

Exhibit No:
Issue: Revenue Adjustments
Witness: Keri E. Feldman
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Laclede Gas Company (LAC)
Missouri Gas Energy (MGE)
Case No.: GR-2017-0215
GR-2017-0216
Date Prepared: November 21, 2017

MISSOURI PUBLIC SERVICE COMMISSION

**LACLEDE GAS COMPANY
MISSOURI GAS ENERGY**

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

SURREBUTTAL TESTIMONY

OF

KERI E. FELDMAN

NOVEMBER 2017

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1 **SURREBUTTAL TESTIMONY OF KERI E. FELDMAN**

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

4 A. My name is Keri E. Feldman, and my business address is 700 Market Street, St.
5 Louis, Missouri 63101.

6 **Q. ARE YOU THE SAME KERI E. FELDMAN WHO PREVIOUSLY FILED**
7 **DIRECT, TRUE UP DIRECT, AND REBUTTAL TESTIMONY IN THIS**
8 **PROCEEDING?**

9 A. Yes, I submitted revenue related testimony on behalf of both Laclede Gas Company
10 (“LAC”) in Case No. GR-2017-0215 and Missouri Gas Energy (“MGE”) in Case
11 No. GR-2017-0216.

12 **I. PURPOSE OF TESTIMONY**

13
14 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN**
15 **THIS PROCEEDING?**

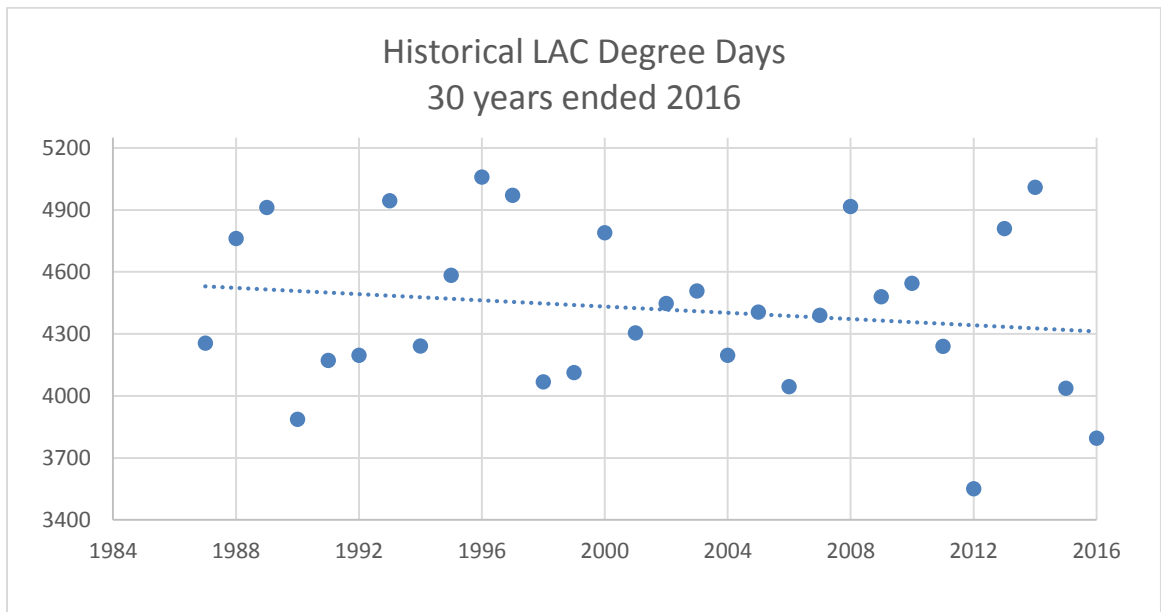
16 A. The purpose of my surrebuttal testimony is to briefly respond to rebuttal testimony
17 filed by Staff witnesses Bocklage and Won on weather normalization, as well as
18 other revenue adjustment items, including methodology refinements to the MGE
19 customer annualization levels originally set by the Company and the differences
20 between Staff and Company for MGE Large Volume revenue.

21 **II. WEATHER NORMALIZATION AND USAGE**

22
23 **Q. PLEASE DESCRIBE THIS ISSUE AS IT RELATES TO DIFFERENCES IN**
24 **WEATHER ASSUMPTIONS BETWEEN LAC/MGE (COLLECTIVELY**
25 **“COMPANY”) AND STAFF**

1 A. As stated in prior testimony, for predictive measures, the Company still believes
2 that using more recent weather patterns and data from the past ten years is more
3 indicative of what normal weather will be in the future and therefore provides a
4 better basis for calculating a true weather normal for ratemaking purposes. Staff
5 witness Won is continuing to challenge the Higher Correlation and Better Fit
6 statement in my original testimony, whereas I used these expressions in layman's
7 terms to describe the lower level of normal degree days I was seeing based on more
8 recent history, which I felt was a better measure of what should be defined as
9 normal. As stated in prior rebuttal testimony, alternative ways of calculating
10 normal are being widely accepted in the industry. Staff insists on utilizing 30-year
11 historical normal, while the Company chooses to rely on the most recent decade of
12 actual National Oceanic and Atmospheric Administration (“NOAA”) reported
13 degree days to calculate a new normal for rate case purposes.

14 As you can see below, actual degree days are trending downward, which further
15 supports the Company’s basis for weather normalization calculations which best
16 represent recent actual trends in weather patterns. Based on all current and past
17 statements, the Company continues to support the originally filed degree days as
18 the most appropriate normal to drive weather normalization.



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Q. STAFF WITNESS WON STATES THAT THE COMMISSION HAS ALREADY DECIDED THIS ISSUE BEFORE, QUOTING FROM A REPORT AND ORDER IN CASE NO. GR-96-0285 (P. 4, LN 11-15)? DO YOU BELIEVE THIS DECISION SHOULD BE REVISITED?

A. Absolutely. A lot has happened in the 21 years since that decision was rendered. According to the NOAA Global Climate Report - Annual 2016¹,

“2016 became the warmest year in NOAA's 137-year series. Remarkably, this is the third consecutive year a new global annual temperature record has been set.... This marks the fifth time in the 21st century a new record high annual temperature has been set (along with 2005, 2010, 2014, and 2015) and also marks the 40th consecutive year (since 1977) that the annual temperature has been above the 20th century average. To date, all 16 years of the 21st century rank among the seventeen warmest on record (1998 is currently the eighth warmest.) The five warmest years have all occurred since 2010.”

¹ Source: <https://www.ncdc.noaa.gov/sotc/global/201613>

1 Whether or not one subscribes to the concept of global warming, such facts
2 certainly suggest that it is time to revisit that 1996 decision.

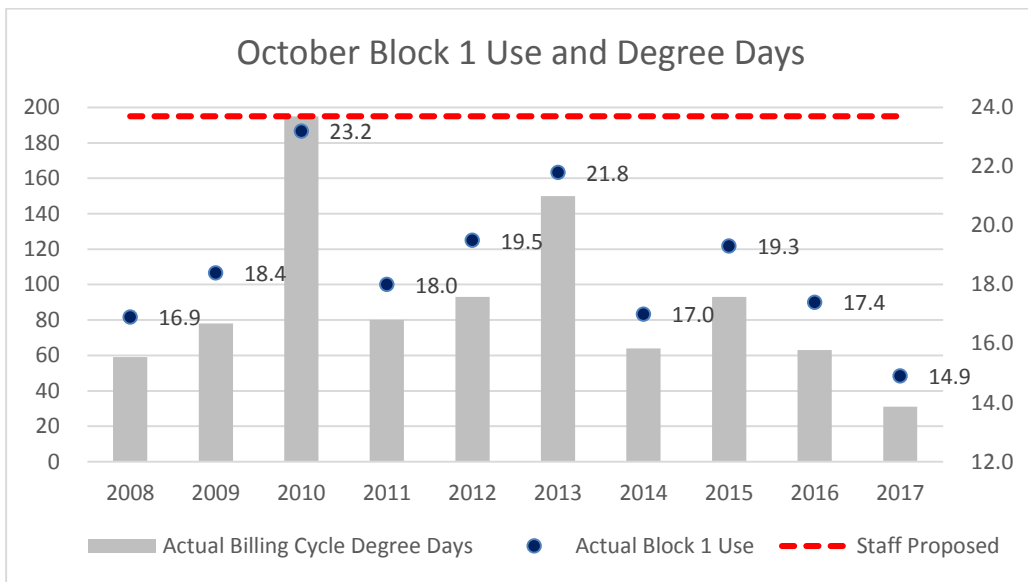
3 **Q. PLEASE DESCRIBE THE BIGGEST IMPACT THE DEGREE DAY**
4 **DIFFERENTIALS ARE HAVING ON PROPOSED CUSTOMER USAGE?**

5 A. In total and from an overall usage viewpoint, due to the update to the most recent
6 period, the degree days are not driving a significant difference; therefore, Company
7 does not believe it is particularly appropriate to continue debating the virtues of
8 using a 30-year versus 10-year normal. As you can see from the above graphs, in
9 total degree day calculations, the methodologies used by Staff and Company do not
10 produce significantly different results on an aggregate basis. Accordingly, I will
11 focus on the largest usage difference that is driving most of the revenue variance,
12 which is in the LAC operating unit and involves residential usage in the shoulder
13 month of October. As stated in my prior testimony, the October Residential usage
14 difference between Staff and Company results in an unusually large distribution
15 margin variance of \$1.2 million due to the shoulder month dynamics of the
16 operating unit's weather mitigated rate design. Staff's statistical methodology
17 resulted in a Block 1 use per bill of 23.7 while the Company's methodology resulted
18 in Block 1 use per bill of 18.3.

19 **Q. DESCRIBE THE COMPANY'S REASON BEHIND THE CONCERN**
20 **ASSOCIATED WITH STAFF'S LAC OCTOBER RESIDENTIAL USAGE**
21 **LEVEL?**

22 A. The October use per bill estimate of 23.7 therms hasn't been experienced by LAC
23 in any year during the past ten years. The weather and usage dynamic in this
24 shoulder month fluctuate greatly and typically the operating unit experiences a

1 much lower block 1 use per bill on an actual basis. The below graph illustrates the
 2 10-year historical actual block 1 usage and billing cycle degree day relationship.
 3 As can be seen from the graph, in 2010, billing cycle degree days totaled 195 in
 4 that month with a Residential block 1 use per bill of 23.2. This is still lower than
 5 the Staff's proposed level of 23.7 even though this usage occurred in the coldest
 6 October of the most recent decade. The warmest year resulted in block 1 usage of
 7 14.9 with only 31 billing cycle degree days. This illustrates and supports the
 8 Company's original filed position for October normalized usage.



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10 III. CUSTOMER ANNUALIZATION

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 12 **Q. PLEASE DESCRIBE THE COMPANY'S REVISED POSITION**
 13 **REGARDING MGE CUSTOMER ANNUALIZATION.**

14 A. After additional analysis and discussion with members of Staff, a different
 15 approach to the customer annualization methodology is being pursued to come to
 16 an agreed upon level of bills for Residential and Small General Service in the MGE
 17 operating unit. The original calculations completed by the Company, which applied

1 the decline between January 2017 and January 2016 for Small General Service to
2 the test year does not support the 3-year historical averages, likely the result of
3 landlord-owned housing units periodically switching between the residential and
4 small commercial rate classes. The new Company high-level methodology for
5 MGE calculates normal customer levels using a 3-year average historical % in a
6 manner similar to the Staff method.

7 **Q. DOES THE COMPANY'S NEW CALCULATION FOR MGE BILLS**
8 **CLOSELY ALIGN WITH STAFF'S REVISED CALCULATION?**

9 A. Yes, in conference call discussions with Staff personnel, the two parties have
10 worked to narrow their differences regarding MGE Residential and Small General
11 Service bill levels. The revised methodology decreased Staff's original filed
12 Residential bills by approximately 42 thousand bills, closer to the Company's
13 original levels, and increased both parties SGS bill levels by approximately 30
14 thousand. Both Staff and Company's calculation are much more aligned under new
15 proposed methodology than under the original filed levels.

16 **Q. DO YOU HAVE ANYTHING ELSE TO NOTE REGARDING CUSTOMER**
17 **ANNUALIZATION?**

18 A. Yes, the Company does not agree with any annualization methodology that applies
19 growth on top of the true-up period of bill levels that would project customer levels
20 into Fiscal 2018. Other operating expenses and capital are not projected outward
21 for these future time periods for the additional investment and operating costs
22 needed to support this growth. Further, it does not seem equitable for Staff to
23 project customer counts looking forward while at the same time normalizing
24 weather by looking backward 30 years during a warming trend. Rather, any

1 annualization should be applied to test year levels to result in the most appropriate
2 matching and best normalized bill levels.

3 **IV. GENERAL LEDGER RECORDING**

4
5 **Q. PLEASE UPDATE DEVELOPMENTS REGARDING THE ADJUSTMENT**
6 **MADE BY STAFF WITHIN SECTION V. OF ITS COST OF SERVICE**
7 **REPORTING RELATING TO GENERAL LEDGER RECORDING ISSUES**

8 A. After further analysis and review, it was discovered the main reason for Staff's
9 "Adjustment to GL" was due to the Staff's method of calculating all MGE Large
10 Volume customers at fully effective tariff rates, without consideration for the flex
11 rate discounts provided to retain those customers who have alternative energy
12 sources – discounts that are permitted by tariff sheet no. 43. The Company did not
13 adjust for these flex rate customers who are on the reduced rate for purposes of rate
14 making since this provision provides a benefit to MGE customers by providing
15 margins which still exceed the cost to serve them while retaining the customers on-
16 system. Based on my discussions with the Staff, I am hopeful that the actual
17 revenues received by the Company for these flex rate customers will be used to set
18 rates. In addition, staff's Large Volume revenue level does adjust for the one
19 customer given the Economic Development Rider adjustment as provided in the
20 tariff; whereas the Company mistakenly did not. With these considerations, MGE
21 Large Volume revenue levels should now be reconciled.

22 **Q.. DOES THAT CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

23 A. Yes, it does.

**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)

A F F I D A V I T

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

Keri E. Feldman, of lawful age, being first duly sworn, deposes and states:

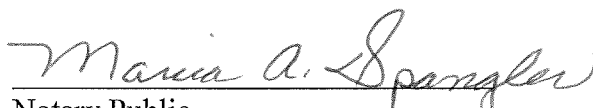
1. My name is Keri E. Feldman. I am Manager, Operations Accounting for Laclede Gas Company. My business address is 700 Market St., St Louis, Missouri, 63101.

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


Keri E. Feldman

Subscribed and sworn to before me this 15 day of NOVEMBER 2017.


Notary Public

