Exhibit No.:	
Issue:	**Corporate Allocations, Shared Services, Kansas Storage Gas Property Taxes, Capital Structure**
Witness:	**Glenn W. Buck**
Type of Exhibit:	**Rebuttal Testimony**
Sponsoring Party:	**Laclede Gas Company, d/b/a MGE**
Case No.:	**GR-2014-0007**
Date Prepared:	**March 4, 2014**

MISSOURI GAS ENERGY

GR-2014-0007

REBUTTAL TESTIMONY

OF

GLENN W. BUCK

MARCH 2014

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REBUTTAL TESTIMONY OF GLENN W. BUCK

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

2 A. My name is Glenn W. Buck and my business address is 720 Olive Street, St. Louis,
3 Missouri 63101.

4 **Q. Are you the same Glenn W. Buck who filed Direct Testimony on behalf of Missouri**
5 **Gas Energy on September 16, 2013?**

6 A. I am.

7 **PURPOSE OF TESTIMONY**

8 **Q. What is the purpose of your testimony?**

9 The purpose of my testimony is to present evidence discussing the (a) appropriate
10 allocation of joint and common costs as allowed by the Stipulation and Agreements in
11 GR-2009-0355 (MGE's last rate case) and GM-2013-0254 (the Laclede/MGE acquisition
12 case); (b) the appropriate level of shared services costs to charge to MGE as Laclede
13 employees now perform the duties of employees who are no long with MGE; (c) the
14 Company's request to recover Kansas Storage Gas Property Taxes subject to refund; and
15 (d) a discussion of the principles underlying MGE's use of the Laclede Group capital
16 structure in determining the cost of capital in this proceeding. Company Witnesses
17 Ahern and Rasche will also be addressing capital structure related issues. It is my
18 understanding that the Company and Staff have come to an agreement on Cash Working
19 Capital but the Company reserves the right to file supplemental rebuttal testimony on the
20 billing lag and collection lag portions of the overall revenue lag used in the computations
21 as well as the income tax and pension expense lags at a future time if necessary.

22

1 **JOINT AND COMMON COSTS**

2 Q. **What did the parties agree to in the stipulation in GM-2013-0254 (the "Merger**
3 **Stipulation")?**

4 A. Section 17(b) of the stipulation states:

5 "For the next MGE rate case prior to October 1, 2015, total joint and common
6 costs allocated to the MGE Division for purposes of setting retail distribution
7 rates will not increase as a result of the Transaction above the levels authorized by
8 the Commission in Case No. GR-2009-0355 and proposed in the Surrebuttal
9 Testimony of Michael R. Noack, dated October 14, 2009. Schedule H·8 -
10 Corporate Allocation, of Mr. Noack's testimony reflects pro forma joint and
11 common costs before application of the Expense Capital Rates of $5,087,099. Net
12 corporate plant allocated to MGE is $669,314 per Schedule C, page 1 of 2,
13 column e, line 35. It is understood, however, that joint and common costs
14 allocated to MGE for purposes of setting retail distribution rates **may increase or**
15 **decrease for reasons that are not a result of the Transaction (including, but**
16 **not limited to, factors such as wages and salaries increasing over time,**
17 **organizational differences which result in a function being provided at the**
18 **corporate level versus at the business unit or vice versa, labor efficiencies and**
19 **technological efficiencies)** (emphasis supplied). Laclede Gas agrees that in any
20 rate proceeding, it has the burden of proving the reasonableness of any allocated
21 or assigned cost to Laclede Gas, including its MGE division, from any LG
22 affiliate, including all corporate overhead allocations."
23
24 Q. **What are the positions of the parties as it relates to this issue?**

25 A. The Staff included exactly 5,087,099 of joint and common costs before transfers. The
26 Company started with the $5,087,099 million (which was the cost in 2009) and updated it
27 for inflation to current day dollars utilizing the CPI-U (as published by the Bureau of
28 Labor Statistics) for a total included in revenue requirement of $5,554,754 before
29 transfers. The Company's initial filing also included the costs associated with certain
30 executives that have since left the Company and whose functions are now being provided
31 at the corporate level.

1 Q. **Did Staff give any indication in their cost of service report as to why they did not**
2 **increase the level of costs as allowed by both the Merger Stipulation and the 2009**
3 **rate case?**
4 A. No, although there was no question that the amounts to be allocated by Laclede to MGE
5 exceed the amounts allocated to MGE by Southern Union in 2009, Staff did not reflect
6 any adjustment to reflect normal increases in salaries, wages and benefits. Laclede's
7 analysis supported this, and Staff acknowledged the same in its Report, where it stated
8 "Based upon its analysis of the level of corporate expense to be allocated to MGE by
9 Laclede on an ongoing basis, Staff concludes that the total expenses allocated to MGE by
10 Laclede are likely to exceed the level previously allocated to MGE by Southern
11 Union/ETE. Accordingly, Staff has included the maximum agreed to amount of
12 $4,323,525 [after application of the Expense Capital Rates] of corporate allocated
13 expense to MGE in its case." (Staff Report, P. 107, l. 13 – 17). Although Staff stated that
14 they thought the Laclede allocations would be higher, they did not increase the allowance
15 as clearly allowed for in the Stipulation Language.
16 Q. **Did the Company provide supplemental information related to this timeframe that**
17 **was utility specific?**
18 A. Yes, the Company made available to Staff proprietary salary survey information related
19 to Gas Distribution companies as compiled by the American Gas Association. This
20 information supported the amount provided by the CPI-U as a reasonably conservative
21 estimate of increases over time.
22 Q. **Could you please summarize the Company's position regarding joint and common**
23 **costs?**

1 A. The Company has fully supported the conservative increase in joint and common costs as adjusted by the CPI and affirmed by industry specific salary information. Staff's own report concludes that Laclede's allocations would be higher than the base amount agreed to in the Merger Stipulation, but then inexplicably declined to allow for the inflationary increase permitted in the Merger Stipulation that would narrow the gap between them.

SHARED SERVICES

Q. When did Laclede assume responsibility for MGE?

A. The transaction closed effective September 1, 2013. On that day, several high ranking MGE employees severed ties to MGE, including the Chief Operating Officer, the Vice President/Controller, and 3 other senior managers. Additionally, their head of Human Resources departed prior to closing and her position was not filled.

Q. What was the net savings from these "Day 1" departures?

A. The reduction in payroll and benefit costs related to these departed individuals was approximately $1.6 million and the savings are fully reflected in Staff's direct case.

Q. What kind of services did these MGE employees provide?

A. Among other services, they provided executive and operational oversight and guidance, ensured that the financial books and records of MGE properly reflected Generally Accepted Accounting Principles, and managed the Human Resource organization.

Q. When these employees departed, were these services no longer necessary?

A. Absolutely not. The need for these services, previously provided by these departed individuals, continue to this day. Laclede management employees have stepped in and are now providing the oversight and expertise necessary to perform these services. For example, Steve Lindsey, a witness in this proceeding, was the President of Laclede, and

1 is now the President of both Laclede and MGE. The Controller for Laclede Gas is now
2 working closely with the accounting staff at MGE to close the books in a timely and
3 accurate fashion. Our HR department now administers hiring practices and other HR
4 services for MGE as well as Laclede.

5 Q. **Is Laclede currently charging any of these shared services to MGE's books?**

6 A. We are in the process of establishing a robust shared services model in a time frame that
7 is paced in part by the consolidation of our accounting systems, estimated to be April 1,
8 2014. Until then, we are allocating costs on an overall basis. Ultimately, costs will be
9 direct charged where practical and when differentiating services between the two
10 becomes impractical, a methodology has been developed to share the costs between the
11 two. After the systems integration occurs, a "catch up" entry will be done going back to
12 that date. This will likely occur in the 3rd quarter of Fiscal 2014. Until then, however,
13 both the cost allocation analysis performed by Laclede and by the Commission Staff in its
14 Cost of Service Report demonstrate that an allocation of costs from Laclede to reflect
15 how these functions are now being provided is wholly appropriate.

16 Q. **How much is Laclede proposing to allocate to MGE in this proceeding for these**
17 **functions that Laclede has been performing since September 2013?**

18 A. Laclede believes an $800,000 allocation for shared services, in addition to the allocated
19 amounts related to previous SUG allocations, would provide a reasonably conservative
20 estimate of what these costs have been and will be going forward and requests that
21 amount be included in rates. In essence, through consolidation of executive positions,
22 Laclede has already saved MGE customers $800,000 by performing $1.6 million in
23 services for half of that amount. Staff, on the other hand, has excluded from rates all of

1 the $1.6 million reduction related to "Day 1" departures, and does not recognize in rates
2 any costs for the services now being provided by Laclede.

3 **KANSAS STORAGE GAS PROPERTY TAXES**

4 Q. **Please explain the issue related to Kansas storage gas property taxes.**

5 A. In this proceeding, MGE sought recovery of an ongoing level of expense related to
6 Kansas Property Taxes assessed on natural gas which is stored underground and used to
7 serve Missouri customers, as well as a five year amortization of amounts previously
8 deferred. The total amount sought is $1.4 million in ongoing expense and an
9 amortization (over five years) of $1.59 million annually. Staff has recommended no
10 recovery of either amount.

11 Q. **Could you please provide a brief history of the property tax issue?**

12 A. Staff witness Karen Lyons provided a very detailed history of the issue in the Staff report
13 (Staff Report, p. 116, l. 11 through p. 118, l. 2). To summarize, over the past 15 years,
14 the Kansas Legislature has repeatedly tried to tax gas that MGE stores with its pipeline
15 companies and uses to serve its Missouri customers MGE and others have through their
16 efforts twice succeeded in overturning the tax legislation. The Kansas Legislature
17 passed its most recent law in 2009, which MGE also challenged. However, in a ruling
18 issued in December 2013, this time the Kansas Supreme Court found that the tax applied
19 to LDCs such as MGE. At the time MGE filed its 2009 rate case (GR-2009-0355), the
20 tax had just been passed and had not accumulated a balance. The parties entered into a
21 Stipulation and Agreement in that rate case in which MGE agreed to defer the future tax
22 expenses and begin amortizing them in the month after the final judicial resolution of the
23 legality of the tax.

1 Q. **Has the storage gas tax now accumulated a balance?**

2 A. Yes, and a rather large one. While MGE has been fighting the tax since 2009, the
3 balance has grown to nearly $8 million.

4 Q. **Can the AAO authorized in GR-2009-0355 be modified in this proceeding?**

5 A. Not only can it be modified, but the parties to that Stipulation expressly contemplated
6 that MGE might file another rate case prior to that final judicial resolution, and so they
7 included explicit language providing for reconsideration of the deferral in this case.
8 The Stipulation stated,

9 "MGE shall be granted the following accounting authority order (AAO): That
10 Missouri Gas Energy, a division of Southern Union Company, ("MGE") is granted
11 an Accounting Authority Order whereby the company is authorized to record on its
12 books a regulatory asset, which represents the expenses associated with the
13 property tax to be paid to the state of Kansas in relation to natural gas in storage
14 pursuant to House Substitute for Senate Bill No. 98 for 2009 and subsequent years
15 based on assessments from Kansas taxing authorities. Missouri Gas Energy may
16 maintain this regulatory asset on its books until the beginning of the month after
17 the final judicial resolution of the legality of that tax. Thereafter, Missouri Gas
18 Energy shall commence amortization of the deferred amounts, with the
19 amortization to be completed over a five-year period. **If MGE files a general rate**
20 **case prior to that final resolution, ratemaking treatment of the deferral may**
21 **be considered within that case.** If MGE is allowed ratemaking treatment
22 providing a return of any AAO funds for Kansas Property Tax, there shall be no
23 return on the Kansas Property Tax AAO funds included in rates. The Commission
24 shall include language in its Order stating that the grant of this AAO does not in
25 any way control how the Commission will treat this deferral for ratemaking
26 purposes in subsequent rate cases, except there shall be no rate base treatment of
27 deferred amounts as provided above."(Emphasis supplied)
28
29 Q. **Does the Company think it is appropriate to begin amortizing property tax costs**
30 **beginning in the month immediately following a final adverse ruling?**

31 A. No. Based on the timing of the ruling, such an amortization schedule could cause a
32 sizeable financial detriment to MGE. The Company has pursued court action related to
33 this matter (at no small cost in time or expense) on behalf of its Missouri customers.

1 Now that the Kansas Supreme Court has issued an adverse ruling against the Company
2 and its participating plaintiffs, the only action available is to seek review at the U.S.
3 Supreme Court. Notice of such an appeal has been filed and we should know if the Court
4 will hear it sometime in the spring or fall sessions. Should the U.S. Supreme Court
5 choose not to hear the plea or reject it on hearing, the tax will become final and
6 unappealable. MGE has fought the good fight, and continues to do so. It has helped its
7 Missouri customers avoid a Kansas gas tax for more than a decade. Given the fact that
8 this is a tax and not a business expense under the Company's control, we believe that it
9 would be inappropriate and unfair to create a potential financial detriment to the
10 Company in exchange for it doing the right thing on behalf of its Missouri customers.

11 **Q. Why does the fact that this is a tax item affect its regulatory treatment?**

12 A. It is meaningful that this is both a tax and that it is a gas tax. In the regulatory
13 environment, taxes are not designed to be centers for profit or loss. They are not
14 generally controllable by the utility but instead imposed by governmental entities. As a
15 consequence, such taxes are often treated as a pass-through. For example, through its
16 billings, utilities pass on to their customers any increases or decreases in local gross
17 receipt taxes. Back in the 1980s, when the passage of TEFRA resulted in lower tax costs
18 to utilities, the Staff successfully advocated for the refund of this tax advantage to
19 customers outside of a general rate proceeding. Gas costs are treated in a similar manner
20 because they are also largely uncontrollable, only for a different reason, namely changes
21 in market conditions. The fact that the cost at issue here has elements of both – i.e. it is a
22 tax and a tax on the value of gas supplies, make the kind of treatment being proposed by
23 the Company even more appropriate.

1 Q. **How does the Company propose handling this matter in this case?**

2 A. The Company proposes two alternatives for the Commission's consideration. First, given
3 the fact that this issue has been decided by the highest court in a state, leaving only the
4 very slim prospect of a U.S. Supreme Court reversal as a means of further avoiding this
5 tax, the Company proposes to include an allowance in rates for this expense item, but
6 make that allowance subject to a true-up with any difference subject to return to or
7 recovery from customers in the Company's next rate case through an accounting
8 authority order. We believe that the Commission should include both the amortization
9 and the ongoing costs in rates in this proceeding subject to this treatment. If the
10 Company and its allies lose at the U.S. Supreme Court, there will be no further effect on
11 rates, other than a reconciliation of how actual tax expense compared to the allowance
12 made in rates. Similarly, if the Company and its allies prevail at the Supreme Court, the
13 Company agrees to refund such amounts collected, with interest at our short-term debt
14 rate, back to customers. This amortization can begin either with the adoption of new
15 rates in our next rate proceeding, or sooner, at the Commission's discretion, by directing
16 MGE to flow it back to customers through the PGA. The second alternative would be to
17 renew the Company's AAO with the proviso that amortization of expenses would not
18 begin until the effective date of rates in the next general rate proceeding. Again, given
19 the size of the amount at issue and its continued growth, the Company should be
20 permitted to recover the cost of the tax, and should not be penalized for timing issues
21 caused by its efforts to fight the tax on behalf of its customers.

22 **Q. Have you drafted language that would implement the first alternative you discuss?**

23 A. Yes. Such language is set forth in Rebuttal Schedule GWB-1.

1 **CAPITAL STRUCTURE**

2 **Q. What are the positions of the parties as it regards ROE / Capital Structure / Return**
3 **on Rate Base?**

4 A. For the convenience of the Commission, I have attached Rebuttal Schedule GWB-2 to
5 this testimony which numerically summarizes the position of the parties.

6 **Q. What is the Company's position?**

7 A. MGE's initial filing used a capital structure and ROE approach that is consistent with
8 Laclede's past general rate cases, and was agreed to by all parties to those cases.
9 Specifically, we based our filing on The Laclede Group capital structure and weighted
10 average cost of debt, which has been updated to reflect the equity and debt capital raised
11 for the MGE transaction, which results in a weighted cost of debt of an historically low
12 4.35%. In early January, Laclede Gas redeemed debt at 6.35% to further lower The
13 Laclede Group's weighted average cost of debt to 4.16%. Regarding ROE in this case,
14 our ROE witness, Pauline Ahern, supported a 10.25% ROE. With the Laclede Group
15 capital structure of 55.8% equity at December 31, 2013, and the cost of debt and ROE, an
16 appropriate pre-tax cost of capital in this case would be 11.12%. However, in the
17 Stipulation in Case No. GM-2013-0254, the Company agreed that it would not sponsor a
18 pre-tax cost of capital greater than 10.224%, which was the figure used in the last MGE
19 rate case.

20 **Q. How did the Company comply with this requirement?**

21 A. In order to reduce its cost of capital to meet the agreed upon ceiling, the Company made
22 two adjustments. First, it reduced its sponsored ROE to 9.7%, which was the same ROE
23 agreed to for ISRS purposes in Laclede's 2013 Rate Case, Case No. GR-2013-0171.

1 Second, Laclede also lowered the equity percentage until the weighted cost of capital
2 equaled 10.224%. In short, in order to meet the cost of capital cap as pledged in the
3 merger case, Laclede has already used a recently agreed upon ROE of 9.7% and a capital
4 structure well below the Company's actual equity ratio.

5 **Q. How did the Staff approach these issues?**

6 A. Staff filed based on the Laclede Group capital structure and supported an 8.9% ROE (at
7 its high end) – a recommended ROE that is well outside the mainstream of authorized
8 returns granted both here and in other jurisdictions. Instead of using the parent company
9 Laclede Group's embedded cost of debt, as it normally would, the Staff inexplicably
10 utilized only the debt that Staff attributed directly to the MGE asset acquisition (3.12%).

11 **Q. What did OPC propose in its direct testimony regarding these issues?**

12 A. OPC witness Gorman used the Laclede Group's consolidated cost of debt. However, he
13 manipulated capital structure to reduce costs in a very transparent manner. Witness
14 Gorman first used the Laclede Gas capital structure, rather than The Laclede Group's
15 capital structure, and then removed goodwill from the capital structure, allegedly to
16 ensure that Laclede did not recover the premium paid for MGE. However, before
17 removing $247 million in goodwill (the amount has since been reduced to $213 million),
18 witness Gorman first assigned it 100% equity and 0% debt. This maneuver permitted Mr.
19 Gorman to remove $247 million in equity from Laclede's capital structure, while
20 removing no debt. It greatly skewed the capital structure to 45% equity and 55% debt, a
21 mix that cannot be reconciled with either Laclede Gas, The Laclede Group or reality.

22 Q. **Are other Company witnesses sponsoring rebuttal testimony related to these issues?**

1 A. Yes. Company witnesses Pauline Ahern and Steven P. Rasche are also sponsoring
2 testimony and evidence regarding these issues. My specific focus will be related to
3 observations of past practices of the Commission and the solid policy considerations
4 behind those decisions. Specifically, I believe it is imperative to use the parent company
5 capital structure and weighted cost of debt in determining rates in this proceeding. As
6 Staff has continued with its long-standing policy to utilize the consolidated capital
7 structure, there is no issue between the Company and Staff on this matter, other than
8 Staff's inappropriate substitution of an incremental cost of debt versus the embedded cost
9 of debt of the Laclede Group. Instead, I will focus on the Direct Testimony of OPC
10 witness Gorman.

11 Q. **OPC witness Gorman first used the Laclede Gas capital structure instead of The**
12 **Laclede Group's before making his adjustment to equity related to the goodwill.**
13 **Did he cite a reason for this position?**

14 A. Mr. Gorman goes through a fairly lengthy discussion of the supposed risks of Group's
15 "un-regulated businesses" and often does direct quotations from S&P's research update
16 on The Laclede Group and Laclede Gas (Gorman Direct, p. 6, l. 9 – p. 9, l. 31). He then
17 comes to the conclusion that, "the Commission [should] separate Laclede Gas's financial
18 and business risk from Laclede Group's in establishing its cost of service in this
19 proceeding."

20 Q. **Does S&P, whom Mr. Gorman heavily relies on, provide separate credit ratings for**
21 **Laclede Gas and Laclede Group?**

22 A. They do not. In fact, S&P recognizes that given the nature of our corporate structure,
23 there is really no practical "ring-fencing" that would differentiate the business risk

1 between Laclede Group and Laclede Gas. Further, although they refer to the Company's
2 interest in growing the unregulated lines of business, the reality is that, with the
3 acquisition of MGE, our regulated businesses now represent roughly 95% of the
4 consolidated earnings potential of the combined entities. As a consequence, the
5 percentage of unregulated business done under the Laclede Group umbrella is at its
6 lowest level in two decades. This makes The Laclede Group one of the most "pure play"
7 gas utility companies in the industry. Accordingly, even if there was some merit to Mr.
8 Gorman's hypothesis that Laclede Gas should be separated from its parent in terms of
9 developing a capital structure for ratemaking purposes, this would be a singularly
10 inappropriate time to do it.

11 **Q. Is Mr. Gorman correct that having a parent like the Laclede Group makes the gas**
12 **company riskier?**

13 A. Leaving aside the substantial reduction in the percentage of unregulated business now
14 being conducted by the Laclede Group's businesses, Mr. Gorman's assertion in this
15 regard grossly over-simplifies the risks and benefits of such a structure. For example,
16 because the Laclede Group can engage in certain financial transactions without prior
17 Commission approval it can sometime move more quickly to take advantage of changes
18 in the financial marketplace, than can the gas company. It did exactly this when it
19 locked in interest rates for a good portion of the debt issued to finance the acquisition of
20 MGE. By doing so it substantially mitigated the interest rate risk associated with this
21 financing and, as a result, millions of dollars in lower interest costs will be flowed
22 through to gas company customers for years to come. Mr. Gorman's theory completely
23 ignores these kinds of risk-reducing benefits.

1 Q. **Can investors invest only in the equity of Laclede Gas?**

2 A. No. Laclede Gas is a wholly owned subsidiary of Group so investors would have to
3 invest in the consolidated company. When making decisions, they are looking at the
4 business risks and capital structure of the entire organization. This is the primary reason
5 that the consolidated capital structure should be used in the ratemaking process.

6 Q. **Is there another solid policy consideration that supports the use of the consolidated**
7 **capital structure?**

8 A. Yes, this approach will avoid the risk inherent in companies using "double leveraging" to
9 increase the utility's equity ratio.

10 Q. **Please describe "double leveraging" as you use this term?**

11 A. "Double leveraging" is a practice where the parent corporation issues debt (usually at a
12 lower rate and with tax advantages) at that level and then "equity infuses" the proceeds
13 down to the utility corporation, thus turning debt financing into equity financing at the
14 utility.

15 Q. **Is this practice common in the industry?**

16 A. The practice was more common in the 1970s and 1980s, primarily in the telco industry,
17 but was also not uncommon in the other utility industries, and was usually an area of
18 contention in rate proceedings.

19 Q. **Is there a seminal case related to "double leveraging" in Missouri?**

20 A. Yes, among others is the Western District Court of Appeals decision in Associated
21 Natural Gas Company v. Public Service Commission of Missouri and Office of Public
22 Counsel (706 S.W.2d 870, December 31, 1985) in which the court held that "authority
23 was vested in the Commission to employ the concept of "double leveraging" and, hence,

1 to consider the financial structure of a corporate parent in determining the service rates of
2 the subsidiary." The Commission's solid policy decision was affirmed in that proceeding
3 and should be utilized in setting rates in this proceeding.

4 Q. **Does this conclude your rebuttal testimony?**

5 A. Yes, it does.

TREATMENT OF
KANSAS STORAGE GAS PROPERTY TAXES

The rates recommended herein include an allowance of One Million Five Hundred Ninety Thousand ($1,590,000) for the amortization of MGE's current regulatory asset relating to the assessment of the Kansas Storage Gas Property Taxes and One Million Four Hundred Thousand ($1,400,000) to reflect an annual ongoing level of such taxes.

MGE shall be authorized to record as a regulatory asset/liability, as appropriate, the difference between any Kansas Storage Gas Property Taxes paid by the Company and the allowances included in rates, and such difference shall be recovered from or returned to customers in future rates through a five year amortization of such difference beginning with the effective date of rates in MGE's next rate case, provided that if the Company prevails in its current appeal challenging the lawfulness of such tax assessments, the Company may seek Commission approval to flow through any difference to customers through its PGA mechanism.

The five year amortization shall be reconciled in the next rate case following the end of the amortization period. However, if MGE files a rate case before the end of the amortization period, any party may request in that case that the terms of the amortization be reconsidered.

Missouri Gas Energy
Weighted Average Cost of Capital
GR-2014-0007

Approved Capital Structure GR-2009-0355

	Percent	Cost	Weighted Cost	Pre-Tax Weighted Cost
Long-Term Debt	56.16%	6.258%	3.514%	3.514%
Short-Term Debt	3.26%	5.920%	0.193%	0.193%
Preferred Stock	1.92%	7.758%	0.149%	0.242%
Common Equity	38.66%	10.000%	3.866%	6.275%
Total	100.00%		7.722%	10.224%

Staff Capital Structure
Staff Cost of Service Report filed on January 29, 2014

	Percent	Cost	Weighted Cost	Pre-Tax Weighted Cost
Long-Term Debt	46.92%	3.120%	1.464%	1.464%
Short-Term Debt	0.00%	0.000%	0.000%	0.000%
Preferred Stock	0.00%	0.000%	0.000%	0.000%
Common Equity	53.08%	8.900%	4.724%	7.668%
Total	100.00%		6.188%	9.132%

Public Counsel Capital Structure
Tesimony of Mike Gorman filed on January 29, 2014

	Percent	Cost	Weighted Cost	Pre-Tax Weighted Cost
Long-Term Debt	54.98%	4.350%	2.392%	2.392%
Short-Term Debt	0.00%	0.000%	0.000%	0.000%
Preferred Stock	0.00%	0.000%	0.000%	0.000%
Common Equity	45.02%	9.350%	4.209%	6.832%
Total	100.00%		6.601%	9.224%

MGE GR-2014-0007 Actual Capital Structure at December 31, 2013
Adjusted for 80,000,000 debt call in January 2014

	Percent	Cost	Weighted Cost	Pre-Tax Weighted Cost
Long-Term Debt	44.20%	4.160%	1.839%	1.839%
Short-Term Debt	0.00%	0.000%	0.000%	0.000%
Preferred Stock	0.00%	0.000%	0.000%	0.000%
Common Equity	55.80%	10.250%	5.720%	9.283%
Total	100.00%		7.558%	11.122%

MGE GR-2014-0007 Pro_Forma Capital Structure at December 31, 2013
In Conformance with GM-2013-0254

	Percent	Cost	Weighted Cost	Pre-Tax Weighted Cost
Long-Term Debt	47.65%	4.160%	1.982%	1.982%
Short-Term Debt	0.00%	0.000%	0.000%	0.000%
Preferred Stock	0.00%	0.000%	0.000%	0.000%
Common Equity	52.35%	9.700%	5.078%	8.242%
Total	100.00%		7.060%	10.224%

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's Filing of Revised Tariffs to Increase its Annual Revenues For Natural Gas Service	)))	Case No. GR-2014-0007

AFFIDAVIT

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

Glenn W. Buck, of lawful age, being first duly sworn, deposes and states:

1. My name is Glenn W. Buck. My business address is 720 Olive Street, St. Louis, MO 63101 and I am the Director, Regulatory and Finance for Laclede Gas Company.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony on behalf of Missouri Gas Energy.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Glenn W. Buck

Glenn W. Buck

Subscribed and sworn to before me this 26th day of February, 2014.

Lisa M. Reed

Notary Public

LISA M. REED
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Nov. 7, 2015
Commission # 11265169