charges are smaller in the summer period than in the winter period. Finally, an added benefit of recovering the entire residential increase through the customer charge is that the Company's winter block 1 distribution rate can remain relatively unchanged, meaning that under WMRD the differential between the residential block 1 and block 2 winter PGA rates can remain unchanged as well.

Q. What else do you propose to do?

A. Without making any further changes to our rate structure, the Company believes it can mitigate, if not completely eliminate, the kind of revenue shortfall it experienced during fiscal 2012 by basing its rates for the G&AC rate schedules on actual fiscal 2012 billing determinants, after adjusting for customer growth.

Q. But since, as you mentioned earlier, the weather during fiscal 2012 was abnormally warm, isn't it very likely that under this approach the Company would realize excess revenues during the period the rates established in this proceeding will be in effect?

A. Assuming that weather is colder than last year and that the increased usage resulting therefrom is not offset by additional conservation, I agree that the Company's revenues would be greater than the revenues used to determine the Company's revenue requirement in this case unless the measures that I propose are implemented.

Q. What measures are you referring to?

A. Rather than take any increased revenues to the Company's bottom line if General Service usage is greater than what was assumed for ratemaking, the Company proposes to credit the additional revenues as follows. First, the Company would distribute one-half of any excess revenues to provide additional funding for the Company's various low income and energy efficiency programs and/or for the reduction of the regulatory assets associated with such programs as well as other regulatory assets on the Company's books. While this form of assistance to low income customers is different from the low income rate that is currently under consideration by the Commission in a generic proceeding, this potential infusion of funds would enable the social service agencies administering the Company's program to reach more families needing help with their gas bills. In addition, use of the funds to accelerate the drawdown of regulatory assets that have accumulated over the years would benefit customers in future rate cases by reducing the rate allowances needed for the Company to receive a return on and return of such regulatory assets. Finally, the remaining one-half of any excess revenues would be credited directly to customers with interest.

Q. How would the Company measure the amount of excess revenues that it realized?

A. As more particularly described in Sheet Nos. 46, 46-a and 47, at the end of each fiscal year, or sooner if deemed appropriate by the Commission, the Company would compare the actual use per customer it realized throughout the year to the use per customer that was used to establish the rates in this proceeding for each General Service customer class and, if usage has increased, arrive at a revenue excess after multiplying such differences by the appropriate usage rates and number of customers. Such sheets go further to describe the mechanics of crediting to customers, contemporaneously with the application of the Company's ACA factors, any excess revenues remaining after the amounts allocated to the funding described above have been satisfied.

Q. You mentioned earlier that shoulder months of the winter period have contributed to over and under recoveries of the Company's distribution costs. Why are you now suggesting that these months, as well as the entire summer period, be used to make adjustments for changes in use per customer?

A. Usage variations that can lead to an over recovery or under recovery of costs can occur and have occurred throughout the year, including the summer months. Since the Company's WMRD is confined to the November through April period, my proposal to increase customer charges and implement the Customer Usage Refund clause will ensure that there is an appropriate matching of revenues to fixed distribution costs for the entire year similar to the effect of the SFV rate design in use by MGE.

Q. Would the Company still credit excess revenues in this fashion if the Company's costs increase to the point that even with the excess revenues the Company's earnings are deficient?

A. Yes, it would. Even though it would be appropriate to implement a more comprehensive earnings stabilization adjustment similar to what has been implemented in several states in the southeast, the Company is only seeking to make an adjustment for excess revenues and is willing to bear the risk of reducing revenues through this one-way clause even in those circumstances where its costs are increasing.

Q. Please summarize the benefits of this approach for both the Company and ratepayers.

A. First, under the Company's proposal the Commission can be assured that the Company would not retain revenue increases resulting from either colder weather or increased usage that is not built into the determinants used to establish rates. Instead, the Company would be limited solely to crediting customers with any additional revenues received as a result of implementing the one-way refund only feature in the Company's tariff. Second, such an approach is also fair to the Company since it will not be penalized in the form of reduced earnings from variations in usage due to weather or conservation that was not built into the billing determinants used to establish base rates. There is no reason that the Company should have to "roll-the-dice" when it comes to recovery of its costs that is dependent on the volumes of gas it sells. Instead, I believe it is more reasonable and more equitable to all stakeholders to establish revenues based on a minimum level of billing determinants the Company has actually realized, in this case in its most recent fiscal year, and refund any over-collection of revenues if the Company's billing determinants exceed such minimum level. Third, it should also be recognized that the Company is not entirely insulated from the risk of reduced usage since the Company would still bear the loss of earnings associated with use per customer that is less than what the Company experienced during fiscal 2012. Fourth, aside from the need to still establish a reasonable and fair split of revenue responsibility between the G&AC rates and the Company's other rates, the Company's approach eliminates the unnecessary guesswork and refined statistical analysis associated with establishing a normal level of sales. In sum, the Company's approach strikes a fair balance of three primary objectives that is not met by either SFV or the kind of rate design that preceded WMRD: greater assurance that the Company's recovery of its costs is not adversely affected by the level of its sales, mitigation of the impact of relatively fixed cost recovery on small users and elimination of the Company's opportunity to over earn due to increased sales.

Q. Since your proposal could potentially result in downward rate changes between rate cases that customers are not accustomed to outside the Company's PGA, is this likely to create confusion and consternation on the part of customers that will burden the Staff with an influx of customer inquiries?

A. Hardly. Most customers should welcome bill credits and likely would not question why rates are going down.

Q. Do you have any other comments regarding the Company's WMRD?

A. Yes. The Company's Commercial and Industrial General Service customers are divided into three separate classes depending on their annual usage. The Company's tariff requires it to reclassify these customers in each rate case if the customer's latest annual consumption volumes causes it to meet the annual usage thresholds of a different class. Before the instant proceeding is resolved the Company will reclassify such customers and the Company's rates should be adjusted for the corresponding revenue impact.

VEHICULAR FUEL TRANSPORTATION

Q. Aside from adjusting the rate components within each rate schedule for the proposed general rate increase is the Company proposing any other changes to its rate schedules?

A. Yes. In order to better accommodate the developing market for natural gas as a vehicular fuel the Company proposes to permit customers who compress natural gas for such use to purchase their own gas for delivery into Laclede's distribution system. Laclede would then provide a transportation service for these customers as it does for its traditional LVTSS and school aggregation customers.

Q. Doesn't the Company already offer a service for vehicular fuel?

A. Yes. The Company has had a Vehicular Fuel ("VF") sales service rate schedule since 1995, but these customers have been unable to purchase their own gas other than through the Company.

Q. Why is it important for these customers to purchase their own gas?

A. These customers in particular need greater certainty about what they will pay for natural gas as a fuel down the road. It is likely that before these customers make a commitment to invest in compressed natural gas ("CNG") vehicles they will want greater certainly in their likely fuel savings compared to gasoline or diesel. If they purchase their own gas they would be in a position to hedge their natural gas fuel costs in a way that meets their particular needs as opposed to purchasing gas directly from the Company that hedges based on the needs of all of its customers.

Q. What rate schedule would govern this service?

A. As far as rates are concerned, similar to the billing of schools that participate in the Company's school aggregation program, those VF customers who wish to purchase their own gas would pay the same distribution rates set forth in the VF rate schedule. However unlike a VF sales service customer, the VF customer would pay no PGA.

Q. Why should VF customers be permitted to obtain transportation service using essentially the same non-gas distribution rate components that apply to sales service under that rate schedule?

A. First, this same approach is already being used for schools that participate in the Company's school aggregation program. Second, if the availability of such an option helps CNG markets to develop it will benefit the Company's other customers by permitting the Company's fixed costs to be spread over greater throughput – a result that will help to relieve upward cost pressure on rates. Finally, expansion of this market will contribute to both important energy security and environmental goals nationally.

Q. What about the terms and conditions of service that are needed to govern transportation service?

A. I have added another section to the VF rate schedule that would apply to those customers who choose to purchase their own gas.

Q. How would a customer begin using transportation service under the VF rate schedule?

A. The customer can begin transportation service upon sixty days notice to the Company at which time the customer is committed to use such service for at least a one year term. Each year thereafter the customer must notify the Company at least sixty days prior to the anniversary of the expiration of its contract as to whether or not the customer wishes to extend its transportation service for an additional year

Q Can a customer revert to sales service before the term of its transportation service agreement expires?

A. The customer may begin purchasing gas from the Company under the VF rate schedule before the expiration of its transportation agreement upon sixty days notice along with an agreement to pay back-up demand charges similar to what LVTSS customers are obligated to pay when they return to firm sales service.

Q. How will nominations and balancing work for these customers?

A. To meet the particular needs of the Company and these customers, I have included various features of the nominations and balancing provisions currently applicable to LVTSS and school aggregation customers.

Q. Specifically, how will imbalances be handled for these customers?

A. Any gas that is long or short will be corrected through adjustments to the customers' nominations in the following month.

Q. Would the Company charge any administrative fee for a customer that elects to ship gas under the VF rate schedule?

A. Yes. Similar to the fee paid by schools that ship their own gas, these VF customers would pay a fee of $.005 per therm associated with the Company's administrative costs for providing transportation service under the VF rate schedule.

RATE ADJUSTMENTS UPON RESOLUTION OF CASE

Q. What rate adjustments should be made upon resolution of the case?

A. Several adjustments are in order. First, the Company's PGA factors should be adjusted to reflect the normalized throughput in this proceeding. Second, the Company's non-gas rates should be adjusted for any potential rate switching.

Q. Please explain the PGA adjustment.

A. The Company's Current PGA rates include certain cost recovery components that are derived by dividing the Company's fixed gas costs by normalized volumes.

Presently, such cost recovery components are based on the settlement volumes determined in a prior rate case. In order to avoid the temporary over-or under-recovery of fixed gas costs that would result when PGA rates are applied to volumes different from those volumes used to establish PGA rates, such cost recovery components should be adjusted to reflect the normalized volumes established in the Company's latest rate case.

Q. Why is such over-or under-recovery only temporary?

A. Absent the change in PGA rate, the over-or under-recovery is corrected through the Deferred Purchased Gas Costs Account provisions of the Company's PGA clause.

Q. What will happen when PGA rates are adjusted?

A. By adjusting the PGA rates whenever new normalized volumes are established in a general rate case proceeding, the Company can minimize the potential over-or under- recovery of gas costs that would otherwise occur in the short term due to the change in the Company's throughput.

Q. What is the next adjustment that needs to be made?

A. Before the Company's rates in this proceeding are finally established, it is important that the effect of potential rate switching be reflected in the Company's rates.

Q. What do you mean by rate switching?

A. Some customers qualify for gas service under more than one rate schedule, most notably commercial and industrial customers who are large enough to qualify for the Company's Large Volume Service rate but who otherwise would be billed under one of the Commercial & Industrial General Service rate schedules. Presumably such customers choose to be billed under the rate schedule that results in the lowest cost to them consistent with the type of service the customer desires. However, it is possible that, after making the rate adjustments ordered or agreed to in this proceeding, some customers would receive a lower overall gas bill if they switch to a different rate schedule.

Q. Why do the Company's rates need to be adjusted to reflect rate switching?

A. To keep the Company whole, the Company's rates must be adjusted to offset the revenue anticipated to be lost from customers who switch rates due to rate changes resulting from this proceeding.

Q. Is there another adjustment that needs to be made before this proceeding is resolved?

A. Yes, the Company's Current Purchased Gas Adjustment factors on Sheet No. 29 should be revised for the Company's recovery of gas inventory carrying costs ("GICC") to reflect the Company's latest estimate of inventory balances.

MISCELLANEOUS TARIFF CHANGES

Q. Are there any other tariff revisions the Company is proposing in this proceeding?

A. Yes, there are numerous changes I am proposing, some of which are related to the implementation of the new Customer Care and Billing ("CC&B") System that the Company plans to implement in July 2013 as part of its new Enterprise Information Management System. In addition, I am proposing several other miscellaneous changes.

Q. Please describe the CC&B changes in further detail.

A. Several changes are necessary to enable the Company to implement its new CC&B system at a lower cost and use the "best practices" of other utilities.

Q. Please explain.

A. The Company intends to implement to the maximum extent possible a standard version of a CC&B system that is available through Oracle. The advantages of such an approach are that implementation is less costly and the Company also avails itself of Oracle's experience in producing billing programs for many utilities throughout North America.

Q. Has the Company adopted this out-of-the-box approach whenever the Oracle CC&B differed from the Company's existing practices?

A. Definitely not. First, the Company insisted on changes to CC&B where necessary to comply with Commission regulations. In addition, the Company spent many hours reviewing and analyzing its billing practices to determine where it was most important for it to customize CC&B to meet Laclede's particular needs. The changes I am proposing represent either improvements or relatively insignificant changes to the Company's existing practices that will save ratepayers the expense associated with customization without sacrificing customer service.

Q. Please describe these changes.

A. These include changes to our Budget Billing Plan (Sheet No. 29) and Usage Estimating Procedure (Sheet No. 30). In addition, in the course of reviewing our existing billing system in anticipation of the new CC&B, the Company discovered a tariff provision that is no longer relevant and useful to maintain. Currently separate rates are billed to the Company's basic transportation customers dependent on whether such customers were firm sales customers prior to November 15, 1989. Such distinction had its origins in the Company's recovery of take-or-pay costs dating back to that point in time. Since such recovery is now obsolete it is no longer administratively justified to maintain such a distinction.

Q. Please describe the change to the Company's Budget Billing Plan.

A. The CC&B budget billing program differs from the Company's current program in a number of ways. First, as opposed to the Company's existing practice of having all plan amounts terminate in July, CC&B sets a budget billing plan amount that is designed to cover the twelve month period following any month in which the customer decides to participate. Also, instead of reviewing and changing the customer's budget amount twice per year, in July and January, CC&B sets parameters that trigger a change to a customer's budget amount whenever the customer's billings justifies a change. Third, if a budget decrease is called for, CC&B provides the customer the benefit of the entire decrease rather than half of the decrease as is the Company's practice today with the January review.

Q. What changes are being made to the Usage Estimating Procedure?

A. There are a number of different ways to estimate bills, as can be seen by the variety of approaches reflected just in Missouri utility tariffs. CC&B establishes a relationship between the actual usage of the account to be estimated and a large set of accounts for similar customers, and then uses that relationship to perform the estimate.

Q. Since it is possible that the proposed tariff sheets in this proceeding would otherwise be suspended by the Commission until after the Company's July 2013 implementation of CC&B, how do you recommend that the Commission proceed?

A. The Company included the CC&B-related tariff sheets in its rate case filing rather than in a separate 30-day filing out of an abundance of caution in the event the parties to the rate case believe that such changes should be considered as a package with other changes in the rate case. However, to conform the Company's tariff to the billing changes the Company expects to implement in July 2013, the Company respectfully requests that the Commission expedite the approval of the CC&B-related tariff sheets.

Q. What are the other miscellaneous tariff changes that you mentioned earlier?

A. There are a number of them, as outlined below:

First, the Company proposes to revise its liability tariff to make it consistent with the tariff approved by the Commission for Missouri Gas Energy.

Second, for customer service and administrative reasons, the Late Payment Charge paragraph in each rate schedule has been revised to clarify that such charge will not apply to outstanding balances less than $2 to avoid billing a late payment charge to a customer that is three cents or less. Laclede has found that a balance owed of less than $2 is generally due to an inadvertent error by a customer, who intended to pay the bill in full. Under such circumstances, charging the customer a three cent late payment fee is simply an unnecessary irritant to the customer that should be avoided. The Company believes that eliminating the late fee on balances under $2 advances customer service in a cost effective manner

Third, the Company seeks to make a minor change to its deposit tariff (Sheet R-5-a) to provide more management flexibility in choosing credit scoring vendors without affecting credit thresholds.

Fourth, in its last rate case the Company agreed to implement a Staff recommendation in a prior ACA case to modify the charge for gas used during periods of interruption and the Company's penalty for unauthorized use of gas by transportation customers to the higher of $2.00 per therm or the thermal equivalent of the daily NYMEX price. Implementation of the "higher of" feature proved to be one that would require either a cumbersome manual process or an inordinate amount of programming. As a result, and in recognition that for the foreseeable future a $20 NYMEX price is an extremely unlikely event, the Company proposes to return both of these penalties to a flat $2.00 per therm.

Fifth, for the same reasons I provided in connection with the Customer Usage Refund, the Company is revising the sharing percentage grid for net revenues from off-system sales and capacity release (Sheet No. 28-i) to provide that 50% of the customer's share of such revenues be used for the Company's various low income and energy efficiency programs and/or for the reduction of the regulatory assets associated with such programs as well as other regulatory assets. Revenues from these sources come from companies who, by definition, are not Laclede utility customers. So using these revenues would not require a contribution from Laclede's utility customers even though these customers would benefit from such funding. This is the second of three measures the Company is proposing in this case to fund these efforts. The third measure I will discuss shortly.

Sixth, the Company's red tag repair program is being revised to make permanent a temporary program that has assisted lower income customers in the past who could not obtain or keep space heating due to a faulty heating appliance. In addition, Laclede proposes to extend a scaled-down version of this program to all customers, not just low income customers. These changes are explained in detail in the direct testimony of Company witness Daniel Ryan.

Seventh, the Company is revising tariff sheets to modernize the terms and conditions of its Insulation Financing Program and EnergyWise Dealer Program, two financing programs that have not been updated for years.

Finally, the Company's PGA rates will change as the block 1 distribution rates in this proceeding change due to the Company's weather mitigation rate design. Sheet Nos. 18-a and 29 are therefore being revised to make future Current Purchased Gas Adjustments consistent with the PGA rates that are revised in this proceeding.

Q. You just mentioned that in this proceeding the Company is proposing three measures to help fund the Company's low income programs and write-off of regulatory assets. What is the third measure?

A. The Company is also proposing to use the incentive portion of the Company's late payment fees to fund low income programs.

Q. What do you mean by the incentive portion of late payment fees?

A. The Company estimates that approximately only a third of what it charges a customer as a late payment fee is necessary to recoup the Company's carrying cost associated with late payment. The remainder of the charge is intended to provide the customer with a financial incentive that is sufficient enough that the customer will pay his or her bill on time. It is this latter or incentive portion of late payment charges that the Company proposes to use to fund the Company's low income programs. In fact, this source of funding for low income programs has previously been recommended by various stakeholders in reports resulting from the Commission's prior efforts to develop funding solutions for this need. Of course, any customer who doesn't want to contribute late payment funds to the program can "opt out" simply by paying their bill on time. Even though the Company is seeking approval from the Commission to treat its late payment fees in this fashion, no tariff revision is required. However, an adjustment to cost of service would be required in the event this proposal was accepted by the Commission.

Q. Does this conclude your direct testimony?

A. Yes, it does.

MPSC CASES IN WHICH TESTIMONY WAS FILED
BY MICHAEL T. CLINE
SCHEDULE MTC-D1

GR-2010-0171- Laclede Rate Case
GT-2009-0026- Gas cost portion of bad debts
GR-2007-0208- Laclede Rate Case
GR-2005-0284-Laclede Rate Case
GT-2003-0032 - School Aggregation
GR-2002-356 - Laclede Rate Case
GT-2003-0117- Catch-up/Keep-up
EC-2002-1 - UE d/b/a AmerenUE
GR-2001-629 & GT-2001-662-Laclede Rate Case
GR-2001-387/GR-2000-622-Laclede ACA
GR-99-315 – Laclede Rate Case
GT-99-303 – Laclede GSIP
GO-98-484 – Laclede Price Stabilization
GR-98-374 – Laclede Rate Case
GR-96-193 – Laclede Rate Case
GA-96-130 – MPC
EO-96-15 – UE Class Cost Service
GC-96-13 – Industrials v. Laclede
GR-94-328 – Laclede PGA Rate Design
GO-94-318 – MGE PGA issues
GM-94-252 – MPC/UtiliCorp
GR-94-220 – Laclede Rate Case
GR-93-149 – Laclede's ACA
GR-92-165 – Laclede Rate Case
GA-90-280 – InterCon Gas
GA-89-126 – MPC
GR-84-161 – Laclede Rate Case
GR-83-233 – Laclede Rate Case
GR-82-200 – Laclede Rate Case
GR-81-245 – Laclede Rate Case

LACLEDE GAS COMPANY

ALLOCATION OF PROPOSED RATE INCREASE

MICHAEL T. CLINE

SCHEDULE MTC-D2

Rate Schedule	% Change In Total Revenues
Residential General	6.8%
Commercial and Industrial General Class 1	7.6%
Commercial and Industrial General Class 2	5.9%
Commercial and Industrial General Class 3	5.7%
Residential Seasonal Air Conditioning	2.9%
Commercial and Industrial Seasonal Service	6.1%
Large Volume	3.4%
Interruptible	3.6%
General LP	3.5%
Vehicular Fuel	1.5%
Unmetered Gas Lights	5.2%
Large Volume Sales and Transportation	11.7%
Total	6.7%

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Filing of	)	
Revised Tariffs to Increase its Annual Revenues	)	Case No. GR-2013-0171
For Natural Gas Service	)	

AFFIDAVIT

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

Michael T. Cline, of lawful age, being first duly sworn, deposes and states:

1. My name is Michael T. Cline. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Director of Tariff and Rate Administration for Laclede Gas Company.

2. Attached hereto and made a part hereof for all purposes is my direct testimony, 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.

Michael T. Cline
Michael T. Cline

Subscribed and sworn to before me this 10th day of December, 2012.

JOANNE E. ALLEN
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Oct. 5, 2013
Commission # 09878750

Joanne E. Allen
Notary Public