Exhibit No:	
Issue:	**Capital Structure, Pensions, OPEBs**
Witness:	**Glenn W. Buck**
Type of Exhibit:	**Surrebuttal Testimony**
Sponsoring Party:	**Laclede Gas Company (LAC)** **Missouri Gas Energy (MGE)**
Case Nos.:	**GR-2017-0215** **GR-2017-0216**
Date Prepared:	**November 21, 2017**

LACLEDE GAS COMPANY
MISSOURI GAS ENERGY

GR-2017-0215
GR-2017-0216

SURREBUTTAL TESTIMONY

OF

GLENN W. BUCK

NOVEMBER 2017

TABLE OF CONTENTS

PURPOSE OF TESTIMONY 1
CAPITAL STRUCTURE 1
PENSION AND OPEB COSTS 10
SERP EXPENSE 16

GWB-S1
GWB-S2

1 **<u>SURREBUTTAL TESTIMONY OF GLENN W. BUCK</u>**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS**.

3 A. My name is Glenn W. Buck, and my business address is 700 Market St., St. Louis,
4 Missouri, 63101.

5 **Q. ARE YOU THE SAME GLENN W. BUCK WHO PREVIOUSLY FILED DIRECT,**
6 **REBUTTAL AND TRUE-UP TESTIMONY IN THIS PROCEEDING?**

7 A. Yes, I submitted direct, rebuttal and true-up direct testimony on behalf of both Laclede Gas
8 Company ("LAC") in Case No. GR-2017-0215 and Missouri Gas Energy ("MGE") in Case
9 No. GR-2017-0216.

10 **I. <u>PURPOSE OF TESTIMONY</u>**

11 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS**
12 **PROCEEDING?**

13 A. The purpose of my surrebuttal testimony is to respond to a number of issues raised by
14 witnesses for the Staff of the Missouri Public Service Commission ("Staff"), the Office of
15 the Public Counsel ("OPC") and the Missouri Industrial Energy Consumer ("MIEC") in
16 their rebuttal testimony. Specifically, I will respond to the testimony submitted by these
17 parties relating to: (a) the capital structure they propose be used for establishing rates; (b)
18 their proposed treatment of the Company's historical and future costs for employee
19 pensions and post-retirement benefits including amortization of the associated regulatory
20 assets; and, (c) the appropriate level of SERP costs.

21 **II. <u>CAPITAL STRUCTURE</u>**

22 **Q. WHAT IS THE FIRST ISSUE YOU WOULD LIKE TO ADDRESS?**

1 A. I will address the rebuttal testimony of Staff witness David Murray and OPC/MIEC witness
2 Michael Gorman. Please note that Company witnesses Steve Rasche, Pauline Ahern and
3 Robert Hevert will also address this matter.
4
5 **Q. WHAT CAPITAL STRUCTURE IS THE COMPANY SUPPORTING IN THIS**
6 **PROCEEDING?**
7 A. As discussed in my direct true-up and rebuttal testimony, the Company believes it is
8 appropriate to utilize the Laclede Gas Company actual capital structure and debt costs as
9 of September 30, 2017, consistent with the true-up period in this proceeding. The structure
10 at that time is as follows:

Spire Missouri (Formerly Laclede Gas Company)
Capital Structure at September 30, 2017

	Amount	Percentage Of Capitalization
Long-Term Debt	$990,894,186	45.8%
Common Equity	1,170,951,764	54.2%
Total	$2,161,845,950	100.0%

11
12 **Q. STAFF WITNESS MURRAY IMPLIES THAT YOU ARE TAKING A POSITION**
13 **THAT IS CONTRARY TO POSITIONS YOU HAVE TAKEN IN THE PAST**
14 **RELATED TO USE OF THE PARENT COMPANY CONSOLIDATED CAPITAL**
15 **STRUCTURE WITH NO EXPLANATION. (MURRAY REBUTTAL, P. 5, L 24-26).**
16 **HOW DO YOU REPLY?**
17 A. As discussed in my rebuttal testimony, the Company believes it is appropriate to utilize the
18 capital structure of the company that financed the utility's regulated assets, in this case

1 Laclede Gas Company (now Spire Missouri). In the past, the use of a consolidated capital
2 structure as compared to a utility specific capital structure was generally a "non-issue" as
3 the long-term assets and financing at the holding company almost entirely consisted of
4 those at Laclede Gas. Although Laclede Energy Resources (now Spire Marketing) was a
5 component of the total company, it was still relatively small (less than 10% of earnings)
6 and was not capital intensive nor in need of long term financing. Today the parent company
7 is much different. It is now a holding company of five utilities rather than a utility holding
8 company with only one utility regulated exclusively by this Commission. In contrast to 4
9 years ago, it is also a holding company that has utilities in 3 different states which are, in
10 turn, regulated by three different commissions. Moreover, because it is in the midst of
11 building an interstate pipeline, it now has a subsidiary that is subject to a fourth regulatory
12 jurisdiction, namely the Federal Energy Regulatory Commission. All of these entities are
13 net users of financing. In the case of Laclede this financing need is met, as it always has
14 been, through the debt of Laclede Gas. It is no longer appropriate to look to the holding
15 company's capital structure when the stand-alone utility, in this case Laclede Gas,
16 continues to finance itself through its own public issuances, maintains its own credit
17 ratings, and produces separate filings for the SEC.

18 **Q. MR. MURRAY RAISES CONCERNS THAT SPIRE MISSOURI IS NOT**
19 **SUFFICIENTLY INSULATED FROM SPIRE INC. DO YOU AGREE?**

20 A. No. There are a number of provisions embedded in the Holding Company Stipulation
21 (GM-2001-0342) that protect the utility from potential situations caused by the parent or
22 an affiliate of the parent. These safeguards also require proactive reporting and plans to
23 resolve any concerns that may result from the activities of the parent or its affiliate, all

1 subject to review of the Commission. These provisions were echoed and reinforced in the
2 Acquisition Stipulation when Laclede Gas Co. purchased the assets of MGE (GM-2013-
3 0254).

4 **Q. IS MR. MURRAY'S USE OF THE PARENT COMPANY'S CAPITAL**
5 **STRUCTURE TO SET RATES IN MISSOURI IN ANY EVENT CONSISTENT**
6 **WITH THIS STATED CONCERN?**

7 A. Not at all. To the contrary, it runs in the exact opposite direction. Rather than insulating
8 Laclede Gas Company from the activities of its parent company and its affiliates, Mr.
9 Murray's use of the parent company capital structure further entangles Laclede Gas and its
10 customers in those activities.

11 **Q. PLEASE EXPLAIN.**

12 A. By using the parent company's consolidated capital structure, Mr. Murray is now setting
13 rates in Missouri based on the aggregate impact of financing decisions, capital
14 requirements, operational decisions and regulatory practices undertaken in multiple
15 jurisdictions through other business entities, all of which can or do filter up to the parent
16 company's consolidated capital structure. As a result, Mr. Murray's approach would set
17 rates in Missouri based not on what this Commission has determined to be the financing
18 needs and requirements of Laclede Gas, but based on what utilities and/or their regulators
19 in other jurisdictions have decided should be done to meet the financial requirements of
20 their distinct operations. If Alabama decides that an equity component of 60% should be
21 used by Alagasco or FERC decides that pipelines should be financed principally by debt,
22 then Mr. Murray's approach would simply pass through the impact of these decisions to
23 Missouri consumers through his use of the parent company's capital structure. This is

1 hardly a method for further insulating Laclede Gas from the activities of its parent company
2 and its affiliates. Nor is it in any way consistent with the Commission's obligation to make
3 such decisions for its own utilities rather than delegate the task out to other regulators.
4 Further, if Mr. Murray is going to use the consolidated capital structure, his ROE should
5 reflect the risks of the various segments it finances which include a gas marketing company
6 and a company in the midst of developing a new pipeline.

7 **Q. DO YOU AGREE WITH MR. MURRAY'S ASSERTION THAT BECAUSE THE**
8 **CONSOLIDATED CAPITAL STRUCTURE IS "THE ONLY TRUE INVESTIBLE**
9 **STRUCTURE" THAT WOULD MEAN THE ONLY CAPITAL STRUCTURE TO**
10 **BE UTILIZED BY A UTILITY SHOULD BE THE PARENT?**

11 A. No. That would negate decades of regulatory precedent at both the state and federal level,
12 where there are innumerable examples of state commissions and the FERC approving for
13 rate making purposes the capital structure of the regulated subsidiary, rather than the
14 parent, so long as the regulated subsidiary's capital structure is reasonable and it does not
15 rely upon the parent to finance its operations. Additionally, I would note that investors can
16 directly invest in Spire Missouri through its long-term debt, which is issued separately,
17 mortgaged by the long-term assets of Spire Missouri, and requires the production of
18 independent audits and financials for Spire Missouri.

19 **Q. DOES SPIRE MISSOURI FIT WITHIN THE STANDARDS OF HAVING A**
20 **REASONABLE CAPITAL STRUCTURE AND NOT RELYING UPON ITS**
21 **PARENT TO FINANCE IT OPERATIONS?**

22 A. Yes. As noted above, Spire Missouri issues its own long-term debt and typically reinvests
23 significant operating cash flow and retained earnings into its long-term regulated assets.

1 Whenever it seeks to raise long-term external capital, it must go through a lengthy,
2 painstaking process to achieve financing authority from the Commission, whereby it needs
3 to show that such financing is being utilized to finance long-term assets and the regulated
4 operations of its business. Accordingly, to say that Laclede Gas relies upon its parent for
5 such financing is completely unsubstantiated. As noted by Company Witness Hevert, the
6 capital structure is indeed reasonable, comparable to its peers and frankly not significantly
7 different than its parent, Spire Inc., at 51.3%[1]. Moreover, the capital structure is entirely
8 consistent with the historical capital structures that have been employed by Laclede Gas
9 and deemed reasonable by the Commission for many years.

10 **Q. MR. MURRAY INSINUATES THAT SPIRE, INC WAS UTILIZING "DOUBLE**
11 **LEVERAGE" IN FUNDING THE UTILITY AS A REASON TO UTILIZE THE**
12 **PARENT CAPITAL STRUCTURE. IS HIS STATEMENT ACCURATE?**

13 A. Mr. Murray states,

14 "An example of direct double leveraging employed by Spire, Inc. occurred in
15 the last half of the of the 2012 calendar year. In the third quarter of the 2012
16 calendar year, Spire, Inc. issued approximately $40 million of short-term debt
17 and during the same quarter infused approximately the same amount of equity
18 into Spire Missouri." (P. 6, ln 12-17)
19
20 Mr. Murray's example is not supportive of his position. As shown on Schedule GWB-S1,
21 the Laclede Group 10-K, its consolidated equity at September 30, 2012 was higher than
22 that of the utility, even after the equity infusion. Further, that same 10-K noted that the
23 utility had also committed to the placement of $100 million of additional debt in March
24 2013. The equity infusion from the parent to the utility was done with this issuance in
25 mind in order to keep the utility's capital structure properly equitized after the issuance.

[1] The Spire, Inc. equity layer is less than 3% different from that of Spire Missouri.

1 I might also add that Mr. Murray is simply incorrect in his assumption that "Spire, Inc.
2 issued approximately $40 million of short-term debt" to fund the equity infusion. As can be
3 shown on the balance sheets from the parent and the utility, the $40 million in short term debt
4 ("STD") was held at the utility and, in fact, it was borrowing $37.125 million from the parent
5 at the end of FY 2012.[2]

6 **Q. MR MURRAY STATES THAT ANOTHER REASON FOR UTILIZING THE**
7 **PARENT COMPANY CAPITAL STRUCTURE IS THAT THEY NOW HAVE**
8 **"FORMED A CONSOLIDATED COMMERCIAL PAPER PROGRAM…(WHICH)**
9 **ILLUSTRATES SPIRE, INC.'S STRATEGY OF FINANCIALLY MANAGING ITS**
10 **SUBSIDIARIES ON A CONSOLIDATED BASIS". (P. 8, LN 6-11) WHY DID THE**
11 **COMPANY START A CONSOLIDATED COMMERCIAL PAPER PROGRAM?**

12 A. This issue was addressed in my rebuttal testimony at page 6, lines 15 through 22 and is
13 further discussed in Company Witness Rasche's Surrebuttal testimony. Creating a
14 consolidated commercial paper program was done for cost savings and Spire Missouri still
15 maintains a separate allocation level of $475 million to ensure it can meet its needs, just as
16 before with its individual $450 million commercial paper program – but is now able to
17 obtain such financing at a lower all-in cost from the shared program. This is yet another
18 example where customers are reaping the benefits from our growth strategy.

19 **Q. THE COMPANY ISSUED $170 MILLION IN LONG-TERM DEBT IN**
20 **SEPTEMBER 2017 TO REFUND THE OUTSTANDING STD THAT WAS NOT**
21 **ASSOCIATED WITH COMMISSION DESIGNATED SHORT-TERM ASSETS.**

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[2] Support for the data can be found on Schedule GWB-S1

1 **DOES MR MURRAY ACKNOWLEDGE THIS REFUNDING BY REMOVING**
2 **STD FROM HIS PROPOSED CAPITAL STRUCTURE?**

3 A. No. Mr. Murray still recommends inclusion of an average of STD over the "full cycle
4 between rate cases" in his proposed capital structure. (p. 9, ln 5–13).

5 **Q. DO YOU AGREE WITH MR MURRAY'S APPROACH?**

6 A. Mr. Murray's approach is incorrect for multiple reasons. First, he is assuming that we
7 would use STD to finance future expenditures which is only true in in the very near term.
8 That's because it is not economical to issue long-term debt in small increments due to
9 issuance costs and premiums on small issues. As a result, the Company will fund capex
10 with commercial paper until such time as the balance grows to the point where it can be
11 economically refinanced. Second, Mr. Murray's approach projects financing forward
12 through the next "cycle between rate cases" without the benefit of including the plant in
13 service allegedly funded by that debt being included in rates. If one wants to include future
14 financing in the current rates, it would only be appropriate to include the future plant in
15 rate base in this proceeding. Third, it would be counter to Commission precedent to not
16 use the ending capitalization, which also applies the matching principal with the use of the
17 ending balance for rate base. I believe I have already amply demonstrated the point that
18 Spire Missouri's short term, non-rate base financing requirements were sufficient enough
19 to show that they were supported by the adjusted STD balances after the refinancing.
20 Accordingly, there is no basis for including STD into the capitalization that is supposed to
21 reflect the financing of the utility's rate base.

22 **Q. PLEASE CONTINUE.**

1 A. Finally, Mr. Murray's approach toward including both the STD and the replacement long-
2 term debt in the capital structure artificially imposes additional phantom leverage on the
3 capital structure. This can be demonstrated on Schedule GWB-S2. In this simple example,
4 the Company makes $10 million in monthly plant investment, funded equally by STD and
5 retained earnings (Common Equity). At the end of the year, I make the assumption for
6 demonstration purposes that it is replaced with permanent financing. At all times during
7 this period, the capex was being funded equally by debt and equity. As can be shown on
8 Schedule GWB-S2, while the resulting capital structure shows a 50% / 50% ratio, as
9 expected, the method employed by Staff would support an equity ratio of only 39%. Such
10 an outcome is illogical.

11 **Q. DO YOU HAVE ANY COMMENTS ABOUT MR GORMAN'S REBUTTAL?**

12 A. I will keep my comments about Mr. Gorman brief as other Company witness will also be
13 addressing his rebuttal testimony. First, I would note that Mr. Gorman, unlike Mr. Murray,
14 appears to be supporting the use of the utility specific capital structure. However, he makes
15 several statements in his rebuttal that I would be remiss in not addressing.

16 **Q. MR. GORMAN IMPLIES THAT THE COMPANY'S CAPITAL STRUCTURE**
17 **HAS TOO HIGH AN EQUITY COMPONENT. IS THE COMPANY'S CAPITAL**
18 **STRUCTURE OUT OF LINE WITH THOSE OF MR. GORMAN'S UTILITY**
19 **PEER GROUP?**

20 A. No. As can be seen from Mr. Gorman's peer group on Schedule MPG-3, the Value Line
21 common equity ratio for the utility peers was 55.3%[3] and the median was 54.0% including

[3] Note that these were the capital structures of the "parent" companies used by Gorman in his ROE calculations. However, since the parent companies were used in the ROE calculations, the capital structure comparison to the utility is still appropriate in validating the reasonableness of the utility capital structure.

1 Spire. Without Spire (which seems somewhat circular to include), those ratios are 56.5%
2 and 55.6% respectively. These ratios clearly support the Company's proposed common
3 equity ratio of 54.2%.

4 **Q. MR. GORMAN STATED THAT THE LACLEDE/MGE'S ACTUAL CAPITAL**
5 **STRUCTURE OVER THE LAST FIVE YEARS HAS BEEN CONSISTENTLY**
6 **AROUND 50%, INCLUDING SHORT-TERM DEBT. (GORMAN, P.5, LN 7-8)**
7 **WHAT WAS THE RATIO WITHOUT STD?**

8 A. Without STD, which as I have previously addressed should not be included in the capital
9 structure, the average for the equity component was 56.1%, meaning when compared on
10 a "apples to apples" basis our current equity component is actually lower than historical
11 norms. Again, this supports rather than detracts from the reasonableness of our proposed
12 capital structure.

13 **Q. MR. GORMAN DISCUSSES THE SPIRE INC CAPITAL STRUCTURE AT P. 6,**
14 **LN 5-10, OF HIS REBUTTAL TESTIMONY AND CALCULATES**
15 **CONSOLIDATED EQUITY RATIOS (ADJUSTED FOR GOODWILL) OF 26%**
16 **OVER THE LAST FIVE YEARS. WOULD THAT SUPPORT AN INVESTMENT**
17 **GRADE CREDIT RATING?**

18 A. No, it would not. That would indicate a junk-rated credit rating. Further, it would put the
19 Company in violation of its Holding Company and Financing Authority agreements to not
20 let the parent company equity ratio fall below 30%. It is an unreasonable and inappropriate
21 number that further demonstrates the lack of merit in Mr. Gorman's approach.

22 **`III. <u>PENSION AND OPEB COSTS</u>**

1 **Q. DOES STAFF WITNESS YOUNG AGREE WITH THE COMPANY'S POSITION**
2 **ON PENSION AND OPEB COSTS?**
3 A. In certain critical respects, no. Staff witness Mathew Young states,

4 "Staff agrees with LAC's and MGE's recommendations to continue the
5 pension and OPEB treatment outlined in the Stipulation and Agreement's
6 in each utility's most recent rate case. However, there are some components
7 of LAC's and MGE's pension and OPEB adjustments Staff does not agree
8 with. Staff does not support the following LAC and MGE proposals:
9 • LAC's and MGE's level of ongoing pension funding;
10 • The amortization period of the pension and OPEB assets;
11 • LAC's calculation of its pension asset; and
12 • The allocation of pension and OPEB asset methodology recommended by
13 LAC and MGE." (Young Rebuttal, p. 3, l. 20 – p. 4, l. 7)
14
15 **Q. IS THE COMPANY STILL IN DISAGREEMENT WITH STAFF ON THESE**
16 **POSITIONS?**
17 A. The Company can agree to the Staff's proposed amortization period and allocation
18 methodology for pension and OPEB assets between LAC and MGE. Laclede strongly
19 disagrees, however, with Staff's calculation of the prepaid pension asset. Company witness
20 J. A. Fallert has provided rebuttal and will be sponsoring surrebuttal testimony further
21 explaining why we do. I will be addressing Staff's recommendation regarding the ongoing
22 level of pension funding.
23 **Q. AS A PRELIMINARY MATTER, IN YOUR TRUE-UP DIRECT TESTIMONY,**
24 **YOU NOTED THAT YOUR ACTUARY WAS IN THE PROCESS OF UPDATING**
25 **ITS CALCULATON OF THE ERISA MINIMUM CONTRIBUTION AT MGE.**
26 **HAVE THEY COMPLETED THIS CALCULATION?**
27 A. Yes. As was provided to Staff in an update to DR 0065, Willis Towers Watson ("Towers")
28 had computed a revised ERISA minimum contribution for the plan year beginning January
29 1, 2017 of $5,472,636.

1 **Q. WHAT FUNDING METHODOLOGIES ARE BEING RECOMMENDED BY THE**
2 **COMPANY AND STAFF RESPECTIVELY?**

3 A. The Company is requesting funding of $31 million for LAC and the aforementioned $5.5[4]
4 million at MGE while Staff is recommending $29 million at LAC and $0 (which I assume
5 they will revise in light of the new information) at MGE based on the ERISA minimum
6 funding levels. (p. 4, ln 10-11).

7 **Q. DID THE PASSAGE OF MAP-21[5] RESULT IN LOWER REQUIRED MINIMUM**
8 **CONTRIBUTIONS AND HIGHER PENSION BENEFIT GUARANTEE**
9 **CORPORATON ("PBGC") VARIABLE PREMIUMS?**

10 A. Yes. As I discussed in my direct testimony, and Staff witness Young acknowledged in his
11 rebuttal (p. 6, ln 17-22), PBGC premiums have increased and funding at the artificially
12 lower minimums will result in higher required contributions in the future. Additionally,
13 these higher PBGC premiums are paid out of the pension trust (taking away funds that
14 could be used to satisfy future benefit payments) and only increase the magnitude of future
15 funding. Office of Public Counsel witness Pitts also discussed this at pages 6-7 of his
16 rebuttal testimony.

17 **Q. IF RATES ARE SET AT THE CURRENT ERISA MINIMUM AND GIVEN THE**
18 **CURRENT FUNDED STATUS, IS IT LIKELY THAT THE COMPANY WOULD**
19 **BE REQURIED TO MAKE ADDITIONAL SPECIAL CONTRIBUTIONS IN THE**
20 **NEAR FUTURE SO AS TO AVOID BENEFIT PAYMENT RESTRICTIONS?**

---

[4] Towers is currently calculating a revised alternative consistent funding level for MGE with the desire to maintain a 90%+ ERISA funded level. We hope to provide this number to the parties prior to the due date of True-up rebuttal testimony.

[5] "Moving Ahead for Progress in the 21st Century Act" passed in July 2012 as modified by the Highway and Transportation Funding Act of 2014

1 A. That is correct, with the end result being a continuing increase in the Company's pension
2 asset. I don't believe that this is an outcome any of the Parties would like to see happen.

3 **Q. STAFF STATES THAT IT "IS RELUCTANT TO INCREASE THE BURDEN ON**
4 **RATEPAYERS…IF INTEREST RATES AND DISCOUNT RATES REBOUND TO**
5 **HIGHER LEVELS AS THE LEGISLATION EXPECTED, THEN FUTURE LAC**
6 **AND MGE PENSION FUNDING REQUIREMENTS ARE EXPECTED TO**
7 **DECLINE, REDUCING THE NEED TO INCREASE FUNDING IN THE INSTANT**
8 **CASE." (P. 8, LN 8-12). COULDN'T STAFF BE CORRECT IN THIS**
9 **ASSESSMENT?**

10 A. Staff may be correct. However, the fact that the pension contributions are done within a
11 tracker mechanism means that this would simply result in a further decrease in the pension
12 asset which would decrease future funding requirements and is a desirable scenario for the
13 Company, the Staff and the OPC.

14 **Q. OPC WITNESS PITTS LARGELY ADDRESSES HIS REBUTTAL TESTIMONY**
15 **TO STAFF. DO YOU HAVE ANY COMMENTS ON HIS REBUTTAL?**

16 A. I have already addressed most of Mr. Pitts positions in rebuttal testimony but note that
17 some of his assertions toward Staff could be construed to be an indirect attack on the
18 Company's views. Without reiterating my rebuttal, I will address some of his
19 comments/observations.

20 **Q. AT PAGE 3 – 4 OF HIS REBUTTAL, MR. PITTS IMPLIES THAT THE**
21 **COMPANY HAS CONTRIBUTED AN "ESTIMATED" $60 MILLION IN EXCESS**
22 **OF THE ERISA MINIMUM LEVELS. IS HE CORRECT IN HIS ASSESSMENT?**

1 A. No. First, it should be noted that Mr. Pitts is using "estimates" for 2010, 2011 and even
2 2016 in his "calculation". According to Towers, approximately $8 million in excess
3 contributions[6] were made in order to avoid benefit restrictions. The remainder of the
4 contributions were made in accordance with the ERISA minimum calculations. It is
5 possible that his analysis may be confused between the actuarial plan years and Company
6 fiscal years, which are different and may result in an "apple to oranges" comparison.
7 Second, Mr. Pitts is inappropriately trying to reinvent the wheel with his calculations. In
8 every proceeding since we have been on a "funded" basis, the Staff has reviewed every
9 actuarial report and received copies of all contributions made into the trusts. Each
10 contribution has been property vetted. Finally, and most importantly, the reality is that past
11 contributions made have resulted in the current funded status and funding requirements as
12 they stand in the case currently. Had additional contributions not been made in the past,
13 the current funding requirement needed would have been just that much higher.

14 **Q. AT P. 5, LN 4-11, MR. PITTS STATES THAT, "SUBJECTING RATEPAYERS TO**
15 **"FINANCE CHARGES" BASED ON WACC FOR PENSIONER DEBT THAT**
16 **ACCRUES AT RISK-FREE RATES IS EXCESSIVE. SHAREHOLDERS SHOULD**
17 **NOT EARN RISK-FREE PROFITS FROM FINANCING ARRANGEMENTS**
18 **UNILATERALLY IMPOSED ON RATEPAYERS (CAPTIVE BORROWERS)**
19 **FOR LEGACY PENSION OBLIGATIONS." HOW DO YOU RESPOND?**

20 A. Although I have already addressed this in my rebuttal testimony, I would further note that
21 these contributions were not "unilaterally imposed" but instead were the product of
22 multiple Stipulations and Agreements signed off on by OPC. Further, the fact that OPC is

[6] Mr. Pitts noted that excess contributions used to eliminate benefit restrictions or PBGC variable premiums are permissible in the LAC Stipulation (Pitts Rebuttal, p. 4, ln 3-4)

1 now proposing a change in carrying costs shows it is not a "risk-free" proposition as
2 claimed by Mr. Pitts.

3 **Q. MR. PITTS SUGGESTS THAT THE CARRYING COSTS SHOULD BE**
4 **REVISITED BY THE COMMISSION BY NOTING THAT INTEREST RATES**
5 **HAVE BEEN DROPPING AND SEEMINGLY EQUATED IT TO REFINANCING**
6 **A HOME MORTGAGE (P. 8, LN 8-10 AND FOOTNOTE 8). HAVE THE**
7 **CARRYING COSTS ON THE ASSETS BEEN STAGNANT AS HE IMPLIES?**

8 A. Mr. Pitts is correct that borrowing costs have, until recently, been trending down (although
9 they appear to be rising again as evidenced by the Fed's interest rate movements).
10 However, so have the carrying costs on the pension asset. For example, the weighted
11 average cost of debt in our cost of capital calculations has gone from over 5.6% just a few
12 years ago to 4.12% currently. These lower costs are reflected in a reduced return
13 requirement on the asset. That, however, does not change the agreements stipulated
14 between the Parties in these cases and, in fact, supports the validity of the agreements.

15 **Q. IN HIS REBUTTAL, MR. PITTS RECOMMENDS "AN INDEPENDENT OPEB**
16 **BENEFIT REVIEW." (P. 12, LN. 2-3). IS THAT NECESSARY?**

17 A. No. This is yet another example of where Mr. Pitts' lack of familiarity regarding our
18 Company leads him to a faulty conclusion. His comparison of LAC to MGE is an "apples
19 to oranges" comparison as MGE had, in the past, stopped offering any defined benefit
20 pensions or any meaningful post-retirement benefits while LAC still offered such benefits.
21 We constantly review benefit costs and evaluate benefit levels both in comparison to our
22 peers and in light of national trends. We evaluate these benefits as part of our employees'
23 total compensation packages and utilize top tier experts in doing so. We continue to do so,

1 especially given both the rising costs of health care and governmental efforts at health care
2 reform and we have consistently communicated any resulting plan changes to the Staff in
3 our rate proceedings. It is a dynamic process that has proven to be effective. In contrast,
4 Mr. Pitts' recommendation appears to inappropriately suggest replacing this kind of
5 Commission oversight with a more direct and ill-advised infringement on management
6 discretion.
7
8 **IV. SERP EXPENSE**

9 **Q. DO THE COMPANY AND STAFF HAVE ANY SUBSTANTIAL DIFFERENCE ON**
10 **THE LEVEL OF SERP EXPENSE TO INCLUDE IN RATES?**

11 A. Generally, the Company and Staff have taken a similar approach with one small exception.
12 Staff's approach of using a 3-year average of payments excluded an April 2014 lump sum
13 payment when computing that average. This was largely due to a timing issue with how it
14 was reported in the actuarial reports. If Staff includes the aforementioned payment in its
15 average (which it should since it states that it is on a "payments" made basis), there will be
16 no difference. I would also note that the GAAP requirement discussed by Staff relating to
17 a change in the method of capitalizing pension costs will likely not affect the Company
18 until 2019. Otherwise, we are generally supportive of the Staff's position.

19 **Q. DID OPC WITNESS HYNEMAN PROVIDE ANY REBUTTAL ON THE**
20 **COMPANY'S POSITION ON THIS TOPIC?**

21 A. No, much like Mr. Pitts, his rebuttal was directed towards the Staff testimony. He didn't
22 rebut the Company but I will address his testimony on a high-level basis. His main point

regarding Staff's SERP calculation is that it results in "excessive and unreasonable amount [that] is inconsistent with its prior Staff positions on the appropriate ratemaking treatment of SERP expenses in utility rate cases." (Hyneman Rebuttal, p. 17, ln 4-5).

Q. MR. HYNEMAN APPEARS TO STATE THAT STAFF HAD ALTERED ITS "STANDARD" FOR SERP EXPENSE RECOVERY. IS THIS OBSERVATION CONSISTENT WITH YOUR EXPERIENCE?

A. No. First it should be noted that his reference to being inconsistent with prior Staff testimony refers to his own testimony as a member of the Staff in ER-2012-0174. In fact, much of the testimony from that case is word for word with those used by Hyneman in this case. Second, the standard that he quotes is that they (payments) must be "not significant, are reasonably provided for and able to be quantified under the known and measurable standard (p17, ln 12-13) and should exclude all lump sums as being excessive and not known and measurable (p 18, ln 11-12). I do not believe Staff's calculation in this case is inconsistent with those "standards". As to Mr. Hyneman's "excessive argument", as noted in my rebuttal, this (SERP) is a restoration plan not an enhanced plan as exists in some other corporations. But for the IRS limits, it would have been payable from the qualified plan. Additionally, the IRS does allow the deduction for these costs when they are paid.

Q. SPECIFICALLY REGARDING LUMP SUM PAYMENTS, MR. HYNEMAN SUGGESTS THAT A "MORE APPROPRIATE METHOD OF ANNUALIZING LUMP SUM SERP PAYMENTS" WOULD BE TO AMORTIZE A REASONABLE LEVEL OF LUMP SUM PAYMENT OVER THE REMAINING LIFE OF THE

1 **RETIRED EXECUTIVE. (P. 19, LN 18-19). IS THAT A MORE APPROPRIATE**
2 **METHOD?**

3 A. It is interesting that Mr. Hyneman would bring the concept of spreading the costs over the
4 "remaining life" of the retiree. The FAS 87 expense recognition allocates the SERP
5 expense ratably over the ***service life*** of the employee who is earning it ***while that employee***
6 ***is providing services*** to the people who benefit from such service. However, Mr. Hyneman
7 is not supportive of recovery on that basis.

8 **Q. MR. HYNEMAN STATES THAT SERP PAYMENTS TO RETIRED FORMER**
9 **EMPLOYEES PROVIDE NO BENEFIT TO CURRENT UTILITY**
10 **CONSTRUCTION PROJECTS, AND THEREFORE, SHOULD NOT BE**
11 **CAPITALIZED OR ADDED TO THE COST OF THOSE PLANT PROJECTS. (P**
12 **22, LN 23 – P23, LN 2). DO RETIREE SERP PAYMENTS GET CAPITALIZED?**

13 A. No. To be clear, the Company's books reflect SERP costs on a FAS 87 basis according to
14 GAAP where, as mentioned previously, such costs are booked on an accrual basis over the
15 service life of the employee. We capitalize this FAS 87 accrual in accordance with the
16 USOA. No payments, as erroneously claimed by OPC, are being capitalized.

17 **Q. MR. HYNEMAN STATES THAT THERE WERE NO LUMP SUM PAYMENTS**
18 **MADE DURING THE TEST YEAR BUT THAT STAFF STILL TOOK LUMP SUM**
19 **PAYMENTS INTO CONSIDERATION IN THEIR RECOMMENDATION. (P. 23,**
20 **LN 22-23). IS THIS APPROPRIATE?**

21 A. It is a normal ratemaking technique to normalize for "lumpy" expenses by taking a multi-
22 period average. Staff sponsors such adjustments in virtually every rate case on topics such

1 as injuries and damages and uncollectible accounts. A good example is the cost of
2 Ameren's Callaway refueling which occurs every 18 months. Rather than putting the entire
3 amount into rates if it was in the "test year" or putting nothing in rates if the timing placed
4 it out of the test year, Staff will normalize it. Staff is doing the same thing with the SERP
5 lump sums.

6 **Q. ON PAGE 24, MR. HYNEMAN IMPLIES THAT THE PAYMENT OF LUMP**
7 **SUMS WAS INTERTWINED WITH THE COMPANY'S NEW "GROWTH**
8 **STRATEGY". IS THERE ANY RELATIONSHIP BETWEEN THE TWO?**

9 A. No. Mr. Hyneman "cherry-picks" periods to try to make his point concerning the lump
10 sum payments. For example, he discusses the period from 2001 – 2010 and notes that there
11 were no significant lump sums in that time frame. What Mr. Hyneman does not note is
12 that there was a significant lump sum in 2000 when a long-time CEO retired. Similarly,
13 the individuals who retired in 2011 included the CEO who replaced the CEO that had
14 retired at the end of 1999, and also included two other long tenured executives. Each of
15 these employees were of retirement age and had full careers with the Company. The reality
16 is that you do not have a long-tenured executive retire every year, which again argues for
17 a normalization technique.

18 Q. **DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?**

19 A. Yes.

Short-term cash requirements outside of Laclede Gas have generally been met with internally-generated funds. However, Laclede Group has $50 million in a syndicated line of credit, $42.9 million of which expires in July 2017 and $7.1 million of which expires in July 2016, to meet short-term liquidity needs of its subsidiaries. The line of credit has a covenant limiting the total debt of the consolidated Laclede Group to no more than 70% of the Company's total capitalization. As defined in the line of credit, this ratio stood at 40% on September 30, 2012. Occasionally, Laclede Group's lines may be used to provide for the funding needs of various subsidiaries. There were no borrowings under Laclede Group's lines during fiscal years 2012 and 2011, other than a minimal one-day draw under previous lines for administrative purposes in 2011.

Information about Laclede Group's consolidated short-term borrowings (excluding intercompany borrowings) during the 12 months ended September 30, 2012 and 2011 and as of September 30, 2012 and 2011, is presented below:

	Commercial Paper Borrowings
12 Months Ended September 30, 2012	
Weighted average borrowings outstanding	$43.8 million
Weighted average interest rate	0.3%
Range of borrowings outstanding	$0 – $133.5 million
As of September 30, 2012	
Borrowings outstanding at end of period	$40.1 million
Weighted average interest rate	0.2%
12 Months Ended September 30, 2011	
Weighted average borrowings outstanding	$54.6 million
Weighted average interest rate	0.3%
Range of borrowings outstanding	$0 – $172.1 million
As of September 30, 2011	
Borrowings outstanding at end of period	$46.0 million
Weighted average interest rate	0.3%

Based on average short-term borrowings for the 12 months ended September 30, 2012, an increase in the average interest rate of 100 basis points would decrease Laclede Group's pre-tax earnings and cash flows by approximately $0.4 million on an annual basis, portions of which may be offset through the application of PGA carrying costs.

Long-term Debt, Equity, and Shelf Registrations

On August 3, 2012, Laclede Gas Company committed to issue $100 million of first mortgage bonds in a private placement, with settlement scheduled for March 2013. Of this $100 million, $55 million will be issued at 3.00% for a 10-year term, maturing in March 2023, and $45 million will be issued at 3.40% for a 15-year term, maturing in March 2028. Simultaneously, Laclede Group committed to the issuance of $25 million of 3.31% 10-year unsecured notes in a private placement, with settlement scheduled for December 2012. The proceeds will be used for general corporate purposes.

Laclede Gas has on file with the SEC an effective shelf registration on Form S-3 for issuance of $350 million of first mortgage bonds, unsecured debt, and preferred stock, which expires May 28, 2013. The entire amount of this shelf registration remains available to Laclede Gas at this time.

The Utility has MoPSC authority to issue debt securities and preferred stock, including on a private placement basis, as well as to issue common stock, receive paid-in capital, and enter into capital lease agreements, all for a total of up to $518 million. This authorization was originally effective through June 30, 2013. In August 2012, Laclede Gas filed a request with the MoPSC to extend this authority for an additional two years, to June 30, 2015. This extension was approved October 24, 2012, to be effective on November 23, 2012. During the year ended September 30, 2012, pursuant to this authority, the Utility sold 1,087 shares of its common stock to Laclede Group for $42.7 million. As of November 19, 2012, $473.1 million remains available under this authorization. After the settlement of the $100 million in bonds in March 2013, $373.1 million in authorization will remain, assuming no other uses in the interim. The amount, timing, and type of additional financing to be issued will depend on cash requirements and market conditions, as well as future MoPSC authorizations.

At September 30, 2012, Laclede Gas had fixed-rate long-term debt totaling $365 million (including current maturities). On October 15, 2012, Laclede Gas paid at maturity $25 million principal amount of 6 1/2% first mortgage bonds. While the remaining long-term debt issues are fixed-rate, they are subject to changes in their fair value as market interest rates change. However, increases or decreases in fair value would impact earnings and cash flows only if Laclede Gas were to reacquire any of these issues in the open market prior to maturity. Under GAAP applicable to Laclede Gas' regulated operations, losses or gains on early redemptions of long-term debt would typically be deferred as regulatory assets or regulatory liabilities and amortized over a future period. Of the Utility's $365 million in long-term debt, $50 million have no call option, $235 million have make-whole call options, and $80 million are callable at par in 2013. None of the debt has any put options.

Laclede Group has a registration statement on file on Form S-3 for the issuance and sale of up to 285,222 shares of its common stock under its Dividend Reinvestment and Stock Purchase Program. There were 238,320 and 229,704 shares at September 30, 2012 and November 19, 2012, respectively, remaining available for issuance under its Form S-3. Laclede Group also has an automatic shelf registration statement on Form S-3 for the issuance of equity and debt securities. No securities have been issued under that S-3. The amount, timing, and type of financing to be issued under this shelf registration will depend on cash requirements and market conditions.

Other

The Company's and the Utility's access to capital markets, including the commercial paper market, and their respective financing costs, may depend on the credit rating of the entity that is accessing the capital markets. The credit ratings of the Company and the Utility remain at investment grade, but are subject to review and change by the rating agencies.

Utility capital expenditures were $106.7 million for fiscal 2012, compared with $67.3 million and $56.2 million for fiscal years 2011 and 2010, respectively. Utility capital expenditures are expected to be approximately $113 million in fiscal year 2013. The increases in capital expenditures, compared with prior periods, are primarily attributable to additional expenditures for distribution plant and information technology investments. During fiscal 2011, Laclede Gas began a multi-year project to enhance its technology, customer service, and business processes by replacing its existing customer relationship and work management, financial, and supply chain software applications. Non-utility capital expenditures for fiscal year 2012 were $2.1 million compared with $0.3 million in fiscal year 2011 and $0.8 million in fiscal year 2010, and are estimated to be approximately $2 million for fiscal year 2013.

Consolidated capitalization at September 30, 2012 consisted of 63.9% Laclede Group common stock equity and 36.1% Laclede Gas long-term debt, compared to 61.1% Laclede Group common stock equity and 38.9% Laclede Gas long-term debt at September 30, 2011.

Laclede Group's ratio of earnings to fixed charges was 4.4 for fiscal years 2012 and 2011 and 3.8 for fiscal year 2010.

It is management's view that the Company has adequate access to capital markets and will have sufficient capital resources, both internal and external, to meet anticipated capital requirements, which primarily include capital expenditures, scheduled maturities of long-term debt, short-term seasonal needs, and dividends.

Net cash used in financing activities for fiscal years 2012, 2011 and 2010 was $14.4 million, $90.5 million and $33.2 million, respectively. The decrease in net cash used in financing activities in fiscal year 2012 (from fiscal year 2011) primarily reflects a net decrease in the repayment of short-term borrowings this year and the effect of the maturity of long-term debt last year. The increase in net cash used in financing activities in fiscal year 2011 (over fiscal year 2010) primarily reflects increased repayments of short-term debt and the maturity of long-term debt in fiscal 2011.

LIQUIDITY AND CAPITAL RESOURCES

Short-term Debt

As indicated in the discussion of cash flows above, the Utility's short-term borrowing requirements typically peak during the colder months. These short-term cash requirements can be met through the sale of commercial paper supported by lines of credit with banks or through direct use of the lines of credit. At September 30, 2012, Laclede Gas had a syndicated line of credit in place of $300 million from seven banks, $257.1 million of which is scheduled to expire in July 2017 and $ 42.9 million of which is scheduled to expire in July 2016. The largest portion provided by a single bank is 17.9%. Laclede Gas' line of credit includes a covenant limiting total debt, including short-term debt, to no more than 70% of total capitalization. As defined in the line of credit, total debt was 47% of total capitalization on September 30, 2012 .

Due to lower yields available to Laclede Group on its short-term investments, Laclede Group elected to provide a portion of Laclede Gas' short-term funding through intercompany lending during fiscal years 2012 and 2011. Information about the Utility's short-term borrowings during the 12 months ended September 30, 2012 and 2011 and as of September 30, 2012 and 2011, is presented below:

	Commercial Paper Borrowings	Borrowings from Laclede Group	Total Short-Term Borrowings
12 Months Ended September 30, 2012			
Weighted average borrowings outstanding	$43.8 million	$78.2 million	$122.0 million
Weighted average interest rate	0.3%	0.3%	0.3%
Range of borrowings outstanding	$0 – $133.5 million	$13.0 - $107.5 million	$59.6 - $200.1 million
As of September 30, 2012			
Borrowings outstanding at end of period	$40.1 million	$37.1 million	$77.2 million
Weighted average interest rate	0.2%	0.2%	0.2%
12 Months Ended September 30, 2011			
Weighted average borrowings outstanding	$54.6 million	$44.6 million	$99.2 million
Weighted average interest rate	0.3%	0.3%	0.3%
Range of borrowings outstanding	$0 – $172.1 million	$0 - $79.9 million	$11.5 - $193.0 million
As of September 30, 2011			
Borrowings outstanding at end of period	$46.0 million	$52.9 million	$98.9 million
Weighted average interest rate	0.3%	0.3%	0.3%

Based on average short-term borrowings for the 12 months ended September 30, 2012, an increase in the average interest rate of 100 basis points would decrease the Utility's pre-tax earnings and cash flows by approximately $1.2 million on an annual basis, portions of which may be offset through the application of PGA carrying costs.

Long-term Debt, Equity, and Shelf Registration

On August 3, 2012, Laclede Gas committed to issue $100 million of first mortgage bonds in a private placement, with settlement scheduled for March 2013. Of this $100 million, $55 million will be issued at 3.00% for a 10-year term, maturing in March 2023, and $45 million will be issued at 3.40% for a 15-year term, maturing in March 2028. The proceeds will be used for general corporate purposes.

Laclede Gas has on file with the SEC an effective shelf registration on Form S-3 for issuance of $350 million of first mortgage bonds, unsecured debt, and preferred stock, which expires May 28, 2013. The entire amount of this shelf registration remains available to Laclede Gas at this time.

The Utility has MoPSC authority to issue debt securities and preferred stock, including on a private placement basis, as well as to issue common stock, receive paid-in capital, and enter into capital lease agreements, all for a total of up to $518 million. This authorization was originally effective through June 30, 2013. In August 2012, Laclede Gas filed a request with the MoPSC to extend this authority for an additional two years, to June 30, 2015. This extension was approved October 24, 2012, to be effective on November 23, 2012. During the year ended September 30, 2012, pursuant to this authority, the Utility sold 1,087 shares of its common stock to Laclede Group for $42.7 million. For more information on these sales of stock, see Part II., Item 5 . Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities. As of November 19, 2012, $473.1 million remains available under this authorization. After the settlement of the $100 million in bonds in March 2013, $373.1 million in authorization will remain, assuming no other uses in the interim. The amount, timing, and type of additional financing to be issued will depend on cash requirements and market conditions, as well as future MoPSC authorizations.

At September 30, 2012, Laclede Gas had fixed-rate long-term debt totaling $365 million (including current maturities). On October 15, 2012, Laclede Gas paid at maturity $25 million principal amount of 6 1/2% first mortgage bonds. While the remaining long-term debt issues are fixed-rate, they are subject to changes in their fair value as market interest rates change. However, increases or decreases in fair value would impact earnings and cash flows only if Laclede Gas were to reacquire any of these issues in the open market prior to maturity. Under GAAP applicable to Laclede Gas' regulated operations, losses or gains on early redemptions of long-term debt would typically be deferred as regulatory assets or regulatory liabilities and amortized over a future period. Of the Utility's $365 million in long-term debt, $50 million have no call option, $235 million have make-whole call options, and $80 million are callable at par in 2013. None of the debt has any put options.

Other

The Utility's access to capital markets, including the commercial paper market, and its financing costs, may depend on its credit rating. The credit ratings of the Utility remain at investment grade, but are subject to review and change by the rating agencies.

Utility capital expenditures were $106.7 million for fiscal 2012, compared with $67.3 million and $56.2 million for fiscal years 2011 and 2010, respectively. Utility capital expenditures are expected to be approximately $113 million in fiscal year 2013. The increases in capital expenditures, compared with prior periods, are primarily attributable to additional expenditures for distribution plant and information technology investments. During fiscal 2011, Laclede Gas began a multi-year project to enhance its technology, customer service, and business processes by replacing its existing customer relationship and work management, financial, and supply chain software applications.

Capitalization at September 30, 2012, consisted of 59.1% common stock equity and 40.9% long-term debt compared to 54.4% common stock equity and 45.6% long-term debt at September 30, 2011.

Laclede Gas' ratio of earnings to fixed charges was 3.6 for fiscal year 2012, 3.8 for fiscal year 2011, and 3.0 for fiscal year 2010.

It is management's view that Laclede Gas has adequate access to capital markets and will have sufficient capital resources, both internal and external, to meet anticipated capital requirements, which primarily include capital expenditures, scheduled maturities of long-term debt, short-term seasonal needs, and dividends.

THE LACLEDE GROUP, INC.
CONSOLIDATED BALANCE SHEETS (Continued)

(Thousands) September 30	2012	2011
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock equity	$ 601,611	$ 573,331
Long-term debt (less current portion) – Laclede Gas	339,416	364,357
Total Capitalization	941,027	937,688
Current Liabilities:		
Notes payable	40,100	46,000
Accounts payable	89,503	96,561
Advance customer billings	25,146	15,230
Current portion of long-term debt	25,000	—
Wages and compensation accrued	13,908	13,650
Dividends payable	9,831	9,359
Customer deposits	8,565	10,048
Interest accrued	8,590	8,812
Taxes accrued	11,304	11,901
Deferred income taxes	6,675	8,405
Other	13,502	11,968
Total Current Liabilities	252,124	231,934
Deferred Credits and Other Liabilities:		
Deferred income taxes	355,509	315,405
Unamortized investment tax credits	3,113	3,326
Pension and postretirement benefit costs	196,558	185,701
Asset retirement obligations	40,368	27,495
Regulatory liabilities	56,319	50,846
Other	35,244	30,687
Total Deferred Credits and Other Liabilities	687,111	613,460
Commitments and Contingencies (Note 15)		
Total Capitalization and Liabilities	$ 1,880,262	$ 1,783,082

See the accompanying Notes to Consolidated Financial Statements .

LACLEDE GAS COMPANY
BALANCE SHEETS (continued)

(Thousands) September 30	2012	2011
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock equity	$ 491,328	$ 433,957
Long-term debt (less current portion)	339,416	364,357
Total Capitalization	830,744	798,314
Current Liabilities:		
Notes payable	40,100	46,000
Notes payable – associated companies	37,125	52,879
Accounts payable	38,391	45,635
Accounts payable – associated companies	2,576	1,730
Advance customer billings	25,146	15,230
Current portion of long-term debt	25,000	—
Wages and compensation accrued	13,908	13,650
Dividends payable	9,354	9,084
Customer deposits	8,565	10,048
Interest accrued	8,590	8,812
Taxes accrued	13,822	10,038
Deferred income taxes	10,146	9,165
Other	10,068	9,191
Total Current Liabilities	242,791	231,462
Deferred Credits and Other Liabilities:		
Deferred income taxes	355,458	315,325
Unamortized investment tax credits	3,113	3,326
Pension and postretirement benefit costs	196,558	185,701
Asset retirement obligations	40,126	27,486
Regulatory liabilities	56,319	50,846
Other	35,043	30,586
Total Deferred Credits and Other Liabilities	686,617	613,270
Commitments and Contingencies (Note 12)		
Total Capitalization and Liabilities	$ 1,760,152	$ 1,643,046

See the accompanying Notes to Financial Statements .

Example of Staff Method

Total Investment	120,000,000
Number of Months	12
% funded through Equity	50%

Month	(v) New Plant	(i) Short Term Debt	(ii) Common Equity	(iii) Long Term Debt	(iv) % Equity (ii) ÷ (v)
Jan-16	10,000,000	5,000,000	5,000,000		50%
Feb-16	20,000,000	10,000,000	10,000,000		50%
Mar-16	30,000,000	15,000,000	15,000,000		50%
Apr-16	40,000,000	20,000,000	20,000,000		50%
May-16	50,000,000	25,000,000	25,000,000		50%
Jun-16	60,000,000	30,000,000	30,000,000		50%
Jul-16	70,000,000	35,000,000	35,000,000		50%
Aug-16	80,000,000	40,000,000	40,000,000		50%
Sep-16	90,000,000	45,000,000	45,000,000		50%
Oct-16	100,000,000	50,000,000	50,000,000		50%
Nov-16	110,000,000	55,000,000	55,000,000		50%
Dec-16	120,000,000	60,000,000	60,000,000		50%
End of Period Financing		(60,000,000)		60,000,000	
Investment and Capitalization	120,000,000	-	60,000,000	60,000,000	

Company		% Capitalization
Common Equity	60,000,000	50.00%
Long Term Debt	60,000,000	50.00%
Short Term Debt	-	0.00%
Total	120,000,000	100.00%

Staff		% Capitalization
Common Equity	60,000,000	39.00%
Long Term Debt	60,000,000	39.34%
Short Term Debt (12 Month Average)	32,500,000	21.31%
	152,500,000	100.00%

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Request to Increase its Revenues for Gas Service	)))	File No. GR-2017-0215
In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase its Revenues for Gas Service	)))	File No. GR-2017-0216

AFFIDAVIT

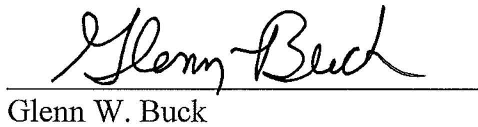
STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

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

1. My name is Glenn W. Buck. I am Director, Regulatory and Finance for Laclede Gas Company. My business address is 700 Market St., St Louis, Missouri, 63101.

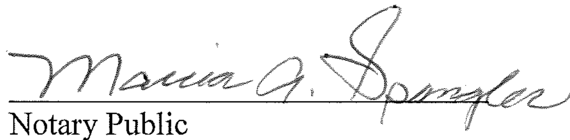
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony on behalf of Laclede Gas Company and MGE.

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

Subscribed and sworn to before me this 30 day of NOVEMBER 2017.



Notary Public