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LACLEDE GAS COMPANY
MISSOURI GAS ENERGY

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Missouri Public
Service Commission

REBUTTAL TESTIMONY

OF

SUSAN M. KOPP

October 2017

Laclede Exhibit No. 042
Date 12-18-17 Reporter A.E.
File No. GR-2017-0215 (GR-2017-0216)

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REBUTTAL TESTIMONY OF SUSAN M. KOPP

1
2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Susan M. Kopp, and my business address is 700 Market St., St. Louis, Missouri, 63101.

3 **Q. WHAT IS YOUR PRESENT POSITION?**

4 A. I am the Director of Facilities for Spire Inc.

5 **Q. PLEASE STATE HOW LONG YOU HAVE HELD YOUR POSITION AND**
6 **BRIEFLY DESCRIBE YOUR RESPONSIBILITIES.**

7 A. I was promoted to my present position in January 2013. In this position, I direct a
8 department that is involved in all aspects of managing real estate and facilities. I am
9 actively involved in the strategic direction of facility management, including real estate
10 transactions, workplace management and records management across the entire Spire
11 footprint.

12 **Q. WHAT WAS YOUR EXPERIENCE WITH THE COMPANY PRIOR TO**
13 **BECOMING DIRECTOR OF FACILITIES?**

14 Q. I joined Laclede in January 1992 as a Staff Auditor in the Internal Audit Department.
15 Since then I have held several other positions in Internal Audit and Finance including
16 Auditor; Information Systems Auditor; Assistant Manager, Financial Planning; Assistant
17 to VP of Finance; and Manager, Financial Operations. In October 2011, I was named
18 Manager, Financial Systems, and I served in that capacity until being promoted to my
19 present position. Additionally, I have managed a number of special projects for Spire,
20 including Continuous Improvements in the areas of billing, meter to cash, rate
21 proceedings, financial system implementation and office remodeling.

22 **Q. ARE YOU A MEMBER OF ANY PROFESSIONAL SOCIETIES?**

1 A. Yes, I am a member of IFMA, the International Facilities Management Association.

2 Q. **HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS COMMISSION?**

3 A. Yes, in Case Nos. GR-99-315, GR-2001-629 and GR-2002-356.

4 Q. **WHAT IS YOUR EDUCATIONAL BACKGROUND?**

5 A. I graduated from the University of Missouri – St. Louis in 1991, with a Bachelor of Science
6 degree in Business Administration, majoring in accounting.

7 Q. **HAVE YOU PASSED THE UNIFORM CPA EXAM?**

8 A. Yes, I passed the Uniform CPA exam in 1992.

9 I. **PURPOSE OF TESTIMONY**

10 Q. **WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11 A. The purpose of my rebuttal testimony is to respond to portions of the direct testimony and
12 recommendations submitted by witnesses for the Staff of the Missouri Public Service
13 Commission (“Staff”) and the Office of the Public Counsel (“OPC”) relating to the
14 restructuring of the Company’s Missouri office and service center facilities from its
15 acquisition of Missouri Gas Energy in 2013 through its acquisitions of Alagasco and
16 EnergySouth in 2014 and 2016, respectively. Specifically, I will explain why the Staff’s
17 and OPC’s proposals to deprive the Company of certain financial gains realized as a result
18 of the restructuring is wholly inappropriate, especially in view of the exceptional results
19 achieved by the Company in upgrading the quality and functionality of its facilities at such
20 a favorable cost to its customers.

21 II. **POSITIONS OF STAFF AND OPC**

1 Q. WHAT IS YOUR UNDERSTANDING OF THE POSITIONS TAKEN BY STAFF
2 AND OPC REGARDING THE GAIN REALIZED BY THE COMPANY FROM
3 THE SALE OF ITS FOREST PARK PROPERTY?

4 A. At page 50 of the Staff's Cost of Service Report, Staff witness Jason Kuntz estimates the
5 gain on the Forest Park sale to be \$5.8 million once the book value of the facilities is
6 accounted for. He recommends that the gain be shared equally between the Company and
7 its customers, by amortizing the portion he allocates to customers in rates over a five year
8 period. At pages 3-6 of his direct testimony, OPC witness Charles Hyneman estimates the
9 gain from the sale of the property to be approximately \$7.6 million and recommends that
10 the entire gain be taken from the Company by crediting this amount against the
11 depreciation reserve for the Manchester Facility. Aside from any legal flaws that may exist
12 with these proposals, which I will leave to legal counsel to address, I do not believe either
13 of these recommendations is reasonable or appropriate as a matter of sound regulatory
14 policy. Instead, I believe they represent an unjustified and hugely counterproductive
15 response to what was, as discussed below, an extremely favorable series of actions by the
16 Company that has produced and will continue to produce exceptional value for its
17 customers in the years ahead.

18 III. BACKGROUND OF FACILITIES RESTRUCTURING

19 Q. WOULD YOU PLEASE PROVIDE THE COMMISSION WITH SOME
20 HISTORICAL CONTEXT FOR WHY THE COMPANY RESTRUCTURED ITS
21 MISSOURI FACILITIES OVER THE PAST SEVERAL YEARS?

22 A. Certainly. There were three primary goals underlying the facilities restructuring. The first
23 was to have facilities that could accommodate the Company's shared service model and

1 future growth. Seeking to grow the company and restructure how we do business under a
2 shared services model was an additional way to bring benefits to customers, including
3 lower costs and consistency in delivering high quality service. The second was to replace
4 aging, inefficient and even defective facilities with more contemporary and usable facilities
5 that would contribute to a more productive, open and collaborative work environment. The
6 third was to configure the Company's facilities in a manner that was better calibrated to
7 meet customer demands and operational obligations.

8 **Q. WHAT WERE THE MAJOR ELEMENTS OF THIS RESTRUCTURING?**

9 A. There were a number of changes made by the Company to the mix, nature and location of
10 its facilities and employees in Missouri during the restructuring process. While these
11 changes occurred throughout the services areas of LAC and MGE, the major modifications
12 took place in the St. Louis and Kansas City Metropolitan areas. The major elements of the
13 restructuring in the St. Louis area included: (a) the 2014 sale of the Forest Park service
14 center, (b) the 2015 termination of the lease for our main corporate office at 720 Olive
15 Street, (c) the 2015 leasing of new office facilities at 700 and 800 Market Street; and (d)
16 and the 2016 construction of a new satellite operation facility on Manchester Avenue. In
17 the Kansas City area, the major elements included termination of the lease at MGE's
18 Broadway office building in Kansas City, and the remodeling of MGE's Central Plant
19 facility across from the Truman Sports Complex to accommodate a redeployment of
20 personnel.

21 **A. ST. LOUIS AREA RESTRUCTURING**

1 Q. WHAT PROCESS DID THE COMPANY USE TO ENSURE THAT THE
2 RESTRUCTURING WOULD BE DONE IN A WAY THAT WOULD ACHIEVE
3 ITS GOALS IN A PRUDENT AND COST-EFFECTIVE MANNER?

4 A. Our evaluation process for how our facilities should be restructured to achieve these goals
5 was both deliberate and comprehensive. In terms of LAC's main office facility in St. Louis
6 (720 Olive Street), we contracted with Arcturis, an architectural firm, to study the
7 possibility of reorganizing and remodeling its facilities at 720 Olive to meet the Company's
8 future work place needs. The study included relocating the Forest Park personnel in
9 connection with the reorganization of our operations and the entire company into a shared
10 services structure. The project was to assess all of the available options for Laclede's main
11 corporate offices. At the same time, we worked with Hertz Investment, the owners of 720
12 Olive, to determine their ability, and willingness, to invest the funds in that existing facility
13 to address the several serious issues in the building, including the 45-year-old total energy
14 plant, 45-year-old elevators serving the lower floors on which our offices were located
15 (which could not be key-card secured and were extremely unreliable), the leaking
16 windows, the bathroom plumbing and slop-sink pipes (all of which backed up and leaked
17 periodically) and the insufficient electrical system to power modern equipment. We were
18 told very clearly that the building could not continue to operate even as a Class C office
19 building in light of the rental amounts we were paying and that it would be "impossible"
20 for the building to recover unless we were willing to enter into a new lease for our then-
21 existing floors at a much higher rent. At the same time, the landlord refused to make a
22 proposal for us to move to the high-rise side where all of the building systems (except the
23 total energy plant) were in better condition.

1 Q. **BASED ON THESE EFFORTS, DID THE COMPANY CONCLUDE THAT IT**
2 **NEEDED TO SEEK OTHER CORPORATE OFFICE FACILITIES?**

3 A. Yes.

4 Q. **HOW DID THE COMPANY CONDUCT ITS SEARCH FOR NEW OFFICE**
5 **FACILITIES IN ST. LOUIS?**

6 A. We issued a Request for Proposal (“RFP”) to find a tenant representative that could assist
7 us in identifying the facilities that would serve our needs and ultimately selected the Koman
8 Group for that task. During the course of our search, we toured many potential office
9 buildings, including the St. Louis Municipal Courts building, 600 Washington, 720
10 Olive, 700 Market, St. Louis Union Station, AT&T Tower, U.S. Bank Tower, 500 North
11 Broadway, St. Louis Place and 1010 Market. We also worked with Arcturis and Koman
12 to determine whether it was feasible to construct an office building on Laclede’s Forest
13 Park Avenue property or on a vacant lot on Kingshighway just east of Forest Park. Finally,
14 we issued RFPs to owners of several of these potential facilities to determine what the
15 pricing and terms of a potential lease might be.

16 Q. **WHAT DID THE COMPANY ULTIMATELY CONCLUDE AFTER THIS**
17 **EXTENSIVE EVALUATION PROCESS WAS COMPLETED?**

18 A. We ultimately determined that 700 Market was the most suitable property for our desired
19 open work environment (20,000 sq. ft. floor plans v. 13,000-15,000 sq. ft. floor plans in
20 other buildings) and that we would focus on determining whether 700 Market would work
21 financially. To that end, we hired Cresa to replace Koman Group as our tenant
22 representative, because Koman Group had agreed to acquire 700 Market and to redevelop

1 it for our use if we could reach agreement on a lease. We then began to negotiate with
2 Koman Group to enter into a long-term lease for the property, which we ultimately did.

3 **Q. WAS THE COMPANY ALSO SEARCHING FOR NEW FACILITIES TO HOUSE**
4 **ITS CALL CENTER AND UNREGULATED OPERATIONS AT THIS TIME?**

5 A. Yes. We toured several properties in which we could form a dedicated customer
6 experience center. After touring about a dozen properties, we determined that the first floor
7 and mezzanine space at 800 Market would allow us to design the desired customer
8 experience center. Obviously, the proximity of our new 700 Market facility was an added
9 advantage, but this location also allowed us to move our two main non-utility subsidiaries,
10 now known as Spire Marketing and Spire CNG, into space separate from the utility gas
11 supply and shared services at 700 Market.

12 **Q. WHAT CONSIDERATIONS LED TO THE COMPANY'S DECISION TO SELL**
13 **ITS FOREST PARK FACILITY?**

14 A. The sale of the Forest Park facility was prompted by several factors. First, in connection
15 with creating a shared services model, the Company determined that the management
16 personnel located at the Forest Park facilities should be moved to the Company's primary
17 corporate office to facilitate better and more effective interaction among personnel.
18 Second, around the same time, the Company began a reorganization of its operations that
19 reduced its operating districts from 3 to 2 – eliminating the need to maintain the remaining
20 field personnel at Forest Park. Third, the ancient Forest Park facilities had a number of
21 serious physical and layout issues, including inadequate parking space for our utility
22 vehicles, interior asbestos, roofing, plumbing, electric and other issues that would have
23 required substantial investments to remediate. Finally, the Forest Park facilities were

1 located in the CORTEX redevelopment district and were, therefore, subject to being taken
2 through eminent domain.

3 **Q. HOW WAS THE SALE OF THE FOREST PARK FACILITY FINALLY**
4 **CONSUMATED?**

5 A. Ultimately, Laclede reached an agreement with CORTEX under which CORTEX, in lieu
6 of a condemnation proceeding, agreed to purchase all of the company's Forest Park Avenue
7 property at a price favorable to Laclede in order to avoid the delays and uncertainty that
8 accompany condemnation actions. As part of the negotiations, CORTEX agreed to tear
9 down all of the buildings and address any environmental conditions at CORTEX's expense.
10 Notably, according to CORTEX's appraiser, the real property was worth more with the
11 building demolished and cleared away than with the buildings in place. CORTEX also
12 agreed to pay Laclede a significant relocation fee to cover the cost of moving its employees
13 to other facilities. As part of the negotiations, Laclede secured the right to occupy the
14 facility after closing to allow Laclede time to synchronize the various planned relocations
15 of its shared services personnel and operations. In particular, this extra time was necessary
16 in order to accommodate the simultaneous relocation of the Company's primary offices
17 from 720 Olive to 700/800 Market Street, which new location would house the shared
18 services employees. Finally, the sale of Forest Park to CORTEX, allowed the
19 redevelopment district to attract the first and only IKEA store to the St. Louis area.

20 **Q. HOW DID THE COMPANY USE THE PROCEEDS FROM THE SALE OF THE**
21 **PROPERTY?**

22 A. The approximate \$5.7 million in relocation proceeds received as a result of the negotiated
23 agreement were used for that purpose, including costs incurred to relocate employees,

1 purchase new office equipment and other expenditures associated with the restructuring.
2 By taking this approach the Company was able to partially defray the level of costs it is
3 seeking to recover in these proceedings. The proceeds reflecting the actual gain on the
4 facility (which related solely to the sale of the land since the buildings had a negative
5 value), was partially used to make various civic contributions.

6 **Q. WHY WAS THE NEW SERVICE CENTER ON MANCHESTER**
7 **CONSTRUCTED?**

8 A. As part of the reorganization of its operations from three regions to two, the Company
9 redeployed a number of the Forest Park field personnel to other satellite service centers,
10 and to regional offices in Berkeley and Shrewsbury. Operations determined that they still
11 had a need for a satellite facility centrally located within the City to reduce windshield time
12 and increase customer service response time for leak repair in that area. The facility would
13 house overnight parking for leak trucks and floats and be a meeting place for approximately
14 100 employees. The satellite facility would include a meeting room and about a dozen
15 workstations. Throughout the winter, Operations and Facilities worked together to
16 document business needs, including location and access to major thoroughfares and
17 services. Facilities commenced a search for 3-4 acres of land within the target area, both
18 with and without existing structures, to buy or lease. Operations and Facilities considered
19 numerous options, none of which met Operations' needs. Facilities identified the Crown
20 Food property at 5311 Manchester and entered into an agreement, which was subsequently
21 amended in the fall of 2014 to reduce the purchase price. Following acquisition of the
22 property, Facilities worked closely with Operations to construct a model satellite facility
23 that would serve both current and future needs of the business.

1 **Q. WHY DIDN'T THE COMPANY JUST USE THE FOREST PARK FACILITY TO**
2 **SERVE AS THIS SATELLITE FACILITY?**

3 A. Because it would have been an extremely poor choice for such a purpose. As I previously
4 indicated, the buildings at the Forest Park facility were not in good condition and
5 significant costs would have been necessary to rehabilitate the buildings or to tear them
6 down and construct new ones. Moreover, because of the redeployment of personnel
7 associated with the Company's operational reorganization and implementation of its shared
8 service model, these buildings were far in excess of what was needed to serve the functions
9 of a satellite facility. The fact that the property was subject to being taken by eminent
10 domain and therefore could not be counted on to fulfill this need in any event was another
11 consideration, even if these other factors had not already disqualified it.

12 **Q. PLEASE SUMMARIZE THE ST. LOUIS RESTRUCTURING.**

13 A. In the end, the Company was able to (i) vacate two dilapidated, problematic and depressing
14 properties (720 Olive Street and the Forest Park Avenue properties), (ii) restore an historic
15 structure at 700 Market Street while creating an open, collaborative and more pleasant
16 working environment, and consolidating management to more effectively deliver shared
17 services; (iii) conveniently locate a call center at 800 Market and achieve more separation
18 between utility and non-utility gas supply operations; (iv) accomplish an operations
19 reorganization that consolidated regions; (v) create a satellite office that more appropriately
20 served the central area of the City, (vi) negotiate a move out of one of the above-described
21 dilapidated properties on beneficial terms, and (vii) contribute to the prestige of the St.
22 Louis region by helping attract an IKEA store to mid-town St. Louis.

23 **B. KANSAS CITY AREA RESTRUCTURING**

1 **Q. PLEASE DESCRIBE THE RESTRUCTURING ACTIVITIES THAT TOOK**
2 **PLACE IN THE KANSAS CITY AREA.**

3 A. Following its acquisition of MGE in 2013, the Company determined that it made
4 operational and financial sense to terminate its lease at MGE's main office facility on
5 Broadway in Kanas City. The facility was simply too large and expensive given the
6 reductions in employee levels resulting from the Company's movement to a shared
7 service model and the various operating synergies being achieved from integrating LAC
8 and MGE.

9 **Q. WERE OTHER MODIFICATIONS MADE TO ACCOMMODATE THE**
10 **REDEPLOYMENT OF THE REMAINING MGE PERSONNEL WHO WORKED**
11 **AT THE BROADWAY BUILDING?**

12 A. Yes. Most of the remaining employees were moved to MGE's Central Plant facility which
13 is located on the south side of interstate 70, near the Truman Sports Complex. To
14 accommodate this move, physical modifications were made to the office facilities at
15 Central Plant. A number of other employees were moved to the Company's Lee's Summit
16 facility.

17 **IV. REVENUE REQUIREMENT AND OTHER IMPACTS**

18 **Q. WHAT IMPACTS HAVE THESE FACILITY RESTRUCTURING EFFORTS HAD**
19 **ON THE REVENUE REQUIREMENT BEING SOUGHT BY THE COMPANY IN**
20 **THESE PROCEEDINGS?**

21 A. The revenue requirement impacts of the facility restructurings undertaken by the Company
22 in its LAC and MGE service areas between 2013 and today are exceptionally favorable,
23 especially in view of how substantially the restructuring has enhanced the functionality and

1 work environment of the Company's facilities. Indeed, these substantial enhancements to
2 the Company's facilities have been achieved at a relatively modest cost to the customer
3 once consideration is given to the operating expenses, upgrade and remediation costs, and
4 lease payment increases that would have necessarily been incurred to maintain the
5 Broadway, Forest Park and 720 Olive facilities. It should be noted that this favorable
6 impact does not take into account the millions of dollars in net synergies/savings that are
7 reflected in the proposed cost of service in these cases and that were closely tied to and
8 accommodated by the restructuring of these facilities. In short, the facility restructuring
9 undertaken by the Company was achieved in a very cost-effective manner that will provide
10 its customers with exceptional value for many years to come.

11 **Q. IN ADDITION TO THESE FAVORABLE REVENUE REQUIREMENT**
12 **IMPACTS, HAS THE COMPANY'S RESTRUCTURING OF ITS MISSOURI**
13 **FACILITIES RESULTED IN OTHER BENEFITS?**

14 **A.** Yes. In addition to being achieved at a very favorable cost to customers, the Company's
15 restructuring activities over the past several years have also produced other benefits for
16 customers. These include quantitative benefits such as contributing to the various
17 synergies and other efficiencies that the Company has identified and reflected in its cost of
18 service in this proceeding. But they also include qualitative benefits that I believe are
19 equally important to customers. In addition to those discussed above, these include:

- 20 • the replacement of aging, inefficient and poorly configured office facilities with modern,
21 state of the art, facilities that permit a more open, productive and collaborative work
22 environment;

- 1 • relocation of our Information Technology systems to facilities better capable of meeting
- 2 those needs in a reliable, cost-efficient manner
- 3 • a better centering of facilities in relation to the geographic contours and operational
- 4 demands of the Company's service area;
- 5 • participation in a successful effort to help reinvigorate key areas of the civic and
- 6 commercial infrastructure of St. Louis City.

7 **Q. GIVEN ALL OF THESE BENEFITS, WHAT DO YOU BELIEVE THE**
8 **COMMISSION SHOULD DO WITH RESPECT TO OPC'S AND STAFF'S**
9 **PROPOSALS TO DEPRIVE THE COMPANY OF THE GAIN IT REALIZED ON**
10 **THE FOREST PARK SALE?**

11 A. I believe that the Commission should reject these recommendations. The Staff itself has
12 acknowledged in its Cost of Service Report that the Commission has typically treated gains
13 from the sale of utility property "below the line" while at the same time recognizing that
14 there might be circumstances where a sharing of such gains could be appropriate. Given
15 the fact that the gain was all realized on a sale of land, the highly favorable manner in
16 which the Company executed its facilities restructuring and the substantial benefits that
17 will accrue to customers as a result of those efforts, I firmly believe that such circumstances
18 do not exist in this case and that no further sharing of the gain is appropriate.

19 **Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?**

A. Yes.

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) File No. GR-2017-0215
Service)

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

AFFIDAVIT

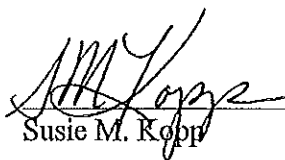
STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Susie M. Kopp, of lawful age, being first duly sworn, deposes and states:

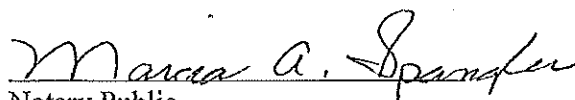
1. My name is Susie M. Kopp. I am Facilities Director for Laclede Gas Company. My business address is 700 Market St., St Louis, Missouri, 63101.

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


Susie M. Kopp

Subscribed and sworn to before me this 16th day of OCTOBER 2017.


Notary Public

