

STAFF Exhibit No. 5
Date 4/26 Reporter RB
File No. GO-2016-0196
GO-2016-0197

Exhibit No.:
Issue: *Infrastructure System
Replacement Surcharge*
Witness: *Brian Wells*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *GO-2016-0196*
Date Testimony Prepared: *April 18, 2016*

MISSOURI PUBLIC SERVICE COMMISSION

**COMMISSION STAFF DIVISION
AUDITING**

**FILED
APR 29 2016**

Missouri Public
Service Commission

**DIRECT TESTIMONY
OF
BRIAN WELLS**

**LACLEDE GAS COMPANY
CASE NO. GO-2016-0196**

*Jefferson City, Missouri
April 2016*

1 DIRECT TESTIMONY

2 OF

3 BRIAN WELLS

4 LACLEDE GAS COMPANY

5 CASE NO. GO-2016-0196

6 Q. Please state your name and business address.

7 A. Brian Wells, 111 N 7th St., Suite 105, St. Louis, Missouri 63101.

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

9 A. I am employed by the Missouri Public Service Commission ("Commission")
10 as a Utility Regulatory Auditor II.

11 Q. Please describe your education background and work experience.

12 A. I graduated with a Bachelor of Science degree from Truman State University
13 in 2013. I graduated with a Master of Accountancy degree from the same institution in 2014.
14 I am also a Certified Public Accountant. I have assisted with audits and examinations of the
15 books and records of utility companies operating in the State of Missouri since joining the
16 Commission Staff in 2014.

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

18 A. Yes. Please refer to Schedule BW-d1, attached to this direct testimony, for a
19 list of cases and the issues I have addressed in testimony as well as a list of cases in which I
20 have participated.

21 Q. What is the purpose of this direct testimony?

22 A. My direct testimony will explain that Staff continues to support its
23 recommendation (a copy of which is attached as Schedule BW-d2) that addressed

Direct Testimony of
Brian Wells

1 the Infrastructure System Replacement Surcharge (ISRS) application that was filed by
2 Laclede Gas Company ("Laclede") on February 1, 2016 as part of Case No. GO-2016-0196.
3 Staff witness Jennifer K. Grisham will address the ISRS application filed by
4 Missouri Gas Energy (MGE), an operating unit of Laclede Gas Company as part of Case No.
5 GO-2016-0197.

6 Q. Are you the same Brian Wells who contributed to the Memorandum
7 attached as Appendix A to the Staff Recommendation filed on April 1, 2016 in Case No.
8 GO-2016-0196?

9 A. Yes.

10 Q. Is the information contained in the Staff Recommendation still true and
11 accurate to the best of your knowledge?

12 A. Yes.

13 Q. Did Staff perform a true-up of the ISRS information relating to qualifying
14 plant additions made during the months of January – February 2016 which was not available
15 at the time that Laclede filed its ISRS Application on February 1, 2016?

16 A. Yes.

17 Q. When did Staff receive the true-up information from Laclede Gas Company?

18 A. Staff received the true-up information on March 9, 2016.

19 Q. Did Staff have adequate time to review the true-up information subsequent to
20 its provision on March 9, 2016 and prior to Staff filing its Recommendation on April 1, 2016?

21 A. Yes. As stated on page 3 of Staff's Memorandum, Staff reviewed "a sample of
22 work orders related to costs incurred between January 1, 2016, and February 29, 2016." Staff
23 further stated in that document that it "communicated with Laclede personnel to clarify

Direct Testimony of
Brian Wells

1 Laclede's Application when necessary." Staff had adequate time to review the true-up
2 information and communicate with Laclede personnel in the timeframe outlined in the
3 question above.

4 Q. Does this conclude your direct testimony?

5 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

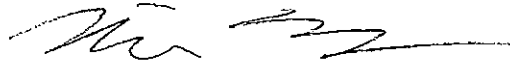
In the Matter of the Application of Laclede)
Gas Company to Change its Infrastructure) Case No. GO-2016-0196
System Replacement Surcharge in its Laclede)
Gas Service Territory)

AFFIDAVIT OF BRIAN WELLS

STATE OF MISSOURI)
) ss.
COUNTY OF ST. LOUIS)

COMES NOW BRIAN WELLS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Direct Testimony; and that the same is true and correct according to his best knowledge and belief.

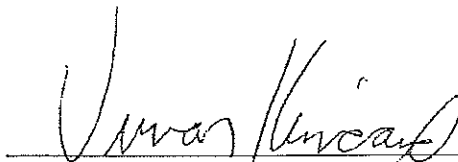
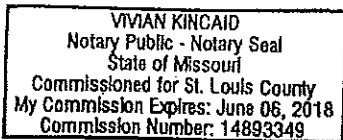
Further the Affiant sayeth not.



BRIAN WELLS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the City of St. Louis, State of Missouri, at my office in St. Louis, on this 15th day of April, 2016.



Notary Public

Brian Wells
Utility Regulatory Auditor

Present Position

I am currently employed as a Utility Regulatory Auditor in the Auditing Department, Commission Staff Division of the Missouri Public Service Commission. I have held this position since August 11, 2014.

Educational Background, Certifications, and Work Experience

I earned a Bachelor of Science degree in Accounting at Truman State University in August of 2013 and earned a Master of Accountancy degree at the same institution in May of 2014. I am also a Certified Public Accountant, licensed in the state of Missouri. Prior to working with the Public Service Commission, I interned with Fitzgerald & Floyd, CPAs for eighteen months; and I was also employed as the Budget and Finance Director for KTRM radio for two years.

Case Summary

Company	Case Number	Issues
Ameren Missouri	ER-2014-0258	<u>Formal Rate Case</u> : Payroll, Payroll Taxes, Insurance, Rents and Leases, Benefits Other Than Pensions and OPEBs, PSC Assessment, Lockbox Discontinuation, Snow Removal Costs, and Capitalized Depreciation
Missouri Gas Energy	GO-2015-0270	ISRS filing
House Springs Sewer Co.	N/A	<u>Earnings Investigation Case</u> : Payroll, Employee Benefits, Vehicle Expense, Revenues, Workers' Compensation
Missouri American Water Co.	WR-2015-0301	<u>Formal Rate Case</u> : Plant in Service, Depreciation Reserve, Other Rate Base Items, Advertising Expense, Rate Case Expense, Property Tax Expense, Main Break Expense, Legal Expense

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GO-2016-0196, Tariff Tracking No. YG-2016-0193
Laclede Gas Company

FROM: Brian Wells, Regulatory Auditor, Auditing Department
Michael J. Ensrud, Rate & Tariff Examiner II, Procurement Analysis

/s/ Mark L. Oligschlaeger 03/31/16
Auditing Department / Date

/s/ David M. Sommerer 03/31/16
Commission Staff Division / Date

/s/ Jeffrey A. Keevil 03/31/16
Staff Counsel's Office / Date

SUBJECT: Staff Report and Recommendation Regarding the Verified Application and Petition of Laclede Gas Company to Change its Infrastructure System Replacement Surcharge in its Laclede Gas Service Territory and Request for Waiver of Commission Rule 4.020(2)

DATE: March 31, 2016

BACKGROUND

On February 1, 2016, Laclede Gas Company ("Laclede" or "Company") filed the "Verified Application and Petition of Laclede Gas Company to Change its Infrastructure System Replacement Surcharge in its Laclede Gas Service Territory and Request for Waiver of Commission Rule 4.020(2)" with the Missouri Public Service Commission ("Commission"). The Application proposes to increase Laclede's Infrastructure System Replacement Surcharge (ISRS) rates and implement a revised Tariff Sheet with a proposed effective date of March 2, 2016. It also sought waiver of the 60-day notice requirement.

Laclede made its filing pursuant to Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri and Commission Rules 4 CSR 240-2.060, 2.080, and 3.265, which allow Missouri natural gas corporations to file a petition and proposed rate schedule with the Commission to recover certain infrastructure system replacement costs outside a formal rate case, through a surcharge on customers' bills. Laclede also requested a waiver of Commission Rule 4.020(2) – the 60-day notice requirement.

Laclede asserts that it has continued to incur costs related to ISRS-eligible infrastructure system replacements since the Commission's last decision in Case No. GO-2015-0341 and submitted its Application to reflect ISRS investments for the period from September 1, 2015 through December 31, 2015, with pro-forma ISRS costs updated through February 29, 2016.

Laclede estimated in its Application that it was entitled to an incremental increase of ISRS revenues in this case of \$5,039,018. On March 9, 2016, Laclede updated the amount of revenue requirement being sought. Laclede's incremental revenue requirement increased to \$5,389,900.

On February 3, 2016, the Commission issued an "Order Directing Notice, Directing Filings and Setting Intervention Deadline." That Order set the following dates:

- Staff's Recommendation shall be filed no later than April 1, 2016
- Suspension of the tariff sheet until May 31, 2016

On March 2, 2016, the Commission issued an "Order Granting Request For Waiver" in response to Laclede's request for waiver of 4 CSR 240-4.020(2).

There is a potential issue with the effective date of this filing. Section 393.1015.3, RSMo, provides as follows:

A gas corporation may effectuate a change in its rate pursuant to the provisions of this section **no more often than two times every twelve months.** (Emphasis added)

Laclede was granted authority to implement Twenty-Fourth Revised Sheet No. 12,¹ effective May 22, 2015. Laclede was granted authority to implement Twenty-Fifth Revised Sheet No. 12,² effective December 1, 2015. Therefore, the pending filing cannot go into effect any sooner than May 23rd.

STAFF REVIEW AND REVENUE CALCULATION

Laclede's filing in Case No. GO-2016-0196 represents its fifth Infrastructure System Replacement Surcharge (ISRS) filing since the conclusion of its most recent general rate case, Case No. GR-2013-0171. Since that case, Laclede filed ISRS Case Nos. GO-2014-0212, GR-2015-0026, GO-2015-0269, and GO-2015-0341, which are all currently included in Laclede's ISRS rates.

In this Application, Laclede filed to recover ISRS qualifying infrastructure replacement costs incurred during the period of September 1, 2015 through February 29, 2016. As part of its examination of Laclede's Application, Auditing Staff reviewed workpapers, a representative sample of work orders, and other applicable documentation. On February 12, 2016,

¹ GO-2015-0269.

² GO-2015-0341.

Laclede provided Staff with a sample of work orders related to costs incurred between September 1, 2015 and December 31, 2015. Laclede provided a sample of work orders related to costs incurred between January 1, 2016 and February 29, 2016, on March 9, 2016. Staff also communicated with Laclede personnel to clarify Laclede's Application when necessary.

Commission Rule 4 CSR 240-3.265 for Natural Gas Infrastructure System Replacement Surcharges sets forth the definitions of natural gas utility plant projects that are eligible for ISRS treatment. As a result of its review, Staff concluded that each of the projects Staff reviewed met the ISRS rule qualifications.

The methodology used by the Auditing Staff allows for consideration of all accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure replacements costs through April 15, 2016. This methodology is consistent with past reviews conducted by the Auditing Staff, and it is consistent with Staff's view that the calculation of the ISRS revenue requirement should closely reflect the revenue requirement at the effective date of the ISRS rates.

The Auditing Staff also included incremental accumulated depreciation, accumulated deferred income tax, and any change in property tax rates for replacements associated with the currently effective ISRS authorized for Laclede in Case Nos. GO-2014-0212, GR-2015-0026, GO-2015-0269, and GO-2015-0341, as required by 4 CSR 240-3.265(20)(K).

STAFF RECONCILIATION

Commission Rule 4 CSR 240-3.265(17) requires a reconciliation of the ISRS revenue Laclede collected from customers in the prior 12-month period to account for over or under-collection of ISRS revenue. Staff performed this reconciliation and found that it resulted in an amount of under-collected ISRS revenue which was identical to that which Laclede calculated and included in its requested increase in ISRS revenue. Because Staff's and Laclede's reconciliations were identical, Staff recommends that Laclede's under-collected revenue amount of \$729,714 be included in ISRS rates resulting from this case.

Based upon its review and all of its calculations, Staff is recommending that Laclede receive ISRS revenues of \$5,389,900. This is the same as Laclede's requested ISRS-related revenue requirement, as updated on March 9, 2016.

Upon Commission approval, this amount will be included with the currently-in-effect ISRS (Case Nos. GO-2014-0212, GR-2015-0026, GO-2015-0269, and GO-2015-0341). The below table shows the cumulative amount to be included in rates:

ISRS Case No.	Revenue Requirement	Cumulative
GO-2014-0212	\$7,018,225	
GR-2015-0026	\$2,780,045	\$9,798,270
GO-2015-0269	\$5,378,541	\$15,176,811
GO-2015-0341	\$4,456,045	\$19,632,856
GO-2016-0196	\$5,389,900	\$25,022,756

The Laclede tariffs filed with this Application have been suspended until May 31. Laclede's ISRS case No. GO-2015-0269 was filed in April of 2015; the effective date of rates in that case was May, 22 2015. Since that date, but before filing the current ISRS case, Laclede has had one other ISRS case—GO-2015-0341. The statute, 393.1015.3 RSMo, states that "A gas corporation may effectuate a change in its rate pursuant to the provisions of this section no more often than two times every twelve months." Based upon Laclede's previous ISRS filing history and this statute, the Staff recommends that the tariffs resulting from this ISRS filing should not go into effect any earlier than May 23, 2016.

THE ISRS RATE SCHEDULES

Staff's recommended rates are consistent with the methodology used to establish Laclede's past ISRS rates and consistent with the overall methodology used to establish ISRS rates for other gas utilities. Staff's recommended ISRS rates are contained in Appendix B, attached hereto and incorporated by reference.

Staff has verified that Laclede has filed its 2014 annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing, other than Laclede's last ISRS case which is currently on appeal.

RECOMMENDATION

Based upon the rationale stated above, Staff recommends the Commission issue an order in this case that:

1. Rejects Laclede's ISRS tariff sheet (YG-2016-0193) P.S.C. MO No. 5 Consolidated, Twenty-Sixth Revised Sheet No. 12 cancelling P.S.C. MO. No. 5 Consolidated, Twenty-Fifth-Sheet No. 12, as filed on February 1, 2016;

OFFICIAL CASE FILE MEMORANDUM

MO PSC Case No. GO-2016-0196, Tariff No. YG-2016-0193

March 31, 2016

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2. Approves the Staff's recommended ISRS surcharge revenues in this docket in the incremental pre-tax revenue amount of \$5,389,900 with a total current and cumulative ISRS surcharge of \$25,022,756;
3. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Appendix B, which generates \$25,022,756 annually; and,
4. Authorizes an effective date no sooner than May 23, 2016.

LACLEDE GAS COMPANY
ISRS RATE DESIGN

CASE NO. GO-2016-0196

TARIFF NO. YG-2016-0193

Customer Rate	Staff's Total ISRS Rev Req		\$25,022,756				
	Number of Customers	Customer Charge	Ratio To Residential Customer Charge	Weighted Customer Nos.	Customer Percentage	Proposed ISRS Charge	Proposed ISRS Revenues
Residential	606,244	\$19.50	1.0000	606,244	87.92%	\$3.02	\$22,000,758
Com & Ind. Class 1	30,943	\$25.50	1.3077	40,464	5.87%	\$3.95	\$1,468,447
Com & Ind. Class 2	8,961	\$44.29	2.2713	20,353	2.95%	\$6.87	\$738,614
Com & Ind. Class 3	600	\$88.57	4.5421	2,725	0.40%	\$13.74	\$98,899
Large Volume	72	\$874.78	44.8605	3,230	0.47%	\$135.67	\$117,216
Interruptible	18	\$776.36	39.8133	717	0.10%	\$120.40	\$26,007
Transportation	148	\$2,069.94	106.1508	15,710	2.28%	\$321.02	\$570,132
Transportation - Other	0	\$1,707.94	87.5867	0	0.00%	\$0.00	\$0
Gas Light	87	\$5.69	0.2918	25	0.00%	\$0.88	\$921
Vehicular Fuel	9	\$22.09	1.1328	10	0.00%	\$3.43	\$370
Liquid Propane	44	\$17.00	0.8718	38	0.01%	\$2.64	\$1,392
	<u>647,126</u>			<u>689,517</u>	<u>100.00%</u>		<u>\$25,022,756</u>

* Due to rounding to the nearest penny, the designed ISRS rates will under-collect by \$ 32,063. However, it should be noted that the total amount collected will true-up at a later date.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

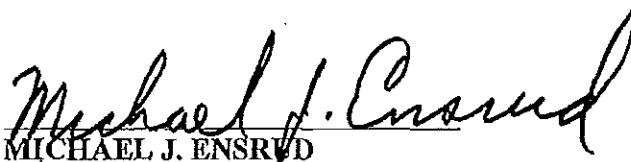
In the Matter of the Application of Laclede)
Gas Company to Change its Infrastructure) Case No. GO-2016-0196
System Replacement Surcharge in its)
Laclede Gas Service Territory)

AFFIDAVIT OF MICHAEL J. ENSRUD

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

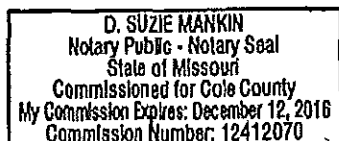
COMES NOW MICHAEL J. ENSRUD and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

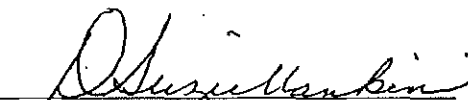
Further the Affiant sayeth not.


MICHAEL J. ENSRUD

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 31st day of March, 2016.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Laclede)
Gas Company to Change its Infrastructure) Case No. GO-2016-0196
System Replacement Surcharge in its)
Laclede Gas Service Territory)

AFFIDAVIT OF BRIAN WELLS

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

COMES NOW BRIAN WELLS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

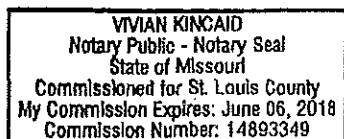
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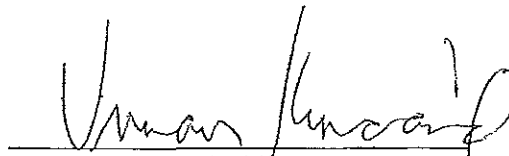


BRIAN WELLS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the City of St. Louis, State of Missouri, at my office in St. Louis, on this 31st day of March, 2016.





Notary Public