

FILED<sup>2</sup>

DEC 11 2009

Missouri Public  
Service Commission

Exhibit No.:

Issue:

Witness:

Type of Exhibit:

Sponsoring Party:

Case No.:

Date Testimony

Prepared:

Interim Rates

Glenn W. Buck

Surrebuttal Testimony

Laclede Gas Company

ER-2010-0036

November 24, 2009

LACLEDE GAS COMPANY

ER-2010-0036

SURREBUTTAL TESTIMONY

OF

GLENN W. BUCK

NOVEMBER 24, 2009

Laclede Exhibit No. P  
Case No(s) ER 2010-0036  
Date 12-07-09 Rptr KE

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**SURREBUTTAL 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 St., St. Louis,  
3 Missouri, 63101.

4 Q. Are you're the same Glenn Buck who filed direct testimony in this proceeding?

5 A. Yes, I am.

6 **Purpose of Testimony**

7 Q. What is the purpose of your testimony?

8 A. The purpose of my testimony is to respond to the rebuttal testimony of Michael Gorman  
9 who offered testimony on behalf of the Missouri Industrial Energy Consumers. I will also  
10 briefly respond to the regulatory lag argument contained in the rebuttal testimony of  
11 MPSC Staff witness Steve Rackers.

12 **Response to Gorman Rebuttal**

13 Q. On page 2, lines 4 – 14 of his Rebuttal Testimony, Mr. Gorman refers to your testimony  
14 relating to the increasing costs faced by utilities and states that “the suggestion that this  
15 will always happen is not accurate.” How do you respond?

16 A. First, I would note that Mr. Gorman may have misinterpreted my direct testimony. In my  
17 direct testimony, I acknowledged that there could be modest offsets in other costs. But I  
18 go on to say that given the generally inclining cost structure that nearly all utilities  
19 confront today, upward pressure on rates is virtually inevitable (Buck Direct, Page, 6,  
20 lines 1 – 8). For Mr. Gorman to state that “the suggestion that this will always happen is  
21 not accurate” is a mischaracterization of my testimony. My point is that there is a high

1 degree of certainty that utilities have, and will, continue to incur higher and higher costs  
2 to provide services to customers.

3 A. What have been the outcomes of investor-owned utility rate cases in recent years?

4 Q. Rate filings have been made by each of the major investor-owned Missouri utilities (i.e.,  
5 Atmos, Ameren, Empire, KCPL, KCPL GMO, Laclede, Missouri Gas Energy, and  
6 MAWC) within the last several years. Some of the utilities have filed multiple times  
7 during this period. With one exception, which can be distinguished (the Atmos case in  
8 which rates were left unchanged but a SFV rate design was approved), each case resulted  
9 in a rate increase. As further evidence of the generally inclining cost structure, each of  
10 the investor-owned utilities in the state either has been involved in a rate case, or will  
11 have filed for new rates, in 2009. As utility companies do not generally prefer to file and  
12 litigate rate cases, nor to pass along higher costs to their customers, this is just further  
13 evidence of the generally increasing cost nature of our industry.

14 A. Mr. Gorman states that your proposed solutions to regulatory lag are not reasonable  
15 (Gorman Rebuttal, Page 3, lines 1 – 10). Do you agree with this assertion?

16 Q. Like the interim rate request submitted by Ameren in this case, each of my proposed  
17 solutions has merit over both the near- and long-term as potential methods for addressing  
18 the regulatory lag problem that has been identified in this proceeding. AAOs have been  
19 successfully used for many cost items in the past (including safety deferral investments,  
20 pension expense, OPEBS, and the effects of changes in the Cold Weather Rule  
21 Amendments). Authorizing an AAO for the carrying costs and depreciation expense  
22 related to the needed infrastructure investments is really no different. Over the longer-  
23 term, utilization of the near real-time exchange of financial data, which is occurring

1 already today, should allow for a more accelerated audit and review process and shorten  
2 rate case time frames. To the extent that some regulatory lag is desirable, this process  
3 will reduce the lag, but not eliminate it.

4 **Response to Rackers Rebuttal**

5 Q. Do you wish to respond to Mr. Rackers' testimony on behalf of Staff?

6 A. Yes. On page 5 of his Rebuttal Testimony, Mr. Rackers argues that Laclede is not  
7 hampered by regulatory lag, because it had returns on equity for both 2007 and 2008 of  
8 more than 12%. I should note that because of the non-traditional method he used to  
9 calculate such return – a method that ignores certain expenses, such as interest on short-  
10 term debt and amortization of debt discounts, while recognizing PGA-related interest  
11 credits – Mr. Rackers overstated what Laclede actually earned by more than 200 basis  
12 points for these two years. I do not dispute, however, the fact that he had solid, reliable  
13 numbers from which to make those calculations. Mr. Rackers derived his data from  
14 surveillance monitoring reports Laclede provides to Staff on a monthly basis. In  
15 essence, even though Laclede completed its last rate case in August 2007, Mr. Rackers  
16 was able to determine an actual ROE for Laclede for both calendar 2007 and 2008, and  
17 probably did it in a matter of minutes. In fact, Mr. Rackers' workpapers related to his  
18 calculations actually had data through July of 2009, and Laclede has provided reports to  
19 Staff through the period ending October of 2009. Although I am not privy to the  
20 information Mr. Rackers submitted for AmerenUE, he clearly has the same data for that  
21 company, too.

22 Q. What do you conclude from this?

1 A. I conclude that there is no need to take 11 months to process a rate case when most of the  
2 information necessary to determine the Company's revenue requirement is already at our  
3 fingertips. I have been at Laclede since 1986. At that time, rate cases generally took 11  
4 months to process. Today, thanks to technological advancements, we have tools such as  
5 laptops, electronic data storage, high-speed internet access, almost instantaneous e-mail  
6 communication, and electronic filing through EFIS. We can easily aggregate and process  
7 large volumes of information. And yet today, rate cases still generally take 11 months to  
8 process.

9 Q. How does this relate to AmerenUE's request for interim rate relief?

10 A. The interim relief requested is small relative to AmerenUE's full request, and is subject  
11 to refund with interest. The opponents of interim rate relief complain, in part, that it  
12 should not be granted absent a review of all relevant factors. Given the consumer  
13 safeguards inherent in making any interim rate increase subject to refund with interest or,  
14 alternatively, in deferring costs for recovery in connection with an overall cost of service  
15 determination, I do not believe the "all relevant factors" argument has any application in  
16 this instance. That said, the information that is submitted monthly and is readily  
17 available to Staff, can be used as a good representation of these factors. In other words,  
18 subject to a short lag period needed to process and submit the data, Staff has access to all  
19 relevant factors all the time. Since the relevant information is essentially available today,  
20 to the extent it supports a material rate increase, there is no fair or equitable reason for the  
21 parties to forestall providing the modest interim rate relief requested by Ameren.

22 Q. Does this complete your surrebuttal testimony?

23 A. Yes.

