Exhibit No.:

Issue:

Accounting Schedules

Witness:

Susan M. Kopp Direct Testimony

Type of Exhibit: Sponsoring Party:

Laclede Gas Company

Case No.:

GR-2001-629

**FILED**<sup>3</sup>

MAY 1 8 2001

Missouri Public Bervice Commission

LACLEDE GAS COMPANY

GR-2001-629

**DIRECT TESTIMONY** 

OF

SUSAN M. KOPP

# Direct Testimony of Susan M. Kopp

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#### DIRECT TESTIMONY OF SUSAN M. KOPP

- 1 Q. Please state your name and business address.
- 2 A. My name is Susan M. Kopp, and my business address is 720 Olive St., St. Louis,
- 3 Missouri 63101.
- 4 Q. What is your present position?
- 5 A. I am Assistant to the Vice President Finance for Laclede Gas Company.
- 6 Q. Please state how long you have held your position and briefly describe your
- 7 responsibilities.
- 8 A. I was promoted to my present position in January, 2001. In this position, I am
- 9 actively involved in the day-to-day operation of the Finance Division and other
- special projects. I also continue to assist in the preparation of various financial
- analyses and studies pertaining to rate matters generally.
- 12 Q. What is your educational background?
- 13 A. I graduated from the University of Missouri St. Louis in 1991, with a Bachelor
- of Science degree in Business Administration, majoring in accounting.
- 15 Q. Have you passed the Uniform CPA exam?
- 16 A. Yes, I passed the Uniform CPA exam in 1992.
- 17 Q. Will you briefly describe your experience with the Company prior to becoming
- Assistant to the Vice President Finance?
- 19 A. I joined Laclede in January, 1992, as a Staff Auditor in the Internal Audit
- Department. I was promoted to Auditor in January, 1994 and appointed Assistant
- to the Information Systems Auditor in July, 1994. In October, 1995, I was

1		transferred to the Financial Planning Department to serve as an Analyst before
2		being promoted to Senior Analyst in January, 1997, and Assistant to the Manager
3		in January, 1999. I acted in that capacity until being promoted to my present
4		position.
5	Q.	Are you a member of any professional societies?
6	A.	Yes, I am a member of the American Institute of Certified Public Accountants and
7		the Missouri Society of Certified Public Accountants.
8	Q.	Have you previously filed testimony before this Commission?
9	A.	Yes, in Case No. GR-99-315.
10		Purpose of Testimony
11	Q.	What is the purpose of your testimony?
12	A.	I am sponsoring rate base items and income statement adjustments related to
13		several expense categories.
14	Q.	Please list the schedules you are sponsoring.
15	A.	I am sponsoring the following schedules, which were prepared by me or under my
16		supervision: Section C, TEST YEAR UTILITY OPERATING INCOME AND
17		ADJUSTMENTS, Schedules 10 and 14, which provide supporting detail for
18		certain of my adjustments to test year operating income. These adjustments are
19		described later in my testimony.
20		Rate Base Adjustments
21	Q.	What items are you sponsoring for inclusion in the Company's original cost rate
22		base (Schedule 1 of Section A)?

## **Customer Deposits**

A. I am sponsoring customer deposits as a deduction to the Company's rate base. I have also included a related customer accounts expense adjustment (Adjustment 3.c. of Schedule 2 of Section C) to reflect the impact of interest expense applied to customer deposits.

## **Customer Financing Programs**

I am also sponsoring an item that reflects the impact on rate base of the Insulation Financing and EnergyWise Programs. The Insulation Financing Program (IFP) is a program under which the Company grants loans to eligible residential customers for the purpose of making certain home energy conservation improvements. The EnergyWise Program is a program under which the Company makes financing available to eligible residential and commercial customers for the purchase and installation of high efficiency natural gas heating equipment, air conditioners or certain other energy-efficient appliances and related equipment. An IFP loan balance at February 28, 2001, is included in rate base. Also included in rate base is an EnergyWise loan balance, which is the twelve-month average for the test year ending February 28, 2001. It should be noted that I have also included a related miscellaneous revenue adjustment (Adjustment 1.1., Schedule 2 of Section C) to reflect the impact of the interest charges applied to IFP and EnergyWise loans.

### Adjustments to Utility Operating Income

Q. Please explain the adjustments you are sponsoring to utility operating income.

1	A.	I am sponsoring several adjustments to the income statement. These adjustments
	- **	
2		appear on Schedule 2 of Section C and are discussed below. I am also sponsoring
3		schedules that provide supporting detail to several of these adjustments.
4		Customer Financing Programs
5	Q.	Please discuss your operating expense adjustment regarding the IFP and
6		EnergyWise Program.
7	A.	Adjustment 1.I. increases revenues to reflect interest income from the IFP and
8		EnergyWise Program. This adjustment is consistent with the inclusion of loan
9		balances in rate base as I previously mentioned.
10		Postage and Other Mailing Costs
11	Q.	Please explain your adjustment for postage and other mailing costs.
12	A.	Adjustment 3.b., detailed on Schedule 10, adjusts customer accounts expense for
13		increased postage and card stock expenses directly related to the growth in
<b>I</b> 4		customer levels discussed in Company witness P. A. Krieger's testimony. It also
15		includes an adjustment to reflect the postage rate increase effective in January,
16		2001. This adjustment brings all test year mailings to these new rate levels.
17		Additionally, an adjustment is made for the estimated cost of including Laclede
18		Gas return address mailing labels in customer bills.
19		Customer Deposit Interest Expense
20	Q.	Please discuss your adjustment to customer deposit expense.
21	A.	Adjustment 3.c. increases customer accounts expense to reflect interest expense
22		related to customer deposits. This adjustment is consistent with the inclusion of

customer deposit balances in rate base as I previously mentioned.

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#### **Health Care Costs**

- 2 Q. Please discuss your adjustment to health care costs.
- 3 A. Adjustment 4.h., detailed on Schedule 14 of Section C, reflects increases in the
- 4 cost of providing health care to current employees. This adjustment reflects
- 5 medical costs paid for the twelve months ended February 28, 2001, increased to
- 6 reflect current cost levels. This adjustment should be updated as necessary for the
- actual employee levels at July 31, 2001, new rates and plan participation as of
- 8 August 1, 2001, and for the most recent claims experience for the self-insured
- 9 plans.

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#### Dental and Vision Insurance Costs

- 11 Q. Please discuss the adjustment made to dental and vision insurance costs.
- 12 A. Adjustment 4.i., detailed on Schedule 14 of Section C, reflects an increase in the
- cost of dental insurance to reflect current cost levels. Adjustment 4.j., on
- Schedule 14, also reflects an increase in the cost of vision insurance to reflect
- current cost levels. These adjustments should be updated for the actual employee
- levels at July 31, 2001.

## 17 <u>MPSC Assessment</u>

- 18 Q. Please discuss your adjustment to Regulatory Commission Expense.
- 19 A. Adjustment 4.k., detailed on Schedule 14 of Section C, decreases Regulatory
- 20 Commission expense to the annual level of assessment as of July 1, 2000. The
- 21 2001 assessment will be known in late June and should be used in the final
- 22 determination of rates.

1		<u>Rent Expense</u>
2	Q.	Please discuss your adjustment to rent expense.
3	A.	Adjustment 4.1., detailed on Schedule 14 of Section C, increases rent expense to
4		the annualized January 2001 level based on the Company's lease agreement for its
5		main office.
6		Rate Case Expense
7	Q.	Please explain your next adjustment relating to rate case expense.
8	A.	Adjustment 4.m. adjusts test year expense to reflect anticipated levels of out-of-
9		pocket costs to be incurred by the Company in connection with this proceeding,
10		amortized over two years.
11		Dues, Fees and Miscellaneous Expenses
12	Q.	Please discuss your adjustment relating to club memberships and miscellaneous
13		expenses.
14	A.	Adjustment 4.o., transfers to "below-the-line" dues and fees related to club
15		memberships, as well as other miscellaneous expenses.
16		Facility Locates
17	Q.	Please discuss your adjustment relating to facility locates.
18	A.	Adjustment 6.f. adjusts test year expense to provide for both an increase in the
19		number of locates experienced and a full-year effect of the cost the Company
20		incurs regarding facility locates.
21	Q.	Does this conclude your testimony?

Yes, it does.

22

A.



#### BEFORE THE PUBLIC SERVICE COMMISSION

#### OF THE STATE OF MISSOURI

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) Case No. GR-2001-629
IDAVIT

Susan M. Kopp, of lawful age, being first duly sworn, deposes and states:

- 1. My name is Susan M. Kopp. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Assistant to the Vice President Finance for Laclede Gas Company.
- 2. Attached hereto and made part hereof for all purposes is my direct testimony, consisting of pages 1 to 6, inclusive; and Section C Schedules 10 and 14.
- 3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded and the information contained in the attached schedules are true and correct to the best of my knowledge and belief.

Susan M. Kopp

Subscribed and sworn to before me this 1644 day of May, 2001.

KENNETH M. BEERUP, JR.
Notary Public — Notary Seal
STATE OF MISSOURI
City of St. Louis
My Commission Expires: Dec. 19, 2003