

*Exhibit No.:*  
*Issue:* AMR Devices;  
Uniform Expense  
*Witness:* Lisa M. Ferguson  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* True-Up Direct Testimony  
*Case No.:* GR-2017-0215 &  
GR-2017-0216  
*Date Testimony Prepared:* November 28, 2017

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**AUDITING DEPARTMENT**

**TRUE-UP DIRECT TESTIMONY**

**OF**

**LISA M. FERGUSON**

**SPIRE MISSOURI INC. d/b/a SPIRE**

**LACLEDE GAS COMPANY and MISSOURI GAS ENERGY  
GENERAL RATE CASE**

**CASE NOS. GR-2017-0215  
and GR-2017-0216**

*Jefferson City, Missouri  
November 2017*

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1 **TRUE-UP DIRECT TESTIMONY**

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6 **GENERAL RATE CASE**

7 **CASE NOS. GR-2017-0215 and GR-2017-0216**

8 Q. Please state your name and business address.

9 A. Lisa M. Ferguson, 111 N. 7<sup>th</sup> Street, Suite 105, St. Louis, MO 63101.

10 Q. By whom are you employed?

11 A. I am employed by the Missouri Public Service Commission (“Commission”)  
12 as a member of the Auditing Staff ("Staff").

13 Q. Are you the same Lisa M. Ferguson who contributed to Staff’s *Revenue*  
14 *Requirement Cost of Service Report* filed September 8, 2017, rebuttal testimony filed October  
15 17, 2017 and surrebuttal testimony filed November 21, 2017 in this case?

16 A. Yes, I am.

17 Q. What is the purpose of your true-up direct testimony in this proceeding?

18 A. My true-up direct testimony will address LAC witness Lobser’s rebuttal  
19 proposal for inclusion of AMR devices as part of rate base as well as inclusion of an  
20 appropriate amount of uniform expense in the cost of service.

21 **AUTOMATED METER READING (AMR) DEVICES**

22 Q. Please describe the situation regarding LAC’s AMR devices.

1           A.     In March 2005, LAC entered into a fifteen year automated meter reading  
2 services agreement with Cellnet Technology Inc., a company later purchased by Landis+Gyr,  
3 to introduce new automated gas meter reading, data acquisition and data management  
4 services to LAC's service area that efficiently provided accurate information to LAC for the  
5 billing, distribution, operations, and customer care functions. This was accomplished by  
6 Landis+Gyr establishing and maintaining a radio frequency fixed network consisting of meter  
7 interface units (MIUs) installed on LAC's meters. From March 2005 through June 30, 2017,  
8 LAC owned the gas meters themselves but paid Landis+Gyr to lease the meter interface  
9 units that were attached to the gas meters, as well as to conduct meter reads to use in LAC's  
10 billing process.

11           Q.     In surrebuttal testimony Staff mentioned that it was reviewing and analyzing  
12 discovery regarding this issue. Has Staff been able to analyze this discovery and develop a  
13 position regarding this issue?

14           A.     Yes. Staff's investigation revealed that on July 1, 2017, LAC purchased the  
15 700,262 already deployed meter interface units from Landis+Gyr for \$16,624,220 and  
16 executed an amendment to the initial 2005 automated meter reading services agreement. As  
17 part of this purchase and amendment, LAC now owns the meter interface units. However the  
18 meter reading services agreement was renewed and extended until March 31, 2024, after  
19 which time the contract will automatically renew in one year intervals on April 1 of each year.  
20 As part of this purchase and agreement amendment, the per read fee per month is reduced  
21 from \$0.985 per meter per month to \$0.24 per meter per month until June 30, 2020, and then  
22 \$0.30 per meter per month subsequent to that date. Landis+Gyr continue to be responsible for  
23 the maintenance and installation of the MIUs as part of the amended agreement.

1 Q. Did Staff perform a cost benefit analysis to determine if the purchase of the  
2 MIUs, rather than leasing them was a benefit to customers?

3 A. Yes. Staff calculated a cost benefit analysis to determine if there was cost  
4 savings to customers if LAC purchased the MIUs rather than leasing them. Staff did  
5 determine that there was cost savings from the purchase of the MIU's and that it was  
6 appropriate to include these items in the cost of service as part of this rate case.

7 Q. Based on that analysis, what has Staff included in its cost of service for this  
8 case regarding the purchase of the meter interface units?

9 A. Staff has included \$16.6 million in plant in service in account 397.2 for the  
10 meter interface units; and is proposing to amortize the units over the 7.5 year remaining life of  
11 the contract as recommended by Staff witness Keenan Patterson for an annual amortization of  
12 \$2.2 million. LAC will earn a return on the investment as well as a return of the investment  
13 through the amortization. Staff also included the reduction to O&M expense of \$6.2 million  
14 due to the lower meter reading costs established in the contract amendment.

15 Q. Did LAC propose to include additional items in the cost of service besides  
16 what Staff mentions above?

17 A. Yes. In addition to what Staff has included, LAC also included \$694,256 for  
18 estimated maintenance costs of MIUs as well as \$415,605 of estimated property taxes related  
19 to the ownership of the devices.

20 Q. Does Staff believe it is appropriate to include the estimated maintenance costs  
21 and estimated property taxes as part of the cost of service in this case?

22 A. No. Staff does not believe it is appropriate to include these items. First, all  
23 maintenance and installation costs are included in the amended contract as Landis+Gyr's

1 responsibility through March 2024. Second, if these devices needed to be replaced before  
2 close of the true-up period at September 30, 2017; those replacement costs would be included  
3 in Staff's true-up plant in service at that date. In addition, LAC will not be assessed property  
4 tax on the MIUs any earlier than January 2018 and will not pay property tax on the MIUs  
5 until at least December 31, 2018. This means that these property taxes are not known and  
6 measureable, nor have they been incurred during the true-up period; hence no inclusion  
7 should be made for them in the cost of service. Please refer to Staff witness Karen Lyons'  
8 true-up direct testimony for discussion on Staff's methodology regarding property taxes.

9 Q. Does LAC have future plans in development regarding investment in gas  
10 meters?

11 A. Yes. LAC has relayed to Staff that it intends on replacing the current AMR  
12 meters with advanced metering infrastructure (AMI) meters beginning in April 2020.

13 AMR is usually a system where aggregated usage, and in some cases demand, is  
14 retrieved via an automatic means and includes all one-way systems, drive-by and walk-by  
15 systems, phone-based dial-up systems, handheld reading entry devices and touch-based  
16 systems. These systems tend to be collection only, without means for broadcasting command  
17 or control messages. In addition, data from AMR systems is typically gathered only monthly  
18 or, at most, daily. AMI is typically more automated and allows real-time, on-demand meter  
19 readings. The Federal Energy Regulatory Committee (FERC) defines an AMI network as "a  
20 metering system that records customer consumption hourly or more frequently and that  
21 provides for daily or more frequent transmittal of measurements over a communication  
22 network to a central collection point."<sup>1</sup>

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<sup>1</sup> Federal Energy Regulatory Commission Survey on Demand Response, Time-Based Rate Programs/Tariffs and Advanced Metering Infrastructure Glossary; General Information Section, FERC-727 and FERC-728

1 Q. Does Staff have a recommendation for LAC regarding any possible future  
2 AMI investment?

3 A. Yes. Staff believes it is important that as LAC is determining, in the future,  
4 whether to purchase or lease AMI devices for its meters that it performs another cost benefit  
5 analysis to determine the most cost beneficial meter procurement method for its customers  
6 (i.e. leasing vs. buying). Staff plans to review this cost benefit analysis in a future rate case in  
7 order to determine the appropriate inclusion of these costs into future rates.

8 **UNIFORM EXPENSE**

9 Q. Please briefly describe this issue.

10 A. Spire Missouri has proposed as part of the true-up audit to adjust its uniform  
11 expense level. Spire Inc. instituted a change in the corporate uniform policy that went into  
12 effect on August 24, 2017. Spire Inc. also established a “rebranding” strategy in September  
13 2017. Staff has reviewed several data request responses regarding uniform expense to  
14 determine an appropriate ongoing level of expense to include in the cost of service. As other  
15 Staff witnesses have explained in surrebuttal testimony, Staff does not believe customers  
16 should have to fund costs associated with a shareholder decision to rebrand. However, Staff  
17 does believe a change in the level of uniform expense is warranted due to the change in the  
18 corporate uniform policy because the policy now requires all customer facing employees  
19 across Missouri to wear a uniform. This includes all construction and maintenance employees  
20 who previously did not wear full uniform dress. Prior to the new policy, LAC/MGE had  
21 varying uniform requirements in regard to field employees. The requirements were  
22 inconsistent but now employees are bound by the Employee Appearance Policy and  
23 Procedure which was updated prior to the rebranding activation.

True Up Direct Testimony of  
Lisa M. Ferguson

1 Q. What level of uniform expense did Staff include in its true-up accounting  
2 schedules?

3 A. Staff took the number of required clothing articles along with the price per  
4 article that was provided in the response to Staff Data Request No. 199 and developed a  
5 weighted percentage per year for the four year uniform replenishment cycle that Spire  
6 Missouri uses. Staff then applied that percentage to FY 2017's actual uniform spending  
7 dollars. Staff utilized FY 2017's spending because it includes the amount of clothing that will  
8 need to be purchased in relation to the new uniform policy in the first year of the uniform  
9 replenishment cycle. Staff is ignoring any rebranding that has occurred during this time.  
10 Staff allocated uniform expense based on Staff's annualized employee count at September 30,  
11 2017 and as such has included \$150,870 for MGE and \$365,672 for LAC.

12 Q. Does this conclude your true-up direct testimony?

13 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 ) Case No. GR-2017-0215  
Gas Service )

In the Matter of Laclede Gas Company )  
d/b/a Missouri Gas Energy's Request to ) Case No. GR-2017-0216  
Increase Its Revenues for Gas Service )

**AFFIDAVIT OF LISA M. FERGUSON**

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

**COMES NOW LISA M. FERGUSON** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing True-Up Direct Testimony; and that the same is true and correct according to her best knowledge and belief.

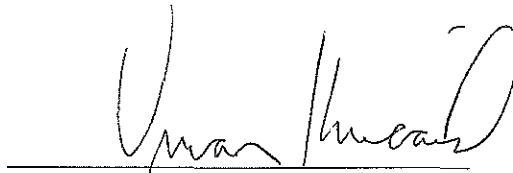
Further the Affiant sayeth not.

  
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LISA M. FERGUSON

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the City of St. Louis, State of Missouri, at my office in St. Louis, on this 27<sup>th</sup> day of November, 2017.

VIVIAN KINCAID  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for St. Louis County  
My Commission Expires: June 06, 2018  
Commission Number: 14893349

  
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Notary Public