

EXH. 62

Exhibit No.:	
Issue:	Pensions and Post-Retirement Benefits
Witness:	Mark D. Waltermire
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Laclede Gas Company
Case No.:	GR-94-220

FILED
 December 27, 2017
 Data Center
 Missouri Public
 Service Commission

LACLEDE GAS COMPANY
 GR-94-220
 DIRECT TESTIMONY
 OF
 MARK D. WALTERMIRE

Spire Exhibit No. 62
 Date 12-14-17 Reporter KF
 File No. GR-2017-0215
GR-2017-0216

1 Types of Regulation" (FAS 71) provides that Laclede
2 may, under certain conditions, record a Regulatory
3 Asset or Liability in its balance sheet for the
4 amount of the difference between GAAP and ratemaking
5 methods of determining costs.

6 In the event that the Commission were to order
7 recovery of ratemaking pension expenses on a basis
8 other than that requested by Laclede, the Company
9 requests that such order also contain:

- 10 (1) authorization to create a Regulatory Asset or
11 Liability, to be used for recording differences
12 between FAS 87 and FAS 88 pension costs and the
13 amount of pension expense allowed to be recov-
14 ered in rates,
- 15 (2) authorization to recover the Company's accumulat-
16 ed prepaid pension asset in rates over a reason-
17 able period of time, and
- 18 (3) a statement from the Commission that, if at a
19 later date, it determines that some other basis
20 of measuring pension cost is more appropriate
21 for ratemaking purposes, any deferred amounts
22 remaining in the Regulatory Asset or Liability
23 account at that time would be subject to recov-
24 ery from or reversion to ratepayers in the fu-
25 ture.

26 Q. You are also sponsoring the inclusion of the Compa-
27 ny's net prepaid pension asset in rate base. How was
28 the amount included in rate base determined?

1 A. Net prepaid pension cost included in rate base was
2 calculated by adding together estimated April 30,
3 1994 accrued pension liability and prepaid pension
4 asset account balances for all Company sponsored
5 retirement plans.

6 Q. Why is the inclusion of the net prepaid pension asset
7 in rate base appropriate?

8 A. During the past several years, assets in Laclede's
9 qualified pension trusts have performed better than
10 the Company's long-term earnings expectations. To
11 the extent that these earnings exceeded expected
12 levels they resulted in gains to the pension plan.
13 The Company's recognition of a portion of these gains
14 through its FAS 87 and FAS 88 calculations, along
15 with contributions to its pension trusts, has result-
16 ed in a net prepaid pension asset.

17 The recognition of gains from assets does not re-
18 sult in additional cash flow to the Company. This is
19 because funds cannot be withdrawn from a pension
20 trust without incurring severe penalties. Yet,
21 ratepayers have still benefitted from these gains by
22 the inclusion of lower pension costs in rates. The
23 net effect of this treatment has been to lower the
24 Company's revenue requirement and, therefore, its
25 cash flows by the amount of pension asset gains
26 passed through to ratepayers.

27 In light of the above, I believe it is appropri-
28 ate that the Company be provided with a return on its

ORIGINAL COST RATE BASE

(Thousands of Dollars)

<u>Description</u>	<u>April 30, 1994</u>
Utility Plant in Service	\$668,831
Natural Gas Stored Underground – Non – Current	5,884
Other Utility Plant	22,227
Subtotal of Plant	<u>\$696,942</u>
– Deduct:	
Accumulated Provision for Depreciation of Gas Plant and Provision for Depletion and Amortization of Land, Land Rights and Other Gas Plant in Service	(\$296,289)
Customer Advances for Construction	(1,301)
Subtotal of Plant Deductions	<u>(\$297,590)</u>
Net Plant	\$399,352
Add:	
Special Deposits	\$10
Propane Gas Inventory	13,241
Natural Gas Stored Underground – Laclede Field	11,427
Natural Gas Stored Underground – MRT Field	28,794
Prepayments	2,290
Material and Supplies	4,988
Materials Management System Deferred Costs	480
Gas Research Institute (GRI) Payments Deferred	197
Deferred Property Taxes	500
Prepaid Pension Asset	14,187
Insulation Financing Program Loans	2,000
Cash Working Capital	<u>15,346</u>
Total Working Capital	93,460
– Deduct:	
Deferred Income Taxes	<u>(47,370)</u>
Original Cost Rate Base	<u><u>\$445,442</u></u>