

In the Matter of:

The Application of Spire Missouri Inc. to Change Its Infrastructure

GO-2019-0115 GO-2019-0116, VOL. II

April 04, 2019



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BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

TRANSCRIPT OF PROCEEDINGS

Evidentiary Hearing

April 4, 2019

Jefferson City, Missouri

Volume 2

In the Matter of the Application of)
Spire Missouri Inc. to Change its) GO-2019-0115
Infrastructure System Replacement)
Surcharge in its Spire Missouri)
East Service Territory)

In the Matter of the Application of)
Spire Missouri Inc. to Change its) GO-2019-0116
Infrastructure System Replacement)
Surcharge in its Spire Missouri)
West Service Territory)

NANCY DIPPELL, Presiding
SENIOR REGULATORY LAW JUDGE

DANIEL Y. HALL,
MAIDA J. COLEMAN,
COMMISSIONERS

REPORTED BY:
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TIGER COURT REPORTING, LLC

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A P P E A R A N C E S

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FOR: Staff of the Missouri Public Service Commission

1 JUDGE DIPPELL: Okay. Good morning. It
2 is December -- or not December, like I said yesterday
3 I think. I was reading off of a paper that was
4 obviously out of date.

5 It is April 4th, 2019. I'm Nancy
6 Dippell. We're here for the second day of hearings in
7 Case Numbers GO-2019-0115 and GO-2019-0116. And we
8 left yesterday at the end of Mr. Robinett's testimony,
9 although I did not release him in case there was
10 additional things that we needed to discuss with him
11 today.

12 I left an objection pending regarding the
13 CD of information work orders that Public Counsel
14 wanted to admit. And having given that further
15 consideration, I -- the purpose that Public Counsel
16 wants to admit that for, as I understand it, is so
17 that you can show that the method of choosing the
18 prior two exhibit work orders was not just cherry
19 picking the worst of the batch.

20 So you're not actually -- I mean tho--
21 that is information that the Staff and Public
22 Counsel -- that the Company provided for the Staff to
23 do its review that it is statutorily set at 60 days
24 that they have to do a review. I don't see what extra
25 value -- evidentiary value that those 4,000 pages are

1 going to have if -- if the point of them is basically
2 so that the other parties can cross-examine with them.
3 The other parties can cross-examine the methodology
4 that Public Counsel used to pick those work orders
5 without those 4,000 pages being in the record.

6 So at this point I'm going to -- I don't
7 know that I'm sustaining the objection, but I'm not
8 going to allow the CD with the 4,000 pages of
9 documents that it sounds like don't actually hold
10 evidentiary value at this point. So I'm going to
11 exclude that from evidence and not admit Exhibit 206.

12 Now, having said that, I want to make
13 sure that we did actually get all of the pending
14 cross-examination concluded with Mr. Robinett. So
15 having now excluded the CD, does Staff or Spire have
16 any additional cross-examination that they would
17 have -- that they would have done if I had made that
18 ruling yesterday?

19 MR. BERLIN: No, Judge.

20 MR. ZUCKER: I think we'll say no also.

21 JUDGE DIPPELL: Okay. In that case then,
22 I will excuse Mr. Robinett from further testimony and
23 he can go about his studies for his examination that I
24 know he has tomorrow if he needs to do that.

25 Okay. Are there any other preliminary

1 matters that we need to discuss before we bring up
2 OPC's next witness?

3 MS. SHEMWELL: Just -- I wanted to
4 review. Expedited transcript on the 8th?

5 JUDGE DIPPELL: Yes. I will make sure
6 that the transcripts all get entered into EFIS on the
7 8th. The court reporter has -- has said that she can
8 get those to me in time that I can still review them
9 and get -- get them to the Data Center on the 8th.
10 Anything else?

11 MS. SHEMWELL: On that note, Public
12 Counsel will call Mr. Robert Schallenberg to the
13 stand.

14 JUDGE DIPPELL: All right.

15 (Witness sworn.)

16 JUDGE DIPPELL: All right. You can
17 proceed.

18 MS. SHEMWELL: Thank you.

19 ROBERT E. SCHALLENBERG, having been first duly sworn,
20 testified as follows:

21 DIRECT EXAMINATION BY MS. SHEMWELL:

22 Q. Mr. Schallenberg, would you state your
23 name and spell your last name for the court reporter?

24 A. Robert E. Schallenberg. It's
25 S-c-h-a-l-l-e-n-b-e-r-g.

1 Q. Where do you work?

2 A. The Missouri Office of the Public
3 Counsel.

4 Q. How long have you been there?

5 A. I think it's 315 days or something.

6 Q. But who's counting?

7 A. A lot of the people in the office do.
8 That's how I know it.

9 Q. What is your prior experience dealing
10 with utilities?

11 A. That began in November of 1976 when I
12 joined the Staff of the Missouri Public Service
13 Commission in -- when it opened its Kansas City
14 office. And I -- I -- in 1978, I worked eight months
15 for the Kansas Corporation Commission, then returned
16 to the Commission and been there until I took this job
17 on May 15th of last year.

18 Q. And generally what were your duties?

19 A. Over that time period, they varied a
20 great deal. I mean, I -- obviously I was hired as an
21 accountant and then I think we adopted auditor instead
22 of accountant, especially when we implemented
23 Certified Public Accountant experience criteria.

24 I would say it's in mostly accounting,
25 but in the job you get -- you get exposure to legal,

1 engineering economics, common sense. So I -- that
2 would -- over my history, there's a whole multitude of
3 things that I've been exposed to and learned from.

4 Q. Did you prepare testimony for this case?

5 A. I did.

6 Q. Is that testimony marked as Exhibit 201?

7 A. I -- I don't -- I don't have personal
8 knowledge of the exhibit, but I'll accept it's 201.

9 Q. Thank you. Do you have any corrections
10 to your testimony?

11 A. I have one. On page 4, line 23, I have a
12 word -- I think it's finanical, and it's a real word;
13 I didn't know that. But it was meant to be financial.
14 And so I make that correction, but that's the only
15 correction I have.

16 Q. If I were to ask you the same questions
17 today, would your answers be the same?

18 A. Yes.

19 Q. Is your testimony true and correct to the
20 best of your knowledge and belief?

21 A. Yes.

22 Q. Mr. Schallenberg, do you have some
23 Rebuttal Testimony?

24 MS. SHEMWELL: Oh, I'll offer his direct
25 into evidence.

1 JUDGE DIPPELL: Is there any objection to
2 Exhibit --

3 MS. SHEMWELL: 201.

4 JUDGE DIPPELL: -- 201 coming into
5 evidence? Seeing none, I will admit that.

6 (Exhibit 201 was received into evidence.)

7 BY MS. SHEMWELL:

8 Q. So Mr. Schallenberg, do you have
9 rebuttal?

10 A. I have one item that has come up in the
11 direct in terms of qualifications for worn out,
12 deteriorated and the use of the average service life
13 from a depreciation schedule.

14 And in my experience, I have participated
15 in the creation of depreciation rates and even
16 participated in meetings -- three-way meetings in
17 Dallas for the Bell system. And depreciation has
18 little relationship to the physical condition of the
19 plant. Depreciation is an assignment of dollars that
20 were capitalized and then is charged to different
21 periods.

22 Because of the introduction of unit of
23 property, which distinguishes when work on plant is
24 going to be capitalized or charged to maintenance, the
25 physical characteristics associated with those dollars

1 is not existent. For example, if you're talking about
2 mains or services, they're in a mass asset account,
3 which means they don't keep track of every individual
4 one for depreciation purposes.

5 And what -- what happens is in unit of
6 property for those kind of items, there's so many feet
7 that's called a unit of property. And where that
8 comes in is you do not do a retirement to plant unless
9 it's equivalent of a unit of property.

10 So if you had the -- the defined unit of
11 property is ten feet, if you replace nine feet of
12 that -- of that main, that would be charged to
13 maintenance expense and the original cost of the ten
14 feet would still be in plant. And that would stay in
15 plant until you actually re-- removed or replaced the
16 entire ten -- ten feet.

17 Q. So you're saying it would remain
18 capitalized and not expensed? Am I saying that right?

19 A. Well, what I'm saying is that the
20 physical plant that's actually there will not match up
21 to the dollars of the work done. Because as I said,
22 it -- in -- in financial terms you have to make a
23 distinction between maintenance and plant and they do
24 that in depreciation by designating a unit property.

25 And because of that, you can have

1 physical changes in the plant that are not the
2 equivalent of a full unit of property even though the
3 plant has changed, but that money was charged to
4 maintenance expense.

5 So when you're looking at the dollars or
6 you're looking at the average service life, that's
7 related to dollars capitalized or charged to
8 maintenance. It's not the physical characteristics of
9 the plant.

10 Q. So let's turn to overhead. You've heard
11 quite a bit of discussion about overheads. What was
12 your concern?

13 MR. PENDERGAST: Your Honor, I'm going to
14 object. This is supposed to be rebuttal. It's
15 supposed to be rebuttal to Direct Testimony. It's not
16 supposed to be just a catch-all what have you heard
17 over the last day or so and please comment on it. So
18 unless they're rebutting something specifically that's
19 in direct, I don't think it's appropriate to have
20 additional evidence on it.

21 JUDGE DIPPELL: Can you be more specific
22 with your questions as to its response to the direct?

23 BY MS. SHEMWELL:

24 Q. What did you look at to develop your
25 testimony? Is that rebuttal?

1 Did you look at some -- the work orders
2 that have been admitted into evidence, did you look at
3 those work orders?

4 A. I might have been shown a couple, but I
5 didn't do it as an examination of the subject matter
6 specifically.

7 Q. Have you looked at work orders in
8 general?

9 A. Oh, yeah.

10 Q. And from that did you develop a position
11 on overhead inclusion?

12 A. Well, I don't know I'd say I developed
13 the position. The Uniform System of Accounts
14 specifies. And I -- I need to make a distinction.
15 When you say overheads, you have to know exactly what
16 you're talking about, what's your definition.

17 Because in a lot of cases overheads are
18 just indirect costs from various functions versus
19 being fixed costs that don't change with the entity's
20 production of goods and services. So that's -- I was
21 asked to try to identify in the aggregate and on
22 individual charges for overheads their
23 appropriateness.

24 Q. And when you did that, what did you
25 conclude?

1 A. There were questions. Some -- the
2 payroll -- I didn't have the detail, but the payroll
3 makes the first test that it's -- it's reasonable.
4 There were tools in those work orders. And the
5 question came up because tools is an -- is an
6 inventoried amount. What would be the -- whether the
7 tools were actually consumed on the ISRS projects or
8 were the tools were just checked out of inventory and
9 put back?

10 So the -- the question there is what type
11 of overhead were we talking about. So to go in --
12 in -- the deep that's -- OPC, I helped them try to
13 draft the question, DR that they put in to try to get
14 the answers to that and -- and then they got that
15 response.

16 Q. In its Staff report -- Staff -- I'm
17 sorry, in Mr. Atkinson's Direct Testimony he says --
18 the question was, Please elaborate further on how cost
19 figures for labor, materials, tools and overheads were
20 derived.

21 Do you have any way of knowing how those
22 figures were derived?

23 A. Well, it's -- it's more fundamental.
24 I -- I don't know the numbers, how they're derived,
25 but I -- I'm not sure what the overhead -- you would

1 need to know what you're going to be measuring to be
2 able to know if the measurement's appropriate.

3 And then when you use the term overhead
4 as I use in the Uniform System of Accounts, they have
5 that term and -- but they also have the conditions
6 that you have to meet in order to have an overhead
7 capitalized. Because by their nature, without that
8 characteristic, it's supposed to be charged to
9 expense.

10 Q. Mister -- the Company says that it refers
11 to compatible units to calculate its estimate of the
12 costs associated with the project under each scenario.
13 Can you explain that a little bit?

14 A. Well, I know what the technique is. Now,
15 I don't know -- I don't know the specifics or the
16 details of what they did. But the specifics are --
17 it's -- it's an indirect expense. And by that I mean
18 it's an expense that's related to basic inputs to a
19 construction project.

20 An example would be procurement. You
21 have a procurement department that has to handle
22 ordering and purchasing and so you -- you take a
23 portion of that procurement expense and you assign it
24 to the purchases that the company has. Automobiles is
25 one that is charged based on the usage of the

1 automobiles.

2 That's the idea about having the direct
3 connection. It's an indirect cost, but it can be
4 directly assigned to projects based on usage.

5 That's -- that distinguishes a different class of
6 overhead or what's called overheads in this case to
7 overheads that are just fixed costs that don't change.

8 Q. The Company has included the categories
9 of labor, materials, tools and overheads. Do you have
10 any way of knowing what the separate overheads are?

11 A. You get -- there's a page in my testimony
12 which is from the Company, Company's data. It's
13 RES-D4, page 203. You have those -- you have those
14 titles. And it does show a -- a factor applied to
15 some. You see it on overhead capitalized benefits,
16 overhead general. I think that's the only one that
17 shows some numbers as to the percentage to a -- a
18 general unit. The other ones just say materials and
19 tools.

20 Q. Do you have an opinion as to whether or
21 not inclusion of these is considered rate-making?

22 A. Just the mere charging to a work order
23 doesn't set rates. It's the putting the costs up for
24 the development of rates that it has a relationship to
25 rates.

1 MS. SHEMWELL: Okay. I'll tender the
2 witness for cross.

3 JUDGE DIPPELL: Is there
4 cross-examination by Staff?

5 MR. BERLIN: No cross, Judge. Thank you.

6 JUDGE DIPPELL: Spire?

7 MR. PENDERGAST: Just a couple.

8 CROSS-EXAMINATION BY MR. PENDERGAST:

9 Q. Mr. Schallenberg, were you aware of
10 whether Spire East and Spire West, when they retire a
11 facility, they do it by foot so that if, you know,
12 it's a 100-foot facility and they're retiring 60 feet,
13 they retire the 60 feet but don't retire the other 40?

14 A. I -- I was not aware of that.

15 Q. Okay. And just looking at your case
16 summary, one of the few cases you weren't in was
17 Spire's last rate case proceedings; is that correct?

18 GR--

19 A. I did work -- I did have some work in the
20 case.

21 Q. Okay. But you didn't participate as a
22 witness?

23 A. I don't -- I don't believe -- I don't
24 believe so.

25 Q. Otherwise, you need to update your case

1 summary. But do you have a sense of -- you know,
2 you've looked at employee loadings and that sort of
3 thing, I'm sure, on occasion. If you just look at the
4 wage or salary of an employee, do you have a sense
5 typically how much adding benefits on will be in
6 proportion to just the wages or salaries?

7 A. I have a general one. I mean the State
8 actually tells us what our true compensation is and
9 that's about 34 percent.

10 Q. About 34 percent. And that's a
11 percentage --

12 A. Of the --

13 Q. -- of the --

14 A. Of our salary.

15 Q. Of your salary. Okay. And have you seen
16 in other circumstances where that figure has been
17 higher for a utility?

18 A. I don't know that I've seen it to be
19 higher, but if you were to -- I use about a third of
20 the -- the -- of the -- of the salary to be an
21 additional amount that goes for benefits.

22 Q. Okay.

23 A. Some of those are taxes.

24 Q. Okay.

25 A. Some -- so there's also payroll taxes in

1 there as well.

2 Q. Okay. So -- so you would feel
3 comfortable generally, without having more specific
4 information, saying about 33 percent, a third?

5 A. For payroll.

6 Q. Yes. Of payroll.

7 A. Yes.

8 Q. Yeah. Okay. And can you tell us what
9 your understanding is of non-productive time?

10 A. As -- as I'm familiar with it is it's
11 either vacation where you're -- you're getting paid
12 but you're not working, and some places, some
13 companies will call that training or where it's
14 general work to your job but it's not work directly
15 tied to any direct product of service that you
16 produce.

17 Q. And -- and would that also conceivably
18 include like sick time? You know, when you're not on
19 vacation, you're not working, you're just sick?

20 A. Yes. Yes.

21 Q. Okay. And so, for example, an employee
22 that has four weeks of vacation, his unproductive time
23 could be up to one-twelfth of what his normal wages
24 are or salary? Just rule of thumb. I mean, you
25 know --

1 A. The -- where I'm having trouble is like
2 for sick time or vacation time, you get so many hours
3 you accrue, but --

4 Q. Sure.

5 A. -- almost every company has a cap --

6 Q. Right.

7 A. -- that you can't accrue more than that.
8 So that would affect the assignment of annual leave
9 and -- well, and sick time.

10 Q. Well, let me put it this way. Let's --
11 let's just say an employee -- well, we'll scale it
12 back a little bit. They get three weeks. Okay? Not
13 unusual, is it, for people that have been working for
14 quite some time to have three weeks of vacation?

15 A. Yeah, I'd say that that's reasonable.

16 Q. So then unproductive time, assuming
17 they're not sick or anything else, would be 3 weeks
18 versus 52 -- or over 52 as just kind of a percentage
19 of their non-productive time?

20 A. That would be one factor. But as I
21 mentioned, most organizations don't let you accumulate
22 vacation. So if you're talking about a senior
23 employee, they probably will be capped and so that
24 they won't get a credit for any additional hours.

25 Q. No. And I understand. My hypothetical

1 was this employee's got three weeks of vacation and
2 the unproductive part of their time would be 3 weeks
3 in comparison, pricing it out to what they get paid
4 over 52 weeks?

5 A. That would be true if -- if they're not
6 capped out.

7 Q. Okay. Great. And is holidays also
8 included in an unproductive time?

9 A. It can be. It's any paid absence -- if

10 Q. Okay.

11 A. -- if that helps.

12 Q. And, you know, depending on whether you
13 have ten holidays during the year or seven holidays,
14 whatever it is, that would be unproductive time?

15 A. Yes. I mean, but there are people that
16 work holidays and there's a corresponding offset to
17 that --

18 Q. Okay.

19 A. -- for credit. And sometimes you don't
20 get credit, but yeah.

21 Q. Fair enough. Thank you. I have no
22 further questions.

23 JUDGE DIPPELL: Are there questions from
24 the Commissioners? Commissioner Hall?

25 COMMISSIONER HALL: Yes.

1 QUESTIONS BY COMMISSIONER HALL:

2 Q. Good morning.

3 A. Good morning.

4 Q. Let me make sure I understand Public
5 Counsel's position on overheads. I'm looking at
6 page 5 of your Direct Testimony and you have two
7 alternative recommendations and I'll -- I'll focus on
8 the second one for now. Recommending that the ISRS
9 overhead costs be disallowed at this time.

10 And I'm going back to page 3 of your
11 testimony. And so you are recommending that for Spire
12 East, 50 million in overhead be disallowed and for
13 Spire West, 90 million be disallowed; is that correct?

14 A. If -- yeah, if that's the number,
15 that's -- it would be -- the overheads would be
16 disallowed.

17 JUDGE DIPPELL: Mr. Schallenberg, could
18 you speak into your microphone please?

19 THE WITNESS: I'm sorry.

20 JUDGE DIPPELL: Thank you.

21 BY COMMISSIONER HALL:

22 Q. So -- so 50 million in overhead costs for
23 East and 93 million for -- for West; is that --

24 A. Well, actually the recommendation is that
25 if that finding is that overheads are deficient --

1 well, you wanted to use the second one.

2 Q. I did.

3 A. Okay. Yes, they would be talking about
4 making an adjustment for that amount.

5 Q. Then going back to page 2 of your Direct
6 Testimony, you say, Overhead, by its nature, is not
7 normally an eligible ISRS cost. Correct?

8 A. Yes.

9 Q. In -- in prior cases with which you have
10 had involvement, either from OPC employment or from
11 Staff employment, have you made that particular
12 argument before?

13 A. I'd say yes.

14 Q. And so have you -- you've made the
15 argument before that there were -- that -- that
16 overhead is generally not ISRS eligible?

17 A. Well, I -- I've -- before, I've dealt
18 with just construction. Does it get -- does it get
19 capitalized or does it get charged to expense? ISRS
20 is a subset of construction activity.

21 Q. So -- I understand that. So you're --
22 this is -- from -- from your perspective this is an
23 argument that has been -- well, let me ask it this
24 way. Is -- is this a consistent argument that OPC has
25 made in -- in -- and I'm not talking about Staff. I'm

1 talking about OPC at this point. A -- a consistent
2 argument that OPC has made in ISRS cases or related to
3 construction generally?

4 A. I'm -- I'm not aware that this issue --
5 what is -- it's different in this case, but I'm not
6 aware of the --

7 Q. Why is it different in this case?

8 A. This case is looking at the overheads in
9 terms of control. And -- because I think in my
10 testimony I know that certain overheads would be a
11 charge to this project.

12 What -- what is the problem is we were
13 unable to establish that there's any control over the
14 general charges made to these ISRS projects to ensure
15 the -- to give confidence that there's no
16 inappropriate overheads being charged. So that's a
17 unique issue.

18 I can't tell you for OPC when they became
19 concerned about the overhead charges, but this -- this
20 issue is caused -- is caused by the lack of internal
21 control to give you assurance that all the overhead's
22 being charged.

23 Q. So in other words, it's a matter of
24 evidence? It's a -- from your perspective, it's --
25 it's a function of the Company's failure to supply

1 evidence supporting the assertion that the overhead is
2 properly ISRS eligible?

3 A. That, and control that you don't have
4 assurance there aren't transactions of overhead that
5 are inappropriate.

6 Q. Can you -- can you give me some examples
7 of overhead that -- that would be appropriately
8 chargeable to ISRS?

9 A. If you look at that USOA docum--
10 definition, it has a lot of categories.

11 Q. So it's -- it's -- it's overhead that
12 is -- that is directly related to a construction
13 project?

14 A. Or directly related to construction to
15 the extent that every construction project uses some
16 basic infrastructure in the -- in the Company.

17 Q. And then you also -- you -- you elaborate
18 on that later on page 3. You say, Spire must prove
19 that their overhead costs are an incremental increase
20 above those overheads already being collected in base
21 rates.

22 Your -- your view is that that -- that
23 the Company has failed to do that for the entire
24 overhead amount?

25 A. Yes. They -- they -- they don't have

1 this -- either they don't have it in place or they
2 didn't prov-- provide it to be able to identify or
3 have the assurance that it isn't -- it isn't something
4 being paid for in base rates.

5 Q. I have nothing further. Thank you.

6 JUDGE DIPPELL: Thank you.

7 COMMISSIONER COLEMAN: No questions.

8 QUESTIONS BY JUDGE DIPPELL:

9 Q. Okay. I just have a couple for you
10 Mr. Schallenberg. I think Commissioner Hall kind of
11 asked this, but I've been asking everybody else so I'm
12 going to ask you too.

13 So has -- in your -- in your history at
14 both the PSC and at Public Counsel, has overhead been
15 included in past ISRS cases?

16 A. Some elemental overhead always follows
17 labor. And labor -- there is labor in construction
18 with the exception of if you contracted out. It's not
19 your labor, but then you have some procurement
20 expenses that would be there, which is an overhead.
21 So I'd say yes.

22 Q. But not specifically this type of
23 overhead that you're objecting to here?

24 A. Yeah. What -- what the concern is, is
25 that there's general overheads of the Company that --

1 in fact, if you look at the -- at what I call the bias
2 in accounting in the Uniform System of Accounts, a lot
3 of general overhead goes to -- one is a salary account
4 in 920 and then the other is expenses for the
5 employees in 92.

6 And then you have an account for release
7 of expenses in those categories called 922, which is a
8 credit from those expenses. But they first show up in
9 expense and then you get to capitalize some of those
10 to construction projects. But where I talk about the
11 default is it first shows up and it's charged to
12 expense and then you have to meet certain criteria to
13 be able to charge that -- any of that amount to
14 construction.

15 Q. Okay. So again, I might be getting
16 repetitive here, but I'm just going to ask some basic
17 questions. How -- how would Public Counsel calculate
18 the amount of overheads that should be excluded from
19 the ISRS projects? Is that what you did here to get
20 your 50 million and 93 million?

21 A. I -- that's what was identified as being
22 the aggregate amount. When -- when I was asked about
23 this question, I said, well, how much are you talking
24 about? Because if it's insignificant from a resource
25 deal, you've got to have enough -- you've got to have

1 enough dollars that it's going to be worth the time
2 and effort.

3 And that's where these numbers came up
4 that -- that Mr. Robinett -- and he may have had
5 assistance from someone else -- came up and said this
6 is about the kind of money you're talking about in
7 overheads.

8 And then I looked at the overheads. And
9 as I discussed with Mr. Pendergast and I note in the
10 testimony, some of those were okay. I mean now
11 whether the -- the exact dollars and stuff were there,
12 but -- I know there are always overheads with payroll
13 and that was there. And I know you have overheads
14 with procurement and I -- so I knew there was some
15 there.

16 The trouble with it is, is there's a
17 description there of general. And general can be
18 anything and that's the part of the overhead over the
19 capitalization that's the problem.

20 Q. So how would you go about calculating
21 what needs to be excluded versus what -- what's okay?

22 A. Well, me personally, I -- I struggle with
23 the fact that the statute says you can't make revenue
24 requirement and rate-making issues. So I personally
25 wouldn't do it because I don't -- I don't -- I don't

1 think the statute allows that.

2 Now, there are -- as you see, I have a
3 split decision. If I had to calculate it, what I
4 would do is I would first go through and identify the
5 topics that are being charged, especially in the
6 general overhead topics, and find out what actual
7 costs are going into that part -- into that category.

8 And if it's one I could directly relate
9 to construction, I would say it -- it -- it's -- it's
10 possible. On the other hand, if it's not, I would
11 probably put that -- put that aside as a -- for
12 adjustment.

13 Q. So what information would be needed in a
14 future ISRS case to make that kind of determination?

15 A. What I -- what I would -- and what I
16 would expect is that the Company would have a general
17 policy and procedure regarding first identi--
18 identification of all the costs of -- they're going to
19 call overheads, of all the cost that they're going to
20 charge to an ISRS project.

21 Two, the policy would define how you're
22 going to assign it to the ISRS project. And -- and
23 then three is overheads and stuff that are specific to
24 the ISRS project but not n-- other construction and
25 then costs that are related to construction and not

1 ISRS.

2 So that you put those four buckets
3 together and as you put those four buckets together,
4 you can start identifying the segments of the
5 50 million or whatever the number is as to which ones
6 fall into the right buckets. And once it gets into
7 the -- a bucket that's questionable, you check to see
8 is it -- is it appropriate or is it not.

9 Q. And are those the kinds of issues that
10 could be addressed in a -- in a rate case to determine
11 how they would be calculated in future ISRS cases
12 or --

13 A. Well, in a rate case the -- the pieces in
14 the rate case that apply to an ISRS -- the ISRS is a
15 tracker to the last rate case. And the things in the
16 rate case that you're doing for the possibility of an
17 ISRS is you're defining the plant, the last time you
18 had plant, and then you're defin-- there's a rate of
19 return capital structure element.

20 But it -- it -- if it settles, the
21 statute has a default and then it's going to use
22 depreciation, property taxes. So those are the only
23 things that when you leave a rate case, you have to be
24 able to identify to do an ISRS.

25 Now, capitalization of overheads, I'm not

1 sure it's actually looked at in the rate case, let
2 alone for future ISRS projects.

3 Q. But there is a capitalization versus
4 expense ratio set out in the -- that would have been
5 set out in the last rate case for operation of
6 maintenance?

7 A. There would be one established for labor.

8 Q. Okay.

9 A. Labor has to always be reported by
10 account and category. In fact, it's in our annual
11 report, it's in FERC's report, it's a dis-- I think
12 it's called distribution of labor. And it shows all
13 the categories where labor -- how much labor was
14 charged.

15 And in that -- in that grouping you'll
16 see construction and you'll see O and M and general --
17 general counts, A and G, things like that. And then
18 that gives you a percentage that when you take the
19 increase of labor, you know what percentage that you
20 put into expense versus the amount that you set aside
21 for future capitalization. But now that's just the
22 labor. Now, the other expenses that -- there isn't
23 any tracking that I know of.

24 Q. Okay. And then in your testimony on your
25 schedule that you were talking about the categories of

1 overhead on D4, page 2, were those categories of
2 overhead the same for all of the projects or did they
3 vary by project?

4 A. These were the type of amount -- these
5 were the descriptions of amounts that were charged to
6 the projects. Now, whether every one of those was
7 charged to every one of the projects, I can't say.
8 And then when I see these categories here, you know,
9 it has the same title, but it has different work order
10 numbers. I'm not sure that that isn't a diff-- that
11 may be a different methodology with still the same --
12 under the same title or in terms of categories, a
13 subcategory to it.

14 Q. Okay. And you talked a little bit about
15 depreciation earlier so -- and its relationship
16 basically to the -- the life of the asset. When
17 depreciation schedules are set though, I mean, is
18 there some basis between the number of years in a --
19 that a item is depreciated and its -- its true actual
20 usefulness?

21 A. If -- if it's -- if it falls into the
22 unit property, and that's been pretty much the measure
23 of the -- of the retirements, that will tell you that
24 you could have a relationship -- that the dollars are
25 following the physical existence of the plant.

1 Now, the -- the other element that you'd
2 still have if you're trying to apply it to an ISRS is
3 there are several non-issues about the plant being
4 worn out that cause retirements. And so depreciation,
5 retirement is a retirement.

6 Now, if it's an unusual one because of an
7 event like the Joplin tornado or something like that,
8 you'll cat-- categorize those separately and keep
9 track of them. But other than that, you have a
10 multitude of reasons why a plant is retired. And so
11 you can't distinguish that from a depreciation study.

12 Q. So -- but if -- if a pipe has a
13 depreciation life of 80 years, would -- just from your
14 experience regulating utilities, just not necessarily
15 even as an accountant, would you just logically think
16 that if something is 80 years old, it might have some
17 amount of wear and tear?

18 A. It could. But I would be -- I would be
19 more inclined to believe that physically it's been
20 removed because of other work, but it's been done
21 under less than a unit of property. So the pieces
22 that are there that are -- that -- that preserve that
23 plant that was put in that vintage 80 years ago,
24 that -- I -- I wouldn't assume that that plant is
25 still -- is still -- the original 80 years is still

1 there.

2 Q. Okay.

3 A. It's -- the other reason, especially in
4 ISRS, is I notice that the -- the life estimate is
5 shorter for plastic than it is for services, mains --
6 metal mains and cast iron. And that -- that doesn't
7 seem to physically match up with the characteristics
8 of the plant.

9 I suspect that it's the introduction
10 of -- how much introduction of plastic that's been
11 done to the system to date, which will expand over
12 time, but it's still -- it's still one of the things I
13 would earmark that shows you that -- the difference in
14 the flow of dollars versus physical plant.

15 Q. Okay. That's all the questions I have.

16 JUDGE DIPPELL: Is there any further
17 cross-examination based on questions from the Bench
18 from Staff?

19 MR. PENDERGAST: Yes, Your Honor.

20 JUDGE DIPPELL: Oh, Staff.

21 MR. PENDERGAST: Oh, excuse me.

22 MR. BERLIN: Judge, maybe one question
23 for Mr. Schallenberg.

24 FURTHER CROSS-EXAMINATION BY MR. BERLIN:

25 Q. Mr. Schallenberg, would you -- would you

1 agree that a general rate case proceeding, even from
2 an auditor's standpoint, would provide a more
3 appropriate forum to examine overhead factors,
4 overhead applications, all matters related to overhead
5 in the context of looking at all relevant factors that
6 go into that?

7 A. I -- I would have to answer it would
8 depend on the circumstances. If you're -- if you're
9 not -- if you don't have an existing issue, it's
10 probably -- you're going to pull -- you're going to
11 pull the distribution that's on the most current -- on
12 their books and just use it and not -- not question
13 it.

14 Q. Okay.

15 A. Now, if the percentage is changed where
16 you see, you know, 80 percent construction or
17 something like that, that would cause a trigger. Now,
18 how much that threshold is I'm not sure, but in terms
19 of trackers when you're trying to identify the -- the
20 actual cost going forward to match what's in base
21 rates, that would require you to either accept that
22 you'll look at it when they present it for true-up --
23 or reconciliation is a better term -- that this is
24 what they actually said they spent and this is what
25 you had in base rates.

1 Q. But certainly in a general rate case
2 proceeding, you would have a lot longer time frame
3 upon which to look at all relevant factors that go
4 into those determinations. Right?

5 A. Well, I -- I would suggest that you have
6 a lot of other factors that have to be looked at in a
7 general rate case and there's probably more factors to
8 look at then you have time. So I -- I don't -- if you
9 only had to do one issue in a rate case and this was
10 it, sure.

11 Q. Okay. Thank you.

12 JUDGE DIPPELL: Spire?

13 FURTHER CROSS-EXAMINATION BY MR. PENDERGAST:

14 Q. Yeah. In terms of whether it would be
15 more appropriate to do in the rate case and the
16 Company's internal controls for ensuring that it's
17 accurately allocating time to -- to overheads or
18 capital, you said that you did participate, not as a
19 witness, but in the rate case in some capacity? And
20 I'm talking about Spire's last rate cases.

21 A. Is that a question?

22 Q. Yeah. You did say that you had
23 participated at least informally in those cases; is
24 that correct?

25 A. Yes. I was involved in affiliate

1 transactions.

2 Q. Okay. Do you recall the testimony that
3 Tim Krick, Spire's controller, filed, you know, at the
4 very beginning of the rate case in which he went
5 through the four-step process that the Company had
6 developed to make sure that costs and employee time
7 were being allocated and charged correctly to the
8 various functions and various cost centers that they
9 should be charged to? Do you recall that?

10 A. No.

11 Q. Okay. You don't recall that. So I take
12 it you don't recall that in the three or four months
13 that OPC had to file its testimony, whether it raised
14 any issue about any imperfection in that process that
15 was being used to achieve these objectives?

16 A. I don't know what that gentleman said.

17 Q. Okay.

18 A. And so I -- and I don't know the --
19 the -- I did not participate in the meetings. I -- so
20 I don't know what went on in the meetings.

21 Q. Well, I'm not talking about meetings.
22 I'm talking about testimony. And since you don't know
23 anything about that testimony, you don't know what
24 that testimony said about the controls that the
25 Company already has in place to make sure that costs

1 are being appropriately charged and allocated, do you?

2 A. No. Because that wasn't the answer given
3 to OPC when they asked for the items that would
4 address this topic.

5 Q. Well, let's talk about that. When did
6 you ask for what kind of a process we had in place for
7 purposes of capitalizing overheads?

8 A. Well, I didn't ask for the general topic.
9 I -- this is an ISRS case, so I only asked about ISRS.

10 Q. Okay. When did you ask that question?

11 A. I have to look at the date. I'm looking
12 at RES D3, but it's escaping me as to the date this
13 is -- this was submitted.

14 MR. CLIZER: If I may, it's at the bottom
15 of the page on page 3. Very bottom.

16 THE WITNESS: It's March 22nd, 2019.

17 BY MR. PENDERGAST:

18 Q. Okay. Well, let me see if you agree with
19 this. In its last rate case Spire filed Direct
20 Testimony explaining its process and system for
21 allocating charging costs. OPC had three or four
22 months to study that, ask questions, file any
23 testimony it had. And as far as you know, it didn't
24 do that. And you also haven't gone back to review
25 that testimony as part of your evaluation process of

1 overheads here. Is all that correct?

2 A. Well, yeah, I -- we only reviewed the
3 material given in the response to the answer that
4 we're talking about.

5 Q. Okay.

6 A. And none of that is -- none of that
7 information is listed as being relevant to the
8 question.

9 Q. So instead, you asked us hey, prove up
10 exactly how you do this, and we reference our general
11 accounting procedures. And you expect us to recreate
12 an entire process or replicate it to say exactly how
13 we did this in the course of two weeks. Is that
14 basically it?

15 A. I don't -- I don't -- I don't see the
16 answer to this as being whatever you just said. If --
17 if -- if the Company had these policies or these
18 procedures or they're just put in the person's
19 testimony, it would seem to be responsive to the
20 question about overheads being appropriate for an ISRS
21 project, that they would have been cited.

22 Q. So we should have maybe just provided you
23 with a copy -- copy of Mr. Krick's testimony from
24 the rate case? Is -- is that where we fell short?

25 MS. SHEMWELL: That's asking

1 Mr. Schallenberg to speculate on what -- how the
2 Company could or should have answered his question.

3 MR. PENDERGAST: I understand. And it's
4 an unfair question because you didn't look at that
5 anyway so how would you know? So I withdraw the
6 question.

7 BY MR. PENDERGAST:

8 Q. Now, we talked about employee benefits
9 being a customary part of their compensation. And I
10 think you said it could be 33 percent, rule of thumb
11 you've seen, of what their overall wages and salaries
12 are; is that right?

13 A. Yes.

14 Q. Okay. And would you agree that when
15 somebody works on a construction project, that both
16 they and their benefits should be capitalized?

17 A. For the amount of time they spend on the
18 project.

19 Q. For the amount of time they spend on it.
20 So we have this ratio. You said you've got 55 percent
21 overheads, 45 percent, you know, direct charges. And
22 if we take the benefit portion that's been included in
23 those overheads and we just say, well,
24 Mr. Schallenberg agrees that they ought to go ahead
25 and be recognized and we went ahead and put them in

1 the direct category, the 45 percent, the 45 percent
2 would go up and the indirects would go down; is that
3 right?

4 A. I didn't follow all the stuff in that
5 question.

6 Q. If we take the 33 percent of the benefits
7 associated with those employees who are doing the work
8 and instead of putting them over here in the indirect
9 bucket, we put them in the direct bucket and that's
10 where we captured those costs, would you agree that
11 that 45 percent of the direct would go up and since
12 we've taken them out of the indirect, that bucket
13 would go down?

14 A. Well, if you're asking me if you take
15 something out of one bucket and put it in another
16 bucket, does it change the relationship, the answer's
17 yes.

18 Q. Okay. Great. And if we're talking
19 33 percent, if we -- I mean what's 33 percent of -- of
20 45? That would be about 15 percent, would you agree?

21 A. Well, that would be an incorrect --
22 because the 45 -- if you have 55 overheads, the
23 45 isn't all labor. And you want to take the overhead
24 for labor, which is a subset of the 45, not the total
25 45.

1 Q. Okay. Well, we could play math games
2 here, but I'd be at an extreme disadvantage so I won't
3 do that. But you would agree that if we were to
4 reflect those over in the direct bucket and take them
5 out of the indirect cost bucket, the one would go up,
6 namely the direct, and the indirect would go down?

7 A. Yeah. I told you if you take something
8 out of one bucket and put it in the other, that
9 changes the relationship.

10 Q. Okay. I mean would it be your, you know,
11 recommendation that we go ahead and reflect those
12 benefits that you say are fully recoverable and
13 reflect them now in the direct rather than reflect
14 them in -- in the indirect on a going-forward basis?

15 A. You can, but I -- I would say if you
16 explain the overhead process that you use, you
17 wouldn't have to do that, but if you -- you -- you're
18 more comfortable with it, you could.

19 Q. You mean if we would explain it again
20 like Mr. Krick explained it in the rate case.
21 Correct?

22 A. I -- as I said, I only know what you
23 responded to the data request. I don't know Mr. Krick
24 and I don't know his testimony.

25 Q. Okay. But I think you've said those kind

1 of benefits are, of course, recoverable as long as
2 they're being charged for the time that the project
3 was done. But yet OPC's disallowance would --

4 MS. SHEMWELL: Judge, I'm going to
5 object. Mr. Schallenberg has said he doesn't know
6 what Mr. Krick said. He shouldn't be required to
7 interpret something that Mr. Krick may or may not have
8 said. His testimony is not here in evidence.

9 MR. PENDERGAST: Your Honor, I've moved
10 on. I'm not asking about Mr. Krick.

11 JUDGE DIPPELL: I think it was a
12 different question. Go ahead with your question,
13 Mr. Pendergast.

14 BY MR. PENDERGAST:

15 Q. Yeah. I think you've said that of course
16 the -- the benefits associated with employees working
17 in the field ought to be captured and capitalized as
18 part of the project. And what I'm say-- asking you is
19 because those happen to be in the indirect cost bucket
20 instead of the direct cost bucket, OPC would basically
21 be proposing to disallow those in this ISRS; is that
22 correct?

23 A. Well, first -- it's not correct because
24 you don't use indirect. You use overhead as the
25 title. I use indirect to distinguish one class of

1 overheads from the other.

2 Q. Excuse me. Let me substitute the word
3 overhead for indirect. It's a good point. Because
4 they are included in overheads that you're proposing
5 to disallow, these benefits associated with these
6 employees doing the work under Public Counsel's
7 proposal would be disallowed?

8 A. Well, there's two pieces to our -- our
9 proposal. One is because I don't -- I see that the
10 statute doesn't allow rate-making or revenue
11 requirement, I have a different recommendation that
12 you can't be making these adjustments in an ISRS case.

13 The other recommendation is that you
14 would lose all these overheads for a lack of being
15 able to show adequate burden of proof. And then I
16 think though there's an investigation which probably
17 in talking, I think that the matter needs to be
18 addressed. And I -- you know, you're -- I'm open or I
19 think OPC would be open in terms of how you're going
20 to address it, but I don't think it should be left in
21 its present status.

22 Q. Then would you say that maybe some sort
23 of exercise like we went through with the whole
24 plastic and what its impact is, and leaving aside the
25 fact that OPC may not have participated in that, but

1 you would be in favor of going through a collaborative
2 process to address this issue on a going-forward
3 basis?

4 A. I guess I -- I haven't found those to be
5 very productive. What I would suggest as the
6 process -- now, if that -- if that's what you want to
7 call your -- your process is that the Company would
8 take what it presently has in existence right now and
9 give it to OPC and the Staff for comment. And then
10 they would take that and send it back to you about
11 concerns, questions and whatever. And so it keeps --
12 it keeps going back and forth.

13 Q. Okay.

14 A. That's what I -- I -- I would suggest is
15 a way -- and this is what I would have expected on
16 this is that you'd have -- a finished product would be
17 a overhead assignment for ISRS projects. You'd have a
18 policy and a procedure.

19 Q. So would it be your view that -- well,
20 you obviously didn't have the opportunity to do that
21 in the rate case, you know, in response to whatever
22 Mr. Krick filed. But you think it would make sense to
23 do that kind of process outside of rate case and, you
24 know, just maybe in between ISRS proceedings?

25 A. Well, I think you'd do workshop or an

1 investigation, either one could do it.

2 Q. And would it be your opinion that that
3 process, to be done the right way, would take more
4 than say two weeks?

5 A. Well, it's -- it's likely it will take
6 more than two weeks unless you have a lot of data that
7 I haven't seen about this topic.

8 Q. Like Mr. Krick and whatever he had in
9 support of the testimony he put in the rate case, that
10 kind of thing?

11 A. Well, I --

12 MS. SHEMWELL: How could he know?

13 THE WITNESS: I -- I -- I don't know the
14 basis and I don't understand that when you ask the
15 question about how you control overheads on your ISRS
16 projects and this -- Mr. Krick's testimony explained
17 it, I don't know why that wouldn't have been provided
18 to OPC in the -- in the data request.

19 BY MR. PENDERGAST:

20 Q. Well, I understand you weren't aware of
21 it now. And we sort of thought OPC had a working
22 knowledge of what was in the case, but we understand
23 your concern.

24 And as far as your legal analysis of the
25 ISRS statute, that is your opinion of what the ISRS

1 statute legally requires, prohibits or mandates?

2 A. Do you mean the no -- no revenue
3 requirement or rate-making other than the one
4 specified in the statute? Is that the one --

5 Q. Right.

6 A. Yeah.

7 Q. Okay.

8 A. Yes.

9 Q. And -- and that's your interpretation of
10 what that -- those words mean?

11 A. Yes. On the basis not just the words,
12 but if you look at the structure of an ISRS, that
13 makes -- that makes sense.

14 Q. Okay. And since, you know, this is the
15 first time that OPC's really raised this issue, did
16 the meaning and significance of those words in the
17 ISRS statute just suddenly dawn on OPC in the last
18 couple of weeks?

19 A. I can't say that's true at all, because I
20 know in the prior ISRS, I -- I -- I brought it up.
21 That -- that one that came from the appeal and came
22 back and there was a hearing on that. I filed
23 testimony on that and I -- I know it came up then.

24 Q. Okay. So you disallowed -- or you
25 recommended disallowance of overhead costs in the past

1 in ISRS proceedings?

2 A. I dis-- I recommended rejection of the
3 application on the basis that it doesn't comply with
4 the statutory requirements and then you could fix that
5 and file again.

6 Q. Okay. That's one of those motions where
7 OPC recommended the whole ISRS filing be rejected?

8 A. It had -- I know it was in my testimony.

9 Q. Okay.

10 A. Now I don't -- what OPC put in their
11 brief and stuff, I'm not sure.

12 Q. Okay. And do you know what ISRS
13 proceeding that was in?

14 A. I don't remember the number.

15 Q. Do you know if it was before or after our
16 last rate case?

17 A. It would have to have been after your
18 last rate case, because I was on the Staff then. So I
19 wouldn't have been able to file. I wasn't filing
20 testimony on behalf of OPC.

21 Q. Okay. Would you agree with me generally
22 that the purpose of depreciation is to spread the cost
23 of a facility ratably over its expected useful life?

24 A. I -- I wouldn't say that's true.

25 Q. Okay. So when -- okay. So when

1 depreciation professionals estimate expected useful
2 lives, why are they doing that?

3 A. They're doing it because in depreciation
4 rates they come up with a life. And it depends on the
5 method of depreciation, but they come up with a life
6 estimate of years. But it's not -- like I said, they
7 don't use -- they don't do a physical study of the --
8 of the plant and say that we believe it's going to
9 last X. They do a physical -- they do a study of the
10 dollars that when they were placed in service and
11 what's been the subsequent retirement for each -- each
12 vintage separately.

13 Q. Sure. They look at how these facilities
14 have performed in the past when they've been put into
15 service, when they've been taken out of service and
16 they -- they draw certain conclusions from that; is
17 that correct?

18 A. No. They look at the dollars of
19 retirement in relation to the original dollars in the
20 vintage and then they look at what -- what is the
21 apparent average of the dollars retired in relation to
22 the existing dollars that are remaining.

23 Q. Well, let me just return to my original
24 question. Why do they estimate an expected useful
25 life? Does that serve any purpose?

1 A. Well, I've never -- if they use that term
2 in a depreciation study, they're talking about the
3 service life that's going to be the life estimate in
4 the depreciation rate. Now, that life estimate is
5 calculated by the flow of dollars, not the physical
6 units. Because some -- some physical units can be
7 retired in place.

8 Q. So retired in place, the critical thing
9 is that it's retired, isn't it?

10 A. It is until you -- but it can't be
11 re-used if the utility finds that it becomes
12 appropriate again.

13 Q. Okay. So, once again, they -- in your
14 opinion, they don't come up with an estimated service
15 life in order to allocate the cost of what they're
16 coming up with a service life for over the life of
17 that facility. It's -- it's -- it's not designed for
18 that purpose, in your opinion?

19 A. It can't be. One, you're using mass
20 assets in a lot of accounts so you don't distinguish
21 one asset from another. So you can't be taking useful
22 life because you don't keep track of it. And as I
23 said, it's the dollar flow that you're -- you're
24 calculating in the depreciation rate. You're not --
25 there is -- I've -- I can say I -- I've not seen

1 anyone ever do a physical study of the plant and then
2 make an assessment as to what it thinks --

3 Q. Did you read the depreciation study that
4 was filed by Spire in its last rate case?

5 A. No.

6 Q. Okay. So you don't know whether the
7 depreciation expert that Spire had visited various
8 company facilities and reviewed various internal
9 policies and looked at that sort of thing? You
10 wouldn't be aware of that, would you?

11 MS. SHEMWELL: Judge, I think we're
12 getting out into an area that's really, yes, beyond
13 what the Bench was talking about, anything that the
14 Commissioners asked.

15 MR. PENDERGAST: Well, Your Honor, I --
16 I'll withdraw the question. I was kind of surprised
17 that an overheads guy started testifying about
18 depreciation, to be honest. But I think we already
19 have enough on the record from Mr. Robinett that I
20 won't ask any further questions along those lines.

21 BY MR. PENDERGAST:

22 Q. Thank you. I have no further questions.

23 JUDGE DIPPELL: All right. Is there
24 redirect from Public Counsel?

25 MS. SHEMWELL: I think I just have one

1 question.

2 REDIRECT EXAMINATION BY MS. SHEMWELL:

3 Q. Bob, Mr. Schallenberg, you were tossing
4 around a number of terms. Is average service life the
5 correct depreciation term for what Mr. Pendergast was
6 asking about?

7 A. When you do it, yes, it's -- it's usually
8 ASL as you see the -- they do -- they do an acronym
9 when they do it -- develop the rate. It's -- it's
10 usually ASL is average service life.

11 Q. And who develops the rate?

12 A. Well, anybody who's got a position of
13 what they -- they think the depreciation rate would
14 be. So Staff usually does it, but there are cases
15 where they haven't. I don't think Office of Public
16 Counsel has done one. But you can have -- the
17 industrials can have -- and obviously -- and the
18 Company is required -- now that I think about it, the
19 Company is required to provide a depreciation study
20 within a three- to five-year term that's dependent on
21 whether they have a rate case or not.

22 Q. Just one final thing. What you reviewed
23 had line items for overhead, specifically labor,
24 materials and tools. And then the other -- the fourth
25 category that was a line item was called overhead?

1 A. Yes.

2 Q. So we have three specifically defined
3 categories and then one that's just a general labeled
4 overhead?

5 A. Yes.

6 Q. And is that the one you're questioning?

7 A. Yes.

8 Q. That's all I have. Thank you.

9 JUDGE DIPPELL: Thank you. I believe
10 that concludes your testimony, Mr. Schallenberg, and
11 you may step down.

12 Now, Public Counsel had an additional
13 witness listed as a potential rebuttal witness.

14 MS. SHEMWELL: I think that's been
15 settled.

16 MR. CLIZER: That was for tax.

17 JUDGE DIPPELL: That was for the tax
18 issue. Okay. Great. Then is that the last witness?

19 MS. SHEMWELL: It is. Thank you.

20 JUDGE DIPPELL: All right. I have a
21 couple of things that I wanted to bring up. And the
22 first is there's been a lot of reading parts of the
23 order in the prior ISRS case that is on appeal. And
24 I'm not sure about the year on that. It's GO-2017 or
25 18 -- 18. 2000-

1 MR. CLIZER: 16, 17 and 18 are all
2 technically on appeal, but the one they were reading
3 from was 18.

4 JUDGE DIPPELL: Okay. So GO 2018-309 and
5 GO-2018-310. And I would like for the Commission to
6 take official notice of that Report and Order. Since
7 it has been discussed, we can get the whole thing, get
8 the context and so forth. Would there be any
9 objection to the Commission taking official notice of
10 the Reports and Orders in those cases?

11 MR. PENDERGAST: None here.

12 MR. BERLIN: None here.

13 JUDGE DIPPELL: All right. Then the
14 Commission will take official notice of those.

15 Also, so in Staff's position they -- you
16 took out the -- the prior case that's on appeal, you
17 took that information out and came up with a
18 calculated number for what you thought the ISRS amount
19 should be. Correct? That was --

20 MR. BERLIN: Yes, Judge. That is Staff's
21 recommendation for what we call the new request.

22 JUDGE DIPPELL: Okay. And is there in --
23 has there been evidence set forth that showed that
24 percentage -- and I'm just going to call it savings,
25 the cost avoided that the Company says is 1.6 million

1 but that's for both time periods. Correct? Right?
2 I'm seeing nods.

3 MR. BERLIN: That's my understanding.

4 JUDGE DIPPELL: Yes. Has there been a
5 separation of that for just the latter time period of
6 what that total cost savings is? Is that in Staff's
7 evidence?

8 MR. BERLIN: Is your -- I want to
9 understand your question. Is your question did Staff
10 make an attempt to parse out that 1.6 million into
11 a -- what would follow the new request and then what
12 would follow the old request? Is that your question?

13 JUDGE DIPPELL: Yes.

14 MR. BERLIN: Staff -- Staff has not done
15 that, but if the Commission would find that helpful,
16 Staff can do that as a late-filed exhibit.

17 JUDGE DIPPELL: Is it possible to do that
18 in both the dollar amount and the percentage?

19 MR. BERLIN: Let me please check with the
20 Staff auditors.

21 MR. CLIZER: Your Honor?

22 JUDGE DIPPELL: Yes.

23 MR. CLIZER: While he's doing that, the
24 other parties might object to me -- to this being on
25 the record and if that's the case, that's fine. I

1 just wanted to point out something with regard to the
2 schedule that was discussed in relation to
3 Mr. Robinett's -- sorry, Mr. Schallenberg's testimony,
4 the one that had the dollar amounts that Commissioner
5 Hall was talking about. We calculated those based
6 on what we believe both the 2018 and the current asks.
7 Does that make sense?

8 JUDGE DIPPELL: Yes.

9 MR. CLIZER: Yes. I just wanted to make
10 sure that that was clear.

11 JUDGE DIPPELL: Oh, okay. Yes, yes.

12 MR. CLIZER: Related to kind of what you
13 just -- I see.

14 JUDGE DIPPELL: Yeah. I think that
15 was -- that was clear.

16 MR. CLIZER: Okay.

17 JUDGE DIPPELL: I mean if you would like
18 the opportunity to break that out for just the new
19 period as -- I don't know if that would --

20 MR. CLIZER: I'm honestly not sure that
21 we could.

22 JUDGE DIPPELL: Okay. Okay.

23 MR. BERLIN: Staff -- or excuse me,
24 Judge. Getting back to your last portion of your
25 question, Staff can make the dollar and percentage

1 breakout.

2 JUDGE DIPPELL: Okay. I think that the
3 Commission might be aided by that number. It all
4 depends on what the Commission's decision ends up
5 being, but I'd rather ask for it now than at the last
6 minute. So I'm going to go ahead and ask Staff to
7 prepare that and file it as a late-filed exhibit. And
8 I will give -- I'll give the other parties an
9 opportunity obviously to -- to make comments or
10 objections to that. Can Staff get that relatively
11 quickly? Twenty-four hours? Is that sufficient?

12 MR. BERLIN: That would work.

13 JUDGE DIPPELL: Okay. Thank you. Is
14 there -- are there any other -- it looks like all of
15 the exhibits that were on the pre-filed list were
16 admitted. Is there any other preliminaries?

17 MR. PENDERGAST: Your Honor, just as kind
18 of a reminder, we will be working on getting you a
19 Stipulation and Agreement everybody's signed off on
20 and certainly have it to you hopefully early next week
21 at the latest so the Commission has plenty of time to
22 review it.

23 JUDGE DIPPELL: Okay. Yes. Thank you.

24 MR. PENDERGAST: And we talked about also
25 providing a schedule that would show capitalization

1 and -- in the last rate case for both Spire East and
2 Spire West. And I believe that is going to show that
3 it's at or in excess of 40 percent for -- for both,
4 but we'll get that to the parties so that we can file
5 that as well.

6 JUDGE DIPPELL: Okay. And like I say,
7 any -- any of those filings, everyone will have an
8 opportunity to express objections or whatever
9 within -- with the numbers.

10 And the transcripts are going to be
11 expedited. We have briefings set for simultaneous
12 briefs on April 15th. The operation of law date in
13 this case is May 14th so that gives the Commission a
14 couple of weeks to make a decision and a couple of
15 weeks for an effective date for their order. So is
16 there anything else? I appreciate you all coming back
17 in this morning.

18 MR. PENDERGAST: Thank you.

19 JUDGE DIPPELL: All right. I see nothing
20 further. I believe we can adjourn.

21 (Whereupon, the hearing was adjourned.)
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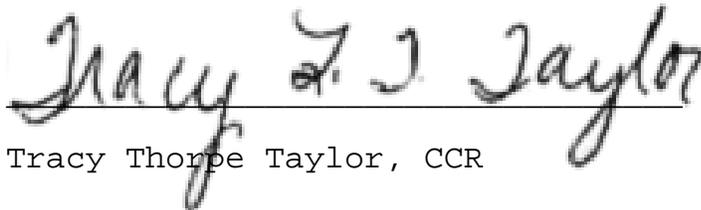
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CERTIFICATE OF REPORTER

I, Tracy Thorpe Taylor, CCR No. 939, within the State of Missouri, do hereby certify that the testimony appearing in the foregoing matter was duly sworn by me; that the testimony of said witnesses was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this matter was taken, and further, that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.


Tracy Thorpe Taylor, CCR

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