

Exhibit No: **028**  
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Tariff Changes**  
Witness: **Michael R. Noack**  
Type of Exhibit: **Direct Testimony**  
Sponsoring Party: **Laclede Gas Company;  
Missouri Gas Energy**  
Case No.: **GR-2017-0215; GR-2017-0216**  
Date Prepared: **April 11, 2017**

**LACLEDE GAS COMPANY  
MISSOURI GAS ENERGY**

**GR-2017-0215  
GR-2017-0216**

**DIRECT TESTIMONY**

**OF**

**MICHAEL R. NOACK**

**April 2017**

Laclede Exhibit No. 028  
Date 12-15-17 Reporter A.F.  
File No. GR-2017-0215  
GR-2017-0216

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1 **DIRECT TESTIMONY OF MICHAEL R. NOACK**

2 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS**  
3 **ADDRESS?**

4 A. My name is Michael R. Noack and my business address is 7500 E 35<sup>th</sup> Terrace,  
5 Kansas City, Missouri 64129.

6 **Q. BY WHOM ARE YOU EMPLOYED?**

7 A. I am employed by Missouri Gas Energy ("MGE"), an operating unit of Laclede  
8 Gas Company ("Laclede"), as Director of Pricing and Regulatory Affairs.

9 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

10 A. I received a Bachelor of Science in Business Administration with a major in  
11 Accounting from the University of Missouri in Columbia. Upon graduation, I  
12 was employed by Troupe Kehoe Whiteaker & Kent (TKWK), a Certified Public  
13 Accounting Firm in Kansas City, Missouri. I spent approximately 20 years  
14 working with TKWK or firms that were formed from former TKWK employees  
15 or partners. I was involved during that time in public utility consulting and  
16 financial accounting, concentrating primarily on rate cases for electric and gas  
17 utilities and financial audits of independent telephone companies across the  
18 United States. In 1992, I started Carleton B. Fox Co. Inc. of Kansas City which  
19 was an energy consulting company specializing in billing analysis and tariff  
20 selection for large commercial and industrial customers. In July of 2000, I started  
21 my employment with MGE.

22 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

1 A. Yes. I have testified or submitted pre-filed testimony in numerous Commission  
2 proceedings, including MGE's last five rate cases, Case Nos. GR-2001-292, GR-  
3 2004-0209, GR-2006-0422, GR-2009-0355 and finally GR-2014-0007.

4 PURPOSE OF TESTIMONYError! Bookmark not defined.

5 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE  
6 PROCEEDINGS?

7 A. The purpose of my testimony is to support the revenue requirements of Laclede's  
8 operating units in Eastern Missouri ("LAC") and Western Missouri ("MGE"). As  
9 filed, MGE is requesting a gross revenue increase of \$50.4 million. However, since  
10 MGE is already collecting \$13.4 in ISRS charges, the net incremental increase is  
11 \$37.0 million. LAC is requesting a gross revenue increase of \$58.1 million. Since  
12 LAC is already collecting \$29.5 million in ISRS charges, its net incremental  
13 increase is \$28.5 million. Following the conclusion of LAC's and MGE's currently  
14 pending ISRS filings, the requested incremental revenues will decrease by the  
15 amount of the ISRS approved in those cases. The revenue deficiencies are  
16 supported by Schedules MRN-D1 for MGE and MRN-D2 for LAC, which consists  
17 of sections A through H, and which are attached to this testimony. I will be  
18 responsible for sponsoring most of the adjustments made to the test year ending  
19 December 31, 2016, and updated for known and measurable changes that support  
20 the revenue deficiency.

21 Q. HOW DO THE PROPOSED INCREMENTAL RATE INCREASES  
22 COMPARE TO PREVIOUS REQUESTS FOR RATE RELIEF BY MGE  
23 AND LAC?

1 A. The amounts being requested by MGE and LAC to cover all of their non-ISRS  
2 costs are significantly lower than the comparable amounts that were sought in prior  
3 cases. In fact, on a combined basis, they are significantly less than the non-ISRS  
4 rate increases sought by MGE and LAC in their 2009/2010 rate cases. In 2009,  
5 LAC and MGE each independently filed their first rate cases in three years. They  
6 sought a combined total of \$81 million in non-ISRS revenue. From the time those  
7 rate cases concluded in 2010 until the present, Laclede and MGE have not increased  
8 their non-ISRS rates. In the current cases, LAC and MGE are requesting a  
9 combined non-ISRS increase of \$65.5 million. To put these facts in perspective,  
10 LAC and MGE have not only operated for seven years without a non-ISRS  
11 increase, but after those seven years, they are now requesting a combined non-ISRS  
12 increase that is less than the amount they requested in 2009, even though the 2009  
13 request covered a historical period (3 years), which is less than half of the  
14 corresponding period (7 years) covered by the current cases.

15 **Q. HOW HAS THIS BEEN ACHIEVED?**

16 A. Much of this achievement is a result of the growth strategy that has been  
17 successfully pursued by Spire and Laclede over the past several years – a strategy  
18 that has allowed us to keep our promise to the Commission to “bend down” the  
19 inclining cost curve that historically led LAC and MGE to seek and obtain  
20 significantly larger and more frequent rate increases in the past.

21 **Q. WHEN DID LACLEDE’S OPERATING UNITS LAST FILE FOR**  
22 **GENERAL RATE INCREASES?**

1 A. MGE's last general rate case was filed on September 16, 2013, more than three  
2 and a half years ago, while LAC's last general rate case was filed on December  
3 21, 2012, or well over four years ago.

4 **Q. WHY DO MGE AND LAC NEED TO FILE FOR A GENERAL RATE**  
5 **INCREASE?**

6 A. LAC must file a rate case within three years of April 12, 2014, when its  
7 Infrastructure System Replacement Surcharge ("ISRS") rates first became  
8 effective after the last general rate case, in order to continue to collect the ISRS  
9 rates approved by the Commission. In addition to the ISRS requirement to file a  
10 general rate case within three years of implementing new ISRS rates, the  
11 Stipulation and Agreement approved by the Commission in GM-2013-0254  
12 requires that Laclede file simultaneous rate cases for its LAC and MGE operating  
13 units for the first rate case filed after October 1, 2015.

14 **ADMINISTRATIVE MATTERS**

15 **Q. MR. NOACK, WOULD YOU PLEASE SUMMARIZE THE DIFFERENT**  
16 **SECTIONS OF SCHEDULES MRN-D1 AND MRN-D2 ATTACHED TO**  
17 **YOUR DIRECT TESTIMONY?**

18 A. Schedule MRN-D1 contains the Accounting Schedules supporting the requested  
19 rate increase for MGE while Schedule MRN-D2 contains the Accounting  
20 Schedules supporting the rate increase request for LAC. Both MRN-D1 and  
21 MRN-D2 consist of the same component schedules for each Company.

22 Schedule A summarizes the revenue deficiency at December 31, 2016.

23 Schedule B summarizes and supports the various rate base items and offsets.

24 Schedule C summarizes and supports plant in service.

1 Schedule D summarizes and supports reserve for depreciation.

2 Schedule E summarizes and supports the various working capital components and  
3 other regulatory assets.

4 Schedule F summarizes the capital structure and rate of return.

5 Schedule H summarizes and supports the operating income statement &  
6 adjustments.

7 **Q. WHAT IS THE TEST YEAR USED TO DEVELOP THE REVENUE**  
8 **REQUIREMENT FOR LAC AND MGE?**

9 A. The test year is the twelve months ending December 31, 2016, adjusted for known  
10 and measurable changes.

11 **Q. WILL LAC AND MGE BE REQUESTING THAT THE TEST YEAR BE**  
12 **UPDATED AND/OR “TRUED-UP”?**

13 A. Yes. We are requesting the test year be updated or trued-up through September  
14 30, 2017. This is consistent with the process used in all five of the MGE rate  
15 cases I have supervised since 2000. We believe this approach will provide a  
16 relatively current time period of actual experience on which to base rates, while at  
17 the same time providing an opportunity for the Commission Staff and other  
18 parties to audit this actual experience.

19 **Q. WHAT “TRUE-UP” DATE ARE LAC AND MGE REQUESTING?**

20 A. At this time, we would consider September 30, 2017 as the true-up date where we  
21 would update all major components of the cases including capital structure,  
22 components of rate base and the major revenue and expense items and  
23 adjustments. We believe this update through September 30, 2017 should be  
24 sufficient to establish a reasonable and representative cost of service. I should

1 note, however, that as this proceeding unfolds there may be a need to revisit this  
2 issue depending on the positions taken by other parties. There also may be a  
3 need to consider certain additional changes in accounting practices, orders or  
4 procedures or to incorporate tariff modifications to reflect those positions taken  
5 by other parties.

6 **MGE REVENUE DEFICIENCY**

7 **Q. MR. NOACK, WOULD YOU PLEASE EXPLAIN SCHEDULE MRN-D1**  
8 **ATTACHED TO YOUR TESTIMONY?**

9 A. Yes. Schedule MRN-D1 details MGE's revenue deficiency for the test year  
10 ended December 31, 2016. The schedule details rate base, rate of return, required  
11 net operating income, adjusted net operating income, an estimate of the  
12 September 30, 2017 update on revenue requirement and, finally, the revenue  
13 deficiency. The total revenue deficiency shown on Schedule A is \$50.4 million.  
14 The increase in revenue will be offset partially by the elimination and  
15 corresponding inclusion in base rates of \$13.4 million of ISRS revenues that are  
16 currently being collected by the Company resulting in a net revenue increase of  
17 \$37.0 million.

18 Schedule A-1 is the summary of net operating income per books for the test year  
19 ending December 31, 2016, a summary of the adjustments made to operations,  
20 and finally, the net operating income, as adjusted.

21 Schedule A-2 is a summary income tax computation, both per book and as  
22 adjusted for the twelve months ending December 31, 2016. An explanation of the  
23 effective tax rate used to compute as adjusted income taxes is contained in the  
24 direct testimony of Laclede witness Kuper.



1 **Q. MR. NOACK, WOULD YOU PLEASE DESCRIBE SCHEDULE B, THE**  
2 **CALCULATION OF RATE BASE?**

3 A. Schedule B summarizes the requested rate base of MGE at December 31, 2016.  
4 Total rate base of \$792.5 million consists of net plant of \$836.1 million, Working  
5 Capital components of \$72.6 million, and the balance of Accumulated Deferred  
6 Income Taxes and other rate base offsets of \$116.2 million.

7 **Q. WHO WILL BE SPONSORING TESTIMONY EXPLAINING THE**  
8 **VARIOUS COMPONENTS OF RATE BASE?**

9 A. Laclede witness Keathley will offer testimony on MGE's offsets to rate base of  
10 Customer Deposits, Advances for Construction, Deferred Taxes and MGE's rate  
11 base offset from Docket No. GM-2013-0254. He will also offer testimony on  
12 Plant in Service, Reserve for Depreciation, Regulatory Assets and Working  
13 Capital components of Materials and Supplies, Prepayments and Gas Storage  
14 Inventory. Company witness Lyons of ScottMadden will offer testimony on Cash  
15 Working Capital and Laclede witness Buck will offer testimony on Postretirement  
16 Assets included in rate base.

17 **Q. PLEASE DESCRIBE THE ADJUSTMENTS TO OPERATING INCOME**  
18 **THAT YOU ARE SPONSORING ON SCHEDULE H.**

19 A. Schedule H, consisting of 20 sub-schedules, details all of the adjustments made to  
20 cost of service. The first two pages of Schedule H detail the operating income  
21 statement summarized by the uniform system of accounts. It shows the test year  
22 balances per books at December 31, 2016, a summary of the pro forma  
23 adjustments to each account and finally the adjusted balance at December 31,

1 2016. The next four pages detail each adjustment individually by FERC account  
2 number.

3 Schedule H-1 is the detail of test year margin revenue after backing out purchased  
4 gas adjustment revenue, gross receipts taxes billed, unbilled revenue, off-system  
5 sales and finally ISRS revenues collected during the test year, while Schedule H-2  
6 summarizes the revenue adjustments proposed by MGE.

7 **Q. ARE YOU SPONSORING THE REVENUE ADJUSTMENTS DETAILED**  
8 **ON SCHEDULE H-2?**

9 A. I am sponsoring the “Commercial-Domestic Use” adjustment while Laclede  
10 witness Feldman will provide direct testimony on the other revenue adjustments.

11 **Q. WHAT IS THE “COMMERCIAL-DOMESTIC USE” ADJUSTMENT?**

12 A. The commercial-domestic use adjustment reduces revenue by \$2.1 million to  
13 reflect a rate change for landlords who are currently being billed as a small  
14 general service (SGS) customer when their property is in their name and not in the  
15 tenant’s name. Pursuant to its tariff, MGE’s residential rate currently is “not  
16 available to locations served through a master meter or to a location other than the  
17 customer’s domicile.” That means an MGE customer who has rental property is  
18 not eligible for the residential rate when the property is unoccupied and in their  
19 name. MGE has coded the account to be domestic use for sales tax purposes, but  
20 the customer is being charged under a commercial rate. MGE is proposing to  
21 change the availability of the residential rate to include all domestic use customers  
22 (including landlords / customers with rental property).

23 **Q. APPROXIMATELY HOW MANY CUSTOMERS WILL BE AFFECTED**  
24 **BY THIS CHANGE?**

1 A. During the test year ended December 31, 2016, 223,060 bills were repriced from  
2 SGS to RS service or a monthly average of 18,588 customers.

3 **Q. WHY IS MGE PROPOSING THIS CHANGE?**

4 A. Landlords and owners of rental property have expressed frustration for several  
5 years about the change back and forth between the residential and small general  
6 service rates. The Office of Public Counsel has also questioned the reasons for  
7 reclassifying these customers based on whose name the service was in. MGE is  
8 currently the only gas company in the state to make this distinction between  
9 landlord and tenant. With this change, MGE's definition of residential customer  
10 and MGE's practices in this area will be the same as LAC's.

11 **Q. WHAT IS BEING PROPOSED BY MGE TO EFFECT THIS CHANGE?**

12 A. MGE is proposing new language in the Residential Gas Service (RS) tariff sheet  
13 and the same definition of 'Residential Customer' in the General Terms and  
14 Conditions that is currently included in LAC's General Terms and Conditions.  
15 Laclede witness Weitzel is sponsoring those tariff changes.

16 **Q. WHAT IS THE NEW DEFINITION OF A RESIDENTIAL CUSTOMER  
17 BEING PROPOSED IN THIS CASE?**

18 A. A residential customer will be defined as follows:

19 **A customer who purchases gas service for domestic use, including gas service**  
20 **provided to a single family dwelling or to a single meter serving a multiple family**  
21 **dwelling consisting of four (4) or fewer single family dwelling units, regardless of**  
22 **whether the customer is the ultimate consumer of the gas service. In addition, a**  
23 **customer who purchases gas service for such a dwelling while the dwelling is vacant**  
24 **shall be classified as a Residential Customer. This definition is intended to satisfy**  
25 **the provisions of Section 144.030 (23) RSMo, by establishing and maintaining a**  
26 **system and rate classification of "residential" to cause sales to residential customers**  
27 **under any of the Company's rate schedules to be considered as sales made for**  
28 **domestic use and thus exempt from sales tax.**  
29

1 As mentioned earlier, with this definition MGE will be treating residential  
2 customers similar to all other gas companies in the state, including the LAC  
3 operating unit.

4 **Q. PLEASE EXPLAIN SCHEDULE H-3.**

5 A. Schedule H-3, also sponsored by Laclede witness Feldman, removes purchased  
6 gas costs from the operating income statement along with costs associated with  
7 off-system sales, unbilled gas costs and the gross receipts tax expense. These  
8 expenses should not be included in the determination of the cost of service.  
9 Purchased gas costs are recovered through the PGA mechanism and not base  
10 rates, while gross receipts taxes are simply pass through taxes.

11 **Q. PLEASE EXPLAIN THE PAYROLL RELATED ADJUSTMENTS.**

12 A. The payroll adjustment is detailed on Schedule H-4 while the associated  
13 adjustments to the Company's match to employee 401K contributions and payroll  
14 taxes are detailed on Schedules H-5 and H-6. The first part of the adjustment  
15 annualizes payroll based on the actual February 17, 2017 employee levels and pay  
16 rates, and includes adjustments for overtime worked based on actual overtime  
17 hours and proforma pay rates, and payouts under the Annual Incentive Program  
18 (AIP) based on proforma wage levels. The second part of the adjustment  
19 recognizes that an additional 92 employees are expected to be hired across the  
20 entire company by September 30, 2017 with 61 being hired for LAC, 17 for  
21 MGE, and the final 14 being shared service employees whose time will be  
22 allocated between the different units of the Company. (37 new employees began  
23 with the Company on March 27, 2017.)

1 **Q. WHAT IS INCLUDED IN YOUR ADJUSTMENT TO EMPLOYEE**  
2 **BENEFITS?**

3 A. The adjustment to employee benefits on Schedule H-5 normalizes all expenses  
4 representing employee benefits paid on behalf of employees. Included in these  
5 benefits are FAS 87 pension expense and FAS 106 post retirement benefit costs,  
6 which will be discussed in the direct testimony of Laclede witness Buck. The  
7 other employee benefits being adjusted are the payroll related insurance costs for  
8 life insurance, accidental death & dismemberment (AD&D) insurance and long-  
9 term disability (LTD) insurance along with the Company match to employee  
10 401K contributions. These adjustments to insurance costs and the 401K match  
11 are all related to the payroll expense adjustment on Schedule H-4.

12 **Q. PLEASE EXPLAIN TAB H-6, PR-TAXES.**

13 A. The adjustment on Schedule H-6 recognizes the increase to payroll taxes  
14 associated with the payroll adjustment detailed on Schedule H-4.

15 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO PROPERTY INSURANCE**  
16 **AND INJURIES AND DAMAGES?**

17 A. Schedule H-7 normalizes the property insurance and injuries and damages by  
18 taking a three-year average of worker compensation claims paid and  
19 auto[mobile?] and general liability claims paid and adding to that average the  
20 insurance premiums increases expected to be paid on behalf of MGE.

21 **Q. WHY HAVE YOU MADE AN ADJUSTMENT TO TEST YEAR**  
22 **INSURANCE COSTS?**

1 A. The adjustment has been made to reflect a normalized level of claims paid and to  
2 reflect the known and measurable changes in premium costs for MGE. Those  
3 costs have been included as a test year expense on Schedule H-7.

4 **Q. PLEASE EXPLAIN SCHEDULE H-8.**

5 A. Schedule H-8 reflects the proposed adjustment to include an ongoing level of  
6 energy efficiency costs in MGE's cost of service. As of December 31, 2016 MGE  
7 has accumulated \$14.0 million of energy efficiency costs for expenditures in a  
8 regulatory asset. That balance goes all the way back to March 2010 when the  
9 Commission ordered MGE to work toward developing an energy efficiency  
10 program funded by up to 0.5% of gross revenues with the program expenses  
11 accounted for in a regulatory asset. Pursuant to the stipulation and agreement in  
12 MGE last rate case, GR-2014-0007, MGE amortized only a modest amount  
13 annually of \$0.2 million, while at the same time continuing to incur expenditures  
14 under its energy efficiency program. Based on the current gross revenues of  
15 MGE the targeted amount of energy efficiency funds to be spent on programs for  
16 the benefit of customers is approximately \$2.5 million per year. Given the size  
17 and consistent amount of EEC expenditures, some amount of current expenditures  
18 should be included in the cost of service, along with a ten-year amortization of the  
19 current regulatory asset. Such amounts are reflected on Schedule H-8.

20 **Q. WHAT IS THE AMOUNT OF CURRENT ENERGY EFFICIENCY**  
21 **FUNDING YOU ARE PROPOSING TO INCLUDE IN RATES?**

22 A. Based on the current gross revenues of MGE, the targeted amount of energy  
23 efficiency funds to be spent on programs for the benefit of customers would be  
24 approximately \$2.5 million per year. As shown on H-8, however, we have

1 included a lower normalized amount of \$1.8 million to better reflect actual  
2 experience. This amount represents a 3-year average of spending for years 2014,  
3 2015 and 2016.

4 **Q. HAVE YOU PROPOSED AN ADJUSTMENT TO UNCOLLECTIBLE**  
5 **EXPENSE?**

6 A. Yes. I have increased bad debt expense or uncollectible expense by \$3.1 million  
7 on Schedule H-9. Laclede witness Krick will explain this adjustment in his direct  
8 testimony.

9 **Q. PLEASE EXPLAIN THE ADJUSTMENTS ON SCHEDULE H-10.**

10 A. The adjustments on Schedule H-10 amortizes expected rate case expense over a 3-  
11 year period, amortizes the cost of the current depreciation study prepared for this  
12 case over a five-year period, and recognizes the current level of the Commission  
13 assessment for the period July 1, 2016 through June 30, 2017.

14 **Q. WHAT IS THE PURPOSE OF SCHEDULE H-11?**

15 A. Schedule H-11 computes interest on the average thirteen-month balance of  
16 residential customer deposits at an interest rate of 4.75%, or 1% over the prime  
17 rate, as of December 31, 2016, consistent with MGE's tariff Sheet No. R-14.

18 **Q. HAVE YOU PROPOSED AN ADJUSTMENT TO DEPRECIATION**  
19 **EXPENSE?**

20 A. Yes. Schedule H-12 details the adjustment to depreciation expense based upon  
21 the level of plant investment at December 31, 2016.

22 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO AMORTIZATION**  
23 **EXPENSE.**

1 A. Schedule H-13 details the pro forma amortization expense. The adjustment  
2 consists of three parts. The first part annualizes the amortization of all leasehold  
3 improvements, miscellaneous intangible plant and unamortized MGE software  
4 assets at December 31, 2016. This also includes amortization of the Enterprise  
5 Software which has been allocated to MGE. The second part of the adjustment  
6 computes amortization of Deferred Energy Efficiency Program costs and Low  
7 Income Program costs based upon a requested ten-year amortization period. The  
8 energy efficiency program was described above and called for an ongoing level of  
9 expense be included in rates. The Low Income Programs are a “Red-Tag” Repair  
10 Program and a one-time Low-Income Energy Affordability Program agreed to in  
11 the Stipulation and Agreement in GR-2014-0007. The third part of the  
12 adjustment amortizes one-half of the one-time non-capital transition cost balance  
13 over a five-year period in accordance with the Stipulation and Agreement in GM-  
14 2013-0254.

15 **Q. DO THE ANNUAL COST REDUCTIONS RELATED TO THE**  
16 **SYNERGIES REALIZED BY LACLEDE EXCEED THE AMOUNT OF**  
17 **TRANSITION COSTS FOR WHICH AMORTIZATION IS REQUESTED?**

18 A. Yes, cost reductions related to the synergies greatly exceed the transition costs for  
19 which the amortization is being requested.

20 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO PROPERTY TAXES.**

21 A. Schedule H-14 reflects an increase to property taxes to recognize the increased  
22 plant at December 31, 2016 and increased assessments expected in the counties in  
23 MGE’s service territory. Laclede witness Kuper will explain the adjustment in  
24 his direct testimony. There is a second adjustment made to property taxes to



1 allocate to MGE a portion of the property taxes related to the Enterprise Software  
2 being allocated to MGE.

3 **Q. PLEASE EXPLAIN SCHEDULE H-15.**

4 A. Schedule H-15 is a reconciliation of the regulatory asset and the ongoing expense  
5 associated with Ad Valorem taxes assessed on storage gas in Kansas. As part of  
6 the Stipulation and Agreement in GR-2014-0007, MGE agreed to include in rates  
7 \$1.6 million associated with the amortization of the regulatory asset related to the  
8 past assessment of Kansas Ad Valorem taxes and \$1.4 million to reflect an  
9 ongoing level of expense. MGE also agreed to track the ongoing level of expense  
10 and record to the regulatory asset the difference between the \$1,400,000 included  
11 in rates and what is actually paid each year. As of December 31, 2016 the balance  
12 of the regulatory asset related to Kansas Ad Valorem taxes is \$3.6 million.

13 **Q. PLEASE EXPLAIN SCHEDULE H-16.**

14 A. Schedule H-16 adjusts expenses for known increases in the contractor cost to  
15 locate lines in the MGE service territory. The majority of the adjustment is  
16 related to the cost to locate fiber which increased from \$13.40 to \$32.60 per locate  
17 in May 2016.

18 **Q. PLEASE EXPLAIN SCHEDULE H-17, OTHER EXPENSE**  
19 **ADJUSTMENTS.**

20 A. Schedule H-17 reflects a decrease to account 912 to eliminate from the cost of  
21 service the cost of sports tickets included in operating expenses.

22 **Q. PLEASE EXPLAIN SCHEDULE H-18.**

23 A. Currently, MGE has included in rates \$0.75 million for low-income  
24 weatherization programs administered by the Community Action Agency of

1 Greater Kansas City, and several other social agencies located in the other parts of  
2 MGE's service territories. MGE would recommend that this level of funding  
3 continue along with the \$0.75 million of funding in rates for MGE energy  
4 efficiency and education initiatives.

5 **LAC REVENUE DEFICIENCY**

6 **Q. MR. NOACK, WOULD YOU PLEASE EXPLAIN SCHEDULE MRN-D2**  
7 **ATTACHED TO YOUR TESTIMONY?**

8 A. Yes. Schedule MRN-D2 details the LAC revenue deficiency for the test year  
9 ended December 31, 2016. The schedule details rate base, rate of return, required  
10 net operating income, adjusted net operating income and finally, the revenue  
11 deficiency. The net revenue deficiency shown on Schedule A is \$58.1 million.  
12 The increase in revenue will be offset partially by the elimination and  
13 corresponding inclusion in base rates of \$29.5 million of ISRS revenues that are  
14 currently being collected by LAC, resulting in a net revenue increase of \$28.5  
15 million.

16 Schedule A-1 is the summary of net operating income per books for the test year  
17 ending December 31, 2016, a summary of the adjustments made to operations,  
18 and finally, the net operating income, as adjusted.

19 Schedule A-2 is a summary income tax computation both per books and as  
20 adjusted for the twelve months ending December 31, 2016. An explanation of the  
21 effective tax rate used to compute as adjusted income taxes is contained in the  
22 direct testimony of Laclede witness Kuper.

23 **Q. MR. NOACK, WOULD YOU PLEASE DESCRIBE SCHEDULE B, THE**  
24 **CALCULATION OF RATE BASE?**

1 A. Schedule B summarizes the requested rate base of LAC at December 31, 2016.  
2 Total rate base of \$1,231.7 million consists of net plant of \$1,169.3 million,  
3 Working Capital components of \$274.6 million, and the balance of Accumulated  
4 Deferred Income Taxes and other rate base offsets of \$212.2 million.

5 **Q. WHO WILL BE SPONSORING TESTIMONY EXPLAINING THE**  
6 **VARIOUS COMPONENTS OF RATE BASE?**

7 A. Laclede witness Keathley will offer testimony on the LAC offsets to rate base of  
8 Customer Deposits, Advances for Construction, and Deferred Taxes. He will also  
9 offer testimony on Plant in Service, Reserve for Depreciation, Regulatory Assets  
10 and Working Capital components of Materials and Supplies, Prepayments and  
11 Gas Storage Inventory. Company witness Lyons of ScottMadden will offer  
12 testimony on Cash Working Capital, and Laclede witness Buck will offer  
13 testimony on Prepaid Pension Assets and the OPEB Regulatory Asset included in  
14 rate base.

15 **Q. PLEASE DESCRIBE THE ADJUSTMENTS TO OPERATING INCOME**  
16 **THAT YOU ARE SPONSORING ON SCHEDULE H.**

17 A. Schedule H, consisting of 19 sub-schedules, details all of the adjustments made to  
18 cost of service. The first two pages of Schedule H detail the operating income  
19 statement summarized by the uniform system of accounts. It shows the test year  
20 balances per books at December 31, 2016, a summary of the pro forma  
21 adjustments to each account and finally the adjusted balance at December 31,  
22 2016. The next four pages detail each adjustment individually by FERC account  
23 number.

1 Schedule H-1 is the detail of test year margin revenue after backing out purchased  
2 gas adjustment revenue, gross receipts taxes billed, unbilled revenue, off-system  
3 sales and finally ISRS revenues collected during the test year, while Schedule H-2  
4 summarizes the revenue adjustments proposed for LAC.

5 **Q. WHO IS SPONSORING THE REVENUE ADJUSTMENTS DETAILED**  
6 **ON SCHEDULE H-2?**

7 A. Laclede witness Feldman is providing direct testimony on the revenue  
8 adjustments detailed on Schedule H-2.

9 **Q. PLEASE EXPLAIN SCHEDULE H-3.**

10 A. Schedule H-3, also sponsored by Laclede Witness Feldman, removes purchased  
11 gas costs from the operating income statement along with costs associated with  
12 off-system sales, unbilled gas costs and the gross receipts tax expense. These  
13 expenses should not be included in the determination of the cost of service.  
14 Purchased gas costs are recovered through the PGA mechanism and not base rates  
15 while gross receipts taxes are simply pass through taxes.

16 **Q. PLEASE EXPLAIN THE PAYROLL RELATED ADJUSTMENTS.**

17 A. The payroll adjustment is detailed on Schedule H-4 while the associated  
18 adjustments to the Company's match to employee 401K contributions and payroll  
19 taxes are detailed on Schedules H-5 and H-6. The first part of the adjustment  
20 annualizes payroll based on the actual February 17, 2017 employee levels and pay  
21 rates and includes adjustments for overtime worked based on actual overtime  
22 hours and proforma pay rates, and AIP payouts based on proforma wage levels.  
23 The second part of the adjustment recognizes that an additional 92 employees are  
24 expected to be hired across the entire company by September 30, 2017 with 61

1 being hired for LAC, 17 for MGE, and the final 14 being shared service  
2 employees whose time will be allocated between the different units of the  
3 Company. (37 new employees began with the Company on March 27, 2017.)

4 **Q. WHAT IS INCLUDED IN YOUR ADJUSTMENT TO EMPLOYEE**  
5 **BENEFITS?**

6 A. The adjustment to employee benefits on Schedule H-5 normalizes all expenses  
7 representing employee benefits paid on behalf of employees. Included in these  
8 benefits are FAS 87 pension expense and FAS 106 post retirement benefit costs,  
9 which will be discussed in the direct testimony of Laclede witness Buck. The  
10 other employee benefits being adjusted are the payroll related insurance costs for  
11 life insurance, accidental death & dismemberment (AD&D) insurance and long-  
12 term disability (LTD) insurance, along with the Company match to employee  
13 401K contributions. These adjustments to the insurance costs and the 401K  
14 match are all related to the payroll expense adjustment on Schedule H-4. The final  
15 adjustment to employee benefits is an adjustment to SERP expense, which is  
16 based on an average of payments made over that last three years.

17 **Q. PLEASE EXPLAIN TAB H-6, PR-TAXES.**

18 A. The adjustment on Schedule H-6 recognizes the increase to payroll taxes  
19 associated with the payroll adjustment detailed on Schedule H-4.

20 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO PROPERTY INSURANCE**  
21 **AND INJURIES AND DAMAGES?**

22 A. Schedule H-7 normalizes the property insurance and injuries and damages by  
23 taking a three-year average of worker compensation claims paid and auto and

1 general liability claims paid and adding to that average the increased insurance  
2 premiums expected to be paid on behalf of LAC.

3 **Q. WHY HAVE YOU MADE AN ADJUSTMENT TO TEST YEAR**  
4 **INSURANCE COSTS?**

5 A. The adjustment has been made to reflect a normalized level of claims paid and to  
6 reflect the known and measurable changes in premium costs for LAC. Those costs  
7 have been included as a test year expense on Schedule H-7.

8 **Q. PLEASE EXPLAIN SCHEDULE H-8.**

9 A. Schedule H-8 reflects the proposed adjustment to include an ongoing level of  
10 energy efficiency costs in the LAC cost of service. As of December 31, 2016,  
11 LAC has accumulated \$11.6 million of energy efficiency costs in a regulatory  
12 asset. Like MGE, LAC has an energy efficiency spending target of 0.5% of gross  
13 revenues. Based on its current gross revenues, LAC's energy efficiency spending  
14 target is approximately \$3.7 million per year, which also includes \$1.0 million of  
15 Low Income Weatherization Funds. Given the size and consistent amount of  
16 EEC expenditures, some amount of current expenditures should be included in the  
17 cost of service, along with a ten-year amortization of the current regulatory asset.  
18 Such amounts are reflected on Schedule H-8.

19 **Q. WHAT IS THE AMOUNT OF CURRENT ENERGY EFFICIENCY**  
20 **FUNDING YOU ARE PROPOSING TO INCLUDE IN RATES?**

21 A. As shown on Schedule H-8, a normalized amount of \$2.0 million has been  
22 included. This amount does not include any funding for the low income  
23 weatherization program. This amount represents a 3-year average of spending for  
24 years 2014, 2015 and 2016.

1 Q. HAVE YOU PROPOSED AN ADJUSTMENT TO UNCOLLECTIBLE  
2 EXPENSE?

3 A. Yes. I have increased bad debt expense or uncollectible expense by \$1.8 million  
4 on Schedule H-9. Laclede witness Krick will explain this adjustment in his direct  
5 testimony.

6 Q. PLEASE EXPLAIN THE ADJUSTMENTS ON SCHEDULE H-10.

7 A. The adjustments on Schedule H-10 amortize expected rate case expense over a 3-  
8 year period, amortize the cost of the current depreciation study prepared for this  
9 case over a five-year period, and recognize the current level of the Commission  
10 assessment for the period July 1, 2016 through June 30, 2017.

11 Q. WHAT IS THE PURPOSE OF SCHEDULE H-11?

12 A. Schedule H-11 computes interest on the average thirteen-month balance of  
13 residential customer deposits at an interest rate of 4.75%, or the prime rate as of  
14 December 31, 2016, plus 1%, consistent with LAC Tariff Sheet No. R-5-d.

15 Q. HAVE YOU PROPOSED AN ADJUSTMENT TO DEPRECIATION  
16 EXPENSE?

17 A. Yes. Schedule H-12 details the adjustment to depreciation expense based upon  
18 the level of plant investment at December 31, 2016.

19 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO AMORTIZATION  
20 EXPENSE.

21 A. Schedule H-13 details the pro forma amortization expense. The adjustment  
22 consists of two parts. The first part annualizes the amortization of all leasehold  
23 improvements, miscellaneous intangible plant and unamortized LAC software  
24 assets at December 31, 2016. The second part of the adjustment computes

1 amortization of Deferred Energy Efficiency Program costs and Low Income  
2 Program costs based upon a requested ten-year amortization period. The energy  
3 efficiency program is discussed above. The Low Income Programs are a “Red-  
4 Tag” Repair Program and a Low-Income Energy Affordability Program. The final  
5 asset being amortized is the initial Energy Efficiency Asset of LAC which has  
6 approximately 3.5 years of amortization remaining.

7 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO PROPERTY TAXES.**

8 A. Schedule H-14 reflects an increase to property taxes to recognize the increased  
9 plant at December 31, 2016 and increased assessments expected in the counties in  
10 LAC’s service territory. Laclede witness Kuper will explain the adjustment in his  
11 direct testimony. There is a second adjustment made to property taxes to allocate  
12 to MGE a portion of the property taxes related to the Enterprise Software being  
13 allocated to MGE.

14 **Q. PLEASE EXPLAIN SCHEDULE H-15.**

15 A. Schedule H-15 adjusts expenses for known increases in the contractor cost to  
16 locate lines in LAC’s service territory. The majority of the adjustment is related  
17 to the cost to locate fiber which increased from \$13.40 to \$32.60 per locate in  
18 May 2016.

19 **Q. PLEASE EXPLAIN SCHEDULE H-16, OTHER EXPENSE**  
20 **ADJUSTMENTS.**

21 A. Schedule H-16 reflects a decrease to accounts 912 and 921 to eliminate from the  
22 cost of service the cost of tickets to various events included in operating expenses.

23 **Q. PLEASE EXPLAIN SCHEDULE H-17.**



1 A. H-17 reflects an expense for the cost to accept a credit card payment from a  
2 customer for the balance of their gas bill without requiring an additional fee.  
3 Currently that cost is assessed to the customer by the credit card company which  
4 reduces the incentive for a customer to pay with a credit card. No fee credit card  
5 payments are consistent with the approach taken by other businesses for the  
6 convenience of their customers. It is also in the Company's interest to accept a  
7 credit card payment, as credit card companies are in a much better position to  
8 assess creditworthiness and thus to assume the risk of unpaid debt.

9 **Q. HOW DID YOU COMPUTE THE ADJUSTMENT TO CREDIT CARD**  
10 **FEES?**

11 A. The LAC adjustment was based on the actual experience of MGE in the most  
12 recent 12-month period and based on the average cost per transaction charged by  
13 the vendor processing the credit card payments. The number of card payments  
14 each month was compared to the number of residential bills for the same month  
15 and that percentage of bills paid with credit cards was applied to the number of  
16 LAC residential bills for the same months.

17 **SCHOOL TRANSPORTATION PROGRAM**

18 **Q. MR. NOACK, AS PART OF THE PARTIAL STIPULATION AND**  
19 **AGREEMENT IN GR-2014-0324 FILED FEBRUARY 22, 2017 MGE**  
20 **AGREED TO PROVIDE CERTAIN INFORMATION PERTAINING TO**  
21 **THE ISSUE OF BALANCING AND CASHING OUT MONTHLY**  
22 **TRANSPORTATION VOLUMES FOR SCHOOLS PARTICIPATING IN**  
23 **THE SCHOOL TRANSPORTATION PROGRAM ("STP"). WHAT**

1           **INFORMATION WAS REQUESTED BY THE MISSOURI PUBLIC**  
2           **SERVICE COMMISSION STAFF?**

3    A.    Under the Partial Stipulation, MGE agreed to provide the following information:

- 4           1. A discussion of the costs and benefits of upgrading the reading capabilities  
5           of each STP customer meter so that monthly meter reads coincide with the  
6           monthly STP nominations;
- 7           2. A detailed description of the meter changes or meter reading changes that  
8           could be made to allow for monthly meter reads to coincide with the  
9           monthly STP nominations.
- 10          3. The cost of upgrading the reading capabilities of each STP customer meter  
11          so that monthly meter reads coincide with the monthly STP nominations;
- 12          4. The Company's position regarding the question of whether meter or meter  
13          reading changes provide enough benefit to sales customers to justify  
14          inclusion of the meter and meter reading change costs into a sale customer  
15          cost of service.  
16  
17  
18  
19

20    **Q.    DID THE COMMISSION APPROVE THE PARTIAL STIPULATION AND**  
21    **AGREEMENT?**

22    A.    Not as of this writing. MGE is nevertheless providing the information, for two  
23    reasons. First, MGE agreed with Staff that it would do so. Second, MGE would  
24    like to reach a mutually acceptable resolution of the STP issue with Staff and the  
25    Missouri School Boards Association, which is the largest STP association in the  
26    MGE territory. MGE hopes that providing Staff the information it seeks will be a  
27    step in the direction of reaching such a resolution.

28    **Q.    CURRENTLY WHAT IS THE PROCESS OF READING EACH STP**  
29    **CUSTOMER METER?**

30    A.    Currently each STP customer meter is read electronically once per month, at  
31    various times throughout the month, as part of a regular cycle meter reading  
32    program. Meter trucks drive through select portions of the service area and

1 collect meter reads from a device that sits atop each customer's meter. In the case  
2 of very rural areas, the reads are collected using handheld devices. Because of the  
3 vast service territory of MGE (31 counties in the western half of the state) it is not  
4 feasible to combine all of the schools in the STP into a single meter reading route  
5 that would coincide with calendar month nominations made by the marketers  
6 serving the schools in the STP program. Currently there are approximately 850  
7 schools taking gas service under the STP tariff and approximately 104 meter  
8 reading routes serving those schools. The inability to obtain reads to match  
9 calendar month nominations prevents MGE from being able to accurately cash  
10 out STP customers, as prescribed in the tariff.

11 **Q. IF MGE WERE TO INSTALL ELECTRONIC GAS MEASUREMENT**  
12 **(EGM) EQUIPMENT AT EACH SCHOOL SIMILAR TO THE**  
13 **EQUIPMENT WHICH CURRENTLY SERVES MGE'S NON-SCHOOL**  
14 **TRANSPORATION CUSTOMERS, WHAT WOULD BE THE**  
15 **APPROXIMATE COST OF THOSE METERS?**

16 A. Currently the cost of the Instrument Point device, which has to be installed to call  
17 in the meter reads at a set time of the month (to coincide with pipeline  
18 nominations), costs approximately \$2,300 before including the labor and  
19 overhead costs to install. The labor and overhead costs are estimated at \$436  
20 making the total cost of equipment and installation approximately \$2,736. The  
21 detail of these costs can be found on Schedule MRN-D3.

22 **Q. IS THAT THE FINAL COST TO THE CUSTOMER?**

23 A. No, it is not. When the customer pays for the meter and installation costs the  
24 Company treats the payment as a contribution in aid of construction, so it is

1 taxable income to the company. As a result, there is additional language on MGE  
2 tariff Sheet No. 71 which requires that the charge be “grossed-up” to cover the  
3 income tax. At the current effective tax rate, the income tax amount would be  
4 approximately \$1,000, making the total cost of electronic gas metering (EGM)  
5 equipment \$3,736. However, if MGE paid for the meters and the installation, the  
6 total cost, which would exclude the income tax component, would approximate  
7 \$2.3 million.

8 **Q. WOULD THAT PROVIDE ENOUGH BENEFIT TO SALES CUSTOMERS**  
9 **TO JUSTIFY INCLUDING THOSE COSTS IN RATES CHARGED TO**  
10 **THE SALES CUSTOMERS.**

11 A. In my opinion, no. In an analysis prepared for Staff last June, the principal cost  
12 not being recovered as a result of any imbalance at the end of a month was the  
13 cost to use storage to either inject excess volumes or withdraw short volumes.  
14 When those volumes were priced at the rates MGE pays for storage, the additional  
15 cost not being recovered was approximately \$0.002 per Ccf.

16 **Q. HAS MGE ADJUSTED THE RATES TO ADDRESS THIS?**

17 A. Yes. As part of the stipulation and agreement, MGE attached a specimen tariff  
18 sheet which increases the Balancing Fee from \$0.001 per Ccf to \$0.003 per Ccf.  
19 MGE is filing a tariff with that adjustment as part of this case.

20 **Q. IS MGE LIMITED BY STATUTE AS TO WHAT CAN BE DONE TO**  
21 **COMPENSATE FOR THE INABILITY TO CASH THESE CUSTOMERS**  
22 **OUT?**

23 A. Yes. Section 393.310 of the Revised Missouri Statutes (the “STP Statute”)  
24 prohibits charging the schools for telemetry equipment or any special metering,

1 unless the individual school uses over 100,000 therms annually. At the same  
2 time, the STP Statute also states that the tariff shall not have any negative  
3 financial impact on the other customers of the gas company. Those two statutory  
4 provisions preclude MGE from passing on the cost of the EGM equipment to the  
5 schools or the other customers. By including the additional \$0.002 per Ccf in the  
6 balancing fee, MGE believes that both the schools and other customers are being  
7 fairly treated.

8 **Q. DO YOU BELIEVE ANYTHING ELSE NEEDS TO BE DONE AT THIS**  
9 **TIME?**

10 A. Yes. Although there has been nothing in the history of how the schools have  
11 nominated their transportation volumes to suggest a pattern of imbalances that  
12 have adversely affected sales customers, in response to input from Staff, MGE is  
13 proposing a tariff change that will motivate the schools to minimize estimated  
14 imbalances. At the same time, MGE is proposing a tariff change to remove the  
15 infeasible language to try and cashout STP customer imbalances. MGE believes  
16 these tariff changes, along with the increase to the Balancing Fee discussed above,  
17 will improve the program at a cost that does not outweigh its benefits, while  
18 protecting customers from adverse effects of the STP.

19 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

20 A. Yes it does.

## Laclede Gas Company

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**LACLEDE GAS COMPANY**  
**December 31, 2016**  
**Revenue Deficiency**

Line No.	Description (a)	Ref. (b)	Required Return (c)	Earnings Deficiency (d)	Net Revenue Deficiency (e)
1	Rate Base	B	\$1,231,666,769		
2	Rate of Return	F	<u>7.700%</u>		
3	Required Return		<u>\$94,838,341</u>	\$94,838,341	
4	Adjusted Test Year Net Operating Income	A-1		<u>59,910,891</u>	
5	Earnings Deficiency			<u>\$34,927,450</u>	\$34,927,450
6	Multiply by Income Tax Gross-up Factor				<u>1.62308</u>
7	Net Revenue Deficiency				\$56,690,011
8	Allowance for Known and Measurable Changes/ True-up Estimate				<u>\$1,365,000</u>
9	Total Revenue Deficiency				<u><u>\$58,055,011</u></u>

**LACLEDE GAS COMPANY**  
**December 31, 2016**  
**Summary of Net Operating Income**  
**Per Books and Adjusted**

Line No.	Description (a)	Per Books (b)	Adjustments (c)	As Adjusted (d)
<b>REVENUES</b>				
1	Operating Base Revenues	\$638,979,104	(\$314,851,676)	\$324,127,427
2	Other Utility Revenues	49,380,343	(44,162,607)	5,217,736
3	Total Operating Revenues	<u>\$688,359,446</u>	<u>(\$359,014,283)</u>	<u>\$329,345,163</u>
<b>OPERATING EXPENSES</b>				
4	Manufactured Gas Production Expense	\$1,778,570	(\$1,615,570)	\$163,000
5	Purchased Gas Expense	\$302,328,240	(302,756,502)	(428,262)
6	Natural Gas Storage Expense	\$3,215,291	0	3,215,291
7	Distribution Expense	\$56,441,869	180,228	\$56,622,097
8	Customer Accounts Expense	32,606,735	3,318,358	35,925,094
9	Customer Service and Information Expense	1,582,603	3,190,129	4,772,732
10	Sales Expense	2,094,122	(411,017)	1,683,105
11	Administrative and General Expense	58,449,180	12,823,388	71,272,568
12	Payroll Adjustment		7,596,534	7,596,534
13	Total Operating and Maintenance Expenses	<u>\$458,496,610</u>	<u>(\$277,674,452)</u>	<u>\$180,822,158</u>
14	Depreciation & Amortization Expense	\$58,251,501	(\$3,381,639)	\$54,869,862
15	Interest on Customer Deposits	1,957,942	(1,842,998)	114,944
16	Taxes Other Than Income	54,671,173	(32,757,661)	21,913,512
17	Total Operating Expenses	<u>\$573,377,226</u>	<u>(\$315,656,750)</u>	<u>\$257,720,476</u>
18	Operating Income Before Income Tax	\$114,982,220	(\$43,357,534)	\$71,624,687
19	Less: Income Tax Expense	28,358,049	(16,644,393)	11,713,656
20	Net Operating Income	<u>\$86,624,171</u>	<u>(\$26,713,141)</u>	<u>\$59,911,031</u>



LACLEDE GAS COMPANY  
December 31, 2016  
Income Tax

Line No.	Description (a)	Reference (b)	Per Books (c)	As Adjusted (d)
1	Total Operating Revenues	A-1	\$688,359,446	\$329,345,163
2	Total Operating Expenses	A-1	<u>(573,377,226)</u>	<u>(257,720,476)</u>
3	Net Operating Income	A-1	<u>\$114,982,220</u>	<u>\$71,624,687</u>
4	Flow Through Adjustments		(\$19,187,363)	(\$19,187,363)
5	Less: Interest on Long Term Debt		<u>(21,924,033)</u>	<u>(21,924,033)</u>
6	Total Tax Adjustments		<u>(\$41,111,396)</u>	<u>(\$41,111,396)</u>
7	Net Taxable Income		<u>\$73,870,824</u>	<u>\$30,513,290</u>
8	Income Tax		<u>\$28,358,049</u>	<u>\$11,713,656</u>

**LACLEDE GAS COMPANY**  
**December 31, 2016**  
**Rate Base**

Line No.	Description (a)	Reference (b)	Amount (c)
1	Intangible Plant	C	\$10,986
2	Production Plant	C	\$11,727,532
3	Underground Storage Plant	C	\$28,601,549
4	Other Storage Equipment	C	\$1,155,529
5	Transmission Plant	C	\$2,064,647
6	Distribution Plant	C	1,591,961,341
7	General Plant	C	165,183,526
8	Construction Work in Progress	C	<u>28,891,590</u>
9	Gross Plant In Service		<u>\$1,829,598,700</u>
10	Accumulated Depreciation & Amortization	D	<u>(660,339,792)</u>
11	Net Plant In Service		<u>\$1,169,258,908</u>
12	Working Capital	E	274,641,839
13	Customer Deposits	B-1	(4,354,823)
14	Customer Advances	B-2	(1,020,828)
15	Deferred Income Taxes - Other ( Net of AMT)	B-3	(206,856,327)
16	<b>Total Rate Base</b>		<u><u>\$1,231,666,769</u></u>

LACLEDE GAS COMPANY  
Thirteen Months Ending December 31, 2016

Customer Deposits

Line No.	Month	Residential Amount
	(a)	(b)
1	Dec-15	(4,071,945)
2	Jan-16	(4,048,871)
3	Feb-16	(3,985,985)
4	Mar-16	(3,917,067)
5	Apr-16	(4,081,902)
6	May-16	(4,174,527)
7	Jun-16	(4,293,072)
8	Jul-16	(4,416,148)
9	Aug-16	(4,577,435)
10	Sep-16	(4,704,752)
11	Oct-16	(4,801,274)
12	Nov-16	(4,813,873)
13	Dec-16	<u>(4,813,986)</u>
14	Total	<u><u>(\$52,257,872)</u></u>
15	Average	<u><u>(\$4,354,823)</u></u>
16	Interest Rate	<u>4.75%</u>
17	Interest Expense	<u><u>\$206,854</u></u>

**LACLEDE GAS COMPANY**  
**Thirteen Months Ending December 31, 2016**

**Customer Advances**

Line No.	Month (a)	Amount (b)
1	Dec-15	(1,148,207)
2	Jan-16	(1,088,630)
3	Feb-16	(1,091,188)
4	Mar-16	(1,069,171)
5	Apr-16	(1,129,580)
6	May-16	(1,029,447)
7	Jun-16	(983,164)
8	Jul-16	(966,397)
9	Aug-16	(971,380)
10	Sep-16	(971,380)
11	Oct-16	(961,179)
12	Nov-16	(942,880)
13	Dec-16	(942,880)
14	Total	<u><u>(\$12,249,940)</u></u>
15	Average	<u><u>(\$1,020,828)</u></u>

LACLEDE GAS COMPANY  
December 31, 2016

Accumulated Deferred Income Taxes

Line No.	Description (a)	Amount (b)
1	Deferred Taxes, Laclede Direct Plant as of 12/31/16	(\$206,856,327)
2	Total Accumulated Deferred Income Taxes	<u>(\$206,856,327)</u>

**LACLEDE GAS COMPANY**  
**Plant In Service**  
**December 31, 2016**

Line No.	Description (a)	Plant Balance @ 12/31/16	Total Adjustments (c)	Total As Adjusted (d)
<u>INTANGIBLE PLANT</u>				
1	(301) Organization	\$2,501		\$2,501
2	(302) Franchises	8,484		8,484
3	Total Intangible Plant	<u>\$10,986</u>		<u>\$10,986</u>
<u>PRODUCTION PLANT</u>				
4	(304) Land & Land Rights-Mfg Gas	\$119,929		\$119,929
5	(305) Structures & Improvements-Mfg Gas	1,869,054.12		1,869,054.12
6	(307) Other Power Equipment	159,015.53		159,015.53
7	(311) Propane Equipment-Gas Ops	4,749,844.99		4,749,844.99
8	(311.1) Propane Storage Cavern-Gas Ops	4,829,688.40		4,829,688.40
9	Total Production Plant	<u>\$11,727,532</u>		<u>\$11,727,532</u>
<u>UNDERGROUND STORAGE PLANT</u>				
10	(350.1) Land	\$1,201,600		\$1,201,600
11	(350.2) Rights of Way	778,418		778,418
12	(351.2) Compression Station Structure	612,741		612,741
13	(351.4) Other Structures	1,009,838		1,009,838
14	(352) Wells	6,090,514		6,090,514
15	(352.1) Storage Leaseholds & Rights	2,055,422		2,055,422
16	(352.2) Reservoirs	245,023		245,023
17	(352.3) Non-Recoverable Natural Gas	6,503,628		6,503,628
18	(352.4) Wells - Oil & Vent Gas	1,932,818		1,932,818
19	(353) Lines	2,876,382		2,876,382
20	(354) Compressor Station Equipment	2,747,710		2,747,710
21	(355) Measuring & Regulating Equipment	2,247,516		2,247,516
22	(356) Purification Equipment	233,042		233,042
23	(357) Other Equipment	66,896		66,896
24	Total Underground Storage Plant	<u>\$28,601,549</u>		<u>\$28,601,549</u>
<u>OTHER STORAGE EQUIPMENT</u>				
25	(360) Land & Land Rights	\$50,654		\$50,654
26	(361) Structures & Improvements	107,233		107,233
27	(362) Gas Holders	659,027		659,027
28	(363.3) Compressor Equipment	338,616		338,616
29	Total Other Storage Equipment	<u>\$1,155,529</u>		<u>\$1,155,529</u>
<u>TRANSMISSION PLANT</u>				
30	(365.2) Rights of Way - Transmision	\$41,153		\$41,153
31	(367) Mains - Transmision	2,013,840		2,013,840
32	(371) Other Equipment - Transmision	9,654		9,654
33	Total Transmision Plant	<u>\$2,064,647</u>		<u>\$2,064,647</u>

**LACLEDE GAS COMPANY**  
**Plant In Service**  
**December 31, 2016**

Line No.	Description (a)	Plant Balance @ 12/31/16	Total Adjustments (c)	Total As Adjusted (d)
<u>DISTRIBUTION PLANT</u>				
34	(374) Land & Land Rights	\$3,040,444		\$3,040,444
35	(375) Structures & Improvements	14,523,797		14,523,797
36	(375) Struct & Improv - Leased Property	101,089		101,089
37	(376.1) Mains - Steel	230,736,646		230,736,646
38	(376.2) Mains - Cast Iron	21,555,524		21,555,524
39	(376.3) Mains - Plastic	451,903,950		451,903,950
40	(378) Meas. & Reg. Station - General	12,743,518		12,743,518
41	(379) Meas. & Reg. Station - City Gate	2,844,287		2,844,287
42	(380.1) Services - Steel	38,730,897		38,730,897
43	(380.2) Services - Plastic	645,762,615		645,762,615
44	(381) Meters	129,541,012		129,541,012
45	(383) House Regulators	25,568,099		25,568,099
46	(385) Commercial & Ind Meas & Reg Eq	14,480,417		14,480,417
47	(386) Other Property - Customer Premises	22,975		22,975
48	(387) Other Equipment	406,070		406,070
49	Total Distribution Plant	<u>\$1,591,961,341</u>		<u>\$1,591,961,341</u>
<u>GENERAL PLANT</u>				
50	(389) Land	\$10,089		\$10,089
51	(390) Structures & Improvements	569,960		569,960
52	(390) Struct & Improv - Leased Property	2,461,296		2,461,296
53	(391) Furniture & Fixtures	4,008,541		4,008,541
54	(391.1) Data Processing Systems	12,891,697		12,891,697
55	(391.2) Mechanical Office Equipment	30,559		30,559
56	(391.3) Data Processing Software	34,308,318		34,308,318
57	(391.4) Data Processing Systems	329,979		329,979
58	(391.5) Enterprise Software-EIMS	116,904,317	(67,787,723)	49,116,594
59	(392.1) Transportation Eq - Automobiles	2,932,261		2,932,261
60	(392.2) Transportation Eq - Trucks	16,547,461		16,547,461
61	(393) Stores Equipment	332,530		332,530
62	(394) Tools, Shop & Garage Equipment	14,615,834		14,615,834
63	(395) Laboratory Equipment	306,723		306,723
64	(396) Power Operated Equipment	22,349,910		22,349,910
65	(397.0) Communication Equipment	1,237,715		1,237,715
66	(398) Miscellaneous Equipment	3,134,059		3,134,059
67	Total General Plant	<u>\$232,971,249</u>	<u>(\$67,787,723)</u>	<u>\$165,183,526</u>
68	Total Original Cost Plant In Service	\$1,868,492,833	(\$67,787,723)	\$1,800,705,111
69	Construction Work In Progress	28,891,590		28,891,590
70	Accumulated Depreciation and Amortization	<u>(672,614,561)</u>	<u>(12,274,769)</u>	<u>(660,339,792)</u>
71	Net Plant In Service	<u>\$1,224,769,862</u>	<u>(\$80,062,492)</u>	<u>\$1,169,256,908</u>

**LACLEDE GAS COMPANY**  
**Accumulated Reserves for Depreciation and Amortization**  
**December 31, 2016**

Line No.	Acct No.	Description (a)	Test Year Direct (b)	Proforma Adjustments (c)	Test Year As Adjusted (d)
1	108	Accumulated Depreciation-Plant in Service	\$517,895,822	(\$12,274,769)	\$505,621,053
2	108.5	Accumulated Depreciation-Removal Costs	104,407,343	0	104,407,343
3	111	Accumulated Amortization	<u>55,324,486</u>	<u>0</u>	<u>55,324,486</u>
4		Total Accumulated Depreciation & Amortization	677,627,650	(12,274,769)	665,352,881
5	108.1	Less: Retirement Work in Progress	<u>5,013,089</u>	<u>0</u>	<u>5,013,089</u>
6		Accumulated Depreciation and Amortization	<u>\$672,614,561</u>	<u>(\$12,274,769)</u>	<u>\$660,339,792</u>



**LACLEDE GAS COMPANY**  
**December 31, 2016**  
**Working Capital**

Line No.	Description (a)	Reference (b)	Amounts (c)
1	Materials and Supplies Inventory	E-1	\$4,422,930
2	Prepayments	E-2	11,259,456
3	Gas Inventory - Volumes and Price	E-3	68,077,170
4	Cash Working Capital	E-4	21,659,955
5	Other Regulatory Assets	E-5	167,377,003
6	Insulation Financing / Energy Wise	E-6	<u>1,865,806</u>
7	Total Working Capital		<u><u>\$274,662,320</u></u>

**LACLEDE GAS COMPANY**  
**Thirteen Months Ending December 31, 2016**  
**Materials & Supplies**

Line No.	Month	Amount
	(a)	(b)
1	Dec-15	4,415,283
2	Jan-16	4,344,740
3	Feb-16	4,181,315
4	Mar-16	4,163,788
5	Apr-16	4,256,789
6	May-16	4,529,386
7	Jun-16	4,444,659
8	Jul-16	4,468,472
9	Aug-16	4,439,249
10	Sep-16	4,525,880
11	Oct-16	4,717,974
12	Nov-16	4,754,151
13	Dec-16	4,082,227
14	Total	<u><u>\$53,075,160</u></u>
15	Average	<u><u>\$4,422,930</u></u>

**LACLEDE GAS COMPANY**  
**Thirteen Months Ending December 31, 2016**  
**Prepayments**

Line No.	Month (a)	Amount (b)
1	Dec-15	9,556,340
2	Jan-16	8,847,511
3	Feb-16	8,204,127
4	Mar-16	7,818,956
5	Apr-16	14,203,790
6	May-16	13,867,204
7	Jun-16	13,269,711
8	Jul-16	12,340,850
9	Aug-16	11,045,207
10	Sep-16	10,940,999
11	Oct-16	12,491,322
12	Nov-16	11,303,343
13	Dec-16	12,004,565
14	Total	<u>\$135,113,472</u>
15	Average	<u>\$11,259,456</u>

**LACLEDE GAS COMPANY**  
**Thirteen Months Ending December 31, 2016**  
**Gas Inventory**

Line No.	Month	Dollars
	(a)	(b)
1	Dec-15	85,989,829
2	Jan-16	71,912,903
3	Feb-16	59,059,639
4	Mar-16	46,666,794
5	Apr-16	42,293,472
6	May-16	44,609,359
7	Jun-16	51,504,063
8	Jul-16	63,675,556
9	Aug-16	75,949,785
10	Sep-16	86,311,217
11	Oct-16	96,381,391
12	Nov-16	94,426,686
13	Dec-16	82,280,529
14	Total	<u>\$816,926,044</u>
15	Average	<u>\$68,077,170</u>

Laclede Gas Company  
Test Year Ended December 31, 2016

Summary of Cash Working Capital

<u>Line #</u>	<u>Description (A)</u>	<u>Amount (B)</u>
1	Cash Working Capital from Tim Lyon's Schedule	<u>\$21,639,474</u>

**LACLEDE GAS COMPANY**  
**Regulatory Assets**  
**December 31, 2016**

Line No.	Year Ended	Balance
	(a)	(b)
1	Prepaid Pension / OPEB Assets	\$153,687,092
2	Leasehold Improvements	1,681,386
3	Low Income Program Net of Amortization	40,333
4	Red Tag Program	28,429
5	Initial Energy Efficiency Asset Net of Amortization	300,667
6	Energy Efficiency Program	<u>11,639,096</u>
7	Total Regulatory Assets	<u><u>\$167,377,003</u></u>

**LACLEDE GAS COMPANY**  
**Insulation Financing and Energy Wise**  
**December 31, 2016**

Line No.	Year Ended	Balance
	(a)	(b)
1	Insulation Financing Balance	\$ 1,067,214
2	Energy Efficiency Program	<u>798,591</u>
3	Total	<u><u>\$1,865,806</u></u>

**LACLEDE GAS COMPANY**  
**Summary of Cost of Capital**  
**December 31, 2016**

Line No.	Description (a)	Ratio (b)	Cost Rate (c)	Composite Rate (d)
1	Long-Term Debt	42.800%	4.159%	1.780%
2	Short-Term Debt	0.000%	0.000%	0.000%
3	Preferred Stock	0.000%	0.000%	0.000%
4	Common Equity	<u>57.200%</u>	10.350%	<u>5.920%</u>
5	Total	<u>100.000%</u>		<u>7.700%</u>



**LACLEDE GAS COMPANY**  
 Twelve Months Ending December 31, 2016

**Distribution of Revenue and Expense Adjustments by Account No.**

Line No.	Main Acct (a)	Description (b)	Test Year Per Book (c)	Total Adjustments (d)	Test Year As Adjusted (e)
<b>OPERATING REVENUE</b>					
1	480	Residential	\$476,600,098	(\$219,173,931)	\$257,626,168
2	481.1	Commercial	145,435,199	(92,339,892)	53,095,307
3	481.2	Industrial	0	0	0
4	483	Sales for Resale	0	0	0
5	487	Late Payment Charges	4,749,544	0	4,749,544
6	488	Miscellaneous Service Revenue	0	0	0
7	489	Transport	19,743,806	(3,339,854)	13,404,952
8	493	Rent From Property	29,241	0	29,241
9	495	Other Gas Revenue	44,601,559	(44,162,607)	438,952
10		<b>Total Operating Revenue</b>	<b>\$688,359,446</b>	<b>(\$359,014,283)</b>	<b>\$329,345,163</b>
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
<b>Manufactured Gas Production Expense</b>					
11	710	Operation Supervisor & Engineering	\$86,504	\$0	\$86,504
12	712	Other Power Expenses	138	0	138
13	717	Liquefied Petroleum Gas Expenses	2,927	0	2,927
14	723	Fuel for Liquefied Petroleum Gas Process	1,276	0	1,276
15	728	Liquefied Petroleum Gas	1,604,322	(1,615,570)	(11,248)
16	735	Miscellaneous Production Expenses	80,276	0	80,276
17	740	Maintenance Supervision & Engineering	18,969	0	18,969
18	741	Maintenance of Structures & Improvements	5,498	0	5,498
19	742	Maintenance of Production Equipment	78,661	0	78,661
20		<b>Total Manufactured Gas Production Expense</b>	<b>\$1,778,570</b>	<b>(\$1,615,570)</b>	<b>\$163,000</b>
<b>Purchased Gas Expense</b>					
21	804	Purchased Gas Expense	\$298,468,829	(\$302,756,502)	(\$4,287,673)
22	808.1	Gas Withdrawn From Storage - Debit	4,038,366	0	4,038,366
23	810	Gas Used for Compressor Station Fuel - Credit	(63,447)	0	(63,447)
24	812	Gas Used for Other Utility Operations - Credit	(133,308)	0	(133,308)
25		<b>Total Purchased Gas Expense</b>	<b>\$302,328,240</b>	<b>(\$302,756,502)</b>	<b>(\$428,262)</b>
<b>Natural Gas Storage Expenses</b>					
26	814	Operation Supervisor & Engineering	\$261,518	\$0	\$261,518
27	815	Maps and Records	57,853	0	57,853
28	816	Wells Expenses	359,840	0	359,840
29	817	Line Expenses	13,694	0	13,694
30	818	Compressor Station Expenses	112,122	0	112,122
31	819	Compressor Station Fuel & Power	65,942	0	65,942
32	820	Measuring & Regulating Station Expenses	518,161	0	518,161
33	821	Purification Expenses	108,554	0	108,554
34	823	Gas Losses	6,893	0	6,893
35	824	Other Expenses	237,850	0	237,850
36	825	Storage Well Royalties	99,907	0	99,907
37	830	Maintenance Supervision & Engineering	30,457	0	30,457
38	831	Maintenance of Structures & Improvements	207,692	0	207,692
39	832	Maintenance of Reservoirs & Wells	200,399	0	200,399
40	833	Maintenance of Lines	180,532	0	180,532
41	834	Maintenance of Compressor Station Equipment	308,876	0	308,876
42	835	Maint of Measuring & Regulating Station Exp	44,832	0	44,832
43	836	Maintenance of Purification Equipment	51,568	0	51,568
44	837	Maintenance of Other Equipment	244,982	0	244,982
45	840	Operation Supervisor & Engineering	20,870	0	20,870
46	841	Operation Labor & Expenses	6,068	0	6,068
47	842.1	Fuel	9,497	0	9,497
48	843.2	Maintenance of Structures & Improvements	69,195	0	69,195
49		<b>Total Natural Gas Storage Expenses</b>	<b>\$3,215,291</b>	<b>\$0</b>	<b>\$3,215,291</b>
<b>Distribution Operation Expense</b>					
50	870	Operation, Supervision and Engineering	\$4,914,668	\$0	4,914,668
51	871	Distribution and Load Dispatching	1,180,217	0	1,180,217
52	874	Mains and Service Expenses	9,640,343	180,228	9,820,571
53	875	Distributing Regulating Station Expenses	792,828	0	792,828
54	876	Measuring and Regulating Station Exp-Industrial	155,837	0	155,837
55	877	Measuring and Regulating Station Exp-City Gate	110,205	0	110,205
56	878	Meter and House Regulator Expenses	14,896,146	0	14,896,146
57	879	Customer Installation Expenses	2,371,255	0	2,371,255
58	880	Other Expenses	2,034,041	0	2,034,041
59	881	Rents	0	0	0
60		<b>Total Operation Expense</b>	<b>\$36,095,538</b>	<b>\$180,228</b>	<b>\$36,275,766</b>
<b>Distribution Maintenance Expense</b>					
61	885	Maintenance Supervision and Engineering	\$2,740,753	\$0	\$2,740,753
62	886	Maintenance of Structures and Improvements	810,702	0	810,702
63	887	Maintenance of Mains	8,162,916	0	8,162,916
64	889	Maint. of Measuring and Regulating Eq-General	673,931	0	673,931
65	890	Maint. of Measuring and Regulating Eq-Industrial	80,228	0	80,228
66	891	Maint. of Measuring and Regulating Eq-City Gate	34,503	0	34,503
67	892	Maintenance of Services	4,715,313	0	4,715,313
68	893	Maintenance of Meters and House Regulators	2,791,294	0	2,791,294

**LACLEDE GAS COMPANY**  
 Twelve Months Ending December 31, 2016

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct. (a)	Description (b)	Test Year Per Book (c)	Total Adjustments (d)	Test Year As Adjusted (e)
69	894	Maintenance of Other Equipment	358,692	0	358,692
70		Total Maintenance Expenses	<u>\$20,348,332</u>	<u>\$0</u>	<u>\$20,348,332</u>
71		Total Distribution Expense	<u>\$58,441,889</u>	<u>\$180,228</u>	<u>\$58,622,097</u>
		Customer Accounts Expense			
72	901	Supervision	\$0	\$0	\$0
73	902	Meter Reading Expense	8,680,331	0	8,680,331
74	603	Customer Records and Collection Expense	17,549,573	1,515,820	19,065,392
76	904	Uncollectible Accounts	6,257,451	1,602,539	8,059,990
78	905	Miscellaneous Customer Accounts Expense	119,381	0	119,381
77		Total Customer Accounts Expenses	<u>\$32,608,735</u>	<u>\$3,318,359</u>	<u>\$35,927,094</u>
		Customer Service and Informational Expense			
78	907	Supervision	\$0	\$0	\$0
79	908	Customer Assistance	1,483,869	3,180,129	4,674,118
80	909	Informational and Instructional Advertising Exp.	98,614	0	98,614
81		Total Cust. Service and Information Exp.	<u>\$1,582,603</u>	<u>\$3,180,129</u>	<u>\$4,772,732</u>
		Sales and Advertising Expense			
82	911	Supervision	\$328,536	\$0	\$328,536
83	912	Demonstrating and Selling Expenses	1,628,887	(411,017)	1,215,870
84	913	Advertising Expenses	138,699	0	138,699
85	916	Miscellaneous Sales Expenses	0	0	0
88		Total Sales and Advertising Expenses	<u>\$2,094,122</u>	<u>(\$411,017)</u>	<u>\$1,683,105</u>
		Administrative and General Expense			
87	920	Administrative and General Salaries	\$20,728,286	\$0	\$20,728,286
83	921	Office Supplies and Expenses	1,398,170	(10,768)	1,325,382
89	922	Administrative Expenses Transferred	(12,026,514)	0	(12,026,514)
90	923	Outside Services Employed	10,302,849	0	10,302,849
91	924	Property Insurance	632,413	31,376	683,789
92	925	Injuries and Damages	5,268,150	988,615	6,254,665
93	926	Employee Pensions and Benefits	24,776,425	11,740,418	38,516,843
94	928	Regulatory Commission Expense	1,948,243	75,867	2,022,110
95	930	Miscellaneous General Expenses	3,127,102	0	3,127,102
96	931	Rents	2,148,699	0	2,148,699
97	932	Maintenance of General Plant	208,378	0	208,378
98		Total Administration and General Expense	<u>\$58,449,180</u>	<u>\$12,823,388</u>	<u>\$71,272,568</u>
99		Payroll Adjustment		7,598,634	7,598,634
100		Total O & M Expense	<u>\$458,493,610</u>	<u>(\$277,674,452)</u>	<u>\$180,822,158</u>
101	403	Depreciation	47,472,639	1,129,653	48,602,492
102	404, 405	Amortization	10,778,662	(4,511,492)	6,267,370
103	431	Interest on Customer Deposits	1,957,942	(1,842,998)	114,944
104	406	Payroll Taxes (1**)	4,738,408	544,831	5,281,239
105	408	Property Taxes (2**)	16,116,471	200,902	16,317,372
106	408	Gross Receipts Tax (3300 + 4000)	33,603,393	(33,603,393)	0
107	408	Other Taxes (41**)	314,901	0	314,901
108	408	Taxes Other Than Income	<u>\$54,671,173</u>	<u>(\$32,757,661)</u>	<u>\$21,913,512</u>
109		TOTAL EXPENSES	<u>\$573,377,228</u>	<u>(\$316,658,750)</u>	<u>\$257,720,478</u>
110		OPERATING INCOME BEFORE INCOME TAX	<u>\$114,982,220</u>	<u>(\$43,357,634)</u>	<u>\$71,624,687</u>
111	409,410	Income Taxes Note: per book & adjusted income tax computed on A-2	28,358,049	(16,644,393)	11,713,656
112		NET OPERATING INCOME	<u>\$86,624,171</u>	<u>(\$26,713,141)</u>	<u>\$59,911,031</u>

Laclede Gas Company  
Twelve Months Ending December 31, 2010  
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Mo. Act.	Description	H-1 Ad. Cl. Ret. in Trail Year Maint.	H-2 Normal & Adj. Trail Year	H-3 Revenue Parity Gas Cost (100%)	H-4 Target Expenses	H-5 Employee Benefits	H-6 Pensions	H-7 Insurance	H-8 Energy Efficiency	H-9 Unallocated Operating Costs	H-10 Regulatory Contribution Expense	H-11 Interest on Customer Accounts	H-12 Depreciation Expense	H-13 Amortization Expense	H-14 Property Tax	H-15 Losses Sustained	H-16 Other Expenses Adjustments	H-17 Credit Court Fees
1	400	<b>OPERATING REVENUE</b>																	
2	401.1	Residential	5476,893,026	52,845,702															
3	401.2	Commercial & Industrial	145,452,188	1,321,839															
4	403	Industrial	0	0															
5	407	Sales by Retail	4,740,544	0															
6	408	Lab. Payment Charges	0	0															
7	409	Maintenance Service Revenue	19,742,000	0															
8	409	Transport	20,245	24,944															
9	403	Rent From Property	45,155,979	0															
10	405	Other Gas Revenue	3,000,000,000	6,952,214															
		<b>Total Operating Revenue</b>	<b>5,682,000,000</b>	<b>10,991,000</b>															
11	710	<b>OPERATING &amp; MAINTENANCE EXPENSE</b>																	
12	711	Manufacturing Gas Production Expense	306,594																
13	712	Operation, Supervisor & Engineering	130																
14	717	Other Power Expenses	2,327																
15	723	Liquidated Petroleum Gas Expense	1,279																
16	729	Gas for Liquidated Petroleum Gas Process	1,004,282																
17	730	Liquidated Petroleum Gas	60,275																
18	736	Manufacturing Production Expense	19,949																
19	740	Expenses associated with Engineering	3,488																
20	741	Expenses associated with Improvements	39,091																
21	742	Expenses associated with Production Expense	3,720,000																
		<b>Total Manufacturing Gas Production Expense</b>	<b>3,720,000</b>	<b>67,213,570</b>															
22	804	Purchased Gas Expense	529,458,035																
23	803.1	Gas Withheld From Storage - C&I	1,039,389																
24	810	Gas Used for Compressor Station Fuel - Credit	(1,548,437)																
25	812	Gas Used for Other Utility Operations - Credit	(333,369)																
		<b>Total Purchased Gas Expense</b>	<b>526,636,618</b>	<b>(67,213,570)</b>															
26	014	<b>Natural Gas Storage Expenses</b>																	
27	015	Operation, Supervisor & Engineering	67,533																
28	016	Lease and Rentals	369,040																
29	017	Light Expenses	13,094																
30	018	Compressor Station Expenses	115,122																
31	019	Compressor Station Fuel & Power	62,842																
32	020	Measuring & Regulating Station Expenses	815,181																
33	021	Purification Expenses	106,054																
34	022	Gas Losses	6,983																
35	023	Other Expenses	277,930																
36	024	Storage Well Royalties	59,107																
37	025	Maintenance/Operations & Engineering	30,457																
38	031	Maintenance of Structures & Improvements	207,952																
39	032	Maintenance of Reservoirs & Wells	205,989																
40	033	Maintenance of Lines	160,522																
41	034	Maintenance of Compressor Station Equipment	303,679																
42	035	Maintenance of Regulating Station Equipment	44,852																
43	036	Maintenance of Purification Equipment	51,208																
44	037	Maintenance of Other Equipment	244,092																
45	040	Construction Labor & Expenses	20,470																
46	041	Construction Labor & Expenses	9,069																
47	042.1	Risk	9,467																
48	042.2	Maintenance of Structures & Improvements	823,151																
		<b>Total Natural Gas Storage Expenses</b>	<b>1,603,620</b>	<b>67,213,570</b>															
49	070	<b>Distribution Operations Expense</b>																	
50	071	Operation, Supervisor and Engineering	34,814,689																
51	072	Distribution and Lost Demolition	1,930,207																
52	073	Mile and Service Expenses	9,540,243																
53	075	Distributing Regulating Station Expenses	762,628																
54	076	Measuring and Regulating Station Exp-Industrial	158,637																
55	077	Measuring and Regulating Station Exp-City Gas	119,598																
56	079	Meter and Meter Regulator Expenses	14,267,148																
57	079	Customer Installation Expenses	2,271,259																
58	080	Other Expenses	2,204,041																
59	081	Risk	0																
		<b>Total Distribution Expenses</b>	<b>67,998,922</b>	<b>67,213,570</b>															
60	085	<b>Distribution Maintenance Expense</b>																	
61	085	Maintenance Supervisor and Engineering	32,740,733																

Ladise Gas Company  
 Twelve Months Ending December 31, 2019  
 Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Sub No.	Account No.	Description	H-1 Year Per Month	H-2 Year Per Month	H-3 Revenue Prodn. Cost and CRT	H-4 Payroll Expenses	H-5 Employee Benefits	H-6 Fuel Taxes	H-7 Insurance	H-8 Energy Efficiency Costs	H-9 Undeclared Income	H-10 Bad Debt	H-11 Interest on Accounts Payable	H-12 Depreciation Expense	H-13 Amortization Expense	H-14 Property Tax	H-15 Leases Expense	H-16 Other Expense Adjustments	H-17 Credit Card Fee		
62	800		Maintenance of Cranes and Improvements	810,722																		
63	807		Maintenance of Valve	6,182,016																		
64	800		Maint. of Measuring and Regulating Equipment	673,831																		
65	800		Maint. of Measuring and Regulating Equipment	90,228																		
66	801		Maint. of Measuring and Regulating Equipment	24,603																		
67	802		Maintenance of Skynove	4,715,513																		
68	803		Maintenance of Meters and House Regulators	2,791,284																		
69	804		Maintenance of Other Equipment	393,882																		
70			Total Maintenance Expense	\$25,451,088																		
71			Total Distribution Expense																			
72	801		Customer Assistance Expense	30																		
73	802		Supervision	6,000,251																		
74	803		Meter Reading Expense	17,849,873																		
75	804		Customer Records and Collection Expense	6,237,481																		
76	805		Undeclared Accounts	1,603,539																		
77			Total Customer Accounts Expense	\$28,690,925																		
78	907		Customer Services and International Expense	30																		
79	908		Supervision	1,408,388																		
80	909		Customer Assistance	2,897,841																		
81			Total Customer Services and International Exp.	\$3,294,517																		
82	911		Sales and Advertising Expense	3,028,336																		
83	912		Advertising and Selling Expense	1,628,887																		
84	913		Advertising Expense	138,389																		
85	914		Advertising Sales Expense	1,251,122																		
86			Total Sales and Advertising Expense	\$2,046,734																		
87	920		Administrative and General Expense	20,728,308																		
88	921		Office Supplies and General	1,238,170																		
89	922		Administrative Expense (Travel and	12,828,514																		
90	923		Outside Service Employed	10,200,849																		
91	924		Property Insurance	833,413																		
92	925		Utilities and Duties	5,208,100																		
93	926		Employee Payroll and Benefits	24,778,425																		
94	927		Regulatory Contribution Expense	1,946,243																		
95	928		Informational General Expense	3,727,162																		
96	929		Rents	2,148,989																		
97	930		Maintenance of General Plant	258,303																		
98			Total Administrative and General Expense	\$71,448,158																		
99			Payroll Adjustment																			
100			Total O & A Expense	\$71,448,158																		
101	403		Depreciation	47,472,659																		
102	404		Amortization	10,778,082																		
103	405		Interest on Customer Deposits and Financing	1,631,942																		
104	406		Property Taxes (177)	4,392,428																		
105	407		Property Taxes (27)	16,118,471																		
106	408		State Property Taxes (27)	30,523,383																		
107	409		Other Taxes (17)	314,331																		
108	408		Taxes Other Than Income	354,634,178																		
109			TOTAL EXPENSES	\$170,877,820																		
110			OPERATING INCOME BEFORE ROOMING TAX	\$11,740,418																		
111	408,410		Income Taxes	20,209,049																		
112			NET OPERATING INCOME	\$9,531,369																		

Note: per book & adjusted income tax computed on A-2  
 NET OPERATING INCOME

Line No.	Main Acct.	Description	Total Year Per Books	Income Tax Adjustment	Total Adjustments	Total Year As Adjusted
(a)	(b)	(c)	(d)	(e)	(f)	(g)
<b>OPERATING REVENUE</b>						
1	400	Residential	547,800,000		(25,017,591)	522,782,409
2	401.3	Commercial & Industrial	140,435,199		(62,208,882)	78,226,317
3	401.2	Industrial	0	0	0	0
4	403	Sales for Resale	0	0	0	0
5	407	Late Payment Charges	4,748,544	0	0	4,748,544
6	409	Miscellaneous Service Revenue	0	0	0	0
7	409	Treatment	167,420,000	0	0	167,420,000
8	489	Rent From Property	29,245	0	0	29,245
9	489	Other Gas Revenue	4,581,939	0	0	4,581,939
10		Total Operating Revenue	809,985,648	0	(25,017,591)	784,968,057
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>						
11	710	Manufactured Gas Production Expense	\$64,304	0	0	\$64,304
12	711	Operation Supervisor & Engineering	130	0	0	130
13	717	Other Power Expenses	2,607	0	0	2,607
14	723	Liquidated Petroleum Gas Expenses	1,579	0	0	1,579
15	728	Liquid Petroleum Gas	1,042,222	(1,016,270)	0	25,952
16	735	Manufactured Gas Production Expenses	80,273	0	0	80,273
17	740	Manufactured Gas Production Expenses	14,068	0	0	14,068
18	741	Maintenance of Structures & Improvements	5,468	0	0	5,468
19	742	Maintenance of Production Equipment	70,951	0	0	70,951
20		Total Manufactured Gas Production Expense	\$1,778,972	\$0	\$(1,016,270)	\$762,702
21	804	Purchased Gas Expense	\$289,429,028	\$(292,756,002)	0	\$(3,326,974)
22	805.1	Gas Withdrawn From Storage - Debt	4,033,308	0	0	4,033,308
23	810	Gas Used for Compressor Station Fuel - Credit	(83,447)	0	0	(83,447)
24	812	Gas Used for Other Utility Operations - Credit	(103,109)	0	0	(103,109)
25		Total Purchased Gas Expense	\$288,275,780	\$0	\$(292,756,002)	\$(4,443,222)
<b>Natural Gas Storage Expenses</b>						
26	814	Operation Supervisor & Engineering	\$267,815	0	0	\$267,815
27	815	Wells and Receipts	27,853	0	0	27,853
28	816	Wells Expenses	309,840	0	0	309,840
29	817	Line Expenses	13,034	0	0	13,034
30	818	Compressor Station Expenses	112,122	0	0	112,122
31	819	Compressor Station Fuel & Power	83,942	0	0	83,942
32	820	Messaging & Regulating Station Expenses	618,161	0	0	618,161
33	821	Purification Expenses	100,254	0	0	100,254
34	822	Other Expenses	6,883	0	0	6,883
35	824	Storage Well Royalties	237,800	0	0	237,800
36	825	Maintenance/Supervision & Engineering	94,807	0	0	94,807
37	830	Maintenance of Structures & Improvements	30,457	0	0	30,457
38	831	Maintenance of Structures & Yards	207,692	0	0	207,692
39	832	Maintenance of Lines	200,289	0	0	200,289
40	833	Maintenance of Lines	180,622	0	0	180,622
41	834	Maintenance of Compressor Station Equipment	300,070	0	0	300,070
42	835	Messaging & Regulating Station Exp	44,832	0	0	44,832
43	836	Maintenance of Purification Equipment	51,065	0	0	51,065
44	837	Maintenance of Other Equipment	24,992	0	0	24,992
45	840	Operation Supervisor & Engineering	30,070	0	0	30,070
46	841	Other Power Expenses	9,088	0	0	9,088
47	842	Other Power Expenses	4,047	0	0	4,047
48	843	Maintenance of Structures & Improvements	80,458	0	0	80,458
49		Total Natural Gas Storage Expenses	\$2,815,291	\$0	\$0	\$2,815,291
<b>Distribution Operation Expenses</b>						
50	870	Operation Supervisor and Engineering	\$4,914,680	0	0	\$4,914,680
51	871	Distribution and Lead Dispatching	1,160,217	0	0	1,160,217
52	874	Meters and Service Expenses	8,040,340	160,220	0	8,200,560
53	875	Distributing Regulating Station Expenses	762,620	0	0	762,620
54	876	Messaging and Regulating Station Exp-Subsidiary	165,837	0	0	165,837
55	877	Messaging and Regulating Station Exp-City Club	110,205	0	0	110,205
56	878	Meter and House Regulator Expenses	14,000,148	0	0	14,000,148
57	879	Customer Installation Expenses	2,371,200	0	0	2,371,200
58	880	Other Expenses	2,034,041	0	0	2,034,041
59	881	Rents	0	0	0	0
60		Total Operation Expenses	\$28,858,081	\$160,220	\$0	\$29,018,301
<b>Distribution Maintenance Expense</b>						
61	880	Maintenance Supervision and Engineering	\$2,740,703	0	0	\$2,740,703

Laclede Gas Company  
 Twelve Months Ending December 31, 2018  
 Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Year Year Per Basis	Income Tax Adjustment	Total Adjustments	Year Year As Adjusted
(a)	(b)	(c)	(d)	(e)	(f)	(g)
62	000	Maintenance of Structures and Improvements	510,702	0	0	510,702
63	007	Maintenance of Mains	6,162,510	0	0	6,162,510
64	009	Maintenance of Buildings (Excludes)	873,051	0	0	873,051
65	000	Maintenance of Metering and Regulating Equipment	60,235	0	0	60,235
66	001	Maintenance of Metering and Regulating Equipment	34,053	0	0	34,053
67	002	Maintenance of Services	4,715,313	0	0	4,715,313
68	003	Maintenance of Meters and Meter Regulators	2,179,284	0	0	2,179,284
69	004	Maintenance of Other Equipment	130,682	0	0	130,682
70		Total Maintenance Expense	\$20,546,057	\$0	\$0	\$20,546,057
71		Total Distribution Expense	\$20,546,057	\$0	\$0	\$20,546,057
72	001	Customer Accounts Expense	50	51	51	50
73	002	Motor Reading Expense	3,000,251	0	0	3,000,251
74	003	Customer Rewards and Collection Expense	17,549,673	1,315,523	1,315,523	19,065,296
75	004	Unreadable Accounts	6,237,451	1,002,530	1,002,530	7,240,000
76	005	Maintenance Customer Accounts Expense	119,251	0	0	119,251
77		Total Customer Accounts Expense	\$32,926,526	\$1,315,523	\$1,315,523	\$34,242,049
78	007	Customer Services and Informational Expense	30	30	30	30
79	008	Customer Assistance	1,458,989	3,190,128	3,190,128	4,649,118
80	009	Informational and Instructional Advertising Exp.	81,674	0	0	81,674
81		Total Customer Services and Informational Exp.	\$1,540,663	\$3,190,128	\$3,190,128	\$4,730,791
82	011	Sales and Advertising Expense	220,215	31	31	220,246
83	012	Printing and Stationery Expense	1,218,837	(411,617)	(411,617)	1,218,670
84	013	Advertising Expense	136,689	0	0	136,689
85	016	Market Research Expense	0	0	0	0
86		Total Sales and Advertising Expense	\$1,575,741	\$285,114	\$285,114	\$1,860,855
87	020	Administrative and General Expense	20,728,266	30	30	20,728,296
88	021	Arbitrage and General Expense	1,238,170	(10,769)	(10,769)	1,227,401
89	022	Arbitrage Expense Treatment	(2,000,514)	0	0	(2,000,514)
90	023	Outside Services Employed	10,800,840	0	0	10,800,840
91	024	Property Insurance	624,413	51,278	51,278	675,691
92	025	Health and Welfare	624,413	60,215	60,215	684,628
93	026	Employee Pension and Benefits	24,276,240	11,740,545	11,740,545	36,016,785
94	023	Regulatory Compliance Expense	1,846,240	79,847	79,847	1,926,087
95	020	Maintenance General Expense	3,227,152	0	0	3,227,152
96	021	Rents	2,148,000	0	0	2,148,000
97	022	Maintenance of General Plant	208,378	0	0	208,378
98		Total Administrative and General Expense	\$59,440,180	\$12,549,856	\$12,549,856	\$71,989,936
99		Payroll Adjustment	7,590,824	7,590,824	7,590,824	15,181,648
100		Total O & M Expense	\$67,030,804	\$12,549,856	\$12,549,856	\$79,580,660
101	400	Depreciation	47,472,000	\$1,120,183	\$1,120,183	48,592,183
102	404, 405	Amortization	10,770,002	(4,511,480)	(4,511,480)	6,258,522
103	451	Interest on Customer Deposits and Financing	1,897,342	(1,842,690)	(1,842,690)	54,652
104	400	Payroll Taxes (FICA)	4,750,400	544,831	544,831	5,295,231
105	400	Property Taxes (FICA)	16,110,471	300,802	300,802	16,411,273
106	400	Cost of Sales Tax (2000 + 4000)	33,033,393	(33,033,393)	(33,033,393)	0
107	400	Other Taxes (FICA)	24,400	0	0	24,400
108	400	Taxes Other Than Income	354,671,472	35	35	354,671,507
109		TOTAL EXPENSES	\$573,577,220	\$5,151,629,750	\$5,151,629,750	\$5,725,206,970
110		OPERATING INCOME BEFORE INCOME TAX	\$314,082,232	\$0	\$0	\$314,082,232
111	402, 410	Income Taxes	30,350,340	(10,844,085)	(10,844,085)	19,506,147
112		NET OPERATING INCOME	\$283,731,892	\$19,155,915	\$19,155,915	\$302,887,807

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Test Year Margin Revenue**

Line No.	Description (a)	Main Account/Revenue Class					Total (g)
		480 21 (b)	481.1/2/3 22 & 23 (c)	483, 489 28, 38 (e)	487	492, 493, 495 (f)	
1	Total Revenue per Book	476,773,725	145,461,566	16,743,813	4,749,544	44,630,799	688,359,446
2	Less: GRT Revenue, Unbilled Revenue, PGA Revenue, and Miscellaneous Adjustments	(225,019,632)	(93,460,461)	(3,363,798)	0	(44,162,607)	(366,006,498)
3	Test Year Margin	251,754,093	52,001,105	13,380,015	4,749,544	468,192	322,352,948

LACLEDE GAS COMPANY  
 Twelve Months Ending December 31, 2016

Revenue Adjustments

Line No.	Description	Main Account/Revenue Class				Total
		Residential Gas Sales	Commercial & Industrial Gas Sales	Transportation Revenues	Service Charges and Other	
	(a)	21 (b)	22 & 23 (c)	38, 28 (e)	487, 488, 493, 495 (f)	(g)
		480	481.1/2/3	489, 483		
1	Test Year Margin	\$251,754,093	\$52,001,105	\$13,380,015	\$5,217,736	\$322,352,948
2	Weather Normalize	\$3,983,802	\$1,600,176	\$0		\$5,583,778
3	Rate Switching Adjustments	(2,365)	378,091	(138,604)		\$238,122
4	Customer Growth Annualization	1,884,465	262,697	161,548		\$2,288,710
5	Rate Classification Adjustments	0	(1,119,395)	0		(\$1,119,395)
6	Total Adjustments	5,845,702	1,121,569	24,944	0	6,992,215
7	As Adjusted Test Year Margin	\$257,599,794.39	\$53,122,673	\$13,404,959	\$5,217,736	\$329,345,163.09



LACLEDE GAS COMPANY  
Twelve Months Ending December 31, 2016

Remove Purchase Gas Costs and Gross Receipts Tax

Line No.	Description (a)	Amount (b)
1	Purchase Gas Costs (Acct. 804)	(\$244,347,386)
2	Gross Receipts Tax (Acct. 4081)	(33,503,393)
3	Unbilled Gas Cost (Acct. 804)	(16,620,593)
4	Off System Sales Expense (Acct. 804)	(41,788,523)
5	Liquefied Petroleum Gas (Acct. 728)	(1,615,570.00)
6	Total Adjustment	<u>(\$337,875,465)</u>

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Payroll Adjustment**

Line No.	Description	Dollars		Headcount	
		(b)	(c)	(d)	(e)
	<b>Contract Payroll</b>				
1	Test Year Payroll	40,169,644		1,048.1	
2	12 Month Normalized Payroll	<u>41,888,575</u>		<u>1,038.0</u>	
3			1,718,931		(10.1)
	<b>Management Payroll</b>				
4	Test Year Payroll	16,468,505		321.4	
5	12 Month Normalized Payroll	<u>16,230,313</u>		<u>311.0</u>	
6			(238,192)		(10.4)
	<b>Shared Services</b>				
7	Test Year Payroll	13,553,917		264.4	
8	12 Month Normalized Payroll	<u>14,776,499</u>		<u>266.0</u>	
9			<u>1,222,582</u>		1.6
10	Regular Payroll Adjustment		2,703,321		
11	Overtime Payroll Adjustment		450,197		
12	Employee Level Adjustment (Reg & OT)-Direct		3,182,648		61.0
13	Employee Level Adjustment (Reg & OT)-Shared Service		903,543		14.0
14	AIP Adjustment		<u>356,825</u>		
15	<b>Total Wage &amp; Salary Adjustment</b>		<u><u>7,596,534</u></u>		<u><u>56.1</u></u>

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Employee Benefits**

Line No.	Description (a)	Insurance Rate (b)	Amount (c)
<b><u>Insurance Costs</u></b>			
1	Life Insurance (per \$1000)	\$ 0.2190	\$16,981
2	AD&D (per \$1000)	\$ 0.0100	775
3	LTD (per \$1000)	\$ 0.8950	69,399
4	LTD/STD/FMLA Admin Fees (per person)	\$ 8.21	4,148
5	Total Payroll Related Insurance Costs		<u>\$91,303</u>
<b><u>401K Employee Match Adjustment</u></b>		<b><u>401K Match Rate</u></b>	<b><u>Amount</u></b>
6	Payroll Adjustments:		
7	Regular Payroll Adjustment	4.15%	\$112,188
8	Overtime Payroll Adjustment	4.15%	\$18,683
9	Employee Level Adjustment (Reg & OT)-Direct	4.15%	\$132,080
10	Employee Level Adjustment (Reg & OT)-Shared Service	3.80%	\$34,335
11	AIP Adjustment	4.15%	\$14,808
12	Total 401K Employee Match Adjustment		<u>\$312,094</u>
<b><u>Pension and OPEB Adjustment</u></b>			
13	Laclede %	29,882,000.00	
14	Asset Amortization	<u>15,368,709.15</u>	
15	Recovery	45,250,709.15	
16	Allowance In Rates	<u>24,955,000.00</u>	
17	Difference	20,295,709.15	
18	O&M %	54.50%	
19	Adjustment	<u>11,061,405.04</u>	
<b><u>SERP Adjustment</u></b>			
20	926100 SERP Expense - Test Year		\$552,536
21	Payments - Jan 2014 - Dec 2016	\$3,174,727	
22	Three Year Average	3.00	<u>1,058,242</u>
23	Difference		505,706
24	O&M %		<u>54.50%</u>
25	Adjustment		<u>\$275,616</u>

LACLEDE GAS COMPANY  
Twelve Months Ending December 31, 2016

Payroll Taxes

Line No.	Description (a)	Amount (b)
	<b>Payroll Taxes</b>	
1	FICA Adjustment	540,873
2	Unemployment Tax Adjustment	<u>3,957</u>
3	<b>Total Payroll Taxes Adjustment</b>	<u><u>544,831</u></u>

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Insurance / Injuries & Damages**

Line No.	Description (a)	Twelve Months Ending December 31,				3 Year Avg. (e)	925 Amount (f)	924 Amount (g)
		2014 (b)	2015 (c)	2016 (d)				
Laclede Claims:								
1	Workers Compensation Claims Paid	\$2,167,883	\$2,100,787	\$2,015,653	\$2,094,775			
2	Property Claims Paid	227,296	494,056	542,688	421,347			
3	Auto Claims Paid	49,782	75,174	52,746	59,234			
4	Total Proforma Claims	<u>\$2,444,962</u>	<u>\$2,670,018</u>	<u>\$2,611,087</u>	<u>\$2,575,356</u>			
5	Test Year Accrual				1,886,220			
6	Adjustment				<u>\$689,136</u>	\$689,136		
O&M Transfer Rate								
7	Insurance Premiums			\$57,392				
8	Property Insurance - Dec. 2016			12				
9	Months			688,701				
10	Annualized			<u>632,413</u>				
11	Test Year			<u>\$56,288</u>	55.742%		\$31,376	
11	Adjustment							
12	Excess Liability and Worker Comp			\$429,448				
13	Expected Increase Rate			5%				
14	Excess Liability and Workers Comp at 4/1/17 Level			<u>450,920</u>				
15	Other Costs - December 2016			40,189				
16	I&D at 4/1/2017 Levels			<u>491,109</u>				
17	Months			12				
18	Annualized			5,893,312				
19	Test Year			<u>5,331,267</u>				
20	Adjustment			<u>\$562,044</u>	55.742%	\$313,297		
21	D&O Insurance - Dec 2016			\$31,820				
22	Months			12				
23	Annualized			<u>381,838.92</u>				
24	Test Year			410,395.02				
25	Adjustment			<u>(\$28,556)</u>	55.742%	(\$15,918)		
26	Total Adjustments					<u>\$986,515</u>	<u>\$31,376</u>	

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Energy Efficiency**

Line No.	Description (a)	Amount (b)
	Energy Efficiency Program Expenses	
1	Calendar Year 2014	\$2,118,288
2	Calendar Year 2015	\$2,051,721
3	Calendar Year 2016	\$1,930,053
4	Total	<u>\$6,100,062</u>
5	Three year average	<u>\$2,033,354</u>

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Uncollectible Expense**

Line No.	Description (a)	Amount (b)	Amount (c)
1	Twelve Months Ended August, 2013	3,236,689	
2	Twelve Months Ended August, 2014	8,783,809	
3	Twelve Months Ended August, 2015	<u>12,159,471</u>	
4	Three Year Average		\$8,059,990
5	Less Test Year Uncollectible Expense		(6,257,451)
6	Adjustment to Test Year - Acct. 904		<u><u>\$1,802,539</u></u>

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Regulatory Commission Expense**

Line No.	Description (a)	Amount (b)	Amount (c)
1	Estimate of current rate case expense	<u>\$596,668</u>	
2	Annual Amortization (3 years)		\$198,889
3	Normalized level of expense for depreciation study		\$6,000
4	Proforma NARUC Assessment		9,156
5	Other Regulatory Commission Expenses		71,046
6	Proforma MPSC Assessment - 7/1/2016 - 6/30/2017		<u>1,737,018</u>
7	Total Proforma Regulatory Commission Expense		\$2,022,110
8	Less Test Year Regulatory Commission Expense		(1,946,243)
9	Adjustment to Test Year - Acct. 928		<u>\$75,867</u>



LACLEDE GAS COMPANY  
Twelve Months Ending December 31, 2016

Interest on Customer Deposits

Line No.	Description (a)	Reference (b)	Residential (c)
1	Customer Deposits	B-2	\$4,354,823
2	Interest Rate		4.75%
3	Proforma Interest on Customer Deposits		<u>\$206,854</u>
4	Less Test Year Interest on Customer Deposits		<u>(1,957,942)</u>
5	Adjustment to Test Year - Acct. 431		<u>(\$1,751,088)</u>

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Depreciation Expense**

Line No.	Description (a)	Amount (b)	Current Depreciation Rate (c)	Annualized Depreciation (d)	Proposed Rate (e)	Proforma Depreciation Expense (f)
<b>INTANGIBLE PLANT</b>						
1	(301) Organization	\$2,501	0.00%	\$0	0.00%	\$0
2	(302) Franchises	8,484	0.00%	0	0.00%	0
3	Total Intangible Plant	<u>\$10,986</u>		<u>\$0</u>		<u>\$0</u>
<b>PRODUCTION PLANT</b>						
4	(304) Land & Land Rights-Mfg Gas					
5	(305) Structures & Improvements-Mfg Gas	\$1,869,054	1.67%	\$31,213	1.67%	\$31,213
6	(307) Other Power Equipment	159,016	3.50%	5,566	3.50%	5,566
7	(311) Propane Equipment-Gas Ops	4,749,845	3.71%	176,219	3.71%	176,219
8	(311.1) Propane Storage Cavern-Gas Ops	4,829,888	1.11%	53,610	1.11%	53,610
9	Total Production Plant	<u>\$11,607,603</u>		<u>\$266,608</u>		<u>\$266,608</u>
<b>UNDERGROUND STORAGE PLANT</b>						
10	(350.1) Land	\$1,201,600				
11	(350.2) Rights of Way	778,418		0		0
12	(351.2) Compression Station Structure	612,741	3.33%	20,404	3.33%	20,404
13	(351.4) Other Structures	1,009,838	2.18%	22,014	2.18%	22,014
14	(352) Wells	6,090,614	1.22%	74,304	1.22%	74,304
15	(352.1) Storage Leaseholds & Rights	2,055,422		0		0
16	(352.2) Reservoirs	245,023	1.22%	2,989	1.22%	2,989
17	(352.3) Non-Recoverable Natural Gas	6,503,628	1.11%	72,190	1.11%	72,190
18	(352.4) Wells - Oil & Vent Gas	1,932,818	1.22%	23,580	1.22%	23,580
19	(353) Lines	2,876,382	1.17%	33,654	1.17%	33,654
20	(354) Compressor Station Equipment	2,747,710	1.22%	33,522	1.22%	33,522
21	(355) Measuring & Regulating Equipment	2,247,516	1.79%	40,231	1.79%	40,231
22	(356) Purification Equipment	233,042	2.38%	5,546	2.38%	5,546
23	(357) Other Equipment	68,896	4.55%	3,044	4.55%	3,044
24	Total Underground Storage Plant	<u>\$28,601,549</u>		<u>\$331,479</u>		<u>\$331,479</u>
<b>OTHER STORAGE EQUIPMENT</b>						
25	(360) Land & Land Rights	\$50,654				
26	(361) Structures & Improvements	107,233				
27	(362) Gas Holders	659,027				
28	(363.3) Compressor Equipment	338,616				
29	Total Other Storage Equipment	<u>\$1,155,529</u>		<u>\$0</u>		<u>\$0</u>
<b>TRANSMISSION PLANT</b>						
30	(365.2) Rights of Way - Transmission	\$41,153				
31	(367) Mains - Transmission	2,013,840	1.44%	28,999	1.44%	28,999
32	(371) Other Equipment - Transmission	9,654	2.33%	225	2.33%	225
33	Total Distribution Plant	<u>\$2,064,647</u>		<u>\$29,224</u>		<u>\$29,224</u>
<b>DISTRIBUTION PLANT</b>						
34	(374) Land & Land Rights	\$3,040,444				
35	(375.1) Str & Imp - District Meas & Reg	786,503	3.00%	23,595	3.00%	23,595
36	(375.2) Str & Imp - Service Centers	13,378,049	3.00%	401,341	3.00%	401,341
37	(375.3) Str & Imp - Garage	290,197	3.00%	8,706	3.00%	8,706

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Depreciation Expense**

Line No.	Description (a)	Amount (b)	Current Depreciation Rate (c)	Annualized Depreciation (d)	Proposed Rate (e)	Proforma Depreciation Expense (f)
38	(375.4) Str & Imp - Other Small Structures	69,048	3.00%	2,071	3.00%	2,071
39	(375) Struct & Impr - Leased Property	101,089	(see adj. H-13)		(see adj. H-13)	
40	(376.1) Mains - Steel	230,736,646	1.44%	3,322,608	1.44%	3,322,608
41	(376.2) Mains - Cast Iron	15,833,586	3.31%	524,092	3.31%	524,092
42	(376.21) Mains - Cast Iron Encapsulations	5,721,938	3.31%	189,396	3.31%	189,396
43	(376.3) Mains - Plastic & Copper	451,903,950	1.57%	7,094,892	1.57%	7,094,892
44	(378) Meas. & Reg. Station - General	12,743,518	3.71%	472,784	3.71%	472,784
45	(379) Meas. & Reg. Station - City Gate	2,844,287	3.71%	105,523	3.71%	105,523
46	(380.1) Services - Steel	38,730,897	5.23%	2,025,626	5.23%	2,025,626
47	(380.2) Services - Plastic	645,762,615	3.75%	24,216,098	3.75%	24,216,098
48	(381) Meters	129,541,012	2.37%	3,070,122	2.37%	3,070,122
49	(383) House Regulators	25,568,099	2.00%	511,382	2.00%	511,382
50	(385) Commercial & Ind Meas & Reg Eq	14,480,417	3.25%	470,614	3.25%	470,614
51	(386) Other Property - Customer Premises	22,975	7.14%	1,640	7.14%	1,640
52	(387) Other Equipment	406,070	2.78%	11,289	2.78%	11,289
53	Total Distribution Plant	<u>\$1,591,961,341</u>		<u>\$42,451,760</u>		<u>\$42,451,760</u>
<b>GENERAL PLANT</b>						
54	(389) Land	\$10,089				
55	(390) Structures & Improvements	589,960	3.00%	17,099	3.00%	17,099
56	(390) Struct & Improv - Leased Property	2,461,296	(see adj. H-13)		(see adj. H-13)	
57	(391) Furniture & Fixtures	4,008,541	3.33%	133,484	3.33%	133,484
58	(391.1) Data Processing Systems	12,891,697	20.00%	2,578,339	20.00%	2,578,339
59	(391.2) Mechanical Office Equipment	30,559	10.00%	3,056	10.00%	3,056
60	(391.3) Data Processing Software	34,308,318	(see adj. H-13)		(see adj. H-13)	
61	(391.4) Data Processing Systems	329,979	10.00%	32,998	10.00%	32,998
62	(391.5) Enterprise Software-EIMS	49,116,594	(see adj. H-13)		(see adj. H-13)	
63	(392.1) Transportation Eq - Automobiles	2,932,261	14.17%	415,501	14.17%	415,501
64	(392.2) Transportation Eq - Trucks	16,547,461	8.18%	1,353,582	8.18%	1,353,582
65	(393) Stores Equipment	332,530	2.22%	7,382	2.22%	7,382
66	(394) Tools, Shop & Garage Equipment	14,615,834	2.63%	384,396	2.63%	384,396
67	(395) Laboratory Equipment	306,723	3.57%	10,950	3.57%	10,950
68	(396) Power Operated Equipment	22,349,910	6.92%	1,546,614	6.92%	1,546,614
69	(397.0) Communication Equipment	1,237,715	5.00%	61,886	5.00%	61,886
70	(398) Miscellaneous Equipment	3,134,059	3.45%	108,125	3.45%	108,125
71	Total General Plant	<u>\$165,183,526</u>		<u>\$8,653,413</u>		<u>\$8,653,413</u>
72	Total Original Cost Plant in Service	\$1,800,585,181		\$49,732,484		\$49,732,484
73	Less Depreciation Charged to Clearing			(\$1,129,993)		(\$1,129,993)
74	Less Test Year Depreciation Expense					(\$47,472,639)
75	Adjustment to Test Year - Acct. 403					<u>\$1,129,853</u>

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Amortization Expense**

Line No.	Description	Original Cost Plant	Monthly Test Year Amortization Expense	Proforma Amortization Expense	Acct No.
	(a)	(b)	(c)	(d)	(e)
1	(352.1) Storage Leaseholds & Rights	\$20,185	\$34	\$406	404.2
2	(390) Struct & Improv - Leased Property	2,461,296	10,621	126,256	404.3
3	(391.3) Data Processing Software	34,308,318	186,110	2,233,323	404.3
4	(391.5) Enterprise Software-EIMS	49,116,594	286,513	3,438,162	404.3
5	Sub Total	<u>\$85,906,392</u>	<u>\$483,179</u>	<u>\$5,798,146</u>	
		Unamortized		Proforma	
		Balance	Mo Amort Amt	Amortization	
6	Other Leased Property	<u>\$1,681,386</u>	<u>\$39,102</u>	<u>\$469,224</u>	404.3
7	Total Amortization			6,267,370	
8	Less Test Year Amortization			<u>(10,778,862)</u>	
9	Adjustment to Test Year Account 404			<u>(4,511,492)</u>	
		Unamortized		Proforma	
		Balance	Mo Amort Amt	Amortization	
10	<u>Deferred Energy Efficiency and Low Income Program Costs</u>				
	Deferred Energy Efficiency Cost Balance	\$11,639,096	96,992	\$1,163,910	
11	Low Income Program Net of Amortization	\$40,333	917	\$11,000	
12	Red Tag Program	\$28,429	237	\$2,843	
13	Initial Energy Efficiency Asset Net of Amortization	\$300,667	6,833	<u>\$62,000</u>	
14	Pro-Forma Amortization Expense			\$1,269,763	908.0
15	Less Test Year Amortization Expense			<u>(102,978)</u>	
16	Adjustment to Test Year - Accts. 908			<u>\$1,156,774</u>	

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Property Tax Adjustment**

Line No.	Description	Reference	Real Estate & Personal Property	Manufacturers	Total
1	Calendar Year 2016 Taxes Paid		15,810,739	216,217	16,026,956
2	Calendar 2016 Assessed Values		167,209,838	2,550,530	169,760,368
3	Average 2016 Rate Per \$100 Valuation		<u>9.4556%</u>	<u>8.4773%</u>	<u>9.4409%</u>
4	Calendar Year 2017 Estimated Taxes Due		16,753,200	234,000	16,987,200
5	Calendar 2017 Estimated Assessed Values		177,176,823	2,760,301	179,937,124
6	Estimated Rates		9.4556%	8.4773%	9.4409%
7	Percentage Split Between Real Estate & Personal Property and Manufacturers' Property Based on 1/1/17 Assessed Values		<u>93.6%</u>	<u>1.4%</u>	<u>100.0%</u>
			<u>Real Estate &amp; Personal Property</u>	<u>Manufacturers</u>	<u>Total</u>
8	Increase from 12/31/16 to 12/31/17		<u>\$942,461</u>	<u>\$17,783</u>	<u>\$960,244</u>
<u>Pro Forma Rate Calculation:</u>			<u>Assessed</u>	<u>Tax</u>	
9	Total		179,937,124	16,987,200	
10	Less: Manufacturer's		<u>(2,760,301)</u>	<u>(234,000)</u>	
11	Total Real Estate/Personal Property		<u>177,176,823</u>	<u>16,753,200</u>	
12	Effective Real Estate/Personal Property Proforma Tax Rate		<u>9.4556%</u>		
13	Net Plant at 12/31/16 (before adj to allocate Enterprise Software)		\$1,224,769,862		
14	Assessed Value Percentage		<u>14.47%</u>		
15	Allocated Enterprise Software to MGE (net plant)		<u>(\$55,512,954)</u>		
16	Decrease in Assessed Value		<u>(\$8,030,577)</u>		
17	Allocation of Property Tax to MGE		<u>(\$759,342)</u>		

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Locates Expense**

Line No.	Description (a)	Total (b)
1	January	16,059
2	February	16,242
3	March	22,140
4	April	22,997
5	May	22,556
6	June	24,775
7	July	20,249
8	August	23,543
9	September	28,410
10	October	25,814
11	November	14,314
12	December	13,361
13	Total Locates	<u>250,460</u>

**CY16 Locates - Laclede**

	<u>Quantity</u>	<u>Cost</u>	<u>Total</u>
14	Locates - Jan 16 - March 16	49,922	\$ 658,976
15	Locates - April 16 - Dec 16	179,749	2,408,642
16	Fiber Locates - Jan 16 - Mar 16	4,519	59,646
17	Fiber Locates - Apr 16	1,909	25,577
18	Fiber Locates - May 16 - Dec 16	14,361	468,163
19	Total Locates	<u>250,460</u>	<u>\$ 3,621,004</u>

**Pro Forma Locates Cost - MGE**

20	Locates	229,672	\$ 3,123,537
21	Fiber Locates	20,788	677,695
22	Total	<u>250,460</u>	<u>\$ 3,801,231</u>

23 Adjustment to A/C 874 \$ 180,228

24 Locates 91.7%

25 Fiber Locates 8.3% USIC

26 100.0%

\* Breakdown of fiber locates from

LACLEDE GAS COMPANY  
Twelve Months Ending December 31, 2016

Other Expense Adjustments

Line No.	Description (a)	Acct	Total (b)
<b><u>Expense Eliminations</u></b>			
1	Eliminate Ticket Expense	912	(\$411,017)
2	Eliminate Ticket Expense	921	(\$10,788)
3	Total		<u>(\$421,805)</u>
<b><u>EnergyWise and Insulation Financing Costs</u></b>			
4	Interest income from insulation financing		\$32,016
5	Interest income from EnergyWise financing		\$59,894
6	Total		<u>\$91,910</u>

**LACLEDE GAS COMPANY**  
**Twelve Months Ending December 31, 2016**

**Credit Card Fees**

Line No.	Month	Card Transactions (b)	MGE Residential Bills	Percent Using Cards	Laclede Residential Bills	Proforma Credit Card Payments
	(a)					
1	February 16	143,726	454,299	31.6%	610,496	193,142
2	March	141,517	454,156	31.2%	610,747	190,311
3	April	130,602	451,743	28.9%	607,036	175,498
4	May	132,597	447,880	29.6%	604,365	178,925
5	June	126,389	444,826	28.4%	600,990	170,760
6	July	118,439	440,688	26.9%	596,097	160,207
7	August	132,260	436,892	30.3%	594,468	179,963
8	September	118,981	442,383	26.9%	594,212	159,816
9	October	128,690	440,102	29.2%	594,216	173,754
10	November	129,459	443,515	29.2%	595,564	173,841
11	December	133,028	450,412	29.5%	602,511	177,950
12	January 17	144,724	457,505	31.6%	610,284	193,053
13	Total	<u>1,580,412</u>	<u>5,364,402</u>		<u>7,220,987</u>	<u>2,127,221</u>
14	Average MGE Transaction Cost					\$ 0.71
15	Adjustment					<u>\$ 1,515,820</u>



**Electronic Gas Measurement Equipment - Cost of Service**

	LAC & MGE
	Cost per Instrument Point
Measurement	
Labor	129.53
Vehicle	17.04
	146.57
Other Labor (Design & Order)	70.00
Clearings	75.54
Payroll Tax (on Labor & 92% of Clearings)	15.25
Subtotal	307.36
Overhead **	129.09
	\$ 436.45
Instrument Point Cost	2,300.00
Total Cost per Instrument Point	\$ 2,736
Approximate number of schools in STP Program	850
Approximate cost of installing electronic metering equipment (excl. income tax)	\$ 2,325,983

\*\* Includes pension, benefit, and other overhead costs

**Electronic Gas Measurement Equipment - Current Charges Per Tariff Sheet No. 71**

Per Meter Site (1 instrument point)	\$ 5,000
Each add'l instrument point	\$ 2,000
Add'l charge for customers served by orifice meters	\$ 3,000
Monthly O&M fee	\$ 25

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 )  
CITY OF ST. LOUIS ) SS.

Michael R. Noack, of lawful age, being first duly sworn, deposes and states:

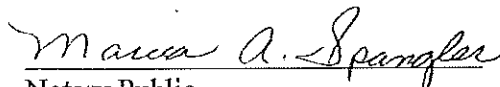
1. My name is Michael R. Noack. I am Director of Pricing and Regulatory Affairs for Missouri Gas Energy, an operating unit of Laclede Gas Company. My business address is 7500 E. 35<sup>th</sup> Terr., Kansas City, Missouri, 64129.

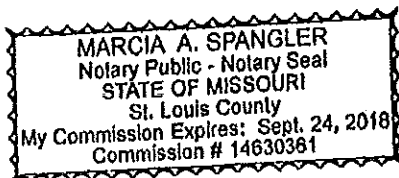
2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Laclede Gas Company and MGE.

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.

  
Michael R. Noack

Subscribed and sworn to before me this 3<sup>rd</sup> day of April 2017.

  
Notary Public



**Exhibit No:**

**028**

**Issue:**

**Revenue Deficiency;  
Tariff Changes**

**Witness:**

**Michael R. Noack**

**Type of Exhibit:**

**Direct Testimony**

**Sponsoring Party:**

**Laclede Gas Company;**

**Missouri Gas Energy**

**Case No.:**

**GR-2017-0215; GR-2017-0216**

**Date Prepared:**

**April 11, 2017**

**LACLEDE GAS COMPANY  
MISSOURI GAS ENERGY**

**GR-2017-0215  
GR-2017-0216**

**DIRECT TESTIMONY**

**OF**

**MICHAEL R. NOACK**

**April 2017**

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1 **DIRECT TESTIMONY OF MICHAEL R. NOACK**

2 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS**  
3 **ADDRESS?**

4 A. My name is Michael R. Noack and my business address is 7500 E 35<sup>th</sup> Terrace,  
5 Kansas City, Missouri 64129.

6 **Q. BY WHOM ARE YOU EMPLOYED?**

7 A. I am employed by Missouri Gas Energy ("MGE"), an operating unit of Laclede  
8 Gas Company ("Laclede"), as Director of Pricing and Regulatory Affairs.

9 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

10 A. I received a Bachelor of Science in Business Administration with a major in  
11 Accounting from the University of Missouri in Columbia. Upon graduation, I  
12 was employed by Troupe Kehoe Whiteaker & Kent (TKWK), a Certified Public  
13 Accounting Firm in Kansas City, Missouri. I spent approximately 20 years  
14 working with TKWK or firms that were formed from former TKWK employees  
15 or partners. I was involved during that time in public utility consulting and  
16 financial accounting, concentrating primarily on rate cases for electric and gas  
17 utilities and financial audits of independent telephone companies across the  
18 United States. In 1992, I started Carleton B. Fox Co. Inc. of Kansas City which  
19 was an energy consulting company specializing in billing analysis and tariff  
20 selection for large commercial and industrial customers. In July of 2000, I started  
21 my employment with MGE.

22 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

1 A. Yes. I have testified or submitted pre-filed testimony in numerous Commission  
2 proceedings, including MGE's last five rate cases, Case Nos. GR-2001-292, GR-  
3 2004-0209, GR-2006-0422, GR-2009-0355 and finally GR-2014-0007.

4 PURPOSE OF TESTIMONYError! Bookmark not defined.

5 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE  
6 PROCEEDINGS?

7 A. The purpose of my testimony is to support the revenue requirements of Laclede's  
8 operating units in Eastern Missouri ("LAC") and Western Missouri ("MGE"). As  
9 filed, MGE is requesting a gross revenue increase of \$50.4 million. However, since  
10 MGE is already collecting \$13.4 in ISRS charges, the net incremental increase is  
11 \$37.0 million. LAC is requesting a gross revenue increase of \$58.1 million. Since  
12 LAC is already collecting \$29.5 million in ISRS charges, its net incremental  
13 increase is \$28.5 million. Following the conclusion of LAC's and MGE's currently  
14 pending ISRS filings, the requested incremental revenues will decrease by the  
15 amount of the ISRS approved in those cases. The revenue deficiencies are  
16 supported by Schedules MRN-D1 for MGE and MRN-D2 for LAC, which consists  
17 of sections A through H, and which are attached to this testimony. I will be  
18 responsible for sponsoring most of the adjustments made to the test year ending  
19 December 31, 2016, and updated for known and measurable changes that support  
20 the revenue deficiency.

21 Q. HOW DO THE PROPOSED INCREMENTAL RATE INCREASES  
22 COMPARE TO PREVIOUS REQUESTS FOR RATE RELIEF BY MGE  
23 AND LAC?

1 A. The amounts being requested by MGE and LAC to cover all of their non-ISRS  
2 costs are significantly lower than the comparable amounts that were sought in prior  
3 cases. In fact, on a combined basis, they are significantly less than the non-ISRS  
4 rate increases sought by MGE and LAC in their 2009/2010 rate cases. In 2009,  
5 LAC and MGE each independently filed their first rate cases in three years. They  
6 sought a combined total of \$81 million in non-ISRS revenue. From the time those  
7 rate cases concluded in 2010 until the present, Laclede and MGE have not increased  
8 their non-ISRS rates. In the current cases, LAC and MGE are requesting a  
9 combined non-ISRS increase of \$65.5 million. To put these facts in perspective,  
10 LAC and MGE have not only operated for seven years without a non-ISRS  
11 increase, but after those seven years, they are now requesting a combined non-ISRS  
12 increase that is less than the amount they requested in 2009, even though the 2009  
13 request covered a historical period (3 years), which is less than half of the  
14 corresponding period (7 years) covered by the current cases.

15 **Q. HOW HAS THIS BEEN ACHIEVED?**

16 A. Much of this achievement is a result of the growth strategy that has been  
17 successfully pursued by Spire and Laclede over the past several years – a strategy  
18 that has allowed us to keep our promise to the Commission to “bend down” the  
19 inclining cost curve that historically led LAC and MGE to seek and obtain  
20 significantly larger and more frequent rate increases in the past.

21 **Q. WHEN DID LACLEDE’S OPERATING UNITS LAST FILE FOR**  
22 **GENERAL RATE INCREASES?**

1 A. MGE's last general rate case was filed on September 16, 2013, more than three  
2 and a half years ago, while LAC's last general rate case was filed on December  
3 21, 2012, or well over four years ago.

4 **Q. WHY DO MGE AND LAC NEED TO FILE FOR A GENERAL RATE**  
5 **INCREASE?**

6 A. LAC must file a rate case within three years of April 12, 2014, when its  
7 Infrastructure System Replacement Surcharge ("ISRS") rates first became  
8 effective after the last general rate case, in order to continue to collect the ISRS  
9 rates approved by the Commission. In addition to the ISRS requirement to file a  
10 general rate case within three years of implementing new ISRS rates, the  
11 Stipulation and Agreement approved by the Commission in GM-2013-0254  
12 requires that Laclede file simultaneous rate cases for its LAC and MGE operating  
13 units for the first rate case filed after October 1, 2015.

14 **ADMINISTRATIVE MATTERS**

15 **Q. MR. NOACK, WOULD YOU PLEASE SUMMARIZE THE DIFFERENT**  
16 **SECTIONS OF SCHEDULES MRN-D1 AND MRN-D2 ATTACHED TO**  
17 **YOUR DIRECT TESTIMONY?**

18 A. Schedule MRN-D1 contains the Accounting Schedules supporting the requested  
19 rate increase for MGE while Schedule MRN-D2 contains the Accounting  
20 Schedules supporting the rate increase request for LAC. Both MRN-D1 and  
21 MRN-D2 consist of the same component schedules for each Company.

22 Schedule A summarizes the revenue deficiency at December 31, 2016.

23 Schedule B summarizes and supports the various rate base items and offsets.

24 Schedule C summarizes and supports plant in service.



1 Schedule D summarizes and supports reserve for depreciation.

2 Schedule E summarizes and supports the various working capital components and  
3 other regulatory assets.

4 Schedule F summarizes the capital structure and rate of return.

5 Schedule H summarizes and supports the operating income statement &  
6 adjustments.

7 **Q. WHAT IS THE TEST YEAR USED TO DEVELOP THE REVENUE**  
8 **REQUIREMENT FOR LAC AND MGE?**

9 A. The test year is the twelve months ending December 31, 2016, adjusted for known  
10 and measurable changes.

11 **Q. WILL LAC AND MGE BE REQUESTING THAT THE TEST YEAR BE**  
12 **UPDATED AND/OR “TRUED-UP”?**

13 A. Yes. We are requesting the test year be updated or trued-up through September  
14 30, 2017. This is consistent with the process used in all five of the MGE rate  
15 cases I have supervised since 2000. We believe this approach will provide a  
16 relatively current time period of actual experience on which to base rates, while at  
17 the same time providing an opportunity for the Commission Staff and other  
18 parties to audit this actual experience.

19 **Q. WHAT “TRUE-UP” DATE ARE LAC AND MGE REQUESTING?**

20 A. At this time, we would consider September 30, 2017 as the true-up date where we  
21 would update all major components of the cases including capital structure,  
22 components of rate base and the major revenue and expense items and  
23 adjustments. We believe this update through September 30, 2017 should be  
24 sufficient to establish a reasonable and representative cost of service. I should

1 note, however, that as this proceeding unfolds there may be a need to revisit this  
2 issue depending on the positions taken by other parties. There also may be a  
3 need to consider certain additional changes in accounting practices, orders or  
4 procedures or to incorporate tariff modifications to reflect those positions taken  
5 by other parties.

6 **MGE REVENUE DEFICIENCY**

7 **Q. MR. NOACK, WOULD YOU PLEASE EXPLAIN SCHEDULE MRN-D1**  
8 **ATTACHED TO YOUR TESTIMONY?**

9 A. Yes. Schedule MRN-D1 details MGE's revenue deficiency for the test year  
10 ended December 31, 2016. The schedule details rate base, rate of return, required  
11 net operating income, adjusted net operating income, an estimate of the  
12 September 30, 2017 update on revenue requirement and, finally, the revenue  
13 deficiency. The total revenue deficiency shown on Schedule A is \$50.4 million.  
14 The increase in revenue will be offset partially by the elimination and  
15 corresponding inclusion in base rates of \$13.4 million of ISRS revenues that are  
16 currently being collected by the Company resulting in a net revenue increase of  
17 \$37.0 million.

18 Schedule A-1 is the summary of net operating income per books for the test year  
19 ending December 31, 2016, a summary of the adjustments made to operations,  
20 and finally, the net operating income, as adjusted.

21 Schedule A-2 is a summary income tax computation, both per book and as  
22 adjusted for the twelve months ending December 31, 2016. An explanation of the  
23 effective tax rate used to compute as adjusted income taxes is contained in the  
24 direct testimony of Laclede witness Kuper.

1 Q. MR. NOACK, WOULD YOU PLEASE DESCRIBE SCHEDULE B, THE  
2 CALCULATION OF RATE BASE?

3 A. Schedule B summarizes the requested rate base of MGE at December 31, 2016.  
4 Total rate base of \$792.5 million consists of net plant of \$836.1 million, Working  
5 Capital components of \$72.6 million, and the balance of Accumulated Deferred  
6 Income Taxes and other rate base offsets of \$116.2 million.

7 Q. WHO WILL BE SPONSORING TESTIMONY EXPLAINING THE  
8 VARIOUS COMPONENTS OF RATE BASE?

9 A. Laclede witness Keathley will offer testimony on MGE's offsets to rate base of  
10 Customer Deposits, Advances for Construction, Deferred Taxes and MGE's rate  
11 base offset from Docket No. GM-2013-0254. He will also offer testimony on  
12 Plant in Service, Reserve for Depreciation, Regulatory Assets and Working  
13 Capital components of Materials and Supplies, Prepayments and Gas Storage  
14 Inventory. Company witness Lyons of ScottMadden will offer testimony on Cash  
15 Working Capital and Laclede witness Buck will offer testimony on Postretirement  
16 Assets included in rate base.

17 Q. PLEASE DESCRIBE THE ADJUSTMENTS TO OPERATING INCOME  
18 THAT YOU ARE SPONSORING ON SCHEDULE H.

19 A. Schedule H, consisting of 20 sub-schedules, details all of the adjustments made to  
20 cost of service. The first two pages of Schedule H detail the operating income  
21 statement summarized by the uniform system of accounts. It shows the test year  
22 balances per books at December 31, 2016, a summary of the pro forma  
23 adjustments to each account and finally the adjusted balance at December 31,

1 2016. The next four pages detail each adjustment individually by FERC account  
2 number.

3 Schedule H-1 is the detail of test year margin revenue after backing out purchased  
4 gas adjustment revenue, gross receipts taxes billed, unbilled revenue, off-system  
5 sales and finally ISRS revenues collected during the test year, while Schedule H-2  
6 summarizes the revenue adjustments proposed by MGE.

7 **Q. ARE YOU SPONSORING THE REVENUE ADJUSTMENTS DETAILED**  
8 **ON SCHEDULE H-2?**

9 A. I am sponsoring the “Commercial-Domestic Use” adjustment while Laclede  
10 witness Feldman will provide direct testimony on the other revenue adjustments.

11 **Q. WHAT IS THE “COMMERCIAL-DOMESTIC USE” ADJUSTMENT?**

12 A. The commercial-domestic use adjustment reduces revenue by \$2.1 million to  
13 reflect a rate change for landlords who are currently being billed as a small  
14 general service (SGS) customer when their property is in their name and not in the  
15 tenant’s name. Pursuant to its tariff, MGE’s residential rate currently is “not  
16 available to locations served through a master meter or to a location other than the  
17 customer’s domicile.” That means an MGE customer who has rental property is  
18 not eligible for the residential rate when the property is unoccupied and in their  
19 name. MGE has coded the account to be domestic use for sales tax purposes, but  
20 the customer is being charged under a commercial rate. MGE is proposing to  
21 change the availability of the residential rate to include all domestic use customers  
22 (including landlords / customers with rental property).

23 **Q. APPROXIMATELY HOW MANY CUSTOMERS WILL BE AFFECTED**  
24 **BY THIS CHANGE?**

1 A. During the test year ended December 31, 2016, 223,060 bills were repriced from  
2 SGS to RS service or a monthly average of 18,588 customers.

3 **Q. WHY IS MGE PROPOSING THIS CHANGE?**

4 A. Landlords and owners of rental property have expressed frustration for several  
5 years about the change back and forth between the residential and small general  
6 service rates. The Office of Public Counsel has also questioned the reasons for  
7 reclassifying these customers based on whose name the service was in. MGE is  
8 currently the only gas company in the state to make this distinction between  
9 landlord and tenant. With this change, MGE's definition of residential customer  
10 and MGE's practices in this area will be the same as LAC's.

11 **Q. WHAT IS BEING PROPOSED BY MGE TO EFFECT THIS CHANGE?**

12 A. MGE is proposing new language in the Residential Gas Service (RS) tariff sheet  
13 and the same definition of 'Residential Customer' in the General Terms and  
14 Conditions that is currently included in LAC's General Terms and Conditions.  
15 Laclede witness Weitzel is sponsoring those tariff changes.

16 **Q. WHAT IS THE NEW DEFINITION OF A RESIDENTIAL CUSTOMER  
17 BEING PROPOSED IN THIS CASE?**

18 A. A residential customer will be defined as follows:

19 **A customer who purchases gas service for domestic use, including gas service**  
20 **provided to a single family dwelling or to a single meter serving a multiple family**  
21 **dwelling consisting of four (4) or fewer single family dwelling units, regardless of**  
22 **whether the customer is the ultimate consumer of the gas service. In addition, a**  
23 **customer who purchases gas service for such a dwelling while the dwelling is vacant**  
24 **shall be classified as a Residential Customer. This definition is intended to satisfy**  
25 **the provisions of Section 144.030 (23) RSMo, by establishing and maintaining a**  
26 **system and rate classification of "residential" to cause sales to residential customers**  
27 **under any of the Company's rate schedules to be considered as sales made for**  
28 **domestic use and thus exempt from sales tax.**  
29

1 As mentioned earlier, with this definition MGE will be treating residential  
2 customers similar to all other gas companies in the state, including the LAC  
3 operating unit.

4 **Q. PLEASE EXPLAIN SCHEDULE H-3.**

5 A. Schedule H-3, also sponsored by Laclede witness Feldman, removes purchased  
6 gas costs from the operating income statement along with costs associated with  
7 off-system sales, unbilled gas costs and the gross receipts tax expense. These  
8 expenses should not be included in the determination of the cost of service.  
9 Purchased gas costs are recovered through the PGA mechanism and not base  
10 rates, while gross receipts taxes are simply pass through taxes.

11 **Q. PLEASE EXPLAIN THE PAYROLL RELATED ADJUSTMENTS.**

12 A. The payroll adjustment is detailed on Schedule H-4 while the associated  
13 adjustments to the Company's match to employee 401K contributions and payroll  
14 taxes are detailed on Schedules H-5 and H-6. The first part of the adjustment  
15 annualizes payroll based on the actual February 17, 2017 employee levels and pay  
16 rates, and includes adjustments for overtime worked based on actual overtime  
17 hours and proforma pay rates, and payouts under the Annual Incentive Program  
18 (AIP) based on proforma wage levels. The second part of the adjustment  
19 recognizes that an additional 92 employees are expected to be hired across the  
20 entire company by September 30, 2017 with 61 being hired for LAC, 17 for  
21 MGE, and the final 14 being shared service employees whose time will be  
22 allocated between the different units of the Company. (37 new employees began  
23 with the Company on March 27, 2017.)

1 **Q. WHAT IS INCLUDED IN YOUR ADJUSTMENT TO EMPLOYEE**  
2 **BENEFITS?**

3 A. The adjustment to employee benefits on Schedule H-5 normalizes all expenses  
4 representing employee benefits paid on behalf of employees. Included in these  
5 benefits are FAS 87 pension expense and FAS 106 post retirement benefit costs,  
6 which will be discussed in the direct testimony of Laclede witness Buck. The  
7 other employee benefits being adjusted are the payroll related insurance costs for  
8 life insurance, accidental death & dismemberment (AD&D) insurance and long-  
9 term disability (LTD) insurance along with the Company match to employee  
10 401K contributions. These adjustments to insurance costs and the 401K match  
11 are all related to the payroll expense adjustment on Schedule H-4.

12 **Q. PLEASE EXPLAIN TAB H-6, PR-TAXES.**

13 A. The adjustment on Schedule H-6 recognizes the increase to payroll taxes  
14 associated with the payroll adjustment detailed on Schedule H-4.

15 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO PROPERTY INSURANCE**  
16 **AND INJURIES AND DAMAGES?**

17 A. Schedule H-7 normalizes the property insurance and injuries and damages by  
18 taking a three-year average of worker compensation claims paid and  
19 auto[mobile?] and general liability claims paid and adding to that average the  
20 insurance premiums increases expected to be paid on behalf of MGE.

21 **Q. WHY HAVE YOU MADE AN ADJUSTMENT TO TEST YEAR**  
22 **INSURANCE COSTS?**

1 A. The adjustment has been made to reflect a normalized level of claims paid and to  
2 reflect the known and measurable changes in premium costs for MGE. Those  
3 costs have been included as a test year expense on Schedule H-7.

4 **Q. PLEASE EXPLAIN SCHEDULE H-8.**

5 A. Schedule H-8 reflects the proposed adjustment to include an ongoing level of  
6 energy efficiency costs in MGE's cost of service. As of December 31, 2016 MGE  
7 has accumulated \$14.0 million of energy efficiency costs for expenditures in a  
8 regulatory asset. That balance goes all the way back to March 2010 when the  
9 Commission ordered MGE to work toward developing an energy efficiency  
10 program funded by up to 0.5% of gross revenues with the program expenses  
11 accounted for in a regulatory asset. Pursuant to the stipulation and agreement in  
12 MGE last rate case, GR-2014-0007, MGE amortized only a modest amount  
13 annually of \$0.2 million, while at the same time continuing to incur expenditures  
14 under its energy efficiency program. Based on the current gross revenues of  
15 MGE the targeted amount of energy efficiency funds to be spent on programs for  
16 the benefit of customers is approximately \$2.5 million per year. Given the size  
17 and consistent amount of EEC expenditures, some amount of current expenditures  
18 should be included in the cost of service, along with a ten-year amortization of the  
19 current regulatory asset. Such amounts are reflected on Schedule H-8.

20 **Q. WHAT IS THE AMOUNT OF CURRENT ENERGY EFFICIENCY**  
21 **FUNDING YOU ARE PROPOSING TO INCLUDE IN RATES?**

22 A. Based on the current gross revenues of MGE, the targeted amount of energy  
23 efficiency funds to be spent on programs for the benefit of customers would be  
24 approximately \$2.5 million per year. As shown on H-8, however, we have



1 included a lower normalized amount of \$1.8 million to better reflect actual  
2 experience. This amount represents a 3-year average of spending for years 2014,  
3 2015 and 2016.

4 **Q. HAVE YOU PROPOSED AN ADJUSTMENT TO UNCOLLECTIBLE**  
5 **EXPENSE?**

6 A. Yes. I have increased bad debt expense or uncollectible expense by \$3.1 million  
7 on Schedule H-9. Laclede witness Krick will explain this adjustment in his direct  
8 testimony.

9 **Q. PLEASE EXPLAIN THE ADJUSTMENTS ON SCHEDULE H-10.**

10 A. The adjustments on Schedule H-10 amortizes expected rate case expense over a 3-  
11 year period, amortizes the cost of the current depreciation study prepared for this  
12 case over a five-year period, and recognizes the current level of the Commission  
13 assessment for the period July 1, 2016 through June 30, 2017.

14 **Q. WHAT IS THE PURPOSE OF SCHEDULE H-11?**

15 A. Schedule H-11 computes interest on the average thirteen-month balance of  
16 residential customer deposits at an interest rate of 4.75%, or 1% over the prime  
17 rate, as of December 31, 2016, consistent with MGE's tariff Sheet No. R-14.

18 **Q. HAVE YOU PROPOSED AN ADJUSTMENT TO DEPRECIATION**  
19 **EXPENSE?**

20 A. Yes. Schedule H-12 details the adjustment to depreciation expense based upon  
21 the level of plant investment at December 31, 2016.

22 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO AMORTIZATION**  
23 **EXPENSE.**

1 A. Schedule H-13 details the pro forma amortization expense. The adjustment  
2 consists of three parts. The first part annualizes the amortization of all leasehold  
3 improvements, miscellaneous intangible plant and unamortized MGE software  
4 assets at December 31, 2016. This also includes amortization of the Enterprise  
5 Software which has been allocated to MGE. The second part of the adjustment  
6 computes amortization of Deferred Energy Efficiency Program costs and Low  
7 Income Program costs based upon a requested ten-year amortization period. The  
8 energy efficiency program was described above and called for an ongoing level of  
9 expense be included in rates. The Low Income Programs are a “Red-Tag” Repair  
10 Program and a one-time Low-Income Energy Affordability Program agreed to in  
11 the Stipulation and Agreement in GR-2014-0007. The third part of the  
12 adjustment amortizes one-half of the one-time non-capital transition cost balance  
13 over a five-year period in accordance with the Stipulation and Agreement in GM-  
14 2013-0254.

15 **Q. DO THE ANNUAL COST REDUCTIONS RELATED TO THE**  
16 **SYNERGIES REALIZED BY LACLEDE EXCEED THE AMOUNT OF**  
17 **TRANSITION COSTS FOR WHICH AMORTIZATION IS REQUESTED?**

18 A. Yes, cost reductions related to the synergies greatly exceed the transition costs for  
19 which the amortization is being requested.

20 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO PROPERTY TAXES.**

21 A. Schedule H-14 reflects an increase to property taxes to recognize the increased  
22 plant at December 31, 2016 and increased assessments expected in the counties in  
23 MGE’s service territory. Laclede witness Kuper will explain the adjustment in  
24 his direct testimony. There is a second adjustment made to property taxes to

1 allocate to MGE a portion of the property taxes related to the Enterprise Software  
2 being allocated to MGE.

3 **Q. PLEASE EXPLAIN SCHEDULE H-15.**

4 A. Schedule H-15 is a reconciliation of the regulatory asset and the ongoing expense  
5 associated with Ad Valorem taxes assessed on storage gas in Kansas. As part of  
6 the Stipulation and Agreement in GR-2014-0007, MGE agreed to include in rates  
7 \$1.6 million associated with the amortization of the regulatory asset related to the  
8 past assessment of Kansas Ad Valorem taxes and \$1.4 million to reflect an  
9 ongoing level of expense. MGE also agreed to track the ongoing level of expense  
10 and record to the regulatory asset the difference between the \$1,400,000 included  
11 in rates and what is actually paid each year. As of December 31, 2016 the balance  
12 of the regulatory asset related to Kansas Ad Valorem taxes is \$3.6 million.

13 **Q. PLEASE EXPLAIN SCHEDULE H-16.**

14 A. Schedule H-16 adjusts expenses for known increases in the contractor cost to  
15 locate lines in the MGE service territory. The majority of the adjustment is  
16 related to the cost to locate fiber which increased from \$13.40 to \$32.60 per locate  
17 in May 2016.

18 **Q. PLEASE EXPLAIN SCHEDULE H-17, OTHER EXPENSE**  
19 **ADJUSTMENTS.**

20 A. Schedule H-17 reflects a decrease to account 912 to eliminate from the cost of  
21 service the cost of sports tickets included in operating expenses.

22 **Q. PLEASE EXPLAIN SCHEDULE H-18.**

23 A. Currently, MGE has included in rates \$0.75 million for low-income  
24 weatherization programs administered by the Community Action Agency of

1 Greater Kansas City, and several other social agencies located in the other parts of  
2 MGE's service territories. MGE would recommend that this level of funding  
3 continue along with the \$0.75 million of funding in rates for MGE energy  
4 efficiency and education initiatives.

5 **LAC REVENUE DEFICIENCY**

6 **Q. MR. NOACK, WOULD YOU PLEASE EXPLAIN SCHEDULE MRN-D2**  
7 **ATTACHED TO YOUR TESTIMONY?**

8 A. Yes. Schedule MRN-D2 details the LAC revenue deficiency for the test year  
9 ended December 31, 2016. The schedule details rate base, rate of return, required  
10 net operating income, adjusted net operating income and finally, the revenue  
11 deficiency. The net revenue deficiency shown on Schedule A is \$58.1 million.  
12 The increase in revenue will be offset partially by the elimination and  
13 corresponding inclusion in base rates of \$29.5 million of ISRS revenues that are  
14 currently being collected by LAC, resulting in a net revenue increase of \$28.5  
15 million.

16 Schedule A-1 is the summary of net operating income per books for the test year  
17 ending December 31, 2016, a summary of the adjustments made to operations,  
18 and finally, the net operating income, as adjusted.

19 Schedule A-2 is a summary income tax computation both per books and as  
20 adjusted for the twelve months ending December 31, 2016. An explanation of the  
21 effective tax rate used to compute as adjusted income taxes is contained in the  
22 direct testimony of Laclede witness Kuper.

23 **Q. MR. NOACK, WOULD YOU PLEASE DESCRIBE SCHEDULE B, THE**  
24 **CALCULATION OF RATE BASE?**

1 A. Schedule B summarizes the requested rate base of LAC at December 31, 2016.  
2 Total rate base of \$1,231.7 million consists of net plant of \$1,169.3 million,  
3 Working Capital components of \$274.6 million, and the balance of Accumulated  
4 Deferred Income Taxes and other rate base offsets of \$212.2 million.

5 **Q. WHO WILL BE SPONSORING TESTIMONY EXPLAINING THE**  
6 **VARIOUS COMPONENTS OF RATE BASE?**

7 A. Laclede witness Keathley will offer testimony on the LAC offsets to rate base of  
8 Customer Deposits, Advances for Construction, and Deferred Taxes. He will also  
9 offer testimony on Plant in Service, Reserve for Depreciation, Regulatory Assets  
10 and Working Capital components of Materials and Supplies, Prepayments and  
11 Gas Storage Inventory. Company witness Lyons of ScottMadden will offer  
12 testimony on Cash Working Capital, and Laclede witness Buck will offer  
13 testimony on Prepaid Pension Assets and the OPEB Regulatory Asset included in  
14 rate base.

15 **Q. PLEASE DESCRIBE THE ADJUSTMENTS TO OPERATING INCOME**  
16 **THAT YOU ARE SPONSORING ON SCHEDULE H.**

17 A. Schedule H, consisting of 19 sub-schedules, details all of the adjustments made to  
18 cost of service. The first two pages of Schedule H detail the operating income  
19 statement summarized by the uniform system of accounts. It shows the test year  
20 balances per books at December 31, 2016, a summary of the pro forma  
21 adjustments to each account and finally the adjusted balance at December 31,  
22 2016. The next four pages detail each adjustment individually by FERC account  
23 number.

1 Schedule H-1 is the detail of test year margin revenue after backing out purchased  
2 gas adjustment revenue, gross receipts taxes billed, unbilled revenue, off-system  
3 sales and finally ISRS revenues collected during the test year, while Schedule H-2  
4 summarizes the revenue adjustments proposed for LAC.

5 **Q. WHO IS SPONSORING THE REVENUE ADJUSTMENTS DETAILED**  
6 **ON SCHEDULE H-2?**

7 A. Laclede witness Feldman is providing direct testimony on the revenue  
8 adjustments detailed on Schedule H-2.

9 **Q. PLEASE EXPLAIN SCHEDULE H-3.**

10 A. Schedule H-3, also sponsored by Laclede Witness Feldman, removes purchased  
11 gas costs from the operating income statement along with costs associated with  
12 off-system sales, unbilled gas costs and the gross receipts tax expense. These  
13 expenses should not be included in the determination of the cost of service.  
14 Purchased gas costs are recovered through the PGA mechanism and not base rates  
15 while gross receipts taxes are simply pass through taxes.

16 **Q. PLEASE EXPLAIN THE PAYROLL RELATED ADJUSTMENTS.**

17 A. The payroll adjustment is detailed on Schedule H-4 while the associated  
18 adjustments to the Company's match to employee 401K contributions and payroll  
19 taxes are detailed on Schedules H-5 and H-6. The first part of the adjustment  
20 annualizes payroll based on the actual February 17, 2017 employee levels and pay  
21 rates and includes adjustments for overtime worked based on actual overtime  
22 hours and proforma pay rates, and AIP payouts based on proforma wage levels.  
23 The second part of the adjustment recognizes that an additional 92 employees are  
24 expected to be hired across the entire company by September 30, 2017 with 61

1 being hired for LAC, 17 for MGE, and the final 14 being shared service  
2 employees whose time will be allocated between the different units of the  
3 Company. (37 new employees began with the Company on March 27, 2017.)

4 **Q. WHAT IS INCLUDED IN YOUR ADJUSTMENT TO EMPLOYEE**  
5 **BENEFITS?**

6 A. The adjustment to employee benefits on Schedule H-5 normalizes all expenses  
7 representing employee benefits paid on behalf of employees. Included in these  
8 benefits are FAS 87 pension expense and FAS 106 post retirement benefit costs,  
9 which will be discussed in the direct testimony of Laclede witness Buck. The  
10 other employee benefits being adjusted are the payroll related insurance costs for  
11 life insurance, accidental death & dismemberment (AD&D) insurance and long-  
12 term disability (LTD) insurance, along with the Company match to employee  
13 401K contributions. These adjustments to the insurance costs and the 401K  
14 match are all related to the payroll expense adjustment on Schedule H-4. The final  
15 adjustment to employee benefits is an adjustment to SERP expense, which is  
16 based on an average of payments made over that last three years.

17 **Q. PLEASE EXPLAIN TAB H-6, PR-TAXES.**

18 A. The adjustment on Schedule H-6 recognizes the increase to payroll taxes  
19 associated with the payroll adjustment detailed on Schedule H-4.

20 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO PROPERTY INSURANCE**  
21 **AND INJURIES AND DAMAGES?**

22 A. Schedule H-7 normalizes the property insurance and injuries and damages by  
23 taking a three-year average of worker compensation claims paid and auto and

1           general liability claims paid and adding to that average the increased insurance  
2           premiums expected to be paid on behalf of LAC.

3   **Q.   WHY HAVE YOU MADE AN ADJUSTMENT TO TEST YEAR**  
4   **INSURANCE COSTS?**

5   A.   The adjustment has been made to reflect a normalized level of claims paid and to  
6       reflect the known and measurable changes in premium costs for LAC. Those costs  
7       have been included as a test year expense on Schedule H-7.

8   **Q.   PLEASE EXPLAIN SCHEDULE H-8.**

9   A.   Schedule H-8 reflects the proposed adjustment to include an ongoing level of  
10       energy efficiency costs in the LAC cost of service. As of December 31, 2016,  
11       LAC has accumulated \$11.6 million of energy efficiency costs in a regulatory  
12       asset. Like MGE, LAC has an energy efficiency spending target of 0.5% of gross  
13       revenues. Based on its current gross revenues, LAC's energy efficiency spending  
14       target is approximately \$3.7 million per year, which also includes \$1.0 million of  
15       Low Income Weatherization Funds. Given the size and consistent amount of  
16       EEC expenditures, some amount of current expenditures should be included in the  
17       cost of service, along with a ten-year amortization of the current regulatory asset.  
18       Such amounts are reflected on Schedule H-8.

19   **Q.   WHAT IS THE AMOUNT OF CURRENT ENERGY EFFICIENCY**  
20   **FUNDING YOU ARE PROPOSING TO INCLUDE IN RATES?**

21   A.   As shown on Schedule H-8, a normalized amount of \$2.0 million has been  
22       included. This amount does not include any funding for the low income  
23       weatherization program. This amount represents a 3-year average of spending for  
24       years 2014, 2015 and 2016.



1 Q. HAVE YOU PROPOSED AN ADJUSTMENT TO UNCOLLECTIBLE  
2 EXPENSE?

3 A. Yes. I have increased bad debt expense or uncollectible expense by \$1.8 million  
4 on Schedule H-9. Laclede witness Krick will explain this adjustment in his direct  
5 testimony.

6 Q. PLEASE EXPLAIN THE ADJUSTMENTS ON SCHEDULE H-10.

7 A. The adjustments on Schedule H-10 amortize expected rate case expense over a 3-  
8 year period, amortize the cost of the current depreciation study prepared for this  
9 case over a five-year period, and recognize the current level of the Commission  
10 assessment for the period July 1, 2016 through June 30, 2017.

11 Q. WHAT IS THE PURPOSE OF SCHEDULE H-11?

12 A. Schedule H-11 computes interest on the average thirteen-month balance of  
13 residential customer deposits at an interest rate of 4.75%, or the prime rate as of  
14 December 31, 2016, plus 1%, consistent with LAC Tariff Sheet No. R-5-d.

15 Q. HAVE YOU PROPOSED AN ADJUSTMENT TO DEPRECIATION  
16 EXPENSE?

17 A. Yes. Schedule H-12 details the adjustment to depreciation expense based upon  
18 the level of plant investment at December 31, 2016.

19 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO AMORTIZATION  
20 EXPENSE.

21 A. Schedule H-13 details the pro forma amortization expense. The adjustment  
22 consists of two parts. The first part annualizes the amortization of all leasehold  
23 improvements, miscellaneous intangible plant and unamortized LAC software  
24 assets at December 31, 2016. The second part of the adjustment computes

1 amortization of Deferred Energy Efficiency Program costs and Low Income  
2 Program costs based upon a requested ten-year amortization period. The energy  
3 efficiency program is discussed above. The Low Income Programs are a “Red-  
4 Tag” Repair Program and a Low-Income Energy Affordability Program. The final  
5 asset being amortized is the initial Energy Efficiency Asset of LAC which has  
6 approximately 3.5 years of amortization remaining.

7 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO PROPERTY TAXES.**

8 A. Schedule H-14 reflects an increase to property taxes to recognize the increased  
9 plant at December 31, 2016 and increased assessments expected in the counties in  
10 LAC’s service territory. Laclede witness Kuper will explain the adjustment in his  
11 direct testimony. There is a second adjustment made to property taxes to allocate  
12 to MGE a portion of the property taxes related to the Enterprise Software being  
13 allocated to MGE.

14 **Q. PLEASE EXPLAIN SCHEDULE H-15.**

15 A. Schedule H-15 adjusts expenses for known increases in the contractor cost to  
16 locate lines in LAC’s service territory. The majority of the adjustment is related  
17 to the cost to locate fiber which increased from \$13.40 to \$32.60 per locate in  
18 May 2016.

19 **Q. PLEASE EXPLAIN SCHEDULE H-16, OTHER EXPENSE**  
20 **ADJUSTMENTS.**

21 A. Schedule H-16 reflects a decrease to accounts 912 and 921 to eliminate from the  
22 cost of service the cost of tickets to various events included in operating expenses.

23 **Q. PLEASE EXPLAIN SCHEDULE H-17.**

1 A. H-17 reflects an expense for the cost to accept a credit card payment from a  
2 customer for the balance of their gas bill without requiring an additional fee.  
3 Currently that cost is assessed to the customer by the credit card company which  
4 reduces the incentive for a customer to pay with a credit card. No fee credit card  
5 payments are consistent with the approach taken by other businesses for the  
6 convenience of their customers. It is also in the Company's interest to accept a  
7 credit card payment, as credit card companies are in a much better position to  
8 assess creditworthiness and thus to assume the risk of unpaid debt.

9 **Q. HOW DID YOU COMPUTE THE ADJUSTMENT TO CREDIT CARD**  
10 **FEES?**

11 A. The LAC adjustment was based on the actual experience of MGE in the most  
12 recent 12-month period and based on the average cost per transaction charged by  
13 the vendor processing the credit card payments. The number of card payments  
14 each month was compared to the number of residential bills for the same month  
15 and that percentage of bills paid with credit cards was applied to the number of  
16 LAC residential bills for the same months.

17 **SCHOOL TRANSPORTATION PROGRAM**

18 **Q. MR. NOACK, AS PART OF THE PARTIAL STIPULATION AND**  
19 **AGREEMENT IN GR-2014-0324 FILED FEBRUARY 22, 2017 MGE**  
20 **AGREED TO PROVIDE CERTAIN INFORMATION PERTAINING TO**  
21 **THE ISSUE OF BALANCING AND CASHING OUT MONTHLY**  
22 **TRANSPORTATION VOLUMES FOR SCHOOLS PARTICIPATING IN**  
23 **THE SCHOOL TRANSPORTATION PROGRAM ("STP"). WHAT**

1           **INFORMATION WAS REQUESTED BY THE MISSOURI PUBLIC**  
2           **SERVICE COMMISSION STAFF?**

- 3    A.    Under the Partial Stipulation, MGE agreed to provide the following information:
- 4           1. A discussion of the costs and benefits of upgrading the reading capabilities  
5           of each STP customer meter so that monthly meter reads coincide with the  
6           monthly STP nominations;
  - 7  
8           2. A detailed description of the meter changes or meter reading changes that  
9           could be made to allow for monthly meter reads to coincide with the  
10          monthly STP nominations.
  - 11  
12          3. The cost of upgrading the reading capabilities of each STP customer meter  
13          so that monthly meter reads coincide with the monthly STP nominations;
  - 14  
15          4. The Company's position regarding the question of whether meter or meter  
16          reading changes provide enough benefit to sales customers to justify  
17          inclusion of the meter and meter reading change costs into a sale customer  
18          cost of service.
  - 19

20    **Q.    DID THE COMMISSION APPROVE THE PARTIAL STIPULATION AND**  
21    **AGREEMENT?**

22    A.    Not as of this writing. MGE is nevertheless providing the information, for two  
23    reasons. First, MGE agreed with Staff that it would do so. Second, MGE would  
24    like to reach a mutually acceptable resolution of the STP issue with Staff and the  
25    Missouri School Boards Association, which is the largest STP association in the  
26    MGE territory. MGE hopes that providing Staff the information it seeks will be a  
27    step in the direction of reaching such a resolution.

28    **Q.    CURRENTLY WHAT IS THE PROCESS OF READING EACH STP**  
29    **CUSTOMER METER?**

30    A.    Currently each STP customer meter is read electronically once per month, at  
31    various times throughout the month, as part of a regular cycle meter reading  
32    program. Meter trucks drive through select portions of the service area and

1 collect meter reads from a device that sits atop each customer's meter. In the case  
2 of very rural areas, the reads are collected using handheld devices. Because of the  
3 vast service territory of MGE (31 counties in the western half of the state) it is not  
4 feasible to combine all of the schools in the STP into a single meter reading route  
5 that would coincide with calendar month nominations made by the marketers  
6 serving the schools in the STP program. Currently there are approximately 850  
7 schools taking gas service under the STP tariff and approximately 104 meter  
8 reading routes serving those schools. The inability to obtain reads to match  
9 calendar month nominations prevents MGE from being able to accurately cash  
10 out STP customers, as prescribed in the tariff.

11 **Q. IF MGE WERE TO INSTALL ELECTRONIC GAS MEASUREMENT**  
12 **(EGM) EQUIPMENT AT EACH SCHOOL SIMILAR TO THE**  
13 **EQUIPMENT WHICH CURRENTLY SERVES MGE'S NON-SCHOOL**  
14 **TRANSPORATION CUSTOMERS, WHAT WOULD BE THE**  
15 **APPROXIMATE COST OF THOSE METERS?**

16 A. Currently the cost of the Instrument Point device, which has to be installed to call  
17 in the meter reads at a set time of the month (to coincide with pipeline  
18 nominations), costs approximately \$2,300 before including the labor and  
19 overhead costs to install. The labor and overhead costs are estimated at \$436  
20 making the total cost of equipment and installation approximately \$2,736. The  
21 detail of these costs can be found on Schedule MRN-D3.

22 **Q. IS THAT THE FINAL COST TO THE CUSTOMER?**

23 A. No, it is not. When the customer pays for the meter and installation costs the  
24 Company treats the payment as a contribution in aid of construction, so it is

1 taxable income to the company. As a result, there is additional language on MGE  
2 tariff Sheet No. 71 which requires that the charge be “grossed-up” to cover the  
3 income tax. At the current effective tax rate, the income tax amount would be  
4 approximately \$1,000, making the total cost of electronic gas metering (EGM)  
5 equipment \$3,736. However, if MGE paid for the meters and the installation, the  
6 total cost, which would exclude the income tax component, would approximate  
7 \$2.3 million.

8 **Q. WOULD THAT PROVIDE ENOUGH BENEFIT TO SALES CUSTOMERS**  
9 **TO JUSTIFY INCLUDING THOSE COSTS IN RATES CHARGED TO**  
10 **THE SALES CUSTOMERS.**

11 A. In my opinion, no. In an analysis prepared for Staff last June, the principal cost  
12 not being recovered as a result of any imbalance at the end of a month was the  
13 cost to use storage to either inject excess volumes or withdraw short volumes.  
14 When those volumes were priced at the rates MGE pays for storage, the additional  
15 cost not being recovered was approximately \$0.002 per Ccf.

16 **Q. HAS MGE ADJUSTED THE RATES TO ADDRESS THIS?**

17 A. Yes. As part of the stipulation and agreement, MGE attached a specimen tariff  
18 sheet which increases the Balancing Fee from \$0.001 per Ccf to \$0.003 per Ccf.  
19 MGE is filing a tariff with that adjustment as part of this case.

20 **Q. IS MGE LIMITED BY STATUTE AS TO WHAT CAN BE DONE TO**  
21 **COMPENSATE FOR THE INABILITY TO CASH THESE CUSTOMERS**  
22 **OUT?**

23 A. Yes. Section 393.310 of the Revised Missouri Statutes (the “STP Statute”)  
24 prohibits charging the schools for telemetry equipment or any special metering,

1 unless the individual school uses over 100,000 therms annually. At the same  
2 time, the STP Statute also states that the tariff shall not have any negative  
3 financial impact on the other customers of the gas company. Those two statutory  
4 provisions preclude MGE from passing on the cost of the EGM equipment to the  
5 schools or the other customers. By including the additional \$0.002 per Ccf in the  
6 balancing fee, MGE believes that both the schools and other customers are being  
7 fairly treated.

8 **Q. DO YOU BELIEVE ANYTHING ELSE NEEDS TO BE DONE AT THIS**  
9 **TIME?**

10 A. Yes. Although there has been nothing in the history of how the schools have  
11 nominated their transportation volumes to suggest a pattern of imbalances that  
12 have adversely affected sales customers, in response to input from Staff, MGE is  
13 proposing a tariff change that will motivate the schools to minimize estimated  
14 imbalances. At the same time, MGE is proposing a tariff change to remove the  
15 infeasible language to try and cashout STP customer imbalances. MGE believes  
16 these tariff changes, along with the increase to the Balancing Fee discussed above,  
17 will improve the program at a cost that does not outweigh its benefits, while  
18 protecting customers from adverse effects of the STP.

19 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

20 A. Yes it does.

# MISSOURI GAS ENERGY

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**MISSOURI GAS ENERGY**  
**December 31, 2016**  
**Revenue Deficiency**

Line No.	Description (a)	Ref. (b)	Required Return (c)	Earnings Deficiency (d)	Net Revenue Deficiency (e)
1	Rate Base	B	\$792,525,986		
2	Rate of Return	F	<u>7.700%</u>		
3	Required Return		<u>\$61,024,501</u>	\$61,024,501	
4	Adjusted Test Year Net Operating Income	A-1		<u>30,045,241</u>	
5	Earnings Deficiency			<u>\$30,979,260</u>	\$30,979,260
6	Multiply by Income Tax Gross-up Factor				<u>1.62308</u>
7	Net Revenue Deficiency				\$50,281,787
8	Allowance for Known and Measurable Changes/ True-up Estimate				<u>\$120,000</u>
9	Total Revenue Deficiency				<u><u>\$50,401,787</u></u>

**MISSOURI GAS ENERGY**  
**December 31, 2016**  
**Summary of Net Operating Income**  
**Per Books and Adjusted**

Line No.	Description (a)	Per Books (b)	Adjustments (c)	As Adjusted (d)
<b>REVENUES</b>				
1	Operating Base Revenues	\$423,999,587	(\$225,855,090)	\$198,144,497
2	Other Utility Revenues	19,375,796	(17,805,582)	1,570,214
3	Total Operating Revenues	<u>\$443,375,383</u>	<u>(\$243,660,672)</u>	<u>\$199,714,711</u>
<b>OPERATING EXPENSES</b>				
4	Distribution Expense	\$243,919,227	(\$209,574,973)	\$34,344,254
5	Customer Accounts Expense	16,372,186	3,141,031	19,513,217
6	Customer Service and Information Expense	1,258,820	2,984,959	4,243,778
7	Sales Expense	1,193,643	(109,264)	1,084,379
8	Administrative and General Expense	38,474,760	5,937,200	44,411,959
9	Payroll Adjustment		2,730,213	2,730,213
10	Total Operating and Maintenance Expenses	<u>\$301,218,636</u>	<u>(\$194,890,835)</u>	<u>\$106,327,800</u>
11	Depreciation & Amortization Expense	\$31,253,205	\$5,400,301	\$36,653,506
12	Interest on Customer Deposits	412,235	(186,028)	226,207
13	Taxes Other Than Income	44,565,793	(21,253,191)	23,312,602
14	Total Operating Expenses	<u>\$377,449,869</u>	<u>(\$208,199,540)</u>	<u>\$166,520,116</u>
15	Operating Income Before Income Tax	\$65,925,515	(\$35,461,132)	\$33,194,596
16	Less: Income Tax Expense	15,714,372	(12,564,974)	3,149,398
17	Net Operating Income	<u>\$50,211,143</u>	<u>(\$22,896,158)</u>	<u>\$30,045,198</u>

MISSOURI GAS ENERGY  
December 31, 2018  
Income Tax

Line No.	Description (a)	Reference (b)	Per Books (c)	As Adjusted (d)
1	Total Operating Revenues	A-1	\$443,375,383	\$199,714,711
2	Total Operating Expenses	A-1	<u>(377,449,869)</u>	<u>(166,520,116)</u>
3	Net Operating Income	A-1	<u>\$85,925,515</u>	<u>\$33,194,596</u>
4	Flow-Through Adjustments		(\$10,883,774)	(\$10,883,774)
5	Less: Interest on Long Term Debt		<u>(14,106,850)</u>	<u>(14,106,850)</u>
6	Total Tax Adjustments		<u>(\$24,990,624)</u>	<u>(\$24,990,624)</u>
7	Net Taxable Income		<u>\$40,934,891</u>	<u>\$8,203,971</u>
8	Income Tax		<u>\$15,714,372</u>	<u>\$3,149,398</u>

**MISSOURI GAS ENERGY**  
December 31, 2016  
Rate Base

Line No.	Description (a)	Reference (b)	Amount (c)
1	Inangible Plant	C	\$803,362
2	Distribution Plant	C	1,145,679,490
3	General Plant	C	159,829,515
4	Construction Work in Progress	C	<u>32,692,938</u>
5	Gross Plant In Service		\$1,339,005,295
6	Accumulated Depreciation & Amortization	D	<u>(502,887,842)</u>
7	Net Plant in Service		\$836,117,453
8	Working Capital	E	72,607,408
9	Customer Deposits	B-1	(4,762,253)
10	Customer Advances	B-2	(4,045,439)
11	Other Regulatory Liabilities	B-3	(78,884,239)
12	Deferred Income Taxes - Other	B-4	<u>(28,506,945)</u>
13	<b>Total Rate Base</b>		<u><u>\$792,525,986</u></u>

**MISSOURI GAS ENERGY**  
**Thirteen Months Ending December 31, 2016**

**Customer Deposits**

Line No.	Month	Residential Amount
	(a)	(b)
1	Dec-15	(4,870,840)
2	Jan-16	(4,876,232)
3	Feb-16	(4,881,648)
4	Mar-16	(4,799,180)
5	Apr-16	(4,835,815)
6	May-16	(4,822,229)
7	Jun-16	(4,807,319)
8	Jul-16	(4,837,240)
9	Aug-16	(4,837,829)
10	Sep-16	(4,624,170)
11	Oct-16	(4,619,265)
12	Nov-16	(4,528,374)
13	Dec-16	<u>(4,484,623)</u>
14	Total	<u><u>(\$57,147,032)</u></u>
15	Average	<u><u>(\$4,762,253)</u></u>
16	Interest Rate	<u><u>4.75%</u></u>
17		<u><u>\$226,207</u></u>

**MISSOURI GAS ENERGY**  
Thirteen Months Ending December 31, 2016

**Customer Advances**

Line No.	Month	Amount
	(a)	(b)
1	Dec-15	(4,503,359)
2	Jan-16	(4,491,583)
3	Feb-16	(4,475,912)
4	Mar-16	(4,454,741)
5	Apr-16	(4,247,964)
6	May-16	(4,107,735)
7	Jun-16	(4,100,454)
8	Jul-16	(3,909,266)
9	Aug-16	(3,702,766)
10	Sep-16	(3,690,167)
11	Oct-16	(3,654,176)
12	Nov-16	(3,638,202)
13	Dec-16	<u>(3,641,249)</u>
14	Total	<u><u>(\$48,545,270)</u></u>
15	Average	<u><u>(\$4,045,439)</u></u>

MISSOURI GAS ENERGY  
Regulatory Liabilities  
December 31, 2016

Line No.	Year Ended (a)	Balance (b)
1	Rate Base Offset from GM-2013-0254	(\$118,326,358)
2	Amortization of Rate Base Offset	<u>\$39,442,119</u>
3	Total Regulatory Liabilities	<u><u>(\$78,884,239)</u></u>

MISSOURI GAS ENERGY  
December 31, 2016

Accumulated Deferred income Taxes

Line No.	Description (a)	Amount (b)
1	Deferred Taxes, MGE Direct Plant as of 12/31/16	(\$28,506,945)
2	Total Accumulated Deferred Income Taxes	<u>(\$28,506,945)</u>



**MISSOURI GAS ENERGY**  
**Plant In Service**  
**December 31, 2016**

Line No.	Description	Plant Balance @ 12/31/16	Total Adjustments	Total As Adjusted
	(a)	(b)	(c)	(d)
<b><u>INTANGIBLE PLANT</u></b>				
1	(301) Organization	\$15,600		\$15,600
2	(302) Franchises	13,823		13,823
3	(303) Miscellaneous Intangible	773,929		773,929
4	Total Intangible Plant	<u>\$803,352</u>		<u>\$803,352</u>
<b><u>DISTRIBUTION PLANT</u></b>				
5	(374.1) Land	\$476,088		\$476,088
6	(374.2) Land Rights	2,835,349		2,835,349
7	(375.1) Structures	12,596,158		12,596,158
8	(375.2) Leasehold Improvements	9,724		9,724
9	(376) Mains	557,987,758		557,987,758
10	(378) Meas. & Reg. Station - General	14,249,406		14,249,406
11	(379) Meas. & Reg. Station - City Gate	5,918,676		5,918,676
12	(380) Services	399,602,056		399,602,056
13	(381) Meters	40,249,691		40,249,691
14	(382) Meter Installations	94,813,508		94,813,508
15	(383) House Regulators	15,936,615		15,936,615
16	(385) Electronic Gas Measuring	1,004,461		1,004,461
17	(387) Other Equipment	0		0
18	Total Distribution Plant	<u>\$1,145,679,490</u>		<u>\$1,145,679,490</u>
<b><u>GENERAL PLANT</u></b>				
19	(389) Land	\$1,058,065		\$1,058,065
20	(390.1) Structures	878,378		878,378
21	(390.2) Leasehold Improvements	0		0
22	(391) Furniture & Fixtures	8,218,464		8,218,464
23	(391.5) Enterprise Software-EIMS	0	67,787,723	67,787,723
24	(392.1) Transportation Eq - Cars and Small Trucks	5,650,033		5,650,033
25	(392.2) Transportation Eq - Heavy Trucks	15,294,221		15,294,221
26	(393) Stores Equipment	664,474		664,474
27	(394) Tools	8,946,227		8,946,227
28	(395) Laboratory Equipment	0		0
29	(396) Power Operated Equipment	3,063,341		3,063,341
30	(397.1) Communication Equipment - AMR	40,845,110		40,845,110
31	(397.0) Communication Equipment	6,622,779		6,622,779
32	(398) Miscellaneous Equipment	800,700		800,700
33	Total General Plant	<u>\$92,041,792</u>	<u>\$67,787,723</u>	<u>\$159,829,515</u>
34	Total Original Cost Plant in Service	\$1,238,524,634	\$67,787,723	\$1,306,312,356
35	Construction Work in Progress	32,692,938		32,692,938
36	Accumulated Depreciation and Amortization	<u>(490,613,073)</u>	<u>(12,274,769)</u>	<u>(502,887,842)</u>
37	Net Plant In Service	<u>\$780,604,499</u>	<u>\$55,512,954</u>	<u>\$836,117,453</u>

**MISSOURI GAS ENERGY**  
**Accumulated Reserves for Depreciation and Amortization**  
**December 31, 2016**

Line No.	Description (a)	Test Year Direct (b)	Proforma Adjustments (c)	Test Year As Adjusted (d)
1	Intangible Plant Reserve	(\$506,426)	\$0	(\$506,426)
2	Distribution & General Plant Reserve	(492,599,724)	(12,274,769)	(504,874,493)
3	Retirement Work In Progress	<u>2,493,078</u>	<u>0</u>	<u>2,493,078</u>
4	Total Accumulated Reserves	<u><u>(\$490,613,073)</u></u>	<u><u>(\$12,274,769)</u></u>	<u><u>(\$502,887,842)</u></u>

**MISSOURI GAS ENERGY**  
**December 31, 2016**  
**Working Capital**

Line No.	Description (a)	Reference (b)	Amounts (c)
1	Materials and Supplies Inventory	E-1	\$5,004,239
2	Prepayments	E-2	3,169,251
3	Gas Inventory - Volumes and Price	E-3	29,273,371
4	Cash Working Capital	E-4	7,135,564
5	Other Regulatory Assets	E-5	<u>28,018,682</u>
6	Total Working Capital		<u><u>\$72,601,107</u></u>

**MISSOURI GAS ENERGY**  
**Thirteen Months Ending December 31, 2016**  
**Materials & Supplies**

Line No.	Month (a)	Amount (b)
1	Dec-15	\$4,913,235
2	Jan-16	4,881,291
3	Feb-16	4,987,318
4	Mar-16	4,870,002
5	Apr-16	4,806,833
6	May-16	4,887,161
7	Jun-16	5,067,569
8	Jul-16	5,077,736
9	Aug-16	4,988,857
10	Sep-16	5,160,731
11	Oct-16	5,195,761
12	Nov-16	5,058,169
13	Dec-16	<u>5,225,674</u>
14	Total	<u><u>\$60,050,872</u></u>
15	Average	<u><u>\$5,004,239</u></u>

**MISSOURI GAS ENERGY**  
**Thirteen Months Ending December 31, 2016**  
**Prepayments**

Line No.	Month (a)	Amount (b)
1	Dec-15	\$2,866,038
2	Jan-16	2,397,554
3	Feb-16	1,902,616
4	Mar-16	1,795,084
5	Apr-16	4,530,539
6	May-16	4,088,348
7	Jun-16	3,643,223
8	Jul-16	3,497,333
9	Aug-16	3,098,657
10	Sep-16	2,956,456
11	Oct-16	3,527,449
12	Nov-16	3,078,923
13	Dec-16	<u>4,163,622</u>
14	Total	<u><u>\$38,031,013</u></u>
15	Average	<u><u>\$3,169,251</u></u>

**MISSOURI GAS ENERGY**  
**Thirteen Months Ending December 31, 2016**  
**Gas Inventory**

Line No.	Month	Dollars
	(a)	(b)
1	Dec-15	\$39,541,580
2	Jan-16	20,576,586
3	Feb-16	14,346,519
4	Mar-16	13,445,776
5	Apr-16	17,311,616
6	May-16	22,454,932
7	Jun-16	26,662,484
8	Jul-16	32,393,729
9	Aug-16	37,917,496
10	Sep-16	40,960,878
11	Oct-16	43,929,463
12	Nov-16	43,522,882
13	Dec-16	<u>35,974,601</u>
14	Total	<u><u>\$351,280,450</u></u>
15	Average	<u><u>\$29,273,371</u></u>

Missouri Gas Energy  
Test Year Ended December 31, 2016

Summary of Cash Working Capital

Line #	Description (A)	Amount (B)
1	Cash Working Capital from Tim Lyon's Schedule	<u>\$7,141,865</u>

**MISSOURI GAS ENERGY**  
**Regulatory Assets**  
**December 31, 2016**

Line No.	Description (a)	Balance (b)
	<b><u>Regulatory Assets</u></b>	
1	Prepaid Pension Assets	\$2,812,626
2	Red Tag Program	39,995
3	Low Income Energy Affordability	336,181
4	MGE Software	2,239,152
5	One-Time Non-Capital Transition Costs	8,620,933
6	Energy Efficiency Program	<u>13,969,796</u>
7	Total Regulatory Assets	<u><u>\$28,018,682</u></u>



**MISSOURI GAS ENERGY**  
**Summary of Cost of Capital**  
**December 31, 2016**

Line No.	Description (a)	Ratio (b)	Cost Rate (c)	Composite Rate (d)
1	Long-Term Debt	42.800%	4.159%	1.780%
2	Short-Term Debt	0.000%	0.000%	0.000%
3	Preferred Stock	0.000%	0.000%	0.000%
4	Common Equity	<u>57.200%</u>	10.350%	<u>5.920%</u>
5	Total	<u>100.000%</u>		<u>7.700%</u>

**MISSOURI GAS ENERGY**  
**Twelve Months Ending December 31, 2016**

**Distribution of Revenue and Expense Adjustments by Account No.**

Line No.	Main Acct.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
	(a)	(b)	(c)	(d)	(e)
<b>OPERATING REVENUE</b>					
1	480	Residential	\$306,958,336	(\$151,276,609)	\$155,681,828
2	481.1	Commercial	62,379,806	(47,402,095)	14,977,711
3	481.2	Industrial	39,710,662	(26,665,607)	13,145,054
4	483	Sales for Resale	1,003,236	(667,162)	336,074
5	487	Late Payment Charges	1,381,236	0	1,381,236
6	488	Miscellaneous Service Revenue	0	0	0
7	489	Transport	14,947,547	(743,717)	14,203,831
8	493	Rent From Property	0	0	0
9	495	Other Gas Revenue	17,994,660	(17,805,582)	188,978
10		<b>Total Operating Revenue</b>	<b>\$443,376,383</b>	<b>(\$243,660,672)</b>	<b>\$199,714,711</b>
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
<b>Operation Expense</b>					
11	805	Other Gas Purchases	\$209,704,476	(\$209,773,377)	(\$68,901)
12	807	Purchased Gas Expense	0	0	0
13	859	Other Joint Expense	0	0	0
14	870	Operation, Supervision and Engineering	142,649	0	142,649
15	871	Distribution and Load Dispatching	136,772	0	136,772
16	872	Compressor Station Labor and Expense	0	0	0
17	874	Mains and Service Expenses	4,401,233	198,404	4,599,636
18	875	Distributing Regulating Station Expenses	622,739	0	622,739
19	876	Measuring and Regulating - Station Expenses	0	0	0
20	877	Measuring and Regulating - Station Expenses	0	0	0
21	878	Meter and House Regulator Expenses	2,143,852	0	2,143,852
22	879	Customer Installation Expenses	939,433	0	939,433
23	880	Other Expenses	4,384,246	0	4,384,246
24	881	Rents	50,464	0	50,464
25		<b>Total Operation Expense</b>	<b>\$222,526,763</b>	<b>(\$209,574,973)</b>	<b>\$12,950,790</b>
<b>Maintenance Expense</b>					
26	885	Maintenance Supervision and Engineering	\$192,790	\$0	\$192,790
27	886	Maintenance of Structures and Improvements	244,367	0	244,367
28	887	Maintenance of Mains	17,533,690	0	17,533,690
29	889	Maint. of Measuring and Reg. Stat Equip - General	743,037	0	743,037
30	890	Maint. of Measuring and Regulating Equipment	165,113	0	165,113
31	891	Maint. of Measuring and Regulating Equipment	187,965	0	187,965
32	892	Maintenance of Services	1,608,224	0	1,608,224
33	893	Maintenance of Meters and House Regulators	678,364	0	678,364
34	894	Maintenance of Other Equipment	41,914	0	41,914
35		<b>Total Maintenance Expenses</b>	<b>\$21,393,464</b>	<b>\$0</b>	<b>\$21,393,464</b>
36		<b>Total Distribution Expense</b>	<b>\$243,919,227</b>	<b>(\$209,574,973)</b>	<b>\$34,344,254</b>
<b>Customer Accounts Expense</b>					
37	901	Supervision	\$0	\$0	\$0
38	902	Meter Reading Expense	1,976,639	0	1,976,639
39	903	Customer Records and Collection Expense	12,561,118	0	12,561,118
40	904	Uncollectible Accounts	1,765,577	3,141,031	4,896,608
41	905	Miscellaneous Customer Accounts Expense	78,951	0	78,951
42		<b>Total Customer Accounts Expenses</b>	<b>\$16,372,186</b>	<b>\$3,141,031</b>	<b>\$19,513,217</b>
<b>Customer Service and Informational Expense</b>					
43	907	Supervision	\$0	\$0	\$0
44	908	Customer Assistance	1,220,120	2,984,959	4,205,079
45	909	Informational and Instructional Advertising Exp.	38,699	0	38,699
46	910	Miscellaneous Customer Accounts Expense	0	0	0
47		<b>Total Cust. Service and Information Exp.</b>	<b>\$1,258,820</b>	<b>\$2,984,959</b>	<b>\$4,243,778</b>

**MISSOURI GAS ENERGY**  
**Twelve Months Ending December 31, 2016**

**Distribution of Revenue and Expense Adjustments by Account No.**

Line No.	Main Acct. (a)	Description (b)	Test Year Per Book (c)	Total Adjustments (d)	Test Year As Adjusted (e)
<b>Sales and Advertising Expense</b>					
48	911	Supervision	\$162,698	\$0	\$162,698
49	912	Demonstrating and Selling Expenses	1,025,445	(109,264)	916,181
50	913	Advertising Expenses	0	0	0
51	916	Miscellaneous Sales Expenses	5,500	0	5,500
52		<b>Total Sales and Advertising Expenses</b>	<u>\$1,193,643</u>	<u>(\$109,264)</u>	<u>\$1,084,379</u>
<b>Administrative and General Expense</b>					
53	920	Administrative and General Salaries	\$10,702,321	\$0	\$10,702,321
54	921	Office Supplies and Expenses	9,786,383	0	9,786,383
55	922	Administrative Expenses Transferred	(7,449,468)	0	(7,449,468)
56	923	Outside Services Employed	5,439,918	0	5,439,918
57	924	Property Insurance	413,444	(6,368)	407,076
58	925	Injuries and Damages	2,793,528	68,537	2,862,064
59	926	Employee Pensions and Benefits	13,161,044	4,169,244	17,350,288
60	927	Franchise Requirements	0	0	0
61	928	Regulatory Commission Expense	1,377,105	1,685,787	3,062,891
62	930	Miscellaneous General Expenses	1,055,293	0	1,055,293
63	931	Rents	944,538	0	944,538
64	932	Maintenance of General Plant	250,654	0	250,654
65		<b>Total Administration and General Expense</b>	<u>\$38,474,760</u>	<u>\$5,937,200</u>	<u>\$44,411,959</u>
66		Payroll Adjustment		\$2,730,213	2,730,213
67		<b>Total O &amp; M Expense</b>	<u>\$301,218,636</u>	<u>(\$194,890,835)</u>	<u>\$106,327,800</u>
68	403	Depreciation	30,389,939	844,375	31,234,314
69	404, 405	Amortization	883,266	4,555,926	5,419,192
70	431	Interest on Customer Deposits	412,235	(186,028)	226,207
71	408	Payroll Taxes	3,697,239	197,221	3,894,460
72	408	Property Taxes	16,428,770	2,989,372	19,418,142
73	408	Gross Receipts Tax	24,439,784	(24,439,784)	0
74	408	Other Taxes	0	0	0
75	408	Taxes Other Than Income	<u>\$44,565,793</u>	<u>(\$21,253,191)</u>	<u>\$23,312,602</u>
76		<b>TOTAL EXPENSES</b>	<u>\$377,449,869</u>	<u>(\$210,929,763)</u>	<u>\$166,520,116</u>
77		<b>OPERATING INCOME BEFORE INCOME TAX</b>	<u>\$65,925,515</u>	<u>(\$32,730,919)</u>	<u>\$33,194,596</u>
78	409,410	Income Taxes	\$15,714,372	(\$12,564,974)	\$3,149,398
79		<b>NET OPERATING INCOME</b>	<u>\$50,211,143</u>	<u>(\$20,165,945)</u>	<u>\$30,045,198</u>

MISSOURI GAS ENERGY  
Twelve Months Ending December 31, 2016

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-1 Adj. Gl. Rev to Test Year Margin	H-2 Normalize & Adj. Test Year Margin	H-3 Remove Purch. Gas Cost and GRT	H-4 Payroll Expense	H-5 Employee Benefits	H-6 Payroll Taxes	H-7 Insurance	H-8 Energy Efficiency Costs	H-9 Uncollectible Expense	H-10 Regulatory Commission Expense	H-11 Interest on Customer Deposits	H-12 Depreciation Expense
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	
<b>OPERATING REVENUE</b>															
1	480	Residential	\$306,958,336	(\$162,570,811)	\$11,294,303										
2	481.1/2	Small General Service	62,379,008	(37,035,540)	(10,388,555)										
3	481.1/2	Large General Service	38,710,862	(26,147,998)	582,361										
4	481.1/2	Large Volume Sales	1,033,230	(607,162)	0										
5	487	Late Payment Charges	1,381,238	0											
6	488	Miscellaneous Service Revenue	0												
7	489	Transport	14,947,547	(927,452)	183,730										
8	493	Rent From Property	0	0											
9	485	Other Gas Revenue	17,994,580	(17,805,582)											
10		<b>Total Operating Revenue</b>	<b>\$443,375,383</b>	<b>(\$245,354,517)</b>	<b>\$1,693,845</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>															
<b>Operation Expense</b>															
11	805	Other Gas Purchases	\$208,704,476			(\$209,773,377)									
12	807	Purchased Gas Expense	0												
13	859	Other Joint Expense	0												
14	870	Operation, Supervision and Engineering	142,548												
15	871	Distribution and Load Dispatching	136,772												
16	872	Compressor Station Labor and Expense	0												
17	874	Mains and Service Expenses	4,401,233												
18	875	Distributing Regulating Station Expenses	822,739												
19	870	Measuring and Regulating - Station Expenses	0												
20	877	Measuring and Regulating - Station Expenses	0												
21	878	Meter and House Regulator Expenses	2,143,852												
22	879	Customer Installation Expenses	839,433												
23	880	Other Expenses	4,384,248												
24	881	Rents	50,484												
25		<b>Total Operation Expense</b>	<b>\$222,525,763</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$209,773,377)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Maintenance Expense</b>															
26	885	Maintenance Supervision and Engineering	\$192,790												
27	888	Maintenance of Structures and Improvements	244,387												
28	887	Maintenance of Mains	17,533,690												
29	859	Maint. of Measuring and Reg. Stat Equip - General	743,037												
30	890	Maint. of Measuring and Regulating Equipment	185,113												
31	891	Maint. of Measuring and Regulating Equipment	197,895												
32	882	Maintenance of Services	1,006,224												
33	893	Maintenance of Meters and House Regulators	678,384												
34	894	Maintenance of Other Equipment	41,014												
35		<b>Total Maintenance Expenses</b>	<b>\$21,393,454</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
36		<b>Total Distribution Expense</b>	<b>\$243,919,227</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$209,773,377)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Customer Accounts Expense</b>															
37	901	Supervision	\$0												
38	902	Meter Reading Expense	1,976,539												
39	903	Customer Records and Collection Expense	12,581,118												
40	904	Uncollectible Accounts	1,755,577									3,141,031			
41	905	Miscellaneous Customer Accounts Expense	78,651												
42		<b>Total Customer Accounts Expenses</b>	<b>\$16,372,185</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,141,031</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

MISSOURI GAS ENERGY  
 Twelve Months Ending December 31, 2016

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-1 Adj. GL Rev to Test Year Margin	H-2 Normaliza & Adj. Test Year Margin	H-3 Remove Purch. Gas Cost and GRT	H-4 Payroll Expense	H-5 Employee Benefits	H-6 Payroll Taxes	H-7 Insurance	H-8 Energy Efficiency Costs	H-9 Uncollectible Expense	H-10 Regulatory Commission Expense	H-11 Interest on Customer Deposits	H-12 Depreciation Expense
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	
<b>Customer Service and Informational Expense</b>															
43	907	Supervision	\$0												
44	908	Customer Assistance	1,220,126								2,084,959				
45	909	Informational and Instructional Advertising Exp.	38,696												
46	910	Miscellaneous Customer Accounts Expense	0												
47		Total Cust. Service and Information Exp.	\$1,258,822	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,084,959	\$0	\$0	\$0	\$0
<b>Sales and Advertising Expense</b>															
48	911	Supervision	\$162,898												
49	912	Demonstrating and Selling Expenses	1,025,445												
50	913	Advertising Expenses	0												
51	918	Miscellaneous Sales Expenses	5,500												
52		Total Sales and Advertising Expenses	\$1,193,843	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Administrative and General Expense</b>															
53	920	Administrative and General Salaries	\$10,702,321												
54	921	Office Supplies and Expenses	9,789,303												
55	922	Administrative Expenses Transferred	(7,449,458)												
56	923	Outside Services Employed	5,439,918												
57	924	Property Insurance	413,444							(6,385)					
58	925	Injuries and Damages	2,793,528							88,537					
59	926	Employee Pensions and Benefits	13,181,044					4,189,244							
60	927	Franchise Requirements	0												
61	928	Regulatory Commission Expense	1,377,105										(38,400)		
62	930	Miscellaneous General Expenses	1,055,293												
63	931	Rents	944,538												
64	932	Maintenance of General Plant	250,854												
65		Total Administration and General Expense	\$38,474,760	\$0	\$0	\$0	\$0	\$4,189,244	\$0	\$82,169	\$0	\$0	(\$38,400)	\$0	\$0
66		Payroll Adjustment					\$2,730,213								
67		Total O & M Expense	\$301,218,636	\$0	\$0	(\$209,773,377)	\$2,730,213	\$4,189,244	\$0	\$82,169	\$2,084,959	\$3,141,031	(\$38,400)	\$0	\$0
68	403	Depreciation	30,389,939												\$844,375
69	404, 405	Amortization	863,288												
70	431	Interest on Customer Deposits	412,235											(188,028)	
71	408	Payroll Taxes (1**)	3,597,239				197,221								
72	408	Property Taxes (2**)	16,428,770												
73	408	Gross Receipts Tax (3300 + 4000)	24,439,784			(24,439,784)									
74	408	Other Taxes (41**)	0												
75	408	Taxes Other Than Income	\$44,565,793	\$0	\$0	(\$24,439,784)	\$197,221	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
76		TOTAL EXPENSES	\$377,449,889	\$0	\$0	(\$234,213,161)	\$2,927,434	\$4,189,244	\$0	\$82,169	\$2,084,959	\$3,141,031	(\$38,400)	(\$188,028)	\$844,375
77		OPERATING INCOME BEFORE INCOME TAX	\$85,925,515	(\$245,354,517)	\$1,693,845	\$234,213,161	(\$2,927,434)	(\$4,189,244)	\$0	(\$82,169)	(\$2,084,959)	(\$3,141,031)	\$38,400	\$188,028	(\$844,375)
78	409,410	Income Taxes	15,714,372												
79		NET OPERATING INCOME	\$50,211,143	(\$245,354,517)	\$1,693,845	\$234,213,161	(\$2,927,434)	(\$4,189,244)	\$0	(\$82,169)	(\$2,084,959)	(\$3,141,031)	\$38,400	\$188,028	(\$844,375)

MISSOURI GAS ENERGY  
Twelve Months Ending December 31, 2016

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	Amortization Expense	H-13 Property Tax	H-14 Ad Valorem Tax - KS Storage	H-15 Locates Expense	H-16 Other Expense Adjustments	H-17 Weather & Conservation	H-18 Income Tax Adjustment	Total Adjustments	Test Year As Adjusted
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
<b>OPERATING REVENUE</b>												
1	480	Residential	\$308,858,336								(\$151,270,508)	\$155,891,828
2	481.1/2	Small General Service	62,379,808								(47,402,985)	14,977,711
3	481.1/2	Large General Service	38,710,662								(25,585,907)	13,145,054
4	481.1/2	Large Volume Sales	1,003,236								(867,182)	136,074
5	487	Late Payment Charges	1,381,238								0	1,381,238
6	488	Miscellaneous Service Revenue	0								0	0
7	489	Transport	14,947,547								(743,717)	14,203,831
8	493	Rent From Property	0								0	0
9	495	Other Gas Revenue	17,684,560								(17,805,582)	188,978
10		Total Operating Revenue	\$443,375,383	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$243,659,672)	\$199,714,711
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>												
<b>Operation Expense</b>												
11	805	Other Gas Purchases	\$209,704,478								(\$209,773,377)	(\$68,891)
12	807	Purchased Gas Expense	0								0	0
13	859	Other Joint Expense	0								0	0
14	870	Operation, Supervision and Engineering	142,549								0	142,549
15	871	Distribution and Load Dispatching	136,772								0	136,772
16	872	Compressor Station Labor and Expense	0								0	0
17	874	Mains and Service Expenses	4,401,233				188,404				188,404	4,569,836
18	875	Distributing Regulating Station Expenses	622,739								0	622,739
19	876	Measuring and Regulating - Station Expenses	0								0	0
20	877	Measuring and Regulating - Station Expenses	0								0	0
21	878	Meter and House Regulator Expenses	2,143,852								0	2,143,852
22	879	Customer Installation Expenses	939,433								0	939,433
23	880	Other Expenses	4,384,248								0	4,384,248
24	881	Rents	50,484								0	50,484
25		Total Operation Expense	\$222,625,783	\$0	\$0	\$0	\$188,404	\$0	\$0	\$0	(\$209,574,973)	\$12,950,790
<b>Maintenance Expense</b>												
26	885	Maintenance Supervision and Engineering	\$192,790								\$0	\$192,790
27	888	Maintenance of Structures and Improvements	244,387								0	244,387
28	887	Maintenance of Mains	17,533,890								0	17,533,890
29	889	Maint. of Measuring and Reg. Stat Equip - General	743,037								0	743,037
30	890	Maint. of Measuring and Regulating Equipment	185,113								0	185,113
31	891	Maint. of Measuring and Regulating Equipment	187,985								0	187,985
32	892	Maintenance of Services	1,806,224								0	1,806,224
33	893	Maintenance of Meters and House Regulators	678,364								0	678,364
34	894	Maintenance of Other Equipment	41,914								0	41,914
35		Total Maintenance Expenses	\$21,383,464	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$21,383,464
36		Total Distribution Expense	\$243,919,227	\$0	\$0	\$0	\$188,404	\$0	\$0	\$0	(\$209,574,973)	\$34,344,254
<b>Customer Accounts Expense</b>												
37	901	Supervision	\$0								\$0	\$0
38	902	Meter Reading Expense	1,976,539								0	1,976,539
39	903	Customer Records and Collection Expense	12,561,118								0	12,561,118
40	904	Uncollectible Accounts	1,755,577								3,141,031	4,896,608
41	905	Miscellaneous Customer Accounts Expense	78,951								0	78,951
42		Total Customer Accounts Expenses	\$16,372,185	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,141,031	\$19,513,217

MISSOURI GAS ENERGY  
Twelve Months Ending December 31, 2016

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Books	H-13 Amortization Expense	H-14 Property Tax	H-15 Ad Valorem Tax - KS Storage	H-16 Locates Expense	H-17 Other Expense Adjustments	H-18 Weather & Conservation	Income Tax Adjustment	Total Adjustments	Test Year As Adjusted
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
<b>Customer Service and Informational Expense</b>												
43	907	Supervision	\$0								\$0	\$0
44	908	Customer Assistance	1,220,120						0		2,904,959	4,205,079
45	909	Informational and Instructional Advertising Exp.	38,899								0	38,899
46	910	Miscellaneous Customer Accounts Expense	0								0	0
47		<b>Total Cust. Service and Information Exp.</b>	<b>\$1,258,920</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,904,959</b>	<b>\$4,243,778</b>
<b>Sales and Advertising Expense</b>												
48	011	Supervision	\$182,898								\$0	\$182,898
49	912	Demonstrating and Selling Expenses	1,025,445					(109,264)			(109,264)	916,181
50	913	Advertising Expenses	0								0	0
51	910	Miscellaneous Sales Expenses	5,500								0	5,500
52		<b>Total Sales and Advertising Expenses</b>	<b>\$1,193,843</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$109,264)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$109,264)</b>	<b>\$1,084,379</b>
<b>Administrative and General Expense</b>												
53	920	Administrative and General Salaries	\$10,702,321								\$0	\$10,702,321
54	921	Office Supplies and Expenses	9,786,383								0	9,786,383
55	922	Administrative Expenses Transferred	(7,449,488)								0	(7,449,488)
56	923	Outside Services Employed	5,439,918								0	5,439,918
57	924	Property Insurance	413,444								(8,368)	407,076
58	925	Injuries and Damages	2,793,528								60,537	2,852,064
59	926	Employee Pensions and Benefits	13,181,044								4,189,244	17,350,288
60	927	Franchise Requirements	0								0	0
61	928	Regulatory Commission Expense	1,377,105			1,724,187					1,685,767	3,082,891
62	930	Miscellaneous General Expenses	1,055,293								0	1,055,293
63	931	Rents	944,538								0	944,538
64	932	Maintenance of General Plant	250,854								0	250,854
65		<b>Total Administration and General Expense</b>	<b>\$38,474,780</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,724,187</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,937,200</b>	<b>\$44,411,859</b>
66		Payroll Adjustment									2,730,213	2,730,213
67		<b>Total O &amp; M Expense</b>	<b>\$391,218,838</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,724,187</b>	<b>\$198,404</b>	<b>(\$109,264)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$164,990,835)</b>	<b>\$198,327,800</b>
68	403	Depreciation	30,389,939								\$844,375	\$31,234,314
69	404, 405	Amortization	883,288	4,555,926							4,555,926	\$5,418,182
70	431	Interest on Customer Deposits	412,235								(186,028)	226,207
71	408	Payroll Taxes (1****)	3,897,239								167,221	3,894,480
72	408	Property Taxes (2****)	16,428,770		2,989,372						2,909,372	19,418,142
73	408	Gross Receipts Tax (3300 + 4000)	24,439,784								(24,439,784)	0
74	408	Other Taxes (41****)	0								0	0
75	408	Taxes Other Than Income	\$44,585,793	\$0	\$2,989,372	\$0	\$0	\$0	\$0	\$0	(\$21,253,191)	\$23,312,802
76		<b>TOTAL EXPENSES</b>	<b>\$377,449,890</b>	<b>\$4,555,926</b>	<b>\$2,989,372</b>	<b>\$1,724,187</b>	<b>\$198,404</b>	<b>(\$109,264)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$210,929,753)</b>	<b>\$168,520,116</b>
77		<b>OPERATING INCOME BEFORE INCOME TAX</b>	<b>\$85,925,515</b>	<b>(\$4,555,926)</b>	<b>(\$2,989,372)</b>	<b>(\$1,724,187)</b>	<b>(\$198,404)</b>	<b>\$169,284</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$32,730,919)</b>	<b>\$53,194,596</b>
78	499,410	Income Taxes	15,714,372							(12,554,974)	(12,554,974)	3,149,398
79		<b>NET OPERATING INCOME</b>	<b>\$50,211,143</b>	<b>(\$4,555,926)</b>	<b>(\$2,989,372)</b>	<b>(\$1,724,187)</b>	<b>(\$198,404)</b>	<b>\$100,284</b>	<b>\$0</b>	<b>\$12,584,974</b>	<b>(\$20,165,945)</b>	<b>\$30,045,198</b>

Note: per book & adjusted income tax computed on A-2

MISSOURI GAS ENERGY  
Twelve Months Ending December 31, 2016

Test Year Margin Revenue

Line No.	Description	Main Account/Revenue Class							Total
		480	481.1/2	481.1/2	481.1/2	489	487	485	
	(a)	21	22 & 23	25	28, 38				
		(b)	(c)	(d)	(e)	(f)			(g)
1	Total Revenue per Book	306,958,396	62,379,806	38,710,662	1,003,236	14,947,547	1,381,236	17,994,660	443,375,383
2	Less: GRT Revenue, Unbilled Revenue, PGA Revenue, and Miscellaneous Adjustments	(162,570,811)	(37,035,540)	(25,147,968)	(867,162)	(927,452)	0	(17,805,582)	(245,354,517)
3	Test Year Margin	144,387,525	25,344,266	12,562,693	136,074	14,020,095	1,381,236	188,978	198,020,867



MISSOURI GAS ENERGY  
Twelve Months Ending December 31, 2016

Revenue Adjustments

Line No.	Description	Main Account/Revenue Class							Total	
		Residential Gas Sales	Small General Service	Large General Service	Large Volume Sales	Transportation Revenues	Late Payment Revenue	Other Revenue		Adj's
		480	481.1/2	481.1/2	481.1/2	483, 489	487	495		
(a)	(b)	(c)	(c)	(e)	(f)	(g)	(h)	(i)	(j)	
1	Test Year Margin	\$144,387,525	\$25,344,286	\$12,562,893	\$136,074	\$14,020,095	\$1,381,238	\$188,978	\$0	\$198,020,867
2	Weather Normalization	\$3,970,420	\$653,073	\$1,163,237	\$0	\$0	\$0	\$0	\$0	\$5,786,730
3	Rate Switching Adjustments	0	(92,333)	78,359	0	183,736	0	0	0	\$229,762
4	Customer Annualization	1,033,954	(2,726,565)	0	0	0	0	0	0	(\$1,592,611)
5	Commercial-Domestic Use	6,289,929	(8,437,203)	0	0	0	0	0	0	(\$2,147,274)
6	Rate Classification Adjustments	0	176,473	(659,235)	0	0	0	0	0	(\$482,762)
7	Total Adjustments	11,294,303	(10,386,555)	582,361	0	183,736	0	0	0	1,693,845
8	As Adjusted Test Year Margin	\$155,681,827.92	\$14,977,710.81	\$13,145,054.19	\$136,073.69	\$14,203,830.51	\$1,381,235.51	\$188,978.44	\$0.00	\$198,714,711.17

**MISSOURI GAS ENERGY**  
Twelve Months Ending December 31, 2016

**Remove Purchase Gas Costs and Gross Receipts Tax**

Line No.	Description (a)	Amount (b)
1	Purchase Gas Costs (Acct. 804)	(\$185,704,619)
2	Off System Sales Expense (Acct. 804.5)	(16,248,610)
3	Unbilled Gas Cost (804)	(7,820,148)
4	Gross Receipts Tax (Acct. 408.1)	(24,439,784)
5	Total Adjustment	<u><u>(\$234,213,161)</u></u>

**MISSOURI GAS ENERGY**  
**Twelve Months Ending December 31, 2016**

**Payroll Adjustment**

Line #	Description (a)	Missouri Gas Energy		
		Dollars (b)	(c)	Headcount (d)
	Contract Payroll			
1	Test Year Payroll	20,987,114		438.4
2	12 Month Normalized Payroll	21,774,633		442.0
3			787,519	3.6
	Management Payroll			
4	Test Year Payroll	6,103,298		109.5
5	12 Month Normalized Payroll	6,749,677		119.0
6			646,379	9.5
	Shared Services			
7	Test Year Payroll	7,631,814		
8	12 Month Normalized Payroll	7,288,776		
9			(342,838)	0.0
10	Regular Payroll Adjustment		1,091,060	
11	Overtime Payroll Adjustment		99,980	
12	Employee Level Adjustment (Reg & OT)-Direct		1,024,273	17.0
13	Employee Level Adjustment (Reg & OT)-Shared Service		445,689	
14	AIP Adjustment		69,211	
15	<b>Total Wage &amp; Salary Adjustment</b>	<b>2,730,213</b>		<b>30.1</b>

**MISSOURI GAS ENERGY**  
**Twelve Months Ending December 31, 2016**

**Employee Benefits**

Line No.	Description (a)	Insurance Rate (b)	Amount (c)
<b><u>Insurance Costs</u></b>			
1	Life Insurance (per \$1000)	\$ 0.2190	\$6,486
2	AD&D (per \$1000)	\$ 0.0250	740
3	LTD (per \$1000)	\$ 0.8950	26,505
4	LTD/STD/FMLA Admin Fees (per person)	\$ 8.21	2,965
5	Total Payroll Related Insurance Costs		<u>\$36,697</u>
<b><u>401K Employee Match Adjustment</u></b>			
		<b><u>401K Match Rate</u></b>	<b><u>Amount</u></b>
Payroll Adjustments:			
6	Regular Payroll Adjustment	4.16%	\$45,388
7	Overtime Payroll Adjustment	4.16%	\$4,159
8	Employee Level Adjustment (Reg & OT)-Direct	4.16%	\$42,610
9	Employee Level Adjustment (Reg & OT)-Shared Service	3.80%	\$16,936
10	AIP Adjustment	4.16%	\$2,879
11	Total 401K Employee Match Adjustment		<u>\$111,972</u>
<b><u>Pension and OPEB Adjustment</u></b>			
			<b><u>Amount</u></b>
12	MGE %		14,718,000
13	Asset Amortization		281,263
14	Recovery		<u>14,999,263</u>
15	Allowance In Rates		8,819,794
16	Difference		<u>6,179,469</u>
17	O&M %		65.39%
18	Adjustment		<u>4,040,575</u>

**MISSOURI GAS ENERGY**  
Twelve Months Ending December 31, 2016

**Payroll Taxes**

Line No.	Description (a)	Amount (b)
	<b>Payroll Taxes</b>	
1	FICA Adjustment	194,391
2	Unemployment Tax Adjustment	<u>2,829</u>
3	<b>Total Payroll Taxes Adjustment</b>	<u><u>197,221</u></u>

**MISSOURI GAS ENERGY**  
 Twelve Months Ending December 31, 2016

**Insurance / Injuries & Damages**

Line No.	Description	Twelve Months Ending December 31,				3 Year Avg.	925 Amount	924 Amount
		2014	2015	2016				
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
	MGE Claims:							
1	Workers Compensation Claims Paid	\$421,922	\$846,509	\$976,344	\$816,282			
2	Property Claims Paid	296,100	55,055	136,055	177,167			
3	Auto Claims Paid	26,424	13,901	23,347	23,153			
4	Total Proforma Claims	<u>\$744,446</u>	<u>\$915,464</u>	<u>\$1,135,746</u>	<u>\$1,016,603</u>			
5	Test Year Accrual				904,658			
6	Adjustment				<u>\$111,945</u>	\$111,945		
					O&M Transfer Rate			
7	Insurance Premiums							
	Property Insurance - Dec. 2016			\$33,393				
8	Months			12				
9	Annualized			<u>400,719</u>				
10	Test Year			413,444				
11	Adjustment			<u>(\$12,726)</u>	50.039%		(\$6,368)	
12	Excess Liability and Worker Comp			\$241,357				
13	Expected Increase Rate			5%				
14	Excess Liability and Workers Comp at 4/1/17 Level			<u>253,425</u>				
15	Other Costs - December 2016			31,900				
16	I&D at 4/1/2017 Levels			<u>285,325</u>				
17	Months			12				
18	Annualized			<u>3,423,897</u>				
19	Test Year			3,502,786				
20	Adjustment			<u>(\$78,888)</u>	50.039%	(\$39,475)		
21	D&O Insurance - Dec 2016			\$10,480				
22	Months			12				
23	Annualized			<u>125,764.68</u>				
24	Test Year			133,624.16				
25	Adjustment			<u>(\$7,859)</u>	50.039%	(\$3,933)		
26	Total Adjustments					<u>\$68,537</u>	<u>(\$6,368)</u>	

**MISSOURI GAS ENERGY**  
Twelve Months Ending December 31, 2016

**Energy Efficiency**

Line No.	Description (a)	Amount (b)
	Energy Efficiency Program Expenses	
1	Calendar Year 2014	\$1,957,783
2	Calendar Year 2015	1,866,731
3	Calendar Year 2016	1,558,570
4	Total	<u>\$5,383,084</u>
5	Three year average	<u>\$1,794,361</u>

**MISSOURI GAS ENERGY**  
Twelve Months Ending December 31, 2016

**Uncollectible Expense**

Line No.	Description (a)	Amount (b)	Amount (c)
1	Twelve Months Ended August, 2013	4,144,897	
2	Twelve Months Ended August, 2014	5,600,326	
3	Twelve Months Ended August, 2015	<u>4,944,601</u>	
4	Three Year Average		\$4,896,608
5	Less Test Year Uncollectible Expense		(1,755,577)
6	Adjustment to Test Year - Acct. 904		<u><u>\$3,141,031</u></u>



**MISSOURI GAS ENERGY**  
 Twelve Months Ending December 31, 2016

**Regulatory Commission Expense**

Line No.	Description (a)	Amount (b)	Amount (c)
1	Estimate of current rate case expense	<u>\$397,779</u>	
2	Annual Amortization (3 years)		\$132,593
3	Normalized level of expense for depreciation study		\$7,000
4	Proforma NARUC Assessment		5,018
5	Other Regulatory Commission Expenses		14,166
6	Proforma MPSC Assessment - 7/1/2016 - 6/30/2017		<u>1,179,928</u>
7	Total Proforma Regulatory Commission Expense		\$1,338,705
8	Less Test Year Regulatory Commission Expense		(1,377,105)
9	Adjustment to Test Year - Acct. 928		<u>(\$38,400)</u>

**MISSOURI GAS ENERGY**  
Twelve Months Ending December 31, 2016

**Interest on Customer Deposits**

Line No.	Description (a)	Reference (b)	Residential (c)
1	Customer Deposits	B-2	\$4,762,253
2	Interest Rate		4.75%
3	Proforma Interest on Customer Deposits		<u>\$226,207</u>
4	Less Test Year Interest on Customer Deposits		<u>(412,235)</u>
5	Adjustment to Test Year - Acct. 431		<u><u>(\$186,028)</u></u>

**MISSOURI GAS ENERGY**  
**Twelve Months Ending December 31, 2016**

**Depreciation Expense**

Line No.	Description (a)	Amount (b)	Current Depreciation Rate (c)	Annualized Depreciation (d)	Proposed Rate (e)	Proforma Depreciation Expense (f)
<b>INTANGIBLE PLANT</b>						
1	(301) Organization	\$15,600	0.00%	\$0	0.00%	\$0
2	(302) Franchises	13,823	0.00%	0	0.00%	0
3	(303) Miscellaneous Intangible	<u>773,929</u>	(see adj. H-13)	<u>0</u>	(see adj. H-13)	<u>0</u>
4	Total Intangible Plant	<u>\$803,352</u>		<u>\$0</u>		<u>\$0</u>
<b>DISTRIBUTION PLANT</b>						
5	(374.1) Land	\$476,088	0.00%	\$0	0.00%	\$0
6	(374.2) Land Rights	2,835,349	2.08%	59,975	2.08%	59,975
7	(375.1) Structures	12,596,159	2.13%	268,298	2.13%	268,298
8	(375.2) Leasehold Improvements	9,724	(see adj. H-13)	0	(see adj. H-13)	0
9	(376.1) Mains - Steel	214,904,038	1.78%	3,825,292	1.78%	3,825,292
10	(376.11) Mains - Steel - Transmission	10,051,320	1.78%	178,914	1.78%	178,914
11	(376.2) Mains - Cast Iron	2,305,935	1.78%	41,046	1.78%	41,046
12	(376.21) Mains - Cast Iron - Encapsulation	32,846,648	1.78%	584,670	1.78%	584,670
13	(376.3) Mains - Plastic	297,879,819	1.78%	5,302,261	1.78%	5,302,261
14	(378) Meas. & Reg. Station - General	14,249,408	2.86%	407,533	2.86%	407,533
15	(379) Meas. & Reg. Station - City Gate	5,918,676	2.63%	155,661	2.63%	155,661
16	(380.1) Services - Steel	7,223,652	2.68%	193,694	2.68%	193,694
17	(380.2) Services - Plastic	392,378,404	2.68%	10,515,741	2.68%	10,515,741
18	(381) Meters	40,249,691	2.86%	1,151,141	2.86%	1,151,141
19	(382) Meter Installations	94,813,508	2.86%	2,711,666	2.86%	2,711,666
20	(383) House Regulators	15,936,815	2.44%	388,853	2.44%	388,853
21	(385) Electronic Gas Metering	1,004,451	3.33%	33,449	3.33%	33,449
22	(387) Other Equipment	<u>0</u>	4.60%	<u>0</u>	4.60%	<u>0</u>
23	Total Distribution Plant	<u>\$1,145,679,490</u>		<u>\$25,817,094</u>		<u>\$25,817,094</u>
<b>GENERAL PLANT - DIRECT</b>						
24	(389) Land	\$1,058,065	0.00%	\$0	0.00%	\$0
25	(390.1) Structures	878,378	2.13%	18,709	2.13%	18,709
26	(390.2) Leasehold Impr.	0	(see adj. H-13)	0	(see adj. H-13)	0
27	(391) Office Furniture & Fixtures	4,956,542	9.09%	450,550	9.09%	450,550
28	(391.3) Data Processing Software	3,261,922	9.09%	296,509	9.09%	296,509
29	(391.5) Enterprise Software-EIMS	67,787,723	(see adj. H-13)	0	(see adj. H-13)	0
30	(392.1) Transportation Eq - Cars and Small Truck	6,650,033	13.28%	750,324	13.28%	750,324
31	(392.2) Transportation Eq - Heavy Trucks	15,294,221	8.06%	1,232,714	8.06%	1,232,714
32	(393) Stores Equipment	664,474	3.57%	23,722	3.57%	23,722
33	(394) Tools	8,946,227	5.26%	470,572	5.26%	470,572
34	(395) Laboratory Equipment	0	6.00%	0	6.00%	0
35	(396) Power Operated Equipment	3,063,341	10.00%	306,334	10.00%	306,334
36	(397.1) Communication Equipment - AMR	40,845,110	5.26%	2,148,453	5.26%	2,148,453
37	(397.0) Communication Equipment - Other	6,622,779	6.25%	413,924	6.25%	413,924
38	(398) Miscellaneous Equipment	<u>800,700</u>	4.35%	<u>34,830</u>	4.35%	<u>34,830</u>
39	Total Direct General Plant	<u>\$159,829,515</u>		<u>\$6,146,641</u>		<u>\$6,146,641</u>
40	Total Proforma Plant & Depreciation	<u>\$1,306,312,356</u>		<u>\$31,963,735</u>		<u>\$31,963,735</u>
41	Less Depreciation Charged to Clearing			<u>(\$729,421)</u>		<u>(\$729,421)</u>
42	Less Test Year Depreciation Expense			(\$30,389,939)		(\$30,389,939)
43	Adjustment to Test Year - Acct. 403					<u>\$844,375</u>

**MISSOURI GAS ENERGY**  
**Twelve Months Ending December 31, 2016**

**Amortization Expense**

Line No.	Description	Original Cost Plant	Monthly Test Year Amortization Expense	Proforma Amortization Expense	Acct No.
	(a)	(b)	(c)	(d)	(e)
<u>MGE Leasehold Improvements</u>					
1	(375.2) Leasehold Improvements	\$9,724	\$347	\$4,168	
2	(390.2) Leasehold Improvements	0	0	0	
3	(391.5) Enterprise Software-EIMS	67,787,723	395,428	4,745,141	
4	Sub Total	<u>\$67,797,447</u>	<u>\$395,776</u>	<u>\$4,749,309</u>	404.3
5	(303) Misc. Intangible - Website (7600)	773,929	6,449	77,393	
6	Sub Total - Acct. 303	<u>\$773,929</u>	<u>\$6,449</u>	<u>\$77,393</u>	405.0
<u>MGE Software Assets</u>					
		Unamortized Balance	Mo Amort Amt	Proforma Amortization	
7	Autonomy eTalk-Contact Ctr	39,771	1,371	16,457	
8	Mainframe Software Dev	469,684	22,036	264,438	
9	TOA Work Force Automation	949,518	13,964	167,562	
10	TOPO GIS Mapping	780,178	12,003	144,033	
11	Sub Total MGE Software Amortization	<u>2,239,152</u>		<u>592,490</u>	405.0
12	Total Amortization			\$5,419,192	
13	Less Test Year Amortization			<u>(\$863,266)</u>	
14	Adjustment to Test Year - Accts. 404 and 405			<u>\$4,555,926</u>	
<u>Deferred Energy Efficiency and Low Income Program Costs</u>					
15	Deferred Energy Efficiency Cost Balance	\$13,969,786	\$116,415	\$1,398,980	
16	Red Tag Program	\$39,995	\$333	\$4,000	
17	Low Income Energy Affordability Program	\$336,181	\$2,802	\$33,618	
18	Sub Total Energy Efficiency and Low Income Program Costs	<u>14,345,972</u>		<u>1,436,598</u>	908.0
19	Less Test Year Amortization			<u>(244,000)</u>	
20	Adjustment to Test Year - Acct 908			<u>\$1,190,597</u>	
<u>One Time Non-Capital Transition Costs</u>					
21	Total One Time Non-Capital Transition Costs	\$8,620,933	\$143,682	<u>\$1,724,187</u>	928.0

**MISSOURI GAS ENERGY**  
**Twelve Months Ending December 31, 2016**

**Property Tax Adjustment**

Line No.	Description (a)	Real Estate & Personal Property (b)
1	Calendar Year 2016 Taxes Paid	13,212,770
2	Calendar 2016 Assessed Values	140,014,820
3	Average 2016 Rate Per \$100 Valuation	<u>9.4367%</u>
4	Calendar Year 2017 Estimated Taxes Due	15,442,800
5	Calendar 2017 Estimated Assessed Values	163,646,295
6	Estimated Rates	9.4367%

**MISSOURI GAS ENERGY**  
**Composition of Property Tax Adjustment**

	Real Estate & Personal Property
7 Increase from 12/31/16 to 12/31/17	<u>\$2,230,030</u>
 <u>Pro Forma Rate Calculation:</u>	
8 Total Real Estate/Personal Property	<u>163,646,295</u>
9 Estimated Tax	<u>15,442,800</u>
Effective Real Estate/Personal Property	
10 Proforma Tax Rate	<u>9.4367%</u>
Allocation of Property Tax on Enterprise Software to	
11 MGE	<u>\$759,342</u>

**MISSOURI GAS ENERGY**  
**Twelve Months Ending December 31, 2016**  
**Ad Valorem Taxes on Kansas Storage Gas**

Line No.	Description (a)	Amount (b)
1	Balance of Regulatory Asset - April 30, 2014	\$8,420,481
2	Monthly Amortization of Regulatory Asset (32 months at 133,333.33)	(\$4,266,667)
3	Beginning regulatory asset balance	\$8,420,481
4	Monthly Expense allowed in GR-2014-0004 (32 months at \$116,666.67)	\$3,733,333
	Less: Actual ad valorem tax payments:	
5	2014 and past taxes	(\$9,210,794)
6	2015 taxes	(\$1,309,012)
7	2016 taxes	(\$1,116,725)
8	Difference between accruals and payments	<u>(\$508,285)</u>
9	Balance of regulatory asset at 12/31/16	<u>\$3,645,530</u>

**MISSOURI GAS ENERGY**  
**Twelve Months Ending December 31, 2016**

**Locates Expense**

Line No.	Description (a)	Total (b)
1	January	14,787
2	February	20,480
3	March	26,026
4	April	25,038
5	May	24,877
6	June	24,151
7	July	21,214
8	August	26,095
9	September	25,396
10	October	24,944
11	November	16,904
12	December	14,909
13	Total Locates	<u>264,821</u>

**CY16 Locates - MGE**

	<u>Quantity</u>	<u>Cost</u>	<u>Total</u>
14	Locates - Jan 16 - March 16	\$13.20	\$ 741,915
15	Locates - April 16 - Dec 16	13.40	2,500,905
16	Fiber Locates - Jan 16 - Mar 16	13.20	67,153
17	Fiber Locates - Apr 16	13.40	27,847
18	Fiber Locates - May 16 - Dec 16	32.60	482,957
19	Total Locates		<u>\$ 3,820,777</u>

**Pro Forma Locates Cost - MGE**

20	Locates	242,840	\$13.60	\$ 3,302,629
21	Fiber Locates	21,980	32.60	716,551
22	Total	<u>264,821</u>		<u>\$ 4,019,181</u>
24	Adjustment to A/C 874			<u>\$ 198,404</u>

25	Locates	91.7%	
26	Fiber Locates	8.3%	* Breakdown of fiber locates from USIC
		<u>100.0%</u>	

**MISSOURI GAS ENERGY**  
**Twelve Months Ending December 31, 2016**

**Other Expense Adjustments**

Line No.	Description (a)	Acct	Total (b)
1	Eliminate Ticket Expense	912	(109,264)
2	Total		<u><u>(\$109,264)</u></u>



MISSOURI GAS ENERGY  
Twelve Months Ending December 31, 2016

Weatherization & Conservation

Line No.	Description (a)	Amount (b)
1	Weatherization Program	\$750,000
2	Per Books	<u>750,000</u>
3	Adjustment	<u><u>\$0</u></u>

**Electronic Gas Measurement Equipment - Cost of Service**

	LAC & MGE
	Cost per Instrument Point
Measurement	
Labor	129.53
Vehicle	17.04
	146.57
Other Labor (Design & Order)	70.00
Clearings	75.54
Payroll Tax (on Labor & 92% of Clearings)	15.25
Subtotal	307.36
Overhead **	129.09
	\$ 436.45
Instrument Point Cost	2,300.00
Total Cost per Instrument Point	\$ 2,736
Approximate number of schools in STP Program	850
Approximate cost of installing electronic metering equipment (excl. income tax)	\$ 2,325,983

\*\* Includes pension, benefit, and other overhead costs

**Electronic Gas Measurement Equipment - Current Charges Per Tariff Sheet No. 71**

Per Meter Site (1 instrument point)	\$ 5,000
Each addt'l instrument point	\$ 2,000
Addt'l charge for customers served by orifice meters	\$ 3,000
Monthly O&M fee	\$ 25

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 )  
CITY OF ST. LOUIS ) SS.

Michael R. Noack, of lawful age, being first duly sworn, deposes and states:

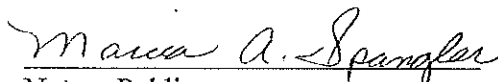
1. My name is Michael R. Noack. I am Director of Pricing and Regulatory Affairs for Missouri Gas Energy, an operating unit of Laclede Gas Company. My business address is 7500 E. 35<sup>th</sup> Terr., Kansas City, Missouri, 64129.

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

  
Michael R. Noack

Subscribed and sworn to before me this 3rd day of April 2017.

  
Notary Public

