

Exhibit No.: 26 226
Issues: *Performance Incentive*
Witness: *Brooke M. Richter*
Sponsoring Party: *MO PSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case Nos.: *GR-2017-0215 and*
GR-2017-0216
Date Testimony Prepared: *October 17, 2017*

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

CONSUMER & MANAGEMENT ANALYSIS UNIT

REBUTTAL TESTIMONY

OF

Staff Exhibit No. 226
Date 10-15-17 Reporter AG
File No GR-2017-0216 GR-2017-0215

BROOKE M. RICHTER

SPIRE MISSOURI, INC., d/b/a SPIRE

**LACLEDE GAS COMPANY and MISSOURI GAS ENERGY
GENERAL RATE CASE**

CASE NOS. GR-2017-0215 and GR-2017-0216

*Jefferson City, Missouri
October 2017*

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CASE NOS. GR-2017-0215 & GR-2017-0216

8 Q. Please state your name and business address.

9 A. Brooke M. Richter, 200 Madison Street, Jefferson City MO 65102.

10 Q. By whom are you employed and in what capacity?

11 A. I am employed by the Missouri Public Service Commission ("Commission")
12 as a Utility Management Analyst III in the Consumer and Management Analysis Unit
13 (CMAU), of the Operations Department of the Commission Staff ("Staff"). I previously was a
14 Utility Regulatory Auditor in the Auditing Unit of the Utility Services Department.

15 **BACKGROUND OF WITNESS**

16 Q. Please describe your educational background and other qualifications.

17 A. I received a Bachelor of Science Degree in Accounting from Lincoln
18 University in May of 2012. I then continued to further my education and received my Masters
19 of Business Administration with an emphasis in Accounting in December 2013. Prior to
20 joining the Commission in May of 2014, I was employed by the State of Missouri -
21 Department of Natural Resources as an Accounting Specialist.

22 Q. Have you previously filed testimony before this Commission?

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Brooke M. Richter

1 A. Yes. Schedule BMR-1, attached to my testimony, lists cases in which I have
2 filed testimony including audit reports I have sponsored or co-sponsored before the
3 Commission.

4 **INTRODUCTION**

5 Q. What is the purpose of your rebuttal testimony?

6 A. The purpose of my rebuttal testimony is to respond to the Direct Testimony of
7 Mr. Eric Lobser filed in Case Nos. GR-2017-0215 and GR-2017-0216. Specifically, I will
8 address Mr. Lobser's comments on page 41 lines 4 through 7 and lines 14 through 21. In this
9 section of his testimony the Company expresses a desire to develop a financial incentive to
10 produce acceptable performance levels for customer service, safety and reliability. My
11 testimony will provide the Commission with considerations to evaluate whether such
12 incentives are necessary and appropriate.

13 Q. What specifically did Mr. Lobser's testimony state regarding the performance
14 incentive proposal?

15 A. Specifically Mr. Lobser's testimony on page 41, lines 4 through 7 states:

16 *Laclede proposes working with the Commission and other stakeholders to establish*
17 *performance metrics in key areas of customer service, safety, reliability and other areas to*
18 *ensure an acceptable level of customer service is maintained and better align the interests of*
19 *Laclede and its customers.*

20 Mr. Lobser's direct testimony page 41, lines 14 through 21 went on to state:

21 *Between four to six metrics would be chosen based on desired areas of focus for*
22 *customer benefits, with each metric worth an amount equal to five basis points multiplied by*
23 *the equity component of rate base established in this proceeding, plus or minus, to create*

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1 *bilateral accountabilities and incentives. For each metric selected, a regulatory deferral*
2 *account would be debited or credited for that amount if the Company's performance for the*
3 *year resulted in exceeding or falling short of the band. The sum of the amounts would be*
4 *deferred in that regulatory account for recovery or refund at the next rate proceeding.*

5 Q. Has the Company identified what performance metrics it proposes to be
6 included in the performance incentive mechanism?

7 A. No. Staff attempted to determine which specific metrics the Company may be
8 anticipating to include in its performance incentive plan through data requests.¹ (Schedule
9 BMR-2). The Company's response to Data Request No. 177 stated:

10 *At this time we have not yet determined those specific metrics, but may include metrics*
11 *such as:*

- 12 • *Percentage of Calls Answered in Less Than A Minute*
- 13 • *Field Appointments Attained*
- 14 • *Leak Response Time*
- 15 • *Leaks per Thousand Miles of Main*
- 16 • *Dig-ins per Thousand Miles*
- 17 • *OSHA Recordables, etc.*

18 Staff also requested more detail on the Performance Metrics for Customer Service and
19 Cost Management proposal that was addressed at lines 7 to 21 on page 42 of Mr. Lobser's
20 Direct Testimony² (Schedule BMR-3). The Company's response to Staff inquiry states:

21 *The Stakeholder process would likely begin in the June/July timeframe, so as to not*
22 *interfere with other elements of the rate case. At that time, the Company will provide*
23 *stakeholder's proposals for the metrics and the acceptable range for each metric, as well as*

¹ Data Request No. 177 in Case No. GR-2017-0215

² Data Request No. 179 in Case No. GR-2017-0215

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1 | *historic performance levels for comparison. Initial discussions might occur during the*
2 | *following discovery or technical conference or another meeting involving interested parties.*
3 | *The goal would be to provide sufficient time for ample discussions and negotiations on the*
4 | *number, type, financial impact, accounting, reporting, and review process for such*
5 | *performance metrics so that they could be considered and finalized as part of the broader*
6 | *settlement negotiations and, if necessary, evidentiary hearings.*

7 | Q. Has the Company initiated a stakeholder process and/or has such a stakeholder
8 | process occurred?

9 | A. Not to my knowledge.

10 | Q. Are there considerations Staff would recommend be included in any
11 | stakeholder process related to a performance incentive proposal?

12 | A. Yes. Specific and precise definitions of the metrics and how they are measured
13 | and/or calculated should be a part of any performance incentive proposal.

14 | Q. Will Staff participate in any future working group, should one occur, to
15 | address the performance incentive matter raised by the Company in Mr. Lobser's direct
16 | testimony?

17 | A. Yes. If a working group is organized to determine specific metrics that may be
18 | used for performance incentive proposals, Staff will participate in such a group.

19 | Q. Does this conclude your testimony?

20 | A. Yes

21 |

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) Case 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) Case No. GR-2017-0216

AFFIDAVIT OF BROOKE RICHTER

STATE OF MISSOURI)
)
) ss.
COUNTY OF COLE)

COMES NOW BROOKE RICHTER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to her best knowledge and belief.

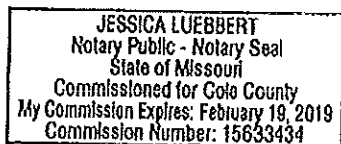
Further the Affiant sayeth not.



BROOKE RICHTER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 16th day of October, 2017.





Notary Public

CASE PARTICIPATION

BROOKE M. RICHTER

Company Name	Case Number	Testimony/Issues
The Empire District Electric Company	ER-2014-0351	January 2015 Cost of Service Report- Plant in Service, Depreciation Reserve, Prepayments, Materials and Supplies, Customer Deposits, Customer Deposit Interest, Customer Advances, Amortization of Electric Plant, Amortization of PeopleSoft Intangible Asset, Corporate Franchise Taxes, Depreciation Expense, Amortization Expense, Dues and Donations, EEI Dues, Advertising Expense, Outside Services, and Postage.
Seges Partners Mobile Home Park L.L.C.	SR-2015-0106	January 2015 Staff Report- Rate Base, Revenues, Purchased Sewer Costs, Payroll and Payroll Taxes, Management Fee, Postage, Telephone Expense, Maintenance Expense, Insurance, Outside Services, PSC Assessment, and Rate Case Expense
The Empire District Electric Company	ER-2014-0351	March 2015 Surrebuttal Testimony- Advertising Expense, Customer Advances, and EEI Dues.
Ozark International, Inc.	WR-2015-0192	September 2015 Staff Report- Payroll, Telephone and Cell Phone Expense, Auto Expense, Insurance Expense, Bank Service Charges, Customer Deposits, Customer Deposit Interest, PSC Assessment, Revenues, Miscellaneous Income, Contract Labor, General Maintenance Expense, Electric Expense, Returned Check Fees, Outside Services, Dues and Subscriptions, and Credit Card Fees
Hillcrest Utility Operating Company, Inc.	WR-2016-0064	March 2016 Staff Report- Customer Service and Business Operations Review
Cannon Home Association	SR-2016-0112	April 2016 Staff Report- Customer Service and Business Operations Review
Roy-L Utilities, Inc.	WR-2016-0109	May 2016 Staff Report- Customer Service and Business Operations Review

Raccoon Creek Utility Operating Company, Inc.	SR-2016-0202	August 2016 Staff Report- Customer Service and Business Operations Review
Raccoon Creek Utility Operating Company, Inc.	SR-2016-0202	October 2016 Rebuttal Testimony- Collection of Bad Debt
Kansas City Power and Light Company	EO-2016-0124	January 2017 Management Audit Report- Employee Expense Account Process and Internal Audit Activities
Terre Du Lac Utilities Corporation	WR-2017-0110	April 2017 Staff Report- Customer Service and Business Operations Review
Indian Hills Utility Operating Company, Inc.	WR-2017-0259	July 2017 Staff Report- Customer Service and Business Operations Review

Laclede Gas Company / Missouri Gas Energy
GR-2017-0215 / GR-2017-0216

Response to MPSC Data Request 0177

Question:

With reference to page 41 lines 13 and 14 of Mr. Lobser's testimony, please indicate what specific past metric results are anticipated or intended by the Company to determine reasonably achievable levels of performance?

Response:

The Company intends to propose a balanced set of performance metrics that reflect the quality of results in areas such as service, safety and reliability, which provide benefit to stakeholders, similar to how a non-regulated company would be assessed for more than just the cost of their product or service in a competitive market. These would be focused upon areas that bring the most value, either through maintenance of current levels or enhancing results in areas that need attention.

At this time we have not yet determined those specific metrics, but may include metrics such as:

- Percentage of Calls Answered in Less Than A Minute
- Field Appointments Attained
- Leak Response Time
- Leaks per Thousand Miles of Main
- Dig-ins per Thousand Miles
- OSHA Recordables, etc.

Such metrics will help provide a comprehensive approach to overall service value when combined with a cost management mechanism.

Signed by: Glenn Buck

Laclede Gas Company / Missouri Gas Energy
GR-2017-0215 / GR-2017-0216

Response to MPSC Data Request 0179

Question:

Please provide more detail on the Performance Metrics for Customer Service and Cost Management proposal described in Mr. Lobser's direct testimony at pages 40-43. For instance, but not necessarily limited to: When will the stakeholder process take place?; How will the metrics be chosen and established?; How does Laclede envision implementing the established metrics?; What type of "reporting" would be provided to the Commission?; How will the regulatory asset/liability work? and Will parties be able to challenge the performance and the regulatory asset/liability adjustments in future rate cases?

Response:

The stakeholder process would likely begin in the June/July timeframe, so as to not interfere with other elements of the rate case. At that time, the Company will provide stakeholders proposals for the metrics and the acceptable range for each metric, as well as historic performance levels for comparison. Initial discussions might occur during the following discovery or technical conference or another meeting involving interested parties. The goal would be to provide sufficient time for ample discussions and negotiations on the number, type, financial impact, accounting, reporting and review process for such performance metrics so that they could be considered and finalized as part of the broader settlement negotiations and, if necessary, evidentiary hearings.

The metrics, if approved by the Commission, would be implemented shortly after the conclusion of the rate case and measured on an annual basis so as to not put too much weight on a specific month's results. Reporting would occur on a quarterly basis, with results being assessed based on performance for the year, including appropriate normalizations for unusual or non-recurring events. Dollars calculated from the performance metrics would impact the income statement booked on an annual basis, with the balancing item booked to a regulatory deferral account, to be recovered or refunded in rates established in the next rate case.

Signed by: Glenn Buck