Exhibit No.: Issue: Witness: Sponsoring Party: Type of Exhibit: Case No.: Date Testimony Prepared:

Revenue Requirement Cary G. Featherstone MoPSC Staff Surrebuttal Testimony GR-2014-0007 April 3, 2014

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION UTILITY SERVICES - AUDITING

SURREBUTTAL TESTIMONY

OF

CARY G. FEATHERSTONE

MISSOURI GAS ENERGY A Division of Laclede Gas Company

CASE NO. GR-2014-0007

Jefferson City, Missouri April 2014

1		SURREBUTTAL TESTIMONY	
2		OF	
3		CARY G. FEATHERSTONE	
4	MISSOURI GAS ENERGY		
5	CASE NO. GR-2014-0007		
6	Q.	Please state your name and business address.	
7	А.	Cary G. Featherstone, Fletcher Daniels Office Building, 615 East 13th Street,	
8	Kansas City, Missouri.		
9	Q.	Are you the same Cary G. Featherstone who filed direct, supplemental direct	
10	and rebuttal testimony in this case?		
11	А.	Yes, I am. I contributed to Staff's Cost of Service Report filed in the Missouri	
12	Gas Energy (MGE) rate case designated as Case No. GR-2014-0007 on January 29, 2014. I		
13	filed rebuttal testimony in Case No. GR-2014-0007 on March 4, 2014.		
14	Q.	What is the purpose of your surrebuttal testimony?	
15	А.	The purpose of my testimony is to provide an update to Staff's	
16	recommendation for the revenue requirement in this case.		
17	Q.	What caused the need to file this updated revenue requirement calculation?	
18	А.	During the course of the audit and discussions with the Company, Staff learned	
19	about three areas that needed updating:		
20		• Updating capital structure through the December 31, 2013 true-up.	
21 22		• Updating an offset to rate base amount resulting from the Laclede Gas Company acquisition of MGE in Case No. GM-2013-0254.	

Surrebuttal Testimony of Cary G. Featherstone

1 Implementing a proposal for regulatory treatment of property taxes • 2 being assessed by state of Kansas that MGE is currently protesting. 3 Q. What is the updated revenue requirement? 4 A. Staff is recommending a revenue requirement amount ranging from a negative 5 (\$1.1 million) to \$3.7 million using a 7.90 percent to 8.90 percent return on equity, resulting 6 in a 5.68 percent to 6.22 percent return on investment. 7 Q. What is the reason for updating the capital structure through December 31, 2013? 8 9 A. Staff conducted a true-up audit, making revisions to the September 30, 2013 10 update period, and filing its recommendations on February 14, 2014. While the true-up 11 reflected updated information through December 31, 2013, Staff later learned there was 12 an impact on the capital structure that Staff has included in this updated revenue 13 requirement calculation. 14 Staff witness Zephania Marevangepo is addressing this change in his surrebuttal 15 testimony. 16 Q. What is the reason for updating the rate base offset? During the MGE acquisition case, an amount for the rate base offset was 17 A. 18 estimated at \$125 million. At the time of the closing of the MGE acquisition on September 1, 19 2013, the actual rate base offset turned out to be \$118.3 million. Staff reflected this amount as 20 the starting point and included the amount as of December 31, 2013 as \$114.4 million, 21 appearing on Schedule 2- Rate Base Schedule. 22 Q. What is the reason for including the Kansas property taxes in this revised true-23 up revenue requirement calculation?

Surrebuttal Testimony of Cary G. Featherstone

A. Staff has been working with the Company to develop a proposal to identify an
amount for the protested Kansas property taxes. Staff has included this amount to address a
portion of these property taxes that are currently being deferred on the MGE books that relate
to prior years' property taxes and a portion for on-going property taxes.

Staff witness Karen Lyons is addressing this proposal and how the \$3 million level was developed.

Q. Does conclude your surrebuttal testimony?

A. Yes, it does.

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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy, Inc.'s) Filing of Revised Tariffs to Increase its Annual) Revenues for Natural Gas)

Case No. GR-2014-0007

AFFIDAVIT OF CARY G. FEATHERSTONE

STATE OF MISSOURI)	
)	SS.
COUNTY OF COLE)	

Cary G. Featherstone, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of ______ pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

G. Featherstone

Subscribed and sworn to before me this

 $\underline{}$ day of April, 2014.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 12, 2016 Commission Number: 12412070

Notary Public