

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

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

LACLEDE GAS COMPANY'S STATEMENT OF POSITION

COMES NOW Laclede Gas Company ("Laclede" or "Company"), and submits its Statement of Position in the above captioned case. Laclede's Statement of Position is presented in the same order as the List of Issues previously submitted by the parties.

1. What amount of financing should be authorized by the Commission for Laclede Gas Company through September 30, 2018?

The Commission should approve the Company's request of \$550 million in financing authority. This amount is well below the limit authorized by the financing statute, 393.200.1 RSMo. (the "Statute"), as interpreted by the Commission in its June 16, 2010 Report and Order in Case No. GF-2010-0450 (the "2010 Order"). This amount is also very reasonable compared to past financing approvals, including the \$500 million authority the Company was granted in 2007, and the \$518 million in authority the Commission approved in 2010.

In the 2010 Order, the Commission painstakingly examined the Statute and applied it to the facts in Laclede's case. The Commission's efforts provided a roadmap that can be used to readily calculate the financing authority to be afforded to a utility.

The 2010 Order granted Laclede financing authority over a three year period in the amount of \$518 million. Since 2010, Laclede has not only acquired MGE, nearly doubling its size, but it has also accelerated the rate of safety investments for both

Laclede Gas and MGE, investments which form the basis for long-term financing authority. Given these circumstances, it was no surprise that the same financing roadmap used by the Commission in 2010 has resulted in financing authority in this case of \$1.0 billion, nearly double the pre-MGE financing authority. However, by seeking only \$550 million in authority, slightly more than the pre-MGE authorization, the Company has made a request so conservative that it is easily justified by both the financing orders issued over the past eight years and the Statute.

Meanwhile, Staff's position directly conflicts with both the Statute and the 2010 Order, and instead represents only Staff's view of how financing authority should work. Staff's argument has two main flaws. First, Staff's position fails to acknowledge the fact that the Statute permits Laclede to use long-term financing to reimburse the Company for moneys it advanced or will advance out of its treasury (i.e. cash) to pay for capital assets. This is an express and fundamental right afforded by the Statute and confirmed in the 2010 Order which, five years later, Staff still refuses to accept.

Staff's second flaw is in its reasoning that Laclede should not be afforded the authority dictated by the Statute and determined by the Commission because in the past, Laclede hasn't fully used such authority. There is absolutely nothing in the Statute, however, to suggest that a utility's financing authority should be reduced because the utility has a history of using such authority in a conservative and judicious manner. To the contrary, such a construct would have the perverse result of constraining the discretion of those utilities that use their authority conservatively while expanding it for those who do not. That is hardly the kind of result that advances the goal of protecting ratepayers from excessive or imprudent financing activities.

In determining financing authority, the following chart illustrates the difference between the positions taken by the General Assembly, the Commission and Laclede on one side, and by the Staff on the other side, and the results produced by those positions.

<u>The General Assembly and Commission authorize financing for:</u>	<u>Amount (millions)</u>	<u>Staff authorizes financing for:</u>	<u>Amount (millions)</u>
Capital Expenditures made for the purposes set forth in Section 393.200.	\$562	Capital Expenditures made for the purposes set forth in Section 393.200, minus operating cash flow items.	\$562 - \$460 \$102
Unreimbursed capital expenditures for the past 5 years (i.e. Capex that exceeds previous long-term financings)	\$339	Capital Expenditures for the past 5 years, but only for those paid with retained earnings	\$75
Refinancing of long-term debt maturing in August 2018	\$100	Refinancing of long-term debt maturing in August 2018	\$100
TOTAL	\$1001		\$277
Laclede Request	\$550		

Finally, the Commission should order such authority through September 30, 2018, but should not be constrained from expanding that date in its order to allow Laclede to use that authority over a longer period if the Company can do so, subject, of course, to the conditions referenced below.

2. What conditions should the Commission place on Laclede Gas Company's financing authority?

Laclede believes that the Commission should continue the same financing conditions that currently govern the Company's issuance of stock, bonds and other evidences of indebtedness and that have been in effect for several years. Specifically, the

Commission should continue to require, among other things, (i) that Laclede use its long-term financings for the purposes specified in the Statute and for the exclusive benefit of its regulated operations; (ii) that the total amount of long-term debt issued and outstanding at any given time not exceed the lesser of: (a) the value of Laclede's regulated rate base or (b) an amount equal to 65% of Laclede's capital structure; and (iii) that Laclede conduct its financings in such a way so as to maintain an investment grade credit rating.

WHEREFORE, for the foregoing reasons, Laclede Gas Company respectfully requests that the Commission accept for its consideration this Statement of Position.

Respectfully submitted,

/s/ Rick Zucker

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Certificate of Service

The undersigned certifies that a true and correct copy of the foregoing pleading was served on the parties to this case on this 6th day of October, 2015, by hand-delivery, e-mail, fax, or by United States mail, postage prepaid.

/s/ Rick Zucker