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Financing Authority

Lynn D. Rawlings

Surrebuttal Testimony

Laclede Gas Company

GF-2015-0181

September 18, 2015

LACLEDE GAS COMPANY

GF-2015-0181

SURREBUTTAL TESTIMONY

OF

LYNN D. RAWLINGS

Laclede Exhibit No. 4
Date 11-18-15 Reporter TJR
File No. GF-2015-0181

1 **SURREBUTTAL TESTIMONY OF LYNN D. RAWLINGS**
2

3 Q. **Please state your name and business address.**

4 A. My name is Lynn D. Rawlings and my business address is 700 Market Street, St. Louis,
5 Missouri 63101.

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

7 A. I am employed by Laclede Gas Company ("Laclede" or "Company") in the position of
8 Vice-President, Treasurer and Assistant Corporate Secretary.

9 Q. **Are you the same Lynn D. Rawlings who previously filed direct testimony in this**
10 **proceeding?**

11 A. Yes, I am.

12 **Purpose of Testimony**

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

14 A. The purpose of my surrebuttal testimony is to respond to the assertions made by Staff
15 witness David Murray in his rebuttal testimony. Specifically, I will explain why I
16 believe Mr. Murray has failed to provide any tenable rationale -- let alone a compelling
17 one -- that would warrant adoption of Staff's previously rejected approach for
18 determining the amount of financing that should be authorized for Laclede.

19 **General Observations**

20 Q. **Do you have any general observations regarding the assertions made and positions**
21 **taken by Mr. Murray in his rebuttal testimony?**

22 A. Yes. I think perhaps the most instructive portion of Mr. Murray's testimony is his
23 assessment of how well the Commission's current approach for determining Laclede's
24 financing authority has worked. As Mr. Murray notes at pages 9, lines 15 to 20, of his

1 rebuttal testimony, Laclede has been receiving multi-year financing authority of the kind
2 being sought in this proceeding since at least 2000, or approximately 15 years. Although
3 Mr. Murray states, after the fact, that such financing authority exceeded what turned out
4 to be Laclede's actual needs (which, in his view, makes such financing authority
5 "excessive"), he plainly concedes that he "is not aware of anything detrimental to the
6 public to date . . ." that has occurred as a result of this financing authorization method.
7 (Murray Rebuttal, p. 11, line 11). The fact that this approach has worked effectively for
8 more than a decade and a half without any perceived harm to the public should be a
9 strong factor supporting its continuation rather than its termination as the Staff suggests.

10 **Q. Does Staff witness Murray acknowledge any benefits that utility customers have**
11 **derived from the current financing authorization approach?**

12 A. No. While Mr. Murray admits that customers have not been harmed by the current
13 approach to financing authorizations for Laclede, he does state – without any support I
14 might add – that there is also no benefit to be derived by customers from such an
15 approach.

16 **Q. Do you agree?**

17 No. Obtaining multi-year financing authority that can be used to meet a variety of
18 permissible financing needs as they arise is a far more efficient process than having to
19 file an application and seek approval for each and every discrete financing event. In my
20 opinion, making the regulatory process more efficient benefits customers, just as making
21 utility service more efficient benefits customers. Moreover, the kind of financing
22 authority that the Commission has previously granted Laclede and that Mr. Murray now
23 considers to be "excessive" is exactly the kind of authority that can allow the Company to

1 respond to rapidly changing conditions in the financial markets in a way that produces the
2 best outcome for its customers. As I indicated in my direct testimony, the cost of long-
3 term debt instruments increased by more than 40 basis points in two weeks earlier this
4 year and historically we have seen even more dramatic swings in such costs in a short
5 period of time. The kind of financing authority traditionally granted to the Company
6 places it in a much better position to respond to such events in a way that can capture
7 significant value for its customers.

8 **Q. Can you cite any illustrative examples of where the Company's access to the kind of**
9 **financing authority it proposes in this case can create such value for ratepayers?**

10 A. Yes. Pursuant to its then existing financing authority, Laclede issued \$80 million of 30-
11 year bonds in September 2008. The bonds, which had a 5-year call, were issued at a
12 6.35% interest rate in the retail market at approximately the time of the Lehman Brothers
13 collapse. Ameren IP, who had previously issued \$336 million of 10-year bonds at a
14 6.25% interest rate in April of 2008, had to go to market again in October of 2008 (just a
15 few weeks after Laclede went to market), and issued \$394 million of 10-year bonds at a
16 9.75% interest rate, or 350 basis points higher than just several months earlier. Based on
17 Laclede's issuance in September 2008 as compared to Ameren IP's issuance just a few
18 weeks later, this conservatively equates to a savings of 340 basis points¹ on the \$80
19 million. Over the five year term before these bonds were called, this generated interest
20 savings of approximately \$13.6 million.² Needless to say, these results could not have
21 been achieved had the Company been required to wait 6 to 8 weeks, or longer, because it

¹ 350 basis points on Ameren's rate change, less the 10 basis points for Laclede's change.

² If the bonds had been held to maturity, this would have translated into \$81.6 million in savings.

1 had to prepare and file an application,³ advise Staff of such changes, work through the
2 Staff discovery process, receive a positive Staff recommendation and obtain Commission
3 approval.

4 **Q. Do you agree with Mr. Murray's assertion that the amount of financing authority**
5 **requested by the Company in this proceeding is "excessive"?**

6 A. No. And again Staff's own testimony demonstrates why it is not excessive even under
7 the Staff's own standard for determining what that term means in the context of financing
8 authorizations. On page 10 of his Rebuttal Testimony, for example, Mr. Murray
9 indicates that Laclede's financing authority in the 1990s was 26-29% of its total
10 capitalization – a percentage which Mr. Murray characterizes as being "reasonable". On
11 page 4, lines 3-6, Staff maintains that Laclede's current request of \$550 million in
12 authority represents 25% of total capitalization. If authority equivalent to 26-29% of total
13 capitalization is reasonable, it seems intuitive that a request equivalent to 25% of total
14 capitalization is also reasonable.

15 **Q. Are you surprised that the amount of financing authority requested by Laclede falls**
16 **within the range that Staff has previously deemed to be reasonable?**

17 A. No. From the time it filed its Application on April 15th, Laclede has insisted that its
18 requested authority of \$550 million – a figure that is only 6% above the authority
19 approved in 2010 – is actually quite modest when taking into account the facts that
20 Laclede has (i) increased its customer count by 80% with the acquisition of MGE, and (ii)
21 substantially increased its capital budget in connection with accelerated safety programs
22 for both Laclede and MGE. In light of these facts, Staff's attempt to reduce the 2010

³ This period would expand if the Company was required to file a 60 day notice, or even a pleading requesting a waiver of the 60 day notice.

1 authority to an amount that would only be 14% of the Company's capitalization, a figure
2 around half of what Staff has previously deemed to be acceptable, is yet another
3 illustration of how unreasonable Staff's position is even by its own standards for
4 determining such matters. The further fact that Staff is relying on the same arguments
5 that the Commission rejected five years ago to arrive at this result makes Staff's position
6 even more egregious.

7 **Q. What general conclusions do you think the Commission should draw from the**
8 **foregoing?**

9 **A.** I believe the evidence in this case, including the evidence offered by Staff witness
10 Murray, clearly shows that the kind of financing authority sought by Laclede in this case
11 has operated for a good number of years in a way where customers have not only been
12 held completely harmless but have also received significant financial benefits from the
13 Company's prudent exercise of that authority. The evidence further shows that the
14 amount of authority requested by the Company is by no means excessive but instead falls
15 squarely within the parameters that the Staff itself has determined to be reasonable.
16 Given this history and evidence, there is simply no policy justification for discontinuing
17 this approach as recommended by Staff.

18 **Response to Other Staff Assertions**

19 **Q. On page 12, lines 15-17 of Mr. Murray's rebuttal testimony, he quotes from Section**
20 **393.200.1 RSMo (the "Statute"), requiring that the utility obtain a Commission**
21 **order in which the Commission finds that "the money, property or labor to be**
22 **procured or paid for by the issue of such stock, bonds, notes and other evidence of**
23 **indebtedness is or has been reasonably required for the purposes specified in the**

1 order.” Mr. Murray uses this phrase from the statute to claim that Laclede’s
2 request for \$550 million in financing authority is an unreasonably high amount. Do
3 you agree that the phrase “reasonably required” in the statute applies to the amount
4 of authority to be granted?

5 A. No. Mr. Murray goes to great lengths to twist the words around so he can make an
6 argument that the phrase “reasonably required” in the Statute applies to the amount of
7 authority. However, a clear and careful reading of the phrase makes it evident that the
8 meaning is simply that the capital assets being financed are or have been reasonably
9 required for the purposes specified in the Commission’s order. These purposes parallel
10 the purposes in the statute, which include acquiring property, and constructing,
11 completing, extending or improving the plant or system. Accordingly, the Commission’s
12 Order in GF-2009-0450 explicitly stated that the \$518 million in authorized financing
13 must be used “for the exclusive benefit of Laclede’s regulated operations as such
14 purposes are specified in Section 393.200, RSMo.” (Order at pp. 21-22) Regarding the
15 “amount” of authority, that number is tied to the amount of regulated capital assets that
16 Laclede can demonstrate have been constructed but not financed with long-term capital,
17 or that are to be constructed in the near future.

18 Q. Is the amount of financing authority really as simple as matching Laclede’s long-
19 term assets to long-term financing?

20 A. Yes, according to the Statute and the Commission’s 2010 Order that provided a legal
21 interpretation of the statute.

22 Q. On page 12, lines 6-7, Mr. Murray opines that, if the Commission allows Laclede
23 excess financing authority, there will be no effective recourse for the Commission in

1 the event Laclede uses that authority inappropriately. Does the simple principle of
2 authorizing long-term capital to match long-term assets provide sufficient
3 regulatory protection?

4 A. Yes. All the Statute effectively requires is that the utility have reasonably necessary
5 long-term assets to support long-term financing. It is a sanity check on matching long-
6 term capital to long-term assets. Mr. Murray incorrectly believes that a credit crisis can
7 be averted only if the Company can justify to Staff its plans for each dollar of long-term
8 financing. However, long-term financing does not provide a very meaningful point for
9 regulatory protection because, as is often the case, long-term financing is simply a
10 refinancing of short-term debt. In other words, if a large debt has already been incurred
11 to construct capital, nothing is really accomplished by requiring an in-depth regulatory
12 analysis of the long-term refinancing of that debt. I believe the Staff's insistence on, and
13 the Commission's approval of, a condition committing the Company to maintain an
14 investment grade credit rating as part of the financing authority is a more effective and
15 efficient means of protection. Similarly, the Company has also agreed to limit long-term
16 debt to no more than 65% of total capitalization.⁴ In summary, the Commission's task is
17 to ensure the Company is not funding short-term assets with long-term capital and is not
18 issuing long-term financing in excess of its long-term utility assets. Otherwise, within
19 the parameters agreed to by the Company and ordered by the Commission, the timing and
20 debt/equity mix of financings should be based on the judgment of management, subject,
21 of course, to an after-the-fact prudence review.

⁴ Case No. GF-2009-0450, Ordered Paragraphs 2 and 3.

1 Q. On page 14, lines 17-22, Mr. Murray says that expenditures cannot be reimbursed
2 by issuing debt; they can only be reimbursed by collecting revenues from customers.
3 Is this correct?

4 A. I think I understand Mr. Murray's point, but this comment shows a fundamental
5 misunderstanding of the nomenclature used in the Statute. Please allow me to explain the
6 phases of capital asset financing. In short, the property and labor that comprise capital
7 assets must be paid for up front, usually with what I will call "short-term money."⁵
8 Short-term money includes short-term debt, income and other funds from operations,
9 such as depreciation and deferred taxes. This is where the Statute comes in. The Statute
10 gives Laclede the right to refinance long-term capital assets through long-term debt and
11 equity – the matching principle I noted earlier. All it requires is that Laclede show the
12 Commission that the capital assets to be procured or paid for by the long-term financings
13 are reasonably necessary for the regulatory purposes in the Statute. So long-term
14 financing does three things: (i) it *refinances* maturing long-term obligations, (ii) it
15 *discharges*, or pays off, short-term debt; and (iii) it *reimburses* the Company for other
16 moneys the Company advanced in building long-term assets, including funds from
17 operations. In other words, Laclede is not required to spend funds from operations on
18 long-term assets, but if it does so, the Statute permits the Company to be reimbursed from
19 proceeds of long-term financings. For example, income represents a return to the
20 Company's owners. The Statute recognizes that the utility should not be required to
21 reinvest its owner's return in new assets, but that the Company should still be able to
22 finance such new assets with new debt or equity. The Commission so found with respect

⁵ Another way to look at it is that Laclede pays for capital construction with cash out of its treasury.

1 to income on page 12 of the 2010 Order, which is why projected income is not relevant to
2 the amount of financing authority requested in this case.⁶ So Mr. Murray is wrong when
3 he says that the Company cannot be “reimbursed” by issuing long-term debt; the fact is
4 that long-term debt does and should reimburse the Company for its expenditures on
5 capital assets. While this case is only about refinancing, what Mr. Murray may be
6 referring to with regard to revenues paid by customers is the recovery of moneys needed
7 to pay off the long-term financings. The revenues the Company receives from customers
8 are used to pay back long-term lenders over time for the money contributed to pay for
9 capital assets, to pay interest on that money, and to provide a return to shareholders (i.e.
10 net income), which they require for providing the equity capital to construct assets.

11 **Q. In his rebuttal testimony, Mr. Murray repeatedly stresses that Laclede has not used**
12 **its full financing authority over the years, and maintains that this is a reason to**
13 **restrict that authority in this case. Is the fact that the Company has not used all of**
14 **its financing authority cause for concern, and a reason to decrease authority?**

15 **A.** It is neither cause for concern nor a reason to decrease authority. If anything, Laclede’s
16 judicious use of financing authority should bring comfort to the Commission that Laclede
17 is a conscientious and cautious steward of its balance sheet that can be entrusted with the
18 kind of financing authority sought in this case. But the Commission need not take
19 Laclede’s word that the Company will act prudently, nor the Staff’s word that the sky
20 will fall if the Commission authorizes too much financing authority. Rather, the
21 Commission need only accept the General Assembly’s direction, through the Statute and
22 the Commission’s own legal interpretation of the Statute, to authorize and limit Laclede’s

⁶ On page 18, Staff states that Laclede redacted “much of the critical financial information in a goodwill report.” Laclede provided Staff a 50 page document with very little redaction, just enough to cover projected income which Laclede believes to be privileged, in addition to irrelevant.

1 financing authority to (i) unreimbursed capital construction, (ii) long-term refinancings
2 and (iii) new capital construction in the near term.

3 **Q. In a number of areas, such as page 5, lines 3-5, Mr. Murray notes that Laclede does**
4 **not use the Statute's methodology for determining financing authority in its**
5 **financial planning. He gives this as a reason to not base Laclede's authority on the**
6 **Statute. Do you agree?**

7 **A.** This argument lacks merit because Laclede's financial planning process is not driven by
8 the Statute's methodology for determining financing authority. On one hand, the Statute
9 simply creates rights to finance for specified purposes and a limit on those rights based
10 on the amount of long-term assets constructed for those purposes. On the other hand,
11 Laclede determines its financing plans based on its assessment of a number of factors,
12 including market conditions and its willingness to reinvest funds from operations. The
13 fact is that Laclede could seek more financing authority under the Statute than it has, just
14 like Laclede could issue more short term debt or negotiate larger credit lines than it has.
15 Consistent with its overall conservative approach, however, Laclede does not issue
16 financing just because it can, and Laclede does not believe it has "failed" when it does
17 not use its full approved authority, as Staff suggests. (Murray Rebuttal, page 4, lines 15-
18 16)

19 **Q. On page 9, lines 2-3, Mr. Murray complains that "Laclede should have estimated at**
20 **least some offsetting contribution from funds it projects to receive from operations."**
21 **How do you respond?**

22 **A.** Laclede did in fact reduce its requested authority considerably. As Mr. Murray himself
23 noted on pages 3-4 of his testimony, the methodology under the Statute supported a

1 financing authority of \$1 billion. However, “[a]fter a meeting Laclede had with Staff
2 before it filed its Application, Laclede decided to reduce its request to \$550 million...”
3 (Murray Rebuttal, p. 4, lines 3-5) There is no way to look at this \$450 million reduction
4 from the authority granted under the Statute other than as a significant concession by
5 Laclede and an “offset” of financing authority to which it is entitled. As the Company
6 has repeatedly stated, the \$550 million in requested authority is far below the maximum
7 to which Laclede is entitled given its capital spending, but still in a range with which the
8 Company is comfortable. Moreover, this is another example of where the Company has
9 tried to take into account and respond constructively to the complaints Mr. Murray has
10 raised repeatedly in his rebuttal testimony.

11 **Q. On page 7, lines 1-3, Mr. Murray asserts that financing authority is not needed to**
12 **reimburse expenditures funded by non-income cash flows from operations because**
13 **“[t]hese funds are not additional capital provided by investors.” Do you agree?**

14 **A.** Absolutely not. Mr. Murray has it exactly backwards. If the Company finances long-
15 term assets with funds from operations, it is permitted to be reimbursed for those funds
16 by acquiring long-term capital from investors. As dictated by the Statute, it is precisely
17 because funds from operations are not provided by investors that creates the authority to
18 replace those funds with investor capital. Specifically, the Statute allows for long-term
19 financing for “reimbursement of moneys actually expended from income, or from any
20 other moneys in the treasury of the corporation not secured or obtained from the issue of
21 [equity or debt]...” Funds from operations are unquestionably moneys in the treasury of
22 the company not obtained from the issue of equity or debt. Therefore, Laclede’s

1 spending of such moneys on capital improvements are eligible for reimbursement
2 through long-term financing.

3 Q. On page 3, lines 10-13, Mr. Murray claims that Staff did not anticipate Laclede's
4 novel proposal to obtain financing authority for past expenditures that have already
5 been financed. What is your response?

6 A. I am at a complete loss to understand how Mr. Murray can make such a claim. First, the
7 MGE merger agreement explicitly contemplated financing authority for unreimbursed
8 expenditures. (Case No. GM-2013-0254, Stipulation and Agreement dated July 2, 2013,
9 p. 15) Second, on page 6, lines 15-22, Mr. Murray clearly acknowledges that short-term
10 debt is "typically used as a bridge to finance long-term assets." The expending of short-
11 term debt is one of the types of past expenditures that Laclede is seeking authority to
12 refinance, as Mr. Murray also acknowledges on page 7, lines 13-14, where he describes
13 one of the purposes of financing authority as obtaining "amounts needed to refinance
14 short-term debt accumulated for investments in long-term assets." Third, the Statute, the
15 Commission's 2010 Order, and the Commission Rules (Rule 3.220(1)(G)) all refer to
16 financing authority for past expenditures that have not yet been financed. There is a limit
17 to this authority for past expenditures, as the Company is not permitted to go back more
18 than 5 years to identify unreimbursed expenses. Pages 15 to 17 of the 2010 Order
19 contain a section called "Timing: Past Expenditures." In that section, the Commission
20 rejected all of Staff's arguments that past expenditures are not eligible for long-term
21 financing. The Commission ended the section by stating that "The Commission
22 concludes that the statute allows long-term financing of past expenditures."

1 It could be that Staff believes that the past expenditures referred to have already been
2 funded with investor capital. (Murray Rebuttal, p. 12, lines 1-2) However, this is simply
3 untrue. In Exhibit 4, page 1, to its Application, Laclede clearly subtracted \$145 million
4 in investor funding from the amount of its past capital expenditures. The remainder is
5 expenditures that are unreimbursed by investors.

6 **Q. From page 15, line 15 to page 16, line 25, Mr. Murray discusses the issue of whether**
7 **the Statute allows consideration for future capital expenditures. What is your**
8 **reaction?**

9 **A.** First, I would point out that, in Rebuttal Testimony, Staff appears to oppose financing
10 authority for both past expenditures and future expenditures. That leaves authority only
11 for today's capital projects. Needless to say, that view is neither practical nor compliant
12 with the Statute. As discussed above, the Statute allows financing authority to reimburse
13 capital expenditures made over the prior five years. As to future expenditures, on page 7,
14 lines 9-10 of his Rebuttal Testimony, Mr. Murray himself points to financing applications
15 that Staff approves for other companies which "typically provide a capital expenditure
16 schedule that shows anticipated capital expenditures that may require financing..." The
17 language of the Statute also acknowledges that long-term financing may occur in the
18 future, as it refers to the money, property or labor "to be procured" by the issuances. The
19 fact that the Commission has approved financing authority for future capital expenditures
20 for Laclede for the past 15 years is further evidence that including future expenditures is
21 appropriate.

22 **Q. Does the Statute conflict with other areas of Mr. Murray's testimony?**

1 **A.** Yes. For example, Mr. Murray's comments on page 17, lines 14-22, relating to deferred
2 taxes, conflict with the Statute. In his discussion, Mr. Murray accurately captured my
3 point that, to the extent deferred tax dollars are used to pay for capital assets, the Statute
4 permits Laclede to issue long-term financing to be reimbursed for those dollars, because
5 Laclede will need them to pay the deferred taxes when they come due. Staff then argues
6 at the bottom of page 17 that I omitted the fact that "Laclede has already spent these
7 funds and Laclede has no cash reserves to pay these taxes if or when they become due."
8 *But that is exactly my point!* Laclede did indeed spend these deferred tax funds on long-
9 term assets, which is precisely why it must have the capacity to refinance those assets
10 with long-term financing so it can be reimbursed and have the money needed to repay
11 the IRS.

12 **Q.** **Pages 18-24 of Mr. Murray's testimony are dedicated to a discussion of the impact**
13 **of proposed financings on Laclede's financial risk. Do you have general comments**
14 **on this section?**

15 **A.** It is significantly flawed, because it makes assumptions regarding financings that Laclede
16 has not proposed. And in making those assumptions, it is further flawed because it fails
17 to recognize adjustments related to earnings generated from the additional investments.
18 In essence, Staff assumes that Laclede will issue financings to the full extent of its
19 authority; will issue all such financings as long-term debt and none as equity; will incur
20 additional interest on this long-term debt; but will experience no improvement in its
21 Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) or Funds
22 From Operations (FFO) from the use of this capital. Based on this flawed and highly
23 unlikely premise, Staff opines that Laclede's credit rating would drop one category. So

1 even in Staff's flawed worst case scenario, Staff concedes that Laclede would still retain
2 its investment grade credit rating. (Murray Rebuttal, p.22, lines 6-9) A third flaw in Mr.
3 Murray's analysis is that he didn't adjust his underlying 2014 EBITDA and FFO data for
4 the additional depreciation, interest and pre-tax return that the projected investments
5 would generate.⁷

6 **Q. On page 23, lines 14-16, Mr. Murray opines that it is unlikely that Laclede will issue**
7 **more than the amount of long-term financing estimated by Laclede over the next**
8 **three years. Is Laclede's estimate a sufficient reason to reduce its financing**
9 **authority?**

10 **A.** Not at all. First, the fact that Laclede estimates, and even hopes, that it won't use all of
11 its authority is no reason to withhold authority to which Laclede is entitled. Laclede's
12 rights under the Statute do not disappear because they aren't exercised to the fullest
13 extent possible. As an analogy, assume a residential street has a 25 mph speed limit. If I
14 choose to drive 15 mph on that street, the law does not require the speed limit to drop to
15 only the speed I am using. Put another way, I should not lose the right to later drive 20 or
16 25 mph if I so choose. Second, as discussed on pages 2-4 of my testimony above,
17 customers have not been harmed, but may be significantly benefitted by the Company
18 having more authority than only that amount that meets estimated needs. Finally, the
19 Company's estimate of its financing activities over the next three years is just that – a
20 middle ground estimate from a single modelling scenario. There is a good possibility that
21 circumstances will turn out wherein Laclede decides or needs to attract more capital than

⁷ The corrected FFO/debt ratio would be 15.18%, the FFO/interest coverage ratio would be 5.43x, and the Debt/EBITDA ratio would be 4.96x, all of which indicate a much more modest diminution of credit metrics, indicating a BBB+ rating. Similarly, the corrected metrics using the \$360/\$190 debt/equity issuances (a more likely scenario) would indicate no change in ratings at all. (Murray Rebuttal, p.23, lines 9-13)

1 estimated. For example, our estimate assumes that bonus depreciation will remain in
2 effect through 2018. As of this date, Congress has not enacted legislation renewing
3 bonus depreciation even for 2015, much less future years. Should Congress in fact end
4 bonus depreciation at some point, Laclede's financing needs would significantly increase.
5 Staff's position that Laclede should have to go through another one of these cases for
6 authority to finance amounts that it is already entitled to finance is neither consistent with
7 the Statute nor an efficient form of regulation.

8 **Q. On page 7 of his Rebuttal testimony, Mr. Murray criticizes Laclede for not**
9 **approaching financing authority like other utilities who seek financing only for**
10 **near-term needs. What is your reaction to this criticism?**

11 **A.** Whether other utilities exercise their rights under the Statute is of no consequence.
12 Rights don't go away and the law doesn't change just because a utility chooses not to
13 seek all the authority it could. This applies to all utilities, including Laclede, since
14 Laclede requested far less authority than the Statute allows. There is also nothing to
15 suggest that the approach followed by other utilities has produced optimum results. In
16 fact, our evidence suggests that the "shelf" approach is a better way to proceed because it
17 permits Laclede to be more nimble in reacting to market changes.

18 **Q. Staff noted at least twice that Laclede took much more than the three years allotted**
19 **by the Commission's order to use its authority. Do you have a comment?**

20 **A.** I agree with Staff's facts on this point. My reaction is that, if the Commission approves
21 Laclede's request for \$550 million in authority, Laclede would be amenable to an order
22 wherein that authority would not expire, but Laclede would seek further authority when
23 needed. While the authority would be based on only three years' forward looking capital

1 expenditures, if Laclede can stretch the dollars to last longer, this would allow the
2 Company to do so without having to renew the authority on an arbitrary schedule.

3 Q. Does that conclude your surrebuttal testimony?

4 A. Yes it does.

5

6

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

| | | |
|---|---|-----------------------|
| In the Matter of Laclede Gas Company's |) | |
| Verified Application to Re-Establish and |) | Case No. GF-2015-0181 |
| Extend the Financing Authority Previously |) | |
| Approved by the Commission. |) | |

AFFIDAVIT

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

Lynn D. Rawlings, of lawful age, being first duly sworn, deposes and states:

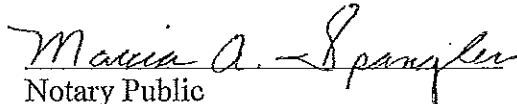
1. My name is Lynn D. Rawlings and my business address is 700 Market, St. Louis, Missouri 63101. I am currently employed by Laclede Gas Company ("Laclede" or "Company") as Vice President, Treasurer and Assistant Corporate Secretary.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal 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.


Lynn D. Rawlings

Subscribed and sworn to before me this 18TH day of September, 2015.


Notary Public

