EXHIBIT

Exhibit No.:	
Issue(s):	Depreciation Rate Authorization
Witness/Type of Exhibit:	Robertson/Rebuttal
Sponsoring Party:	Public Counsel
Case No.:	GO-2012-0363

FILED
AUG 23 2012
Missouri Public Service Commission

REBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of the Office of the Public Counsel

LACLEDE GAS COMPANY

CASE NO. GO-2012-0363

July 13, 2012

OPC Exhibit No. 7
Date 8-16-12 Reporter KF
File No. GO-2012-0363

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Application to Establish Depreciation Rates for Enterprise Computer Software Systems	))))	Case No. GO-2012-0363

AFFIDAVIT OF TED ROBERTSON

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am the Chief Public Utility Accountant for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.

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

Ted Robertson, C.P.A.
Chief Public Utility Accountant

Subscribed and sworn to me this 13th day of July 2012.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JERENE A. BUCKMAN
My Commission Expires
August 23, 2013
Cole County
Commission #09754037

Jerene A. Buckman
Notary Public

My Commission expires August 23, 2013.

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REBUTTAL TESTIMONY
OF
TED ROBERTSON

LACLEDE GAS COMPANY
CASE NO. GO-2012-0363

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Ted Robertson, PO Box 2230, Jefferson City, Missouri 65102-2230.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by the Missouri Office of the Public Counsel (OPC or Public Counsel) as the Chief Public Utility Accountant.

Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES AT THE OPC?

A. My duties include all activities associated with the supervision and operation of the regulatory accounting section of the OPC. I am also responsible for performing audits and examinations of the books and records of public utilities operating within the state of Missouri.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND OTHER QUALIFICATIONS.

A. I graduated in May, 1988, from Missouri State University in Springfield, Missouri, with a Bachelor of Science Degree in Accounting. In November of 1988, I passed the Uniform Certified Public Accountant Examination, and I obtained Certified Public Accountant (CPA) certification from the state of Missouri in 1989. My CPA license number is 2004012798.

Q. HAVE YOU RECEIVED SPECIALIZED TRAINING RELATED TO PUBLIC UTILITY ACCOUNTING?

A. Yes. In addition to being employed by the Missouri Office of the Public Counsel since July 1990, I have attended the NARUC Annual Regulatory Studies Program at Michigan State University, and I have also participated in numerous training seminars relating to this specific area of accounting study.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION (COMMISSION OR MPSC)?

A. Yes, I have testified on numerous issues before this Commission. Please refer to Schedule TJR-1, attached to this testimony, for a listing of cases in which I have submitted testimony.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my testimony is to rebut the Direct Testimony of Laclede Gas Company (Laclede or Company) witness, Mr. Glenn W. Buck, regarding the Company's Application for authorization of a new depreciation rate for its new information management systems.

III. DEPRECIATION RATE AUTHORIZATION

Q. WHAT IS COMPANY REQUESTING?

A. On or about May 18, 2012, Company filed an Application for an order to establish a new depreciation rate for its new Enterprise Information Management System (EIMS). The Company requested the establishment of a new subaccount (Account 391.4 Enterprise Information Management System, assigning a 5% (five percent) depreciation rate for the EIMS investments expected to be placed in-service in 2012 and 2013. The Company also seeks authority to delay conducting and filing a depreciation study in consultation with Staff until the next general rate case proceeding filed by Laclede after it completes implementation of the new system, specifying that subaccount 391.4 will accrue depreciation expense for the EIMS system at a 5% depreciation rate until the Commission orders a different depreciation or amortization treatment for these assets. Laclede also seeks an Order specifying that no party shall be bound to recommend this

rate in a future proceeding and that the Order does not address the prudence of investment or amount of investment.

Q. IS THE PUBLIC COUNSEL OPPOSED TO THE COMPANY'S REQUEST?

A. Yes.

Q. WHY IS THE PUBLIC COUNSEL OPPOSED TO THE COMPANY'S REQUEST?

A. Public Counsel is opposed to the Company's request for several reasons, but the primary reason is that the Company has inaccurately identified the EIMS investment as a new depreciation class that does not already have an associated Commission authorized depreciation rate assigned to it. Public Counsel believes that the new information management systems are nothing more than a modernization replacement for current older systems reaching the ends of their useful and/or economic lives. That is, both the new and replaced systems provide for basic fundamental operating needs of the Company but the new investment is more modern and has more "bells and whistles." Therefore, the depreciation rate currently authorized by the Commission for the information management systems being replaced is also applicable and appropriate for the new systems being installed.

Q. IN THE CONTEXT OF REGULATORY RATEMAKING HOW DOES DEPRECIATION FIT INTO THE DETERMINATION OF SERVICE RATES CHARGED RATEPAYERS?

A. Revenue requirement (or cost of service) is the term for the amount of cost recovery a regulated utility is authorized the opportunity to receive from ratepayers. Essentially, it consists of two main cost components, 1) a return on used and useful investment provided by shareholders, and 2) recovery of prudent and reasonable operating expenses incurred by the utility. Within these two main components of costs are many sub-components such as; plant, return on equity, and numerable expenses such as payroll, depreciation expense and taxes.

Simply put depreciation expense merely represents the allocation of an investment's (i.e., plant) cost over the period or life which it is used by the utility to provide service to ratepayers. It is only one of many costs reviewed and/or audited when attempting to determine a utility's total cost of service. Depreciation rates which are applied against the relevant plant balances create depreciation expense which is included as an operating expense on the income statement. Depreciation rate development can be achieved by several processes, but, for a large utility, usually occurs via the development of a depreciation study which is a detailed and complex analysis of the historical lives of all investment utilized by the utility. Furthermore, inherent in the revenue requirement development is an accounting and ratemaking concept identified as the "matching principle" which means that the costs of providing services to ratepayers should be matched with the revenues that those costs generate.

Q. DOES PUBLIC COUNSEL BELIEVE THAT THE COMPANY'S REQUEST IN THE INSTANT CASE VIOLATES THE REVENUE REQUIRMENT MATCHING PRINCIPLE IDENTIFIED IN THE PRIOR Q&A?

A. Yes.

Q. BEGINNING ON PAGE 7, LINE 7, OF HIS DIRECT TESTIMONY, MR. BUCK ASSERTS THAT THE COMPANY'S REQUEST IS CONSISTENT WITH OTHER DEPRECIATION-RELATED ACCOUNTING AUTHORIZATIONS RECENTLY GRANTED BY THE COMMISSION. IS HIS ASSERTION CORRECT?

A. No. Mr. Buck's testimony is referencing the Commission's authorization of the Non-unanimous Stipulation and Agreement reached in the recent Missouri-American Water Company (MAWC) rate case, Case No. WR-2011-337. In that case the parties reached an agreement to provide special accounting for MAWC's new "Business Transformation System" (item 19 in the Non-unanimous Stipulation and Agreement). Essentially, the agreement assigned a 5% depreciation rate for the Business Transformation System (BTS) software and hardware capital investments expected to be placed in-service in 2012 and 2013; however, the agreement was reached within the context of an overall "Black Box" settlement wherein each party may have otherwise opposed the 5% if not for the other terms of the settlement. That is, the parties may have believed that they received offsetting benefits in other areas of the case for signing on to the agreement. In addition, unlike Laclede, Missouri-American Water Company did not claim to the

Commission that the investments it was making to its information systems were related to a new class of investment unlike the investment which they were replacing.

Q. BEGINNING ON PAGE 7, LINE 18, OF MR. BUCK'S TESTIMONY HE DESCRIBES HOW THE COMPANY WOULD BE WILLING TO AGREE TO A PROVISION REQUIRING IT TO CONDUCT AND FILE A DEPRECIATION STUDY IN THE NEXT RATE CASE FOLLOWING FULL IMPLEMENTATION OF THE NEW INVESTMENT. DOES PUBLIC COUNSEL SEE PROBLEMS WITH SUCH A PROVISION?

A. Yes. According to discussions I've had with the Company, full implementation of the new investment will occur in the summer of 2013, but Company stated in its response to OPC Data Request No. 14 that it anticipates filing its next rate case between November of 2012 and January of 2013 (although an actual filing date may vary based on changing circumstances). If Company were to file a rate case before the full implementation of the new investment, it is highly likely that the next change in rates could be 2, 3 or more years out from the date for full implementation. Within that timeframe, using the current authorized depreciation rate, the investment would be almost fully amortized thus, the cost to be recovered from ratepayers would be substantially finalized. In addition, Public Counsel believes that if it is the intention of the Company to file a rate case in the near future, it makes little sense to not do so utilizing a test year and known and measureable period or true-up that would capture the costs of the new investment since its full

implementation is expected to occur only months after the currently anticipated filing date of the next rate case.

Q. BEGINNING ON PAGE 8, LINE 3, OF MR. BUCK'S TESTIMONY HE STATES THAT THE COMPANY IS NOT SEEKING ANY RATEMAKING DETERMINATION FROM THE COMMISSION. IS HIS TESTIMONY ACCURATE?

A. No. There are ratemaking implications that will result from this case in that the Company's request will significantly increase future rates and undermine current authorized rates. Attached as Schedule TJR-2 to this testimony is an analysis I prepared that shows a simple cost recovery comparison utilizing a 5 year depreciation versus 20 year depreciation for the new investment. The comparison utilizes a "perfect world" scenario wherein rates are changed effectively with the beginning of each new year, but otherwise utilizes the original cost balance for the new investment and a weighted rate of return provided to OPC by the Company in its response to OPC Data Request No. 5. The analysis shows that if the Commission authorizes the Company's request, the cost of the new investment recovered from ratepayers will be many millions of dollars higher (i.e., approximately $54.4 million more) than if the current authorized depreciation rate is utilized thus, though service rates currently charged ratepayers will not change in this case, future ratemaking would be significantly affected. Furthermore, if a "real world" analysis (one where it is recognized that service rates charged ratepayers are not changed on a yearly basis) were prepared, the total revenue recovery from ratepayers would be

even higher due to the fact that the return on rate base recovered would be more due to regulatory lag - not to mention the additional depreciation expense that would also be recovered during the period between when the plant becomes fully-depreciated and the date service rates change subsequent to full-recovery of the investment's cost.

In addition, in Company's last general rate increase case, Case No. GR-2010-0171, the Commission authorized a stipulation and agreement between the parties which included the depreciation rate for the type of investment which Company now requests a change. That too would, in my opinion, have a ratemaking impact not the least of which is an undermining of the aforementioned Commission authorized stipulation and agreement.

Q. WHEN DID THE COMPANY LAST PRESENT A DEPRECIATION STUDY TO THE COMMISSION?

A. It is my understanding that the most recent depreciation study prepared and presented by the Company was in its most recent rate case, Case No. GR-2011-0171.

Q. DID THE COMPANY SUPPORT THE 5% DEPRECIATION RATE FOR SIMILIAR INVESTMENT IN THAT DEPRECIATION STUDY?

A. Yes.

Q. WOULD A NEW DEPRECIATION STUDY YIELD A DIFFERENT RATE FOR THE INVESTMENT IN QUESTION?

A. It might, but a new study has not been prepared or presented by the Company and based on documents provided by Company which purports to shown when the current information management systems were placed in-service, I do not believe that the 20 year life proposed by the Company is valid. For example, data provided by Laclede shows that most of the Company's information systems being replaced have been placed in-service since calendar year 2000. In fact, most were installed in the period 2002 to 2009.

Based on my understanding of a depreciation study and average service life utilization, I believe that the current depreciation rate required for the new investment is very close to what is currently authorized. Further, though some systems were installed prior to year 2000, it is more than likely that they have been continually updated or modified to meet changing requirements thus, the lives associated with those respective costs would indicate that the Company's allegation of a 20 year life for all the new investment is inaccurate at best.

Q. BEGINNING ON PAGE 12, LINE 14, OF MR. BUCK'S TESTIMONY HE STATES THAT LACLEDE IS SEEKING THE ESTABLISHMENT OF A NEW DEPRECIATION RATE FOR A BRAND NEW INVESTMENT FOR WHICH THERE

SIMPLY ISN'T A CLASS WITH A CURRENTLY APPLICABLE DEPRECIATION RATE. IS HIS ALLEGATION ACCURATE?

A. No. Mr. Buck's assertion that the new investment is a new class without a currently applicable depreciation rate is false. The Company is merely updating its existing information management systems. Mr. Buck wants the Commission to believe that the Company needs to establish a new rate for a type of software or hardware that they've never seen before. In fact, Company is just replacing its current operating systems with new systems – and as expected newer systems have improved features not available on older systems. OPC's position is verified by the Company's response to OPC Data Request No. 9 which states,

> 9. The Direct Testimony of Glenn Buck discusses "the various components" of Laclede's new enterprise information management system (EIMS) software. For each component listed below, please name and describe the system(s) that are to be replaced by the new EIMS component.
>
> a. Oracle Enterprise Systems applicable to accounting, reporting, payment processing and supply chain functionality;
>
> **The eBusiness suite replaces the Walker financials and the MMS system (accounts payable, materials management).**
>
> b. PowerPlant system applicable to fixed asset and tax accounting;
>
> **Powerplant is replacing Walker's Asset Management and PCM system (used to unitize property).**
>
> c. Oracle Customer Care and Billing System applicable to billing, collections and customer service functions; and

CC&B is replacing our old Customer Information System ("CIS").

d. IBM Maximo system applicable to enterprise asset management and work management.

Maximo will replace the Service Location and Leak Control systems as well as a series of Microsoft Access databases/systems.

Q. IS THE CURRENT CASE SIMILAR TO THE AMEREN MISSOURI (FORMERLY AMERENUE) CASE NO. ER-2008-0318 IN THAT THE COMMISSION DENIED PUBLIC COUNSEL'S REQUEST TO CHANGE A DEPRECIATION RATE RELATED TO CERTAIN INVESTMENTS?

A. Yes. Beginning on page 92 of the Report and Order in Case No. ER-2008-0318 it states,

> 11. Depreciation
> Introduction:
> Depreciation is the means by which a utility is able to recover the cost of its investment in its rate base by recognizing the reduction in value of that property over the estimated useful life of the property. AmerenUE's current depreciation rates were established by the Commission in AmerenUE's last rate case, Case Number ER-2007- 0002. Public Counsel contends the Commission should adjust downward the established depreciation rates for five specific accounts for the Callaway Nuclear Production Plant. Staff and AmerenUE agree the Commission should not "cherry pick" a few isolated accounts to adjust outside the context of a complete depreciation study, which was not conducted for this case.
>
> Findings of Fact:
> A complete depreciation study requires an actuarial analysis of the complete mortality records of all plant account assets owned by the

company. Such a depreciation study was performed in AmerenUE's last rate case, ER-2007-0002, and the depreciation rates that resulted from that case have only been in effect since June 1, 2007.

Not surprisingly, complete depreciation studies are expensive and time consuming. Such a study may involve site visits, interviews, data and actuarial analysis, and the production of reports and testimony. That is one of the reasons, the Commission's rules require such depreciation studies to be done only periodically, and not necessarily for every rate case. AmerenUE submitted a complete depreciation study in July 2006, as part of its last rate case, covering the period through December 31, 2005. As a result, AmerenUE's next complete depreciation study would be due in July 2011, unless it files a new rate case after July 2009, in which case a new depreciation study would have to be filed with the rate case. AmerenUE did not submit a depreciation study in this case.

Public Counsel also did not submit a complete depreciation study in this case. However, through the testimony of its witness, William Dunkel, Public Counsel asks the Commission to order changes to five particular depreciation accounts. Dunkel contends there is a mismatch in these accounts because the approved depreciation rates are calculated using a theoretical reserve instead of actual book reserve.

Dunkel explains that since the Callaway plant was built, depreciation rates have been based on an assumption that the nuclear plant would have a life of 40 years, which was the length of its license from the NRC. However, in the last rate case, the Commission ordered the depreciation rates regarding the Callaway plant be calculated based on a 60-year life span, assuming that AmerenUE would seek and receive a 20-year license extension from the NRC. The actual book reserve, which is based on past depreciation that assumed a 40 year life, is now higher than theoretical reserve, which is based on an assumed 60 year life. Dunkel argues the theoretical reserve and the book reserve should be brought back into balance by adjusting the depreciation rates for the five specified accounts and reducing AmerenUE's depreciation expense by approximately $7.1 million per year.

Staff and AmerenUE contend no adjustment should be made at this time without the benefit of a full depreciation study. The Commission finds that Staff and AmerenUE are correct in their concern about making an isolated adjustment to a few depreciation accounts outside

the context of a full depreciation study. Such an isolated adjustment is closely analogous to the larger concept of single-issue ratemaking. Just as it would be inappropriate to adjust a utility's rates based on a change to a single item without considering changes in all other items that may off-set that single item, it would be inappropriate to adjust a few depreciation rates without looking at all depreciation rates in a complete study. In a complete study, depreciation rates for some accounts may increase, while others decrease. The balance of the increases and decreases is what is important in establishing depreciation rates for the company.

The Commission did look at a complete depreciation study in the last rate case. Furthermore, the parties to that case were aware of the difference between theoretical reserve and book reserve. A Staff witness brought that imbalance to the Commission's attention, but at that time, Staff advised the Commission to simply monitor the imbalance for possible correction in a future depreciation study. No party, including Public Counsel, proposed any adjustment regarding that imbalance in that case.

Public Counsel's witness claims an adjustment should be made in this case because of a "major change" since the last rate case. The "major change" he describes is AmerenUE's announcement that it will, indeed, be filing an application to extend the Callaway plant's NRC license by another 20 years. However, AmerenUE's filing of the application to extend the license of the Callaway plant is not a "major change" from the last rate case. It is not a change at all. The question of whether Callaway's service life should be extended for 20 years for depreciation purposes was certainly an issue in the last rate case, and the Commission emphatically ordered that the plant's service life should be extended. Therefore, the 60-year life-span assumption for the Callaway plant was already in place when rates were set in the last case. AmerenUE's decision to actually apply for a license extension changes nothing.

Public Counsel's witness also claims that an immediate change to the depreciation rate for these five accounts is necessary because the imbalance between the actual and theoretical reserve has "grown drastically" since the last case. However, Dunkel actually testified that the actual Callaway book reserve in 2005, measured at Commission approved depreciation rates, was $219 million above the theoretical reserve. By December 31, 2007, he testified that difference had grown to $250 million. While the difference has grown, it is hardly the "drastic

growth" that might justify an isolated change to the depreciation rates for just five accounts.

Public Counsel's witness attempts to justify his proposed isolated adjustment by claiming the balancing of possibly increasing and decreasing rates that would take place in a complete depreciation study is not necessary because if his adjustment were applied to all accounts, not just the five he proposes to adjust, the result would be a much larger reduction. However, his calculation are based on 2005 data, which likely would not be accurate for 2008. Furthermore, his proposed adjustment would still be based on just a single factor, albeit spread over a wider range of accounts. **It would not eliminate the single-issue ratemaking objection to his proposal to adjust the depreciation rates for a few accounts outside of a complete depreciation study**.

When the Commission last looked at this issue in the 2007 rate case, it accepted Staff's suggestion to continue to monitor the imbalance between theoretical reserve and actual book accumulated depreciation. The Commission will continue to monitor that imbalance and if Public Counsel wants to raise this issue again in AmerenUE's next rate case in the context of a complete depreciation study, it is free to do so.

In his surrebuttal testimony, Dunkel requested that if the Commission decided not to make his proposed adjustments in this case, it should order AmerenUE to include certain information in its next depreciation study to aid in the review of the imbalance. That request is reasonable and was not opposed by any party. The Commission will order AmerenUE to include the requested information in its next depreciation study.

Conclusions of Law:
Commission Rule 4 CSR 240-3.160 requires any electric utility that submits a general rate increase to submit a complete depreciation study, unless the utility has previously submitted such a study to the Commission's Staff within the three years before filing the rate case.

Commission Rule 4 CSR 240-3.175 requires an electric utility to submit a complete depreciation study at least once every five years even if it has not filed a rate case within that time.

Decision:

> **The Commission will not make any changes to AmerenUE's depreciation rates without consideration of a complete depreciation study**. When it prepares its next depreciation study, AmerenUE shall provide for each account (1) the book reserve amount, (2) the theoretical reserve amount, (3) the remaining life years, and (4) the whole life depreciation rate with the reserve variance amortized over the average remaining life.
>
> (Emphasis added by OPC)

Q. WHY DID THE COMMISSION REJECT OPC'S POSITION IN THE AMEREN CASE?

A. One of the reasons appears to be that a complete depreciation study had just been done.

Q. HASN'T LACLEDE RECENTLY PREPARED AND PRESENTED A DEPRECIATION STUDY TO THE COMMISSION?

A. Yes. In Ameren, the rates resulting from a full deprecation study became effective on June 4, 2007 (See Order Granting Expedited Treatment and Approving Compliance Tariff Filing, Issued 5/31/07, Case No. ER-2007-0002), and the PSC Report and Order denying OPC's requested change in Case No. ER-2008-0318 became effective on February7, 2009 – a span of 20 months. For Laclede, the rate resulting from a full depreciation study in Case No. GR-2010-0171 became effective on September 1, 2010 (See Order Approving Compliance Tariff, Issued August 23, 2010, Case No. GR-2010-0171), and the date Laclede filed this Application, May 4, 2012, was also a span of 20 months. In other words, if Ameren had "just" completed a deprecation study, so has Laclede.

Q. IS THERE ANOTHER REASON WHY THE COMMISSION REJECTED THE PUBLIC COUNSEL'S POSITION?

A. Yes. The Commission appears to have denied the depreciation changes based on its single-issue ratemaking concern.

Q. IS SINGLE-ISSUE RATEMAKING A CONCERN IN THE INSTANT CASE?

A. Yes, it is. Beginning on page 10, line 16, of Mr. Buck's testimony he describes how the circumstances between the Ameren case and the current are dissimilar. He states that the Ameren case would have had an immediate impact on rates; whereas, that does not exist in the current case. However, given that the Company has not provided a depreciation study in the instant case to support its allegations I believe that he is incorrect.

Company's request, if authorized, would have an immediate ratemaking impact that violates the matching principle wherein costs associated with the provision of services should match the period when those services are provided. The violation occurs because Company's proposal would immediately create an imbalance in the depreciation reserve accounts before the date of the next change in service rates. That is, the lower depreciation rate requested by the Company would add less to the depreciation reserve balance and those transactions, under the Company's proposal, would not be subject to future review or adjustment no matter what the results of a later depreciation study

identified as an appropriate depreciation rate for the investment. In addition, the current authorized, but higher, depreciation rate expense would still be recovered from ratepayers in current service charges though the older systems are being taken out of service. Since the depreciation reserve balance that results would be a component in the determination of future service rates, those service rates would continue to reflect the mismatch of earlier costs versus the provision of later services.

Furthermore, since the Company is not in for a rate case and it did not provided a depreciation study to support its allegation of a 20 year life, it would be inappropriate to adjust the depreciation rate, as Company's requests, because increases or decreases in other accounts and other components of the total cost of service may have occurred. This position is support by the Commission beginning on page 95 of the Report and Order in Case No. ER-2008-0318 which states,

> The Commission finds that Staff and AmerenUE are correct in their concern about making an isolated adjustment to a few depreciation accounts outside the context of a full depreciation study. Such an isolated adjustment is closely analogous to the larger concept of single-issue ratemaking. Just as it would be inappropriate to adjust a utility's rates based on a change to a single item without considering changes in all other items that may off-set that single item, it would be inappropriate to adjust a few depreciation rates without looking at all depreciation rates in a complete study. In a complete study, depreciation rates for some accounts may increase, while others decrease. The balance of the increases and decreases is what is important in establishing depreciation rates for the company

Therefore, Public Counsel also believes that the Company's request is closely analogous to the larger concept of single-issue ratemaking.

Q. BEGINNING ON PAGE 10, LINE 5, OF MR. BUCK'S TESTIMONY HE STATES THAT HIS IMPRESSION OF THE AMEREN CASE IS THAT THE COMMISSION IS OPEN TO CONSIDERING CHANGES IN DEPRECIATION RATES WITHOUT THE SUPPORT OF A DEPRECIATION STUDY. DO YOU AGREE?

A. No. In the Ameren case, just like the instant case, the issue relates to investments which were analyzed within the context of a recent depreciation study. Furthermore, no party filed a motion asking the Commission to summarily reject OPC's issue on depreciation in the Ameren case. Plus, the Commission appears to have denied the depreciation change based in part on their single issue ratemaking concern, which is a legal issue, not a factual issue. Even if the Commission summarily denies Laclede's Application, it can do so based on Laclede's evidence (Direct Testimony), arguments and pleadings, just as OPC's argument and evidence were considered in Case No. ER-2008-0318.

Q. BEGINNING ON PAGE 11, LINE 4, OF MR. BUCK'S TESTIMONY HE DESCRIBES THAT THE COMMISSION ROUTINELY TAKES ACTIONS VIA ACCOUNTING AUTHORITY ORDERS WHICH MAY HAVE AN IMPACT ON FUTURE RATES. IS HE CORRECT?

A. Yes. However, implementation of an Accounting Authority Order (AAO) is a unique and unusual accounting process which has to meet stringent requirements which do not apply in the instant case. For example, the costs first and foremost have to meet an "extraordinary" and "non-recurring" standard which certainly does not apply in this case since the new investment is a normal ongoing cost associated with the operation of the utility. The wholesale replacement of operating systems does not occur each and every year, but it does occur on a regular basis and the associated costs are analyzed and included in every rate case the utility files. AAOs are not utilized to protect a utility's earning and that appears to be what the utility actually wishes to achieve in the instant case.

For example, In Missouri Public Service Company, Case Nos. EO-91-348 and EO-91-360, the Commission stated:

> Lessening the effect of regulatory lag by deferring costs is beneficial to a company but not particularly beneficial to ratepayers. Companies do not propose to defer profits to subsequent rate cases to lessen the effects of regulatory lag, but insist it is a benefit to defer costs. Regulatory lag is a part of the regulatory process and can be a benefit as well as a detriment. Lessening regulatory lag by deferring costs is not a reasonable goal unless the costs are associated with an extraordinary event.
>
> Maintaining the financial integrity of a utility is also a reasonable goal. The deferral of costs to maintain current financial integrity though is of questionable benefit. If a utility's financial integrity is threatened by high costs so that its ability to provide service is threatened, then it should seek interim rate relief. If maintaining financial integrity means sustaining a specific return on equity, this is not the purpose of regulation. It is not reasonable to defer costs to insulate shareholders from any risks.

Q. ON PAGE 12, LINE 3, OF MR. BUCK'S TESTIMONY HE STATES THAT IMPLEMENTATION OF OPC'S POSITION IN THE COMPANY'S NEXT RATE CASE WOULD RESULT IN CUSTOMERS BEING CHARGED 6 OR 7 MILLION DOLLARS MORE IN DEPRECIATION RATES THAN WOULD BE THE CASE UNDER THE COMPANY'S PROPOSAL. IS HE CORRECT?

A. Mr. Buck is correct that in the short-term utilization of the current authorized depreciation rate would allow the Company to recover the new investment's cost over a shorter timeframe, but as identified in the attached Schedule TJR-2 Mr. Buck's testimony is shortsighted and deceptive because the Company's proposal would allow it to recover many many more millions of dollars above that which would be recovered from ratepayers utilizing the current authorized depreciation rate.

Q. BEGINNING ON PAGE 12, LINE 22, OF HIS TESTIMONY, MR. BUCK SAYS THERE IS NO FACTUAL BASIS TO SUPPORT APPLYING THE EXISTING 20% DEPRECIATION RATE FOR COMPUTER SOFTWARE. IS HE CORRECT?

A. No. In Laclede Case No. GR-2010-0171, the Commission found that it was reasonable to apply a 20% rate to the aforementioned operating systems and the decision was based on facts applicable to Laclede, as established by Laclede's own depreciation study and testimony from the Staff. Laclede has the burden of establishing the facts that prove this to not be an appropriate rate, and their testimony evidence offers no such support except conjecture not supported by a depreciation study.

Q. BEGINNING ON PAGE 15, LINE 10, OF HIS TESTIMONY, MR. BUCK STATES THAT THERE IS PRECEDENT FOR THE COMPANYS REQUEST IN A RECENT COMMISSION ORDER IN KANSAS CITY POWER AND LIGHT COMPANY (KCPL) AND KCP&L GREATER MISSOURI OPERATION COMPANY (KCPL GMO) CASE NO. EO-2012-0340. IS HE CORRECT?

A. No. There are major differences in that case and the instant case - not the least of which is, 1) the assets in question are not owned by KCPL or KCPL GMO thus, they are of a class which did not exist in any of its other rate cases, and 2) KCPL and KCPL GMO currently have rate cases pending and in those rate cases their entire cost of service will be reviewed for prudence and reasonableness, including its depreciation costs.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

CASE PARTICIPATION
OF
TED ROBERTSON

Company Name	Case No.
Missouri Public Service Company	GR-90-198
United Telephone Company of Missouri	TR-90-273
Choctaw Telephone Company	TR-91-86
Missouri Cities Water Company	WR-91-172
United Cities Gas Company	GR-91-249
St. Louis County Water Company	WR-91-361
Missouri Cities Water Company	WR-92-207
Imperial Utility Corporation	SR-92-290
Expanded Calling Scopes	TO-92-306
United Cities Gas Company	GR-93-47
Missouri Public Service Company	GR-93-172
Southwestern Bell Telephone Company	TO-93-192
Missouri-American Water Company	WR-93-212
Southwestern Bell Telephone Company	TC-93-224
Imperial Utility Corporation	SR-94-16
St. Joseph Light & Power Company	ER-94-163
Raytown Water Company	WR-94-211
Capital City Water Company	WR-94-297
Raytown Water Company	WR-94-300
St. Louis County Water Company	WR-95-145
United Cities Gas Company	GR-95-160
Missouri-American Water Company	WR-95-205
Laclede Gas Company	GR-96-193
Imperial Utility Corporation	SC-96-427
Missouri Gas Energy	GR-96-285
Union Electric Company	EO-96-14
Union Electric Company	EM-96-149
Missouri-American Water Company	WR-97-237
St. Louis County Water Company	WR-97-382
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
United Water Missouri Inc.	WR-99-326
Laclede Gas Company	GR-99-315
Missouri Gas Energy	GO-99-258
Missouri-American Water Company	WM-2000-222
Atmos Energy Corporation	WM-2000-312
UtiliCorp/St. Joseph Merger	EM-2000-292
UtiliCorp/Empire Merger	EM-2000-369
Union Electric Company	GR-2000-512
St. Louis County Water Company	WR-2000-844
Missouri Gas Energy	GR-2001-292
UtiliCorp United, Inc.	ER-2001-672
Union Electric Company	EC-2002-1
Empire District Electric Company	ER-2002-424

Schedule TJR-1.1

CASE PARTICIPATION
OF
TED ROBERTSON

Company Name	Case No.
Missouri Gas Energy	GM-2003-0238
Aquila Inc.	EF-2003-0465
Aquila Inc.	ER-2004-0034
Empire District Electric Company	ER-2004-0570
Aquila Inc.	EO-2005-0156
Aquila, Inc.	ER-2005-0436
Hickory Hills Water & Sewer Company	WR-2006-0250
Empire District Electric Company	ER-2006-0315
Central Jefferson County Utilities	WC-2007-0038
Missouri Gas Energy	GR-2006-0422
Central Jefferson County Utilities	SO-2007-0071
Aquila, Inc.	ER-2007-0004
Laclede Gas Company	GR-2007-0208
Kansas City Power & Light Company	ER-2007-0291
Missouri Gas Utility, Inc.	GR-2008-0060
Empire District Electric Company	ER-2008-0093
Missouri Gas Energy	GU-2007-0480
Stoddard County Sewer Company	SO-2008-0289
Missouri-American Water Company	WR-2008-0311
Union Electric Company	ER-2008-0318
Aquila, Inc., d/b/a KCPL GMOC	ER-2009-0090
Missouri Gas Energy	GR-2009-0355
Empire District Gas Company	GR-2009-0434
Lake Region Water & Sewer Company	SR-2010-0110
Lake Region Water & Sewer Company	WR-2010-0111
Missouri-American Water Company	WR-2010-0131
Kansas City Power & Light Company	ER-2010-0355
Kansas City Power & Light Company	ER-2010-0356
Timber Creek Sewer Company	SR-2010-0320
Empire District Electric Company	ER-2011-0004
Union Electric Company, d/b/a AmerenUE	ER-2011-0028
Missouri-American Water Company	WR-2011-0337
Union Electric Company, d/b/a AmerenMO	EU-2012-0027
Missouri-American Water Company	WA-2012-0066
Union Electric Company, d/b/a AmerenMO	ER-2012-0166
Laclede Gas Company	GO-2012-0363

Cost Comparision Analysis 5 Yr vs 20 Yr Amortization T. Robertson

Summary:

20 Year Amortization	$134,822,580	Company Request
5 Year Amortization	81,377,880	Current Authorized Rate
Additional Impact On Ratepayer	**$53,444,700**	

5 Year Amortization:

Years	Plant	Depr. Rate	Annual Depr. Exp.	EOY Reserve	EOY Net Plant	Return 11.8766%	Total Cost
1	$60,000,000	20.00%	$12,000,000	$12,000,000	$48,000,000	$7,125,960	$19,125,960
2	$60,000,000	20.00%	12,000,000	$24,000,000	$36,000,000	5,700,768	17,700,768
3	$60,000,000	20.00%	12,000,000	$36,000,000	$24,000,000	4,275,576	16,275,576
4	$60,000,000	20.00%	12,000,000	$48,000,000	$12,000,000	2,850,384	14,850,384
5	$60,000,000	20.00%	12,000,000	$60,000,000	$0	1,425,192	13,425,192
Total			**$60,000,000**			**$21,377,880**	**$81,377,880**

20 Year Amortization:

Years	Plant	Depr. Rate	Annual Depr. Exp.	EOY Reserve	EOY Net Plant	Return 11.8766%	Total Cost
1	$60,000,000	5.00%	$3,000,000	$3,000,000	$57,000,000	$7,125,960	$10,125,960
2	$60,000,000	5.00%	3,000,000	$6,000,000	$54,000,000	6,769,662	9,769,662
3	$60,000,000	5.00%	3,000,000	$9,000,000	$51,000,000	6,413,364	9,413,364
4	$60,000,000	5.00%	3,000,000	$12,000,000	$48,000,000	6,057,066	9,057,066
5	$60,000,000	5.00%	3,000,000	$15,000,000	$45,000,000	5,700,768	8,700,768
6	$60,000,000	5.00%	3,000,000	$18,000,000	$42,000,000	5,344,470	8,344,470
7	$60,000,000	5.00%	3,000,000	$21,000,000	$39,000,000	4,988,172	7,988,172
8	$60,000,000	5.00%	3,000,000	$24,000,000	$36,000,000	4,631,874	7,631,874
9	$60,000,000	5.00%	3,000,000	$27,000,000	$33,000,000	4,275,576	7,275,576
10	$60,000,000	5.00%	3,000,000	$30,000,000	$30,000,000	3,919,278	6,919,278
11	$60,000,000	5.00%	3,000,000	$33,000,000	$27,000,000	3,562,980	6,562,980
12	$60,000,000	5.00%	3,000,000	$36,000,000	$24,000,000	3,206,682	6,206,682
13	$60,000,000	5.00%	3,000,000	$39,000,000	$21,000,000	2,850,384	5,850,384
14	$60,000,000	5.00%	3,000,000	$42,000,000	$18,000,000	2,494,086	5,494,086
15	$60,000,000	5.00%	3,000,000	$45,000,000	$15,000,000	2,137,788	5,137,788
16	$60,000,000	5.00%	3,000,000	$48,000,000	$12,000,000	1,781,490	4,781,490
17	$60,000,000	5.00%	3,000,000	$51,000,000	$9,000,000	1,425,192	4,425,192
18	$60,000,000	5.00%	3,000,000	$54,000,000	$6,000,000	1,068,894	4,068,894
19	$60,000,000	5.00%	3,000,000	$57,000,000	$3,000,000	712,596	3,712,596
20	$60,000,000	5.00%	3,000,000	$60,000,000	$0	356,298	3,356,298
Total			**$60,000,000**			**$74,822,580**	**$134,822,580**