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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION  
  
TRANSCRIPT OF PROCEEDINGS  
Evidentiary Hearing  
December 14, 2017  
  
Jefferson City, Missouri  
Volume 20

In the Matter of Laclede )  
Gas Company's Request to ) File No. GR-2017-0215  
Increase Its Revenue for )  
Gas 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 )

NANCY DIPPELL, Presiding,  
REGULATORY LAW JUDGE.  
  
DANIEL Y. HALL, Chairman,  
WILLIAM KENNEY,  
MAIDA J. COLEMAN,  
COMMISSIONERS.

REPORTED BY:  
KELLENE K. FEDDERSEN, CSR, RPR, CCR NO. 838  
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1 (WHEREUPON, the hearing resumed at  
2 8:30 a.m.)

3 JUDGE DIPPELL: Good morning. It is  
4 Thursday, December 14, 2017. We are continuing  
5 with the hearing in Cases GR-2017-0215 and 0216, in  
6 the matter of Spire's request for rate increases.  
7 I am Nancy Dippell, the Regulatory Law Judge  
8 assigned to this case.

9 And last night we ended with one of  
10 the issues in the -- or with one of the witnesses  
11 in the software issue, but this morning we are  
12 going to begin with the pensions issue, and then we  
13 will go back to that software issue after that. Is  
14 there anything from the parties before we begin?  
15 Did you settle everything last night?

16 MR. PENDERGAST: I don't think it  
17 would be accurate to say everything.

18 JUDGE DIPPELL: Okay. Is there  
19 anything that can come off the list?

20 MR. PENDERGAST: The parties are  
21 discussing something. Hopefully there will be a  
22 positive announcement on some of the issues, but  
23 they're still talking.

24 JUDGE DIPPELL: Okay. So the parties  
25 continue to talk, so hope remains that we won't be

1 here till midnight tonight, because we are going to  
2 attempt to get caught up.

3 So with that being said, I guess we  
4 can go ahead and begin with opening statements on  
5 the pension issue, and we can start with the  
6 company. Spire?

7 MR. ZUCKER: Thank you, your Honor.  
8 May it please the Commission?

9 There are six issues under the  
10 pension category. Out of those six, there's really  
11 a couple that are the most important, and let me  
12 talk about two of those.

13 One is the financing of the pension  
14 asset. So over the years the company has put more  
15 money in the pension account, has spent more on  
16 pensions than it has collected from ratepayers. So  
17 that has created an asset. In effect, the  
18 ratepayers owe us money for the amount that we have  
19 advanced in pension.

20 The pension asset has for 25 years  
21 been an asset that has earn-- included on rate base  
22 and earned the usual weighted average cost of  
23 capital return. In this case, Office of Public  
24 Counsel has brought a witness whose idea is to  
25 reduce the amount of payment for that asset by

1 reducing the return on that asset to the long-term  
2 debt return, and that witness will say that it's  
3 appropriate that that asset be paid for with debt.

4 In reality, this is just a way of  
5 reducing the company's revenues, reducing the  
6 company's return by simply artificially assigning  
7 debt to an asset that should earn the weighted  
8 average cost of capital just like every other  
9 asset.

10 The other main issue that we're here  
11 for is -- goes back to the late '80s, and it starts  
12 when the Financial Accounting Standards Board  
13 changed the rules on how pension expense was  
14 recorded. They passed a rule called FAS 87 and  
15 FAS 88 that basically required the company under  
16 GAAP -- under GAAP rules to expense pensions on an  
17 accrual basis.

18 And what -- and so the company under  
19 the required rules was charging customers the  
20 accrued amount of pension expense and meanwhile  
21 paying in to the pension ultimately higher amounts.  
22 So that built up a pension asset. This asset  
23 slowly built up until the -- into the early '90s  
24 when it started to build faster.

25 In 1994 the company and the Staff

1 agreed on amortizing that asset and in 1996 agreed  
2 again. The problem is, is that the Staff has  
3 declined to go back before 1994 and pick up the  
4 balance of the asset for the FAS 87 expenses prior  
5 to 1994, and they have also declined to pay the  
6 FAS 88 amounts between 1994 and 1996.

7           The company's position is that it  
8 has -- that that asset has caused to grow because  
9 of -- because of the change in rules, and it was  
10 required to record that asset on its books and it  
11 is entitled to a return of and a return on that  
12 asset.

13           In the end, here we stand today with  
14 an agreement mostly on the balance of the pension  
15 asset over the past 25 years, with the exception of  
16 this one piece, which is rather large. It's  
17 \$29 million. Now, the asset itself has built up to  
18 over \$160 million over the years through, again, a  
19 failure to charge ratepayers the amounts that -- of  
20 actual expense. So we have been putting this  
21 FAS 87 amount in rates for years and paying more  
22 than that.

23           Now, in 2002 we changed that and  
24 decided to put in rates what's called the ERISA  
25 minimum, which is a cash contribution amount. The

1 problem is, is that we have had to pay in more than  
2 the ERISA minimum in order to keep the pension  
3 funded at at least an 80 percent level. So that  
4 has also caused the asset to grow.

5 In the end, as I said, the size of  
6 the asset's over \$160 million, according to  
7 Laclede, and Staff's amount is about \$29 million  
8 less because of the 1987 to 1996. Coming to a  
9 decision on that 29 million has been difficult  
10 because if the decision doesn't work out right,  
11 that has a very serious effect on the company  
12 through a writeoff we would have to take.

13 So it is an issue that should settle  
14 because of the risks involved, but the risk is  
15 mostly to the company. Staff's, you know, doesn't  
16 really have a risk to take. There's no dollars  
17 that Staff will make or lose over this.

18 So it's an important issue. The  
19 company and the Staff have put it off for a number  
20 of years, and now we're trying to get it solved  
21 once and for all, and especially at a time where we  
22 have been successful in holding down rates such  
23 that we can afford to start fixing the pension  
24 asset and reducing it.

25 That concludes the pension issues.

1 I'll wait for any questions.

2 CHAIRMAN HALL: I have no questions.

3 Thank you.

4 JUDGE DIPPELL: Thank you,

5 Mr. Zucker. Is there an opening from Staff?

6 MS. MERS: Good morning,

7 Commissioners. Good morning, Judge. May it please  
8 the Commission?

9 The two main issues you'll hear today  
10 will regard the appropriate funding level for the  
11 company's pension expense and the appropriate  
12 amount of the company's pension asset balance.  
13 Staff recommends setting the funding level for the  
14 company's pension expense at 80 percent of ERISA,  
15 which is the minimum amount the company must  
16 contribute.

17 In it's true-up revenue requirement,  
18 Staff recommends 29 million for Laclede and  
19 5.4 million for MGE. This approach is  
20 conservative, allowing the company to meet minimum  
21 ERISA standards. The company can also earn returns  
22 on its contributions that have been invested in the  
23 market and then apply them to the pension balance  
24 to increase their funding levels.

25 To make the Goldilocks analogy,



1 Staff's approach is just right. It's the  
2 compromise between the position OPC filed in  
3 testimony and the company's. Staff allows the  
4 company to meet its ERISA requirements and meet its  
5 pension obligation for its employees, employees who  
6 have provided dedicated service and have earned  
7 those benefits.

8 The Staff approach also takes in  
9 consideration that for each additional \$1,000 in  
10 increased contributions that the company makes to  
11 its pension, it only saves \$34 in PBGC costs. In  
12 other words, for each unfunded \$1,000 the company  
13 needs to meet its obligation, it must pay a \$34  
14 premium for that coverage.

15 On the other side, to the lower end,  
16 OPC had recommended basing pension off FAS 87 in  
17 testimony, but it seems like on their position  
18 statement they are now supporting Staff's position.

19 The company's position is the other  
20 bookend and is requesting pension expense at  
21 90 percent of ERISA standards. This is \$31 million  
22 for Laclede and 5 million for MGE.

23 Staff believes an eight-year  
24 amortization is appropriate. The company agrees  
25 with eight years. OPC in testimony requested

1 20 years; in its position statement said it was  
2 requesting ten years but it was willing to be  
3 flexible. If OPC is willing to be flexible and  
4 move to eight years, that would be one less issue  
5 for the Commission to decide.

6 Now, for the prepaid pension asset.  
7 The booked prepaid pension asset is equal to the  
8 difference between cash contributions to pension  
9 trust and cash collected in rates since  
10 October 1st, 1987. Staff has adjusted this asset  
11 to remove pension costs deferred prior to  
12 September 1st, 1994 when rates were set under a  
13 cash contribution and not the FAS 87 accounting  
14 guidance.

15 To be clear, Staff views those costs  
16 as recovered under a cash contribution and the  
17 company has been made whole under that ratemaking  
18 method. Testimony from relevant cases in 1990 and  
19 1992 support Staff's view, and Staff's calculations  
20 for every case since 1994 have made that removal.  
21 Laclede has never rebutted or formally challenged  
22 that removal until now.

23 This is around a \$29 million rate  
24 base issue and results from a difference between  
25 booking for regulatory ratemaking and booking for

1 financial reporting. My understanding is that the  
2 \$29 million pre-1994 asset is reflected on the  
3 books for financial reporting, but that reflection  
4 should not be carried over for ratemaking purposes.  
5 FAS 87 was not used for regulatory purpose for  
6 Laclede prior to the effective dates of rates in  
7 Case No. GR-94-220.

8 The prepaid pension assets included  
9 in rate base should only include the accumulated  
10 cash flow difference between the FAS 87 pension  
11 costs included in rates and the cash contribution  
12 to the pension fund since September 1st, 1994.

13 Thank you. If you have any  
14 questions, Staff witness Matt Young will be on the  
15 stand later to answer them.

16 CHAIRMAN HALL: You said that Staff's  
17 position is between two extremes, one being the  
18 company's and the other being what?

19 MS. MERS: OPC wanted to, at least in  
20 their prefiled testimony, fund it at FAS 87, which  
21 to my understanding would be setting funding at  
22 like I think \$11.7 million. We're at 29 and the  
23 company is at 31.

24 CHAIRMAN HALL: And where are the  
25 unions on that issue, if you know?

1 MS. MERS: I believe the unions -- I  
2 think they're aligned with the company on this  
3 issue.

4 CHAIRMAN HALL: Okay. Thank you.

5 MS. MERS: Thank you.

6 JUDGE DIPPELL: Public Counsel.

7 MR. SMITH: Good morning. OPC's  
8 expert, Mr. David Pitts, is a pension actuary. He  
9 has significant experience, is a retirement system  
10 financial expert. The first thing that he observed  
11 when he took a look at this issue is that Laclede  
12 has systematically underfunded its retirement  
13 programs.

14 Now, I say Laclede because there are  
15 two separate companies that were combined, and as  
16 between Laclede and MGE, you see a tale of two  
17 cities, which I borrowed from Mr. Pitts, who in  
18 turn borrowed from Mr. Dickens.

19 Here's some big picture numbers for  
20 you. As of September 30th, 2016, Laclede's pension  
21 trust had a deficit of \$160 million. At that same  
22 time, ratepayers owed the company an additional  
23 \$131.4 million for trust contributions that had  
24 exceeded the amount collected in rates. As we  
25 proceed, these excess contributions will sometimes

1 be referred to as the prepaid pension asset. So if  
2 you hear that term, that's what it means, and  
3 different parties have slightly different  
4 calculations on what that prepaid pension asset  
5 number is, but it is a very large number.

6           Again, to clarify, the prepaid asset  
7 or the prepaid pension asset represents amounts  
8 that Laclede was required to contribute to its  
9 pension trust in excess of the pension funds that  
10 were recovered through rates. So if you add  
11 a \$116 million trust deficit to a 131.4 million  
12 prepaid pension asset, the total pension debt, for  
13 Laclede is \$262 million.

14           Now, that doesn't include OPEBs or  
15 other post-employment benefits. If you look at  
16 OPEBs, the debt totals \$85 million for Laclede.  
17 And OPEB benefits, those are things such as medical  
18 care and other benefits you receive after you  
19 retire.

20           When you add OPEB and the pension  
21 deficits up, you get a \$347 million number, which  
22 means, divide that over 1,850 Laclede employees and  
23 for every employee you're holding about \$190,000 in  
24 retirement debt, and this is all money the  
25 ratepayers will eventually have to pay.

1 MGE, if you remember at the beginning  
2 I said they're a tale of two different -- tale of  
3 two cities, tale of two different stories. MGE's  
4 story is different. MGE's total retirement program  
5 debt was about \$60 million on September 30th, 2016,  
6 or if you divide that by 300 employees, about a  
7 \$50,000 difference, so almost four times more  
8 pension debt owed by ratepayers over at Laclede.

9 So this systematic underfunding is  
10 what Mr. Pitts studied, and he's written on this,  
11 he's testified before other commissions. He's  
12 lectured at NARUC, NASUCA on this topic.

13 When you have a situation like this  
14 where there has been systematic underfunding, that  
15 ends up causing financial harm to ratepayers.  
16 There was mention in other counsels' opening  
17 statements about something called PBGC variable  
18 premiums, which I didn't really know what that was  
19 until I started to study this issue.

20 PBGC stands for Pension Benefit  
21 Guarantee Corporation, and the PBGC is sort of like  
22 FDIC. And so if you have a pension, you have to  
23 pay a premium, and that PBGC acts sort of like a  
24 safety net to protect pensioners in the event of  
25 some sort of insolvency or bad situation with the

1 company.

2                   Because of changes in the law  
3 recently, what has happened is when you have an  
4 underfunded pension trust, those PBGC variable  
5 premiums go up because the fund is more risky,  
6 which means variable premiums, you need to pay  
7 more. And that's exactly what's happening here  
8 with Laclede. In fact, Mr. Pitts has calculated an  
9 estimated additional \$3.8 million in penalties over  
10 the next three years.

11                   So to address this, in his testimony  
12 Mr. Pitts has recommended a few things. He's  
13 discussed a financial resource review. There's  
14 been discussion of -- in his testimony he produced  
15 some white papers that show how other competitive  
16 people in the nonregulated market have dealt with  
17 this.

18                   A lot of people have funded the  
19 deficit with debt, and there's white paper attached  
20 to his testimony on kind of how to do that if the  
21 company was interested in that or at least  
22 exploring it, not necessarily as part of this case,  
23 but at least exploring that as an option to reduce  
24 those PBGC variable premiums.

25                   Also with OPEBs, Mr. Pitts has

1 recommended that the company take on a review of  
2 its OPEB benefits, which I understand the company  
3 in testimony I think they were open to that idea,  
4 but I'm not sure exactly how open they are because  
5 their openness was caveated with several statements  
6 about how they thought they were doing a good  
7 enough job.

8                   On OPEBs, again, it's the same tale  
9 of two different cities. For OPEBs, on a  
10 per-employee basis, the OPEBs benefits are eight to  
11 nine times more rich with benefits compared to  
12 MGE's employee OPEB service costs.

13                   Many of these numbers I've given you  
14 have been calculated by Mr. Pitts. If you have  
15 questions about how he -- you know, how I've  
16 arrived at those numbers, he would be the best  
17 person to ask. As I mentioned, he does have  
18 extensive experience on this and how to deal with  
19 this issue.

20                   You may hear from the company, and I  
21 think you already have, reference to prior  
22 settlement agreements and reference to that this  
23 prepaid pensions should receive a rate base  
24 treatment, and arguably I think the company and  
25 Staff is saying this pension asset should receive



1 the full weighted average cost of capital.

2 I think the company has already also  
3 argued that, I guess, contributions to the pension  
4 trust that were above those that were covered in  
5 rates, because they may have been funded by  
6 investor monies, that that's another reason to have  
7 a weighted average cost of capital.

8 However, consider this: If Laclede  
9 knew that it could receive the full rate of return  
10 on the underfunded portion of its pension plan, a  
11 skeptical mind might wonder why this prepaid  
12 pension asset has grown so large.

13 OPC's recommendation does not  
14 disallow a return. It allows a return, and it even  
15 allows rate base treatment, but we're just arguing  
16 that that return should be reasonable and it should  
17 be set at a value equivalent to a long-term debt  
18 obligation.

19 Now, the company would have this  
20 Commission believe that debt treatment on a  
21 regulatory asset of this kind is some sort of  
22 radical concept. Well, it is not. Mr. Pitts has  
23 firsthand knowledge on why it is not a radical  
24 concept because a very similar dispute occurred in  
25 Colorado on this issue, and he was on the front

1 lines.

2 In decision No. C16-0123 and  
3 Proceeding No. 15AL-0135G, the Colorado Commission  
4 found that a long-term debt rate was reasonable  
5 rather than a full weighted average cost of  
6 capital. In that case, the utility, like this  
7 utility in this case, similarly argued that only  
8 allowing a debt rate would not fully compensate the  
9 utility for the equity capital it had advanced in  
10 the form of prepayment to the pension trust.

11 The OCC, which is the equivalent of  
12 the OPC in Colorado, so they're the consumer  
13 advocate over there, argued that because the  
14 company essentially is being guaranteed a whole  
15 recovery of cost, it really wouldn't be right when  
16 you have this lower risk, that lower risk doesn't  
17 really support a return of the weighted average  
18 cost of capital.

19 And actually the staff over in  
20 Colorado went even further. They said, we don't  
21 believe any rate base treatment should occur, but  
22 hey, if it does, we agree with the consumer  
23 advocate. And the Commission over there found  
24 merit with staff and the consumer advocate's  
25 recommendation.

1                   And it's not just other commissions  
2                   who think of this as a debt-like obligation.  
3                   There's a citation in Mr. Pitts' direct as to FASB  
4                   who has referred to pension trust liabilities as  
5                   long-term and debt-like. And Moody's actually  
6                   treats these pension liabilities as corporate debt  
7                   in its rating process.

8                   Regardless what this Commission  
9                   decides, a long-term debt rate or a weighted  
10                  average cost of capital, the Commission should  
11                  apply that same rate to the regulatory liability  
12                  that exists for MGE.

13                  Again, if you remember, I discussed a  
14                  tale of two cities. MGE -- and I'm not sure any  
15                  party had mentioned this. Perhaps Staff did. MGE  
16                  actually has regulatory liability that's owed back  
17                  to ratepayers. And in case I skipped over that, my  
18                  apologies. We believe that that amount should be  
19                  consistent. So if you give a weighted average cost  
20                  of capital to Laclede for its regulatory asset,  
21                  then you need to return in the form of regulatory  
22                  liability the same weighted average cost of  
23                  capital. The same if you were to apply a debt rate  
24                  to the regulatory asset for Laclede, you're going  
25                  to need for consistency purposes to apply a debt

1 rate to that regulatory liability.

2 OPC is flexible on amortization. We  
3 would be willing to go to eight years. In fact,  
4 after reflecting on it, what I like about the eight  
5 years is that if -- the pattern with ISRS is that  
6 the company comes in about once every four years.  
7 So it might actually match up with the rate case  
8 schedule a little bit better than ten years.

9 OPC did initially recommend 20 years  
10 in its direct testimony. We still think that's a  
11 reasonable option because it does reduce the  
12 overall payments over time, but we're willing --  
13 we're flexible on that topic.

14 As far as pension expense, OPC is  
15 generally supportive of Staff's numbers,  
16 specifically for MGE, but OPC does note merit in  
17 the company's point that, yes, these amounts have  
18 been underfunded, and perhaps for Laclede that that  
19 could be a reasonable option to fund at those  
20 expense levels.

21 Funding at higher expense levels  
22 could have the effect of reducing PBGC variable  
23 premiums. So that could in the end turn out to be  
24 a good thing for ratepayers.

25 Also important, which has been

1 discussed by Staff and the company, is these pre-  
2 1994 amounts. They are a large number,  
3 approximately \$29 million, and they do relate to  
4 FAS 87. OPC essentially takes Staff's position on  
5 this. We agree that this amount should be  
6 excluded. We believe that normalized pension  
7 expense had been built in leading up to '94, so  
8 really it's not the same situation.

9 And OPC is supportive of Staff's  
10 position, which is that the overall regulatory  
11 asset or the overall prepaid pension asset should  
12 receive a deduction for those pre-1994 amounts in  
13 the amount of \$29 million. That's approximate.

14 Also of importance, when we're  
15 talking about prior stipulations, in order to  
16 create these regulatory assets, Staff in their  
17 testimony had noted that the company would really  
18 only get a regulatory asset on the difference  
19 between the amount ratepayers paid and the amount  
20 the company contributed to the pension trust, and  
21 here's the critical phrase, at ERISA minimums.

22 Now, OPC in their testimony  
23 questioned whether or not the company was  
24 meeting -- was really truly only paying ERISA  
25 minimums. And OPC had received some information

1 from the company suggesting, yes, that is the case  
2 unless it was to avoid certain benefit  
3 restrictions.

4                   Unfortunately, after surrebuttal  
5 Mr. Pitts had done some additional analysis on this  
6 topic, and it's sort of revived his initial  
7 concerns, and OPC would like to explore this issue  
8 during the hearing and reserve the right to  
9 possibly change its position subject to new  
10 information presented or discovered in the course  
11 of the hearing, which could result in a reduction  
12 in the overall amount of the prepaid pension asset  
13 even further.

14                   And I handed something out at the  
15 beginning. I'd like to go ahead and publish it  
16 real quick. So the reason we've done this, and  
17 these numbers were constructed by Mr. Pitts and  
18 they're illustrative only. I don't believe the  
19 11.6 is exactly right. But I've thrown a lot of  
20 numbers at you, and it's a little bit different.  
21 It's difficult in my mind to visualize all the  
22 numbers.

23                   So you have an expense, you have an  
24 amortization and you have a return on the  
25 amortization. And importantly, there's an amount

1 Mr. Pitts has calculated that we would like to  
2 explore in the context of this hearing is whether  
3 maybe that this regulatory asset needs to go down  
4 by an additional \$34 million if there truly have  
5 been excess ERISA minimum contributions, which  
6 under prior stipulations my understanding is that  
7 would not be allowed to be included in a regulatory  
8 asset.

9 So in closing, OPC just emphasizes a  
10 few things. OPC is pushing to, one, use the cost  
11 of debt against the prepaid pension assets; two,  
12 allow reasonable pension expense; three, amortize  
13 these assets; four, the company needs to work on  
14 developing a plan to help mitigate the difference  
15 in the tale of these two cities.

16 And I guess the final thing would  
17 just be to carefully review everything you hear  
18 today, and please take advantage of Mr. Pitts.  
19 He's highly qualified, easy to talk to, really a  
20 great educator. That is all.

21 JUDGE DIPPELL: Thank you. Any  
22 questions, Chairman?

23 CHAIRMAN HALL: No questions. Thank  
24 you.

25 JUDGE DIPPELL: I am going to, just

1 for demonstrative purposes, go ahead and mark your  
2 chart as Exhibit 431.

3 MR. SMITH: Thank you, Judge.

4 (OPC EXHIBIT 431 WAS MARKED FOR  
5 IDENTIFICATION BY THE REPORTER.)

6 JUDGE DIPPELL.

7 MS. HALL: Your Honor, I'm Sherrie  
8 Hall representing the union, USW 11-6. I just  
9 wanted to note that we are here. I know the  
10 Chairman requested what the union's position was.  
11 I would be glad to address it if you'd like.

12 JUDGE DIPPELL: Yes, please.

13 MS. HALL: Do you want me to address  
14 it from here or go up there?

15 JUDGE DIPPELL: I'll let you come on  
16 up here if you don't mind.

17 MS. HALL: Commissioner, your Honor,  
18 as I said, I'm Sherrie Hall. I represent USW 11-6.  
19 They are the union that represents the bargaining  
20 unit at Laclede that has most of the pension  
21 deficit.

22 We agree with all the concerns raised  
23 today about systematic underfunding with the  
24 pension. We're not here to give any sort of  
25 mathematical formula or anything like that because



1 we don't have that expertise. Our concern is that  
2 these are pension benefits that are already -- they  
3 have been -- I'm sorry -- they've been collectively  
4 bargained and they've already been earned or  
5 they're being earned.

6 And year after year the information  
7 that we receive from Laclede is that they are  
8 barely funded to the ERISA minimum. That's a very  
9 scary situation. You don't have to be a  
10 mathematical person to understand what's been  
11 happening with pension funds across the United  
12 States as that makes them very, very vulnerable to  
13 changes in markets. Even though you've also got  
14 the rate base for them, it seems that the  
15 ratepayers then bear an extra lot of risk.

16 And so it is the union's position  
17 that we are much closer to Laclede on this issue as  
18 far as moving to a 90 percent funding level because  
19 we think that does provide more protection for the  
20 employees and for the ratepayers. And it seems  
21 like OPC is now getting to that point. It may be  
22 that that particular issue could be resolved simply  
23 by an incremental movement from the 80 percent  
24 funding to the 90 percent funding over the course  
25 of, say, two rate periods. You know, they talked

1 about a four-year cycle. So over eight years you  
2 might get up to the 90 percent funding, and it may  
3 be that the parties could all agree on that.

4 I don't know. It's just something to throw in.

5 We also lean more towards the company  
6 and Staff position of the fully weighted cost of  
7 capital way of funding it, simply because we  
8 believe that it incentivizes the funding more on  
9 Laclede's part. And at this point there are these  
10 very large PBGC penalties, and PBGC has gotten a  
11 little bit nervous over the last few years with the  
12 failing pension funds across the country, so they  
13 have really been increasing their rates and their  
14 penalties. So if we can start reducing the  
15 underfunding there, I think the ratepayers will, in  
16 fact, pretty quickly see a return on investment.

17 So that was really all we wanted to  
18 say about the pension issue. Mr. Boyle is here to  
19 answer any questions about it. He filed some  
20 testimony on this issue. Thank you.

21 JUDGE DIPPELL: Any questions,  
22 Commissioner?

23 CHAIRMAN HALL: Yes. I think just  
24 one. So the proposed compromise of going from  
25 80 to 90 over some period of time, has that been an

1 issue discussed amongst the parties?

2 MS. HALL: No, it hasn't. I actually  
3 didn't realize until I was preparing for this last  
4 night that the parties had gotten that much closer  
5 together on some of these issues, and it just  
6 looked to me like that was a possible resolution  
7 here.

8 CHAIRMAN HALL: Okay. Thank you.

9 JUDGE DIPPELL: Thank you. And I  
10 don't believe there are any other intervenors  
11 present or anyone else to give an opening on this.  
12 So with that, we can begin with the first witness  
13 for the company.

14 MR. ZUCKER: Company calls Glenn  
15 Buck.

16 JUDGE DIPPELL: Welcome back,  
17 Mr. Buck. You were previously sworn, so you remain  
18 under oath for our proceedings.

19 Go ahead, Mr. Zucker.

20 GLENN BUCK testified as follows:

21 DIRECT EXAMINATION BY MR. ZUCKER:

22 Q. Good morning, Mr. Buck.

23 A. Good morning, sir.

24 Q. You have already stated on the record  
25 that you do not have any further changes to your

1 **testimony, correct?**

2 A. Correct.

3 **Q. Is this your last time testifying or**  
4 **do you have something -- do you have more?**

5 A. I'll be more.

6 MR. ZUCKER: Okay. Then we won't  
7 offer your testimony into evidence at this time,  
8 and I will pass the witness.

9 JUDGE DIPPELL: Thank you. Is there  
10 cross-examination by Staff?

11 MS. MERS: No, thank you.

12 JUDGE DIPPELL: Public Counsel?

13 MR. SMITH: Yes. And permission to  
14 cross from my seat?

15 JUDGE DIPPELL: Go right ahead.

16 CROSS-EXAMINATION BY MR. SMITH:

17 **Q. Mr. Buck, in a couple sentences,**  
18 **could you explain in your opinion what the prepaid**  
19 **pension asset is that is at issue in this case?**

20 A. The prepaid pension asset would be  
21 the difference between what the dollars that were  
22 reflected in rates, as in recovered from the  
23 customers, versus what the company has had to  
24 contribute into the plan over a long period of  
25 time. That's a generalization, but that's in a

1 nutshell what it is.

2 Q. Okay. What is the company's position  
3 on the size of that number?

4 A. Honestly, it's way too big.

5 Q. And when you say way too big and use  
6 words like honestly, I assume that means this is of  
7 some concern to you?

8 A. I believe that has been of some  
9 concern to all of the parties. If you want to sit  
10 there and go back, we first started to address the  
11 fact the pension asset had been fairly large back  
12 in 2002 when we weren't actually in a requirement  
13 to contribute at that point.

14 However, when we switched over to a  
15 funding basis, we also began drawing that pension  
16 asset down to the tune of about \$3.4 million a  
17 year, trying to work that pension asset down. I  
18 think all the parties acknowledge that.

19 Over the next several years or the  
20 next several cases, we continued to try and  
21 amortize some of the pension asset down.  
22 Unfortunately, in approximately 2010 the pension  
23 funding requirement began to go up rather  
24 precipitously, and again, we were in a position  
25 where the amount of recovery in rates, we were no

1 longer even amortizing the assets. We were  
2 actually building the asset up because the amount  
3 recovered in rates was less than what our  
4 contributions were.

5 Q. Are you familiar with the investment  
6 plan that governs the trust?

7 A. Generally, yes.

8 Q. And you're familiar with, as the  
9 pension plan becomes better funded, that it has  
10 risks; is that fair?

11 A. I really don't think that is fair,  
12 and like I can explain why.

13 Q. Well, does the mixture of, say,  
14 equity to fixed products change as the fund becomes  
15 better funded? If you don't know, that's okay.

16 A. Give me a moment, please.

17 Q. Sure.

18 A. Okay. Ask the question again,  
19 please.

20 Q. So in the pension trust, those assets  
21 are invested, right, in like a mixture of equity  
22 investments and more fixed products like bonds or  
23 things like that; is that fair?

24 A. That's not technically correct.

25 Q. Okay.

1           A.       We have an equity content in our  
2 pension portfolio. We use a product or products  
3 that basically sort of sit there and leverage stock  
4 market futures to the rate of about 5 cents on the  
5 dollar to get equity -- or content or equity  
6 exposure to the total portfolio. And the remainder  
7 of the dollars are actually invested in fixed  
8 investments so we can sit there and control the  
9 duration of the assets to match the liabilities.

10           **Q.       And is it true that more of those**  
11 **trust funds are put into those fixed amounts as the**  
12 **fund becomes -- or the trust becomes better funded,**  
13 **to the best of your knowledge?**

14           A.       I'm not sure your question makes  
15 sense. Could you ask it again, please?

16           **Q.       Does the mixture that you're**  
17 **referring to, does that change as the trust becomes**  
18 **better funded?**

19           A.       Are you talking about the equity  
20 content?

21           **Q.       Yes.**

22           A.       Okay. That's -- thank you.  
23 Certainly over time you would change your equity  
24 content. Right now, given the fact that we are at  
25 a low-funded ratio as compared to where we'd like

1 to be, we'd probably have a higher equity content  
2 than we would otherwise.

3 **Q. Right. And so you'd take more risk**  
4 **in the fund if it's underfunded, right, try to be a**  
5 **little more aggressive? And it's okay --**

6 A. Again, you're asking questions that  
7 have a little bit of background required, in my  
8 mind, to sit there and think through it. Yes, to  
9 the extent that we are looking for -- reaching for  
10 more overall portfolio return, having more in  
11 equity would generally sit there and require more  
12 risk.

13 **Q. For the prepaid pension asset, it's**  
14 **true the company wants to reach back as far back as**  
15 **the late '80s; is that right?**

16 A. The pension asset has been building  
17 since late '80s. The question of that pre-1994  
18 asset, we do have another witness who sponsors  
19 that, but I can answer questions about it  
20 generally.

21 But to your point, the pension asset  
22 versus contributions has been building ever since  
23 we adopted FAS 87 and 88 in 1988 according to GAAP  
24 because of the Uniform System of Accounts.

25 **Q. So have some of those employees who**



1 are paying into that -- well, I guess they weren't  
2 paying into it, but for whom those benefits were  
3 going to be paid, some of those employees, have  
4 they retired now?

5 A. Absolutely.

6 Q. And this is kind of an obvious  
7 question, but those retirees aren't -- they're not  
8 now contributing to safe and reliable service, at  
9 least not now, right?

10 A. I don't believe the dollars that are  
11 in the pension fund currently are.

12 Q. I guess I'm just -- I'm not asking --  
13 I guess I'm just asking for the retirees.

14 A. I think that any pension plan  
15 retirees will, if they're taking an annuity, for  
16 example -- which frankly most of our employees do  
17 not take. If they're taking an annuity, oftentimes  
18 the -- or the pension plan assets will be there to  
19 meet the annuities. So in the plan trust, the  
20 dollars will be there to sit there and pay those  
21 annuity dollars.

22 Q. So is the payment to those retirees  
23 for the provision, is that to help provide safe and  
24 reliable service currently?

25 A. No. They earned the pension -- they

1 earned their pension --

2 **Q. When they were employed, right?**

3 A. -- when they were employed, and we  
4 accrued at that point, which is how FAS 87 works.

5 **Q. To your knowledge, has Laclede made  
6 any excess contributions, and when I mean that,  
7 contributions over the 80 percent requirement?**

8 A. Yes, we have.

9 **Q. Okay. And were those solely to avoid  
10 benefit restrictions?**

11 A. Some were. And the reason why we  
12 actually have that clause built into all the  
13 stipulations we have is actually going back to the  
14 lump sum payments I was talking about, collectively  
15 bargained -- we have with our collectively  
16 bargained employees the ability for those employees  
17 to take lump sum payments. And to the extent that  
18 you are below a certain percentage of ERISA, you  
19 can no longer pay lump sum benefits to those  
20 employees. So we have to stay above 80 percent to  
21 avoid those pension benefit restrictions.

22 **Q. Would you agree, though, that through  
23 prior stipulations the creation of the regulatory  
24 asset is really just the difference between what  
25 the ratepayers were paying as an expense and the**

1 contribution up to the 80 percent minimum? I think  
2 that's in --

3 A. Generally, that's correct. But  
4 again, between periods we can make contributions to  
5 keep above the 80 percent, but also so as to avoid  
6 PBGC variable premiums.

7 Q. Yeah, I guess I'm not asking whether  
8 it was a good stipulation or a bad stipulation.  
9 I'm just trying to understand the mechanics of it.

10 A. But the mechanics are that we can do  
11 either one of those, and we have made contributions  
12 so as to sit there and avoid the variable premiums.  
13 So it's both.

14 Q. And certainly Laclede can elect to do  
15 either one of those, but under the stipulation it  
16 can only get rate base if -- for that difference,  
17 right, the difference between the expense the  
18 ratepayers are paying and the amount that Laclede  
19 or the company is paying up to those ERISA  
20 minimums; is that your understanding?

21 A. That's not correct.

22 Q. Okay. Did you read Mr. Pitts'  
23 testimony, his rebuttal testimony?

24 A. I have.

25 Q. Do you have that in front of you?

1           A.     Give me one moment, please. I'm  
2     there.

3           Q.     Would you go to page 4?

4           A.     I'm there.

5           Q.     Okay. Do you see a quote there?

6     **And actually this comes out of Staff's report at**  
7     **lines 9 and 10.**

8           A.     I see that.

9           Q.     Does that, I guess, refresh your  
10    **memory on language in the stipulation?**

11          A.     I believe that's what the Staff is  
12    proposing in the current case. That's not what was  
13    in stipulations.

14          Q.     If you'd wait just a second.

15          A.     Certainly.

16          Q.     I guess you have Staff's report.  
17    **Maybe we can go to page 66 of Staff's -- I guess it**  
18    **would be their direct, slash, Staff Report Cost of**  
19    **Service.**

20          A.     You said page 66?

21          Q.     Yes, sir.

22          A.     I'm there.

23          Q.     Okay. And would you read or -- yeah,  
24    **I guess lines 8 and 9 out loud, specifically where**  
25    **it says page 5.**

1           A.     Is described slightly differently  
2     from MGE's tracking mechanism, period. Page 5 of  
3     the LAC stipulation states...

4           **Q.     Okay. And then do you see the part**  
5     **that's bolded there at lines 18 through 22? Would**  
6     **you go ahead and read that?**

7           A.     The difference between the amount of  
8     pension expense included in Laclede's rates and the  
9     amount funded by Laclede in accordance with ERISA  
10    minimums shall be included in the company's rate  
11    base in future proceedings. That's only part of  
12    the stipulation, however.

13          **Q.     Okay. So you believe that somewhere**  
14    **else in the stipulation, it is your sworn testimony**  
15    **that the company can elect to include as an amount**  
16    **in rate base contributions in excess of ERISA**  
17    **minimums? Is that your testimony?**

18          A.     That's correct.

19          **Q.     Okay. Just for, I guess, curiosity,**  
20    **are you able to cite to that page?**

21          A.     I don't have the entire stipulation  
22    here.

23          **Q.     Okay. Is it just, I guess, based on**  
24    **your memory?**

25          A.     Yes.

1 Q. Okay. So you --

2 A. In fact, I think Mr. Pitts may refer  
3 to the fact that it's okay to sit there and do it  
4 for -- to avoid -- or pension fund restrictions on  
5 payments or to sit there and pay the PBGC variable  
6 premiums.

7 Q. And certainly the company can elect  
8 to do that, but in terms of rate base treatment --  
9 okay. Just a second.

10 A. By the way, Mr. Smith, if it helps, I  
11 do have similar language from the 2001 case that  
12 relates to those two items.

13 Q. Okay. Is that in your direct as an  
14 attachment?

15 A. It's in my rebuttal as attachment  
16 Schedule GWB-R2, page 8 of 10.

17 Q. So I guess let me ask you, in  
18 calculating, is the company's prepaid pension asset  
19 then their -- how did they calculate that? Did  
20 they calculate that based on the ERISA minimum or  
21 did they calculate that based on whatever they  
22 would have paid into the pension trust, or do you  
23 have knowledge of that?

24 A. I do have knowledge. The pension  
25 asset is a combination of the company's

1 contributions to the trust compared to what was  
2 allowed in rates. So, for example, in 2010 rates  
3 were established using a \$15.5 million contribution  
4 level for the Laclede as-- or the Laclede plan.  
5 That same year we made contributions in excess of  
6 that. So the amount of excess contributions above  
7 what was recovered from customers created an  
8 addition to the pension asset.

9           Conversely, in 2000, when our  
10 requirements for funding were zero and what was  
11 allowed in rates was \$3.4 million, the pension  
12 asset went down by \$3.4 million because customers  
13 were giving us more than we had to put into the  
14 trust. So it's a balancing act. It's looking at  
15 what the customer's putting in versus what we're  
16 contributing to the trust.

17           **Q. For MGE, I noticed in the position**  
18 **statement and in the opening statement not much was**  
19 **discussed about the regulatory liability. Does --**  
20 **for that regulatory liability amount, I guess what**  
21 **is the company's position on the regulatory**  
22 **liability? Do they acknowledge that one exists or**  
23 **what is the proposal?**

24           **A.** And I heard your opening statement,  
25 so I'll try to address it just from what I heard.

1 Yes, there's a regulatory liability for MGE. In  
2 the 2014 case for MGE, there was an allowance in  
3 rates of approximately \$9.972 million. That's  
4 right off the top of my head. Our contributions to  
5 the MGE pension trust were about \$4 million in  
6 2014. Subsequent years it was zero. So each of  
7 those years, customers were giving us money, and at  
8 this point through I believe the end of September  
9 2017 the pension liability is approximately  
10 somewhere in the neighborhood of between 30 and  
11 \$36 million. And, yes, we have treated that just  
12 like the pension asset on Laclede's side. We're  
13 giving customers credit for that at our weighted  
14 average cost of capital.

15 **Q. So I guess that's good for**  
16 **consistency purposes. I just wanted to verify that**  
17 **because it wasn't clear to me through your**  
18 **testimony.**

19 A. It certainly was in the work papers,  
20 I believe.

21 **Q. What about the OPEB expenses? Did**  
22 **you read Mr. Pitts' testimony on that topic?**

23 A. I have.

24 **Q. And you'd agree that the service**  
25 **costs for OPEBs on a per-employee basis is much**



1 higher at Laclede than MGE?

2 A. That's correct. And there's a  
3 reason.

4 Q. Would you agree they're about eight  
5 to nine times as high on a per-employee basis?

6 A. I didn't check Mr. Pitts' math, but I  
7 have no reason to disagree with his numbers.

8 Q. I couldn't tell from your testimony,  
9 again, but it seemed like the company would be open  
10 to doing some sort of financing review of those --  
11 of that; is that true?

12 A. I think my point was that we  
13 constantly go through a finance review of OPEBs.  
14 Both our pensions and our OPEBs are reviewed by our  
15 compensation committee of our board in conjunction  
16 with some nationally renowned expert, including  
17 actuaries much like Mr. Pitts. And, for example,  
18 for our pension trust we have very well-known  
19 investment not only managers but also someone who  
20 keeps track of pensions and monitors the investment  
21 managers themselves. So, for example, when we --

22 Q. So are you -- you're open to it, but  
23 your point is you don't think that it's needed, I  
24 guess?

25 A. I would say that we're kind of

1 constantly reviewing it, sir.

2 Q. Okay. So you aren't open to it then,  
3 not in the way Mr. Pitts discussed in his  
4 testimony?

5 A. I would say that we are not in the  
6 same fashion as I think Mr. Pitts is discussing,  
7 no, sir.

8 MR. ZUCKER: Okay. Just a moment.  
9 No further questions.

10 THE WITNESS: Thank you.

11 JUDGE DIPPELL: Thank you. Is there  
12 anything from the union?

13 MS. HALL: No, your Honor.

14 JUDGE DIPPELL: Is there -- are there  
15 any questions from the Bench for Mr. Buck?

16 CHAIRMAN HALL: Yeah.

17 QUESTIONS BY CHAIRMAN HALL:

18 Q. Some very remedial questions, and I  
19 apologize for that. I believe you said that the  
20 regulatory liability for MGE is between 30 and  
21 \$36 million?

22 A. Yes. I think it's probably around  
23 36, but the last time I looked for sure, it was  
24 about 32 at June. And just knowing how much --

25 Q. Is there evidence in the record that

1     **you could look at and identify that number?**

2             A.     It's in our true-up schedules, I  
3     believe.

4             **Q.     And you believe it is somewhere**  
5     **around 32?**

6             A.     I believe the true-up was probably  
7     around 36, sir.

8             **Q.     36?**

9             A.     Yes, sir.

10            **Q.     Okay. And that would reflect the**  
11     **amount of money that MGE has received from rates**  
12     **minus the contributions to the trust; is that**  
13     **correct?**

14            A.     That's correct. And what ended up  
15     happening is, because of what was known as MAP 21,  
16     there was a change in how the discount rate was  
17     established for ERISA purposes.

18            **Q.     Okay. So that regulatory liability**  
19     **gets resolved in this rate case as a reduction to**  
20     **rate base; is that correct?**

21            A.     That's correct. And I believe Staff  
22     is proposing to amortize that reduction or that  
23     amount, \$36 million over an eight-year period, and  
24     the company is certainly okay with that.

25            **Q.     And apparently OPC is okay with that**

1 as well?

2 A. From what I've heard, yes.

3 Q. Is there dispute about that actual  
4 number or is that number -- I mean, it's a moving  
5 number, but at some point it will be done moving  
6 and it will be agreed upon?

7 A. Absolutely, sir.

8 Q. Okay. So then concerning Laclede,  
9 what is the -- what is the regulatory asset amount?

10 A. For the -- and I want to distinguish,  
11 there's an asset for the pension plan and for the  
12 OPEB trust.

13 Q. Okay. Just for the pension.

14 A. That's what I wanted to be sure of.  
15 The company views it as being approximately  
16 \$160-plus million. It's between 162 and 165, I  
17 believe.

18 Q. And again, that is a number that is  
19 moving, but the numbers are what the numbers are,  
20 and that's not in dispute; is that correct?

21 A. Correct, other than this \$29 million  
22 you heard about during the opening statements.  
23 That's the pre-1994 pension asset. Unfortunately,  
24 this asset has been moving around for many, many  
25 years, and that portion of it is in dispute. But

1 there's certainly \$130 million, and that is not at  
2 all in dispute.

3 Q. And that amount as a regulatory asset  
4 will be added to rate base at the conclusion of  
5 this case?

6 A. Correct.

7 Q. And again, there is no dispute about  
8 that amongst the parties?

9 A. Not as I know, no, sir.

10 Q. Okay. So then going forward, we need  
11 to determine what is the amount to put in rates for  
12 ongoing pension contributions; is that correct?

13 A. That's correct.

14 Q. And the company wants to put  
15 31 million in and Staff is at 29 million, correct?

16 A. That's correct. Staff is proposing  
17 the ERISA minimum, which is around an 80 percent  
18 funded basis. The company has proposed 31 million  
19 because we would like to move towards a  
20 90 percent plus funded ratio over the course of the  
21 next several years.

22 Q. 31 million, that doesn't get you to  
23 the 90 percent, but it gets you toward the  
24 90 percent?

25 A. It's a moving target, yes. It moves

1 us toward that amount, yes, sir.

2 **Q. Have you had discussions with union**  
3 **representatives about that issue?**

4 A. I personally have not. My guess  
5 would be is that we probably haven't because,  
6 generally, we bargain with our union employees over  
7 the benefit, and it's our requirement to sit there  
8 and make sure there are funds available to pay  
9 those benefits. So my suspicion would be no, but I  
10 don't know for certain.

11 **Q. What is the industry standard, if**  
12 **there is one, for pension contributions related to**  
13 **80 percent minimum, if you know?**

14 A. That's a very good question. I would  
15 suggest that the utility industry is more  
16 well-funded than the non-regulated industry, which  
17 I think is probably -- just seeing national press,  
18 we've been hearing about pension plans that have  
19 been collapsing or having troubles funding. And  
20 that's part of the reason why, frankly, the PBGC  
21 has been changing the amount of variable premiums  
22 they have.

23 But the utility industry I think has  
24 generally been more well-funded than the  
25 non-regulated industry, but 80 percent is certainly

1 a number that would not surprise me at all, that  
2 the utility industry is probably hovering around  
3 that number.

4 **Q. So the company is proposing only**  
5 **5 million for ongoing pension costs for MGE; is**  
6 **that correct?**

7 A. It was actually 5.5 million. When we  
8 first filed our testimony, we were still waiting  
9 for a calculation from the actuaries, and they  
10 finally completed that calculation and it's  
11 \$5.47 million, which I think the Staff is  
12 reflecting in their true-up, and the company would  
13 agree with that.

14 **Q. So why is that number so much lower**  
15 **than the number for Laclede?**

16 A. Because of the benefit that was  
17 offered to the two companies over time. Laclede  
18 used to have what I would call a legacy pension  
19 plan that was a final years of service or final  
20 average pay years of average service plan, which  
21 was a -- which offered a fairly large benefit in  
22 comparison to MGE where, frankly, they had frozen  
23 most of their pension plans.

24 **Q. Okay. It's a function of the**  
25 **benefit?**

1 A. Yes, sir.

2 Q. At some point in time, will -- does  
3 Spire, Inc. hope to have one collective bargaining  
4 agreement with the employees of both subsidiaries  
5 or is that not -- and if that's outside your  
6 area --

7 A. No. Actually, it's a good question,  
8 and we actually do now. As we have been bringing  
9 MGE into the fold, we have now combined our pension  
10 plan so that we're offering the exact same sort of  
11 benefit --

12 Q. Oh, for new employees?

13 A. Actually, for myself, too. So, for  
14 example, our pension plan, the legacy plan I'll  
15 call it, was frozen in 2009. They put us on a cash  
16 balance plan. MGE employees have the same cash  
17 balance plan, and I believe over -- I won't speak  
18 to our other utilities. Laclede and MGE employees  
19 get the same benefits, sir.

20 CHAIRMAN HALL: I have no further  
21 questions. Thank you.

22 JUDGE DIPPELL: Thank you. Anything,  
23 Commissioner Coleman?

24 COMMISSIONER COLEMAN: No questions.

25 JUDGE DIPPELL: Thank you very much.



1 Is there any further cross-examination based on the  
2 Commissioner's questions from Staff?

3 MS. MERS: No, thank you.

4 JUDGE DIPPELL: Public Counsel?

5 MR. SMITH: No, thank you.

6 JUDGE DIPPELL: Is the union still  
7 here?

8 Is there any redirect from Spire?

9 MR. ZUCKER: Yes, your Honor, just a  
10 little. Thank you.

11 REDIRECT EXAMINATION BY MR. ZUCKER:

12 **Q. Mr. Buck, I'm going to show you**  
13 **paragraph 7 from the previous stipulation on**  
14 **pension issues that the company agreed to in its**  
15 **2013 case. Does that help refresh your**  
16 **recollection about the treatment -- about the**  
17 **treatment of payments that the company made above**  
18 **the minimum ERISA funding?**

19 A. Yes, it does. As I said, I knew the  
20 paragraph was there and I knew it was not in the  
21 portion of the information that was quoted in the  
22 OPC's testimony.

23 **Q. So can you confirm how that amount is**  
24 **treated?**

25 A. We're allowed rate recovery for the

1 dollars that exceed ERISA, so as to -- so that the  
2 minimum required contribution insufficient to avoid  
3 the benefit restriction specified for at-risk plans  
4 pursuant to the Pension Protection Act of 2006,  
5 thereby causing an inability by Laclede to pay out  
6 pension benefits to recipients in its normal and  
7 customary manner, including lump sum payments.

8 B is the minimum required  
9 contribution is not sufficient to avoid any Pension  
10 Benefit Guaranteed Corporation, which is PBGC,  
11 variable premiums. And that language is consistent  
12 with what it was in 2010, and if I could go back,  
13 it would probably also reflect 2007, 2005.

14 Q. So in plain English, that means that,  
15 if -- there are two reasons the company may have to  
16 fund more than the ERISA minimum; is that correct?

17 A. Correct.

18 Q. And those two reasons are, one, in  
19 order to be able to maintain lump sum distributions  
20 to its employees?

21 A. That's correct.

22 Q. And two, in order to avoid or reduce  
23 PBGC premiums?

24 A. Correct.

25 Q. Okay. And if the company does have

1 to make those extra contributions, it just adds to  
2 the rate base asset?

3 A. Correct.

4 Q. In answer to a question from Chairman  
5 Hall, you said that the company pension changed in  
6 2009?

7 A. That's correct.

8 Q. And so there had been a, what you  
9 called a legacy pension plan, and under that plan  
10 was the company at more risk for changes in  
11 interest rates or market value?

12 A. Yes, it was. The cash balance plan  
13 is a fixed amount contribution and it gets credit  
14 at the current market interest rate. Whereas, the  
15 legacy plan promised a benefit and the requirement  
16 to the company was to sit there and meet that  
17 benefit regardless of -- and the -- how can I put  
18 this? The benefits weren't necessarily tied to  
19 market interest rates, so the benefit plan changes  
20 could go up or down, and the company would be at  
21 risk to sit there and meet those obligations.

22 Q. Mr. Smith asked you about retired  
23 employees, and I'm not sure what the point he was  
24 trying to make was, but would you consider it to be  
25 fair if retired employees had their pension reduced

1     **because they're no longer providing service to the**  
2     **company?**

3             A.     Actually, I think that may be against  
4     the law.

5             Q.     **Then he must not have meant that.**  
6     **You mentioned that the other post-employment**  
7     **benefits or OPEBs are higher at Laclede than MGE in**  
8     **response to a question from Mr. Smith. Can you**  
9     **tell me why that's the case?**

10            A.     Certainly. Before we purchased MGE,  
11     they had discontinued all post-employment medical  
12     benefits or life insurance for their employees. So  
13     as such, to Mr. Pitts' point, they have a very  
14     small service interest cost because, frankly, for  
15     most of their employees they do not offer those  
16     benefits.

17                    And I believe probably as Laclede and  
18     MGE has -- we've merged our plans. There may be  
19     some benefits they're getting now. I'm not sure of  
20     that. But the reality is that most of the MGE  
21     current employees and retirees do not really have  
22     post-employment benefits; therefore, the cost of  
23     that plan is much lower than it is for Laclede.

24            Q.     **Why would MGE have done that? Do you**  
25     **have any idea?**

1           A.     Before we purchased them, I don't  
2 know, sir.

3           Q.     So Mr. Noack, who's with MGE, doesn't  
4 have the same post-employment benefits that legacy  
5 employees would have?

6           A.     Well, luckily Mr. Noack is qualified  
7 for Medicare.

8           Q.     Okay.

9           A.     Sorry, Mike.

10          Q.     You discussed the pre-1996 asset in  
11 response to some questions, and that amount is  
12 approximately \$29 million; is that correct?

13          A.     Correct.

14          Q.     And if Laclede were to collect that  
15 amount over, let's say, 20 years, what would  
16 that -- how much would that be in rates per year?

17          A.     Rough amount, a little bit less than  
18 1.5 million a year. Or, no, that can't be correct.  
19 Sorry. Give me a chance.

20          Q.     I think you might find that you're  
21 correct.

22          A.     That would be the first time today  
23 perhaps. Yes, 1.45.

24          Q.     One moment, your Honor. Okay. So  
25 the 1.45 million that you mentioned would amortize

1 off that 29 million over 20 years; is that correct?

2 A. That's correct.

3 Q. And if that asset did not have rate  
4 base treatment or any other treatment, then the  
5 1.-- then there would be nothing additional to  
6 amortize off based -- from that asset?

7 A. Correct.

8 Q. Would the company like to see that  
9 problem solved?

10 A. The short answer would be absolutely.

11 Q. I think that's probably the long  
12 answer also. Mr. Smith asked you some questions  
13 about the risk to the pension trust. Do you recall  
14 that?

15 A. Yes, I do.

16 Q. What is your position on providing a  
17 lower cost, a lower -- to funding the asset at the  
18 cost of debt rather than the weighted average cost  
19 of capital?

20 A. I believe Mr. Pitts referred to that  
21 as being a riskless investment. And, therefore, I  
22 think that was part of his reason why the return  
23 should be the cost of debt. And I guess I would  
24 disagree with that, if for no other reason than  
25 because Mr. Pitts and the Office of Public Counsel

1 has now proposed taking an asset that was earning a  
2 rate of return that's different than what he's  
3 suggesting now, automatically already induces -- or  
4 introduces risk there. So I think it's no longer a  
5 riskless asset. I don't think it ever really was.

6 MR. ZUCKER: Thank you, Mr. Buck.  
7 That's all the questions I had.

8 THE WITNESS: Thank you, sir.

9 JUDGE DIPPELL: Thank you, Mr. Buck.  
10 You may step down.

11 THE WITNESS: Thank you.

12 JUDGE DIPPELL: Spire's next witness?

13 MR. ZUCKER: Company calls James  
14 Fallert.

15 JUDGE DIPPELL: Mr. Fallert, this is  
16 your first appearance with us, isn't it?

17 THE WITNESS: That's right.

18 (Witness sworn.)

19 JUDGE DIPPELL: Thank you.

20 JAMES FALLERT testified as follows:

21 DIRECT EXAMINATION BY MR. ZUCKER:

22 Q. Good morning, Mr. Fallert.

23 A. Good morning.

24 Q. Can you spell your name for the court  
25 reporter?

1           A.     James, J-a-m-e-s, Fallert,  
2 F-a-l-l-e-r-t.

3           Q.     And who do you -- who are you  
4 employed by?

5           A.     I'm employed by James Fallert  
6 Consultant, LLC.

7           Q.     Okay. And are you a former Laclede  
8 Gas employee?

9           A.     Yes.

10          Q.     From what period?

11          A.     I joined Laclede in 1976 and I  
12 retired in 2012.

13          Q.     Okay. And are you the same James  
14 Fallert who caused to be filed in this case  
15 rebuttal testimony on October 17th and surrebuttal  
16 testimony on November 21st?

17          A.     Yes.

18          Q.     And do you have any changes to that  
19 testimony?

20          A.     No.

21          Q.     And so if I asked you the same  
22 questions that are written in that testimony today,  
23 would your answers be the same?

24          A.     Yes.

25          Q.     And are they true and accurate to the



1 **best of your knowledge and belief?**

2 A. Yes.

3 MR. ZUCKER: Your Honor, I offer  
4 these -- this rebuttal and surrebuttal testimony  
5 into evidence. You may have the numbers there.

6 JUDGE DIPPELL: I have the rebuttal  
7 testimony of Mr. Fallert as No. 44 and the  
8 surrebuttal testimony as No. 45. And would there  
9 be any objection to Exhibits 44 and 45?

10 MR. SMITH: No objection.

11 JUDGE DIPPELL: Seeing none, then I  
12 will receive those into evidence.

13 (SPIRE EXHIBITS 44 AND 45 WERE  
14 RECEIVED INTO EVIDENCE.)

15 MR. ZUCKER: Thank you, your Honor.  
16 I pass the witness.

17 JUDGE DIPPELL: Is there any  
18 cross-examination by Staff?

19 MS. MERS: Yes.

20 CROSS-EXAMINATION BY MS. MERS:

21 **Q. Good morning.**

22 A. Good morning.

23 **Q. How much are you being paid for your**  
24 **testimony today?**

25 A. \$300 an hour is my rate.

1 Q. Do you have your surrebuttal  
2 testimony up there with you?

3 A. Yes.

4 Q. Okay. Could you turn to page 4?

5 A. Okay.

6 Q. You say on lines 23 through 25 that  
7 you have -- you found no reference in Mr. Rackers',  
8 -- I believe you're referring to his GR-1990-120  
9 testimony?

10 A. Yes.

11 Q. -- in his testimony to base  
12 ratemaking for funding options on contributions; is  
13 that correct?

14 A. Yes.

15 Q. Do you have a copy of Mr. Rackers'  
16 testimony with you?

17 A. I believe so. Okay.

18 Q. Could you turn to page 10 of that  
19 testimony and read the first question and answer?

20 A. Doesn't look like I have page 10  
21 here.

22 Q. Okay. I luckily have the entire  
23 thing with me. Now, could you please turn to  
24 page 10 of that testimony?

25 A. All right.

1           **Q.       Could you read the first question and**  
2     **answer?**

3           A.       Why is the Staff proposing to make  
4     adjustments to only the management and contract  
5     funds?

6                     Answer: The company's Missouri  
7     Natural, MoNat, fund is currently in a funded  
8     status under federal law which requires Laclede to  
9     make a contribution to the plan. This cash  
10    contribution is approximately equal to pension  
11    costs as calculated under FAS 87. The Staff does  
12    not believe an adjustment for this fund is  
13    necessary at this time.

14           **Q.       So would you agree that although**  
15     **Mr. Rackers' recommendation was based on modified**  
16     **FAS 87 expense, Staff still considered cash**  
17     **contributions for ratemaking purposes?**

18           A.       It was based on FAS 87 calculation.

19           **Q.       Does it not also say, though, that**  
20     **the cash contribution was equal to the amount, so**  
21     **Staff found no adjustment appropriate? The amounts**  
22     **were the same, so they just left it as is. Would**  
23     **you agree that's what that testimony says?**

24           A.       That's what it says.

25                     MS. MERS: Okay. At this time I'd

1 like to enter the direct testimony of Steven  
2 Rackers into the record. I'm not really sure what  
3 exhibit number we're on for Staff. I apologize.

4 THE WITNESS: It should be noted the  
5 Missouri Natural plan was a very tiny portion of --

6 MS. MERS: I'm sorry. There's no  
7 question pending.

8 JUDGE DIPPELL: Just a moment,  
9 Mr. Fallert. Your attorney will have an  
10 opportunity to redirect.

11 THE WITNESS: All right.

12 JUDGE DIPPELL: This would be marked  
13 as Staff Exhibit 276, and it is the direct  
14 testimony of Stephen M. Rackers.

15 MS. MERS: I apologize for the -- how  
16 hard it is to read. It's from microfilm, and to  
17 save you guys from having to do the microfilm, we  
18 did it for you.

19 JUDGE DIPPELL: I appreciate that.  
20 It is Case No. GR-90-120.

21 (STAFF EXHIBIT 276 WAS MARKED FOR  
22 IDENTIFICATION BY THE REPORTER.)

23 JUDGE DIPPELL: And would there be  
24 any objection to Exhibit 276?

25 MR. ZUCKER: No, your Honor.

1 MR. SMITH: No objection.

2 JUDGE DIPPELL: Then I will admit  
3 that into evidence.

4 (STAFF EXHIBIT 276 WAS RECEIVED INTO  
5 EVIDENCE.)

6 BY MS. MERS:

7 Q. You also state on page 4 of your  
8 surrebuttal that you reviewed Staff's testimony  
9 from GR-92-165, which was Laclede's next rate case;  
10 is that correct?

11 A. Yes.

12 Q. Did you also review the Laclede  
13 testimony from GR-92-165?

14 A. Yes.

15 Q. Do you have that testimony with you?

16 A. I do.

17 Q. Okay. Could you turn to page 6 of  
18 Mr. Rackers' testimony?

19 A. Got it.

20 Q. Pass these out just to make sure  
21 everybody's got a copy, and then get to my  
22 question.

23 JUDGE DIPPELL: What was the page you  
24 directed the witness to?

25 MS. MERS: I believe it is page 6 of

1 this -- yes, page 6 of this direct.

2 BY MS. MERS:

3 Q. Would you agree that lines 1 through  
4 3 read, the Staff has utilized a contribution  
5 approach in determining the appropriate level of  
6 pension expense. The Staff recommends a  
7 contribution equal to the Employment Retirement and  
8 Income Security Act minimum for plan year ending  
9 September 30, 1992?

10 A. I would agree that's what the Staff  
11 recommended.

12 Q. All right. If I could approach one  
13 last time. So I've handed the witness what is  
14 Mr. Waltermire's direct testimony. He's a company  
15 witness in GR-92-165. Can you turn to page 5 of  
16 that testimony, please?

17 A. Okay.

18 Q. All right. Could you read lines 13  
19 through 27 for me?

20 A. Question: Does the company currently  
21 employ a contribution basis to determine the level  
22 of pension costs for financial reporting purposes?

23 Answer: No. For financial reporting  
24 purposes, the company records its pension costs on  
25 an accrual basis in accordance with the Generally

1 Accepted Accounting Principles, or GAAP.

2 Question: Why has Laclede proposed  
3 using annualized contribution levels as the  
4 appropriate basis for establishing rates?

5 Answer: The company has proposed  
6 using annualized contribution levels as the  
7 appropriate basis for establishing rates because it  
8 provides a less volatile, more stable determination  
9 of overall pension costs from year to year. Since  
10 stability in rates is an important objective in  
11 ratemaking, the contribution method would be a more  
12 appropriate basis to use in new rates.

13 **Q. So would you agree that both Staff**  
14 **and Laclede recommended pension expense based off**  
15 **cash contributions in GR-92-165?**

16 A. I would agree that both of those  
17 statements partially express the positions taken by  
18 Staff and the company in that case.

19 MS. MERS: Thank you. So at this  
20 time I would go ahead and offer both the direct  
21 testimony of Mr. Mark Waltermire and the direct  
22 testimony of Mr. Stephen Rackers for GR-92-165 into  
23 the record.

24 JUDGE DIPPELL: Okay. I will mark  
25 the testimony of Mr. Rackers in GR-92-165 as

1 Exhibit 277 and the testimony -- I'm sorry. That  
2 was the direct testimony. And the direct testimony  
3 of Mark Waltermire from GR-92-165 as Exhibit 268 --  
4 I'm sorry, 278. Would there be any objection to  
5 those exhibits coming into the record?

6 MR. SMITH: No objection.

7 MR. ZUCKER: No objection, your  
8 Honor.

9 JUDGE DIPPELL: Seeing none, I will  
10 receive those into evidence.

11 (STAFF EXHIBITS 277 AND 278 WERE  
12 RECEIVED INTO EVIDENCE.)

13 BY MS. MERS:

14 Q. Were you aware that Staff has made an  
15 adjustment to remove the pre-1994 amounts from the  
16 prepaid pension asset in every rate case filed in  
17 the last 20 years?

18 A. Yes.

19 Q. To your knowledge, has Laclede, other  
20 than this current case, challenged this adjustment  
21 by writing responsive rebuttal testimony?

22 A. No. This issue's been settled in a  
23 black box settlement in all those cases.

24 Q. In every case in the last 20 years?

25 A. Yes.



1 MS. MERS: Thank you. I have nothing  
2 further.

3 JUDGE DIPPELL: Is there any  
4 cross-examination from Public Counsel?

5 MR. SMITH: There is not. Thank you.

6 JUDGE DIPPELL: Is there anything  
7 from the union?

8 MS. HALL: No, there is not.

9 JUDGE DIPPELL: Questions from the  
10 Bench?

11 CHAIRMAN HALL: No questions. Thank  
12 you.

13 JUDGE DIPPELL: Is there redirect by  
14 Spire?

15 MR. ZUCKER: Yes, your Honor.

16 REDIRECT EXAMINATION BY MR. ZUCKER:

17 Q. Good morning again, Mr. Fallert.

18 A. Good morning.

19 Q. Staff counsel started out by looking  
20 at Case No. 90-120.

21 A. Yes.

22 Q. Do you recall that?

23 A. Yes.

24 Q. And is that the first case that the  
25 company brought, the first rate case after the

1 **FAS 87 change?**

2 A. Yes.

3 **Q. And when I say FAS 87, I mean FAS 87**  
4 **and FAS 88. Is that okay?**

5 A. Yes. They're generally considered  
6 together. They're closely linked.

7 **Q. Okay. And in your view, what**  
8 **position did Staff take with regard to pension**  
9 **costs in the 1990 case, 90-120?**

10 A. Staff based its position on a FAS 87  
11 calculation, and that was -- that was shown earlier  
12 in Mr. Rackers' testimony.

13 **Q. Can you point to that?**

14 A. The first question and answer in  
15 Mr. Rackers' testimony on page 6, starting on  
16 line 22, on pension expense. The question, has the  
17 Staff utilized the Statement of Financial  
18 Accounting Standards No. 87, paren FAS 87, in its  
19 determination of pension expense?

20 Answer: Yes, with regard to funded  
21 pensions. Laclede has also used a FAS 87  
22 calculation for unfunded pension-related items. It  
23 goes on to discuss FAS 87 in some detail.

24 **Q. Okay. So from that, are you**  
25 **gathering that both the Staff and the company filed**

1 on a FAS 87 basis?

2 A. Yes.

3 Q. And FAS 87 is an accrual basis?

4 A. That's correct.

5 Q. And has it tended to be less than the  
6 actual contribution amount, the cash contribution  
7 amount?

8 A. Back in the era in which these  
9 balances were accrued, it certainly was.

10 Q. I'm sorry.

11 A. It was back in the era when these  
12 balances accrued.

13 Q. Okay. How about between 1987 and  
14 1990, do you have any recollection for what the  
15 balance did at that time, the difference between  
16 the FAS 87 accrual and the company's actual cash  
17 contribution?

18 A. There were no balances accrued during  
19 that period under the previous accounting  
20 guidelines.

21 Q. Okay. So is what you're saying is  
22 that roughly the FAS 87 expense and the company's  
23 cash contributions were pretty close? I'm sorry.

24 A. Yeah. I can't say for sure. The  
25 previous accounting under the previous accounting

1 guidelines didn't really accrue assets or  
2 liabilities.

3 Q. Okay. You're saying before 1987?

4 A. Before FAS 87.

5 Q. Okay. I'm saying between FAS 87 in  
6 1987 and this 1990 case that Staff counsel --

7 A. The balances were relatively small at  
8 that point in time.

9 Q. Would you turn to the page 10 that  
10 Staff counsel referred you to in the case 90-120.

11 A. Yes.

12 Q. And this refers specifically to  
13 Missouri Natural, which we used to call MoNat?

14 A. Yes.

15 Q. And can you explain to me any --  
16 any -- anything different about the MoNat fund?

17 A. MoNat was a very small portion of the  
18 company's pension funds. And as I read this, his  
19 testimony, while the Staff took notice of cash  
20 contributions necessary into that fund, it based  
21 its calculation for ratemaking on FAS 87.

22 Q. Okay. So let me ask you something.  
23 If the Staff had based its cal-- its rates, if the  
24 Staff had said Laclede's rates for MoNat should be  
25 on a cash contribution basis, there would be no

1 need to make an adjustment; is that correct?

2 A. According to this, they were  
3 approximately the same, yeah.

4 Q. Right. But just the fact that they  
5 were approximately the same meant that Staff was  
6 actually looking at the difference between FAS 87  
7 and the cash contribution?

8 A. Apparently so.

9 Q. And there would be no reason to look  
10 at that differential unless there was FAS 87 in  
11 rates versus cash contribution?

12 A. That makes sense.

13 Q. Okay. Let's move up to 1992. Now,  
14 in that case, as Staff counsel pointed out, both  
15 the company and the Staff filed -- filed on a cash  
16 contribution basis, so that that would be the  
17 amount that would be in rates; is that correct?

18 A. That's correct.

19 Q. And do you have any opinion on  
20 whether cash contributions actually ended up in  
21 rates?

22 A. Well, the other portion of the  
23 testimony in both Mr. Waltermire, the company  
24 witness' testimony, and in Staff witness Rackers'  
25 testimony was a discussion of what was necessary to

1 implement a contribution basis for pensions.

2 Q. Okay. Can you point that to me in  
3 Staff witness Rackers' testimony?

4 A. In Mr. Rackers' testimony, it's on  
5 page 8. It begins at the top of the page, he talks  
6 about the accounting for pensions and  
7 post-retirement benefits. And what Mr. Rackers --  
8 I can read it all into the record if you wanted,  
9 but it's already quoted in my surrebuttal  
10 testimony.

11 But basically what Mr. Rackers says  
12 there is that, in order to implement a contribution  
13 basis for pensions, the Commission needs to  
14 establish that in an Order and weigh out how the  
15 accounting will work for that under FAS 71. And  
16 there was a similar --

17 JUDGE DIPPELL: Mr. Fallert, can I  
18 get you to speak into the microphone?

19 THE WITNESS: Oh, I'm sorry. Do I  
20 need to repeat --

21 JUDGE DIPPELL: No. Go ahead.

22 THE WITNESS: There was a similar  
23 discussion in Mr. Waltermire's testimony, the  
24 direct testimony of the company witness.  
25 Ultimately, in that case, that case was settled.

1 There was no discussion in the Report and Order or  
2 Stipulation & Agreement of pensions. So these  
3 accounting requirements and the requirement to have  
4 the Commission approve a change to a contribution  
5 basis did not happen. So whatever was proposed by  
6 the two parties here going into the case, the  
7 Commission didn't approve it, and both parties  
8 seemed to acknowledge that that would be necessary  
9 to make that change, to have an approval and  
10 authorization by the Commission to change to a  
11 contribution basis.

12 BY MR. ZUCKER:

13 **Q. So you're saying you are required to**  
14 **put in rates the accrual, FAS 87 expense, unless**  
15 **you got Commission approval to do otherwise; is**  
16 **that your testimony?**

17 A. That's right. We were on an accrual  
18 basis going into the case. We proposed a change,  
19 pointed out that the Commission needs to authorize  
20 this change and authorize the accounting that would  
21 go along with it, and those -- that did not happen.

22 **Q. And both Staff and the company agreed**  
23 **that that authorization was needed?**

24 A. Both discussed that authorization,  
25 right, in the testimony.

1           Q.     Okay. Let me ask you something. If  
2 authorization was needed to change, why did Staff  
3 and the company both file on this unauthorized cash  
4 contribution basis?

5           A.     Well, I think the idea was that if  
6 the parties could agree on moving to a contribution  
7 basis, you take it to the Commission, stipulation,  
8 and get approval for that.

9           Q.     Okay. But in the cases before 1990,  
10 both parties had filed on the FAS 87 basis, right?

11          A.     Right.

12          Q.     And so what changed to cause them to  
13 suddenly both file on the cash contribution basis?

14          A.     Well, I think there was a concern  
15 with the volatility that FAS 87 basis would present  
16 and numbers. A contribution basis, as was pointed  
17 out in some of the testimonies, would smooth things  
18 out some.

19                   And I believe there was also another  
20 case, I believe it was KCPL, in that area where did  
21 the Commission did authorize a contribution basis  
22 for pensions. So given that history, I think it  
23 was something that the -- that the parties were  
24 willing to explore at that point in time, but it  
25 didn't happen.



1           **Q.     By it didn't happen, you mean that**  
2           **the Commission did not approve the cash**  
3           **contribution basis in Laclede's 1992 case?**

4           A.     Right.  There's nothing in the  
5           Stipulation & Agreement in regards to making the  
6           change to a contribution basis.

7           **Q.     Staff counsel asked you if, over the**  
8           **last 20 years, Laclede has disputed the Staff's --**  
9           **the fact that the Staff hasn't added this asset**  
10          **into rates.  Has Laclede conceded this point?**

11          A.     No, we haven't.  We've -- we've filed  
12          on our basis.  Staff has filed on their basis.  And  
13          this has been an item that's been consistently  
14          settled in part of a black box settlement.  Most of  
15          our cases were settled through all that period.

16          **Q.     Okay.  So now, 20 years later, is the**  
17          **company still filing on a -- are rates still based**  
18          **on FAS 87 expense?**

19          A.     In 2002, we made a change to the  
20          recovery for pension expense and we moved away from  
21          a FAS 87, FAS 88 basis onto a basis that was based  
22          more on contributions.  At least the number that  
23          was built into rates started with contributions.  
24          And that case in 2002, the important point there is  
25          that we got authorization from the Commission and

1 we wrote into the stipulation and agreement and the  
2 report and order what the accounting was, and it  
3 was authorized by the Commission, because that's  
4 what was needed to make that change.

5 In these previous cases back in the  
6 '90s, Staff made some proposals, but they were  
7 never authorized by the Commission.

8 Q. And were you involved in these cases?

9 A. Yes, I was a witness in those cases,  
10 although not on the pension issue.

11 Q. So just to clarify for the  
12 Commission, if rates were based on FAS 87 accrual,  
13 then customers are paying in an amount that turned  
14 out to be less than what the company was actually  
15 incurring; is that correct?

16 A. Yes.

17 Q. But if customers were paying in on  
18 rates based upon actual contributions, then the  
19 customers would have already paid the difference  
20 between the FAS 87 expense and the cash  
21 contribution expense, correct?

22 A. Yes.

23 Q. And it's the company's position that  
24 FAS 87 expense had been used throughout this  
25 period, so this asset actually exists?

1           A.       That's correct.

2                   MR. ZUCKER:   One moment.   Again, your  
3 Honor, after 25 years, I want to make sure we get  
4 it all on the table.   I don't think I have any  
5 other questions, Mr. Fallert.   Thank you.

6                   THE WITNESS:   Thank you.

7                   JUDGE DIPPELL:   Thank you.

8                   Thank you, Mr. Fallert.   You may step  
9 down.   You may be excused.

10                   Okay.   Let's go ahead then and take a  
11 break.   Come back at 10:35.   Let's go off the  
12 record.

13                   (A BREAK WAS TAKEN.)

14                   JUDGE DIPPELL:   Okay.   We're back on  
15 the record, and during our break the parties shared  
16 with me some of their settlement discussions that  
17 have been going well and informed me that they had  
18 resolved the issue of rebranding, commercial  
19 deposits and cash working capital, and that they  
20 are down to one issue on transition costs, so they  
21 would like to save that one for tomorrow in hopes  
22 that they can settle that one.   Did I -- did anyone  
23 want to correct me?

24                   MR. PENDERGAST:   That sounds  
25 completely accurate to me, your Honor.

1 JUDGE DIPPELL: Very good. So we  
2 will continue with our pensions, and then we will  
3 take up the remaining software, and then the other  
4 two issues that would get us caught up are SERP and  
5 incentive compensation. So doing good, but still a  
6 lot to cover today. So let's keep things moving.  
7 So let's go ahead then with our next pension  
8 witness, which will be Staff's witness.

9 MS. MERS: Staff calls Matthew Young  
10 to the stand.

11 (Witness sworn.)

12 JUDGE DIPPELL: Go ahead.

13 MATTHEW YOUNG testified as follows:

14 DIRECT EXAMINATION BY MS. MERS:

15 Q. Can you please state and spell your  
16 name for the record?

17 A. Matthew Young, Y-o-u-n-g.

18 Q. And who are you employed by and in  
19 what capacity?

20 A. I'm a regulatory auditor for the  
21 Missouri Public Service Commission.

22 Q. And did you prepare or cause to be  
23 prepared a portion of the cost of service report  
24 which has been marked as Exhibit 205, the rebuttal  
25 testimony of Matthew Young marked as Exhibit 231,

1 and surrebuttal that's been marked as 262 for  
2 confidential version and surrebuttal that's been  
3 marked as public that's been marked as Exhibit 263?

4 A. Yes, I am.

5 Q. Do you have any corrections to that  
6 testimony?

7 A. No, I don't.

8 Q. If I asked you the same questions  
9 today, would your answers be the same?

10 A. Yes, they would.

11 Q. And are those answers true and  
12 accurate to the best of your knowledge and belief?

13 A. Yes, they are.

14 MS. MERS: At this time I believe  
15 Mr. Young will be taking the stand again, so I will  
16 hold off on entering his testimony, but I will  
17 tender the witness for cross.

18 JUDGE DIPPELL: Thank you. Is there  
19 cross-examination by Public Counsel?

20 MR. SMITH: Yes, Judge. Thank you.

21 CROSS-EXAMINATION BY MR. SMITH:

22 Q. Mr. Young, I understand you were in  
23 the courtroom earlier when some discussion or  
24 cross-examination occurred about the amounts to be  
25 included in the prepaid pension asset prior to

1 1994. Do you recall that?

2 A. Yes, I do.

3 Q. Did any of that discussion change  
4 your testimony or opinion on the subject?

5 A. No, it did not.

6 Q. And what is your opinion?

7 A. My opinion is that prior to the  
8 Laclede 1994 rate case, rates were set on cash  
9 contributions.

10 Q. And so based on that opinion, isn't  
11 it true your recommendation would be that that  
12 amount should not be included in the prepaid  
13 pension asset?

14 A. That's correct. After FAS 87 was  
15 implemented, Staff certainly recognized the need  
16 for Laclede to stay in compliance with Generally  
17 Accepted Accounting Principles by deferring certain  
18 pension costs into assets and liabilities, but  
19 those for all intents and purposes weren't  
20 regulatory assets and liabilities. They were  
21 financial assets and liabilities.

22 Q. I wanted to transition to another  
23 item in your testimony related to the ERISA minimum  
24 contributions. Staff is recommending an 80 percent  
25 contribution level as I understand it; is that

1 right?

2 A. That's right.

3 Q. One of the points of reasoning  
4 supporting that recommendation would be the idea  
5 that rates might rise and that could be a good  
6 thing for pensions?

7 A. Would you say that again?

8 Q. Yeah. As part of your reasoning, do  
9 you state in your testimonies essentially the  
10 theory that rates could rise and that could be a  
11 good thing for pensions?

12 A. When you say rates, I think my  
13 opinion is generally that the assets held by the  
14 funds are invested in the markets, and the markets,  
15 as we've heard last week and early this week, are  
16 doing very well.

17 Q. I guess I meant interest rates, not  
18 rates in terms of ratepayer rates.

19 A. Right.

20 Q. Now, if rates did go up, it's true  
21 that could have an effect on the assets, but it  
22 would also have impact on liabilities, correct,  
23 pension trust liabilities?

24 A. I believe that's correct.

25 Q. Are you familiar with the current

1 investment policy or the investment strategy that I  
2 was discussing with Mr. Buck?

3 A. Regarding pension funding?

4 Q. Yes.

5 A. Oh, the investment of the assets in  
6 the trust; is that right?

7 Q. Yeah. Such as the allocation as  
8 between equity versus fixed income.

9 A. Very generally, I'm familiar with it.

10 Q. Is it your understanding that as that  
11 fund becomes better funded, that there would be a  
12 different mixture of investments?

13 A. Yes. I don't recall which document I  
14 looked at. I've looked at a lot of documents. But  
15 it is my understanding that, as the fund becomes  
16 closer to the obligations of pensions, the mixture  
17 moves away from equity towards debt.

18 MR. SMITH: Thank you. No further  
19 questions.

20 JUDGE DIPPELL: Thank you. Is there  
21 anything from Spire? I'm sorry. Was there  
22 anything from the union?

23 MS. HALL: No, your Honor.

24 JUDGE DIPPELL: Anything from Spire?

25 MR. ZUCKER: Yes, your Honor. Thank



1 you.

2 CROSS-EXAMINATION BY MR. ZUCKER:

3 Q. Good morning, Mr. Young.

4 A. Good morning.

5 Q. You just testified in response to a  
6 question from Mr. Smith, OPC counsel, that you have  
7 not changed your mind on the pre-1994 pension  
8 asset; is that correct?

9 A. That's correct.

10 Q. Okay. So with regard to the 1994 to  
11 '96 FAS 88 pension asset, can we agree that that  
12 asset should be in with the rest of the assets?

13 A. I wouldn't agree with that.

14 Q. You would not agree with that?

15 A. The FAS 88 asset from '94 to '96  
16 should not be included in Laclede's asset.

17 Q. But that's obviously post-'94 --

18 A. Correct.

19 Q. -- you're saying?

20 Okay. So if I look at your direct  
21 testimony -- do you have that in front of you?

22 A. I do.

23 Q. And so this would be the Staff's cost  
24 of service report, page 68?

25 A. I'm there.

1 Q. Okay. So you have a chart there  
2 which shows the balance of the pension asset at  
3 March 2010, then it goes down to an unadjusted  
4 balance at June 30, 2017, the far -- the far column  
5 difference A minus B. Do you see that?

6 A. Yes.

7 Q. Okay. And then you adjust it by  
8 subtracting off the asset balance at August 31, '94  
9 of 19.8 million. Do you see that?

10 A. Yes.

11 Q. So that's the pre-'94 asset, right?

12 A. That's right.

13 Q. And then you also subtract the FAS 88  
14 '94 to '96 asset of roughly 9 million; is that  
15 correct?

16 A. That's correct.

17 Q. Okay. So now can you turn to your  
18 surrebuttal testimony on page 7?

19 A. I'm there.

20 Q. Okay. So if I go to the bottom of  
21 the page, line 20, you see that?

22 A. Yes.

23 Q. And does it say, Staff then adjusted  
24 the balance for pension costs deferred prior to  
25 September 1, 1994, a time when rates were not set

1 with regard to FAS 87 expense? Did I read that  
2 correctly?

3 A. Yes, you did.

4 Q. But you do not adjust the balance for  
5 the '94 to '96 FAS 88 asset?

6 A. I did adjust it. I just didn't  
7 describe it here.

8 Q. Okay. And did you see Mr. Fallert's  
9 testimony on this issue where he quotes Staff  
10 witness John Boczkiewicz regarding FAS 88?

11 A. Could you point me to that portion of  
12 his testimony?

13 Q. Yeah. I hope so. Let's go to the  
14 surrebuttal testimony of James Fallert, page 6.

15 A. I'm there.

16 Q. Okay. So the question on page 11 in  
17 the middle --

18 A. I'm sorry. Page 11?

19 Q. I'm sorry. Line 11 in the middle of  
20 page 6, discusses the relevance of Staff's  
21 testimony in Case No. 94-220. Do you see that?

22 A. Yes, I do.

23 Q. That's the 1994 Laclede rate case,  
24 correct?

25 A. Correct.

1 Q. And it refers to the testimony of  
2 John Boczkiewicz, and it quotes Mr. Boczkiewicz as  
3 saying, how has Laclede normalized FAS 88 gains in  
4 its case? Did I read that correctly off line 18?

5 A. Yes, you did.

6 Q. And the answer from the Staff witness  
7 is, Laclede has employed a three-year average using  
8 the actual FAS 88 gains from '92 and '93, expected  
9 level of gains from '94. Did I read that  
10 correctly?

11 A. Yes.

12 Q. And then the next question asks, why  
13 is it appropriate to use an average to normalize  
14 FAS 88 gains? And the answer is that FAS -- from  
15 Staff witness Boczkiewicz, that FAS 88 gains are  
16 subject to wide fluctuations. Is that --

17 A. Yes.

18 Q. -- correct?

19 Okay. So it appears that both the  
20 Staff and Laclede are trying to establish a FAS 88  
21 rate in rates, correct?

22 A. Correct. But the stipulation to that  
23 case only represents FAS 87, and in the following  
24 case Staff has some direct testimony explaining why  
25 FAS 88 was a problem.

1 Q. And so you're trying to distinguish  
2 FAS 87 and FAS 88?

3 A. Correct.

4 Q. Okay. And would you agree with me  
5 that the two go together?

6 A. For financial accounting reporting,  
7 the GAAP accounting guidance, yes, they're linked.

8 Q. Okay. So they are linked for  
9 accounting purposes, they're linked in GAAP, but  
10 you're separating them for regulatory purposes?

11 A. For ratemaking, correct.

12 Q. And you're separating for ratemaking  
13 even though it says right there in Mr.  
14 Boczkiewicz's testimony that he was employing some  
15 kind of an average to figure out the FAS 88 number?

16 A. Even with that, Staff has separated  
17 these in every case since '96.

18 Q. Okay. You were not at the 1994 case,  
19 correct?

20 A. I was a sophomore in high school in  
21 the 1994 case.

22 Q. Okay. And when you were a sophomore  
23 in high school, you were not working for the Staff?

24 A. That is absolutely correct.

25 Q. Okay. Would you agree with me that

1 both Staff and the company filed on a FAS 87 basis  
2 in the 1990 Laclede rate case?

3 A. I believe Staff's was a modified  
4 FAS 87 for two of the plans. I correct that. It  
5 was for all three of the plans, but Staff modified  
6 the FAS 87 calculation for two of the plans.

7 Q. Okay. So if we look at Mr. Fallert's  
8 surrebuttal on page 4 --

9 A. I'm there.

10 Q. -- he quotes testimony of Staff  
11 witness Rackers, has the Staff utilized FAS 87 in  
12 its determination of pension expenses? And  
13 Mr. Rackers says, yes, with regard to funded  
14 pensions; is that correct?

15 A. That's right.

16 Q. Now, in your testimony you also say  
17 that -- let me find it here -- that Laclede did not  
18 include the asset, the pension asset in the 1994  
19 Laclede rate case, correct?

20 A. Yes. The first time any party  
21 included pension asset in rate base was in the case  
22 after '94, the 1996 case.

23 MR. ZUCKER: '96 case. Okay. Your  
24 Honor, I'd like to have an exhibit marked.

25 JUDGE DIPPELL: All right. Spire's

1 next exhibit is 62.

2 (SPIRE EXHIBIT 62 WAS MARKED FOR  
3 IDENTIFICATION BY THE REPORTER.)

4 BY MR. ZUCKER:

5 Q. Okay. Do you recognize that  
6 testimony?

7 A. I'm sure I've reviewed it.

8 Q. Okay. And does it appear to be the  
9 direct testimony of Mark D. Waltermire on behalf  
10 of the company in Laclede Gas Company's 1994 rate  
11 case, GR-94-220?

12 A. I agree.

13 Q. And is the issue in this case pension  
14 and post-retirement benefits?

15 A. If appears that's what he -- yes.  
16 Yes, it is.

17 Q. Okay. Without going through all the  
18 pages of the testimony, I've just copied page 19  
19 there as the next page. Do you see that?

20 A. Yes.

21 Q. And can you read -- excuse me one  
22 second. I'm trying to find the starting place.  
23 All right. Would you read the question starting at  
24 line 26?

25 A. On page 19?

1 Q. Yes, sir.

2 A. Question: You are also sponsoring  
3 the inclusion of the company's net prepaid pension  
4 asset in rate base. How was the amount included in  
5 rate base determined?

6 Q. Okay. And the answer given?

7 A. Answer: Net prepaid pension costs  
8 included in rate base was calculated by adding  
9 together estimated April 30th, 1994 accrued pension  
10 liability and prepaid pension asset account  
11 balances for all company-sponsored retirement  
12 plans.

13 Q. Okay. And would you turn to the next  
14 page?

15 A. Okay.

16 Q. Would you agree with me that that is  
17 a schedule from Laclede's 1994 rate case?

18 A. It appears to be.

19 Q. Okay. Have you looked at this?

20 A. I don't recall seeing this.

21 Q. Okay. And it says at the top,  
22 section A, rate base?

23 A. Correct.

24 Q. And the document is titled original  
25 cost rate base?



1 A. Correct.

2 Q. And if we go down through the items  
3 there, toward the bottom, do you see the line that  
4 says prepaid pension asset?

5 A. Yes, I do.

6 Q. And that amount is about  
7 14.2 million; is that correct?

8 A. Correct.

9 Q. So it would appear that Laclede  
10 included its prepaid pension asset in the 1994 rate  
11 case. Would you agree with that?

12 A. In its direct filing, and I don't  
13 think Staff agreed with that. And if you look at  
14 Mr. Waltermire's testimony in the next rate case,  
15 he begins calculating the asset from the effective  
16 date of rates in '94.

17 JUDGE DIPPELL: Mr. Zucker, let me  
18 just clarify. Is this schedule attached to the  
19 direct testimony of Mr. Waltermire?

20 MR. ZUCKER: Yes.

21 JUDGE DIPPELL: Thank you.

22 MR. ZUCKER: Let me at this point  
23 offer Exhibit 62 into evidence.

24 JUDGE DIPPELL: Would there be any  
25 objection to Exhibit 62?

1 MS. MERS: I would just like to note  
2 it's not a complete copy, but if we could take  
3 official notice of the entire direct testimony in  
4 case parties would like to refer to other portions  
5 that have not been included today.

6 MR. ZUCKER: And that's fine with me.

7 JUDGE DIPPELL: Would there be any  
8 objection to taking official notice of the entire  
9 testimony in GR-94-220 of Mr. Waltermire, the  
10 direct that I've labeled as Exhibit 62?

11 MR. SMITH: No objection.

12 JUDGE DIPPELL: Thank you. Then I  
13 will admit it.

14 (SPIRE EXHIBIT 62 WAS RECEIVED INTO  
15 EVIDENCE.)

16 JUDGE DIPPELL: Go ahead.

17 BY MR. ZUCKER:

18 Q. All right. Okay. In Mr. Fallert's  
19 surrebuttal testimony -- I'm sorry -- Mr. Fallert's  
20 rebuttal testimony on page 7 --

21 A. I'm there.

22 Q. -- at line 3, can you see where it  
23 says, are there any other reasons you believe that  
24 FAS 88 was in effect for ratemaking prior to Case  
25 No. GR-96-193?

1           A.     Yes, I do.

2           Q.     And the answer is that the Report and  
3     Order from that case in the wherefore section  
4     stated that the Commission was granting Laclede  
5     Gas Company authorization to continue to utilize  
6     FAS 87, 88 and 106 for regulatory purposes?

7           A.     I see that. I guess I'd also like to  
8     look at the stipulation and see if the Commission's  
9     order reflected the stipulation's language.

10          Q.     Now, you noted that in the 1996 case,  
11     that the company only included the asset back to  
12     1994; is that correct?

13          A.     That's correct.

14          Q.     Do you have any idea why they might  
15     do that?

16          A.     Because I would think they recognize  
17     the ratemaking had changed from the cash  
18     contribution method to FAS 87 expense.

19          Q.     Is it possible that they did that in  
20     order to achieve a faster settlement?

21          A.     I wasn't part of those settlement  
22     negotiations. I can't speculate.

23          Q.     And do you know if the case did  
24     settle fairly quickly?

25          A.     I don't know that.

1 Q. Okay. And have you reviewed the 2002  
2 stipulation?

3 A. Yes. Yes, I have.

4 Q. Okay. And in that case, the 2002  
5 case, the stipulation clearly spells out that the  
6 company will be on a cash contribution or a ERISA  
7 minimum basis, correct?

8 A. Correct, to the best of my memory.

9 Q. And that kind of language does not  
10 exist in the previous orders in the rate cases  
11 we've been discussing?

12 A. In the previous stipulations, I don't  
13 think any kind of funding was identified one way or  
14 the other.

15 MR. ZUCKER: One moment, please, your  
16 Honor.

17 All right. That's all the questions  
18 I have. Thank you, Mr. Young.

19 JUDGE DIPPELL: Thank you. Are there  
20 questions from the Bench for Mr. Young?

21 CHAIRMAN HALL: Yeah, one real quick.

22 QUESTIONS BY CHAIRMAN HALL:

23 Q. Good morning.

24 A. Good morning.

25 Q. Do you have your surrebuttal

1 testimony in front of you?

2 A. I will in a minute. Yes, sir.

3 Q. Pages 17 and 18, you discuss other  
4 considerations for the Commission to consider  
5 regarding pension funding, and I just want to make  
6 sure I understand your answer. There was a  
7 question on -- well, on lines 1 and 2 of page 18,  
8 you say, Staff's position does not affect LAC's,  
9 Laclede's ability to fund future pension costs. Do  
10 you see that?

11 A. I'm sorry. Are we in my surrebuttal?

12 Q. I thought so. Am I on the wrong  
13 page?

14 A. Or I am. My page 18 starts with  
15 limits the amount.

16 Q. Yeah. At the end of line 1.

17 A. Oh, okay. Yeah, I agree it says,  
18 does not affect ability to fund future pension  
19 costs.

20 Q. And I just want to make sure. When  
21 you're discussing Staff's position, you're not  
22 talking about Staff's position just related to the  
23 issue being discussed right above that section,  
24 you're talking about Staff's position generally  
25 related to all pension issues?

1           A.       Generally, Staff's position is we  
2 would like to see -- I think all parties would like  
3 to see the fund funded.

4           Q.       Right. Well, I appreciate that  
5 that's everyone's goal. I want to make sure I  
6 understand your statement that Staff's position  
7 does not affect Laclede's ability to fund future  
8 pension costs in your opinion. Separate and apart  
9 from everyone's shared goal, I want to make sure I  
10 understand.

11          A.       Correct. I think Staff's position  
12 includes \$45 million, which is a combination of  
13 future funding and amortization of prior assets.

14          Q.       Do you believe that there are any  
15 parties in this case that -- again, this may be a  
16 remedial question. Anyone in this case who would  
17 disagree that Staff's position -- would argue that  
18 Staff's position will, in fact, impact Laclede's  
19 ability to fund future pension costs?

20          A.       I don't. Without speaking for other  
21 parties, I don't see any argument for that. And I  
22 understand the union's concerned about their  
23 pensions being funded. We all are.

24                    JUDGE DIPPELL: Mr. Young, can you  
25 speak up just a little?

1 THE WITNESS: Yes, ma'am. This is  
2 just a disagreement between what happened in the  
3 '90s and whether Laclede should earn a return on  
4 and a return of some costs that are deferred for  
5 financial purposes.

6 BY CHAIRMAN HALL:

7 Q. So this -- this would affect -- this  
8 would affect the revenue requirement?

9 A. Agreed. It does have a cash flow  
10 implication.

11 Q. But that, in and of itself, from your  
12 perspective, doesn't affect the company's ability  
13 to fund future pension costs?

14 A. No. I in no way believe they are in  
15 danger of defaulting on their pension obligations.

16 CHAIRMAN HALL: Okay. Thank you.

17 COMMISSIONER COLEMAN: No questions.

18 JUDGE DIPPELL: Is there further  
19 cross-examination based on the Chairman's questions  
20 from Public Counsel?

21 MR. SMITH: No, thank you, Judge.

22 JUDGE DIPPELL: From the union?

23 MS. HALL: No, thank you.

24 JUDGE DIPPELL: From Spire?

25 MR. ZUCKER: Just a little, your

1 Honor.

2 RECROSS-EXAMINATION BY MR. ZUCKER:

3 Q. You talked about a return on and a  
4 return of the pre-'94 and I guess now pre-'96  
5 pension asset.

6 A. Correct.

7 Q. Do you recall that? And did you --  
8 do you agree with Mr. Buck that if the \$29 million  
9 pension asset that we're discussing was amortized  
10 over 20 years, that amount would come to about 1.45  
11 million?

12 A. I believe that math is correct.

13 MR. ZUCKER: Okay. That's all I had.  
14 Thank you.

15 JUDGE DIPPELL: Thank you. Is there  
16 redirect?

17 MS. MERS: Yes, there is.

18 REDIRECT EXAMINATION BY MS. MERS:

19 Q. Mr. Young, you had a lot of questions  
20 about stipulations, black box settlements. Is it  
21 common for a stipulation to occur before rebuttal?

22 A. In my experience, that is not common.  
23 I know that happened in Laclede's prior '13 case.  
24 I'm not aware of any other instance.

25 Q. Sure. So parties would still address



1 adjustments they disagree with in rebuttal even if  
2 a case settles or would settle, correct?

3 A. I'm sorry. Say that again.

4 Q. Do you think that parties would still  
5 address adjustments they disagree with in rebuttal,  
6 even if a case would settle or if it does settle?

7 A. It's been my experience you write  
8 testimony as if the case doesn't settle up until  
9 the point it settles.

10 Q. You were asked some questions by  
11 counsel for Laclede about FAS 87 and FAS 88. Are  
12 those separate, distinct expenses?

13 A. Yes, they are.

14 Q. Okay. And is there a difference  
15 between regulatory accounting and financial  
16 accounting?

17 A. Absolutely.

18 Q. And for how Staff approaches this,  
19 does Staff separate FAS 87 and 88 for other  
20 utilities?

21 A. I'm sorry.

22 Q. Does Staff separate FAS 87 expense  
23 and FAS 88 expense for other utilities?

24 A. I'm sorry. I haven't worked  
25 pension -- on the pension issues in other

1 utilities. I don't know.

2 Q. Okay. You were asked by counsel for  
3 Laclede about the GR-90-122 case. Is it your  
4 opinion that Staff did not make an adjustment  
5 because the numbers for the cash contribution and  
6 the numbers for the FAS expense were the same?

7 A. It's my opinion and my impression  
8 that Laclede filed its direct case with the  
9 FAS 87 expense for pension funding, and Staff  
10 approached that position with its usual open mind  
11 and looked at the cash contributions and found it  
12 to be a very minimal difference, and Mr. Rackers  
13 stated that for the MoNat fund. And he lists the  
14 costs for the other two funds, and if you add those  
15 up, the amounts in his testimony, it is also very  
16 close to cash fund, which was zero dollars at that  
17 time.

18 Q. And do you recall, does that  
19 testimony also refer to Staff as part of its  
20 position examining cash contributions, Mr. Rackers'  
21 testimony?

22 A. Mr. Rackers' testimony what?

23 Q. Does that testimony, in your  
24 recollection, refer to Staff examining cash  
25 contributions?

1           A.     Yes.  Yes.  Staff did examine cash  
2     contributions.

3           Q.     You examined a lot of prior history  
4     of this case.  Can you cite or point to any  
5     evidence that shows possibly the report and order  
6     referred to about continuing the accounting  
7     treatment, could that have been a drafting error,  
8     in your opinion?

9           A.     I haven't researched that.  I don't  
10    know.

11          Q.     You received a question from Chairman  
12    Hall about if Staff's position would allow future  
13    pension to be funded, I think is the gist of it.  
14    Could you explain how you think our ERISA funding  
15    expense level and our pension asset would allow  
16    Laclede to be able to keep future funding?

17          A.     I think Staff's position recognizes  
18    the statutory obligation Laclede has to fund these  
19    pensions, and it's Staff's position also to  
20    continue the allowance for additional contributions  
21    needed to avoid benefit restrictions and to  
22    possibly avoid the PBGC premiums.

23          Q.     Okay.  Am I correct, there's also a  
24    tracker to account for any differences in pensions  
25    and OPEBs that would allow Laclede to account for

1 **future funding requirements, correct?**

2 A. There's no doubt that pension expense  
3 is tracked.

4 Q. **And finally, you were asked a**  
5 **question on redirect -- recross by counsel for**  
6 **Laclede if the impact would be about 1.4 million.**  
7 **Would you say that it's Staff's position that**  
8 **Laclede's already collected that \$29 million?**

9 A. No. I think it's Staff's position  
10 that the \$29 million has never been considered for  
11 ratemaking purposes.

12 MS. MERS: Thank you for the  
13 clarification.

14 JUDGE DIPPELL: Is that all the  
15 questions?

16 MS. MERS: Yes.

17 JUDGE DIPPELL: All right, then.  
18 Thank you, Mr. Young. You may step down.

19 And we are ready for Office of the  
20 Public Counsel witness Mr. Pitts.

21 MR. SMITH: Thank you. OPC calls  
22 Mr. David Pitts to the stand.

23 (Witness sworn.)

24 DIRECT EXAMINATION BY MR. SMITH:

25 Q. **All right. Mr. Pitts, good morning,**

1 slash almost afternoon. Would you please state and  
2 spell your name for the court reporter?

3 A. Sure. David Pitts, P-i-t-t-s.

4 Q. And with whom are you employed,  
5 Mr. Pitts?

6 A. I'm the sole proprietor of  
7 Independent Actuarial Services.

8 Q. And have you prepared or caused to be  
9 prepared direct testimony, rebuttal testimony and  
10 surrebuttal testimony in this case?

11 A. Yes, I have.

12 Q. OPC has premarked those items as  
13 Exhibit 408, 413 and I believe 422.

14 JUDGE DIPPELL: And those are all the  
15 exhibit numbers that I have.

16 BY MR. SMITH:

17 Q. Mr. Pitts, do you have any  
18 corrections you need to make to that testimony?

19 A. I do. Two minor corrections in  
20 direct. The first one on page 5, the very first  
21 sentence says, finally, there was a clear  
22 difference expressed in the way non-regulated  
23 companies manage the various retirement policies  
24 versus their non-regulated counterparts. It should  
25 say versus their regulated counterparts or -- yes,

1 one -- actually, there's a clear difference  
2 expressed in the way non-regulated companies  
3 various their retirement policies versus their  
4 regulated counterparts.

5 And then also on page 6, on line 6,  
6 at line 5 and 6 --

7 **Q. This is your --**

8 A. Still in the direct.

9 **Q. -- direct testimony.**

10 A. Okay. It says, FASB refers to such  
11 deferred compensation arrangements as debt-like.  
12 It should say as an exchange. And the footnote  
13 should refer to the introduction of FAS 87. Those  
14 are the corrections.

15 **Q. Okay. Do you have any other**  
16 **corrections?**

17 A. I do not.

18 **Q. Subject to those corrections, if I**  
19 **were to ask you the same questions that appear in**  
20 **your testimony, would your answers be the same or**  
21 **substantially the same?**

22 A. Yes, apart from the recent discovery  
23 of differences in the amount of contributions that  
24 were contributed in excess of the minimum.

25 **Q. Okay. And how would that change your**

1 **testimony?**

2 MR. ZUCKER: I'm going to object to  
3 that. This is just supplemental direct, and we've  
4 had no opportunity to look at it. He's had direct,  
5 rebuttal and surrebuttal testimony. So I'm going  
6 to object to a new argument being brought in.

7 JUDGE DIPPELL: Do you have a  
8 response, Mr. Smith?

9 MR. SMITH: Well, yes, I do. I think  
10 the calculations were made after surrebuttal, and  
11 the reason for that is that OPC received certain  
12 information from the company. Upon review of that  
13 information, Mr. Pitts' opinion is that it may not  
14 have been fully accurate, and consequently, I think  
15 that would change his testimony based on that new  
16 knowledge.

17 MR. ZUCKER: Your Honor, could we  
18 have a moment to confer with Public Counsel? I  
19 just want to understand what they're trying to say.

20 JUDGE DIPPELL: I'll allow that. We  
21 can go off the record for one moment.

22 (AN OFF-THE-RECORD DISCUSSION WAS  
23 HELD.)

24 JUDGE DIPPELL. I understand there's  
25 not an agreement really, but more of a

1 disagreement.

2 MR. ZUCKER: An agreement to  
3 disagree.

4 MR. SMITH: An agreement to disagree.

5 JUDGE DIPPELL: Was your agreement to  
6 disagree in that you're withdrawing your objection  
7 or you still object to this testimony?

8 MR. ZUCKER: We still object to the  
9 testimony.

10 JUDGE DIPPELL: Well, seeing as how  
11 it is, in fact, additional direct testimony that  
12 has not previously come in, I'm going to have to  
13 sustain the objection.

14 MR. SMITH: I'd like to make an offer  
15 of proof then.

16 JUDGE DIPPELL: Mr. Zucker, you were  
17 about to say something?

18 MR. ZUCKER: I was not, your Honor.

19 JUDGE DIPPELL: Yes, you may make  
20 your offer of proof.

21 MR. SMITH: Okay. Thank you.

22 (OPC EXHIBITS 432, 433 AND 434 WERE  
23 MARKED FOR IDENTIFICATION BY THE REPORTER.)

24 MR. SMITH: Can I get some help on  
25 which exhibit numbers I've just handed to everyone?



1 JUDGE DIPPELL: Yes. So the first  
2 document which is now two pages that says Spire  
3 Inc. historical pension contributions, the next  
4 exhibit number is 432. And then the 2015 Form 5500  
5 annual return slash report of employee benefit plan  
6 would be 433. And the same form and title for 2016  
7 would be 434.

8 MR. ZUCKER: By two pages on the  
9 first one, which I guess would be 432, do you mean  
10 the historical pension contribution and the e-mail?

11 JUDGE DIPPELL: That's correct.

12 MR. SMITH: Thank you, Judge.

13 OFFER OF PROOF BY MR. SMITH:

14 Q. Mr. Pitts, do you recognize these  
15 documents that I've just handed you?

16 A. I do.

17 Q. And let's start with the first one,  
18 the historical pension contribution spreadsheet.

19 A. Right.

20 Q. What is that document?

21 A. This is the explanation that the  
22 company provided when we asked for more information  
23 regarding the history of pension contributions. My  
24 rebuttal testimony identified what I believed were  
25 excess contributions above and beyond the ERISA

1 minimum on page 4.

2 Q. Okay. And does that document,  
3 Exhibit 432 or the historical pension contribution  
4 spreadsheet, appear to be a true and correct copy  
5 of what the company gave to you?

6 A. Yes, it is.

7 Q. And there's also an e-mail there. Is  
8 that your e-mail address?

9 A. It is.

10 Q. And this was given to you as a  
11 follow-up; is that right?

12 A. Correct. Obviously, during my  
13 rebuttal I raised concern about the amount of  
14 contributions that went into the pension trust. I  
15 reviewed the actuarial reports in which the ERISA  
16 minimums were disclosed, and that's the result of  
17 the table that I created on page 4 identifying what  
18 I believed were excess contributions.

19 During a subsequent conversation with  
20 the company, Mr. Buck agreed to provide  
21 documentation supporting the amount of the  
22 contributions as being either on behalf of PBGC  
23 variable premium avoidance or benefit restriction  
24 avoidance, which is acceptable, according to my  
25 reading the stip.

1                   But when I got this particular  
2 document from the company, I didn't believe it  
3 because it did not jive with what was in the  
4 actuarial reports. I was able to find the filings  
5 on the Department of Labor website which provided  
6 further information, which confirms my initial  
7 concern.

8                   **Q.       So you had previously raised the same**  
9 **concern in your rebuttal testimony?**

10                  A.       That's correct.

11                  **Q.       And the information given to you by**  
12 **the company after you wrote your surrebuttal**  
13 **testimony turned out not to be exactly correct?**

14                  A.       I do not believe it's correct, based  
15 on my review of the 5500 filings that were  
16 submitted.

17                  **Q.       So it would be fair to call this an**  
18 **update to your rebuttal testimony?**

19                  A.       Yes, that is correct.

20                  **Q.       Let's move to Exhibit 433. Do you**  
21 **have that in front of you?**

22                  A.       Is that the Laclede or the MGE?

23                  **Q.       I believe we're referring to that as**  
24 **the LAC.**

25                  A.       Okay. I can point out the relevant

1 numbers, if that would be helpful.

2 **Q. Before you get there, what is this**  
3 **document?**

4 A. Okay. The -- every qualified pension  
5 plan is required to submit a filing to the  
6 Department of Labor. It's called a Form 5500  
7 filing. Each filing has a couple of pages up  
8 front, which I've replicated, multiple schedules  
9 that attach. Each filing could be as much as 80 or  
10 100 pages.

11 In this particular case, I copied the  
12 initial pages of the filing, plus the actuarial  
13 information schedule, which was entitled  
14 Schedule SB. That includes all of the actuarial  
15 information, including the disclosures of the  
16 minimum required contributions under ERISA.

17 **Q. Okay. And how did you obtain this**  
18 **document?**

19 A. I was able to find it on the  
20 Department of Labor website, and I did not realize  
21 that they provided that. I thought it was another  
22 service I had been using, which did not have this  
23 information. But the DOL does, in fact, have this  
24 information.

25 **Q. Okay. And what is the significance**

1 **of this document?**

2 A. Well, this document shows that the  
3 contribution that was made in 2015 for the 2015  
4 plan year was, in fact, greater than the ERISA  
5 minimum.

6 **Q. And why is that of significance?**

7 A. Because the stipulation does not  
8 allow contributions in excess of the ERISA minimum  
9 to be afforded rate base treatment, unless it was  
10 specifically used to avoid a variable premium or a  
11 benefit restriction.

12 **Q. Do you believe that, based on this**  
13 **document, an election not to use a carryover would**  
14 **fit those two qualifications in the stipulation?**

15 A. I do not.

16 **Q. Okay. And can you explain why?**

17 A. The ERISA minimum required  
18 contribution is a complicated calculation. One of  
19 the components of that calculation would be the  
20 ability to use a carry-forward balance in applying  
21 it to the minimum. In this particular case, line  
22 No. 13 on the second-to-last page of the exhibit  
23 identifies the beginning of year carry-forward  
24 balance as 7.2 -- well, almost \$7.3 million.

25 **Q. Okay. And does this document appear**

1 at least to you to be a true and correct copy?

2 A. Yes.

3 Q. Let's move on to Exhibit 434. I  
4 believe this is the MGE Form 5500. Do you have  
5 that in front of you?

6 A. I do.

7 Q. And what is that?

8 A. This is the same form as the one we  
9 just looked at. It's the Form 5500 for the MGE  
10 pension plan, and I've also included the  
11 Schedule SB, which is the actuarial information.

12 Q. And does this appear to be a true and  
13 correct copy of that form?

14 A. Yes, it does.

15 Q. And how did you find this form?

16 A. Again, on the Department of Labor  
17 website.

18 Q. Can you explain the significance of  
19 MGE's Form 5500?

20 A. Yes. There's a difference in  
21 approach in terms of how MGE met its minimum  
22 required contribution for the 2016 plan year. And  
23 if you were to look at the very last page, Item 34  
24 says, total funding requirement before reflecting  
25 carryover pre-funding balances, and that amount is

1 1,691,741. Then the very next row indicates  
2 balances elected for use to offset funding  
3 requirement, and you see that 1,699,000 from the  
4 pre-funding balance was applied against that  
5 minimum, so that the actual minimum resulted in  
6 zero for the MGE for that plan year because of the  
7 application of the carry-forward balance.

8 And the zero contributions for that  
9 year can also be shown for line No. 18 on the prior  
10 page, in which the contributions are listed as  
11 zero.

12 **Q. By Laclede being able to make that**  
13 **election, what consequence would that have or could**  
14 **it have with respect to rate base?**

15 A. Well, my understanding of the  
16 stipulation is that Laclede was afforded rate base  
17 treatment for contributions up to the ERISA  
18 minimum. So by virtue of not availing themselves  
19 of the carry-forward balance, the minimum was  
20 overstated and more money was put into rate base  
21 than the stipulation would call for.

22 **Q. And have you done some calculations**  
23 **on what -- on what that calculation would be?**

24 A. I have.

25 **Q. Okay. I'm going to hand another**

1 **exhibit, 435 I think**

2 MR. ZUCKER: We're still doing the  
3 offer of proof, correct?

4 JUDGE DIPPELL: That is correct.

5 (OPC EXHIBIT 435 WAS MARKED FOR  
6 IDENTIFICATION.)

7 BY MR. SMITH:

8 Q. **Mr. Pitts, do you recognize this**  
9 **document?**

10 A. I do.

11 Q. **I believe it's been marked as -- is**  
12 **it 435 now?**

13 JUDGE DIPPELL: That is correct.

14 BY MR. SMITH:

15 Q. **Okay. What is this document?**

16 A. This is my calculations of the  
17 cumulative amount of excess contributions that  
18 Laclede made since the 2010 plan year by virtue of  
19 this particular feature in the minimum required  
20 contribution calculation.

21 Q. **Okay.**

22 A. There are a lot of numbers. The  
23 numbers were all compiled from Department of Labor  
24 filings on the 5500s. The important columns to  
25 look at would be Column 12 all the way over on the



1 right-hand side in which I calculate \$34 million in  
2 excess contributions.

3 **Q. What would be the consequence of rate**  
4 **base related to that \$34 million number?**

5 A. The 34 million based on this  
6 interpretation would be excluded from rate base for  
7 earnings purposes but would still be eligible for  
8 amortization.

9 **Q. Okay.**

10 A. So it's simply an earnings issue.

11 **Q. There would still be a recovery, but**  
12 **just not a return?**

13 A. Correct.

14 **Q. And do these calculations, are they**  
15 **true and correct to the best of your knowledge?**

16 A. They are. I would welcome  
17 independent review. There's a lot of -- it's a  
18 very complicated set of calculations. I've been  
19 explicit in how I've done that. I will point out  
20 that in 2010 and 2011 I did reduce what I  
21 calculated as the excess contribution, recognizing  
22 that some of that money would have been necessary  
23 to eliminate benefit restrictions.

24 **Q. Okay. And just to go back, I think,**  
25 **to clarify the record, I may have said the e-mail**

1 was from December 13th. That was an e-mail from  
2 you to me. When was this actually sent by the  
3 company? Or sorry. Their initial spreadsheet,  
4 when was that sent?

5 A. It was recent. It was within the  
6 last two weeks.

7 Q. Do you have that e-mail in front of  
8 you?

9 A. I do not.

10 Q. Let me hand it to you.

11 A. Oh, I'm sorry. November 30th. Yes,  
12 I received the information on November 30th.

13 Q. And do you recall when your  
14 surrebuttal testimony was filed?

15 A. I do. Surrebuttal was filed  
16 November 21st.

17 Q. So --

18 A. Again, my concern was that I had  
19 raised the issue in rebuttal. The response that I  
20 got from the company didn't jive with my review of  
21 the actuarial reports which had been provided well  
22 in advance. And I had asked for additional  
23 confirmation from the company.

24 This was the spreadsheet or the  
25 confirmation that I got, which I did not believe.

1 I'm sorry. I'm pointing to the historical pension  
2 contribution sheet. It did not seem accurate to  
3 me, so I did further analysis and I found  
4 additional information on the DOL website, which  
5 confirms my initial suspicion.

6 MR. SMITH: I guess I'm unfamiliar  
7 with how to do an offer of proof. I guess I would  
8 offer these, all of these exhibits at this time.  
9 This appears, based on foundation laid, to be more  
10 of an update to me than some sort of novel change  
11 in legal theory, given that this was raised in  
12 rebuttal testimony.

13 JUDGE DIPPELL: As part of the offer  
14 of proof, would there be objection to these  
15 documents which are Exhibits 432, 433, 434 and 435?

16 MR. ZUCKER: Yes. As part of the  
17 offer of proof, we're okay with the documents.  
18 Obviously, we don't agree that they should go into  
19 evidence.

20 JUDGE DIPPELL: Okay. So if the  
21 testimony were to be allowed, I would allow these  
22 documents to go into evidence. Is that the end of  
23 your offer of proof?

24 MR. SMITH: Yes.

25 JUDGE DIPPELL: Or do you have more?

1 MR. SMITH: No.

2 JUDGE DIPPELL: Give me just one  
3 moment.

4 Okay. I'm going to continue to  
5 sustain the objection. Our Commission rule of  
6 evidence, which is 4 CSR 240-2.130, subsection 7,  
7 covers the filing of prefiled testimony and clearly  
8 says that direct testimony and rebuttal testimony  
9 shall include all testimony which is responsive to  
10 the testimony and exhibits contained in any other  
11 party's direct, and I haven't heard anything that  
12 changes that with regard to this testimony.

13 MR. SMITH: Judge, I believe in the  
14 rules there's also an opportunity to reopen a  
15 hearing based on new evidence after the hearing. I  
16 don't have a cite to that rule, but I believe that  
17 is an opportunity for the Commission, and I'd be  
18 happy to research that.

19 JUDGE DIPPELL: Okay. I also, as  
20 part of the offer of proof, should allow  
21 cross-examination on that evidence in case it  
22 should become necessary at a later date. So we'll  
23 go ahead and do that at this time.

24 MR. ZUCKER: Well, your Honor, the  
25 issue is that we are just seeing this information.

1 We're not prepared for cross-examination. We're  
2 not prepared to respond to it. And this case is  
3 now eight months old, and we're just seeing this  
4 for the first time. So if I was able to  
5 cross-examine him, then we wouldn't have to not  
6 admit the information.

7 MR. SMITH: Judge, I would just say  
8 the reason why it comes at this late stage is just  
9 trying to gather information from the company who  
10 holds that information.

11 JUDGE DIPPELL: I understand your  
12 situation, Mr. Smith, and yours, Mr. Zucker, but  
13 I'm just trying to give everyone their due process  
14 here. And as part of an offer of proof, you are  
15 allowed the opportunity to cross-examine -- to  
16 cross-examine the information. Do you have any  
17 questions that you would like to ask? Or perhaps  
18 I'll start with Staff.

19 MS. MERS: No.

20 MR. ZUCKER: Are we waiting for me?

21 JUDGE DIPPELL: Yes, we are.

22 MR. ZUCKER: I did not realize that.  
23 I'm sorry.

24 JUDGE DIPPELL: I thought you were  
25 reviewing it.

1 MR. ZUCKER: No. I was just sitting  
2 here. Okay.

3 CROSS-EXAMINATION ON OFFER OF PROOF BY MR. ZUCKER:

4 Q. Good morning, Mr. Pitts.

5 A. Good morning.

6 Q. Did you receive this information in  
7 response to a data request?

8 A. We had a phone call. It was not a  
9 specific data request. There was a meeting of the  
10 parties to try to understand the issues. I  
11 certainly raised the issue in rebuttal where we had  
12 this excess contribution issue, as I show on page 4  
13 of my rebuttal. Mr. Buck assured me that they were  
14 meeting contributions according to ERISA minimums.

15 Again, I didn't think that was  
16 consistent with the actuarial reports. We asked  
17 for further information. The information I got  
18 still didn't seem correct.

19 Q. So you did not issue a DR for this,  
20 you just -- you had a phone call and the company  
21 participated in this phone call with you?

22 A. That's correct. It was a follow-up  
23 to -- because much of the information was already  
24 available. There were a couple of missing pieces,  
25 as you'll note from page 4 of the rebuttal. And it

1 was in trying to reconcile the differences of  
2 opinion between the parties that the phone call  
3 took place.

4 Q. Okay. And this information was sent  
5 to you on November 30th?

6 A. From Mr. Buck, yes, or from the  
7 company.

8 Q. And did you ask the company for these  
9 Form 5500s that you've offered that's in the offer  
10 of proof?

11 A. There are, I believe, three  
12 Form 5500s that were provided during initial  
13 discovery. So we had three of them already. It  
14 was rounding out the remaining years that I went to  
15 the DOL website for.

16 Q. One moment, please. Do you recall  
17 when the phone conversation took place?

18 A. It would have been the middle of  
19 November, I believe. I would note that the --

20 Q. There's not a question.

21 A. Sure.

22 Q. Mr. Buck is scrambling here to find  
23 something.

24 And the Exhibit 433 Form 5500 is  
25 dated July 17th, 2017; is that correct?

1 A. That's correct.

2 Q. **And the Exhibit 434 is dated**  
3 **October 16th, 2017; is that correct?**

4 A. I'm sorry. Tell me that date again,  
5 please.

6 Q. **October 16th, 2017.**

7 A. I don't see those dates.

8 Q. **First page, halfway down.**

9 A. Okay. Yes. Yes.

10 Q. **And when did you come into possession**  
11 **of this information?**

12 A. That would have been within the last  
13 week that I focused on that.

14 Q. **And did you contact the company at**  
15 **any time before you came here today to offer it?**

16 A. No.

17 MR. ZUCKER: I'm not going to ask any  
18 more questions at this time, your Honor, other than  
19 just to point out that we have not had an adequate  
20 time to review and respond to it, and that on that  
21 basis you've sustained our objection to it. So we  
22 thank you.

23 JUDGE DIPPELL: Okay. Would there be  
24 any redirect based on that cross-examination?

25 MR. SMITH: Very briefly.



1 REDIRECT ON OFFER OF PROOF BY MR. SMITH:

2 Q. Mr. Pitts, there was a phone call  
3 referenced by company counsel. Do you recall that?

4 A. Yes.

5 Q. But when did the e-mail itself come?

6 A. I don't recall the actual e-mail.  
7 The call was specifically a follow-up to get at why  
8 I thought we had 54 million in excess contributions  
9 from the rebuttal testimony and in which the  
10 company was arguing it was zero.

11 Q. And so the company led you to believe  
12 that -- what exactly?

13 A. The company said it was zero in terms  
14 of excess contributions. I had indicated it was  
15 54 million, but that -- you know, I could be  
16 overstated because of some benefit restriction  
17 issues. And it was simply trying to get at what  
18 that real number was which led to the phone call  
19 and then the subsequent analysis on my part once I  
20 saw what the company provided and I didn't believe  
21 it was accurate.

22 Q. So you were trying to find an answer  
23 to that as a part of being able to develop your  
24 surrebuttal possibly?

25 A. I think that's fair, yeah.

1                   MR. SMITH: No further redirect for  
2 the offer of proof.

3                   JUDGE DIPPELL: All right. Then that  
4 will then conclude the offer of proof. My ruling  
5 stands, and we can continue with, I believe you  
6 were going to offer the testimony of Mr. Pitts.

7                   MR. SMITH: Yes, Judge.

8 BY MR. SMITH:

9                   **Q. Subject to those corrections and that**  
10 **rather lengthy offer of proof, would your answers**  
11 **to the corrections that appear in your testimony be**  
12 **the same or substantially the same?**

13                  A. I think other than the adjustment I  
14 originally made at 54 million, I would now have to  
15 say I don't agree with that.

16                  MR. ZUCKER: I'm going to object.

17 BY MR. SMITH:

18                  **Q. And that was related to the offer of**  
19 **proof?**

20                  A. Then my rebuttal is incorrect.

21                  **Q. Subject to the offer of proof and the**  
22 **corrections you made prior to the offer of proof,**  
23 **would your answers be the same or substantially the**  
24 **same?**

25                  A. Yes.

1 MR. SMITH: Subject to those  
2 corrections and the offer of proof, OPC would offer  
3 Exhibits 408, 413 and 422 into evidence, as I  
4 believe this is Mr. Pitts' only issue.

5 JUDGE DIPPELL: All right. Would  
6 there be any objection -- considering that with the  
7 exception of an amount basically, that we have had  
8 a lengthy offer of proof, so there's no need to  
9 reobject to that, would there be any other  
10 objection to the testimony of Mr. Pitts coming into  
11 evidence, and that is Exhibit 408, 413 and 422?

12 MR. ZUCKER: So I appreciate  
13 Mr. Smith's qualifications, and I don't object.

14 JUDGE DIPPELL: Thank you. Then  
15 we'll enter Mr. Pitts' testimony subject to --  
16 subject to that offer of proof.

17 (OPC EXHIBITS 408, 413 AND 422 WERE  
18 RECEIVED INTO EVIDENCE.)

19 MR. SMITH: OPC tenders Mr. Pitts for  
20 cross-examination.

21 JUDGE DIPPELL: All right. Is there  
22 cross-examination by Staff?

23 MS. MERS: No, thank you.

24 JUDGE DIPPELL: The union?

25 MS. HALL: No.

1 JUDGE DIPPELL: Spire?

2 MR. ZUCKER: No, thank you, your  
3 Honor.

4 JUDGE DIPPELL: Are there any  
5 questions from the Bench?

6 COMMISSIONER COLEMAN: No, thank you.

7 JUDGE DIPPELL: Is there -- well, we  
8 didn't have any questions.

9 Mr. Pitts, I'm going to ask you to --  
10 I'm not going to excuse you right at the moment in  
11 case there were other Commission questions.

12 THE WITNESS: Sure.

13 JUDGE DIPPELL: I will find that out  
14 during our lunch break, and I will excuse you at  
15 that time if there are none.

16 THE WITNESS: Okay. Thank you.

17 JUDGE DIPPELL: But you may step down  
18 for now. Thank you.

19 MR. SMITH: Thank you.

20 JUDGE DIPPELL: Okay. Well, that  
21 wore me out. I don't know about the rest of you.  
22 So with the cafe smells from next door in the air  
23 and looking at the time, as much as I would have  
24 liked to have finished this issue before we broke,  
25 I think that we will go ahead and take a lunch

1 break at this time.

2 I did want to mention, the union  
3 witness Mr. Boyle wasn't on the list to testify on  
4 this issue, but he did have testimony on this  
5 issue. So I think that we will put him on the  
6 stand as part of this issue, and then it is my  
7 understanding that the parties do not have  
8 questions for him on incentive compensation. Is  
9 that still everyone's understanding?

10 MR. SMITH: I believe so.

11 JUDGE DIPPELL: Not seeing any --

12 MR. ZUCKER: I guess I'm not -- I'm  
13 not sure about that. I'm not prepared to waive  
14 questions on incentive compensation.

15 JUDGE DIPPELL: Okay. I will let you  
16 all --

17 MR. ZUCKER: My apologies to  
18 Mr. Boyle.

19 JUDGE DIPPELL: No. That's fine. I  
20 will let you all discuss that further, if you need  
21 to, over our lunch break. So let's go ahead and  
22 take a break for lunch. Let's return at 1:15. We  
23 can go off the record.

24 (A BREAK WAS TAKEN.)

25 JUDGE DIPPELL: We are back on the

1 record after our lunch break, and I previously  
2 asked Mr. Pitts to remain in case there were  
3 further Commission questions, but there are not, so  
4 you may be excused.

5 MR. SMITH: Judge, I did find a  
6 citation to that rule. I was hoping just to put  
7 that on the record, if that's okay.

8 JUDGE DIPPELL: Okay.

9 MR. SMITH: The rule I had cited to  
10 earlier without a number is 4 CSR 240-2.110,  
11 subpart 8, and I believe also 4 CSR 240-2.130(10)  
12 would be pertinent to OPC's offer of proof. That's  
13 it.

14 JUDGE DIPPELL: All right, then.  
15 Let's go ahead with -- then I guess we are ready  
16 for the union's witness on this issue as well as --  
17 so it is my understanding that there are not, in  
18 fact, company questions on the incentive  
19 compensation issue for Mr. Boyle; is that correct?

20 MR. ZUCKER: Correct.

21 JUDGE DIPPELL: So Commissioners, if  
22 you have questions for Mr. Boyle on incentive  
23 compensation, you could ask those at this time as  
24 well.

25 CHAIRMAN HALL: I do not.

1 JUDGE DIPPELL: Okay.

2 MS. HALL: And would any of the  
3 Commissioners like printed copies of the testimony?

4 MR. SMITH: Judge, can I ask that  
5 Mr. Pitts be allowed to be excused from the  
6 hearing?

7 JUDGE DIPPELL: Yes, he is excused.

8 MR. SMITH: Thank you.

9 JUDGE DIPPELL: Thank you, Mr. Pitts.

10 MR. PITTS: Thank you.

11 (Witness sworn.)

12 MARK BOYLE testified as follows:

13 DIRECT EXAMINATION BY MS. HALL:

14 Q. Mr. Boyle, are you the same Mark  
15 Boyle who caused to be filed --

16 JUDGE DIPPELL: Ms. Hall, I don't  
17 think your microphone is on.

18 MS. HALL: Thank you.

19 BY MS. HALL:

20 Q. Are you the same Mr. Boyle, or Mark  
21 Boyle, who caused to be filed in this case direct  
22 testimony which has been marked here today as  
23 Exhibit 900?

24 A. Yes.

25 Q. And do you have any corrections to

1 your testimony?

2 A. No.

3 Q. If I asked you the same questions  
4 today that you were asked in your written  
5 testimony, would your answers be the same?

6 A. Yes.

7 Q. And are those answers true and  
8 correct to the best of your information, knowledge  
9 and belief?

10 A. Yes.

11 MS. HALL: Then I tender the witness  
12 for cross-examination.

13 JUDGE DIPPELL: Would you like to go  
14 ahead and offer his testimony?

15 MS. HALL: Yes. Thank you.

16 JUDGE DIPPELL: Would there be any  
17 objection to Exhibit No. 900 coming into the  
18 record?

19 (No response.)

20 JUDGE DIPPELL: Seeing none, then I  
21 will admit Exhibit 900.

22 (UNION EXHIBIT 900 WAS RECEIVED INTO  
23 EVIDENCE.)

24 JUDGE DIPPELL: Is there  
25 cross-examination for Mr. Boyle from Staff?



1 MS. MERS: No, thank you.

2 JUDGE DIPPELL: Public Counsel?

3 MR. SMITH: No, thank you.

4 JUDGE DIPPELL: Spire?

5 MR. ZUCKER: No questions.

6 JUDGE DIPPELL: All right. Are there  
7 any Commission questions for Mr. Boyle?

8 QUESTIONS BY CHAIRMAN HALL:

9 Q. Good afternoon.

10 A. Good afternoon, Mr. Chairman.

11 Q. Have you done an evaluation of the  
12 various parties' position on pension and OPEBs?

13 A. I have been updated through my legal  
14 on this, but not personally, no.

15 Q. Do you have a position as to whether  
16 or not any of the positions being put forth on  
17 those issues in this case by any of those parties  
18 would result in the company being unable to meet  
19 its collective bargaining and statutory obligations  
20 to fund the pension -- to pay the pension to former  
21 employees?

22 A. Well, again, I don't have the  
23 actuarial studies on that to say whether or not  
24 an 80 percent or less or 80 percent or more or  
25 100 percent or more would do it, but my position

1 would be the more funded, the better.

2 Q. More is better?

3 A. More is better.

4 Q. All right. Well, then I do want to  
5 ask one question about the incentive compensation,  
6 if that's okay.

7 JUDGE DIPPELL: Yes, please.

8 BY CHAIRMAN HALL:

9 Q. And that is, would you have any  
10 concerns with the Commission setting those  
11 incentive criteria or providing some general  
12 direction for the company in setting those  
13 incentive criteria?

14 A. Yes.

15 Q. Please explain.

16 A. I have a full understanding of what  
17 our criteria is right now. That has been  
18 negotiated and spoken with with the company's  
19 people on this -- on the metrics on these issues,  
20 on the criteria we have to meet. I got a full  
21 understanding of what they're trying to accomplish  
22 with that, and I know the company is trying to do  
23 what's best for the ratepayer, what's best for the  
24 employee, and that's what I'm trying to do for the  
25 employee.

1 I'm not so sure anybody else would  
2 know exactly what some of these things would  
3 accomplish. For instance, I'll give you an  
4 example. Average leak response time, I don't know  
5 if that would mean anything to OPC or Staff or even  
6 our guys here.

7 **Q. I'm fairly certain that everyone in**  
8 **this room would understand that, but keep going.**

9 A. Well, they don't know that we just  
10 negotiated a new way of leak response time in the  
11 last year and a half where we go closest man to the  
12 leak, where we used to do it by blank board guys.  
13 That was negotiated with the union and the company  
14 to get better average leak response time to meet a  
15 good metrics on this.

16 So there's a lot of things that are  
17 done, I guess, on the ground floor to make sure  
18 that the metrics that we're meeting as union  
19 personnel and members of the local and who work for  
20 Laclede Gas are meeting.

21 **Q. Well, what if the Commission were to**  
22 **set some general guidelines such as leak prevention**  
23 **and leave it to the company and the union to**  
24 **negotiate the details of it, general broad**  
25 **parameters, would you have any concern with that?**

1           A.     I don't have any concern. I think  
2 there could be common ground there.

3           CHAIRMAN HALL: I have no further  
4 questions. Thank you.

5           COMMISSIONER KENNEY: No questions.  
6 Thank you.

7           JUDGE DIPPELL: Thank you. Is there  
8 further cross-examination based on the Chairman's  
9 question, and that's including the incentive  
10 compensation issue, from Staff?

11 RE-CROSS-EXAMINATION BY MS. MERS:

12           **Q.     Just to clarify, are you of the**  
13 **understanding that Staff is not disallowing any of**  
14 **the safety-related metrics like the leak repair?**

15           A.     No, I'm not.

16           MS. MERS: Okay.

17           JUDGE DIPPELL: Anything from Public  
18 Counsel?

19           MR. SMITH: No questions.

20           JUDGE DIPPELL: Anything from Spire?

21           MR. ZUCKER: One or two.

22 RE-CROSS-EXAMINATION BY MR. ZUCKER:

23           **Q.     Good afternoon, Mr. Boyle.**

24           A.     Good afternoon.

25           **Q.     Regarding pensions, if one of the**

1 other parties to this case, such as Staff or Public  
2 Counsel, took a position that made it more  
3 difficult for the company to fund the pensions,  
4 would you oppose that position?

5 A. Yes.

6 Q. Next question. You referred to a  
7 different process on leak response time. Do you  
8 recall that?

9 A. Yes.

10 Q. Did that process come from MGE, do  
11 you know?

12 A. I think that that was borrowed from  
13 their best practice that Laclede is doing with what  
14 they're calling their shared services. So they're  
15 taking best practices, market-based practices,  
16 whatever you want to call it that work the best and  
17 have instituted them with us, yes.

18 MR. ZUCKER: Thank you. No further  
19 questions.

20 JUDGE DIPPELL: Is there any  
21 redirect?

22 MS. HALL: Yes, your Honor. Just a  
23 couple of questions.

24 REDIRECT EXAMINATION BY MS. HALL:

25 Q. Mr. Boyle, the Chairman asked if you

1 had a position on some of the funding issues with  
2 pension, and I just wanted to explore a couple of  
3 things with you. First of all, what pension  
4 alternative do your members mostly take? Do they  
5 do an annuity or do they do a lump sum?

6 A. I've been in office since February of  
7 2007, and I've got one member that took an annuity  
8 probably approximately three years ago, and his  
9 financial expert told him that he goes through  
10 money too fast and it wouldn't last him, so he was  
11 directed to take the annuity. Since then, every  
12 single person that has retired from Laclede out of  
13 the contract side have taken a lump sum payment.

14 Q. All right. And does that have a  
15 funding requirement? Is there a specific funding  
16 level that has to be reached for your people to  
17 take lump sum pensions?

18 A. Well, I'm not an expert, but I  
19 listen, and my understanding is it has to be funded  
20 over 80 percent to get 100 percent, between 60 and  
21 80 to get 50 percent of a lump sum and 50 percent  
22 annuity, and then I think below 60 percent they  
23 have to take annuity with a cut in their -- this is  
24 all PBGC issues. So that's my understanding. Like  
25 I say, I'm not an expert.

1           Q.     And does the company -- in the past  
2     has the company notified you formally about whether  
3     or not the pension was financed enough to draw lump  
4     sum pensions?

5           A.     Yes.

6           MS. HALL: All right. I have nothing  
7     further.

8           JUDGE DIPPELL: All right. Thank you  
9     very much, Mr. Boyle. Thank you for your patience  
10    and your testimony.

11          THE WITNESS: You're welcome.

12          JUDGE DIPPELL: You may be excused.

13          THE WITNESS: Thank you.

14          MS. HALL: He's excused for the day,  
15    ma'am?

16          JUDGE DIPPELL: Yes. I believe that  
17    that concludes the pension issue. So at this time  
18    I would like to backtrack and go back to the  
19    software issue that we started with Ms. Azad's  
20    testimony last night, and I will give counsel a  
21    second to kind of change gears.

22          MR. PENDERGAST: Your Honor,  
23    yesterday we talked about Exhibit 21, which was  
24    Spire's response to that investigation report, and  
25    I had one copy with me.

1 JUDGE DIPPELL: Yes.

2 MR. PENDERGAST: I have additional  
3 copies now. Would you like those?

4 JUDGE DIPPELL: Yes. This would be a  
5 good time. That was Exhibit 61.

6 Okay. Have we had a changing of the  
7 guard? We didn't actually do opening statements on  
8 this issue. Do we need to do opening statements on  
9 this issue?

10 MR. PENDERGAST: I don't think so. I  
11 think the issues have crystallized enough.

12 JUDGE DIPPELL: I think we will just  
13 go straight to the rest of the witnesses, then, and  
14 I'll let you call whoever was first on your list.

15 MR. PENDERGAST: Great. Thank you,  
16 your Honor. I would call Ryan Hyman to the stand,  
17 please.

18 (Witness sworn.)

19 JUDGE DIPPELL: Thank you.

20 RYAN HYMAN testified as follows:

21 DIRECT EXAMINATION BY MR. PENDERGAST:

22 Q. Good afternoon, Mr. Hyman.

23 A. Good day.

24 Q. Are you the same Ryan Hyman who  
25 previously caused to be filed in this proceeding



1     **rebuttal testimony that has been marked as**  
2     **Exhibit 32?**

3             A.     I am.

4             Q.     **And did you have any corrections to**  
5     **make to your testimony?**

6             A.     I do not.

7             Q.     **If I were to ask you the same**  
8     **questions today that appear in your rebuttal**  
9     **testimony, would your answers be the same?**

10            A.     Yes.

11            Q.     **And are those answers true and**  
12     **correct to the best of your knowledge, information**  
13     **and belief?**

14            A.     Yes.

15                    MR. PENDERGAST: With that, I would  
16     offer Mr. Hyman for cross-examination and request  
17     that his testimony be admitted into the record.

18                    JUDGE DIPPELL: Would there be any  
19     objection to Exhibit No. 32?

20                            (No response.)

21                    JUDGE DIPPELL: Seeing no objection,  
22     I will enter that into the record.

23                            (SPIRE EXHIBIT 32 WAS RECEIVED INTO  
24     EVIDENCE.)

25                    JUDGE DIPPELL: Is there

1 cross-examination for Mr. Hyman by Staff?

2 MS. PAYNE: No questions. Thank you.

3 JUDGE DIPPELL: Public Counsel?

4 MR. WILLIAMS: Yes. Thank you.

5 CROSS-EXAMINATION BY MR. WILLIAMS:

6 Q. Good afternoon, Mr. Hyman.

7 A. Good afternoon.

8 Q. Did Laclede's board of directors  
9 approve proceeding with the implementation of the  
10 New Blue Enterprise Information Management System  
11 at Laclede in April of 2011?

12 A. I believe that was the approximate  
13 date, yes.

14 Q. Do you know about how many customers  
15 Laclede served at that point in time?

16 A. About 630,000 residential customers.  
17 I don't have the commercial number off the top of  
18 my head.

19 Q. And wasn't the New Blue Enterprise  
20 Information Management System fully implemented at  
21 Laclede by the summer of 2013?

22 A. July of 2013, yes.

23 Q. Did Laclede acquire MGE from Southern  
24 Union on September 1 of 2013?

25 A. Yes, I believe that's the correct

1 date.

2 Q. Do you know about how many customers  
3 MGE served at that point in time.

4 A. I believe it was approximately  
5 500,000.

6 Q. And had Spire fully implemented the  
7 New Blue Enterprise Information Management System  
8 at MGE by September of 2015?

9 A. Yes.

10 Q. And did Spire acquire Alagasco on  
11 August 31 of 2014?

12 A. I believe that was the approximate  
13 date, yes.

14 Q. Do you know about how many customers  
15 Alagasco served at that point in time?

16 A. I believe they, too, are around the  
17 500,000 mark.

18 Q. When does Spire plan to fully  
19 implement the New Blue Enterprise Information  
20 Management System at Alagasco?

21 A. The plans we have in place right now  
22 will have that in place by the end of our fiscal  
23 2021 year.

24 Q. When is your end of fiscal year 2021?

25 A. That would be -- I'd have to look at

1 a calendar. That would be 2021, September 30, I  
2 believe.

3 **Q. Why hasn't Spire already fully**  
4 **implemented the New Blue Enterprise Information**  
5 **Management System at Alagasco?**

6 A. For a couple reasons. One, we  
7 were -- as we purchased Alagasco, we were still  
8 implementing in MGE. Secondly, Alagasco had a  
9 fully functional and fully patched information  
10 management system already. So there wasn't quite  
11 the risk in Alagasco that was at the same level  
12 that was at MGE when we purchased MGE.

13 **Q. One of the reasons given for needing**  
14 **to update the MGE system was the age of it, I think**  
15 **something like 25 years. Is Alagasco's new?**

16 A. Alagasco's is modern and new.

17 **Q. When was it implemented?**

18 A. I believe the last implementation for  
19 Alagasco was 2009, approximately. They did it in  
20 stages, different modules. But they have  
21 maintained the patch level since putting it in,  
22 which keeps it modern.

23 **Q. And hadn't MGE kept its system up to**  
24 **date by patching as well?**

25 A. Their database they kept up to date

1 patching. Their application stack was Cobalt  
2 based, which is a technology that's quite honestly  
3 no longer used. It's very difficult to find people  
4 to support that technology.

5 **Q. So you're saying it's a programming**  
6 **language issue at MGE?**

7 A. I'm saying it's an aging technology  
8 issue, and they had -- they had instances of system  
9 outages that wouldn't allow us to provide service  
10 to our customers for billing and information when  
11 that system would go down.

12 **Q. Isn't Cobalt a programming language?**

13 A. Cobalt is a programming language,  
14 yes.

15 **Q. Did Spire acquire Mobile Gas and**  
16 **Willmut Gas on September 12 of 2016?**

17 A. That sounds correct, yes.

18 **Q. Do you know about how many customers**  
19 **Mobile Gas served at that point in time?**

20 A. I want to say around 85,000.

21 **Q. And do you know about how many**  
22 **customers Willmut Gas served at that point in time?**

23 A. I have 15,000 in my head. That could  
24 be an approximation.

25 **Q. I think it's good enough for purposes**

1 of this line of questioning.

2 A. Okay.

3 Q. Are you familiar with Mr. Buck's  
4 testimony on this issue?

5 A. I read the testimony. I'm not sure  
6 how familiar I am with it.

7 Q. Unless I'm mistaken, he says on  
8 page 25 that Mobile Gas and Willmut Gas are using  
9 Alagasco's information management system. Is that,  
10 in fact, the case?

11 A. They are now. I take that back.  
12 Mobile Gas has been converted to Alagasco's  
13 information management system. Willmut still uses  
14 their own billing system.

15 Q. Why was Mobile Gas converted over to  
16 Alagasco's information management system as to the  
17 New Blue system?

18 A. Because they use the same software  
19 type that Alagasco used, only the version that they  
20 used had not been patched and was at risk.

21 Q. And when was it that Mobile Gas began  
22 using -- when you made the conversion over to using  
23 Alagasco's information management system?

24 A. That went live just this previous  
25 fall. So I want to say October 1, I believe, that

1 weekend, we converted Mobile Gas to Alagasco.

2 **Q. Of 2017?**

3 A. Yes. Just recently.

4 JUDGE DIPPELL: Mr. Hyman, I'm going  
5 to ask you to either speak up a little or --

6 THE WITNESS: Sorry.

7 JUDGE DIPPELL: -- get a little  
8 closer.

9 THE WITNESS: Is that better?

10 JUDGE DIPPELL: Yes. It's difficult  
11 when counsel is so close.

12 BY MR. WILLIAMS:

13 **Q. And we talked about Alagasco. Will**  
14 **Mobile Gas be -- is the current plan to implement**  
15 **the New Blue Enterprise Information Management**  
16 **System at Mobile Gas also by September of 2021?**

17 A. Mobile Gas' information management  
18 system for all intents and purposes is now a part  
19 of Alagasco's. So as we convert Alagasco, Mobile  
20 will come along by default.

21 **Q. What about Willmut Gas?**

22 A. Willmut, we're still figuring that  
23 out.

24 **Q. So you haven't decided when it will**  
25 **be integrated over?**

1           A.       We have not made that exact decision  
2 yet, no.

3           **Q.       Do you anticipate it will be before**  
4 **or after Alagasco's system is converted over?**

5           A.       I would suspect that it will be  
6 around the same time. We just don't have those  
7 plans formalized.

8           **Q.       And why hasn't -- why haven't you**  
9 **already started to implement the New Blue**  
10 **Information Management System at Willmut Gas?**

11          A.       Willmut Gas is on a system by the  
12 name of Daffron. It's supported by the company  
13 Daffron. So they're not -- we're not at risk of  
14 being able to find people to support that system  
15 for our customers. That's why it's not on the  
16 forefront of the conversion.

17          **Q.       Since you have a new, I'll use the**  
18 **term state of the art, I think that would probably**  
19 **be accurate --**

20          A.       Sure.

21          **Q.       -- for your New Blue Enterprise**  
22 **Information System. Since you already have an**  
23 **Enterprise Information Management System, why is**  
24 **it -- why are your plans so far down the road for**  
25 **doing the implementations as opposed to sooner?**



1           A.     It takes a significant amount of  
2     time, resources, planning, not to mention we've got  
3     to make sure that we do the conversions at the  
4     right time of year. The last thing we want to do  
5     is put our customers at a disservice by changing  
6     data or converting data in the middle of our  
7     busiest time of year. So those are just some of  
8     the elements that go into our planning.

9           **Q.     Did you disclose any of that**  
10    **information that we've just gone over to Public**  
11    **Counsel through discovery in terms of the**  
12    **information systems and the timelines?**

13          A.     I believe we submitted a timeline as  
14    a part of a DR.

15          **Q.     Anything else?**

16          A.     I believe there were a couple other  
17    documents as to the versions of systems, I believe.

18          **Q.     Did you have any involvement in**  
19    **Spire's response to Public Counsel's Data**  
20    **Request 7132 that asked for account details for**  
21    **accounts utilized to record enterprise information**  
22    **management systems in place for the calendar years**  
23    **ending December 31 of 2011 through 2016 for Laclede**  
24    **Gas, MGE and their affiliates?**

25          A.     I don't believe that was me that

1 submitted that, no.

2 Q. Do you know who Ann Mollenkamp is?

3 A. I do.

4 Q. What is her -- who is she?

5 A. Ann works in our finance group. She  
6 manages our financials around our assets, for lack  
7 of a better term.

8 MR. WILLIAMS: May I approach?

9 JUDGE DIPPELL: Yes.

10 MR. WILLIAMS: Can I have that marked  
11 as an exhibit?

12 JUDGE DIPPELL: Public Counsel's next  
13 exhibit number is 436.

14 (OPC EXHIBIT 436 WAS MARKED FOR  
15 IDENTIFICATION BY THE REPORTER.)

16 BY MR. WILLIAMS:

17 Q. I'm handing you what's been marked  
18 for purposes of identification as Exhibit No. 436.  
19 Have you seen Exhibit 436 before?

20 A. I don't believe so, no.

21 Q. Would you take a moment and review  
22 it.

23 A. Okay.

24 Q. Does Exhibit 436 include any  
25 information regarding MGE and Laclede's affiliates

1 with regard to information management systems?

2 A. I'm sorry. Can you repeat that?

3 Q. Does what's been marked as Exhibit  
4 No. 436 and the response include any information  
5 about information systems at the affiliates of MGE  
6 and Laclede?

7 A. It looks like, yeah, there's MGE  
8 software in here and Laclede software in here.

9 Q. Doesn't include the information about  
10 Alagasco or Willmut or Mobile Gas, does it?

11 A. I don't see anything in here that  
12 would reference Mobile or Alagasco or Willmut.

13 Q. And did Ann Mollenkamp confer with  
14 you in connection with this data request response,  
15 do you know?

16 A. I don't recall.

17 Q. Did she ever inquire of you about  
18 Willmut Gas and Mobile Gas and Alagasco Gas in  
19 connection with the costs associated with them --

20 A. No.

21 Q. -- or the accounts that they would be  
22 under?

23 A. No.

24 MR. WILLIAMS: Judge, Exhibit 436 is  
25 a data request response from Spire, so I'm going to

1 go ahead and offer it as an exhibit.

2 JUDGE DIPPELL: Would there be any  
3 objection to Exhibit 436?

4 MR. PENDERGAST: No objection.

5 JUDGE DIPPELL: Seeing no objection,  
6 then I will admit it.

7 (OPC EXHIBIT 436 WAS RECEIVED INTO  
8 EVIDENCE.)

9 BY MR. WILLIAMS:

10 Q. Is any part of the New Blue  
11 Enterprise Information System used by Alagasco?

12 A. No. In fact, our general ledgers are  
13 completely separate between the state of Missouri  
14 and state of Alabama. It's Oracle and SAP.  
15 There's one interface that feeds consolidated  
16 financial information I believe on a monthly basis  
17 that comes back from SAP into our Hyperion  
18 environment. Outside of that, they're completely  
19 separate.

20 Q. Was there any cost allocation done  
21 for the Hyperion link?

22 A. I don't know.

23 Q. Who would know?

24 A. Maybe Mr. Buck.

25 Q. If you don't know, that's fine.

1 A. I really don't know.

2 MR. WILLIAMS: No further questions  
3 of this witness at this time.

4 JUDGE DIPPELL: Is there any -- are  
5 there any questions from the Bench?

6 CHAIRMAN HALL: Yeah.

7 QUESTIONS BY CHAIRMAN HALL:

8 Q. **Good afternoon.**

9 A. Good afternoon.

10 Q. **My understanding is that it cost**  
11 **Laclède \$80 million to incorporate the New Blue**  
12 **system for its customers; is that correct?**

13 A. That's correct.

14 Q. **What's the correct word? It's not**  
15 **incorporate.**

16 A. Integrate?

17 Q. **Integrate. And it costs \$32 million**  
18 **to integrate it for MGE?**

19 A. That's correct.

20 Q. **Why was it so much cheaper?**

21 A. When we did New Blue in Missouri, we  
22 had never done a project of that scope and scale.  
23 So we had a -- we had to partner with outside  
24 resources to help us do that. When we did the MGE  
25 integration, we actually had built a lot of that

1 skill set up internally and used a lot of our own  
2 folks to do that work.

3 **Q. So when you ultimately integrate the**  
4 **rest of Spire subsidiaries with the New Blue**  
5 **system, will that cost per customer continue to**  
6 **decline?**

7 A. Alabama's a different story. Alabama  
8 has different tariffs. It has different rates,  
9 different tariffs. The data conversion will be far  
10 more complex because they will be coming from the  
11 SAP system into the Oracle. So as I sit here  
12 today, I can't tell you. It will be less than the  
13 original New Blue implementation, but I would  
14 suspect it will be equal to or maybe a little north  
15 of what the MGE cost was. We're still pretty early  
16 in that planning process.

17 **Q. So there's no reason to think that**  
18 **Missouri ratepayers or MGE ratepayers by footing**  
19 **the bill for the integration of the system into MGE**  
20 **will be covering some of the costs to ultimately**  
21 **incorporate the Alabama subsidiaries?**

22 A. Correct.

23 **Q. Do you have any estimate at all as to**  
24 **what it's going to cost to integrate the remainder**  
25 **of Spire, Inc.?**

1 A. Our estimate's 45 to 55 million.

2 Q. I'm not sure how to ask this, and  
3 maybe you may not know how to answer this, but was  
4 it a tough call in terms of deciding when to --  
5 when to incorporate the remainder of Spire, Inc.  
6 into the New Blue or, as you sit here today, was it  
7 an easy decision?

8 A. It was not an easy decision.  
9 Planning is very important, mainly to not disrupt  
10 the service to our customers when we do these big  
11 projects. They're very complicated, large scale,  
12 with a whole lot of people involved. So we have  
13 to -- we look at the calendar, we look at what's  
14 going on in the business, especially what time of  
15 year we can actually go live on certain systems.

16 Q. And you definitely do want to roll  
17 out New Blue to all of Spire, Inc. by 2021,  
18 correct?

19 A. Correct.

20 Q. And are there -- why is it important  
21 to ultimately have all Spire customers within the  
22 new system?

23 A. It's a better experience for all of  
24 our customers. I'll give you an example. One  
25 project that we just recently went live on was a

1 new customer portal. So for the first time all  
2 1.5 million of our customers have the same  
3 experience going to get information about their  
4 bills, about their gas service. They have one  
5 place to go to get questions answered. Now, behind  
6 that scenes that will get redirected to the  
7 appropriate company, but it's a better experience  
8 for our customers.

9 And it allows us to continue to use  
10 technology to give new features to our customers,  
11 the ability to pay from their mobile phones,  
12 ability -- one day we want to have the ability to  
13 interact with our customers via chat. That's all  
14 benefit by being on the same system.

15 **Q. And explain to me again why it was**  
16 **necessary to integrate New Blue into the MGE**  
17 **footprint in 2015. What was wrong with the old**  
18 **system?**

19 A. Well, there's two parts to that  
20 answer. One, a lot of the supporting systems at  
21 MGE were not actually MGE's. They were part of  
22 their former owner. So their former owner had been  
23 planning to sell MGE for quite some time. And, in  
24 fact, the systems that MGE was using for their  
25 financials was housed by their former owner, and



1 their former owner was abandoning that platform as  
2 they were moving on to a different platform.  
3 That's kind of the financial systems of MGE.

4 The customer billing system of MGE  
5 was run on an IBM mainframe. Mainframes are an  
6 aging technology. Cobalt programming code is an  
7 aging technology. It's extremely difficult to find  
8 people to support those systems. So by migrating  
9 them onto our modern system, it reduced the risk to  
10 our customers being able to get information and  
11 bill revenue.

12 CHAIRMAN HALL: Thank you.

13 JUDGE DIPPELL: All right. Is there  
14 any -- is there any further cross-examination from  
15 Staff?

16 MS. PAYNE: No questions. Thank you.

17 JUDGE DIPPELL: Public Counsel?

18 MR. WILLIAMS: No.

19 JUDGE DIPPELL: Is there redirect by  
20 Spire?

21 MR. PENDERGAST: Just very briefly.

22 REDIRECT EXAMINATION BY MR. PENDERGAST:

23 Q. Mr. Hyman, you were asked by  
24 Chairman Hall about how difficult the decision was  
25 in terms of when to expand or integrate Alabama, I

1 think, with the current Spire platform, and I'd  
2 just like you to comment on, at the time we  
3 acquired Alagasco in 2014, was there any  
4 consideration at that point of trying to go ahead  
5 and expand the Spire platform to Alagasco while you  
6 were expanding it to MGE?

7 A. We had the conversation. You know,  
8 given the circumstances, once we researched  
9 Alabama's system and understood it, we had that  
10 conversation, but it was not the right time nor did  
11 we have the resources available to go after it as  
12 we were still stabilizing the MGE conversion.

13 Q. And as you indicated, it would cost a  
14 significant amount of money to complete that  
15 integration of Alabama and Energy South?

16 A. That's true. We would have had -- we  
17 would have had to bring in more resources to do it.

18 Q. Just let me ask you your general  
19 impression. Did the quality and functionality of  
20 the MGE system that you replaced, was it more like  
21 the functionality of the information system that  
22 Laclede had that was replaced by New Blue than the  
23 information system currently of Alagasco and Energy  
24 South?

25 A. It was very similar. The former MGE

1 platform was very similar to the former Laclede Gas  
2 platform.

3 Q. Okay. And is the current platform  
4 being used by Alagasco and Energy South  
5 significantly different than the MGE old platform  
6 and the Laclede old platform?

7 A. Yes, it is.

8 Q. Can you just briefly explain how?

9 A. Sure. Alagasco's billing system,  
10 customer information system is a modern SAP  
11 relational technology, very similar to what we use  
12 in Missouri. Ours is Oracle. Alabama's is SAP.  
13 Previous platforms for both companies, like I said,  
14 were Cobalt based, which is a, not even a dying  
15 technology, it's nearly a dead technology. So that  
16 was the big difference.

17 Q. And you also mentioned that, I think,  
18 the original New Blue investment for Laclede was  
19 around 80 million?

20 A. Correct.

21 Q. And then for the various reasons you  
22 discussed, MGE was able to be integrated into it  
23 for approximately 32 million?

24 A. Correct.

25 Q. And in addition to being able to

1 integrate MGE's and give it that system for a lower  
2 cost of 32 million, were there also savings  
3 regarding the people needed to run the system?

4 A. Yes. We don't -- I think when we  
5 originally acquired MGE, we had approximately 13 to  
6 15 FTEs just in IT, and today we have, I think,  
7 two.

8 Q. And if MGE had had a system installed  
9 on a standalone basis, would additional FTEs have  
10 been necessary?

11 A. Yes. You would have to staff for the  
12 application support. We would have to staff for  
13 the data center operations. Could have been upward  
14 30 to 50 FTEs to support a standalone system.

15 MR. PENDERGAST: Thank you. No  
16 further questions.

17 JUDGE DIPPELL: Thank you. Thank  
18 you, Mr. Hyman. You may step down. This is your  
19 only issue, correct? You may also be excused.

20 THE WITNESS: Thanks so much.

21 JUDGE DIPPELL: Does Spire have  
22 another witness?

23 MR. ZUCKER: Does anyone have  
24 questions for Lew?

25 MR. PENDERGAST: I think we just have

1 Mr. Keathley who sponsored the number. I don't  
2 know that he has anything further substantive to  
3 add to it, but I don't think he's testified yet,  
4 has he? So probably ought to put him on just to  
5 get his testimony in.

6 JUDGE DIPPELL: That sounds good.

7 (Witness sworn.)

8 JUDGE DIPPELL: It sounds like this  
9 may be painless.

10 LEW KEATHLEY testified as follows:

11 DIRECT EXAMINATION BY MR. PENDERGAST:

12 Q. Good afternoon, Mr. Keathley.

13 A. Good afternoon, Mr. Pendergast.

14 Q. And are you the same Lewis Keathley  
15 who previously caused to be filed in this  
16 proceeding direct testimony and rebuttal testimony  
17 that has been premarked as Exhibits 33 and 34  
18 respectively?

19 A. Yes.

20 Q. Okay. Do you have any corrections to  
21 make to your testimony?

22 A. I do not.

23 Q. If I were to ask you the same  
24 questions today that appear in your direct and  
25 rebuttal testimony, would your answers be the same?

1 A. They would.

2 Q. And are those answers true and  
3 correct to the best of your knowledge, information  
4 and belief?

5 A. They are.

6 MR. PENDERGAST: With that, I would  
7 offer Exhibits 33 and 34 into evidence and tender  
8 Mr. Keathley for cross-examination.

9 JUDGE DIPPELL: Would there be any  
10 objection to Exhibit 33 and 34?

11 (No response.)

12 JUDGE DIPPELL: Seeing no objections,  
13 I will enter that into evidence.

14 (SPIRE EXHIBITS 33 AND 34 WERE  
15 RECEIVED INTO EVIDENCE.)

16 JUDGE DIPPELL: Is there any  
17 cross-examination for Mr. Keathley?

18 MS. PAYNE: No questions.

19 JUDGE DIPPELL: Any questions from  
20 the Bench?

21 CHAIRMAN HALL: No questions.

22 JUDGE DIPPELL: Then that concludes  
23 your testimony, Mr. Keathley. You may step down  
24 and you may be excused.

25 THE WITNESS: Thank you.

1 MR. ZUCKER: One other point, your  
2 Honor. It looks like Mr. Buck did have a question  
3 and answer on this issue. So we want to give -- in  
4 his, I think, rebuttal testimony. We want to give  
5 the parties a chance to cross-examine.

6 JUDGE DIPPELL: Are there any  
7 questions for Mr. Buck on this issue?

8 MR. WILLIAMS: Not after getting  
9 answers from Mr. Hyman.

10 MS. PAYNE: No.

11 JUDGE DIPPELL: Okay. Doesn't look  
12 like there's a need for Mr. Buck to reappear on  
13 this issue.

14 MR. ZUCKER: Thank you.

15 JUDGE DIPPELL: Mr. Kunst I believe  
16 is next for Staff. Mr. Kunst, you were previously  
17 sworn in this proceeding, so you remain under oath  
18 for our purposes.

19 JASON KUNST testified as follows:

20 DIRECT EXAMINATION BY MS. PAYNE:

21 Q. And, Judge, I know we've been through  
22 the standard questions with Mr. Kunst. I think the  
23 only one I'll ask him is, do you have any  
24 corrections to make to your testimony on software  
25 at this time?

1           A.       No, I do not.

2                   MS. PAYNE: With that, I will go  
3 ahead and offer that testimony since this is  
4 Mr. Kunst's last time on the stand in this hearing.  
5 It has been premarked as Exhibits 251.

6                   JUDGE DIPPELL: I believe it was 250  
7 for the confidential version and 251 for the public  
8 version.

9                   MS. PAYNE: That is correct.

10                  JUDGE DIPPELL: And that's the only  
11 testimony for Mr. Kunst, correct?

12                  MS. PAYNE: Correct.

13                  JUDGE DIPPELL: Is there any  
14 objection to Exhibit 250, which is confidential,  
15 and 251, the public version?

16                         (No response.)

17                  JUDGE DIPPELL: Seeing no objection,  
18 I will admit that into evidence.

19                         (STAFF EXHIBITS 250C AND 251 WERE  
20 RECEIVED INTO EVIDENCE.)

21                  MS. PAYNE: And I will tender this  
22 witness for cross.

23                  JUDGE DIPPELL: Is there  
24 cross-examination from Public Counsel?

25                  MR. WILLIAMS: No.



1 JUDGE DIPPELL: Is there  
2 cross-examination by Spire?

3 CROSS-EXAMINATION BY MR. PENDERGAST:

4 Q. Just to be very clear, there's no  
5 disagreement between the company and Staff at this  
6 point about the treatment of this particular cost,  
7 is there?

8 A. No, I don't believe so.

9 MR. PENDERGAST: Thank you.

10 JUDGE DIPPELL: Are there any  
11 questions from the Bench on this?

12 CHAIRMAN HALL: No questions.

13 COMMISSIONER COLEMAN: No questions.

14 JUDGE DIPPELL: Is there any  
15 redirect?

16 MS. PAYNE: No, thank you, your  
17 Honor.

18 JUDGE DIPPELL: All right, then.  
19 Mr. Kunst, that appears to be the end of your  
20 testimony for this hearing, and you may also be  
21 excused.

22 According to -- for those of you  
23 keeping score at home, I think that that concludes  
24 the software issue, and I'm seeing nods of heads.  
25 And we decided that transition costs would come

1 tomorrow because there are settlement discussions,  
2 correct?

3 MR. PENDERGAST: Yeah. In fact, I  
4 think it's fair to say that it's been settled and  
5 the only issue is the treatment of Alagasco and  
6 Energy South related savings was set aside, and I  
7 think OPC was just looking at whether it wanted to  
8 make a statement about that, but if they do, they  
9 would make it tomorrow.

10 JUDGE DIPPELL: Okay. And then we  
11 rebranding also has settled, and so that leads us  
12 to SERP. Is everyone --

13 MS. PAYNE: Judge, if we could have  
14 just a few minutes recess.

15 JUDGE DIPPELL: Okay. We had take a  
16 short break, just five minutes, to allow another  
17 switching of gears. Let's go off the record till  
18 2:10.

19 (A BREAK WAS TAKEN.)

20 JUDGE DIPPELL: Okay. So we are back  
21 on the record. Short break there to switch gears,  
22 and ready to begin with our next issue. And I also  
23 wanted to just mention, on the rebranding issue  
24 especially, some of the other issues that have  
25 settled, we may also want to hear a short summary

1 of what you've decided. The Commission heard a lot  
2 of public testimony about the rebranding and  
3 concerns with different things, and I think if you  
4 guys after this issue maybe could give us a short  
5 summary of what kind of agreement in principle that  
6 you've reached.

7 MR. PENDERGAST: Yeah. We'll  
8 certainly do that. I mean, I think it kind of got  
9 subsumed in the whole transition cost issue that  
10 has been resolved and I suspect probably in a way  
11 that folks could make their own determination of  
12 whether there was anything in there. Let me just  
13 go ahead and check and we'll come back and let you  
14 know.

15 JUDGE DIPPELL: Okay. Thank you.

16 MR. SMITH: And, Judge, I'd also want  
17 to check from OPC's perspective. I don't have  
18 personal knowledge on the settlement discussions,  
19 but I know that probably Hampton or someone else in  
20 the office would be able to answer those questions  
21 on the record.

22 JUDGE DIPPELL: Thank you very much.  
23 Then we are ready to go forward with openings on  
24 SERP.

25 MR. ZUCKER: Your Honor, I'm not sure

1 we need opening statements on this issue. I'll  
2 defer to the other parties if they want to do it.  
3 This is sort of a subset of pensions and I think a  
4 pretty simple couple of issues. What do you guys  
5 think?

6 JUDGE DIPPELL: What do the other  
7 parties -- does the Commission need an opening on  
8 this?

9 CHAIRMAN HALL: No.

10 JUDGE DIPPELL: Okay. I think we can  
11 skip openings on this issue as well. It's pretty  
12 distinct. So let's just go ahead, then, and begin  
13 with witnesses. Company's first witness?

14 MR. ZUCKER: Company will call Glenn  
15 Buck once again.

16 JUDGE DIPPELL: Mr. Buck just might  
17 be our most frequent flier.

18 THE WITNESS: I've noticed that.

19 JUDGE DIPPELL: You have been  
20 previously sworn in and remain under oath for our  
21 purposes.

22 THE WITNESS: Thank you.

23 GLENN BUCK testified as follows:

24 DIRECT EXAMINATION BY MR. ZUCKER:

25 Q. Good afternoon, Mr. Buck.

1 A. Good afternoon, Mr. Zucker.

2 Q. At long last, sir, is this your last  
3 testimony?

4 A. No.

5 MR. ZUCKER: All right. Then I will  
6 pass the witness. Thank you.

7 JUDGE DIPPELL: Is there  
8 cross-examination for Mr. Buck on this issue from  
9 Staff?

10 MS. MERS: Just a little bit.

11 CROSS-EXAMINATION BY MS. MERS:

12 Q. Mr. Buck, how familiar are you with  
13 accounting standards?

14 A. I'd say very familiar.

15 Q. Okay. Is it your understanding that  
16 for financial reporting purposes Laclede accounts  
17 for its SERP plan under Generally Accepted  
18 Accounting Principles, FAS 87, also known as  
19 pension accounting?

20 A. That's correct.

21 Q. And do you agree that under existing  
22 accounting guidance and the new accounting guidance  
23 that was issued in 2017, that allows for the  
24 capitalization of the service cost component of  
25 FAS 87 SERP expense?

1 A. That is also correct.

2 Q. Could you explain what a service cost  
3 is?

4 A. Okay. How elaborate do you want me  
5 to be, because I can be very elaborate if you wish?

6 Q. For time sake --

7 A. I'll tell you what, I'll start with  
8 just service cost. Okay. So service cost is one  
9 component of a FAS 87 calculation. There are five  
10 of them: Service cost, interest cost, return on  
11 plant assets, and then gains or losses on -- or  
12 amortization of gains or losses related to  
13 actuarial or expected returns on asset. Finally  
14 there's a transition asset or liability. And I  
15 will slow down. I'm sorry about that.

16 Okay. Service cost is -- let's take  
17 an employee, Mr. Young. If he's going to have a  
18 30-year career at the PSC, he's going to get a  
19 pension expected at the end of that 30-year period.  
20 What FAS 87 does is it wants to ratably accrue  
21 service cost over the life of Mr. Young's  
22 employment at the Staff of the Commission.

23 So what it does is it basically says  
24 we know what -- we kind of calculate what your  
25 pension's going to be at the end, and then we know

1 what it's going to be based on where you are today.  
2 They discount it back to today, figure out what  
3 portion that ratably is charged to expense over  
4 those years and then expenses one -- let's say if  
5 it's a 30-year career, would expense ratably 1/30  
6 of the service cost over that period of time.

7 And then the interest cost actually  
8 takes the dollars that were the service cost each  
9 year and projects them forward for the interest  
10 cost because it's one year closer to retirement.

11 **Q. So if I could summarize, would it be**  
12 **accurate to say that service cost is the amount of**  
13 **cost that is booked in the current period to**  
14 **obligations that will be paid in future periods?**

15 A. Yes. It's a current period expense.

16 **Q. If accounting guidance allows Laclede**  
17 **to capitalize some portion of SERP expense, do you**  
18 **agree in this case that the book amount of**  
19 **Laclede's rate base includes capitalized SERP**  
20 **expense?**

21 A. Yes, it does.

22 **Q. Is lump sum the most common way**  
23 **people are taking this expense?**

24 A. Much like what Mr. Boyle talked about  
25 with the collectively bargained employees, on our

1 SERP, with maybe one or two exceptions it's always  
2 done through a lump sum, at the employee's  
3 election. We offer an annuity or a lump sum.  
4 Because of the way our pension plan calculations  
5 work, it's usually more attractive for the employee  
6 to sit there and take a lump sum and invest the  
7 money themselves.

8 **Q. So if lump sum was excluded from your**  
9 **cost of service, then that would exclude most of**  
10 **the actual SERP expense that you're incurring?**

11 A. Absolutely.

12 MS. MERS: Okay. I have nothing  
13 further. Thank you.

14 THE WITNESS: Thank you.

15 JUDGE DIPPELL: Is there anything  
16 from Public Counsel?

17 MR. SMITH: Yes, thank you.

18 CROSS-EXAMINATION BY MR. SMITH:

19 **Q. Mr. Buck, can you explain for**  
20 **educational purposes, what does SERP stand for?**

21 A. Supplemental employee retirement  
22 plan.

23 **Q. Is it related to executives?**

24 A. Not just executives, no.

25 **Q. Is there a salary amount to which**



1     **SERP compensation applies?**

2             A.     I think I understand your question,  
3     but could you ask it again?

4             **Q.     Yeah. Under IRS guidelines --**

5             A.     415?

6             **Q.     Yeah. So what's your understanding**  
7     **of the salary level for which SERP would apply to**  
8     **or which employees is SERP relevant for?**

9             A.     That's why I wanted to get  
10    clarification, because our SERP actually is for  
11    both highly compensated employees, the employees  
12    who make more than the 415 limits under the IRS  
13    code, but it's also for employees like myself,  
14    although I don't participate, who defer income. I  
15    can sit there and elect to defer income at this  
16    point in time. Because of the IRS rules, that's  
17    not considered to be pensionable income for IRS  
18    purposes.

19                    So what it amounts to is, if I  
20    choose -- if I was making \$10,000 a year and I  
21    chose to defer \$1,000, my pension for IRS purposes  
22    would only be able to be based on \$9,000 worth of  
23    income. That other \$1,000 would effectively fall  
24    into a gap for pension, IRS pension purposes. So  
25    the SERP will pick up the pension on that \$1,000

1 piece of that salary that I chose to defer.

2 So it's for both highly compensated  
3 employees, above the 415 limits, and employees who  
4 defer income.

5 **Q. And what are those limits? Do you**  
6 **know the actual dollar amount?**

7 A. A number like 280,000 sticks in my  
8 head, but that is -- frankly, that's probably  
9 speculation. I probably shouldn't have done that.

10 **Q. Okay. I think that actually matches**  
11 **with my understanding. You mentioned -- I guess**  
12 **would you receive a SERP payment when you retire?**

13 A. I wish I would. Excuse me. As I  
14 said, I am not above the 415 limits, and since I do  
15 not participate in the deferred income plan, all of  
16 my pension will be coming out of our qualified  
17 plan.

18 **Q. Will any Laclede employee who has**  
19 **been a witness in this case receive a SERP payment,**  
20 **to your knowledge?**

21 A. Yes, several.

22 **Q. And the reason would be because of**  
23 **their higher income or those limits, those IRS**  
24 **limits?**

25 A. We would have employees who have it

1 both from the IRS limits as well as the people who  
2 chose to defer in the deferred income plan. So it  
3 would be both.

4 **Q. Do you know the average age of a**  
5 **Laclede employee when they retire?**

6 A. I have a pretty good feel for what it  
7 is, but it would -- it would be probably  
8 speculation on my part. It would be a guess on my  
9 part.

10 **Q. Is it approximately 59 years old?**

11 A. Honestly, it may have been, but I  
12 thought it had been getting -- I thought the length  
13 had been growing larger as employees worked to a  
14 later age, in part probably because of the fact  
15 that Social Security benefits don't kick in till  
16 later. So I thought it was probably around 60 and  
17 a half.

18 **Q. So possibly a year and a half**  
19 **difference?**

20 A. It's not huge. It's somewhere in  
21 that range, yes.

22 **Q. I think you said SERP stood for**  
23 **supplemental employment. Is it supplemental**  
24 **executive or is it supplemental employment, to the**  
25 **best of your knowledge?**

1           A.     I thought it was employee, but -- I  
2     could be wrong, but I thought it was employee.

3           **Q.     To your knowledge, does SERP have a**  
4     **service cost?**

5           A.     Yes.

6           **Q.     Would that service cost be related to**  
7     **the service in the current year?**

8           A.     It would be related to having another  
9     year of service as an employee of the corporation,  
10    yes.

11          **Q.     So for the current year or whichever**  
12    **year it happened to be for that employee?**

13          A.     It's -- that's kind of a tough  
14    question because you don't accrue -- you accrue  
15    service cost based over the life of the employee,  
16    and there's wage increases or salary increases  
17    built into it. So when you say for the current  
18    year, are you talking the service cost that's just  
19    related to that employee's pay or salary in that  
20    particular year? I think the answer is no.

21          **Q.     I'll move on. In your testimony,**  
22    **Mr. Buck, I think you comment on the use or nonuse**  
23    **of FAS 87 in the calculation of SERP expense. Does**  
24    **that sound right?**

25          A.     Could you point me to the place,

1 please?

2 **Q. Let me see here just a second.**

3 A. Would it be maybe page 17 of so of my  
4 surrebuttal by chance?

5 **Q. It could possibly be. Thank you.**  
6 **Just a second. Yes, that's exactly right.**

7 A. I'm there.

8 **Q. Okay. I guess would it be fair to**  
9 **say that that is one of your criticisms on Staff**  
10 **and OPC's calculation of SERP expense?**

11 A. I don't have a problem with Staff's  
12 calculation. I do believe that Mr. Hyneman's  
13 approach doesn't accommodate lump sums.

14 MR. SMITH: No other questions.  
15 Thank you.

16 THE WITNESS: Thank you.

17 JUDGE DIPPELL: Are there any  
18 questions from the Bench, Mr. Chairman?

19 CHAIRMAN HALL: Yeah.

20 QUESTIONS BY CHAIRMAN HALL:

21 **Q. Could you summarize for me what the**  
22 **difference in positions is between the company and**  
23 **Staff on this issue?**

24 A. And I hope I don't misrepresent  
25 something here.

1           **Q.     Well, they'll have an opportunity to**  
2 **respond if you do.**

3           A.     Okay. I think actually the company  
4 and the Staff are pretty much in line with each  
5 other. Based off of a -- it's done on a cash  
6 payments basis to accommodate those lump sums, and  
7 I believe the Staff is using the three-year average  
8 for 12 months ended September of 2017. So it's  
9 basically an average of the updated most three  
10 recent years, and I think the company has the same  
11 approach.

12           **Q.     And that is the \$575,000?**

13           A.     You know, you caught me with a number  
14 that's not off the top of my head, but that sounds  
15 nearly right, yes. I would say yes.

16           CHAIRMAN HALL: Okay. He's all I  
17 have. Thank you.

18           THE WITNESS: Thank you.

19           JUDGE DIPPELL: Commissioner Kenney?

20           QUESTIONS BY COMMISSIONER KENNEY:

21           **Q.     I just have a question, a follow-up.**  
22 **Staff -- on Mr. Young's rebuttal, Staff's**  
23 **normalized the SERP expense at 472,165. Then I**  
24 **noticed in your surrebuttal you said Staff excluded**  
25 **a one-time lump sum of April 2014 that was the**

1       **difference.**

2           A.       And that was based off of a period  
3       that included 19-- or 2014 in the year.  When we  
4       got to the true-up period, 2014 dropped off.  So  
5       that delta, as the case may be, is no longer there.  
6       So right now we're using the period '15, '16 and  
7       '17.  I would agree that in 2014 they missed a lump  
8       sum, but as the true-up occurred, that fell by the  
9       wayside.

10           **Q.       So are we talking 575,000 or 472?**

11           A.       I think it's 575, subject to check.

12           **Q.       I'll ask Staff witness.  Thank you.**

13           A.       Thank you.

14           JUDGE DIPPELL:  Is there further  
15       cross-examination based on Commission questions  
16       from Staff?

17           MS. MERS:  No, thank you.

18           JUDGE DIPPELL:  Public Counsel?

19           MR. SMITH:  No, thank you.

20           JUDGE DIPPELL:  Any redirect from  
21       Spire?

22           MR. ZUCKER:  Just a little, your  
23       Honor.

24       REDIRECT EXAMINATION BY MR. ZUCKER:

25           **Q.       Good afternoon, Mr. Buck.**

1 A. Good afternoon.

2 Q. You in response to a question from  
3 Mr. Smith talked about how SERP would apply to both  
4 highly compensated executives and other employees  
5 who have deferred their income; is that correct?

6 A. That's correct.

7 Q. And so in terms of amounts that may  
8 be due from Laclede to employees in the future,  
9 would you say that the fact that some executives  
10 retired in the 2012 and '13 period does not mean  
11 that there still won't be a significant amount of  
12 SERP in the future?

13 A. There will be. First off, we have --  
14 it will be a different calculation, but at the same  
15 time, for example, we have a cash balance plan now.  
16 So the cash balance plan doesn't have the final  
17 average pay years of service calculation to it, but  
18 it's based on your current pay that you're  
19 receiving.

20 So if you take our CEO, who makes  
21 over those 415 limits, her pension expense as it  
22 accrues today includes a portion that will be  
23 covered -- will be -- will not be able to be  
24 payable under the pension -- or the qualified  
25 pension plan. Rather, it will go through the SERP.



1                   Now, that doesn't mean that it's  
2 not -- the IRS doesn't bless it. What the IRS says  
3 is that we won't let you sit there and accrue for  
4 it over the service life of the employee or  
5 contribute into a fund over the service life of the  
6 employee, but when you make the payment to that  
7 executive, you get the tax deduction with the IRS  
8 at that point.

9                   So long short of it is that SERP  
10 doesn't go away just because we change the plan.  
11 It doesn't go away just because we had some  
12 long-tenured executives that are no longer there  
13 because we have another executives who replaced  
14 them.

15               **Q.       Okay. But I guess my question is, is**  
16 **you have -- what you testified to is that there are**  
17 **more than just executives that have SERP payments**  
18 **coming to them?**

19               A.       Oh, absolutely.

20               **Q.       So just because a CEO retired doesn't**  
21 **mean there is not going to still be some**  
22 **significant SERP due in the future; is that**  
23 **correct?**

24               A.       I think there are a few people in  
25 this room who deferring money right now. So yes,

1 they will get a SERP payment.

2 MR. ZUCKER: Okay. That's all I  
3 have. No further questions. Thank you.

4 THE WITNESS: Thank you.

5 JUDGE DIPPELL: Thank you. Thank  
6 you, Mr. Buck. You may step down. I think that  
7 brings us, then, to Staff's witness.

8 MS. MERS: Staff calls Matthew Young  
9 to the stand.

10 JUDGE DIPPELL: Mr. Young, you were  
11 previously sworn in earlier today. You remain  
12 under oath.

13 MS. MERS: Then I would tender the  
14 witness for cross.

15 JUDGE DIPPELL: Is there  
16 cross-examination from Public Counsel?

17 MR. SMITH: Yes. Thank you.

18 MATTHEW YOUNG testified as follows:

19 CROSS-EXAMINATION BY MR. SMITH:

20 Q. Mr. Young, are you familiar with the  
21 history of Staff's treatment of SERP expenses?

22 A. I'm familiar with what's been done in  
23 past Laclede cases and the testimony presented by  
24 Mr. Hyneman.

25 Q. Other than that, had you done any

1     **research on Staff's practices in, say, the past**  
2     **five to ten years?**

3             A.     I would say I have not researched  
4     besides the two sources I just cited. I haven't  
5     gone to other utilities such as Ameren, Empire,  
6     Missouri American.

7             Q.     Okay. So you haven't compared what  
8     happens at those other utilities as the basis for  
9     your testimony today?

10            A.     No. I think this is one of those  
11    areas that are audited case by case.

12            Q.     And did someone tell you that or is  
13    that just an opinion you formed on your own, that  
14    it's a case-by-case sort of a situation?

15            A.     I think it's both. Obviously if you  
16    point out -- or compare and contrast what has been  
17    done in the 14 KCPL -- I'm sorry, the 12 and prior  
18    KCPL and Aquila cases to what has been done in  
19    historic Laclede cases, you can see it's case by  
20    case.

21            Q.     Isn't it true that prior to 2012  
22    Staff had a practice of excluding SERP lump sum  
23    payments? Is that your understanding?

24            A.     No. And i think in -- although Staff  
25    didn't file testimony, I got ahold of Staff papers

1 in the 2013 Laclede case, which was in the same  
2 time frame, and it was an average of actual  
3 payments. Also point to the 2010 case, same thing.

4 Q. When you say an average of actual  
5 payments, do you mean an average of lump sum  
6 payments?

7 A. I believe lump sums were included in  
8 those payments.

9 Q. But you don't know, do you?

10 A. Not for sure, I guess. I could  
11 verify.

12 Q. So you read Mr. Hyneman's testimony.  
13 Did you read about the KCPL ER-2014-0370 rate case?

14 A. I did.

15 Q. And to the best of your knowledge,  
16 was it your understanding that Staff's position  
17 was, and I'm paraphrasing here, so you can correct  
18 me, but if there was a lump sum SERP payment,  
19 essentially what you have to do is treat it sort of  
20 like an annuity. So let's say it's a 14-year  
21 payout but they elect for a lump sum. The amount  
22 included in rates would be 1/14 of that total lump  
23 sum?

24 A. Yeah. I agree with that. I think in  
25 that case they did convert lump sums to annuities.

1 Q. And that would obviously have the  
2 effect of reducing the payments incrementally?

3 A. I don't know if it would reduce it or  
4 not. Obviously for that one payment it would in a  
5 single year as opposed to over multi years, yeah.

6 Q. It would spread the cost out?

7 A. Sure.

8 Q. And you did say you take it case by  
9 case as your approach. How many cases by cases  
10 have you studied?

11 A. For SERP, I mainly studied the prior  
12 two Laclede cases.

13 Q. Is this your first case, though, in  
14 which you've done a SERP analysis?

15 A. Yes, it is.

16 Q. So the case by case approach, this is  
17 your first case?

18 A. It's my first case no matter what  
19 approach.

20 Q. Is it fair to say that your proposal  
21 is a little different than the KCPL approach by  
22 Staff in ER-2014-0370?

23 A. I wouldn't say it's substantially  
24 different. In this case we included lump sums by  
25 normalizing. In the KCPL case we included lump

1 sums by converting to annuities.

2 Q. Okay. So it is different in that  
3 respect?

4 A. It is different.

5 Q. What does SERP stand for?

6 A. It's my understanding it stands for  
7 supplemental executive retirement plan.

8 Q. You read through Mr. Hyneman's  
9 testimony, did you not?

10 A. I did.

11 Q. Do you recall the case in 2007,  
12 ER-2007-0291?

13 A. I recall Mr. Hyneman discussing that.

14 Q. I think you cited to that in your  
15 testimony.

16 A. Can you point me to the spot?

17 Q. It's in your surrebuttal testimony.  
18 I think it was for the proposition as to  
19 capitalization of SERP. Does that ring a bell?

20 A. I'm sorry. The case where I cited  
21 the capitalization in the 2007 electric case?

22 Q. Yes.

23 A. That rings a bell. Perhaps you're  
24 referring to my rebuttal on page 15.

25 Q. Yes. Thank you. Okay. And I guess

1 when you cited to that and you read through the  
2 testimony, did you read through the entirety of the  
3 testimony or did you just pick that one line?

4 A. I'm sure I read through the entire  
5 testimony regarding SERP expense anyway.

6 Q. I'm going to hand you a copy of that  
7 testimony in just a second. You see the part with  
8 the ink brackets?

9 A. Yes, I do.

10 Q. Can you read that question and answer  
11 starting with, why does Staff oppose?

12 A. You want me to read the part starting  
13 with Staff opposed, why does the Staff oppose?

14 Q. The part starting with the question,  
15 why does the Staff oppose including annual lump sum  
16 SERP.

17 A. Question: Why does the Staff oppose  
18 including annual lump sum SERP payments in KCPL's  
19 cost of service?

20 Answer: These lump sum payments are  
21 not a known and measurable expense. The SERP lump  
22 sum payments made by KCPL have so much volatility  
23 that no reasonable estimation of future lump sum  
24 payments can be made. For example, in 2000 KCPL  
25 did not make a lump sum SERP payment. In 2001 KCPL

1 made a lump sum SERP payment to its former chief  
2 executive officer, CEO and chairman of the board of  
3 directors in the amount of \$3.3 million.

4 **Q. Okay.**

5 A. In 2003 KCPL made a lump sum SERP  
6 payment of \$232,452, and 2004 it again paid its  
7 retiring CEO and chairman of the board a payment of  
8 \$2.5 million.

9 Do you want to me to read the rest of  
10 the Q and As?

11 **Q. Yeah. If you'd also read the**  
12 **brackets, please.**

13 A. Okay. I missed the brackets where it  
14 defined chief executive officer as CEO.

15 Question: Are lump sum SERP payments  
16 mandatory?

17 Answer: No. A SERP is an additional  
18 compensation program created and controlled by a  
19 company's board of directors. KCPL does not have to  
20 offer a SERP at all, and it can limit the SERP plan  
21 to annual recurring payments.

22 Question: Is the Staff willing to  
23 propose a compromise with KCPL in order to settle  
24 this issue?

25 Answer: Yes. The Staff is willing



1 to increase its SERP adjustment by \$70,000 on an  
2 annual basis. This amount is calculated by  
3 dividing the total SERP lump sum payments made by  
4 KCPL in the test year of \$703,937 and dividing this  
5 amount by ten years, which represents an estimate  
6 of the average remaining life of the retirees. The  
7 \$70,000 would be allocated appropriately between  
8 capital and expense.

9 **Q. Did you read that portion of the**  
10 **testimony when you were citing Mr. Hyneman on**  
11 **page 15 of your rebuttal testimony?**

12 **A. Yes, I did. My purpose was to**  
13 **display a time when Mr. Hyneman's position, which**  
14 **he asserts is Staff's position also, he's also**  
15 **supported capitalizing SERP costs.**

16 **Q. And I think you had just read into**  
17 **the record, what was it, was that a position or was**  
18 **that a settlement proposal?**

19 **A. That's a settlement proposal.**

20 **Q. So that's a little bit different than**  
21 **a position.**

22 **A. Assuming that the allocation between**  
23 **capital and expense wasn't supported for this**  
24 **proposal, yes.**

25 **Q. Are you aware the data requests --**

1 and I'm done with that. Are you aware of the data  
2 requests that OPC had sent to Staff concerning the  
3 GAAP requirement on this?

4 A. I think I know the one you're talking  
5 about.

6 Q. Have you read that new GAAP  
7 requirement?

8 A. I have.

9 Q. Here's a question related to that.  
10 Do you agree with FASB's basis for making the  
11 change in pension capitalization policy, or have  
12 you considered that?

13 A. Overall change in policy?

14 Q. Yes.

15 A. I don't know what their drive and  
16 intent was for the change, so I don't know if I can  
17 agree with the policy change. But I do recognize  
18 it is a policy that's announced and to be adopted  
19 very soon.

20 Q. Do you happen to know who at Laclede  
21 had designed its SERP?

22 A. No, I don't. I think the original  
23 SERP plan was designed -- or effective 1977.

24 Q. Would that maybe have been the board  
25 of director level or you're not sure?

1           A.     I'm sure the board of directors would  
2     have approval of it.

3           Q.     And do those individuals represent  
4     utility shareholders?

5           A.     Yes, they do.

6           Q.     And in theory, the board of directors  
7     could have designed a plan that trended more toward  
8     annuity basis payments or lump sum basis payments?

9           A.     In theory, yes, they could.

10          Q.     Do you think it's a reasonable option  
11     to, I guess, amortize SERP payments similar to  
12     prior Staff practice?

13          A.     Amortize SERP payments?

14          Q.     Normalize the lump sum.

15          A.     I think that's reasonable.

16          Q.     And with the qualification that the  
17     normalization would be on an annuity basis?

18          A.     Are you asking if it would be okay to  
19     convert lump sums to annuities?

20          Q.     Would it be a reasonable option?

21          A.     Yeah, I think that's an alternative.

22                 MR. SMITH: No further questions.

23                 JUDGE DIPPELL: Is there any  
24     cross-examination from Spire?

25                 MR. ZUCKER: Yes, your Honor.

1 CROSS-EXAMINATION BY MR. ZUCKER:

2 Q. Hello again, Mr. Young.

3 A. Hello.

4 Q. Does FAS 87 SERP expense include the  
5 expectation of lump sum payments in the actuarial  
6 calculation of the expense?

7 A. I believe the FAS 87 expense attempts  
8 to capture the obligation that will be due at time  
9 of retirement. I'm not sure if that considers the  
10 difference between annuities and cash payments, I'm  
11 sorry, lump sum payments.

12 MR. ZUCKER: Thank you. No further  
13 questions.

14 JUDGE DIPPELL: Are there questions  
15 from the Bench?

16 CHAIRMAN HALL: No questions. Thank  
17 you.

18 JUDGE DIPPELL: Commissioner Kenney?

19 COMMISSIONER KENNEY: Thank you,  
20 Judge.

21 QUESTIONS BY COMMISSIONER KENNEY:

22 Q. Good afternoon.

23 A. Good afternoon.

24 Q. Did you hear my question to Mr. Buck  
25 regarding the amount in question?

1 A. The difference between Staff and --

2 Q. Yeah, because he seemed to feel  
3 that -- I thought, my impression was that his  
4 statement was that Staff and the company were in  
5 agreement. I know he had a 570-some-odd dollar  
6 figure and you had a 472,000 figure. Can you --

7 A. I don't know. I agree that our  
8 numbers's 472. I don't know --

9 Q. Your number is 472.

10 A. -- what would be driving the  
11 difference besides a timing issue.

12 COMMISSIONER KENNEY: Thank you.

13 JUDGE DIPPELL: Is there any further  
14 cross-examination based on the Commissioner's  
15 questions from Public Counsel?

16 MR. SMITH: No further questions.

17 JUDGE DIPPELL: Spire?

18 MR. ZUCKER: No questions.

19 JUDGE DIPPELL: Is there redirect by  
20 Staff?

21 MS. MERS: Just briefly.

22 REDIRECT EXAMINATION BY MS. MERS:

23 Q. You were asked some questions about  
24 the history of Staff's treatment. When OPC's been  
25 referring to Staff's prior position, who's the

1 prior Staff witness that's --

2 A. In all the cases cited in OPC's  
3 discussion of Staff's prior position, the Staff  
4 witness was Mr. Hyneman.

5 Q. And he didn't cite to any other Staff  
6 witnesses?

7 A. He did cite the 2014 KCPL case where  
8 Keith Majors was the witness.

9 Q. Did Spire make a change to its plan  
10 to only allow lump sum payments for certain  
11 employees?

12 A. In 2009 they changed it to a cash  
13 bath SERP plan. I believe annuities are still an  
14 option.

15 Q. Would there be a large difference in  
16 calculation between normalizing as a three-year  
17 expense lump sum and normalizing as an annuity lump  
18 sum payment?

19 A. Can you say that again?

20 Q. Sure. Would there be a large  
21 difference in the figure you would get if you were  
22 calculating a normalized three-year average of lump  
23 sum payments versus normalizing lump sum payments  
24 as annuity, or do you think they would be about the  
25 same?

1           A.       I would expect there wouldn't be a  
2 big difference if your time period was long enough.  
3 If you spread those lump sums out over many years,  
4 then you'd have to look at a large period.

5           MS. MERS: All right. I have nothing  
6 further. Thank you.

7           JUDGE DIPPELL: Thank you. I believe  
8 that concludes -- was this your testimony -- the  
9 end of your testimony?

10          THE WITNESS: I've got more.

11          JUDGE DIPPELL: Okay. Then you may  
12 step down. So we are -- let's see. We can go  
13 ahead and get Mr. Hyneman and then I believe that  
14 will be the end of this issue and we can take a  
15 short break. Mr. Hyneman, you were previously  
16 sworn, so you will remain under oath for our  
17 purposes. Thank you.

18 CHARLES HYNEMAN testified as follows:

19 DIRECT EXAMINATION BY MR. SMITH:

20           **Q.       Mr. Hyneman, good afternoon.**

21           A.       Good afternoon.

22           **Q.       As you're previously sworn, I would**  
23 **just tender you for cross-examination.**

24           JUDGE DIPPELL: Is there any  
25 cross-examination of Mr. Hyneman by Staff?

1 MS. MERS: No questions. Thank you.

2 JUDGE DIPPELL: Spire?

3 MR. ZUCKER: No questions, your  
4 Honor.

5 JUDGE DIPPELL: Are there questions  
6 from the Bench for Mr. Hyneman?

7 CHAIRMAN HALL: No questions. Thank  
8 you.

9 COMMISSIONER KENNEY: No questions.

10 COMMISSIONER COLEMAN: No questions.

11 JUDGE DIPPELL: In that case,  
12 Mr. Hyneman, you may step down.

13 I believe then that that is the end  
14 of the SERP testimony. Commercial deposits has  
15 settled, or I'm told that it has settled. So that  
16 leaves incentive compensation and then I believe  
17 the rate stabilization mechanism after that. Is  
18 there anything before we take a short break?

19 MR. SMITH: I guess what would be  
20 after incentive comp? Is that the last issue for  
21 today?

22 JUDGE DIPPELL: I believe after  
23 incentive compensation we still have the rate  
24 stabilization mechanism, and then I think that is  
25 all for today.



1 MR. SMITH: So we are going to try to  
2 reach that issue today?

3 JUDGE DIPPELL: Yes. Let's go ahead  
4 and take a short break until 3 p.m.

5 (A BREAK WAS TAKEN.)

6 JUDGE DIPPELL: We're going to go  
7 back on the record just briefly. There have been  
8 some further settlement discussions during the  
9 break, and the parties have informed me that they  
10 would like some additional time. They believe they  
11 are close to settlement of incentive compensation  
12 and that they can -- that kind of snowballs into  
13 some of the other issues.

14 So we have agreed that we are going  
15 to take an hour recess, and they are going to come  
16 back at four and tell me whether that was  
17 productive and, if not, we're going to go ahead and  
18 do incentive compensation at that time. So let's  
19 go ahead then and break until four o'clock and  
20 we'll go off the record.

21 (A BREAK WAS TAKEN.)

22 JUDGE DIPPELL: We are back on the  
23 record after our extended break, and who wants to  
24 give me an update on what's going on?

25 MS. SHEMWELL: I can start.

1 JUDGE DIPPELL: Okay. Ms. Shemwell.

2 MS. SHEMWELL: I think that we have  
3 made great progress in this interim, and it -- on  
4 incentive comp, it looks like it is pretty much  
5 resolved and we're waiting on language to resolve  
6 that issue. We also believe that we're very close  
7 on rate design and that that likely will -- we feel  
8 pretty comfortable.

9 DR. MARKE: So the one outstanding  
10 issue is the RSM, the revenue stabilization  
11 mechanism, and we have some encouragement with the  
12 parties. We're happy this afternoon can be used to  
13 move forward with that. If that falls out, we're  
14 in great shape because all of the other rate design  
15 issues as far as any revenue shifts between  
16 customers, it sounds as though we have an agreement  
17 with all parties.

18 JUDGE DIPPELL: So it's looking  
19 pretty -- I'm going to summarize here, but it's  
20 looking pretty close to incentive comp is settled,  
21 just waiting to revise some language?

22 MS. SHEMWELL: Right.

23 JUDGE DIPPELL: And RSM may, may not  
24 settle, but --

25 MS. SHEMWELL: Looking good.

1 JUDGE DIPPELL: Rate design is  
2 closer. Can you accomplish rate design and RSM in  
3 a single eight-hour working day?

4 MR. PENDERGAST: You know, I really  
5 think we can. And quite frankly, rate design or at  
6 least any remaining issues are so interrelated with  
7 the RSM, which customer charge, do I have an RSM or  
8 not, that it would make sense to do them at the  
9 same time. My understanding is that the cost of  
10 service allocations, which was the second thing,  
11 has been 95 percent resolved. There's just a  
12 couple of shifts that they're still talking about.  
13 So I don't believe that that will take any material  
14 point in time.

15 As far as the incentive comp is  
16 concerned, as has been represented, we do have an  
17 agreement in principle. We're just working on some  
18 numbers. And the thought was that if there is any  
19 need for any additional hearing time on that, since  
20 we don't have any other issues other than AMR, and  
21 that's just a part of the AMR issue to consider in  
22 true-up, we could go ahead and finish that up at  
23 the one-day true-up hearing. We don't think it  
24 will be necessary, but it would be available to do  
25 it if we needed to.

1                   JUDGE DIPPELL: Okay. So you-all are  
2 asking then to adjourn for the day and come back in  
3 the morning?

4                   MR. PENDERGAST: Yeah. I think  
5 that's what we'd like to do. We can brief the  
6 Commission if you like in the morning. You asked  
7 earlier about on the transition costs, could you  
8 give us a little bit of color on exactly what that  
9 looks like, and I think we can do that, including  
10 letting you know your question about the rebranding  
11 costs and what the arrangement has to say about  
12 that. So do that first and then, to the extent we  
13 still have to talk about RSM and rate design, we  
14 would I think have sufficient time to do that.

15                  JUDGE DIPPELL: Okay. It sounds like  
16 we'll be able to wrap this up tomorrow in a timely  
17 fashion. So I will go ahead and adjourn the  
18 hearing for the day and we can come back at 8:30 in  
19 the morning. Thank you.

20                               (WHEREUPON, the hearing was recessed  
21 at 4:04 p.m.)

22

23

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