

Exhibit No.:
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Witness: Gregory M. Lander
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Environmental Defense Fund
Case Nos.: GR-2017-0215; GR-2017-0216
Date Prepared: November 21, 2017

SURREBUTTAL TESTIMONY
OF
GREGORY M. LANDER
On Behalf of the
ENVIRONMENTAL DEFENSE FUND
November 21, 2017

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1 **Surrebuttal Testimony of Greg Lander**

2 **Q. Please state your name and business address.**

3 A. My name is Gregory M. Lander. My business address is 83 Pine Street, Suite 101, West
4 Peabody, MA 01960.

5 **Q. What is your occupation and by whom are you employed?**

6 A. I am President of Skipping Stone, LLC.

7 **Q. Are you the same Greg Lander who previously filed direct testimony in this**
8 **proceeding?**

9 A. Yes, I submitted direct testimony on behalf of the Environmental Defense Fund (“EDF”)
10 in Case Nos. GR-2017-0215 and GR-2017-0216 on September 8, 2017.

11 **PURPOSE OF TESTIMONY**

12 **Q. What is the purpose of your surrebuttal testimony?**

13 A. The purpose of my surrebuttal testimony is to respond to the issues raised by Company
14 witness Scott Weitzel and Missouri Public Service Commission (“Commission”) Staff
15 witness Anne Crowe in response to my direct testimony in this proceeding.

16 **Q. Please summarize your proposed changes in this proceeding.**

17 A. My direct testimony proposed changes to the process of reviewing and setting rates to
18 recover the reasonable costs of gas (including gas transportation) through the Actual Cost
19 Adjustment (“ACA”) and Purchased Gas Adjustment (“PGA”) clauses to reflect recent
20 trends in the natural gas market and to protect ratepayers from any unreasonable costs
21 associated with affiliated pipeline transportation agreements. I also proposed that the
22 requirements in the Company’s Cost Allocation Manual and Gas Supply and
23 Transportation Standards of Conduct apply specifically to affiliate pipeline transportation
24 agreements. I testified to how the Company’s proposed changes to its Gas Supply
25 Incentive Plan (“GSIP”) also interact with my proposed changes.

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PGA/ACA TARIFF REVISIONS

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Q. What concerns did Company witness Scott Weitzel raise in response to your proposal?

A. Mr. Weitzel states on page 2 of his rebuttal testimony that EDF is “proposing revisions to the Company’s PGA/ACA mechanism that would make it difficult, if not impossible, for the Company to take service from that pipeline.”

Q. Do you agree with this concern?

A. Mr. Weitzel’s “concern” raises some pertinent issues for the Commission to consider. At its heart, the concern implies that should my proposal for recovery of transportation costs associated with the Spire STL contract be adopted, it “would make it difficult, if not impossible, for the Company to take service from that pipeline.” The implied criticism means that when ratepayers are held harmless, the Company would not be able to fund the Spire STL contract, leading the Company to ***not*** “take service from that pipeline.” This point underscores that contrary to Company assertions, the cost of the contract will not result in overall savings to ratepayers. If entering into the contract did result in overall savings, then under my proposal, ratepayers would be indifferent, the Company would recover its contract costs, and the “bet” being made by the company and its parent (Spire) would be a “good one.” It is very significant that witness Weitzel has signaled to this Commission that absent elimination of my proposed “hold harmless” mechanism the Company would not “take service from that pipeline.” It appears that without a subsidy from ratepayers, this corporate-wide “bet” would not be made. Frankly, witness Weitzel’s statement underscores the importance of adoption of my proposal as a viable means of protecting ratepayers from an uneconomic decision that otherwise would favor stockholders at the expense of ratepayers.

Q. Will your proposal harm customers in the long-term, as suggested by Mr. Weitzel on pages 2-3 of his rebuttal testimony?

A. In my opinion, no. It is also important to note that while witness Weitzel states that the EDF proposal will “only harm the Company’s customers over the long-term,” he provides no evidence or justification for that statement. He provides no analysis, no

1 projections, no data, no study, in fact nothing other than his blanket statement. Contrary
2 to his allegation here, EDF has put forth a long-term proposal to insulate ratepayers from
3 a potentially one-sided proposition proposed by the Company. In contrast, the
4 Company's position can be boiled down to "pay for the pipeline and you will see savings
5 – trust us." And, if those savings never materialize, there is no mechanism for the
6 Commission to rely on to ensure ratepayers are protected. In short, witness Weitzel's
7 attempt at rebuttal is little more than unsupported assertion and should be given no
8 weight.

9 **Q. Mr. Weitzel suggests that revisions to the PGA/ACA do not belong in a general rate**
10 **case. Do you agree?**

11 A. No. The Company is proposing changes to the PGA/ACA, as am I. It is simply that the
12 Company does not like the changes I propose. It uses an argument that PGA/ACA
13 changes should have general applicability to all Missouri gas distributors. A counter
14 argument to that is simply, here, in the case of the Company, as opposed to other gas
15 distributors, the Company has set up a federally regulated entity, an affiliate, to in effect
16 charge ratepayers sufficient sums of money through its PGA/ACA process to provide
17 returns to shareholders. Those facts distinguish Laclede from other Missouri gas
18 distributors. Thus, the modifications I propose here apply only to the Company.
19 Moreover, the fact that the Company is proposing changes to its PGA/ACA so that both
20 of its divisions (MGE and LAC) can avail themselves of the same mechanism, means that
21 the PGA/ACA process, at present, is not uniform across Missouri.

22 **Q. Mr. Weitzel states that the PGA/ACA process has worked well in Missouri for many**
23 **decades. Are there any recent changes that necessitate review of this process by the**
24 **Commission?**

25 A. Yes. The changes include formation by Spire, Inc. of Spire STL, the execution of the
26 precedent agreement between the Company and Spire STL (as the funding mechanism
27 for Spire STL), and the funneling of ratepayer dollars through the contract up to Spire
28 STL, with the return portion of those dollars to Spire shareholders. These recent changes
29 are not addressed by the current PGA/ACA process. Moreover, prior approval of a
30 capacity contract acquisition is not required today under the Commission's regulations.

1 While gas supply contracts between the Company and Company affiliates are specifically
2 addressed in the current Cost Allocation Manual and Standards of Conduct, a gap in the
3 review powers of this Commission would exist with respect to gas transportation
4 contract(s)' costs arising from gas transportation contract(s) between affiliate(s) and
5 Company absent my proposed hold harmless proposals.

6 **Q. Staff witness Crowe raises several concerns with your proposed changes on page 8**
7 **of her rebuttal testimony. How do you respond?**

8 A. Several of Ms. Crowe's concerns are issues that would ultimately be addressed in a future
9 PGA/ACA proceeding. For instance, a full assessment of issues surrounding Laclede's
10 propane cavern and vaporization facilities would need to occur at the time such facilities
11 are either taken out of service or possibly transferred to an affiliate of the Company not
12 regulated by this Commission. My direct testimony provided hypothetical examples of
13 cost recovery under my proposed mechanism but application of this mechanism would
14 not take place until a future proceeding. In that future proceeding, determination(s) of
15 which aspects of my proposal would apply would of course be based upon what, if any,
16 subsequent actions the Company were to take or would propose to take.

17 In the event the Commission agrees with Staff's recommended elimination of the GSIP,
18 and the commensurate removal of the First of Month ("FOM") Benchmark, the
19 Commission could simply retain the FOM Benchmark provisions, but eliminate them as a
20 means of rewarding or incentivizing the Company. In the event the Commission
21 disagrees with Staff's recommended elimination of the GSIP, the FOM will be retained
22 and available to be used for the purposes I propose.

23 With respect to Ms. Crowe's concerns regarding my proposed "Turnback Allowance,"
24 the allowance would be the rate in effect on Enable Mississippi River Transmission, LLC
25 ("MRT") at the time of the turnback. To do otherwise would defeat the purpose of
26 having the Turnback Allowance. Basing a Turnback Allowance on rates that increased as
27 a result of the Company's action (i.e., turning back MRT capacity) would enable Spire
28 and/or the Company to benefit from an Enable MRT rate increase that Spire and/or
29 Company's action set in motion.

30

1 **STANDARDS OF CONDUCT REVISIONS**

2 **Q. Regarding your proposed changes to the Standards of Conduct concerning bidding**
3 **transportation capacity, Staff witness Crowe states that the requirement to bid**
4 **pipeline capacity does not necessarily mean that it was a prudent decision to add**
5 **that capacity. Do you agree?**

6 A. Yes. The prior approval of a capacity contract acquisition is not required today under the
7 Commission’s regulations. My proposal does not change that fact, but addresses future
8 capacity acquisitions in the context of the current regulatory reality.

9 **Q. Staff witness Crowe also states that the Standards of Conduct transportation**
10 **bidding requirements would not be applied retroactively to Spire STL Pipeline.**
11 **How do you respond?**

12 A. The proposed Standards of Conduct bidding requirements would apply to any future
13 affiliate transportation capacity acquisitions. The current circumstance, (i.e., the fact
14 pattern that Company ratepayers and this Commission face today) is addressed by the
15 portion of my proposal in the PGA/ACA tariff revisions that provides for the limit on
16 recovery such that ratepayers are held harmless.

17 **GAS SUPPLY INCENTIVE PLAN REVISIONS**

18 **Q. Staff witness Crowe states that Staff’s recommendation is that Laclede’s GSIP be**
19 **discontinued, and if accepted by the Commission, the GSIP FOM benchmark would**
20 **not be available to make your proposed gas supply cost comparisons. Do you agree?**

21 A. Should the Commission agree with witness Crowe as to elimination of the Company’s
22 incentive with respect to the GSIP, the Commission can retain the following language
23 from the current GSIP in a renamed Section D. That language is set forth below as taken
24 from Section D. 1. b.

25 “[F]or each month of the ACA period, the associated First-of-Month (FOM) index
26 prices as shown below and as reported in the Inside FERC’s Gas Market Report
27 shall be weighted by the following percentages to develop a FOM composite
28 price:

CenterPoint Energy Gas Transmission (“CEGT”) – East	22%
Natural Gas Pipeline Company of America – Mid Continent	8%
Natural Gas Pipeline Company of America – South Texas	5%
Panhandle Eastern Pipeline Company (“PEPL”)	10%
CEGT – West – PEPL index	24%
Trunkline Gas Company – Louisiana	6%
Southern Star Central Gas Pipeline Central	12%
Mississippi River Transmission – West leg-Henry Hub less \$.07	13%”

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2 **Q. Does this conclude your surrebuttal testimony?**

3 A. Yes.

4

**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

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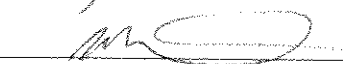
STATE OF MASSACHUSETTS)

COUNTY OF Essex)

SS.

Gregory M. Lander, of lawful age, being first duly sworn, deposes and states:

1. My name is Gregory M. Lander. I am President of Skipping Stone, LLC. My business address is 83 Pine Street, Suite 101, West Peabody, MA 01960.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony on behalf of the Environmental Defense Fund.
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.

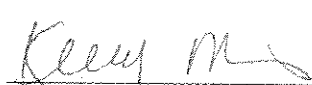


Gregory M. Lander

Subscribed and sworn to me this 20 day of November, 2017.



KELLY A. MORRIS
NOTARY PUBLIC
My commission expires Aug. 1, 2019



Notary Public