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Witness: *David Murray*
Sponsoring Party: *MoPSC Staff*
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MISSOURI PUBLIC SERVICE COMMISSION
REGULATORY REVIEW DIVISION
UTILITY SERVICES DEPARTMENT
FINANCIAL ANALYSIS

REBUTTAL TESTIMONY
OF
DAVID MURRAY

LACLEDE GAS COMPANY

CASE NO. GF-2015-0181

Jefferson City, Missouri
August 2015

**** Denotes Highly Confidential Information ****

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1 developed its own pro forma financial estimates to evaluate the impact of the requested
2 financing. I am also sponsoring Staff's recommendation filed on June 8, 2015 attached as
3 Highly Confidential Schedule DM-r2, in which I was the primary author. Staff recommends the
4 Commission provide Laclede a debt financing authority of ** — ** million. This amount is
5 based on Laclede's actual financing plans over the next three years.

6 **EXECUTIVE SUMMARY**

7 Q. Can you provide a brief summary of Staff's position as it pertains to Laclede's
8 Application for a possible debt financing authority in the amount of \$550 million?

9 A. Yes. This amount contains ** — ** million of financing authority for
10 financing Laclede has no plans to issue. Laclede's financial projections show that it expects to
11 issue ** — ** million of financing over the next three years for the purposes of refinancing
12 short-term debt, funding capital expenditures and retiring long-term debt scheduled to mature.
13 Staff recommends the Commission authorize the amount of financing authority supported by
14 Laclede's financial plans. In the event, Laclede should need to obtain additional financing
15 authority, then Laclede can file for additional authority when Laclede's situation supports the
16 Company's need for additional financing.

17 **PAST FINANCING AUTHORITY APPROACH**

18 Q. In the past, has Laclede been granted debt financing authority substantially in
19 excess of its actual needs?

20 A. Yes. In Case No. GF-2009-0450 the financial authority Laclede was authorized
21 was significantly greater than it needed, or has utilized to date. The amount of financing
22 authority received in Case No. GF-2009-0450 was not reasonably required for the purposes or in

1 the amount requested for said purposes as represented by Laclede. The methodology used in the
2 previous case produced a financial authority significantly in excess of the authority needed to
3 effectively operate Laclede. In fact, Laclede still has not used the level of financing authority
4 authorized in the prior case and does not plan to use the full amount it is now requesting for the
5 next three years. In fact, according to Laclede's financial plans, it does not plan to issue any
6 financing until ** — **. Staff's current and prior practice has been to work collaboratively
7 with Missouri utility companies to give consideration for a reasonable amount of financing
8 authority for a set future period of time, for specific and reasonably required needs. No utility,
9 except Laclede, has requested a financing authority amount that required a contested hearing.

10 Q. What are the novel items in this case that are not seen in other financing
11 authority cases?

12 A. Staff did not anticipate Laclede would propose that it needed financing authority
13 for past expenditures that have already been financed. This position will result in a financing
14 authority amount that will exceed the level of financing needed for utility operations.

15 Q. Is Laclede's potential debt financial authority level based on an approach that will
16 result in an amount that can be verified by a demonstrated need for Laclede's operations or
17 shown to be consistent with Laclede's financing plans?

18 A. No. Laclede's approach results in an amount that even the Company recognizes as
19 excessive. Ms. Rawlings' claims that an amount consistent with the Commission's Order in
20 Case No. GF-2009-0450 would be slightly over \$1 billion based on the following updated
21 amounts of the items discussed in Case No. GF-2009-0450: (1) \$562 million for the acquisition
22 of property, the construction, completion, extension or improvement of its plant or system;
23 (2) \$100 million for the discharge or lawful refinancing of its obligations; and (3) \$339 million

1 for reimbursement of moneys actually expended from the treasury. This amount of financing
2 authority would represent approximately 55% of Laclede's total long-term capitalization and
3 46.41% of total capitalization inclusive of short-term debt as of December 31, 2014. After a
4 meeting Laclede had with Staff before it filed its Application, Laclede decided to reduce
5 its request to \$550 million, which represents approximately 30% of its total long-term
6 capitalization and 25% of total capitalization inclusive of short-term debt but no longer
7 consistent with the GF-2009-0450 methodology. This new amount is also inconsistent with
8 information provided to third parties, including debt rating agencies.¹ As previously mentioned,
9 the new amount is also ** _____ **.²

10 ** _____

11 _____

12 _____

13 _____

14 _____ **

15 Q. How much of the three year debt financing authority granted in 2009, has Laclede
16 failed to use currently?

17 A. Approximately \$370 million.³ While this unused amount currently exceeds the
18 amount of debt financing Laclede plans to use in the next three years, it shows the level of excess
19 contained in Laclede's previous financing authority. The level of financial authority allowed in
20 in the 2009 finance case was so excessive, that it exceeded the amount needed to finance
21 Laclede's operations for nine years. The amount of excessive authority is enhanced by the fact

¹ Laclede's Response to Staff Data Request No. 0018.

² Laclede's Response to Staff Data Request No. 0001.

³ See response to Staff Data Request No. 0005.

1 that Laclede approximately doubled in size after it acquired the Missouri Gas Energy (MGE)
2 properties.

3 Q. For purposes of financial planning, does Laclede estimate the amount of capital it
4 plans to issue using the methodology outlined in Case No. GF-2009-0450?

5 A. No. Staff submitted Data Request No. 0044 to determine if Laclede had
6 a standard formula/methodology it used to estimate the amount of capital it projected it
7 would need to issue over the period of requested authority (Laclede projects the need to issue
8 ** ____ ** million) for the next few years. Laclede's response was as follows:

9 Laclede does not have a "formula" to project the amount of capital
10 it will issue.

11 Although Staff was not surprised that Laclede did not use the method used in Case No.
12 GF-2009-0450 to determine an amount of financing authority for Laclede, Staff was surprised to
13 discover that Laclede did not have any type of formula for projecting the amount of capital it
14 believes it will need to issue over the next few years. Generally, most companies will compare
15 projected cash inflows to projected cash outflows over some future period and then estimate its
16 external capital needs based on any potential deficiency. It is fairly common to estimate free
17 cash flow to the firm to determine if the operations are cash flow positive or cash flow negative.

18 Q. Have Laclede's financial reports identified or discussed if its financial authority
19 will be based on the methodology outlined in Case No. GF-2009-0450?

20 A. No.

21 Q. Do you believe the information the parties provided the Commission in
22 GF-2009-0450 clearly explained the difference between cash provided by operations and cash

1 provided by income for purposes of quantifying an amount for reimbursement of past
2 expenditures from the treasury?

3 A. No.

4 Q. Does Staff agree with the amount of past paid Laclede capital expenditures that
5 the Company uses to support the level of unneeded financing authority?

6 A. No. Staff contends that Laclede overstates the amount of monies subject to
7 reimbursement spent from income.

8 Q. How much income did Laclede expend on its operations for the five-year period
9 through March 31, 2009 in that case?

10 A. Approximately \$8.367 million.

11 Q. Why is this so low?

12 A. Laclede's dividend payout ratio to its holding company, The Laclede Group
13 ("Laclede Group"), averaged an annual 95% payout ratio. Laclede has used very little of its
14 income for any other purpose other than paying dividends to its holding company.

15 Q. Where did all of the funds come from for purposes of the expenditures Laclede
16 made over this five year period?

17 A. It would have to come from cash flow from operations or short-term debt because
18 the other financing sources have already been accounted for.

19 Q. Is it logical to allow for consideration for an amount of short-term debt used to
20 fund capital expenditures?

21 A. Yes. This is considered capital investment in the company. Short-term debt is
22 typically used as a bridge to finance long-term assets. However, it is also used to fund working-
23 capital. In which case, it would not need to be refinanced with long-term capital.

1 Q. Would a financing authority be needed for reimbursement of expenditures funded
2 by cash flows produced by operations that are not classified as income?

3 A. No. These funds are not additional capital provided by investors.

4 **FINANCING AUTHORITIES FOR OTHER MISSOURI UTILITIES**

5 Q. The determination of an amount for unreimbursed expenditures seems very
6 illogical and convoluted. Has Staff had the same dispute with other Missouri utilities when
7 determining an appropriate amount of financing authority?

8 A. No. Other Missouri utility companies follow logical financial planning in
9 estimating their capital needs. They typically provide a capital expenditure schedule that shows
10 anticipated capital expenditures that may require financing rather than providing information on
11 past investments that have already been financed. Staff's experience with these companies has
12 been that they typically issue close to the amount of financing authority they request.⁴
13 The amount of financing requested is generally reconcilable to amounts needed to refinance
14 short-term debt accumulated for investment in long-term assets, refinancing of other securities,
15 and/or near-term capital expenditures in which they don't anticipate having sufficient cash
16 available to finance.

17 Q. Are applications for financing authorities for Missouri's other utility companies
18 processed in a timely manner?

⁴ In the EF-2012-0463 finance case UE was authorized to issue \$550 million and it issued \$482 million in September 2012. In the EF-2014-0227 finance case, UE was authorized to issue \$350 million and it issued \$350 million in April 2014. In the EF-2015-0202 finance case, UE was authorized to issue \$250 million and it issued \$250 million under this authority in April 2015. In 2010, KCPL was authorized to issue \$450 million and it issued \$400 million. In the 2012 finance case, KCPL was authorized to issue \$300 million and it issued \$300 million.

1 A. Yes. Missouri's other utility companies request authority for financings they
2 actually plan to issue that do not include financings that are unplanned or cannot be verified.
3 The common process is based on the utility simply requesting authority to refinance short-term
4 debt incurred for purposes of funding long-term capital investments. Staff considers the use of
5 short-term debt capital markets to be the "treasury" of the corporation because this is the source
6 of capital for initial funding of capital expenditures in excess of funds generated internally.
7 An important distinction between Ameren Missouri's ("UE") and Kansas City Power & Light
8 Company's ("KCPL") financing applications as compared to Laclede's financing applications is
9 that UE's and KCPL's applications have been limited to only requests for debt authority.
10 Although UE and KCPL have received equity contributions from their parent companies over the
11 periods covered by the requested financing authorities, they simply have not issued shares to
12 their parent companies to complete these transactions. Therefore, they have not requested
13 Commission authority to do so. Consequently, in each of UE's and KCPL's financing
14 applications, Staff's analysis of the financial impact of the requested financing authority was
15 limited to the potential impact of UE's and KCPL's use of debt, which if used excessively, can
16 cause difficulties in attracting capital at reasonable costs. An evaluation of a company's
17 financial risk has consistently been an area Staff has analyzed in evaluating the potential
18 detriment of a financing application for Commission authority.

19 Q. If Laclede gave consideration to the reality that it will have funds available from
20 its operations to fund its future capital expenditures, how much lower would its estimate be for
21 external financings?

22 A. It would certainly be lower than the \$562 million in gross capital expenditures
23 it estimates for the next three years. Although Staff estimated Laclede's operations

1 (with consideration of dividends paid to the parent company) would generate all but ** — **
2 million of the gross capital expenditures, certainly Laclede should have estimated at least some
3 offsetting contribution from funds it projects to receive from its operations. However,
4 Laclede has withheld information regarding future income projections by providing redacted
5 versions of documents. These are amounts that will reduce the level of need for financing
6 authority to the extent the income is reinvested into the company. Staff is continuing its efforts to
7 obtain unedited material.

8 Q. How did the Staff determine the relevant time period for the finance authority for
9 this case?

10 A. Staff has adopted the three year period proposed by the Company in
11 its application.

12 **HISTORY OF LACLEDE'S FINANCING APPLICATIONS**

13 Q. Has Laclede always requested such large financing authorities?

14 A. No.

15 Q. When did Laclede start requesting relatively large and broad financing
16 authorities?

17 A. Based on my research, the first case was in 2000, in Case No. GF-2000-843.
18 In that case, Laclede requested a financing authority in the amount of \$350 million, which was
19 greater than 50% of its total capitalization.

20 Q. Are you aware of anything that could explain the reason Laclede changed its
21 approach to how it filed applications for financing authorities?

1 A. Laclede became a subsidiary of Laclede Group after it formed the holding
2 company. This reorganization meant common equity shareholders would no longer hold direct
3 ownership shares in Laclede, but rather Laclede Group. Consequently, Laclede would no longer
4 need to issue shares to the public.

5 Q. How were Laclede's financing authorities handled before 2000?

6 A. In the 1990s, Laclede filed separate applications for approval of debt and equity
7 financing. In Case No. GF-93-272, Laclede requested authority to issue \$100 million of debt.
8 At the time of this request, this amount of authority represented approximately 26% of Laclede's
9 total capitalization. In Case No. GF-95-293, Laclede requested authority to issue up to
10 1,750,000 shares of common stock, which was estimated to gross \$28,773,000 in additional
11 common equity. At the time of this request, this amount of equity authority represented
12 approximately 8% of Laclede's total capitalization. If the equity authority was combined with
13 the remaining \$75 million of debt authority remaining under Case No. GF-93-272, the total
14 outstanding financing authority at that time of \$103,773,000 represented approximately 29% of
15 Laclede's total capitalization.

16 Although Laclede's financing authority requests were more reasonable in relative
17 size in the 1990s, Laclede's original debt authority request of \$100 million in 1993 was extended
18 three times, first as an extension in the original case in 1995, next in 1997 in Case No.
19 GF-97-302 and finally in 1999 in Case No. GF-99-332. Consequently, Laclede's original
20 requested authority, which was a more reasonable 26% of Laclede's total capitalization, allowed
21 sufficient debt financing for a period of eight years.

22 Q. What is the history of the unreimbursed expenditure schedule for Laclede?

1 A. In response to Staff Data Request No. 0045, Laclede indicated that it believes it
2 has been attaching this schedule for approximately the last three decades. Staff did not research
3 Laclede's cases filed more than 30 years ago.

4 Q. Did you find any evidence from Laclede financing applications filed since 1990
5 which showed Laclede typically reconciles the amount of its financing authority requests to
6 unreimbursed expenditures, refinancing of other securities and future gross capital expenditures
7 as it claims it is entitled in this case (the \$1 billion estimate)?

8 A. No.

9 Q. Has the public been harmed as a result of Laclede's excessive financing
10 authorities?

11 A. I am not aware of anything detrimental to the public to date. However, Laclede is
12 a subsidiary to an entity the Commission does not regulate, Laclede Group. Although Staff has
13 attempted to impose conditions in the past to attempt to safeguard excessive use of debt, the
14 Commission has no authority over Laclede Group's other activities. Consequently, Staff
15 believes it is even more important to ensure the financing authority is consistent with Laclede's
16 identifiable capital needs.

17 Q. Why do you think it is important to scrutinize Laclede's requested financing
18 authority at this time?

19 A. First, because I think the intent of granting financing authorities is to ensure that
20 the amounts and the purposes that support the amount should be reasonably related to tangible
21 needs. Experience has proven that Laclede's stated purposes and amounts are not reasonable.
22 Additionally, because Laclede is a subsidiary of Laclede Group, it has exposure to Laclede
23 Group's aspirations beyond its Missouri utility operations.

1 Second, Laclede continues to maintain that it should be reimbursed for past
2 expenditures even though these expenditures are already supported by investor capital. In
3 addition, Laclede requests authority for an estimate of the next three years of gross capital
4 expenditures with no consideration of internal funds available to finance these expenditures that
5 result in the request for excessive financing authority.

6 Third, there is no effective recourse in the event Laclede uses this excess authority
7 for inappropriate purposes. Once the debt is issued, Laclede's credit situation will be impacted.
8 Even an enforcement action brought by Staff will be hampered by the loss of Laclede's credit
9 capacity. Penalties will be ineffective if Laclede seeks protection from its creditors.

10 Fourth, there is no benefit to Laclede to have excessive authority.

11 **ADDITIONAL CONSIDERATIONS**

12 Q. What information do you think the Commission should consider for purposes of
13 determining a reasonable financing authority for Laclede?

14 A. First, as I explained in the Staff Recommendation filed on June 8, 2015, I believe
15 the Commission needs to scrutinize whether "the money, property or labor to be procured or paid
16 for by the issue of stock, bonds, notes or other evidence of indebtedness *is or has been*
17 *reasonably required for the purposes specified in the order.*"

18 Again, I believe actual events over the last five to six years show that Laclede's
19 request was not reasonable for the purposes it laid out in its Application and testimony in Case
20 No. GF-2009-0450, and subsequently included in the Commission's Order. History shows that
21 Staff's recommendation for a \$100 million debt authority for that period was more than adequate
22 to allow Laclede access to the long-term financing needed to fund its operations. Laclede filed a

1 request on August 21, 2012 (Case No. GF-2013-0085), for a two-year extension to the
2 \$518 million financing authority the Commission allowed in Case No. GF-2009-0450. At the
3 time Laclede filed that request, it had only used \$4.2 million of the \$518 million authority.
4 Because Staff did not have any other arguments to offer the Commission at that time other
5 than the mere fact that Laclede had used such an insignificant amount of the authority granted
6 by the Commission, Staff did not oppose the requested extension as the requested authority
7 was not being increased and the matter could better be examined after three additional years.
8 For the period covered under the financing authority, the Commission granted in Case No.
9 GF-2009-0450 (through June 30, 2013), Laclede only issued \$100 million of long-term debt,
10 which was consistent with the Staff's recommended debt authority for that time period. At the
11 time Laclede filed its request for a \$550 million authority in this case, it still had \$370 million of
12 authority remaining from the Commission's authority granted in the 2009 rate case. Clearly the
13 amount Laclede requested in 2009 was not reasonably required for the purposes they had
14 suggested. Staff believes that there must be a need to issue financing for the purposes given in
15 the statute and Laclede has clearly demonstrated that it never held to that standard.

16 The second item I believe the Commission needs to scrutinize is the practicality
17 of Laclede's claim that it should be given financing authority for "reimbursement of monies
18 expended from income." In its Application filed in this case, Laclede indicated the proceeds for
19 its requested financing authority would be used for the following purposes:

- 20 (1) to discharge or redeem previously issued bonds;
- 21 (2) to finance the purchase, acquisition and construction of
- 22 additional properties and facilities, as well as improvements to
- 23 the Company's existing plant;
- 24 (3) to improve or maintain service;
- 25 (4) to discharge or lawfully refund all or a portion of the
- 26 Company's outstanding short-term debt;
- 27 (5) to reimburse moneys actually expended from income; and/or

(6) to provide the financial resources required to meet the Company's other public utility obligations as described more fully below.

Consistent with its practice in Case No. GF-2009-0450, Laclede has added other purposes to its testimony to attempt to support the excessive amount of authority requested in its Application. In Ms. Rawlings' direct testimony, she now claims that Laclede needs to be reimbursed for expenditures from "other moneys in the treasury of the corporation..." In determining whether an amount of authority is reasonably required for purposes of financing a company's operations, a company should provide the practical purposes for which it plans to use financing proceeds. Laclede's laundry list of items in its Application, and now additional items in its direct testimony, does not provide credible information to the Commission for determining a reasonable amount of authority. For example, now Laclede claims that it should be allowed a financing authority because it may want to issue capital to replace its retained earnings, i.e. equity retained for reinvestment into the company. Capital structures are managed to avoid the need for recapitalization. To the extent a recapitalization is needed, then the situation should be examined before any related financings are authorized

Q. Can Laclede be reimbursed for any expenditure by issuing debt?

A. No. Laclede is reimbursed for its expenditures through its revenues not a debt issue, which was acknowledged by Laclede Group's Chief Financial Officer ("CFO") in the oral hearing in GF-2009-0450.⁵

The only way expenditures are reimbursed is by means of the revenues the company collects from its customers. It is simply circular to imply, as Mr. Rawlings does, that the Company needs authority to issue new capital to replace the equity, i.e. retained earnings,

⁵ GF-2009-0450 Transcripts. Volume 2, pp. 143-146.

1 that already supports the Company's assets. The issuance of new capital to replace already
2 issued and/or retained capital does not result in a reimbursement of the treasury. These
3 transactions only move dollars from debt to equity unless Laclede wishes to hold a huge cash
4 asset that would not be prudent. The expenditures to be reimbursed have already been financed.
5 Future financing authority is duplicative and results in financing authority that can be utilized for
6 this purpose.

7 Q. Is there any correlation between the amount of financing Laclede plans to issue
8 and the amount it claims in its unreimbursed schedule?

9 A. No and this was acknowledged by Laclede Group's CFO in GF-2009-0450.⁶

10 Q. Ms. Rawlings claims that Staff inappropriately deducted certain funds from
11 capital expenditures for purposes of determining the amount of financing Laclede may need for
12 future investment. How do you respond?

13 A. Ms. Rawlings claims that certain expected cash sources should not be considered
14 in determining the amount of financing authority because there is no language in the statute
15 specifically mentioning these sources of funds. Ms. Rawlings' concern about no specific
16 language regarding certain *projected* cash flows, whether they are projected cash inflows or
17 projected cash outflows raises an interesting topic that received little to no consideration in Case
18 No. GF-2009-0450. That is whether the statute intended to allow any consideration for future
19 capital expenditures and if so, what is a reasonable limit to the period of consideration.

20 Q. Why does Laclede request consideration for the next three years of
21 capital expenditures?

⁶ GF-2009-0450 Transcripts. Volume 2, p. 204, ll. 20-25.

1 A. Staff issued Data Request No. 0043 to Laclede to inquire as to why they request
2 consideration of expected capital expenditures for the next three years as opposed to any other
3 projected amount of time, such as 0 years, 1 year or 5 years. They provided the following
4 response:

5 Laclede believes the genesis of the 3 year period coincided with
6 the SEC decision to allow "Shelf Registrations" for publicly traded
7 companies. The original SEC guidelines allowed for a 3-year shelf
8 registration where companies could file documents with the SEC
9 that would allow them to issue, from time to time, in various
10 denominations, capital instruments up to a certain designated
11 amount. When the SEC guidelines came out, Laclede thought that
12 it would streamline the process to obtain MPSC authority that
13 mirrored the SEC authority and we have been requesting the same
14 authority for the same timeframe since then.

15 Subsequent to that time, the SEC has now changed the guidelines
16 such that there are now "universal shelves" that don't have an
17 expiration date. In that vein, Laclede would certainly be willing to
18 accept similar authority at the MPSC so as to eliminate the
19 unnecessary expenditure of time and resources for both the
20 Company and the Staff to dispose of such requests, thereby freeing
21 up resources, including the Staff's Financial Analysis Unit, to do
22 other important work.

23 Consequently, Laclede's request for consideration of three years of projected capital
24 expenditures is not based on the Missouri statute governing utility financing authorities, but
25 rather federal guidelines provided by the Securities and Exchange Commission.

26 Q. Did Ms. Rawlings criticize any other sources of funds that Staff deducted from
27 capital expenditures for purposes of determining a reasonable amount of financing authority?

28 A. Yes. Ms. Rawlings believes it was inappropriate for Staff to deduct depreciation,
29 amortization and deferred taxes from moneys expended on the construction or improvement of
30 the Company's plant or system. She maintains that these amounts are sources of cash in the
31 treasury of the Company, the expenditure of which is eligible for reimbursement.

1 Q. Do you agree that these funds should be considered as “treasury” funds that are
2 eligible for reimbursement?

3 A. No. Ms. Rawlings does not give any consideration to the fact that these are
4 non-cash expenses charged to ratepayers, not shareholder income. Consequently, the availability
5 of these funds should not result in an increase to the asset base of the company. This is
6 especially true for depreciation expense, which is simply a charge against revenues to account
7 for the fact that assets should have some limit to their useful lives. Consequently, because these
8 assets generate income over some extended period of time, for example service lines have an
9 expected life of 44 years, the cost to install this asset is divided by 44 years and this amount is
10 charged against income every year.⁷ Consequently, it would be inappropriate to allow a
11 company to issue capital without considering the fact that these ratepayer provided funds are
12 technically for the replacement of existing plant. In addition, it is illogical to authorize financing
13 authority for a paid asset.

14 Staff also does not agree with Laclede’s exclusion of cash flows it receives from
15 ratepayers for taxes it has not paid to the federal government. Over the past five years, Laclede
16 has collected \$143.816 million from ratepayers for taxes it has not paid to the federal
17 government. This results in an average annual amount of cash flow of \$28.763 million that
18 flows to investors because ratepayers are paying a higher amount of taxes than those actually
19 charged to the Company. Ms. Rawlings maintains these ratepayer provided funds will have to be
20 used to pay deferred tax amounts in future years. However, Ms. Rawlings omits that Laclede has
21 already spent these funds and Laclede has no cash reserves to pay these taxes if or when they
22 become due.

⁷ This is a simplified example.

1 Q. Has Laclede provided any evidence to show that Laclede expects these cash flows
2 to reverse anytime in the near future?

3 A. No. In Data Request No. 0027, Staff requested information from Laclede to
4 support Ms. Rawlings' claim that the cash flows the Company is receiving and is expected to
5 receive from ratepayers for taxes it isn't paying, will eventually reverse. Laclede's response was
6 that it had negative cash flows from taxes eight years ago in 2007.

7 If Laclede expected something similar to occur in the next few years, they would
8 not have projected such significant cash inflows from deferred taxes over the next few years.
9 Laclede's projected cash flow statements through 2019 show that Laclede expects to receive an
10 additional ** — ** million of cash flow due to income taxes being less than those collected
11 from ratepayers, which amounts to an average annual additional cash flow of ** — **
12 million. Consequently, because these are on-going funds available to Laclede that are not
13 considered additional capital, these funds should be used to reduce the amount of financing authority.

14 **Impact of Proposed Financing on Laclede's Financial Risk**

15 Q. Has Laclede provided sufficient information to allow Staff to adequately analyze
16 the possible impacts of the proposed amount and types of financing on Laclede's financial risk?

17 A. No. Staff requested the goodwill impairment analysis Laclede is required to
18 perform on an annual basis, pursuant to Generally Accepted Accounting Principles (GAAP),
19 to evaluate whether Laclede's carrying value assigned to its acquisition of the MGE properties
20 is still justified. Although Laclede provided the report completed by Price Waterhouse
21 Coopers (PWC) for purposes of evaluating the value of Laclede's goodwill asset, it redacted
22 much of the critical financial information that is analyzed to estimate the fair value. Because the

1 proposed debt financings can have an adverse impact on Laclede's credit quality and/or rating,
2 Staff believes it is important to understand Laclede's current financial standing to the fullest
3 extent possible, which includes evaluating the assumptions made in its analysis of the current
4 value of the MGE assets. Consequently, Staff requested this information in context of this case.

5 Laclede also hasn't provided information regarding the pro forma impact on
6 Laclede's credit metrics for the amounts and types of financings over the period of Laclede's
7 financing authority. In response to Staff Data Request No. 0003 Laclede indicated the following:

8 Subject to the objection submitted yesterday, please see the
9 response to DR 0002 for selected credit metrics. As the Company
10 has not decided on the form of financing, if any, related to
11 authority under the Financing Application, the "pro-forma"
12 calculations would be impossible to create and would, further, not
13 be meaningful. Please also see Exhibit 2 to the application in this
14 proceeding for the pro-forma balance sheet and income statement
15 as adjusted.

16 Staff attempted to request this information again in Staff Data Request No. 0007 and Laclede
17 directed Staff to its above response. Consequently, to the extent Laclede is requesting the
18 Commission's authority to issue financings for the amount requested in its Application, it cannot
19 provide an estimate as to *if, when and in what amounts* it may issue such financings. This is
20 extremely problematic for purposes of evaluating the potential impact the proposed financing
21 authority may have on the Company's financial risk. Staff routinely considers the impact of
22 proposed financings on a company's financial risk in determining whether to recommend the
23 Commission authorize the request. Staff's opinion has been that if a company introduces too
24 much financial risk into the capital structure, this would be considered a detriment to the public
25 because it would impair the company's ability to attract capital at a reasonable price.

Q. Have the redacted financial statements Laclede provided in its response to Staff Data Request No. 0002 been updated?

A. Yes. Because Staff realized the information Laclede provided in response to Staff Data Request No. 0002 was from rating agency presentations made in June 2014, Staff requested updated projected financial statements in Staff Data Request No. 0018. In response, Laclede provided redacted documents provided to the rating agencies in June 2015 of this year.

Q. Of the \$550 million of financing authority requested in Laclede's Application, how much financing does Laclede show it plans to issue through 2018?

A. ** _____
_____ **

Q. Based on the projected financial statements, for what purposes does it appear that Laclede will be issuing this financing?

A. For purposes of refinancing/** _____ **
and for redeeming long-term debt maturing in 2018.

Q. According to the rating agency presentation, what are Laclede's projected credit metrics for the period through 2018?

A. They are as follows:

	** ____ **	** ____ **	** ____ **	** ____ **
** _____ **	** ____ **	** ____ **	** ____ **	** ____ **
** _____ **	** ____ **	** ____ **	** ____ **	** ____ **
** _____ **	** ____ **	** ____ **	** ____ **	** ____ **

Source: Laclede's Response to Staff Data Request No. 0018

1 Q. Do these ratios imply Laclede's issuance of the debt it actually plans to issue over
2 the period of the authority will have much of an impact on Laclede's financial risk?

3 A. No. The only ratio that appears strained by the anticipated debt issuances is the
4 FFO/Interest coverage ratio. This is most likely due to the anticipated increase in the interest
5 expense during that year rather than a decline in FFO, but because Laclede redacted this
6 information from its DR responses, Staff cannot conclude this with certainty.

7 Q. Do the projected financial statements provided to the rating agencies reflect the
8 same financing scenario Laclede requests the Commission authorize, which is shown in
9 Exhibit 2 attached to Laclede's Application?

10 A. No.

11 Q. Does Exhibit 2 provide realistic information for purposes of assessing the
12 potential financial risk associated with the proposed financing authority?

13 A. No. As Laclede indicated in its response to Staff Data Request No. 0003, it does
14 not know *if, when and in what amounts* it may issue the various financial instruments requested
15 in its Application. Exhibit 2 implies that Laclede will issue \$190 million of additional equity

16 ** _____
17 _____ **, and \$360 million of long-term debt with \$100 million
18 of these proceeds being used to redeem long-term debt maturing and \$82.391 million being used
19 to retire short-term debt. Although Laclede's pro forma financial statements show the impact of
20 Laclede issuing \$360 million of long-term debt, Laclede has communicated to Staff that if it
21 were to receive a blanket Commission Authority to issue \$550 million of financing, Laclede
22 believes this Authority would allow them to issue all debt for this amount if it wishes to do so.

1 Q. Did Laclede provide pro forma financial statements that show the impact of
2 issuing \$550 million of debt if it chose to do so?

3 A. No. However, if the Commission grants this Authority, Staff believes it is
4 important to understand how such a scenario could impact Laclede's credit quality and its ability
5 to attract capital at reasonable costs.

6 Q. If Laclede issued \$550 million of debt, what would be the likely impact on
7 Laclede's credit rating?

8 A. It would probably fall one category from an 'A-' rating to an approximate 'BBB'
9 credit rating.

10 Q. How did you estimate the change in the credit rating?

11 A. Because Laclede didn't provide pro forma credit metrics showing this scenario, I
12 performed my own analysis to estimate how much three key financial credit metrics typically
13 reviewed by credit rating agencies would change if Laclede issued \$550 million of debt.

14 Q. Did you assume any debt was retired?

15 A. Yes. I accelerated the retirement of the \$100 million of debt that is maturing in
16 2017. Consequently, my scenario assumed a net increase in the amount of debt on Laclede's
17 balance sheet of \$450 million.

18 Q. What period did you use for purpose of your estimate of the pro forma impact of
19 the net increase in debt of \$450 million?

20 A. The 12-months ended on September 30, 2014, because this is the most recent
21 period in which Staff had access to comprehensive credit metric data for Laclede.

22 Q. How would the ratios be impacted if Laclede added a net amount of \$450 million
23 of debt to its books?

1 A. The FFO/debt ratio would decline from 20.16% to 13.43%; the FFO/interest
2 coverage ratio would decline from 7.47x to 4.96x; and the Debt/EBITDA ratio would
3 increase from 3.94x to 5.58x. All of the changes indicate a much higher degree of financial risk
4 at Laclede.

5 Q. How would this likely affect S&P's classification of Laclede's financial risk?

6 A. Based on the "low volatility" tables used by S&P for most natural gas distribution
7 companies, including Laclede, this would cause S&P to categorize Laclede's financial risk as
8 'aggressive' to 'significant' rather than the 'intermediate' currently assigned to the Company.

9 Q. If Laclede was bound by the \$360 million of long-term debt it used in the scenario
10 it attached to its Application, what would be the likely impact on Laclede's credit rating?

11 A. Because Laclede's financial risk would fall in the category of 'significant'
12 to 'intermediate,' its credit rating would not fall as much. It may fall by one notch, from 'A-'
13 to 'BBB+.'

14 Q. Do you think it is likely that Laclede will issue more than the ** ____ ** million
15 in debt over the next three years?

16 A. No. In response to Staff Data Request No. 0013, Laclede indicated the following:

17 Please note that the presentations provided to the Rating Agencies
18 included ** ____ ** million of long-term debt and our ratings
19 were confirmed subsequent to the presentation with a stable
20 outlook. If we were to incrementally finance beyond that level, we
21 would re-evaluate the need for additional equity in the mix.

22 Q. Does Laclede need Commission Authority to receive equity financing?

23 A. No. Because Laclede is a subsidiary of a holding company Laclede doesn't need
24 to issue shares to receive equity contributions. Consequently, their financing applications should
25 be limited to requests for debt authority.

1 Q. Did Laclede acknowledge that they don't need to issue shares to receive equity
2 contributions from Laclede Group?

3 A. Yes. In response to Staff Data Request No. 0029, Laclede indicated the
4 following:

5 Staff is incorrect in its understanding. From 2001 through 2004,
6 The Laclede Group made equity contributions to Laclede Gas
7 without acquiring shares. As to the second question, Laclede
8 Group could provide equity to Gas without issuing shares.

9 Consequently, Staff believes Laclede could limit its requested financing authorities to just the
10 debt it plans to issue. In Staff's opinion, debt financing should be of the most concern to the
11 Commission when it grants financing authorities because a company that issues too much debt,
12 especially when that company has no restrictions on the amount of dividends it can distribute to
13 its parent company, can dramatically increase its financial risk without having to come back to
14 the Commission to request permission to issue more debt than originally planned.

15 Q. If Laclede needed to issue more debt than it currently plans, do you think such a
16 situation should be of interest and concern to the Commission?

17 A. Yes. As Laclede has indicated, the rating agencies confirmation of Laclede's
18 current credit rating is based on Laclede's current financing plan. If something unexpected were
19 to occur that may cause Laclede to think it needs to increase the amount of debt it needs to issue,
20 then this would seem to be a situation the Commission should review before it is executed due to
21 its unexpected nature.

22 Q. Do you believe your recommendation will hinder Laclede's ability to provide safe
23 and adequate service?

1 A. No. In fact, requiring Laclede to come before the Commission for such
2 an unexpected event would allow the Commission to evaluate the potential detriment of such
3 a proposal.

4 Q. Has Staff been able to expedite reasonably requested authorities for unexpected
5 transactions in the past?

6 A. Yes. Staff did so for Laclede in its recent application requesting approval to
7 acquire the MGE system, Case No. GM-2013-0254. Laclede needed expedited approval from
8 the Commission to enter into interest rate swap agreements to lock in interest rates for purposes
9 of financing the acquisition of MGE. Staff provided a response within a week of Laclede's
10 request to do so and the Commission issued an Order approving such a request two days later.

11 Q. Has Staff filed recommendations in other financing applications in a fairly quick
12 and efficient manner?

13 A. Yes. Assuming companies request authority to issue debt for purposes that are
14 clearly identifiable and reasonable and necessary for the utility's operations, Staff routinely files
15 recommendations within 30 to 45 days of a company filing such financing applications.
16 Laclede's financing applications are clearly the exception rather than the norm due to the nature
17 of the fact that their requests cannot be tied to reasonably identifiable financing needs.

18 **STAFF'S RECOMMENDATION**

19 Q. Does Staff still support its initial recommendation to the Commission to grant
20 Laclede a financing authority of ** — ** million?

21 A. Yes. This is the amount Laclede has communicated to the rating agencies that it
22 believes will be reasonably required to continue to finance its operations. If Laclede should need

Rebuttal Testimony of
David Murray

1 to issue an amount of debt more than it currently anticipates, then this uncertainty could be due
2 to an event that the Commission should review to assure no public detriment should occur due to
3 such transaction.

4 Q. Are you still sponsoring the same conditions you attached to Staff's
5 recommendation?

6 A. Yes.

7 Q. Does this conclude your rebuttal testimony?

8 A. Yes.

OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's)
Application for Authority to Issue and Sell)
First Mortgage Bonds, Unsecured Debt and)
Preferred Stock, and to Issue Common Stock)
and Receive Capital Contributions)

AFFIDAVIT OF DAVID MURRAY

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

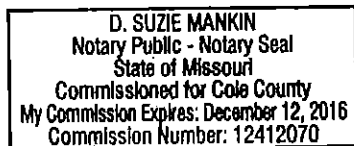
COMES NOW DAVID MURRAY and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


DAVID MURRAY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 24th day of August 2015.



Suzanne Rankin
Notary Public

DAVID MURRAY

Educational and Employment Background and Credentials

I am currently the Utility Regulatory Manager of the Financial Analysis Unit for the Missouri Public Service Commission (Commission). I accepted the position of a Public Utility Financial Analyst in June 2000 and my position was reclassified in August 2003 to an Auditor III. I was promoted to the position of Auditor IV, effective July 1, 2006. I was employed by the Missouri Department of Insurance in a regulatory position before I began my employment at the Missouri Public Service Commission.

I was authorized in October 2010 to use the Chartered Financial Analyst (CFA) designation. The use of the CFA designation requires the passage of three rigorous examinations addressing many investment related areas such as valuation analysis, portfolio management, statistical analysis, economic analysis, financial statement analysis and ethical standards. In addition to the passage of the examinations a CFA charterholder must have four years of relevant professional work experience.

In May 1995, I earned a Bachelor of Science degree in Business Administration with an emphasis in Finance and Banking, and Real Estate from the University of Missouri-Columbia. I earned a Masters in Business Administration from Lincoln University in December 2003.

I have been awarded the professional designation Certified Rate of Return Analyst (CRRA) by the Society of Utility and Regulatory Financial Analysts (SURFA). This designation is awarded based upon experience and successful completion of a written examination, which I completed during my attendance at a SURFA conference in April 2007. I also serve as a board member on the SURFA Board of Directors.

CASE PROCEEDING PARTICIPATION**DAVID MURRAY**

Date Filed	Case Number	Company Name	Testimony Type	Issue(s)
3/20/15	EO-2015-0055	Union Electric Company d/b/a Ameren Missouri	Rebuttal	Demand-Side Programs
2/6/2015	ER-2014-0258	Union Electric Company d/b/a Ameren Missouri	Surrebuttal	Rate of Return Capital Structure
1/16/2015	ER-2014-0258	Union Electric Company d/b/a Ameren Missouri	Rebuttal	Rate of Return Capital Structure
12/5/2014	ER-2014-0258	Union Electric Company d/b/a Ameren Missouri	Cost of Service Report	Rate of Return Capital Structure
9/15/2014	EA-2014-0207	Grain Belt Express Clean Line, LLC	Rebuttal	Financing
8/8/2014	GR-2014-0086	Summit Natural Gas of Missouri	Surrebuttal	Rate of Return Capital Structure
7/11/2014	GR-2014-0086	Summit Natural Gas of Missouri	Rebuttal	Rate of Return Capital Structure
5/30/2014	GR-2014-0086	Summit Natural Gas of Missouri	Cost of Service Report	Rate of Return Capital Structure
4/29/2013	SR-2013-0016	Emerald Pointe Utility Company	Surrebuttal	Rate of Return
1/30/2013	EA-2013-0098	KCP&L; KCP&L Greater Missouri Operations; Transource Missouri, LLC	Rebuttal	Financing
11/13/2012	ER-2012-0175	KCP&L Greater Missouri Operations Company	True-up Rebuttal	Rate of Return Capital Structure
11/13/2012	ER-2012-0174	Kansas City Power & Light Company	True-up Rebuttal	Rate of Return Capital Structure
10/10/2012	ER-2012-0175	KCP&L Greater Missouri Operations Company	Surrebuttal	Rate of Return Capital Structure
10/8/2012	ER-2012-0174	Kansas City Power & Light Company	Surrebuttal	Rate of Return Capital Structure
9/12/2012	ER-2012-0175	KCP&L Greater Missouri Operations Company	Rebuttal	Rate of Return Capital Structure
9/7/2012	ER-2012-0166	Union Electric Company d/b/a Ameren Missouri	Surrebuttal	Rate of Return Capital Structure

CASE PROCEEDING PARTICIPATION**DAVID MURRAY**

Date Filed	Case Number	Company Name	Testimony Type	Issue(s)
9/5/2012	ER-2012-0174	Kansas City Power & Light Company	Rebuttal	Rate of Return Capital Structure
8/14/2012	ER-2012-0166	Union Electric Company d/b/a Ameren Missouri	Rebuttal	Rate of Return Capital Structure
8/9/2012	ER-2012-0175	KCP&L Greater Missouri Operations Company	Cost of Service Report	Rate of Return Capital Structure
8/2/2012	ER-2012-0174	Kansas City Power & Light Company	Cost of Service Report	Rate of Return Capital Structure
7/6/2012	ER-2012-0166	Union Electric Company d/b/a Ameren Missouri	Cost of Service Report	Rate of Return Capital Structure
04/15/2011	ER-2011-0028	Union Electric Company d/b/a Ameren Missouri	Surrebuttal	Rate of Return Capital Structure
03/25/2011	ER-2011-0028	Union Electric Company d/b/a Ameren Missouri	Rebuttal	Rate of Return Capital Structure
02/28/2011	ER-2010-0356	KCP&L Greater Missouri Operations Company	True-up Rebuttal	Rate of Return Capital Structure
02/28/2011	ER-2010-0355	Kansas City Power & Light Company	True-up Rebuttal	Rate of Return Capital Structure
02/22/2011	ER-2010-0356	KCP&L Greater Missouri Operations Company	True-up Direct	Rate of Return Capital Structure
02/22/2011	ER-2010-0355	Kansas City Power & Light Company	True-up Direct	Rate of Return Capital Structure
02/08/2011	ER-2011-0028	Union Electric Company d/b/a Ameren Missouri	Cost of Service Report	Rate of Return Capital Structure
1/12/2011	ER-2010-0356	KCP&L Greater Missouri Operations Company	Surrebuttal	Rate of Return Capital Structure
1/05/2011	ER-2010-0355	Kansas City Power & Light Company	Surrebuttal	Rate of Return Capital Structure
12/15/2010	ER-2010-0356	KCP&L Greater Missouri Operations Company	Rebuttal	Rate of Return Capital Structure
12/08/2010	ER-2010-0355	Kansas City Power & Light Company	Rebuttal	Rate of Return Capital Structure

CASE PROCEEDING PARTICIPATION**DAVID MURRAY**

Date Filed	Case Number	Company Name	Testimony Type	Issue(s)
11/17/2010	ER-2010-0356	KCP&L Greater Missouri Operations Company	Cost of Service Report	Rate of Return Capital Structure
11/10/2010	ER-2010-0355	Kansas City Power & Light Company	Cost of Service Report	Rate of Return Capital Structure
05/06/2010	WR-2010-0131	Missouri-American Water Company	Surrebuttal	Rate of Return Capital Structure
04/15/2010	WR-2010-0131	Missouri-American Water Company	Rebuttal	Rate of Return Capital Structure
03/09/2010	WR-2010-0131	Missouri-American Water Company	Cost of Service Report	Rate of Return Capital Structure
03/05/2010	ER-2010-0036	Union Electric Company d/b/a AmerenUE	Surrebuttal	Rate of Return Capital Structure
02/11/2010	ER-2010-0036	Union Electric Company d/b/a AmerenUE	Rebuttal	Rate of Return Capital Structure
12/18/2009	ER-2010-0036	Union Electric Company d/b/a AmerenUE	Cost of Service Report	Rate of Return Capital Structure
10/14/2009	GR-2009-0355	Missouri Gas Energy	Surrebuttal	Rate of Return Capital Structure
09/28/2009	GR-2009-0355	Missouri Gas Energy	Rebuttal	Rate of Return Capital Structure
08/21/2009	GR-2009-0355	Missouri Gas Energy	Cost of Service Report	Rate of Return Capital Structure
04/09/2009	HR-2009-0092	KCP&L Greater Missouri Operations Company	Surrebuttal	Rate of Return Capital Structure
04/09/2009	ER-2009-0090	KCP&L Greater Missouri Operations Company	Surrebuttal	Rate of Return Capital Structure
04/07/2009	ER-2009-0089	Kansas City Power & Light Company	Surrebuttal	Rate of Return Capital Structure
03/13/2009	HR-2009-0092	KCP&L Greater Missouri Operations Company	Rebuttal	Rate of Return Capital Structure

CASE PROCEEDING PARTICIPATION**DAVID MURRAY**

Date Filed	Case Number	Company Name	Testimony Type	Issue(s)
03/13/2009	ER-2009-0090	KCP&L Greater Missouri Operations Company	Rebuttal	Rate of Return Capital Structure
03/11/2009	ER-2009-0089	Kansas City Power & Light Company	Rebuttal	Rate of Return Capital Structure
02/13/2009	HR-2009-0092	KCP&L Greater Missouri Operations Company	Cost of Service Report	Rate of Return Capital Structure
02/13/2009	ER-2009-0090	KCP&L Greater Missouri Operations Company	Cost of Service Report	Rate of Return Capital Structure
02/11/2009	ER-2009-0089	Kansas City Power & Light Company	Cost of Service Report	Rate of Return Capital Structure
08/01/2008	HR-2008-0300	Trigen-Kansas City Energy Corporation	Cost of Service Report	Rate of Return Capital Structure
01/18/2008	GR-2008-0060	Missouri Gas Utility, Inc.	Cost of Service Report	Rate of Return Capital Structure
07/31/2007	WR-2007-0216	Missouri-American Water Company	Surrebuttal	Rate of Return Capital Structure
07/13/2007	WR-2007-0216	Missouri-American Water Company	Rebuttal	Rate of Return Capital Structure
06/05/2007	WR-2007-0216	Missouri-American Water Company	Direct	Rate of Return Capital Structure
12/27/2006	GR-2006-0422	Missouri Gas Energy	True-up Direct	Rate of Return Capital Structure
12/11/2006	GR-2006-0422	Missouri Gas Energy	Surrebuttal	Rate of Return Capital Structure
11/21/2006	GR-2006-0422	Missouri Gas Energy	Rebuttal	Rate of Return Capital Structure
10/13/2006	GR-2006-0422	Missouri Gas Energy	Direct	Rate of Return Capital Structure
08/18/2006	ER-2006-0315	Empire District Electric Co.	Surrebuttal	Rate of Return Capital Structure

CASE PROCEEDING PARTICIPATION**DAVID MURRAY**

Date Filed	Case Number	Company Name	Testimony Type	Issue(s)
07/28/2006	ER-2006-0315	Empire District Electric Co.	Rebuttal	Rate of Return Capital Structure
06/23/2006	ER-2006-0315	Empire District Electric Co.	Direct	Rate of Return Capital Structure
12/13/2005	ER-2005-0436	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks-L&P	Surrebuttal	Rate of Return Capital Structure
11/18/2005	ER-2005-0436	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks-L&P	Rebuttal	Rate of Return Capital Structure
10/14/2005	ER-2005-0436	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks-L&P	Direct	Rate of Return Capital Structure
11/24/2004	ER-2004-0570	Empire District Electric Co.	Surrebuttal	Rate of Return Capital Structure
11/04/2004	ER-2004-0570	Empire District Electric Co.	Rebuttal	Rate of Return Capital Structure
09/20/2004	ER-2004-0570	Empire District Electric Co.	Direct	Rate of Return
07/19/2004	GR-2004-0209	Missouri Gas Energy	True-Up Direct	Rate of Return Capital Structure
06/14/2004	GR-2004-0209	Missouri Gas Energy	Surrebuttal	Rate of Return Capital Structure
05/24/2004	GR-2004-0209	Missouri Gas Energy	Rebuttal	Rate of Return Capital Structure
04/15/2004	GR-2004-0209	Missouri Gas Energy	Direct	Rate of Return Capital Structure
03/11/2004	IR-2004-0272	Fidelity Telephone Company	Direct	Rate of Return Capital Structure
02/13/2004	GR-2004-0072	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks-L&P	Rebuttal	Rate of Return Capital Structure
02/13/2004	ER-2004-0034	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks-L&P	Surrebuttal	Rate of Return Capital Structure
02/13/2004	HR-2004-0024	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks-L&P	Surrebuttal	Rate of Return Capital Structure

CASE PROCEEDING PARTICIPATION**DAVID MURRAY**

Date Filed	Case Number	Company Name	Testimony Type	Issue(s)
01/26/2004	HR-2004-0024	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks L&P	Rebuttal	Rate of Return Capital Structure
01/26/2004	ER-2004-0034	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks L&P	Rebuttal	Rate of Return Capital Structure
01/09/2004	WT-2003-0563	Osage Water Company	Rebuttal	Rate of Return Capital Structure
01/09/2004	ST-2003-0562	Osage Water Company	Rebuttal	Rate of Return Capital Structure
01/06/2004	GR-2004-0072	Aquila, Inc.	Direct	Rate of Return Capital Structure
12/19/2003	ST-2003-0562	Osage Water Company	Direct	Rate of Return Capital Structure
12/19/2003	WT-2003-0563	Osage Water Company	Direct	Rate of Return Capital Structure
12/09/2003	ER-2004-0034	Aquila, Inc.	Direct	Rate of Return Capital Structure
12/09/2003	HR-2004-0024	Aquila, Inc.	Direct	Rate of Return Capital Structure
12/05/2003	WC-2004-0168	Missouri-American Water Co	Surrebuttal	Rate of Return Capital Structure
12/05/2003	WR-2003-0500	Missouri-American Water Co	Surrebuttal	Rate of Return Capital Structure
11/10/2003	WR-2003-0500	Missouri-American Water Company	Rebuttal	Rate of Return Capital Structure
11/10/2003	WC-2004-0168	Missouri-American Water Company	Rebuttal	Rate of Return Capital Structure
10/03/2003	WC-2004-0168	Missouri-American Water Company	Direct	Rate of Return Capital Structure
10/03/2003	WR-2003-0500	Missouri-American Water Company	Direct	Rate of Return Capital Structure
03/17/2003	GM-2003-0238	Southern Union Co. dba Missouri Gas Energy	Rebuttal	Insulation
10/16/2002	ER-2002-424	The Empire District Electric Company	Surrebuttal	Rate of Return Capital Structure

CASE PROCEEDING PARTICIPATION**DAVID MURRAY**

Date Filed	Case Number	Company Name	Testimony Type	Issue(s)
09/24/2002	ER-2002-424	The Empire District Electric Company	Rebuttal	Rate of Return Capital Structure
08/16/2002	ER-2002-424	The Empire District Electric Company	Direct	Rate of Return Capital Structure
08/06/2002	TC-2002-1076	BPS Telephone Company	Direct	Rate of Return Capital Structure
01/22/2002	ER-2001-672	UtiliCorp United Inc. dba Missouri Public Service	Surrebuttal	Rate of Return Capital Structure
01/22/2002	EC-2002-265	UtiliCorp United Inc. dba Missouri Public Service	Surrebuttal	Rate of Return Capital Structure
01/08/2002	ER-2001-672	UtiliCorp United Inc. dba Missouri Public Service	Rebuttal	Rate of Return Capital Structure
01/08/2002	EC-2002-265	UtiliCorp United Inc. dba Missouri Public Service	Rebuttal	Rate of Return Capital Structure
12/06/2001	ER-2001-672	UtiliCorp United Inc. dba Missouri Public Service	Direct	Rate of Return Capital Structure
12/06/2001	EC-2002-265	UtiliCorp United Inc. dba Missouri Public Service	Direct	Rate of Return Capital Structure
05/22/2001	GR-2001-292	Missouri Gas Energy, A Division of Southern Union Company	Rebuttal	Rate of Return Capital Structure
04/19/2001	GR-2001-292	Missouri Gas Energy, A Division of Southern Union Company	Direct	Rate of Return Capital Structure
03/01/2001	TT-2001-328	Oregon Farmers Mutual Telephone Company	Rebuttal	Rate of Return Capital Structure
02/28/2001	TR-2001-344	Northeast Missouri Rural Telephone Company	Direct	Rate of Return Capital Structure
01/31/2001	TC-2001-402	Ozark Telephone Company	Direct	Rate of Return Capital Structure

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Official Case File Case No. GF-2015-0181

FROM: David Murray, Financial Analysis

/s/ David Murray 06/08/2015
Project Coordinator / Date

/s/ John Borgmeyer 06/08/2015
Staff Counsel's Office / Date

SUBJECT: Staff Recommendation concerning the Application of Laclede Gas Company ("Laclede," "Company," or "Applicant") to Re-Establish and Extend the Financing Previously Approved by the Commission

DATE: June 8, 2015

1. (a) **Type of Issues:** First Mortgage Bonds, Unsecured Debt, Preferred Stock, Common Stock, Capital Contributions and Private Placements.

(b) **Amount:** Up to \$550,000,000.

(c) **Rate:** Unknown and not applicable in terms of stock.

(d) **Other Provisions:** Further terms and provisions including provisions for prepayment and redemption will be determined at the time of issuance.
2. **Proposed Date of Transactions:** Anytime during the requested period of financing authority through September 30, 2018.
3. (a) **Statement of Purpose of the Issuances:**
The proceeds from the securities will be used for the following purposes: 1) to discharge or redeem previously issued securities; 2) to finance the purchase, acquisition and construction of additional properties and facilities, as well as improvements to the Company's existing plant; 3) to improve or maintain service; 4) to discharge or lawfully refund all or a portion of the Company's outstanding short-term debt; 5) to reimburse moneys actually expended from income; and/or 6) to provide the financial resources required to meet the Company's other public utility obligations.

(b) **From a financial perspective, does Staff deem this Statement of Purpose of the Issue reasonable?**

Yes, but the authority should be limited to ** _____ **.

** Denotes Highly Confidential Information **

NP

Appendix A

4. **Copies of executed instruments defining terms of the proposed securities:**

Such instruments have not been executed, but an indication of possible general terms and conditions were included in the Application.

5. **Certified copy of resolution of the directors of applicant, or other legal documents authorizing the issuance of the securities reviewed:**

Yes

6. **Pro-forma Balance Sheet and Income Statement reviewed:**

Yes

7. **Capital expenditure schedule reviewed:**

Yes

8. **Journal entries required to be filed by Laclede Gas to allow for the Fee Schedule to be applied:**

Unknown until securities are issued.

9. **Recommendation of the Staff:**

Reject requested amount of \$550 million, but authorize ** _____ ** of total capital issuance over the period requested (see Comments and Recommended Conditions)

COMMENTS:

Laclede Gas Company ("Laclede" or "Company") is a public utility engaged in distributing and transporting natural gas to customers in both the eastern and western portions of the State of Missouri. Under the name Laclede Gas Company, Laclede serves customers in the City of St. Louis and ten counties in eastern Missouri. Under the name Missouri Gas Energy ("MGE"), Laclede serves customers in the City of Kansas City and thirty counties in western Missouri. Laclede is a gas corporation subject to the jurisdiction of the Missouri Public Service Commission. Laclede Gas Company is a wholly owned subsidiary of The Laclede Group, which owns other companies.

On April 15, 2015, in Case No. GF-2015-0181, Laclede filed an Application pursuant to Sections 393.190 and 393.200 RSMo, and Commission Rules 4 CSR 240-2.060 and 3.220. The Application requests that the Commission re-establish and extend Laclede's authority to issue

registered securities (first mortgage bonds, unsecured debt and preferred stock), issue common stock and receive capital contributions, issue and accept private placement investments, and to enter into capital leases, all in a total amount not to exceed \$550 million. Laclede claims that it needs the requested authority for the following purposes: (1) to discharge or redeem previously issued bonds; (2) to finance the purchase, acquisition and construction of additional properties and facilities, as well as improvements to the Company's existing plant; (3) to improve or maintain service; (4) to discharge or lawfully refund all or a portion of the Company's outstanding short-term debt; (5) to reimburse moneys actually expended from income; and/or (6) to provide the financial resources required to meet the Company's other public utility obligations.

While all of the purposes Laclede lists in its Application reflect purposes for which the Commission may authorize financing as listed in Section 393.200(1) RSMo., Staff's concern is whether it is practical and/or reasonable to conclude that Laclede has the need to issue financings for the purposes listed. In addition to setting forth a list of purposes for which a utility may request financing authority, Section 393.200(1) also states that the Commission's order authorizing the financing must also include the Commission's determination that "...in the opinion of the commission, the money, property or labor to be procured or paid for by the issue of stock, bonds, notes or other evidence of indebtedness *is or has been reasonably required for the purposes specified in the order.*"

As explained below, experience has demonstrated that the amount of authority the Commission granted Laclede in Case No. GF-2009-0450 and extended in Case No. GF-2013-0085, was not, in fact, reasonably required for the purposes specified in the orders in those cases. Based on experience, and based on Staff's analysis of the evidence in this case, Staff does not believe that the amount of financing authority Laclede requests in this case is reasonably required for the purposes set forth in its Application.

Laclede's Application requests the Commission provide it authority to issue securities for up to \$550 million through September 30, 2018. In order to evaluate the reasonableness of Laclede's request, Staff initially issued three data requests to request financial data as it pertains to the period in which Laclede is requesting the Commission grant it financing authority. Staff requested Laclede provide projected financial statements for this period, any information Laclede provided to or received from rating agencies during its most recent interaction with rating agencies, and the pro forma impact of the proposed financings on Laclede Gas' projected credit metrics over the period of the requested financing authority. Staff requested the information in order to assess the reasonableness of Laclede's request and the potential impact of requested debt issuances on credit quality.

Laclede did not provide complete responses to Staff's data requests. Laclede redacted certain amounts of projected funds flow it expects to receive from its operations, specifically cash flows

from net income, but also other material items, such as funds provided by ratepayers for taxes it is currently not required to pay on income for purposes of its tax filings (deferred income taxes).

The information Staff requested from Laclede is not unusual, especially for this case, in which Laclede is requesting the Commission provide a very broad financing authority over multiple years. Staff notes that Laclede is the only regulated utility in Missouri for which the Commission has authorized such a broad and high amount of financing authority. For example, Missouri's two largest electric utilities, Ameren Missouri and Kansas City Power & Light Company, typically limit their financing authority requests to specific long-term debt financing requests that they actually plan to issue during the upcoming year in order to refinance short-term debt that has accumulated due to past capital expenditures, or to refinance upcoming maturities or early redemptions of long-term debt. In such situations, it is usually fairly simple for Staff to verify whether the request is reasonable because these utilities only request financing based on identifiable needs, not speculative and convoluted purposes, as Laclede continues to do in this case and in previous cases. Fortunately, the Commission now has evidence from actual experience to judge how much of the requested authority is reasonably required.

For purposes of estimating potential capital needs, it is common corporate financing practice to estimate the difference between the amount of funds the company expects to receive from its operations and the amount of funds the company expects to use in its operations (inclusive of capital expenditures and dividend payments). To the extent that there is a projected deficiency in the amount of funds the company has available for reinvestment in its operations, the company usually incurs short-term debt to initially fund these deficiencies. To the extent Laclede's short-term debt balances reach sustained, higher levels due to investment in long-lived assets, it will need to issue long-term financings to reduce the amount of short-term debt to continue to have adequate capacity in the short-term capital markets to maintain sufficient liquidity. Consequently, Staff issued its data requests in this case to determine not only Laclede's projected capital deficiency, but also how the planned financings requested in the Application may impact Laclede's credit quality by analyzing certain key credit metrics, to which rating agencies give significant consideration.

In response to Staff's Data Request No. 1, Laclede's projected cash flow statements indicate it plans to issue ** _____

_____ **

Consequently, the amount of financing that Laclede Gas reasonably anticipates it will need for purposes of funding its capital needs is ** _____. ** This is the amount of authority Staff recommends the Commission authorize for purposes of Laclede's Application.

Staff believes its recommended amount of Commission financing authority is fair and reasonable due to the fact that it is based on the Company's own financial projections (without any downward adjustments made by Staff). Generally, Staff does not recommend that the Commission grant utilities financing authority unreasonably in excess of what the utility reasonably anticipates that it will actually use. Therefore, Staff takes particular issue with this Application's reference to Exhibit 3. In its Application, Laclede asserts that Exhibit 3's total of more than \$1 billion represents the maximum amount of authority Laclede would be "allowed" or "permitted to obtain" pursuant to the Commission's Report and Order in GF-2009-0450.

Staff does not agree that Exhibit 3 should form the basis for the maximum amount of financing authority the Commission should allow Laclede. As explained in more detail below, experience has shown that Laclede's assertion of the amount of financing authority the Commission should allow was much higher than what was reasonably required. Therefore, Staff believes the Commission should reevaluate the reasonableness of the approach Laclede proposes to use to determine the amount of authority it needs.

In GF-2009-0450, the Commission's financing authority for Laclede included total capital expenditures projected over the next three years, plus net property additions made in the past, plus amounts needed to redeem maturing debt over the next three years. Laclede asserts that its requested amount of financing authority calculated in Exhibit 3 is consistent with allowable purposes outlined in Section 393.200 RSMo.

However, Staff does not agree that Laclede's calculations of these amounts are consistent with what is reasonably required for the purposes identified. Staff will discuss these items one at a time in the order presented.

First, Laclede's Exhibit 3 asserts that it should be allowed an amount of total capital expenditures over the next three years (total of \$562 million). This request for total capital expenditures gives no consideration for cash flows Laclede receives from its operations due to the return on and the return of capital built into Laclede's rates.

In GF-2009-0450, the Commission determined that it was not reasonable to charge all of Laclede's projected income against property, plant, and system expenses to the exclusion of long-term financing. Even though Staff believes it is reasonable to expect that Laclede will reinvest approximately 25% of its income into its operations,¹ thereby reducing the amount of external financing needed over the projected period, Staff did not assume any projected income

¹ Laclede's historical financials indicate that it typically distributes about 75% of its income in dividends to the LG.

was used to finance projected capital expenditures. However, Staff believes cash flows received from operations other than from income should be netted from the \$562 million of gross capital expenditures shown on Exhibit 3. The most material cash flows provided from operations other than from income are from non-cash expenses, such as deferred income taxes, depreciation and amortization. In the Commission's Report and Order in the 2009 finance case, these items were lumped in with the amount of cash flow received from operations and were generally considered to be capital expenditures that were reimbursable. The cash flows received through these non-cash expenses are not expenditures of capital, but rather a deduction to capital. Depreciation causes a decline in the book value of the company, except if the funds received from depreciation are reinvested back into plant, which it would then be classified as a "replacement." Requests for authority for replacements are explicitly prohibited by the statute because this is just maintenance of capital already contributed. Accumulated deferred income taxes are booked as a liability because while the Company may not have to pay the amount of taxes it records on the financial statements it reports to its investors, it is possible that the Company will have to pay these amounts at some time in the future, which will cause a reversal in the amount of the liability. Consequently, to the extent that these funds are available for investment into the Company's system, they should also be netted from the amount of capital requested.

Because Laclede objected to providing Staff the financial information that would have identified the amount of projected cash flows contributed by income and deferred income taxes, Staff had to estimate the amount of cash flows Staff believes should be the minimum amount netted from gross capital expenditures for purposes of estimating projected capital needs. If the Commission needs the projected amounts of these non-cash expenses to determine the amount of financing authority to allow, the Commission will need to compel the Company to provide this information.

Schedule 1 attached to Staff's recommendation nets out Staff's estimate of the amount of funds from operations other than income that Laclede expects to receive over the period of the authority from the gross amount of capital expenditures Laclede identified in Exhibit 3 attached to its Application. Staff estimates that Laclede will receive cash flow from non-cash expenses from ratepayers in the amount of approximately ** _____ ** over the period of the authority. This results in net capital needs of approximately ** _____ ** for projected capital expenditures.

Second, Staff will explain why Laclede's quantification of \$339 million in net property additions made in the past is not reliable for purposes of estimating a reasonable amount of financing for purposes of "reimbursement" of past expenditures. Although the statute provides the "reimbursement of moneys actually expended from income" as one allowable purpose to justify financing authority, Staff does not agree that Laclede's request for this amount is reasonably required for such purpose. Perhaps the most obvious and simplest explanation as to why Laclede's claim for an amount for "reimbursements" of past expenditures based on the formula Exhibit 3 is not reasonable is the fact that experience has proven Laclede does not plan and

execute its financings based on the formula in Exhibit 3. Although the statute mentions “reimbursements” as a potential consideration for an amount of financing, the statute also indicates that the Commission must determine that the amount of the authority “is or has been reasonably required for purposes specified in the order.” Staff issued Data Request No. 4 to determine how much of Laclede’s current financing authority had been used for “reimbursement.” Laclede responded (*see* Schedule 2) that because “cash is fungible and is not specifically designated, on a dollar for dollar basis, for a specific purpose such as reimbursement of moneys expended from income,” no specific amount of financing can be attributed to “reimbursement.” Laclede directed Staff to its response to Staff Data Request No. 5 for the financings issued under the Commission’s Authority in Case Nos. GF-2009-0450 and GF-2013-0085.

Laclede’s response to Staff Data Request No. 5 (*see* Schedule 3) only shows two sizeable financings since June 30, 2010 (the effective date of the Commission’s Financing Authority in Case No. GF-2009-0450). The first being an approximate \$40 million issuance of equity to Laclede’s parent company, LG, on September 14, 2012 and the second being a \$100 million debt issuance on March 15, 2013. The remainder of Laclede’s financings only aggregated to an additional approximate \$8 million, which were mainly due to small periodic quarterly equity issuances over the period of the authority.

According to Laclede’s March 31, 2013 SEC Form 10-Q and September 30, 2012 SEC Form 10-K filings, the proceeds from the equity issuance and the debt issuance were used to reduce the amount of short-term debt outstanding and for general corporate purposes. Staff accepts Laclede’s statement that cash is fungible and therefore, attributing the balance of short-term debt to specific, identifiable uses is not easy, but there are some situations in which it is clear as to why Laclede had to incur a significant amount of short-term debt. For example, a few months before Laclede issued \$100 million of long-term debt, it retired \$25 million of long-term debt with proceeds from short-term debt. Consequently, Staff believes the other \$75 million may be attributed to reimbursement for past expenditures. Staff would also accept Laclede’s issuance of \$40 million of equity to reduce the amount of short-term debt as a reimbursement of past expenditures made from short-term debt proceeds, i.e. the treasury. This results in total long-term financings used to reduce short-term debt of approximately \$123 million (\$75 + \$40 + \$8) during the period of the authority.

Perhaps the most important point for the Commission to consider is that the \$123 million of long-term financings was not issued to reimburse capital expenditures made before Laclede filed its Application in Case No. GF-2009-0450, but for expenditures made during the period of the authority. If Laclede had truly needed to reimburse the treasury for past expenditures of \$279 million as it had claimed at the time it filed its Application in Case No. GF-2009-0450, it would have issued \$279 million of long-term financing shortly after being granted

the financing authority and used the proceeds to refinance expenditures initially funded by short-term debt. It did not.

Under modern financial management, companies typically use short-term lines of credit and/or commercial paper to fund capital needs, which includes capital expended on property, plant and system. If the amount of short-term debt outstanding increases and is sustained at higher levels due to the fact that this financing was used for investment in long-lived assets, then long-term capital would need to be issued to reduce the amount of short-term debt outstanding. Staff accepts this as a reasonably required need for financing. In fact, Staff routinely recommends approval of financing requests from other Missouri utility companies requesting authority to issue long-term capital to refinance short-term debt outstanding. In Staff's opinion, this would be the amount of long-term financing reasonably required for purposes of reimbursing the company for past expenditures on the system.

It is obvious that although Laclede had maintained in GF-2009-0450 that it needed authority to issue up to \$279 million of financing based on its proposed formula, experience has proven this formula is not practical for purposes of estimating a reasonable amount of required financing authority. However, if the Commission is still inclined to allow the Company consideration for past expenditures made from income, then the Commission should only allow for the amount of income retained for reinvestment in the system, i.e. retained earnings. Over the last five years, Laclede has only reinvested approximately \$75 million of income back into its plant.² Consequently, Staff believes any consideration for reimbursement of income should be limited to \$75 million.

The final financing need Laclede identified in Exhibit 3 is the refinancing of maturing long-term debt. Staff does not take issue with this amount. This is a clear and identifiable need which amounts to \$100 million for the period of the financing authority.

Thus, after Staff supplemented Laclede's Exhibit 3 to consider other relevant cash flows, Staff estimates Laclede's reasonably required amount of financing authority is approximately ** _____.** However, as Staff has noted throughout its recommendation, Laclede did not provide complete information in response to Staff's data requests, so it is difficult to ascertain whether Staff has given proper consideration for the various cash flow items that were redacted from Laclede's responses. If a larger amount of Laclede's expected cash flows were from income, then Staff's estimate may be too low. If a smaller amount of Laclede's expected cash flows were from income, then Staff's estimate may be too high.

Although Staff has gone through the convoluted process of attempting to estimate the amount of a possible financing authority based on considering other financial data in addition to Laclede's

² Laclede Gas Annual Financial Statements for the period 2010-2014 as reported by SNL.

Exhibit 3, Staff's recommendation in this case is based on the simple fact that Laclede's own projected financial statements indicate that it expects to issue ** _____ ** of capital over the next three years. Therefore, even though Staff believes its estimate of ** _____ ** of financing authority is consistent with a reasonable consideration of the source of specific cash flows that are available to Laclede for reinvestment, Staff believes Laclede's projected financial statements indicate the amount of capital Laclede reasonably expects to need authority to issue over the next three years. Therefore, Staff recommends the Commission authorize this amount, subject to the following conditions:

1. That the Company be authorized to issue registered securities (first mortgage bonds, unsecured debt and preferred stock), issue common stock and receive capital contributions, issue and accept private placement investments, and to enter into capital leases in an aggregate amount not to exceed ** _____ ** at any time, or from time to time, through September 30, 2018, provided that the Company shall not be authorized to use any portion of the ** _____ ** for any purpose other than for the exclusive benefit of Laclede Gas Company's regulated operations, as such purposes are specified in Section 393.200.
2. That the total amount of the long-term debt, capital leases, and preferred stock issued and outstanding under such authorization shall not, at any time during the period covered by this authorization, exceed the lesser of the value of Laclede's rate base or 65 percent of its total capitalization, as such conditions are defined in Case Nos. GM-2001-342 and GF-2007-0220.
3. That the current Commission Authority under Case No. GF-2009-0450, which was extended in Case No. GF-2013-0085, shall be superseded by the Authority granted in Case No. GF-2015-0181.
4. That the interest rate for any debt issuance covered by the Application shall not be greater than a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers;
5. That, if and when individual debt securities are issued under this Application, the Company shall submit a verified report to the Commission's Internal Accounting Department documenting such issuance, the use of any associated proceeds and the applicability and measure of fees under Section 386.300.2.
6. That the Company shall also be required to file with the Commission all final terms and conditions on this financing including, but not limited to, the aggregate principal amount to be sold or borrowed, price information, estimated expenses, portion subject to the fee schedule and loan or indenture agreement concerning each issuance.

7. That the Company shall submit to Staff and The Office of the Public Counsel any information concerning communications with credit rating agencies concerning individual debt securities issued under this Application.
8. That the Company shall file with the Commission any credit rating agency reports issued on the Company, the Company's debt issuances, or on the Laclede Group.
9. That nothing in the Commission's order shall be considered a finding by the Commission of the value of these transactions for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their results in cost of capital, in any later proceeding.
10. In seeking a renewal of the authority granted in this case, Laclede and Staff shall operate under the general time frames set forth for financing cases in the 2004 case management roundtable project.

The Staff respectfully requests that this matter be placed on the Commission's Agenda as soon as possible.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's)	
Application for Authority to Issue and Sell)	Case No. GF-2015-0181
First Mortgage Bonds, Unsecured Debt and)	
Preferred Stock, and to Issue Common Stock)	
and Receive Capital Contributions)	

AFFIDAVIT OF DAVID MURRAY

STATE OF MISSOURI)	
)	ss.
COUNTY OF COLE)	

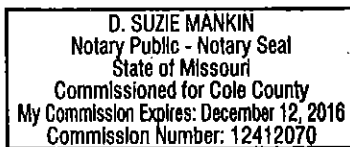
COMES NOW DAVID MURRAY and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Staff Recommendation; and that the same is true and correct according to his best knowledge and belief.

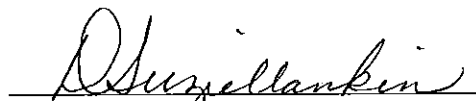
Further the Affiant sayeth not.


DAVID MURRAY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 8th day of June 2015.




Notary Public

Laclede Gas Company
Case No. GF-2015-0181

	Amount <i>(in millions)</i>
Gross Construction Expenditures	\$562
<i>less</i> Funds from Operations (other than income)	<i>(\$460)</i>
Net Capex Financing Needs	\$102

Schedule 1

LACLEDE GAS COMPANY
Case No. GF-2015-0181

For the period of Laclede's Financing Authorities granted in Case No. GF-2009-0450 and extended in GF-2013-0085, please identify the specific financings issued for purposes of reimbursement of the \$279 million of moneys expended from income. DR requested by David Murray (david.murray@psc.mo.gov)

Response to Data Request No. 0004

As Staff knows, cash is fungible and is not specifically designated, on a dollar for dollar basis, for a specific purpose such as reimbursement of moneys expended from income. Rather, proceeds of financings could be used for multiple other items, including but not limited to funding capital expenditures and discharge of debt (both short- and/or long-term). For funds issued under the authority granted in Case Nos. GF-2009-0450 and GF-2013-0085, please see the response to Staff DR 0005.

Signed by: Glenn W. Buck

LACLEDE GAS COMPANY
Case No. GF-2015-0181

Please specify how much of the \$518 million of Commission Authority granted in Case No. GF-2009-0450 and extended in GF-2013-0086 has been used to date. Please reconcile the total amount of financings issued to each individual issuance during the period of the Authority allowed by the Commission under both cases. For each individual issuance, please specify the purpose for which Laclede used the proceeds. DR requested by David Murray (david.murray@psc.mo.gov))

Response to Data Request No. 0005

The attached excel file details the financings issued under the financing authority stemming from Case Nos. GF-2009-0450 and GF-2013-0085. For a discussion of the “purpose for which Laclede used the proceeds,” please see the response to DR 0004.

Signed by: Glenn W. Buck

Laclede Gas Company
Case No. GF-2015-0181

PSC Order Granting LGC Authority to:
Issue and Sell First Mortgage Bonds, Unsecured Debt
or Common Stock; or to Receive Paid-in Capital

Total Not to Exceed \$518,000,000.00: Expires 6-30-15

Settlement	Financial Instrument Type			Remaining available
<u>Date</u>	<u>FMB</u>	<u>Capital Leases</u>	<u>Capital Contribution</u>	<u>for issuance/sell</u>
				\$518,000,000.00
8/27/2010			363,600.70	\$517,636,399.30
12/6/2010		300,946.72		\$517,335,452.58
12/31/2010			352,286.20	\$516,983,166.38
2/25/2011			363,640.50	\$516,619,525.88
5/27/2011			341,103.78	\$516,278,422.10
8/29/2011			534,965.48	\$515,743,456.62
12/21/2011			407,401.94	\$515,336,054.68
2/27/2012			685,823.76	\$514,650,230.92
5/21/2012			871,756.38	\$513,778,474.54
8/28/2012			706,994.82	\$513,071,479.72
9/14/2012			39,984,484.82	\$473,086,994.90
12/28/2012			805,833.21	\$472,281,161.69
3/15/2013	100,000,000.00		872,901.48	\$371,408,260.21
5/29/2013			206,675.75	\$371,201,584.46
8/22/2013			365,731.20	\$370,835,853.26
8/30/2013				
9/30/2013				
12/16/2013			357,044.22	\$370,478,809.04
2/24/2014			365,039.01	\$370,113,770.03
5/20/2014			418,303.30	\$369,695,466.73
				\$369,695,466.73
				\$369,695,466.73
Cumulative	\$ 100,000,000.00	\$ 300,946.72	\$ 48,003,586.55	