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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Evidentiary Hearing
December 6, 2017
Jefferson City, Missouri
Volume 14

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
SENIOR REGULATORY LAW JUDGE

DANIEL Y. HALL, Chairman,
STEPHEN M. STOLL,
WILLIAM P. KENNEY,
SCOTT T. RUPP,
MAIDA J. COLEMAN,
COMMISSIONERS

REPORTED BY:
AMANDA N. FARRAR, CCR
ALARIS LITIGATION SERVICES

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1 P R O C E E D I N G S

2 (The hearing commenced at 9:00 a.m.)

3 JUDGE DIPPELL: Good morning. This is
4 December 6th, 2017, and we are meeting at the
5 offices of the Public Service Commission for an
6 evidentiary hearing in Case Nos. GR-2017-0215 and
7 GR-2017-0216 in the matter of Spire Missouri, Inc.'s
8 request to increase its revenue for gas service.
9 Originally, when these cases were filed, they were
10 captioned with the previous company names, Spire Gas
11 Company for its Laclede service territory or
12 division, and its Missouri Gas Energy, MGE, service
13 territory or division. The names -- just so it's on
14 the record, the names Spire and Laclede and MGE will
15 be used throughout these proceedings somewhat
16 interchangeably. The cases have not been
17 consolidated completely, but were consolidated for
18 the hearing purposes. So, if there is MGE or
19 Laclede specific information, I hope that you all
20 will point that out and, and help us keep the record
21 clear on that.

22 My name is Nancy Dippell and I'm the
23 regulatory law judge assigned to precede over this
24 hearing, and we're going to begin this morning with
25 entries of appearance. And so, can I start with the

1 company.

2 MR. ZUCKER: Yes. Thank you, Your
3 Honor.

4 Rick Zucker, Michael C. Pendergast and
5 James Fischer and Larry Dority here on behalf of
6 Laclede Gas Company, now known as Spire Missouri,
7 Inc., and Missouri Gas Energy called -- referred to
8 as Spire Missouri West.

9 JUDGE DIPPELL: And the Staff.

10 MR. JOHNSON: Thank you, Judge.

11 Mark Johnson, Whitney Payne, Casi Aslin,
12 Marcy Forck, Nicole Mers, Jeffrey Keevil and Kevin
13 Thompson appearing on behalf of the staff of the
14 Missouri Public Service Commission.

15 JUDGE DIPPELL: Public Counsel.

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

17 Ryan Smith, Lera Shemwell, Nathan
18 Williams, Hampton Williams appearing on behalf of
19 the Office of the Public Counsel. Thank you.

20 JUDGE DIPPELL: Division of Energy.

21 MR. BEAR: Brian Bear on behalf of the
22 Division of Energy.

23 JUDGE DIPPELL: National Housing Trust.

24 MR. LINHARES: Yes. Thank you, Judge.

25 Andrew Linhares appearing for the

1 National Housing Trust.

2 JUDGE DIPPELL: Environmental Defense
3 Fund.

4 MS. KARAS: Good morning, Your Honor.
5 Natalie Karas on behalf of the
6 Environmental Defense Fund.

7 JUDGE DIPPELL: Midwest Energy
8 Consumers.

9 MR. WOODSMALL: Good morning, Your
10 Honor. David Woodsmall appearing on behalf of MECG.

11 JUDGE DIPPELL: MIEC.

12 MR. MILLS: Good morning.

13 On behalf of the MIEC, let the record
14 reflect the appearance of Lewis Mills and Ed Downey.

15 JUDGE DIPPELL: Consumers Council.

16 MR. COFFMAN: Yes. John B. Coffman
17 appearing on behalf of the Consumers Council of
18 Missouri.

19 JUDGE DIPPELL: City of St. Joseph.

20 MR. STEINMEIER: Thank you, Your Honor.

21 Please let the record reflect the
22 appearance of William D. Steinmeier on behalf of the
23 City of St. Joseph, Missouri.

24 JUDGE DIPPELL: MoGas Pipeline.

25 MR. JARRETT: Good morning, Judge.

1 Terry Jarrett appearing on behalf of
2 MoGas Pipeline.

3 JUDGE DIPPELL: KCPL and GMO asked -- or
4 earlier contacted me and said that they would not be
5 present. So, they have been excused.

6 Is there anyone here for the unions?
7 And Missouri School Boards' Association.

8 MR. BROWNLEE: Richard Brownlee, RSB 3,
9 LLC, on behalf of the Missouri School Boards'
10 Association. Thank you.

11 JUDGE DIPPELL: I will ask you all to be
12 sure and silence your cell phones or other
13 electronic devices.

14 The exhibits, you were each assigned a
15 block of exhibit numbers and I would like you to go
16 ahead and prenumber those. We will make sure we
17 have those straight as we get to them. We're going
18 to follow the witness list in order of cross that
19 you all set out in your memorandum that you filed.

20 I believe -- were there any other
21 pending -- were there pending motions that I hadn't
22 ruled on? There had been a couple of late motions
23 to file things late.

24 Mr. Jarrett?

25 MR. JARRETT: Yes. Judge, I had

1 previously filed a motion, a request to be excused
2 for portions of the hearing where my client may not
3 be interested in those issues.

4 JUDGE DIPPELL: Okay. Thank you,
5 Mr. Jarrett.

6 MR. WOODSMALL: And I --

7 JUDGE DIPPELL: Yes, and I would -- oh,
8 Mr. Woodsmall.

9 MR. WOODSMALL: I was going to ask for
10 the same motion, Your Honor.

11 JUDGE DIPPELL: Okay. I'll get to that,
12 then, and I should have gone there first. So, you
13 don't -- I'll excuse those of you who wish to be
14 excused. You don't need to ask my permission. If
15 you're here when we start, then you'll have the
16 opportunity to participate. If you're not here when
17 you start, then you and your client will not have
18 the opportunity to raise any objections or
19 participate in the discussions that are taking place
20 at that time. So, I'll leave that to your
21 discretion.

22 Were there any other -- I say I think
23 there were -- I think I ruled on some of the motions
24 for late filing. If I didn't, then those are
25 granted. There were some affidavits and things that

1 came in late.

2 Mr. Zucker?

3 MR. ZUCKER: Yes. Yes, Your Honor.

4 The only other issue is we would like to
5 have put into the record our original filings, the
6 minimum filing requirements for Laclede and MGE and
7 our depreciation study.

8 JUDGE DIPPELL: And those were the
9 original filings that you made?

10 MR. ZUCKER: On April 11th.

11 JUDGE DIPPELL: Okay. Have you -- you
12 didn't set those out in your exhibit list, did you?

13 MR. ZUCKER: Yes. They're Exhibits 1,
14 2, and 3.

15 JUDGE DIPPELL: Okay.

16 MR. ZUCKER: And I'm just trying to get
17 them in as...

18 JUDGE DIPPELL: You're just offering
19 those now. Is that...?

20 MR. ZUCKER: Yes. And obviously, other
21 parties can respond.

22 (Laclede's Exhibits 1 through 3 were
23 offered into evidence.)

24 JUDGE DIPPELL: Would there be any
25 objection to Laclede's Exhibits -- or Spire's

1 Exhibits 1, 2 and 3 at this time?

2 MS. SHEMWELL: No, Your Honor.

3 JUDGE DIPPELL: All right. Then I'll go
4 ahead and admit Exhibits 1, 2, and 3.

5 (Laclede's Exhibits 1 through 3 were
6 admitted into evidence.)

7 And, Mr. Zucker, have you given the
8 court reporter copies of those?

9 MR. ZUCKER: They're in a suitcase
10 sitting next -- they're in a suitcase sitting next
11 to her. So, I can break them out.

12 JUDGE DIPPELL: No. That's fine, as
13 long as we have them with the court reporter.
14 Appreciate that.

15 All right. Was there -- were there any
16 other preliminary matters?

17 MS. PAYNE: Your Honor, at this time I
18 would go ahead and offer Staff's accounting
19 schedules for LAC and MGE that were handed out prior
20 to the start of the hearing.

21 JUDGE DIPPELL: Okay.

22 MS. PAYNE: We have the LAC one marked
23 as Exhibit 66 and the MGE one marked as Exhibit 67.

24 (Staff's Exhibits 266 and 267 were
25 offered into evidence.)

1 JUDGE DIPPELL: And what you gave us at
2 the beginning of the hearing, that is just the MGE
3 one?

4 MS. PAYNE: No. You should have two
5 separate packets. One is for Laclede and one is for
6 MGE.

7 MR. STEINMEIER: Excuse me, Your Honor.

8 JUDGE DIPPELL: Yes, sir.

9 MR. STEINMEIER: So, Laclede 0215 is
10 Exhibit 66?

11 MS. PAYNE: Yes.

12 MR. STEINMEIER: And MGE is 67?

13 MS. PAYNE: 67.

14 MR. STEINMEIER: Thank you.

15 JUDGE DIPPELL: And that's 266 and 267,
16 correct? Because staff's numbering blocks began
17 with the 200s.

18 MS. PAYNE: I will trust your
19 designation on that.

20 JUDGE DIPPELL: Okay. Would there be
21 any objection to admitting Staff's accounting
22 schedules 266 and 267?

23 MS. SHEMWELL: No, Your Honor.

24 JUDGE DIPPELL: Mr. Zucker, are you --

25 MR. ZUCKER: No objection.

1 JUDGE DIPPELL: Okay. All right, then.
2 I will admit Exhibits 266 and 267.

3 (Staff's Exhibits 266 and 267 were
4 marked for identification.)

5 JUDGE DIPPELL: Were there other
6 preliminary?

7 Mr. Brownlee?

8 MR. BROWNLEE: Yes. I'm not sure. I
9 know the order involving the joint stipulation and
10 agreement on behalf of the School Boards'
11 Association would be a matter of record, but I'm not
12 sure and I don't believe the actual stipulation is
13 listed as an exhibit. So, in order to make sure it
14 is included in any later record, I'd like to offer
15 that as an exhibit or whatever seems to fit the
16 situation. I just don't want to later on have it
17 not be officially part.

18 JUDGE DIPPELL: That's fine. I believe
19 Spire does have that attached as Exhibit 54, but I
20 have no problem with offering it now if that's the
21 way we want to take care of that.

22 MR. ZUCKER: Yes, that's fine. I had
23 the same question as Mr. Brownlee. So, out of
24 caution I put it on our list as Number 54 and we
25 would offer it.

1 (Laclede's Exhibit 54 was offered into
2 evidence.)

3 JUDGE DIPPELL: All right. Would there
4 be any objection to Exhibit No. 54 coming in at this
5 time?

6 Seeing none. Then Exhibit No. 54, the
7 joint stipulation and agreement between Spire and
8 the school boards, which has actually already been
9 approved by the Commission and will be admitted.

10 (Laclede's Exhibit 54 was admitted into
11 evidence.)

12 JUDGE DIPPELL: Okay. Are there any
13 other preliminary exhibits that need to come in at
14 this time?

15 Okay. What we're going to do is have
16 some very brief, I hope, overview, general opening
17 remarks and then we'll begin with our first issue
18 and as we go we're going to have mini opening
19 statements so you can kind of tee up the issues for
20 that part. If you want to go straight into your
21 opening for the issue, that's fine as well, but it
22 might be clearer if we just hit the overview and
23 then come back to that.

24 So, with that we can begin with opening
25 statements with Spire.

1 MR. ZUCKER: Thank you, Your Honor.

2 May it please the Commission:

3 Your Honor, I will be as brief as
4 possible, but I do have some -- because this is the
5 policy and I do have a little bit of length in the
6 opening statement, but given the fact that I
7 represent two utilities. It won't be that much.

8 Okay. Since 2010 the entire rate
9 increase for both Laclede and MGE has been the
10 safety and relocation work we've been doing. Other
11 than the cost of that work, customers are paying the
12 same rates today, the same distribution rates that
13 they paid in 2010. Thanks to our efforts to control
14 the historically inclining cost of gas utility
15 service and thanks also to a change in the gas
16 supply market that has greatly reduced the cost of
17 gas, customers' bills are actually less than they
18 were ten years ago.

19 And so, now after more than seven years
20 without a non-ISRS increase, how much are we asking
21 for in this case? Laclede seeks a \$27 million
22 increase and MGE requests 35 million, both above the
23 ISRS. So, after more than seven years, the two
24 largest gas LDCs in the state, covering
25 approximately 83 percent of the Commission-regulated

1 gas market, are asking for a total of 62 million.
2 How did we do this? The simple answer is by joining
3 forces.

4 When the old Laclede Gas Company
5 acquired MGE, we brought that company into the fold
6 of a gas utility company that is in the gas utility
7 business. Now, I'm not going to cast dispersions on
8 Southern Union or on ETE, but let's face it, they
9 were both pipeline companies and, and they were
10 pipeline companies that just happened to own a
11 utility. Once Southern Union decided to sell their
12 utilities, which was -- which were MGE and New
13 England Gas, Southern Union stopped investing in
14 them. Wouldn't you? Divesters don't invest. MGE
15 was sold to ETE by Southern Union. ETE is another
16 pipeline company whose main interest in the
17 utilities was to monetize them. When ETE completed
18 their purchase and unveiled the map of their new
19 organization to their employees, the MGE property
20 was omitted. It was not on the map, and I think the
21 MGE people got a hint from that about what was to
22 happen. Again, divesters are not investors.

23 When Laclede became the next owner of
24 MGE, we set about the task of operating the company
25 and not just owning it. Laclede acquired a

1 cash-starved company operating on a shoestring
2 making due with antiquated systems that were run by
3 amazing people. That's why MGE's modest rate
4 increase of 35 million is actually higher than
5 Laclede's because MGE needed to do something it
6 hadn't done in a long time and that was invest in
7 its future.

8 One of the main investments it needed
9 was a new information system and this is where both
10 MGE and Laclede customers caught a break. Laclede
11 had just upgraded its system in 2013 and it was able
12 to bring MGE into its platform for a fraction of the
13 cost that Laclede had paid and further saved money
14 for both companies by splitting the cost of the
15 combined platform with MGE.

16 Okay. So, despite the fact that Laclede
17 paid a premium above book value for MGE, paid
18 transaction costs to close the transaction, and paid
19 the cost to integrate the two companies, which is
20 transition costs, Laclede was permitted to recover
21 only half of those transition costs and none of the
22 other two, and we were allowed to recover that half
23 of the transition costs only if we could show
24 synergy savings in excess of those costs to achieve.
25 We were, in fact, able to show savings well in

1 excess of those costs. And so, part of our request
2 in this case consists of half of the transition
3 costs we spent to achieve the savings that we
4 brought to customers.

5 In order to make this acquisition work
6 by not recovering the premium or the transaction
7 costs, in order to make it work, we had to reduce
8 costs and we did -- and we did so by spreading them
9 over a larger customer base. In buying MGE, Laclede
10 nearly doubled its size, but did not double its
11 costs. Having achieved a successful integration in
12 Missouri, our parent, now known as Spire, Inc., but
13 then called the Laclede Group looked for and found
14 more opportunities for growth.

15 Spire acquired Alabama Gas Company, now
16 known as Spire Alabama, and its 420-plus-thousand
17 customers; also acquired Mobile South -- the Mobile
18 Gas Corporation, sorry, now known as Spire Gulf and
19 its 85,000 customers; and finally, also acquired
20 Willmut Gas of Mississippi, now known as Spire
21 Mississippi and its nearly 20,000 customers. So,
22 all told, where five years ago where Laclede Gas
23 about 630 customers in Eastern Missouri, the Spire
24 organization, still headquartered in St. Louis,
25 serves well over 1.6 million customers. This has

1 allowed us to further spread costs that benefit all
2 customers and it is undisputed that these activities
3 have reduced our cost of service in this case by
4 tens of millions per year.

5 In 2012 Laclede customers paid for an
6 entire CEO, the company's CEO. Five years later
7 those same customers are paying only about
8 44 percent of the cost of that same CEO. That's
9 called scale. Now, do the customers get all 56
10 percent of the savings? Well, not quite. In order
11 to find and motivate a leader to get these kind of
12 results, you have to be willing to offer a
13 compensation package that includes base salary plus
14 incentives. Do the customers have to pay for all of
15 those incentives? Not in this case. In this case
16 we are asking to include the costs of only the cash
17 incentives. We are not asking for any compensation
18 for equity incentives for the CEO and 100 of our top
19 executives and managers. So, only the same cash
20 incentives that are part of a compensation package
21 at nearly every sizable company in America.

22 Is it fair to ask customers to pay for
23 incentive compensation? In the case of our CEO, it
24 has turned out to be one of the best investments
25 we've ever made. As for other employees, incentives

1 are just part of a normal market-based compensation
2 package and they deserve to be fully compensated.
3 Would you take a \$3 gallon of milk to the counter
4 and expect to pay 2.50 for it and walk away? No.
5 If you want the milk, you have to pay for the gallon
6 of milk. The transformation of this company from a
7 stodgy and conservative Laclede to the dynamic and
8 growing Spire has been a spectacular success and for
9 me a thrill to watch.

10 Ms. Shemwell here used to say that
11 Laclede displayed trailing edge technology, but not
12 anymore. That was a pretty good line by
13 Ms. Shemwell, but not anymore.

14 We've been talking about money for a
15 while now, but that's only half of the equation and
16 it's not even the most important half. Certainly we
17 expect to maintain just and reasonable rates, but
18 our number one focus is on safety. Our mandate is
19 to provide safe and adequate service and we not only
20 meet that mandate, but we strive to motivate our
21 employees to exceed it.

22 At the same time we've been controlling
23 costs, we have been improving service and the proof
24 is in the reports that we provide staff and OPC
25 every month. We have made great strides in reducing

1 leak response time, reducing abandoned call rates,
2 reducing the average speed of answer, and reducing
3 the number of estimated bills. In the last J.D.
4 Power survey scores for MGE and Laclede both soared
5 and at a time when we were changing our name.

6 Now, I could go on and on, but I'm not
7 going to. Instead, I'm going to talk about this
8 case. There's an old joke no good deed goes
9 unpunished, and it's supposed to be funny because
10 the actual saying is no good deed goes unrewarded,
11 but, unfortunately, in this case it's true. A
12 company comes in for a modest increase after seven
13 years with millions of dollars in real customer
14 savings resulting from our investment in other
15 utilities and what do we get? The savings are fully
16 captured without even the full recognition of the
17 very modest costs incurred to achieve them and then
18 one punitive adjustment after another is proposed
19 with potentially damaging writeoffs as if the
20 regulatory process in Missouri passibly abhors any
21 attempt by a Missouri based holding company to grow
22 even in ways that unquestionably benefit customers.

23 For example, with tens of millions in
24 synergy savings we are struggling to drag out of the
25 other parties and, and mostly Staff in this case

1 the -- our, our half of the transition costs.
2 Equity ratios or our capital structure have been
3 proposed at well below historical norms in order to
4 misappropriate millions of dollars that rightfully
5 belong to the company. The longstanding treatment
6 of the company's pension asset has proposed to be
7 radically modified to deprive the company of the
8 return it has normally been granted on its
9 investment in those assets and just as it is finally
10 beginning to draw down the cost of the asset.

11 The costs of the entire information
12 management system for MGE were proposed to be simply
13 wished away at one point by OPC and OPC still seeks
14 to allocate away the costs of -- allocate away the
15 costs to entities that don't benefit from the
16 system. In other words, the MGE and Laclede system
17 serve Laclede and MGE. They do not serve the
18 Alabama utilities and, yet, OPC is trying to
19 allocate some of the cost of that to Alabama.

20 Even statutorily-authorized regulatory
21 mechanisms like the company's proposed revenue
22 stabilization mechanism and its environmental
23 compliance cost tracker are opposed for reasons that
24 evade all understanding. In the process, any
25 opportunity to reduce customer charges in a way that

1 parties in the past have long requested and our
2 customers seem to have strong interest in is lost.
3 So, we are offering the revenue stabilization
4 mechanism. If we get that, that allows us to not
5 have to set rate design in a way that protects us
6 from weather and conservation, but allows us to have
7 different rate designs, be flexible and open on rate
8 designs and other parties have been pushing for
9 lower customer charges for years. And so, finally
10 we came to this case and we were excited to work
11 with OPC who has been asking for these low customer
12 charges, but instead they have opposed the revenue
13 stabilization mechanism.

14 Another example, as part of a number of
15 consistency changes, we're seeking to move Laclede
16 Gas' in Eastern Missouri, their storage gas into
17 rate base. Now, that would be the same thing that
18 MGE has, storage gas in rate base, and it's the same
19 thing that every other gas utility has in Missouri.
20 Again, OPC opposes this. Staff was okay with it
21 originally and then reversed itself two weeks ago in
22 its surrebuttal testimony and seeks to change the
23 cost of capital for that storage gas to simply
24 short-term debt.

25 Despite multiple black box settlements,

1 Staff wants to reach back into the past decade to
2 remove allegedly disputed incentive compensation
3 from our rate base. So, not only are they denying
4 us recovery of part of the fair market compensation
5 we pay our employees now, they are going back to
6 previously settled cases and trying to take away
7 those rates retroactively. Their irresponsible
8 actions threaten us with a \$33 million write-off.

9 This is my sixth rate case in 16 years
10 and I've honestly never seen anything like it.
11 We've been able to work with the parties in my past
12 five rate cases and this is the first time I've had
13 to stand before you and, and present issues and,
14 unfortunately, we have approximately 30 of them
15 right now.

16 We sincerely believe that the company
17 and the other utilities regulated by this Commission
18 deserve a better and more enlightened regulatory
19 response when they succeed at producing the kind of
20 substantial customer benefits that we have brought
21 to our Missouri customers in these cases. So,
22 because we were unable to reach a full settlement
23 with the parties, we are depending on you in this
24 case to do the right thing and come to a rational
25 and, and correct conclusions.

1 We look forward to addressing all of
2 these issues in greater detail in this proceeding.
3 Thank you, Judge.

4 JUDGE DIPPELL: Thank you.

5 Commissioners, were there questions for
6 Mr. Zucker?

7 CHAIRMAN HALL: Yeah. Good morning.

8 MR. ZUCKER: Good morning.

9 CHAIRMAN HALL: Is this the first time
10 that the company has sought an RSM?

11 MR. ZUCKER: I believe so. I don't
12 remember if we sought one in the last case. We do
13 have a weather -- on the Laclede Gas side of the
14 state we have a weather mitigated rate design, which
15 consists of a fairly high customer charge plus a low
16 first block so that we collect more of our money
17 upfront.

18 MGE at one point up until recently had
19 what's called a straight fixed variable rate design
20 where they collected all of their money in a
21 customer charge.

22 CHAIRMAN HALL: Right. Well, I'm
23 speaking specifically about 386 --

24 MR. ZUCKER: 266.

25 CHAIRMAN HALL: -- .266 sub 3, which

1 authorizes the RSM, and it appears to me that that's
2 been in place since at least 2005; is that correct?

3 MR. ZUCKER: Yes. I believe that's
4 correct, yes.

5 CHAIRMAN HALL: I'm wondering why the
6 company never sought an RSM before if that's, in
7 fact, the case. What is -- what's going on right
8 now that makes the RSM so much more important?

9 MR. ZUCKER: I would say nothing. The
10 RSM would have been as useful in 2005 as it is
11 today. The reason that we haven't, I think, in the
12 past is because we didn't think the Commission was
13 ready to use one of these tools and we also had a
14 weather mitigated rate design. The benefit we see
15 from this is it allows us to be flexible on the rate
16 design and offer the low customer charge.

17 CHAIRMAN HALL: I understand the
18 principles behind it.

19 MR. PENDERGAST: Commissioner, if I
20 could just answer the question, too. Mr. Zucker --

21 JUDGE DIPPELL: Could you use your
22 microphone, Mr. Pendergast.

23 MR. PENDERGAST: Mr. Zucker's absolutely
24 correct. We haven't proposed what is called a
25 revenue stabilization mechanism in the past, but we

1 have proposed weather adjustment mechanisms in the
2 past. In fact, I think we've proposed a variety of
3 them, all in recognition of the statutory authority
4 that exists for it. So, while this specific
5 nomenclature hasn't been used in the past, we have
6 proposed those kind of adjustment mechanisms.

7 CHAIRMAN HALL: Those kind of adjustment
8 mechanisms that would authorize rate adjustments
9 outside of a rate case?

10 MR. PENDERGAST: Yes.

11 CHAIRMAN HALL: Okay. My understanding
12 is that under the stipulation approved by the
13 Commission authorizing the merger there were
14 periodic filings required by the company outlining
15 the synergies to be enjoyed by the companies as a
16 result of the merger. What are those documents
17 called?

18 MR. ZUCKER: I don't recall exactly what
19 they're titled, but they're synergy saving documents
20 and we present them quarterly to Staff and OPC along
21 with I think we're -- we were supposed to file
22 annually or present annually to the parties
23 transition cost reports. We provided them quarterly
24 just so that the parties could see them as they
25 developed over time.

1 CHAIRMAN HALL: And which of your
2 witnesses will be prepared to answer questions about
3 those filings.

4 MR. ZUCKER: I think -- I believe that's
5 Mr. Lobser. Yeah, that sounds good. Yes.

6 CHAIRMAN HALL: Okay. That's all I
7 have. Thank you.

8 JUDGE DIPPELL: Are there any other
9 Commission questions?

10 COMMISSIONER KENNEY: No questions.

11 COMMISSIONER RUPP: Nothing.

12 JUDGE DIPPELL: All right. Thank you,
13 Mr. Zucker.

14 MR. ZUCKER: Thank you.

15 JUDGE DIPPELL: Does Staff have an
16 opening statement?

17 MR. JOHNSON: Yes. Thank you, Judge.

18 May it please the Commission:

19 Good morning. I'm Mark Johnson. I'm
20 here on behalf of Staff counsel representing the
21 Staff of the Public Service Commission. I just want
22 to say first off I realize there are several issues
23 that need to be litigated in this case. So, I will
24 attempt to be as brief as possible. As quick as we
25 can get to the other issues, the better.

1 Well, this case represents MGE and
2 Laclede's, really their first rate case since the
3 acquisition of MGE by Laclede Gas. MGE's last rate
4 case was filed immediately after, but if you go back
5 and you look at the merger case and you read through
6 the testimony, there's words that keep popping up,
7 synergies, cost savings, cost spreading. If you
8 look back, the company claims acquisitions, the
9 acquisition would result in more cost effective
10 utility service for the customers through cost
11 spreading, greater efficiencies through the
12 implementation of a shared corporate support
13 services structure and new technologies. We also
14 see claims that the company would be able to attract
15 capital in more favorable terms and in the short
16 term the acquisition would result in the company's
17 ability to reduce the overall cost of capital that
18 is ultimately supported by customers in rates.

19 Now, you heard Mr. Zucker repeat a lot
20 of those claims and state that a lot of those cost
21 savings have been achieved. Additionally, you heard
22 the claim that acquisitions outside of the state of
23 Missouri have furthered cost savings and furthered
24 benefits to Missouri customers. In fact, in the
25 company's testimony they claim that the MGE

1 acquisition alone has resulted in synergy savings in
2 excess of \$168 million.

3 Now, despite the company's claim that
4 customers have realized these benefits, it is
5 important to note that rates have not changed for
6 these customers since 2013 and 2014 respectively.
7 Few synergies, if any, have been recognized in
8 rates. Any realized savings since then has gone to
9 Spire's bottom line. Now, this is something we
10 typically refer to as regulatory lag and I know all
11 of you are very familiar with that. However,
12 usually it's discussed in a negative light generally
13 by utilities. In this instance Staff believes this
14 is one of those instances where it is very
15 beneficial to the company.

16 Still, with all of the claimed savings,
17 Laclede and MGE are here before you requesting a
18 rate increase. When you don't take into account the
19 ISRS revenues they currently collect in their rates,
20 they're asking for a little more than \$62 million.
21 Now, roughly that will break down, including ISRS,
22 to around 59 million for Laclede and 51 million for
23 MGE, but as part of this case the ISRS rates
24 currently on customers' bills will be reset to zero
25 and that revenue currently being collected will be

1 rolled into the company's base rates.

2 Now, this case is somewhat unique. Not
3 only is it the first MGE and Laclede case since the
4 2013 acquisition, but it is the first case where
5 both of these companies have filed simultaneously.
6 This has resulted in a lot of ground work for staff,
7 not only in auditing two utilities simultaneously,
8 but working to confirm synergy savings and
9 evaluating the need for several proposed alternative
10 regulatory mechanisms. On top of that, there is a
11 overearnings complaint rolled into this case filed
12 by OPC and held in advance to be discussed during
13 this proceeding.

14 Now, you might ask if the company has,
15 in fact, realized all of these claimed savings, why
16 then are they requesting to raise their rates?
17 Well, in Staff's view an increase is unnecessary
18 and, in fact, it's Staff's position that rates
19 should be effectively decreased. Staff's numbers as
20 represented in its updated accounting schedules,
21 which were submitted into evidence earlier this
22 morning, show that Staff's recommended revenue
23 requirements for each division stand at roughly
24 6.4 million for MGE and 11.4 million for Laclede.
25 Now, these numbers were based upon Staff's midpoint

1 of its return on equity recommendation of
2 9.25 percent. Now, because Staff's recommendation,
3 their recommended increase to both of these
4 utilities is less than the current revenue they
5 collect in their ISRS rates, Staff's recommendation
6 would result in a net decrease in revenues for both
7 utilities.

8 Now, the difference in the numbers in
9 this case are pretty large and the largest disputed
10 issues in terms of that are capital structure and
11 return on equity. Collectively, for Laclede they
12 represent a difference of about \$25.2 million. For
13 MGE the difference is about 17.4 million. And when
14 looking only at return on equity, that equates to
15 roughly 11.8 for Laclede and 6.5 million for MGE.
16 Now, that is a result of the 110 basis point
17 difference between Staff's recommendation and the
18 company's. In this instance, the company is
19 requesting a 10.35 percent return on equity. And
20 just for comparison sake, the Commission recently
21 approved a 9.5 percent ROE for Kansas City Power &
22 Light, and Staff sees no reason for MGE and Laclede
23 to get anything better than that. In fact, Staff
24 believes gas utilities are inherently less risky
25 than electric utilities in the state of Missouri.

1 In terms of capital structure, Staff is
2 recommending one based on Spire, Inc.'s consolidated
3 capital structure inclusive of short-term debt.

4 Now, Mr. Zucker referred to gas
5 inventories being included in rate base earlier.
6 Staff has not changed its position on that. Staff
7 views capital structure and gas inventory as sister
8 issues I guess you could say. The company funds gas
9 inventory utilizing short-term debt. So, Staff's
10 opinion is that a requisite amount of short-term
11 debt should be represented within its capital
12 structure.

13 Now, Staff is recommending the holding
14 company consolidated structure because it is the
15 most market-tested structure and that's in that --
16 it's really the only true investable capital
17 structure for equity investors to view. It seems
18 Spire is determined that the low business risk
19 associated with its natural gas distribution assets
20 allow for more leverage at the holding company
21 level. In other words, ratepayers are providing a
22 higher debt capacity for the holding company through
23 a steady low risk cash flow to its investors. And
24 it's Staff's position that the cost savings
25 associated with this increased debt capacity is best

1 shared by adopting the parent company's structure.

2 Now, in addition to capital structure
3 and ROE, another issue driving the difference in our
4 numbers is pensions. Now, this is an issue that
5 touches rate base as well as expense. In regard to
6 the rate base aspect is the issue of the treatment
7 of the FAS 87 pension assets accumulated prior to
8 1994, and the FAS 88 pension assets accumulated
9 prior to 1996. Now, this is an issue that's hung
10 around Laclede for a while. To my knowledge, it's
11 never been litigated. It has simply been kicked
12 down the line and in Staff's opinion it is time for
13 a resolution to be made on this issue.

14 Staff's recommendation would be to not
15 include any of that pension amount in rate base.
16 Now, this is a balance of roughly \$28 million, and
17 while it's a little more difficult to nail down an
18 actual dollar value for this case, my estimate would
19 be around \$5 million.

20 Now, the issue of pension expense as
21 opposed to rate base, based on Staff's latest
22 true-up numbers, equates to a difference between
23 Staff and company of about -- or Staff and Laclede
24 specifically of about \$2 million. The results of
25 Staff's recommendation are based on its position to

1 fund these assets at an 80 percent funding level,
2 which is in line with ERISA standards. The
3 company's proposing to fund these assets at 90
4 percent.

5 Also at issue between the utilities and
6 Staff is the treatment of incentive compensation.
7 Now, Mr. Zucker said that they're just trying to pay
8 their employees fairly. Well, in this case the
9 utility is proposing including earning-based
10 compensation, claiming that employees, if they
11 can -- if employees can increase the company's
12 earnings, customers will also benefit. Staff
13 disagrees with this. In fact, we believe it is
14 improper to align the employees' interests with the
15 shareholders and that's maximizing profits. Staff's
16 position on this issue is consistent with past
17 Commission treatment and asks the Commission to
18 continue that treatment.

19 Staff estimates the value, the total
20 value of the pension issue to be approximately
21 \$6 million for Laclede and \$2 million for MGE.

22 Now, in addition to these revenue
23 issues, and I guess in the spirit of the holiday
24 season, the utilities have included what I'd call a
25 wish list of alternative regulatory mechanisms and

1 these mechanisms in Staff's view are essentially
2 designed to reduce the risk to the company.
3 Included in those are trackers. At direct the
4 company requested multiple trackers, but that really
5 has been whittled down to two. One involving Kansas
6 property tax and one involving future environmental
7 expenses related to manufactured gas sites. Now,
8 there are instances when a tracker is the proper
9 regulatory tool and Staff is in agreement with the
10 company that in the instance of Kansas property
11 taxes it's the right one, but in the instance of the
12 environmental tracker Staff does not support it and,
13 in fact, does not believe the company has proposed
14 any evidence that show these costs are imminent.

15 The next proposal is performance
16 metrics. Now, the company's requesting that a
17 docket should be opened to evaluate and potentially
18 implement a performance metric mechanism that,
19 according to the company, would incentivize the
20 performance of the utility based on a set of three
21 to five metrics. Now, Staff doesn't believe this
22 mechanism was explained thoroughly in this case and,
23 so, we are unsure what one would ultimately look
24 like or if one would actually be necessary; but that
25 being said, Staff is open to a discussion of

1 effective alternative mechanisms and if directed by
2 the Commission, we would happily participate in any
3 type of working group moving forward.

4 The last would be the revenue
5 stabilization mechanism. This company is requesting
6 an RSM be implemented to offset the effects of
7 weather and conservation that would effectively
8 shield the company from impacts of weather and
9 reduced usage.

10 In this case the company has also tied
11 the RSM to other issues like reducing the customer
12 charge and increasing energy efficiency spending.
13 However, Staff's position is that currently an RSM
14 is unnecessary. We believe the company is earning
15 enough. And also Staff believes that the RSM
16 presented by the company is not entirely compliant
17 with the authorizing statutes. Staff views the
18 company's proposal as being based upon average
19 customer bill. The problem with that is that can
20 change based off of a number of factors. The
21 statute specifically referenced, 386.266 sub 3, only
22 authorizes an RSM based off weather and
23 conservation. The company's proposal could be
24 changed by customer growth, customer reductions or
25 any other number of changes.

1 However, if the Commission should
2 determine an RSM is necessary, Staff would recommend
3 that the RSM be limited to weather only and only be
4 applied to the residential class.

5 Finally, turning to rate design. Staff
6 recommends MGE's and Laclede's residential monthly
7 customer charges be set closer to their class cost
8 of service while taking other relevant
9 considerations into account regardless of --
10 regardless of the implementation of an RSM.

11 Staff also recommends that Laclede's
12 weather mitigated residential rate design be
13 modified to consist of a customer charge and a per
14 unit charge for all units of gas sold.

15 Staff also recommends that the general
16 service classes of each rate division be
17 consolidated. For Laclede Staff would recommend
18 that their current commercial and industrial classes
19 be consolidated into a single general service rate
20 rate class, and for MGE that their current SGS and
21 LGS classes be consolidated also into a single
22 general service class.

23 Now, throughout this hearing we will
24 present witnesses on each and every issue I've
25 spoken about and that is listed on the issues list

1 and they will be available for any questions you may
2 have.

3 And in closing I would just say it's
4 Staff's opinion that the company is asking for more
5 than they need. We believe the role of the
6 Commission is essentially to determine what is in
7 the public interest, to ensure that utilities have
8 what they need to provide customers with safe and
9 adequate service and charge just and reasonable
10 rates while all at the same time providing an
11 opportunity for the utility to earn a reasonable
12 return on its investment.

13 Staff's job is to provide
14 recommendations for the Commission and it's our
15 opinion that our recommendations in this case do
16 just that, promote the public interest.

17 Thank you very much. Thank you for your
18 time, and I will answer any questions that I may be
19 able.

20 JUDGE DIPPELL: Commissioners, any
21 questions?

22 COMMISSIONER RUPP: Good morning.

23 MR. JOHNSON: Good morning.

24 COMMISSIONER RUPP: I wanted to just
25 clarify a couple of themes I picked up on in your

1 opening before you got into, like, specific issues.
2 So, you kind of stated that the fact that the rates
3 haven't gone down after they realized all the
4 synergies from the mergers is evidence that money
5 was going to the shareholders instead of the
6 ratepayers; is that a -- am I summarizing your theme
7 correctly?

8 MR. JOHNSON: Yeah. I think in Staff's
9 view the company has realized savings and currently
10 this case shows that rates should be adjusted in a
11 downward manner.

12 COMMISSIONER RUPP: So, you believe that
13 the company should have come in and, and offered a
14 rate decrease after receiving those synergies?

15 MR. JOHNSON: Well, I don't necessarily
16 think we would say -- we put it at they should have.
17 We recognize they come in regularly and I think the
18 intent of these acquisitions is to increase profit.
19 Otherwise, I don't believe they would be doing it.
20 In a perfect world, yeah, they would have come in
21 and had their rates readjusted, but...

22 COMMISSIONER RUPP: Okay. And you also
23 touched on how much work this is for Staff to do
24 both these companies in one rate case. So, you
25 believe they should have come in separately at

1 different times?

2 MR. JOHNSON: No, not necessarily.
3 There are benefits to doing it at the same time. I
4 think if you ask the company, it was a lot of work
5 for them as well. And in combination with the
6 change in ownership, I know it's been several years,
7 but this is really the first fully litigated rate
8 case with the new ownership and the changeover with
9 MGE. There was a lot of -- I guess Staff was
10 getting used to the way the company is run now. So,
11 we had lots of questions.

12 COMMISSIONER RUPP: And then when you
13 touched on the pension issue, you stated that you
14 don't believe that the company should align the
15 company's interests with the employees' interests.
16 Can you expand on why that is a bad thing in Staff's
17 view?

18 MR. JOHNSON: Well, in terms of
19 incentive comp, Staff's general view -- and Matt
20 Young, Staff witness Matt Young will probably be
21 able to answer your questions much better. I
22 believe he will testify on December 14th on this
23 issue. But in terms of earning-based incentive
24 comp, if you were rewarding your employees for
25 simply increasing the profits of the company for

1 whatever reason, that doesn't necessarily line up
2 with the interests of the rate -- of the ratepayers.

3 COMMISSIONER RUPP: Even if those
4 incentives were through efficiencies and safety and
5 other things that...?

6 MR. JOHNSON: Well, I think those would
7 be a different type of incentive compensation. It
8 wouldn't be solely based off of earnings. It would
9 be other -- I mean, I think safety, increasing
10 safety is a legitimate reason and others could be as
11 well, but those aren't explicitly tied to the bottom
12 line of the company.

13 COMMISSIONER RUPP: All right. Thank
14 you.

15 JUDGE DIPPELL: Any other commissioner
16 questions?

17 COMMISSIONER KENNEY: No. Thank you.

18 JUDGE DIPPELL: All right. Thank you.

19 MR. JOHNSON: Thank you very much.

20 JUDGE DIPPELL: Public Counsel.

21 MS. SHEMWELL: Thank you.

22 Let me just note for a moment before
23 starting, with the Commission's permission, I use
24 trailing edge technology myself these days. So,
25 Mr. Smith is going to handle that for me. And if I

1 need any defense in using that term, I got it from
2 John Hanauer and when I came to the Commission,
3 Laclede was still using manual typewriters. So,
4 they have come a distance from that.

5 So, good morning. May it please the
6 Commission:

7 I'm Lera Shemwell. I represent the
8 Public Counsel. Hampton Williams and we represent
9 the public in these cases.

10 This case has been a long time coming in
11 many respects. Spire has made several acquisitions
12 since its last rate case and it did not come before
13 the Commission for Commission approval of those
14 acquisitions. Staff did an investigation in
15 GM-2016-0342 in which it concluded that Spire had
16 not complied with the promises it made to this
17 Commission and the conditions it willingly accepted
18 in Case No. GM-2001-0342. The company ignored its
19 commitments in 2014 and in every acquisition since
20 and has not come to the Commission for its approval
21 of its acquisitions.

22 It's Public Counsel's position that
23 whenever companies and parties sign a stipulation
24 and agreement they should feel bound by those
25 agreements.

1 Further in its investigation, Staff
2 found that the acquisition of Energy South provided
3 no benefits to Missouri customers and, in fact,
4 created potential detriments. At a public hearing
5 in St. Charles, I believe, Commissioner Coleman,
6 that was when you attended, Mr. Pendergast touted
7 reduction in cost to Missouri ratepayers because
8 costs would be spread over all of these new
9 customers. Customers expressed skepticism and
10 rightfully so. In this case Laclede has opposed
11 allocating costs to Alagasco and Energy South.

12 Now turning to the issue of Spire's
13 earnings. Public Counsel did file an overearnings
14 complaint that has been consolidated with these rate
15 cases. In that case Public Counsel was opposed by
16 both the Commission and Staff. However, the results
17 of this case show that OPC was correct in filing
18 that complaint. Spire is overearning and the Staff
19 and OPC audits in this case demonstrate that Spire
20 is doing very well as a company. Laclede claims it
21 cannot achieve its earnings, but let's look at its
22 stock price.

23 MR. SMITH: And I'm trying to find the
24 mouse for that. So, if we could take a moment to
25 find that.

1 JUDGE DIPPELL: Okay. Let's go off the
2 record just a second.

3 (Pause in proceedings.)

4 MS. SHEMWELL: This is from yesterday
5 from Google and it shows that, in fact, over the
6 past five years Laclede's stock -- I'm sorry.

7 JUDGE DIPPELL: I'm sorry. You went
8 back on. Thank you.

9 MS. SHEMWELL: -- has doubled and the
10 increases have been particularly significant in the
11 last year. Shareholders are benefiting. Despite
12 this, the company is asking for \$60 million increase
13 above the amount of ISRS already in this case. The
14 reconciliation, Staff and OPC's reconciliation that
15 I believe was filed -- was it filed this morning,
16 Mark?

17 MR. JOHNSON: We have yet to file.

18 MS. SHEMWELL: Okay. -- is consistent
19 with the fact that the company is overearning. It
20 will either be filed soon, that reconciliation, or
21 come in as an Exhibit.

22 OPC's interest in this case is to ensure
23 Laclede and MGE's customers pay just and reasonable
24 rates as required by statute. Rates above what is
25 just and reasonable harm Missouri's economic

1 development. Every extra dollar customers must pay
2 above the most just and reasonable rate affects
3 every customers' ability to spend their money on
4 their families or in their communities, or in the
5 case of small and large businesses increasing rates
6 affect their ability to spend money on growth or
7 employees or advertising for examples.

8 OPC's prominent concerns in this case
9 mirror what Staff has already said and I am going to
10 include in that the cost allocation manual issues,
11 pension funding, customer service and
12 nondiscriminatory rates. An example of
13 discriminatory rates we believe is that all
14 customers would be paying credit card fees when only
15 about 30 percent of customers actually use credit
16 cards and that there are 10 percent of Laclede's
17 customers who are either unbanked or underbanked.
18 So, they don't have access to credit cards.

19 In terms of the cost allocation manual,
20 OPC's position is that the cost allocation manual is
21 outdated and must be audited by an outside third
22 party. Spire has acquired affiliates, has
23 unregulated affiliates and has a services company.

24 I'm going to use Ameren as an example.
25 Staff and OPC are working with them now and have

1 been for a long time and that's going to continue to
2 resolve both a bit of CAM and eventually a general
3 services agreement. While we have been working
4 cooperatively, it probably will still be several
5 months before that is filed. However, KCPL agreed
6 to similar conditions as OPC's proposal in this case
7 and now has a Commission-approved cost allocation
8 manual. Empire and Liberty have agreed to work
9 towards an approved CAM, and Soma has a CAM case in
10 progress. And Mr. Hyneman is able to discuss this
11 with you.

12 In terms of pensions Public Counsel has
13 hired an actuary, Mr. David Pitts. He has presented
14 at NARUC. I don't know if any of you have seen him.
15 I understand some of you may have served on pension
16 committees in the legislature. So, you may have
17 some familiarity with pensions.

18 Mr. Pitts will explain his position that
19 Laclede's prepaid pension plan should be financed
20 with long-term debt instead of debt and equity, and
21 he will discuss his recommendations on OPEB funding.

22 In terms of ROE, OPC notes that the
23 average ROE for gas companies in the last year has
24 been 9.5 percent and we suggest that Laclede, as
25 looking at its stock price, is less risky than many

1 other gas companies.

2 And a final point that has -- in the
3 landscape that has changed since this rate case was
4 filed, none of the testimony in this case
5 contemplates a reduction in corporate taxes from
6 35 percent to a projected 20 percent. That
7 reduction will affect every revenue requirement item
8 in this case.

9 Some of your Staff may have been around
10 in 1986 and might know what the Commission did then.
11 I do have a statement from the Commission about what
12 they did then if the Commission is interested. No?

13 JUDGE DIPPELL: Go ahead, Ms. Shemwell.

14 MS. SHEMWELL: Thank you. This is from
15 the Commission's 1987 annual report, and in '86, as
16 you may be well aware, there was a tax, an
17 unprecedented rate reduction due to tax reform.
18 This is out of the Commission's 1987 annual report,
19 and it said -- it opened with in 1986 President
20 Reagan signed into law the most significant overhaul
21 of our income tax system in many years. Within two
22 weeks of the signing of that bill the Commission
23 began an investigation to determine the impact of
24 the new income tax structure upon the public
25 utilities in Missouri and as a result of the

1 investigation the Commission determined that the
2 largest utility companies in Missouri would save
3 approximately 176 million, and this is in 1986
4 dollars, annually, annually over the next -- because
5 of the new income tax system. And to ensure that
6 the income savings were passed along to ratepayers,
7 the Commission directed its Staff to begin informal
8 discussions with the public utilities in an effort
9 to reach agreements regarding possible rate
10 reductions.

11 As a result of those discussions
12 regarding possible reductions, by the end of the
13 fiscal year the Commission had approved rate
14 reductions or modifications to scheduled rate
15 increases under the electric phase-in plans totaling
16 \$135 million.

17 And finally, throughout this testimony
18 the company describes itself as customer centric.
19 To test the reasonableness of that description, I
20 urge the Commission to review the Staff's report on
21 Spire's customer service that is attached to both
22 the testimonies of Dr. Geoff Marke and Mr. Charles
23 Hyneman.

24 As you contemplate the issues in this
25 case, remember this is a monopoly, a state-sponsored

1 monopoly, that is allowed to provide natural gas
2 service to captive customers and, please, review
3 Staff's report with that in mind. Thank you.

4 JUDGE DIPPELL: Are there Commission
5 questions?

6 COMMISSIONER KENNEY: I have one.
7 Good morning.

8 MS. SHEMWELL: Good morning.

9 COMMISSIONER KENNEY: I just have a
10 question. I can't really see your chart.

11 MS. SHEMWELL: We will print it out and
12 get it to you.

13 COMMISSIONER KENNEY: I just want to ask
14 you a couple questions.

15 So, that's -- what is the beginning
16 line? What was the date on the far left?

17 MS. SHEMWELL: Five years ago.

18 COMMISSIONER KENNEY: Five years ago.
19 And what was the amount of that stock?

20 MS. SHEMWELL: This is a five year.
21 40, I believe.

22 COMMISSIONER KENNEY: And what is it
23 today?

24 MS. SHEMWELL: 80.25.

25 COMMISSIONER KENNEY: And what has the

1 stock market done in those five years?

2 MS. SHEMWELL: Very well.

3 COMMISSIONER KENNEY: So, is that
4 just -- I mean, it's been over a third in just 12
5 months?

6 MS. SHEMWELL: But not all stocks have
7 done as well as the overall stock market.

8 COMMISSIONER KENNEY: I know, but if you
9 look at the overall stock market, it's up over 50
10 percent since 2012.

11 MS. SHEMWELL: Certainly I'm not going
12 to argue with you about that.

13 COMMISSIONER KENNEY: So, this would be
14 maybe staying in range? I'm just curious because we
15 put up charts and say the company's done well, but
16 it's just, I mean, the whole market's done amazing
17 since, you know, since the recovery. Would you
18 agree?

19 MS. SHEMWELL: I think my point is that
20 Laclede's shareholders have done very well.

21 COMMISSIONER KENNEY: Is that a bad
22 thing?

23 MS. SHEMWELL: It is not.

24 COMMISSIONER KENNEY: Okay. Thank you.

25 JUDGE DIPPELL: Commissioner Rupp.

1 COMMISSIONER RUPP: Yeah. Following up
2 on Commissioner Kenney's. You stated that the
3 average ROE for these types of companies is 9.5, but
4 then you said but Laclede is less risky based off of
5 their stock price. Can you explain that?

6 MS. SHEMWELL: Well, I think Laclede --
7 I'm suggesting that their shareholders see it as
8 less risky because they are continuing to invest in
9 the company.

10 COMMISSIONER RUPP: And then you also
11 made some themes in your opening that I would like
12 clarification on. You said the basic rate structure
13 that the company has had is harming Missouri's
14 economic development. Can you expand on that?

15 MS. SHEMWELL: My suggestion in general
16 is that low utility rates benefit economic
17 development. That is my overall theme.

18 COMMISSIONER RUPP: So, do you believe
19 that the company is harming Missouri's economic
20 development?

21 MS. SHEMWELL: I'm not saying that they
22 are.

23 COMMISSIONER RUPP: Very good.

24 MS. SHEMWELL: I'm saying that low
25 utility rates in general help the economy.

1 COMMISSIONER RUPP: And then can you
2 explain to me how the company is being
3 discriminatory in their rate structure? I didn't
4 follow your credit card analogy.

5 MS. SHEMWELL: I'm sorry. I'm
6 suggesting that they should not have rates that are
7 discriminatory in their overall rates. Not their
8 general rate structure, but items like credit cards,
9 inclusion of those in rates is discriminatory
10 because only 30 percent of Laclede's customers use
11 credit cards and all customers are paying for that
12 30 percent to use credit cards, but don't benefit
13 from that. There are other things that where we
14 feel that all customers should not pay for one
15 benefit. For example, the company doesn't pay for
16 your stamp when you mail in. They don't pay for the
17 fee you pay at their pay stations. Customers who
18 are using that service actually pay for that and
19 should.

20 COMMISSIONER RUPP: Thank you.

21 MS. SHEMWELL: You're welcome.

22 JUDGE DIPPELL: Any other Commission
23 questions?

24 COMMISSIONER STOLL: No questions.

25 MS. SHEMWELL: Thank you.

1 COMMISSIONER KENNEY: Thank you.

2 JUDGE DIPPELL: Division of Energy.

3 MR. BEAR: Thank you. Brian Bear on
4 behalf of the Division of Energy.

5 I will be brief with this opening and
6 reserve a lot of my comments for the individual
7 issues since the Division of Energy decided not to
8 weigh in on every single issue that's before the
9 Commission, but I do think it's important to look at
10 what this case presents to the Commission. This
11 will be the first public facing opportunity for the
12 Commission to pass on a rate case with Spire as a
13 unified company. And for ratepayers across the
14 state there's going to be a big question of what
15 that merger ultimately meant for them. It's
16 apparent that if you take some of the positions of
17 the parties on some of these issues in a piecemeal
18 fashion, you could have a disastrous outcome for
19 those ratepayers. That being a situation where
20 there's increased revenue for the company, where
21 there is less or in some cases no assistance to low
22 income families and high energy burdened households,
23 which is a proposal that's out there, and also one
24 where there's ultimately less innovation, where we
25 don't pursue pilot projects like combined heat and

1 power in an effort to try ensure resiliency within
2 the state for natural disasters. If that's the
3 outcome that occurs from this rate case, I think
4 that the average consumer in the state of Missouri
5 will find that in the merger of these two large gas
6 utilities, creating the largest gas utility in the
7 state, that there's no room for them and the public
8 interest.

9 Thankfully this is just a collection of
10 the issues of the parties being pieced together. No
11 one is actually proposing that outcome, but that is
12 a path the Commission could, unfortunately, go down.

13 I do think that as we start to look at
14 these issues, there are some important public policy
15 concerns that the Commission is going to have to
16 grapple with. One of those is dealing with low
17 income assistance. Some parties have suggested that
18 historically-low gas prices means that the need for
19 these types of assisted measures are no longer
20 relevant in the current marketplace. The Division
21 of Energy urges that any public policy based on the
22 current market price of a volatile commodity is
23 simply not good public policy and that I believe
24 you're going to hear some testimony from the folks
25 at Division of Energy to explain how despite the

1 fact that we have low gas prices, energy burdened
2 and households of modest means throughout the state
3 is very high and we need to be mindful of the fact
4 that as we move forward with this merger that there
5 is a place, there is room within the new Spire for
6 such energy assistance programs. And to be fair,
7 the company does not oppose these.

8 Beyond the measures that we use to reach
9 out to low-income consumers within the state, it's
10 important to note that some of the issues that the
11 Division of Energy has with rate design are tied to
12 the continuation of these very important programs.
13 The Division of Energy doesn't support, but doesn't
14 oppose the idea of an RSM in this case so long as we
15 have innovation and outreach to low-income
16 consumers. RSMs in a very general sense are
17 designed to shave off levels of volatility for the
18 company and provide some type of stabilization, just
19 what it says on the tin.

20 It's important to realize when we
21 evaluate high energy burdened households that the
22 same is a lot true. It's those high volatility
23 bills, the ones that are outliers in the winter that
24 often can be disasters for those high energy
25 burdened households.

1 There had been some proposals that
2 perhaps a way to assist low-income energy households
3 is to remove a fixed customer charge. In other
4 words, give a little bit of assistance each month.
5 I don't believe that that's going to meet that
6 requirement because it's not the \$20 a month or the
7 \$40 a month gas bill in the summer that is a
8 disaster for these high energy burdened consumers.
9 It's when there's a cold snap and they have an
10 unexpected bill that is outside the normal range. I
11 believe that you're going to hear testimony to that
12 effect from the Division of Energy and other
13 interested parties. And when we evaluate what is an
14 effective program to deal with this sort of
15 situation, it should deal with those winter bills
16 rather than just the average bill assistance per
17 month.

18 I do think as well one of the important
19 parts as we look at economic development, and I
20 believe that this issue is probably going to be
21 resolved, but I do want to talk about the importance
22 of EDRs going forward because in my other parts of
23 my practice for the State I wear the general counsel
24 hat for the Department of Economic Development. And
25 without going into specifics, I do believe EDRs in

1 these types of cases are going to be increasingly
2 important as we start to market the state to
3 businesses that are looking to relocate. You know,
4 we're hopeful in the direction that we're going with
5 EDRs currently. We know that there are some special
6 cases that are going to come from the Division --
7 come before the Commission in the near future, but
8 DED as a whole and the Division of Energy are highly
9 supportive of these going forward. They're
10 absolutely critical to being able to attract
11 business on a long-term fashion.

12 One thing that was proposed within this
13 specific case is the idea of tying this to jobs and
14 I do think investment in jobs are the metrics to use
15 in the evaluation of these types of proposals.
16 Within the Department of Economic Development, when
17 we look at incentives, you know, our main focus is
18 looking at good-paying, quality jobs for folks
19 moving forward.

20 Beyond these issues, I'd like to just
21 briefly talk about CHP because I do think it does
22 present some public policy factors. There have been
23 some arguments that perhaps there are issues with
24 the promotional practices rule. We'll, you know,
25 deal with those on a more granular level when we get

1 to that issue, but I do want to say that the
2 promotional practices rule taken to its extreme and
3 read in a very restrictive way, which hasn't been
4 read before, could prohibit pretty much any type of
5 activity that would help the utility and use
6 innovation to move forward innovative ideas like CHP
7 and others if taken to its extreme. And the
8 Division of Energy would urge the Commission not to
9 go down that path. It is your rule and you can
10 interpret it as you see fit. And I believe when we
11 come to that issue, there are reasonable ways to
12 read the rule to where it doesn't run afoul of CHP.

13 With CHP, I'll just also follow up that
14 when we had the Ameren case earlier in this year,
15 the Commission approved a tariff where we had
16 standby rates to increase transparency to set the
17 table for CHP innovation, and it would be
18 unfortunate if in this case we decide not to take
19 that next step and actually start doing pilot
20 programs in the state and exploring this as a way to
21 put resiliency within the -- within the State's
22 natural disaster preparedness.

23 So, with that being said, you know, we
24 look forward to discussing these issues going
25 forward, and I'm open to answering any questions the

1 commissioners might have.

2 JUDGE DIPPELL: Commissioner Hall.

3 CHAIRMAN HALL: Good morning.

4 MR. BEAR: Good morning.

5 CHAIRMAN HALL: What is the most
6 important issue for us from the Division's
7 perspective?

8 MR. BEAR: Well, they're all important.
9 It's hard to say which child you love the most, but
10 I do think when it comes on balance it really is the
11 low-income assistance. At the end of the day, you
12 know, I think what has the greatest amount of harm
13 is what could happen to high energy burdened
14 households from the actual raw human suffering
15 component. You know, one of the things that we are
16 not privy to as human beings is what can happen in
17 the future, a cold snap, an ice storm, some
18 disruption to the supply chain. Having to come to
19 the low-income folks in this state and say there was
20 a merger of these gas companies and, although, there
21 were great cost savings to the company and there
22 were great revenues to the company, sorry, there
23 wasn't enough to help you out on your gas bill, that
24 would be an untenable situation, and I think it
25 would have horrible optics for the Commission in

1 addition to being bad public policy.

2 CHAIRMAN HALL: Thank you.

3 Second question is: Could you give me a
4 little more explanation for the Division's
5 neutrality on the RSM provision?

6 MR. BEAR: You know, it's the
7 non-opposition that we've taken in this case -- an
8 RSM is certainly a new step for the company and
9 oftentimes while it's very beneficial to the
10 company, there has to be some type of trade-off with
11 ratepayers and with the public getting something out
12 of it as well. The Division was unable to make that
13 leap to full support of an RSM, but felt that if
14 these types of programs are continued, because they
15 are so critical, that we would get out of the way if
16 the Commission believes that that RSM is in the best
17 interest of the company.

18 CHAIRMAN HALL: Thank you.

19 JUDGE DIPPELL: Commissioner Stoll.

20 COMMISSIONER STOLL: Yeah, just one
21 Commission.

22 For a few seconds it was like EDR, what
23 is EDR? Well, it's economic development rate.
24 Right? It finally came to me.

25 MR. BEAR: Yeah. Sorry about that.

1 COMMISSIONER STOLL: That's okay. And
2 isn't the -- isn't it the economic development rate
3 that no business has taken advantage of or tell me
4 about that briefly.

5 MR. BEAR: I'm not sure of the prior
6 usage within this. I do know that because of the
7 publicity that happened with the last session with
8 the special legislation there is discussions and I
9 can't go into specifics, but there is an interest
10 generally in that sort of -- utility rates are --
11 you know, I think OPC said it best. Those are
12 incredibly important as we start to talk with site
13 selectors throughout the state. This just gives us
14 another tool in the toolbox.

15 COMMISSIONER STOLL: And that was your
16 point about EDRs, correct?

17 MR. BEAR: Correct.

18 COMMISSIONER STOLL: Thank you.

19 MR. BEAR: Thank you.

20 JUDGE DIPPELL: Commissioner Kenney.

21 COMMISSIONER KENNEY: Thank you.

22 Good morning.

23 MR. BEAR: Good morning.

24 COMMISSIONER KENNEY: Just a question or
25 two. You mentioned the company does not object to

1 the low income. Don't they actually offer low
2 income programs and actually offer an increase in
3 the red tag program, things like that?

4 MR. BEAR: That's absolutely true and we
5 support that. And I want to be fair to the company.
6 This is not coming from the company to discontinue
7 these programs. The company does want to continue
8 these. There are just certain parties that would
9 like to make the leap to shutting them off and we
10 question some of the premises of those.

11 COMMISSIONER KENNEY: What would -- and
12 dealing with the winter rates, because I know -- I
13 mean, I've been involved with Christmas in October
14 and Kansas City for weatherization and get a bunch
15 of that done. When we go to the public hearings,
16 there's an awful lot of low-income assistance groups
17 that really push for this and trying to get the word
18 out. What is DOE's suggestion for a fix to the
19 problem in the winter that you mentioned?

20 MR. BEAR: I think that there have been
21 some positions that we put forward in having a
22 collaborative to try and increase the utilization of
23 the programs. To be sure, these are not programs
24 that are having zero balances. I mean, there is
25 usage. I do think when we start to get into highly

1 confidential information, there is some head room
2 for growth and there is some head room for
3 additional outreach. The Division of Energy would
4 love to work with the company and other stakeholders
5 to try and have full utilization of the programs and
6 we think we can get there by working together in a
7 collaborative fashion.

8 COMMISSIONER KENNEY: All right. Thank
9 you.

10 MR. BEAR: Thank you.

11 COMMISSIONER RUPP: One more. Come on
12 back.

13 JUDGE DIPPELL: Oh, excuse me.

14 MR. BEAR: I didn't realize I had the
15 hot seat today.

16 COMMISSIONER RUPP: I lost my question.

17 Oh, yeah. Following up on Commissioner
18 Stoll's question and your conversations about EDR.
19 Where is the Division of Energy on the consolidation
20 of rate classes of, like, large industrial and
21 commercial? Does that make it more difficult for
22 you to promote certain businesses if there's not a
23 specialized class for them.

24 MR. BEAR: I believe -- and I'm going to
25 glance backwards at my folks. I don't believe we

1 took a position on that issue. We certainly, if the
2 Commission wants the Division to take a look at
3 that, you know, after we've heard the evidence. I
4 think we reserve the right to make a statement, but
5 we're more than happy to weigh in on that. We just
6 limited folks in the Division of Energy, one
7 attorney. I couldn't hit it all.

8 COMMISSIONER RUPP: You're good to go.
9 Thank you, sir.

10 MR. BEAR: Thank you, sir.

11 JUDGE DIPPELL: Thank you.

12 MIEC.

13 MR. MILLS: Good morning. May it please
14 the Commission:

15 Lewis Mills on behalf of the Missouri
16 Industrial Energy Consumers.

17 Mindful of the Judge's directive, I'll
18 be very brief in this general opening and basically
19 just outline the case that we will be presenting,
20 and I will be doing mini openings on each of these
21 issues that I'm going to briefly talk about today.

22 So, the issues that we will be
23 presenting witnesses on, there are five of them.
24 Later on today on performance metrics you will hear
25 from Greg Meyer. Mr. Meyer will testify that there

1 is nothing concrete to consider in this case and
2 that attempting to implement performance metrics
3 outside of the context of a general rate case would
4 be problematic. I'll give some more detail on that
5 in the mini opening later this afternoon.

6 Second you're going to hear from Mike
7 Gorman who is a jointly-sponsored witness by MIEC
8 and OPC on return of equity and capital structure
9 next Monday. Those are, of course, critically
10 important issues in this case. There are a lot of
11 dollars at stake there. However, return on equity
12 is a fairly straight forward issue. It's nothing
13 that you haven't heard before. Not to diminish its
14 importance, but the really, I think, more
15 interesting nuances come in the issues having to do
16 with the capital structure and I look forward to
17 talking more about that next Monday when that issue
18 comes up.

19 Third, if there isn't an agreement on
20 this issue, Greg Meyer will also address the issue
21 of trackers. And it should come as no surprise to
22 any of the commissioners that the MIEC is generally
23 not in favor of trackers.

24 Fourth, the revenue stabilization
25 mechanism, the RSM, will be heard on the 14th.

1 Again, you will hear from Mr. Meyer on that issue
2 and he will explain the basis of the MIEC's
3 disagreement with the implementation of an RSM.

4 And then, finally, next Friday you will
5 hear from Brian Collins on rate design and class
6 cost of service for both of the companies.

7 And before I -- before I close, I want
8 to echo the point that Ms. Shemwell made, which is
9 the sort of overhanging question of tax reform and
10 the impact that it may have on this particular case.
11 As she pointed out, it certainly -- it's an issue
12 that's going to effect all of the utilities. It
13 will -- if it passes as, as it is currently
14 structured, it will greatly reduce the revenue needs
15 of the companies because it will greatly reduce
16 their expenses and it will be something the
17 Commission will have to deal with on a general
18 basis, but there may be opportunities, simply
19 because of the timing of this rate case and the
20 possible passage of that legislation, for the
21 Commission to address it in a different fashion, a
22 more direct fashion in this case. I don't know the
23 answer to that. I hadn't really even begun thinking
24 about this until the last week or so, but it's
25 something that we may want to keep in mind as we go

1 forward in this case. Thank you.

2 JUDGE DIPPELL: Chairman Hall, you had a
3 question.

4 CHAIRMAN HALL: I'm a little confused
5 about the discussion of federal tax reform. Are you
6 suggesting that if Congress passes and the President
7 signs tax reform during the pendency of this case,
8 that we should do something concerning the revenue
9 requirement in this case?

10 MR. MILLS: No, I'm not suggesting that.

11 CHAIRMAN HALL: Then why are we talking
12 about it?

13 MR. MILLS: Because I think that's
14 something that we need to think about.

15 CHAIRMAN HALL: I don't think so at all.

16 MR. MILLS: Okay.

17 CHAIRMAN HALL: All right. Thank you.

18 JUDGE DIPPELL: Are there other
19 commissioner questions?

20 All right. Thank you, Mr. Mills.
21 Midwest Energy Consumers.

22 MR. WOODSMALL: And I'm not going to
23 talk about that now. Yeah, I learned.

24 And I didn't put it on a thumb drive.
25 So, I can't put it up on the screen.

1 Good morning. David Woodsmall appearing
2 on behalf of the Midwest Energy Consumers group.
3 I'm here this morning to provide you an overview of
4 the case as well as some background as to how we
5 finally reached this point.

6 On slide two, the first thing that I
7 want to give you is a clear understanding of the
8 financial posture of this case. Yesterday Staff
9 circulated and it handed out this morning its latest
10 EMS runs showing its quantification of the necessary
11 rate increase. As you can see, at its midpoint
12 return on equity of 9.25 percent, Staff recommends
13 that the Commission authorize a base rate increase
14 of 11.38 percent for Laclede and 6.40 percent for
15 MGE. Therefore, the total overall increase, base
16 rate increase that Staff is recommending is
17 17.78 percent. Now, the important part of this is
18 that Staff is also saying that in addition to this
19 17.78 million base rate increase, that ISRS revenues
20 be reduced to zero. Now, you see the importance of
21 this on the next page.

22 Slide three. What does this all mean?
23 As you can see, Laclede's current ISRS revenues are
24 32.6 million, and MGE's current ISRS revenues are
25 16.4 million. Therefore, total ISRS revenues are

1 \$49 million. Staff is saying we zero these out.
2 So, what we're doing is taking away \$49 million of
3 ISRS revenues and Staff is saying give them back
4 just shy of \$18 million of base rate revenues.

5 So, what does this mean? Make no
6 mistake. This is an overearnings case. Mr. Zucker
7 says that in his 16 years he's never seen a case
8 like this one. Well, that's easily explainable. In
9 16 years the company's never faced an overearnings
10 position. When you get into overearnings cases,
11 utilities scratch and claw for every single dollar.

12 Slide four. Now, the company's
13 overearnings should not be surprising. A year and a
14 half ago, Public Counsel told you that Laclede and
15 MGE were overearning. On April 26th, 2016, Public
16 Counsel filed a complaint alleging Laclede/MGE
17 overearnings. Here is a quote from that complaint.
18 In it Public Counsel states that Laclede/MGE is
19 earning, quote, Significantly higher than
20 commensurate returns by enterprises having
21 corresponding risk, unquote, and that current
22 ordered rates are no longer just and reasonable.

23 Now, there is a well-established
24 playbook for how utilities handle an overearning
25 situation. We've seen this same game plan utilized

1 repeatedly over the last 25 years. The first step
2 that the utilities always take is deny, deny, deny.
3 And you see that in some quotes from Laclede's
4 answer and motion to dismiss in that complaint case.
5 First Laclede claims that, quote, The Commission
6 should dismiss OPC's complaint as wholly devoid of
7 any facts necessary to support its allegation that
8 respondents are overearning. Then Laclede claims
9 that OPC made, quote, egregious mistakes in reaching
10 its conclusion.

11 Slide six. So, what happened to this
12 case? Why have customers had to wait almost two
13 years in order to get the rates reduced to a just
14 and reasonable level. The real nail in the coffin
15 was that when Staff filed its response and indicated
16 that it simply did not have the resources to
17 undertake an audit of Laclede and MGE. Now, I'm not
18 blaming Staff. Let's be real clear about that. As
19 you will recall, both Ameren -- or all three,
20 Ameren, KCP&L and GMO had rate cases pending last
21 year. There were just not enough resources on Staff
22 or Public Counsel to go around. There was only so
23 much Staff can do. But if Staff can't muster the
24 resources necessary to audit these companies, how
25 can OPC be expected with much smaller Staff?

1 Ultimately, OPC reached the undeniable
2 conclusion that given its, quote, limited resources,
3 unquote, it was not able to follow through on the
4 complaint. OPC had to simply stay its complaint and
5 have that consolidated with this current case.

6 Now, it's important to note that Laclede
7 and MGE did not voluntarily file this case that
8 we're in today. The ISRS statutes provide that in
9 order to keep its ISRS, utilities have to file
10 approximately every four years. So, in order to
11 maintain its ISRS, Laclede had to file this case.
12 Laclede didn't want you looking at its overearnings.
13 It just simply had no choice. It had to file this
14 case.

15 Bottom line, and I applaud the Public
16 Counsel for this, they were right. They detected
17 that Laclede and MGE were overearning. They just
18 simply couldn't muster the resources to put the case
19 together. Unfortunately for customers, they've had
20 to wait almost two years for this. What this means
21 is that Laclede and MGE have kept these earnings for
22 two years. As Mr. Johnson notes, this is one of the
23 points of regulatory lag. If the company is able to
24 take steps to increase its earnings, it gets to
25 pocket that money.

1 Now, Laclede in their opening statement
2 would have you believe that all its actions have
3 been for the benefit of customers, that shareholders
4 really haven't benefited. This isn't true.

5 Shareholders have benefited immensely. Shareholders
6 have kept all the increase in profits associated
7 with cost savings that the company has undertaken.

8 Now, Ms. Shemwell put up a slide earlier
9 and to answer Commissioner Kenney's question we'll
10 develop this later. The company's stock price in
11 the last five years has gone up 101 percent. Over
12 that same time the Dow Jones industrial average has
13 gone up 77 percent. So, company shareholders have
14 done well. They've beaten the market.

15 The second step that a utility always
16 takes when they face an overearnings situation is to
17 manipulate the capital structure, and you see this
18 talked about on slide eight, I believe. Here you
19 see Laclede and MGE have proposed a capital
20 structure consisting of 54 percent common equity.
21 The company reaches this 54 percent common equity
22 capital structure by including goodwill, over
23 \$210 million of goodwill in its capital structure
24 and calling it common equity. Mr. Gorman addresses
25 this substantially in his rebuttal testimony, and

1 you see on slide nine Mr. Gorman and Staff's
2 proposed capital structure. Mr. Gorman proposes a
3 capital structure consisting of 47 percent common
4 equity and Staff proposes a capital structure which
5 includes just shy of 46 percent of common equity.

6 Both of these, Staff and Mr. Gorman's
7 capital structure, is more in line with the
8 highly-leveraged capital structure utilized by Spire
9 on a consolidated basis.

10 And on slide nine you can see the
11 comparable capital -- the capital structure for
12 comparable companies. Now, as part of any return on
13 equity analysis the analyst goes and looks at
14 comparable companies, companies that face similar
15 ratings, that have similar financial risks,
16 operating risks, and in this case the analysts all
17 agreed on comparable companies and you see the six
18 companies listed here and you see the capital
19 structure utilized by these comparable companies.
20 The average is 49 percent, well below the
21 equity-rich capital structure proposed by Laclede
22 and MGE.

23 The third step in the playbook for
24 overcoming an overearning situation is to inflate
25 the return on equity. You see Laclede's proposed

1 return on equity in this case is 10.35 percent. As
2 Mr. Johnson noted, this is significantly above the
3 return on equities that the Commission has
4 authorized for what is generally considered to be
5 riskier electric utilities. In contrast, Mr. Gorman
6 recommends an ROE at its midpoint of 9.2 percent.
7 Staff recommends at its midpoint an ROE of
8 9.25 percent.

9 On slide 11 I show what I believe is the
10 best demonstration of how inflated the company's
11 return on equity is. You see for Mr. Gorman's
12 schedule MPG 12 the average authorized return on
13 equity given by state utility commissions over the
14 last decade. 2008 the average authorized return on
15 equity was 10.39 percent. It has declined steadily
16 over the last decade. Now it is down to 9.5 percent
17 for year to date 2017, but yet Laclede wants a
18 return on equity of 10.35 percent, basically
19 mirroring the financial conditions that were in
20 existence ten years ago. So, Laclede's capital
21 structure and ROE both do not reflect current
22 reality.

23 The fourth and final step that utilities
24 typically take when facing an overearnings situation
25 is to not be responsive to discovery requests, and

1 you see this going back to the complaint case that
2 OPC filed. OPC stated then that they knew Laclede
3 would not be eager to provide answers to discovery,
4 but they didn't know that it would take four months
5 to get responses. They were stiff-armed at every
6 turn in that case.

7 In this case discovery disputes were
8 seen multiple times. Discovery disputes were
9 noticed up by Staff on August 4, OPC on August 7th,
10 and MECG on July 10th. One of the big issues was
11 ADIT, accumulated depreciation, and there OPC waited
12 almost three months to get the responses it needed
13 and it caused a significant decline and that is the
14 reason for Staff filing its latest EMS run, but it
15 reduced the case by almost \$10 million, but the
16 company would not provide that information for
17 almost three months.

18 The status or the poor nature of
19 responsive data requests was demon -- was talked
20 about in OPC witness Azad's direct. She says, in
21 fact, Spire was the least responsive company in
22 terms of discovery that I have encountered during
23 the course of my career. It's typical. You face an
24 overearnings situation, you put up as many obstacles
25 to the parties as you can. So, we've seen -- this

1 is an overearnings case. We see it not only by the
2 numbers provided by Staff, but also in the actions
3 of Laclede and MGE.

4 That was all I had. I'll have some more
5 mini opening statements later, but here to answer
6 any questions you may have.

7 JUDGE DIPPELL: Mr. Chairman?

8 CHAIRMAN HALL: No questions. Thank
9 you.

10 JUDGE DIPPELL: Any other commissioner
11 questions?

12 COMMISSIONER KENNEY: No questions.

13 JUDGE DIPPELL: Okay. Mr. Woodsmall did
14 you give a copy of your presentation to the court
15 reporter?

16 MR. WOODSMALL: Apparently I did.

17 JUDGE DIPPELL: I'm going to mark that
18 as a demonstrative exhibit just so that we have it
19 in the record.

20 MR. WOODSMALL: Okay.

21 JUDGE DIPPELL: And --

22 MR. WOODSMALL: I think I'm 700.

23 JUDGE DIPPELL: Yeah. You're in the 750
24 block.

25 MR. WOODSMALL: Okay.

1 JUDGE DIPPELL: And I'm going to mark it
2 756 because I think I've got your testimony before
3 that.

4 MR. WOODSMALL: I don't have any
5 testimony. I think you might be including me with
6 MIEC.

7 JUDGE DIPPELL: Oh, I'm sorry. You're
8 right. You're 700.

9 MR. WOODSMALL: Okay.

10 JUDGE DIPPELL: So, we'll just mark this
11 as 700.

12 (MECG's Exhibit 700 was marked for
13 identification.)

14 MR. WOODSMALL: Thank you.

15 JUDGE DIPPELL: National Housing Trust.

16 MR. LINHARES: Morning. May it please
17 the Commission:

18 My name is Andrew Linhares. I'm
19 representing National Housing Trust in this case.
20 You may be familiar with NHT and our work in a few
21 other cases. We helped develop the low income
22 multifamily approach taken in some of the electric
23 energy efficiency cases with Ameren Missouri and
24 Kansas City Power & Light. Now we're working with
25 Spire and other parties in this case to design some

1 best practices gas programs ideally to work in
2 conjunction in a co-delivery format with, with
3 Ameren Missouri and KCPL and some of the IOUs.

4 So, NHT's primary interest in this case
5 is fairly narrow, that of low income energy
6 efficiency. So, we appreciate the parties working
7 with us and allowing this issue to remain prominent.

8 NHT's goal in this case is to protect
9 low income multifamily buildings from bill increases
10 by implementing successful energy efficiency
11 programs across both tenant unit and common area
12 bases co-delivered between electric and gas
13 utilities. Now, hopefully tomorrow you'll be
14 hearing from NHT's witness Annika Brink. Her
15 testimony includes details regarding the potential
16 that's out there for deeper savings in this sector
17 and the value of pursuing that savings with
18 investment from utility gas programs. She'll be
19 here to answer any of your questions.

20 But first I'd like to -- I'm going to
21 keep my comments brief here for the general opening,
22 but I'd like to address one of the larger
23 discussions in this case and that is whether gas
24 utility should be investing in energy efficiency at
25 all and whether the low income multifamily sector is

1 important to invest in. We've had a discussion
2 around this in testimony. It remains to be seen how
3 at issue that will be here in this hearing, but I'd
4 like to just flag some of the reasons why NHT
5 believes that energy efficiency is essential to
6 pursue for low income multifamily buildings.

7 First is the issue of affordability.
8 Low income customers, they suffer disproportionately
9 from rising utility bills and nobody disagrees that
10 utilities bills are going to be higher as a result
11 of this case. Low income tenants by virtue of being
12 low income, they have the highest proportion of
13 energy costs to their income and, therefore, they're
14 most in need of energy efficiency, they would
15 benefit most from energy efficiency.

16 They're also -- they have less access to
17 energy incentives. There's a classic problem of a
18 split incentive here where if you're a renter you
19 don't have the opportunity to invest in your
20 building because you don't own it, and the owner
21 does not have the incentive to invest in his
22 building because aside from some common area costs,
23 he's not paying utility bills.

24 There's also the historical issue. Low
25 income multifamily buildings have historically

1 received less investment both in weatherization,
2 efficiency and otherwise. So, these buildings,
3 there's a lot of savings to be had and the people
4 who would benefit would receive the most benefit
5 across the customer spectrum.

6 So, even, even parties like OPC agree
7 that energy affordability should be a goal for low
8 income energy efficiency in this case and does the
9 Division of Energy. There's also other benefits
10 like improving the tenant's ability to pay, which is
11 a value to the utility and across the utility
12 system.

13 Now, I do want to provide a brief
14 overview of our request to the Commission in this
15 case, but first I want to quickly address some other
16 issues that we won't be -- I won't be providing a
17 separate opening for.

18 In the rate design space, the issue of
19 the revenue stabilization mechanism is at issue
20 here. NHT strongly supports the implementation of
21 an RSM for both MGE and Laclede provided that these
22 companies pair that mechanism with robust
23 investments in energy efficiency. We think that
24 those things go together. As our witness states in
25 her direct testimony on rate design, revenue

1 decoupling can remove disincentives for utilities to
2 properly treat energy efficiency as an essential
3 resource for addressing customer demand while
4 avoiding new supply and lowering the energy burden
5 on customers.

6 Similarly, we support the company's
7 proposal to lower the residential customer charge.
8 We would support an even lower customer charge such
9 as that has been proposed by OPC, but we believe
10 that incrementally lowering that is going to further
11 incentivize conservation and help some of these low
12 income multifamily customers improve their unit
13 affordability and their ability to pay.

14 So, I'll be providing more detail
15 tomorrow. I have a presentation to explain some of
16 the specifics of our ask, and I look forward to
17 answering your questions on that, but briefly I want
18 to just go over the two primary things that NHT is
19 asking the Commission to approve in this case.

20 Number one, we're asking the Commission
21 to approve a increase in the budget for both Laclede
22 and MGE's low income multifamily programs. We
23 believe that some parties have raised concern about
24 the fact that these budgets in the past have not
25 been able to be fully expended and we believe that

1 can easily be addressed and there's, there's plenty
2 of reason to believe that circumstances have
3 changed. There's a new co-delivery model. We've
4 seen in the last quarter that spending in these
5 programs has arisen significantly. So, I look
6 forward to detailing that for you.

7 The second thing we're asking for in
8 this case is to approve a bonus incentive framework
9 for measures flowing through the low income
10 multifamily programs. This is similar to an
11 approach taken by the electric utilities. We think
12 both of these things together, more investment in
13 this sector and a higher bonus incentive for some of
14 these measures in the program, together those are
15 going to get us to the level of participation that
16 we need to satisfy the potential that we've
17 introduced evidence to show is out there.

18 We also would ask that you approve NHT
19 as a member of the energy efficiency collaborative
20 so we can continue to work on some of the more
21 granule details of this program in the future. So,
22 I look forward to addressing this with you tomorrow
23 and I'll be happy to answer any questions that you
24 have for me now. That's all I have.

25 CHAIRMAN HALL: No questions.

1 JUDGE DIPPELL: All right. Thank you,
2 sir.

3 MR. LINHARES: Thank you.

4 JUDGE DIPPELL: Environmental Defense
5 Fund.

6 MS. KARAS: May it please the
7 Commission:

8 Natalie Karas on behalf of the
9 Environmental Defense Fund.

10 There are signs that Laclede's portfolio
11 management decisions will impose avoidable costs on
12 its customers for little, if any, benefits. EDF is
13 suggesting to the Commission there are regulatory
14 oversight structures that can ensure Laclede's gas
15 supply contracting decisions are rendered with the
16 requisite consideration of the interests of its
17 customers and in the public interest, the
18 cornerstone of the regulatory compact upon which it
19 is entitled to seek ratepayer compensation and a
20 return on its investments.

21 If you look carefully, several data
22 points illuminate risk as to whether Laclede's rates
23 will be just and reasonable. Laclede cannot
24 demonstrate any new load growth. Yet, it has
25 committed its customers to firm transportation

1 capacity on its affiliate, Spire STL Pipeline, for
2 the next 20 years. Instead of relying on a market
3 participant willing to bear the risk of its
4 contracting decision, Spire STL is relying on
5 Laclede's ratepayers to accept all risk in the event
6 the pipeline becomes uneconomic or unneeded by the
7 market.

8 Enable Mississippi River Transmission, a
9 competitor pipeline, has presented compelling
10 evidence to the Federal Energy Regulatory Commission
11 that the pipeline will decimate the St. Louis
12 market, leading to capacity turnback and increased
13 cost to customers.

14 This Commission has protested Spire
15 STL's application at FERC, questioning whether the
16 pipeline is needed and asking FERC not to prejudge
17 the terms of the Preston agreement.

18 Missouri rules do not require Laclede to
19 seek prior approval before entering into an
20 affiliate agreement, and the Commission standard
21 process for review is limited to an after-the-fact
22 inquiry into whether Laclede's decision was prudent.
23 Once FERC approves STL's application, it will be too
24 late for this Commission to engage in the
25 establishment of Laclede's rates.

1 The current purchase gas adjustment
2 actual cost adjustment mechanism has to date served
3 as a mere passthrough cost and fails to weigh the
4 relative cost effectiveness of each component in
5 Laclede's portfolio.

6 EDF's natural gas expert Greg Lander's
7 testimony presents the Commission with a new set of
8 regulatory tools to protect against this threat.
9 His revisions to the PGA/ACA set forth the ranking
10 system to assess the relative cost effectiveness of
11 each component in Laclede's portfolio. They would
12 also ensure that ratepayers are protected against
13 paying for year-round capacity developed by an
14 affiliate to only meet a peak design winter need.
15 In short, they are the only tool proposed in this
16 proceeding that would sufficiently protect
17 ratepayers from unreasonable costs, particularly
18 those that would inure to the benefit of Laclede's
19 affiliates.

20 Our expert witness, Greg Lander, will be
21 here next Friday to further explain our proposal and
22 to answer any specific questions, but I'm happy to
23 answer any questions from the commissioners right
24 now.

25 CHAIRMAN HALL: No questions. Thank

1 you.

2 COMMISSIONER RUPP: No questions. Thank
3 you.

4 JUDGE DIPPELL: Thank you very much.
5 Consumers Council.

6 MR. COFFMAN: May it please the
7 Commission:

8 John Coffman representing the Consumers
9 Council of Missouri. I'm happy to be here. I'll
10 just be very brief.

11 We share the perspective on many of
12 these mechanisms that the Office of Public Counsel
13 has. As far as the residential rate design, we too
14 would like to see lower, a lower customer charge.
15 So, we would -- you know, ideally we'd like to see
16 the \$14 customer charge that OPC's proposing. And
17 we appreciate the fact that Spire is talking about
18 lowering the customer charge and I think they've
19 proposed \$17, but, of course, they've sort of
20 interlinked that with this what they call the RSM
21 mechanism and we have some concerns about that and
22 just, just to be descriptive I call that the
23 decoupling plan. There's so many things out there
24 that different utilities are calling RSM that it
25 gets confusing. So, I don't mean to be -- I'm

1 trying to do that for clarity.

2 But the main issue, though, that we have
3 provided prefiled testimony here today is on low
4 income assistance. And so, I'd agree with Mr. Bear
5 and the Division of Energy that that is a very
6 important issue and hopefully we'll get a chance to
7 discuss that.

8 I think the many -- the numerous and
9 complex issues that we're dealing here with with two
10 utilities have prevented us from really coming to an
11 agreement on what type of low income program, but at
12 this point where these two utilities have merged and
13 we don't think that there'll be an opportunity for
14 at least three years to really get a comprehensive
15 look. We think that this is the time for all the
16 parties to really get together and work on it.

17 So, we're here today asking that in your
18 order that you, you tell the parties to meet and in
19 the collaborative fashion and by that I just mean
20 the parties just need to sit down and work, and
21 we've had some really good ideas both from the
22 utility company and from Staff, Public Counsel and
23 the Division of Energy, but -- and we appreciate the
24 company putting together a proposal, their proposal
25 for a fixed charge plan because I think one, one

1 thing that, that is needed is a plan that tries to
2 keep customers more current year round.

3 Now, our preference would be something
4 that was similar to what Ameren Missouri has, the
5 keeping current program. One thing that we think is
6 also needed is a more tiered approach so that you
7 can provide greater assistance to those that have
8 the greatest need. There's an energy burden that is
9 growing and, you know, we -- you know, we hoped to
10 see a rate reduction out of this case, but if there
11 is a rate increase, I think that's another reason
12 that we need a serious attention to this.

13 And so, we're asking that the Commission
14 order that there be a collaborative process, a three
15 months whereby the parties try to work out a
16 comprehensive plan, taking the best practices and
17 successful things that perhaps from the keeping
18 current program or from other programs on what the
19 company has offered and come back to the Commission
20 in hopes that the Commission could then approve the
21 details of such a plan in time for next year's
22 heating season and that we wouldn't have to wait
23 until the next rate case to do it.

24 So, that's what we're asking. And we do
25 think that there needs to be a little bit higher

1 budget, a little higher ceiling so that, you know,
2 in the next three years if we come up with some
3 better ideas and some modifications that we don't
4 get in trouble for not, not being able to have
5 enough funds. And the way that low income programs
6 have been dealt with is not putting them directly
7 into the revenue requirement, but deferring them.
8 And so, we're just talking about having a budget,
9 kind of a ceiling for where we can go. And so, we
10 think there needs to be a greater budget and a more
11 concentrated effort for the parties to try to work
12 it out. If they don't work it out, then the parties
13 can come back and the Commission could approve the
14 details a few months after rates go into effect in
15 this case.

16 So, you'll hear more about this today.
17 Our witness is Jackie Hutchinson who has over 30
18 years of experience with low income energy policy
19 and delivering it. She has been on the front lines
20 and also understands utility regulation fairly well.
21 She has been involved in every drafting and
22 rewriting of the cold weather rule and other
23 programs and she has a wealth of experience about
24 what elements of low income programs work and what
25 don't work. And so, I would ask you to take the

1 opportunity to ask her questions when she's here
2 later today.

3 Thanks a lot.

4 JUDGE DIPPELL: Are there any questions
5 for Mr. Coffman?

6 CHAIRMAN HALL: No questions. Thank
7 you.

8 MR. COFFMAN: Thank you.

9 JUDGE DIPPELL: Thank you.

10 Next I have Missouri Gas Pipeline and
11 the City of St. Joe. Are you-all still waiving or,
12 Mr. Jarrett, did you have --

13 MR. STEINMEIER: St. Joseph waives, Your
14 Honor.

15 JUDGE DIPPELL: All right.

16 MR. JARRETT: Yes, MoGas waives as well.

17 JUDGE DIPPELL: All right. Thank you.

18 And I hate to do this to you,
19 Mr. Brownlee, but I think we need just a ten-minute
20 break and then we'll come back and finish up with
21 Missouri School Boards' Association and we can see
22 how far we can get before agenda maybe with opening
23 statements on the first issue.

24 So, let's go off the record. Come back
25 in ten minutes.

1 (A short recess was taken.)

2 JUDGE DIPPELL: All right. We are going
3 to continue with Mr. Brownlee and Missouri School
4 Boards' Association opening statement. And then I
5 was reminded that the first issue is actually
6 overview and regulatory policy. So, I'm assuming
7 that maybe we don't need mini openings on that. Has
8 everyone pretty much covered that issue?

9 MR. ZUCKER: I don't need one.

10 JUDGE DIPPELL: Okay, okay. So, after
11 Mr. Brownlee, then we'll just go ahead and start
12 with our first witness on that topic, but we'll have
13 to adjourn for agenda pretty shortly.

14 So, go ahead, Mr. Brownlee. Thank you.

15 MR. BROWNLEE: Good morning. I'm
16 Richard Brownlee. I represent the Missouri School
17 Boards' Association.

18 We're in somewhat of a unique position
19 because we've already had a stipulation filed under
20 the Commission rules as well as a Commission order
21 approving it and as a consequence I'm not going to
22 have a witness. I'm not going to be here for
23 cross-examination or have a witness. So, I thought
24 rather than go through the stipulation, I might give
25 you a very brief history of kind of where we are

1 with the school boards and why they're here in this
2 case.

3 The Missouri School Boards' Association
4 is a 501(C)(6) trade association. It at the time
5 had about 390 elementary and secondary school
6 districts for about 2,300 schools within the system
7 that were operating. In late 1990s the school
8 boards through a consultant as well as my law firm
9 at the time, we set up a purchasing cooperative
10 which really fit at that time in the late 90s with
11 the ability to consolidate purchasing groups, buy
12 gas, natural gas on the interstate market and
13 utilize the interstate pipelines to ship into the
14 city gates of the local distribution companies in
15 the state of Missouri and then we would pay them a
16 fee to deliver from the city gate, that is into
17 their -- into the different schools. And this was a
18 -- truthfully, at the time it was a unique program
19 and still is actually, and it's worked -- it's been
20 an incredible success.

21 Those of you who were in the legislature
22 in 2002 may have recall that at the time we passed,
23 along with a lot of support from the Commission and
24 others, Section 393.310 and that recognized this
25 purchasing agreement for the schools. It did a

1 couple of other things. It required all gas
2 utilities to create an experimental tariff so that
3 we could have a tariff to handle this transportation
4 arrangement and billing arrangement. It was an
5 aggregating natural gas program that the legislature
6 recognized and it created certain limits on the
7 amount of charges, the upper limits that the
8 utilities could charge which were called aggregation
9 and balancing fees, and it also limited certain
10 telemetry involving really what's now become
11 electric metering.

12 So, we tried to create a system that
13 everybody could use, didn't cost the utilities extra
14 money, we didn't have to make a company like Spire
15 buy \$2 million worth of metering and, in fact, that
16 system and that statute has worked very well with
17 most utilities. I think that I could generally say
18 there's a couple of outliers that have occurred and
19 it's mostly in the rating because -- actually, it's
20 because we didn't get involved in the cases and
21 that's the proverbial if you don't -- if you're not
22 there, things don't always go right. But in any
23 event, that's the system we're working under,
24 393.310.

25 We have, again, about 80 percent of the

1 schools are within, I believe, the Spire service
2 areas, both Kansas City and St. Louis. Laclede or
3 St. Louis system is fine, the tariffs are fine. We
4 had a problem with MGE or the Kansas City system
5 basically because there'd been an error in a tariff
6 in 2002 and it really doesn't matter, but it was
7 just something that's been hanging out in there.

8 In any event, in this particular case,
9 we were able to intervene and we utilized, I don't
10 know how often it has been, but the Public Service
11 Commission allows a procedure in these cases where
12 you can enter into a stipulation, which we did, the
13 school board, with the companies and it's filed and
14 if no one objects, it becomes a unanimous
15 stipulation under your rule 40 CSR 240-2.115(2). We
16 utilize that. The parties, all everybody here I
17 think agreed that the stipulation we entered into
18 was fair, it brought the MGE side into parity with
19 the Laclede or the St. Louis side. It corrected the
20 error that had been in the MGE tariff and the
21 Commission, no one intervened, thank you very much,
22 and in the best interest -- the Commission, in fact,
23 on October the 25th, 2017, you-all have approved
24 that stipulation and, in fact, adopted the -- there
25 were three particular things that it dealt with,

1 which I'll just -- it's in there. I'm not going to
2 cover. It dealt with some cash out and balances,
3 which were sort of a monthly balancing or
4 reconciliation of the amount of gas that came in and
5 what was paid for. It handled that. It removed --
6 it created a different aggregation fee that was
7 within the statute.

8 The fees in the various utilities aren't
9 all the same. That is the Commission has never said
10 the fee's going to be X and all utilities have to
11 file it. It just has to be less than four. I
12 believe it's four, yeah, four one-hundredth of
13 1 percent per therm, which is some number that I
14 don't know what it looks like, but that's what it
15 says.

16 In any event, and it also creates a
17 penalty provision that if the company and if in
18 particular we as the school boards don't submit and
19 balance the proper amount of gas and pay the fees,
20 we do that I think three times in one year, we can
21 literally be kicked off the system and go back onto
22 the regular purchasing.

23 Really everything that we've done, it is
24 unique. Again, as I said, we don't have witnesses.
25 So, I guess my opening's not evidence, but it I hope

1 explains a little where we are with the Missouri
2 School Boards' Association.

3 And with that I'd be happy to answer any
4 questions, and otherwise I believe in the order
5 already approving we are excused and I'll try to be
6 one less yacker.

7 JUDGE DIPPELL: Are there any questions
8 for Mr. Brownlee?

9 CHAIRMAN HALL: No questions. Thank
10 you.

11 COMMISSIONER KENNEY: I have one
12 question.

13 JUDGE DIPPELL: Commissioner Kenney.

14 COMMISSIONER KENNEY: Do you recall how
15 the three of us voted?

16 MR. BROWNLEE: You were -- yeah, you
17 voted right.

18 COMMISSIONER KENNEY: Okay.

19 MR. BROWNLEE: Oh, yeah. I'm sure you
20 did.

21 JUDGE DIPPELL: Are there any other
22 questions?

23 COMMISSIONER KENNEY: Thank you.

24 MR. BROWNLEE: I know -- I know that
25 Senator Stoll voted right, but the other two I don't

1 know.

2 JUDGE DIPPELL: All right, then. Thank
3 you, Mr. Brownlee.

4 MR. BROWNLEE: Thank you so much.
5 Appreciate it.

6 JUDGE DIPPELL: Okay. As I was saying
7 earlier, the first issue is actually overview and
8 regulatory policy. So, we've, we've sort of heard
9 the opening on, on that. So, we'll just go right
10 ahead, then, and let Spire call its first witness.

11 MR. ZUCKER: Thank you, Your Honor.

12 We call Steven L. Lindsey to the stand.

13 JUDGE DIPPELL: Mr. Lindsey, could you
14 raise your right hand.

15 STEVE LINDSEY,
16 having been called as a witness herein, having been
17 first duly sworn, was examined and testified as
18 follows:

19 JUDGE DIPPELL: Go ahead, Mr. Zucker.

20 DIRECT EXAMINATION

21 BY MR. ZUCKER

22 Q. Good morning, Mr. Lindsey.

23 A. Good morning.

24 Q. Can you spell your name for the record,
25 please.

1 A. Sure. It's Steve Lindsey, S-T-E-V-E
2 L-I-N-D-S-E-Y.

3 Q. And who are you employed by?

4 A. I'm employed by Spire.

5 Q. And are you also a -- you also serve as
6 an executive at Laclede Gas Company?

7 A. Yes. I am the president and CEO of
8 Laclede Gas and MGE, as well as chief operating
9 officer of distribution operations for Spire.

10 Q. Thank you.

11 And are you the same Steve Lindsey who
12 filed direct testimony in this case on April 11,
13 2017?

14 A. Yes, I am.

15 Q. And are you also the same Steve Lindsey
16 who filed surrebuttal testimony in this case on
17 November 21st, 2017?

18 A. Yes, I am.

19 Q. If I asked you the questions contained
20 in those two pieces of testimony, would your answers
21 be the same as contained therein?

22 A. Yes, they would.

23 MR. ZUCKER: Okay. I offer those
24 Exhibits 4 and 5 into evidence.

25 (Laclede's Exhibit 4 and Exhibit 5 were

1 offered into evidence.)

2 JUDGE DIPPELL: Are there any objections
3 to Exhibits No. 4 and 5?

4 Seeing none. Then I will receive it
5 into the record or them into the record.

6 (Laclede's Exhibit 4 and Exhibit 5 were
7 admitted into evidence.)

8 MR. ZUCKER: Okay. Thank you,
9 Mr. Lindsey.

10 Tender for cross.

11 JUDGE DIPPELL: Cross-examination, now,
12 I believe that I'm following the list, but if I got
13 something out of order, someone feel free to correct
14 me, but we'll start with Staff.

15 MS. PAYNE: No questions.

16 JUDGE DIPPELL: Public Counsel.

17 MS. SHEMWELL: No questions. Thank you.

18 JUDGE DIPPELL: Division of Energy.

19 MIEC.

20 MR. MILLS: Just briefly, Your Honor.

21 CROSS-EXAMINATION

22 BY MR. MILLS

23 Q. Good morning.

24 A. Good morning.

25 Q. Do the companies have any anticipation

1 of filing a rate increase case before the -- before
2 yours is up for the ISRS required filing?

3 A. Do we plan on that?

4 Q. Yes.

5 A. I think it would be premature for us to
6 make that evaluation. We continually update our
7 results on a quarterly and an annual basis and we
8 evaluate those relative to where we are within our
9 plan, within our authorized returns. And so, again,
10 I think, you know, we would not want to speculate on
11 something like that at this time. And again, the
12 reason we're here for this case is because of the
13 ISRS requirement, as well as the reason these two
14 cases are together is in the acquisition approval we
15 agreed that we would file these contemporaneously.

16 Q. Okay. But at this time you have no
17 plans to file something that's outside of the ISRS
18 cycle?

19 A. Again, we do not have plans to do that.
20 That's not to say we would or wouldn't. We're just
21 not in a position to speculate on that.

22 MR. MILLS: Thank you.

23 JUDGE DIPPELL: Midwest Energy
24 Consumers.

25 MR. WOODSMALL: No questions.

1 JUDGE DIPPELL: National Housing Trust.

2 MR. LINHARES: No questions, Judge.

3 JUDGE DIPPELL: Environmental Defense
4 Fund.

5 MS. KARAS: No questions, Your Honor.

6 JUDGE DIPPELL: Consumer Council.

7 Missouri Gas Pipeline.

8 MR. JARRETT: No questions.

9 JUDGE DIPPELL: All right. Are there
10 any questions from the bench?

11 Chairman Hall.

12 CHAIRMAN HALL: Yeah. Good morning.

13 THE WITNESS: Good morning.

14 CHAIRMAN HALL: It's my understanding
15 that last legislative session Laclede supported
16 legislation that would have extended the time period
17 that is used -- that extends the time period for
18 filing of a case under the ISRS law; is that
19 correct?

20 THE WITNESS: Yeah, that's correct. And
21 what we were supporting was legislation that would
22 extend the requirement. It doesn't mean that
23 somebody -- for example, that we could not come in
24 prior to that timeline, but basically what we're
25 saying is that we felt that when the ISRS

1 legislation was originally enacted, there was a
2 three-year window which ultimately becomes four
3 years that was put in place to make sure that
4 everybody had an understanding of the way the
5 mechanism was working, how the overall impact to
6 customers was being -- was being handled, and then I
7 think what we've seen is over time as many other
8 jurisdictions have gone away from those
9 requirements. There's only a couple states left in
10 the country that have minimal requirements such as
11 three years. Some of the others have five. Some of
12 the others it's just in a -- in a separate item on
13 the -- on the bill. And so, I think what we've
14 basically come to is we felt it made sense to not go
15 through a regulatory proceeding just for in this
16 case the instance of putting ISRS into rate base.

17 CHAIRMAN HALL: But isn't that what,
18 what ultimately happened here? I mean, if, if, if
19 you had been successful in that legislation pushing
20 it back to six or eight years or there were some
21 other options as well, would you have filed this
22 rate case?

23 THE WITNESS: And again, I think that's
24 where we get into differing opinions as to why we
25 are here. One is clearly relative to the commitment

1 we made to file these cases together, as well as the
2 ISRS requirement, but I think given the fact that we
3 are recognizing that we feel there is an increase
4 that is needed, we could have come in, but I think
5 we would have ultimately not come in at this time.

6 CHAIRMAN HALL: So, that's what I'm
7 trying to understand because that's my understanding
8 as, as well. Why would you have not come in for a
9 rate case if, in fact, you are underearning?

10 THE WITNESS: I think you have to put it
11 in the context of where you are in the continuum.
12 It's not to say -- and we do not feel, again,
13 strongly that we do not have a successful operating
14 plan that we've put in place, that we continue to
15 manage our expenses, that we're attempting to grow
16 revenues through organic growth and those type of
17 initiatives and that through our growth strategy
18 including not just MGE, but Alagasco as well as the
19 other two utilities, that we have a long-term plan
20 that we're trying to manage. And again, it's not to
21 say that in this instance if these particular
22 requirements weren't here, would we be here or not.
23 I think that would be a little hard for me to back
24 cast or look without considering all the variables.
25 So, there are, obviously, times as you

1 continue to build expenses, as you continue to,
2 perhaps in our instance, feel that we're not getting
3 everything that we need, that we would come in, but
4 I think you have to balance that relative to the
5 overall business model that we have in place.

6 CHAIRMAN HALL: So, you do believe,
7 based upon the request in this case, that Laclede
8 is, is entitled to a \$27 million increase and
9 Missouri Gas is entitled to roughly a \$35 million?

10 THE WITNESS: And again, you know, we
11 have to always speak to these relative to ISRS going
12 into rate base and this being the net addition. We
13 do. And again, you know, there are variables that
14 go into that, you know, taxes, depreciation, clearly
15 there's a difference in opinion on capital
16 structure, on return. So, those are the main
17 variables that are there, but again, we feel that,
18 yes, everything that we filed is justifiable.

19 CHAIRMAN HALL: Right. I'm still -- I'm
20 trying to understand why, if you believe that
21 Laclede is entitled to a \$27 million increase and
22 MGE is entitled to a \$35 million increase, why you
23 would not have filed this case but for the statutory
24 requirement under the ISRS law?

25 THE WITNESS: And again, I wasn't saying

1 that we wouldn't have. I'm saying that we would
2 have made a business decision at that point that
3 said have we reached that point to where it makes
4 sense to come in and file a rate proceedings. So,
5 we very well may have made that decision. In this
6 instance I'm just giving you the example of the
7 reason we're in here is for this and going through
8 this process, here's where we feel that we are
9 relative to our current financials.

10 CHAIRMAN HALL: Do you know -- let me
11 switch gears for a moment. Do you know roughly the
12 total amount of savings synergies resulting from the
13 merger on an annual basis?

14 THE WITNESS: Yeah. On an annual basis,
15 and we've got some witnesses who will speak more
16 specifically, but I believe it's in excess of
17 roughly \$50 million on an annual basis.

18 CHAIRMAN HALL: And do you know how that
19 compares to the -- to the estimated synergies that
20 were?

21 THE WITNESS: I would not be in a
22 position to comment on that, but we do have
23 witnesses that can address that, yes.

24 CHAIRMAN HALL: And you do agree that
25 between rate cases those synergies or savings did

1 inure to the benefit of shareholders as opposed to
2 ratepayers?

3 THE WITNESS: Well, I think they're not
4 mutually exclusive. Clearly I think --

5 CHAIRMAN HALL: Well, rates didn't
6 change?

7 THE WITNESS: Rates did not change, but,
8 again, I think there were other things that were
9 changing in our business and costs to the overall
10 business that we were incurring. Clearly, did we do
11 the right things for customers through the
12 synergies? Absolutely. And ultimately those will
13 play out, but you have to look at things in
14 totality, not in individual pieces.

15 CHAIRMAN HALL: So, the \$50 million in
16 savings is not a net savings because it's not taking
17 into account costs incurred in order to accomplish
18 those savings?

19 THE WITNESS: Yeah. And you had asked
20 earlier relative to the synergies. We do file a
21 quarterly synergy report. In addition to that, we
22 also file, I believe, the transition costs that
23 we've been incurring associated with that because
24 ultimately in the stipulation agreement it was
25 agreed to that 50 percent of those transition costs

1 could be included as long as the synergies exceeded
2 those costs.

3 CHAIRMAN HALL: So, the 50 million in
4 savings does not include costs in order to --

5 THE WITNESS: Those are just the
6 realized synergies, yes, sir.

7 CHAIRMAN HALL: Okay.

8 THE WITNESS: And that's not an exact.
9 That's an approximation. We can get you the exact
10 numbers.

11 CHAIRMAN HALL: I appreciate that.

12 The 50 percent number, that is the
13 number that comes from the -- from the
14 stipulation --

15 THE WITNESS: Yes.

16 CHAIRMAN HALL: -- in the merger case?

17 THE WITNESS: Yes.

18 CHAIRMAN HALL: And that was a
19 negotiated number?

20 THE WITNESS: It was, and it was agreed
21 upon, and there's a schedule. It's a matrix that
22 identifies what transaction costs are and capital
23 versus O&M and then what the definition of
24 transition costs are, and then of those 50 percent
25 would be realized over a five-year period. So,

1 again, that's spread across a five-year period.

2 CHAIRMAN HALL: Is that stipulation an
3 exhibit?

4 MR. ZUCKER: No.

5 CHAIRMAN HALL: Could it be made an
6 exhibit and provided? I don't need it for this
7 examination, but...

8 JUDGE DIPPELL: We can get it.

9 CHAIRMAN HALL: Can you give me a
10 little -- to switch gears again. Give me a little
11 background on the performance metrics --

12 THE WITNESS: Sure.

13 CHAIRMAN HALL: -- that the company is
14 proposing.

15 THE WITNESS: Yeah. I'm sorry.

16 CHAIRMAN HALL: Why are you proposing
17 that?

18 THE WITNESS: Okay. Performance metrics
19 relative to the rate proceeding? Okay. And I think
20 Eric Lobser will go into more detail on that, but we
21 feel that there is a strong alignment, and this goes
22 on clearly in other jurisdictions, between the
23 performance of the company and the way regulators
24 should either award or penalize the company and the
25 way customers should realize those benefits as well.

1 Even if you just go back to, for example, the
2 comments relative to incentive comp. We strongly
3 link performance of our company all the way down to
4 the frontline employees with the success that
5 ultimately pays benefits for customers and in this
6 case shareholders. We don't view those as mutually
7 exclusive. So, we think that performance
8 measures -- and if you really distill it down -- and
9 I know there's been some discussions relative to
10 should earnings be looked at from a customer
11 perspective. Whether or not a customer is a
12 shareholder, I think earnings is basically revenues
13 minus costs, and we do everything we can to try to
14 positively effectuate both of those pieces of the
15 equation.

16 If you think about it on the revenue
17 side, as recently as two or three years ago Laclede
18 as well as MGE, we were actually experiencing
19 negative growth on our system. What I mean by that
20 is customer erosion. People think of us and
21 oftentimes are characterized as a monopoly. The
22 fact is we are a fuel of choice and we were seeing
23 customer erosion. So, we have tried to do
24 everything we can to address that through energy
25 efficiency programs to just our service level

1 because some cases -- in some cases I think
2 customers just weren't happy with the service level
3 they were getting. You know, cost is one thing, but
4 then the level that you provide is another. Even on
5 the things in our organic growth areas about trying
6 to provide gas to underserved areas, to do some
7 things with low income and some of the discussions
8 we've heard today.

9 You shift over to the cost side. If we
10 only focused on performance metrics and put our --
11 put our hands over our eyes relative to costs, we
12 could get incredible metric performance, but at very
13 high expenses. We don't do that. And so, even in
14 our performance -- excuse me. In our incentive
15 compensation, the performance is tied not only to
16 how we do on metrics, but there's also a financial
17 component. And so, even a frontline employee,
18 because we do have the philosophy that our incentive
19 compensation should reward everybody in the company
20 because we truly feel that it's a team effort, even
21 the frontline employee. They're not just
22 performance metrics such as leak response and the
23 way we answer phones. There's a financial component
24 on O&M per customer that's linked directly to that
25 and weighted equally.

1 CHAIRMAN HALL: So, do you believe that
2 the company's performance would improve if there
3 were performance metrics in place?

4 THE WITNESS: Well, let me characterize
5 just a little bit. Eric will get into more detail,
6 but in the performance metrics what we're in essence
7 saying is there's a band that we should establish
8 for these metrics that we feel that we should
9 operate in, and if we do operate within that, there
10 won't be any kind of adjustments, but if performance
11 dramatically exceeds that, then we think there is a
12 benefit there and if it goes down.

13 So, I would say in some of these metrics
14 part of this structure could be nothing more than to
15 make sure that we continue to do the right things
16 for customers and focus on continuous improvement.
17 So, I think in some instances, yes, it would drive
18 performance perhaps above that band, but in essence
19 what we're trying to do, again, is look at it
20 holistically because that's why we're proposing
21 multiple performance measures so that you don't just
22 focus on one perhaps at the detriment of others.

23 CHAIRMAN HALL: I have no further
24 questions. Thank you.

25 THE WITNESS: Thank you.

1 JUDGE DIPPELL: Commissioner Stoll.

2 COMMISSIONER STOLL: No questions.

3 Thank you.

4 COMMISSIONER KENNEY: No questions.

5 JUDGE DIPPELL: Any other commissioner
6 questions?

7 All right. Is there further
8 cross-examination based on questions from the bench
9 from Staff?

10 MS. PAYNE: No questions. Thank you.

11 JUDGE DIPPELL: Public Counsel.

12 MS. SHEMWELL: Thank you.

13 RECROSS-EXAMINATION

14 BY MS. SHEMWELL

15 Q. Mr. Lindsey.

16 A. Oh, I'm sorry. Yes.

17 Q. You were turned towards the Chairman.

18 So, I didn't quite understand.

19 You're not proposing to include
20 transaction costs?

21 A. No. Not trans -- and again, the matrix
22 clearly describes what transaction costs are, what
23 transition and it even specifically breaks apart O&M
24 versus capital and how those are to be treated where
25 we are now.

1 Q. Thank you.

2 You will agree with me that both
3 Missouri companies have Commission-approved areas in
4 which they are the only companies allowed to provide
5 natural gas service?

6 A. Relative to if a customer wanted a
7 natural gas provider that they would --

8 Q. You were the only provider?

9 A. Exactly, yes.

10 Q. Thank you.

11 And in performance measures the company
12 didn't actually propose in testimony any specifics
13 or details as to exactly what those measures might
14 be or the bands?

15 A. Yeah. And again, on those we would want
16 to, you know, sit down and work with all parties to
17 determine the ones that we think are most
18 appropriate and, again, that are balanced, because I
19 don't want to focus on, for example, only some
20 customer experience metrics and not focus on
21 operational metrics or safety metrics or financial
22 metrics. So, I think you have to look at it in a
23 very balanced approach.

24 MS. SHEMWELL: Thank you.

25 JUDGE DIPPELL: Division of Energy.

1 MR. BEAR: No questions, Your Honor.

2 JUDGE DIPPELL: MIEC.

3 MR. MILLS: No questions.

4 JUDGE DIPPELL: MEG or MEC.

5 MR. WOODSMALL: Very briefly.

6 RECROSS-EXAMINATION

7 BY MR. WOODSMALL

8 Q. On the subject of incentive compensation
9 that you talked about, is it your belief or
10 understanding that OPC or Staff has excluded all
11 incentive compensation?

12 A. No. I believe there was a reference to
13 the individual component -- or excuse me. The team
14 metrics.

15 Q. So, the company will be recovering some
16 incentive compensation costs from ratepayers; is
17 that correct?

18 A. Well, but I do want to clarify --

19 Q. It's a yes-or-no question.

20 A. Well, I don't think it is.

21 Q. The company will be recovering --

22 MR. ZUCKER: Objection. Let him finish
23 the answer, please.

24 MR. WOODSMALL: You can do that on
25 redirect. I'm asking a yes-or-no question and then

1 you can redirect him.

2 Q. (By Mr. Woodsmall) Is it your
3 understanding that the company will recover some
4 incentive compensation costs from ratepayers?

5 A. In the proposal that's been submitted?

6 Q. Under Staff and OPC's?

7 A. A portion, yes.

8 MR. WOODSMALL: Okay. Thank you. No
9 further questions.

10 JUDGE DIPPELL: National Housing Trust.

11 MR. LINHARES: No questions. Thank you.

12 JUDGE DIPPELL: Environmental Defense
13 Fund.

14 MS. KARAS: No questions.

15 JUDGE DIPPELL: Consumers Council.

16 MR. COFFMAN: No questions, Your Honor.

17 JUDGE DIPPELL: MoGas.

18 MR. JARRETT: No questions.

19 JUDGE DIPPELL: Is there redirect by
20 Spire?

21 MR. ZUCKER: Yes, Your Honor.

22 REDIRECT EXAMINATION

23 BY MR. ZUCKER

24 Q. Good morning again, Mr. Lindsey.

25 A. Good morning, Mr. Zucker.

1 **Q. Chairman Hall asked you some questions**
2 **about whether Laclede would have filed this rate**
3 **case if they weren't required to under the ISRS**
4 **statute. Do you recall that?**

5 A. I do, yes.

6 **Q. Do you believe that there is an expense**
7 **that comes with conducting a rate case?**

8 A. Yeah. And that was, again, part of the
9 support we had relative to the legislation that we
10 feel there is a large expense that comes with a case
11 such as this, and in the instances in the past where
12 we feel, for example, that the case has gone on
13 merely because of the ISRS requirement to put that
14 into rate base and to reset rates, we don't feel
15 there's a need the customers should bare those
16 expenses. And so, just to go through a rate case
17 for those reasons only was a big reason as to why we
18 would support that type of change.

19 **Q. Is your company, Laclede Gas Company and**
20 **MGE, staffed to handle rate cases on a year-round**
21 **basis?**

22 A. Not, not on a frequency basis. I think
23 you even heard earlier in some of the opening
24 remarks that when Staff has to go through these and
25 OPC and the other parties it is -- it puts a lot of

1 burden on it and it takes away from the focus of
2 operating the business and really trying to do the
3 things to move that forward. And so, again, I think
4 there are times when rate cases are completely
5 appropriate. We just felt in that instance that
6 only having the requirement because of the ISRS
7 statute is not one of those.

8 **Q. Do you feel like this particular case**
9 **removed the employees from the focus of the**
10 **business?**

11 A. I think this case, again, as with all
12 parties, is a very complex case. We're talking
13 about things that we haven't talked about in several
14 years. It's two different jurisdictions. So, yes,
15 I think this has been something that's taken away
16 focus from everybody involved in this. Again, I
17 realize that it's a part of the process and we're
18 doing everything we can to be as cooperative with
19 all parties, but the fact that we presented our case
20 and laid it out and we do have -- the reason we're
21 in the hearings now is we do continue to have some
22 strong disagreements, whether they're philosophical
23 or whether they're numbers, as to the positions and
24 that's why we're going through this process now.

25 **Q. Do you recall Chairman Hall asking you**

1 some questions about the savings that shareholders
2 have had during the period since the MGE
3 acquisition?

4 A. Yes. Savings, yes.

5 Q. Do you recall how much Laclede Gas paid
6 for MGE?

7 A. I don't have the exact amount, but it
8 was roughly 1.2.

9 Q. Right. I think that included New
10 England gas?

11 A. Yeah. You're right, yeah.

12 Q. Do you recall how much the premium was
13 that Laclede paid over the book value?

14 A. I do not, but I will say that the
15 company, not, not customers are paying for that
16 premium, nor the actual transaction costs.

17 Q. If the company had to immediately give
18 shareholders back the value of synergies that they
19 get from a transaction, would Laclede continue to do
20 these kind of transactions?

21 A. Well, I can't speak specifically on that
22 exact transaction, but I think the incentive would
23 be clearly taken away. I think part of growth is --
24 and again, there are a lot of reasons that support
25 that, but part of the reason that we've built our

1 growth portfolio is because we are a gas company.
2 As you mentioned at the start, that's why we made
3 the original acquisition of MGE. They weren't a
4 part of a gas company. We feel culturally that's a
5 very strong fit. The same thing with Alagasco, and
6 I really haven't even mentioned that, but there are
7 a lot of synergies that are being realized by
8 Missouri customers as a result of that. That
9 acquisition, we now spread costs over 1.7 million
10 customers, whereas originally it was only over
11 \$620,000 customers. So, again, I think if you took
12 away a lot of those reasons, I don't know that some
13 of those same incentives would be there to grow the
14 business such as we have that, again, provides
15 benefits to customers as well as shareholders.

16 **Q. Let's talk about incentive compensation**
17 **for a minute. That was raised by the Chairman, I**
18 **think, and Mr. Woodsmall. There is some controversy**
19 **over incentive compensation, what's called**
20 **earnings-based incentive compensation. Do you**
21 **believe the company should recover that from**
22 **customers?**

23 A. Again, going back to my original
24 explanation of the way our program is structured,
25 there are corporate business unit and individual and

1 team metrics. Some of those relate to earnings or
2 financial performance, but I don't think you can
3 separate those from the performance of the company
4 relative to safety, operational, customer experience
5 type measures. Again, even at the frontline field
6 level employees have direct linkage between those
7 performance measures and we can show you improvement
8 over the last four years whether it's leak response
9 time, investment in infrastructure, leaks per
10 thousand miles. I mean, everything that we've seen
11 across the board has shown improvement and I think
12 there is a strong linkage to that with the incentive
13 program, but again, that is not separated from the
14 financial performance. I think those can't be
15 pulled apart.

16 **Q. So, let me concentrate on the financial**
17 **performance then. There's been a thinking that the**
18 **financial incentive compensation just benefits**
19 **shareholders and not customers. Do you agree with**
20 **that?**

21 A. No. I think it can literally have a
22 win-win scenario and what I mean by that is when we
23 saw the chart with the stock price. That's not
24 something we should apologize for. We worked very
25 hard to earn that. I think I appreciate your

1 comment. The market has moved dramatically in many
2 of those years as many of our peer companies, and I
3 think if you had that chart up there for most of our
4 peer companies you would have seen very similar type
5 performances for companies that have the approach we
6 do, which is about invest in the company, do the
7 right things relative to customers, take care of the
8 communities that you serve. So, I don't think
9 that's something we should be apologetic for.

10 And again, I think the fact that you
11 opened your comments in saying even if this were to
12 be fully adopted from a rate perspective, customers'
13 overall bills will be lower than they were ten years
14 ago and that's with the investments we're making and
15 we're not even talking about the other types of
16 investments in platform such as IT and things like
17 that that allow us to be more efficient across our
18 larger footprint.

19 **Q. And I think heard you answer Chairman**
20 **Hall that earnings is just revenues minus costs?**

21 A. And that's a very simplistic. We have
22 many experts that will come and probably give you
23 more sophisticated definitions, but at the highest
24 level that's in essence what it is.

25 **Q. So, if costs are reduced, does that**

1 **improve earnings?**

2 A. Yeah. And clearly, I think my alma
3 mater, Georgia Tech, would be very disappointed if I
4 couldn't understand that between the two variables
5 if one was impacted that it impact the other side of
6 the equation, and it does. And again, our focus is
7 on doing everything we can around the revenue side
8 as well. We want to grow our footprint. We want to
9 keep the customers we have. We want to help the
10 customers that are having a challenge paying their
11 bill. All those are pieces of the overall equation
12 that goes into the earnings piece.

13 **Q. And if those costs are lowered, does**
14 **that benefit customers?**

15 A. Absolutely. Now, I will say costs being
16 lowered by themselves in a vacuum might not be a
17 good thing because those could have service impacts.
18 They could have detrimental performance metrics that
19 we talked about earlier. So, I think in and of
20 themselves maybe on a short-term basis perhaps you
21 could say that, but from a long-term perspective
22 they have to be clearly balanced with the way we
23 invest in our system and the way we perform for our
24 customers.

25 **Q. Okay. Fair point. All else held equal,**

1 **does a reduction in cost by the company that**
2 **increases the company's earnings benefit customers?**

3 A. Absolutely. If performance is managed
4 to the levels that you expect, absolutely.

5 **Q. And the customers benefit when there's a**
6 **rate case; is that right?**

7 A. I'm not sure I understand the question,
8 Mr. Zucker.

9 **Q. Well, when the costs are lowered, the**
10 **customer does not benefit right away; is that true?**

11 A. You talking about in between rate cases?

12 **Q. Yes.**

13 A. Yes. There is no realization of that,
14 nor are there realization of the increased costs in
15 some other areas that we take on. For example, we
16 are making large investments in infrastructure
17 upgrades. That comes with associated depreciation.
18 There are other types of things. So, you have to
19 look at all the pieces, not just look at one
20 individually and say we're going to address that.

21 **Q. Okay. Well, everything else being held**
22 **equal, if the company was able to reduce cost by 1**
23 **dollar in the year before the test year, the**
24 **shareholder would keep that dollar; is that true?**

25 A. In the year before the test year?

1 **Q. Yes.**

2 A. Well, I think, again, usually savings
3 are built upon each other. And so, if we put
4 something in place that creates savings, they should
5 be occurring I would assume in the test year as well
6 as opposed to just a one-time savings.

7 **Q. That was going to be my next question.**

8 A. Okay.

9 **Q. So, if the dollar was saved, then,**
10 **during the test year, would that ultimately go to**
11 **customers?**

12 A. Yes.

13 **Q. One moment, please.**

14 MR. ZUCKER: I have no further
15 questions.

16 JUDGE DIPPELL: Thank you.

17 Thank you, Mr. Lindsey. You can step
18 down.

19 THE WITNESS: Thank you. Thank you,
20 Your Honor, Commissioners, Mr. Chairman.

21 JUDGE DIPPELL: Okay. Given that it is
22 ten till and agenda is due to begin in a few
23 minutes, we're going to go ahead and take a lunch
24 break here. Let's break until 1 o'clock. Come back
25 ready to roll. We can go off the record.

1 (A lunch recess was taken.)

2 JUDGE DIPPELL: We're back on the
3 record.

4 While we were off the record, Laclede
5 was kind enough over the lunch break to get the
6 stipulation and agreement in GM-2013-0254 that the
7 Chairman had asked for earlier and I have marked it
8 as Exhibit No. 55. Would there be any objection to
9 that exhibit coming into the record? Okay. I'm
10 sorry. And that was the stipulation and agreement,
11 if I said that.

12 All right. Then I'm going to admit the
13 stipulation and agreement in Case No. GM-2013-0254
14 as Exhibit 55.

15 (Laclede's Exhibit 55 was admitted into
16 evidence.)

17 JUDGE DIPPELL: And additionally,
18 Ms. Shemwell, you had your exhibit from the chart
19 that you put up --

20 MS. SHEMWELL: Yes.

21 JUDGE DIPPELL: -- during your opening
22 remarks and I was going to mark that as a
23 demonstrative exhibit also.

24 MS. SHEMWELL: If you'd like to assign
25 it a number, I will bring copies down at the next

1 break.

2 JUDGE DIPPELL: All right.

3 MS. SHEMWELL: Thank you.

4 JUDGE DIPPELL: That will be Exhibit
5 427.

6 MS. SHEMWELL: Okay. Thank you.

7 JUDGE DIPPELL: All right, then. Let's
8 go ahead and continue with our next witness.

9 MR. PENDERGAST: Thank you, Your Honor.
10 The company would call C. Eric Lobser to
11 the stand.

12 JUDGE DIPPELL: Will you, please, raise
13 your right hand.

14 ERIC LOBSER,
15 having been called as a witness herein, having been
16 first duly sworn, was examined and testified as
17 follows:

18 JUDGE DIPPELL: Thank you.

19 Go ahead, Mr. Pendergast.

20 MR. PENDERGAST: Thank you, Your Honor.

21 DIRECT EXAMINATION

22 BY MR. PENDERGAST

23 Q. Mr. Lobser, are you the same C. Eric
24 Lobser that has previously filed direct, rebuttal,
25 and surrebuttal testimony in these proceedings that

1 have previously been marked as company Exhibits 006,
2 007 and 008?

3 A. Yes.

4 Q. Okay. Do you have any corrections to
5 make to your direct, rebuttal, or surrebuttal
6 testimony?

7 A. No, I do not.

8 Q. If I were to ask you the same questions
9 today that appear in your direct, rebuttal, and
10 surrebuttal testimony, would your answers today be
11 the same?

12 A. Yes.

13 Q. And are those answers true and correct
14 to the best of your knowledge and belief?

15 A. Yes.

16 MR. PENDERGAST: With that, I would
17 request that Exhibits 6, 7, and 8 be admitted into
18 evidence and I would tender Mr. Lobser for
19 cross-examination.

20 (Laclede's Exhibits 6, 7, and 8 were
21 offered into evidence.)

22 JUDGE DIPPELL: Would there be any
23 objection to Exhibits 6, 7, or 8.

24 MR. JARRETT: Judge, we just kind of
25 talked about this a little on the record. This is

1 one of those witnesses who testifies on a lot of
2 issues and while I have no objections to the portion
3 that deals with policy we're addressing now, I may
4 have some problems with some other sections later.

5 MR. PENDERGAST: Your Honor, we're fine
6 with waiting until Mr. Lobser has finished his
7 rather prodigious testifying throughout the case.
8 Thank you.

9 JUDGE DIPPELL: Then we will hold the
10 exhibits until after the witness testifies and deal
11 with objections as they come.

12 MR. JARRETT: Thank you.

13 JUDGE DIPPELL: Thank you.

14 So, and the reference there was before
15 we went on the record we did discuss whether it was
16 proper to offer some of the larger accounting
17 schedules or cost of service reports and so forth
18 that multiple witnesses were testifying on at the
19 beginning or at the end. We decided it was better
20 to offer them at the end. This is kind of one of
21 those cases where witness on multiple issues. So, I
22 will ask you to go ahead and, and put them in there
23 so I can make sure that they're marked and
24 everything, if you would, and then we'll offer them
25 at the -- at the last witness, if that works okay.

1 All right, then. Let's go ahead and
2 begin with cross-examination. Staff.

3 MS. PAYNE: No questions.

4 JUDGE DIPPELL: Public Counsel.

5 MS. SHEMWELL: No questions. Thank you.

6 JUDGE DIPPELL: Division of Energy.

7 MIEC.

8 MR. MILLS: Just briefly.

9 CROSS-EXAMINATION

10 BY MR. MILLS

11 Q. Mr. Lobser, are you familiar with the
12 practice of making adjustments in a rate case for
13 known and measurable changes?

14 A. Yes.

15 Q. And sometimes, depending on the issue,
16 sometimes that's a revenue increase in adjustment,
17 sometimes a revenue decrease in adjustment?

18 A. Yes.

19 MR. MILLS: I have no further questions.

20 JUDGE DIPPELL: Midwest Energy

21 Consumers.

22 MR. WOODSMALL: No questions.

23 JUDGE DIPPELL: National Housing Trust.

24 Environmental Defense Fund.

25 MS. KARAS: No questions, Your Honor.

1 JUDGE DIPPELL: Consumers Council?

2 MoGas.

3 MR. JARRETT: No questions.

4 JUDGE DIPPELL: Are there questions from
5 the bench?

6 CHAIRMAN HALL: Good afternoon.

7 THE WITNESS: Good afternoon.

8 CHAIRMAN HALL: There's been some
9 discussion about the synergies or cost savings that
10 resulted from the -- from the merger --

11 THE WITNESS: Yes.

12 CHAIRMAN HALL: -- between MGE and
13 Laclede. I guess it was actually an acquisition or
14 was there a merger?

15 THE WITNESS: Between Laclede and MGE
16 was an acquisition of the assets.

17 CHAIRMAN HALL: Okay. And I believe
18 that that was estimated at around \$50 million a
19 year. Is that an accurate number from your
20 understanding?

21 THE WITNESS: From my understanding, the
22 total amount would be about that. It breaks down
23 into different buckets. There's amounts related to
24 capital savings, which is around 9 or \$10 million a
25 year. There's amounts related to added revenues

1 from additional customers. It's about three-or-so
2 million, and the remainder is O&M between cost
3 savings that O&M.

4 CHAIRMAN HALL: So, the \$50 million
5 figure is, is an accurate number?

6 THE WITNESS: I believe so. It might be
7 slightly less than that, 49-point-something, but
8 that's best of my recollection.

9 CHAIRMAN HALL: And that's an annual
10 amount of savings?

11 THE WITNESS: Yes. On a gross basis,
12 because we've had, you know, other cost increase,
13 pay raises in between, but that is a gross number
14 for synergy savings.

15 CHAIRMAN HALL: And so, the quarterly
16 reports that the company was required to file
17 explaining those, those synergies, that was pursuant
18 to the stipulation and agreement approved by the
19 Commission?

20 THE WITNESS: Correct.

21 CHAIRMAN HALL: Can you find that for me
22 in the --

23 THE WITNESS: In the stipulation?

24 CHAIRMAN HALL: Yeah.

25 THE WITNESS: I don't have the

1 stipulation with me, but I think there's...

2 CHAIRMAN HALL: I'll give you mine --
3 oh, I need mine.

4 COMMISSIONER KENNEY: Give you mine.

5 THE WITNESS: I believe what you're
6 referencing is on page 10 of 43 related to the
7 one-time noncapital costs where we would provide
8 those reports to Staff and OPC each year on
9 January 15th. That that is the one element of it.
10 The synergies themselves I would have thought would
11 have been in the same section. Sorry. I'm not able
12 to find the agreement to provide the quarterly
13 reporting on the synergies at the moment, but the
14 amount -- or the reporting of the one-time cost for
15 the transitions is on page 10. I would have thought
16 the synergies was in the same section.

17 CHAIRMAN HALL: Well, I do see in that
18 section where it says that Laclede gas shall provide
19 in the rate case a listing of all the annual cost
20 reductions by FERC divisional accounts related to
21 the synergies. Was that provided in this rate case?

22 THE WITNESS: We provided information
23 related to those savings and in a DR we broke out
24 the approximate allocations by FERC account. They
25 were provided in a data response during this rate

1 case.

2 CHAIRMAN HALL: So, is that going to be
3 introduced into evidence, that DR?

4 MS. PAYNE: Chairman, when the Staff
5 witness Keith Majors is on the stand, I believe it
6 was included with as an attachment to his testimony,
7 but yeah, we can also submit it as a separate
8 exhibit.

9 CHAIRMAN HALL: That's probably
10 unnecessary then.

11 Okay. So, what about the quarterly
12 reports? Are we still --

13 JUDGE DIPPELL: Mr. Chairman.

14 CHAIRMAN HALL: Yes.

15 JUDGE DIPPELL: I think on page 20 at
16 number 11 perhaps that's the reporting.

17 THE WITNESS: Thank you, Judge. Yes.

18 CHAIRMAN HALL: Do you know if the -- if
19 the quarterly reports required under this section
20 are the basis for the DR that was attached to
21 Staff's witness testimony concerning these
22 synergies? Is it going to be the same numbers?

23 THE WITNESS: I don't know that with any
24 certainty. The quarterly reports were the basis for
25 the number that you asked about before, the

1 \$50 million.

2 CHAIRMAN HALL: Okay.

3 THE WITNESS: And then the DR was in
4 response to a specific question to provide how those
5 broke out by FERC account.

6 CHAIRMAN HALL: Well, I guess I'll get
7 into that a little bit more when that issue.

8 What is the issue where that will be at
9 issue? And I guess I'll ask you this.

10 THE WITNESS: Transition costs.

11 MS. PAYNE: Transition costs.

12 CHAIRMAN HALL: Okay. Which actually
13 leads me to my next question. Where in the
14 stipulation is the 50 percent provision for
15 transition costs?

16 THE WITNESS: That was back in the
17 section I was at before. I lost track of it, but it
18 was, yeah, the one-time noncapital transition costs
19 I believe referenced a chart that then has that
20 50 percent as one of the headline numbers and I
21 believe it was in appendix A.

22 CHAIRMAN HALL: Attachment one.

23 THE WITNESS: Attachment one. Thank
24 you.

25 CHAIRMAN HALL: Which is --

1 THE WITNESS: Yeah. There's a grid.

2 CHAIRMAN HALL: Yeah. That's not
3 included in this document.

4 THE WITNESS: I believe it's in my
5 testimony, that page.

6 CHAIRMAN HALL: Oh, well, then that's --

7 COMMISSIONER KENNEY: Direct.

8 THE WITNESS: That's in my -- I believe
9 in the surrebuttal. Yes, in my surrebuttal towards
10 the, I think, it's the second-to-last or
11 third-to-last page.

12 COMMISSIONER KENNEY: Yeah. Page 8.
13 MGE transition costs.

14 THE WITNESS: Should look like this.

15 MR. PENDERGAST: Do you have it,
16 Commissioner -- Chairman?

17 CHAIRMAN HALL: Yes, I do. Thank you.
18 Were you involved in those -- in those
19 negotiations concerning that 50 percent number?

20 THE WITNESS: Yes. Somewhat in a
21 different capacity. At that time I was working in
22 the corporate development area part of the
23 acquisition.

24 CHAIRMAN HALL: Do you believe that that
25 50 percent number was critical to consummating the

1 deal?

2 THE WITNESS: The treatment of the
3 synergies was a significant element to understanding
4 the value of the deal, yes.

5 CHAIRMAN HALL: Okay. So, then let me
6 just turn to a moment -- turn for a moment to an
7 issue that was raised I think by Mr. Lindsey in
8 response to a question from counsel, and that is
9 whether or not recovering these synergies is a
10 necessary component of acquisitions, and I believe
11 the question was something along the lines of if, if
12 the synergies had to be returned to ratepayers, then
13 would shareholders have an interest in, in these
14 type of acquisitions. Do you remember that
15 discussion?

16 THE WITNESS: I remember that, yes.

17 CHAIRMAN HALL: Well, what is your
18 thought on that?

19 THE WITNESS: There are, obviously,
20 multiple jurisdictions throughout the U.S. with
21 somewhat different treatment of synergies. Some
22 allow 50 percent up to ten years and some have
23 earning sharing mechanisms that allow retention of
24 them to the extent that there's no allowance for
25 retention of those synergies. Since those are a

1 significant element of the value of the deal, it
2 would essentially mean that somebody that was in
3 that jurisdiction really wouldn't be in contention
4 for an acquisition.

5 CHAIRMAN HALL: At all or just less
6 likely?

7 THE WITNESS: At all. The bids are that
8 close they would not be in contention at all.

9 CHAIRMAN HALL: I think that's all I
10 have. Thank you.

11 THE WITNESS: Okay.

12 JUDGE DIPPELL: Are there any other
13 questions.

14 COMMISSIONER KENNEY: No questions.
15 Thank you.

16 COMMISSIONER STOLL: No questions.
17 Thank you.

18 JUDGE DIPPELL: All right. Is there
19 further cross-examination based on Commission
20 questions from Staff?

21 MS. PAYNE: I have one question, then.

22 RE-CROSS-EXAMINATION

23 BY MS. PAYNE

24 Q. In response to the Chairman you stated
25 that the company provided the information regarding

1 the synergy savings to Staff by FERC account; is
2 that correct?

3 A. As part of a DR, I believe.

4 Q. Would it surprise you if I told you that
5 the company did not, in fact, provide that
6 information by FERC account as they agreed to in the
7 stip?

8 A. I believe that we -- again, this was a
9 statement of, you know, what I believed. I believed
10 that we had provided that information by FERC
11 account in response to a DR. So, it would be
12 surprise that we had not.

13 MS. PAYNE: Okay. I have no further
14 questions.

15 JUDGE DIPPELL: Public Counsel.

16 MS. SHEMWELL: No. Thank you.

17 JUDGE DIPPELL: Division of Energy.

18 MIEC.

19 MR. MILLS: No questions.

20 JUDGE DIPPELL: MEC.

21 MR. WOODSMALL: No questions.

22 JUDGE DIPPELL: National Housing Trust.

23 Environmental Defense Fund.

24 MS. KARAS: No questions.

25 JUDGE DIPPELL: Consumers Council.

1 MoGas.

2 MR. JARRETT: No. Thank you.

3 JUDGE DIPPELL: All right. And is there
4 any redirect?

5 MR. PENDERGAST: Yes. Just a few
6 questions.

7 REDIRECT EXAMINATION

8 BY MR. PENDERGAST

9 Q. You were asked by Chairman Hall about
10 how important being able to retain at least for some
11 period of time the synergies created by an
12 acquisition and bringing two companies together was.
13 Do you recall those questions?

14 A. Yes.

15 Q. And do you recall whether Staff witness
16 Mark Oligschlaeger has filed testimony in this case
17 that kind of goes into what the Missouri approach is
18 to this issue?

19 A. Yes, I do.

20 Q. And is it true that Mr. Oligschlaeger
21 has generally said that Staff prefers an approach
22 where you go out, you do an acquisition through the
23 operation of regulatory lag, a utility is permitted
24 to go ahead and retain those synergies until a rate
25 case comes along. That's a value to the utility.

1 **And secondly, that there has been some allowance of**
2 **transition costs incurred to integrate the companies**
3 **and achieve those synergies. Is that your**
4 **recollection of what he has said?**

5 MR. MILLS: Judge, can I object on that
6 basis? That's a leading question.

7 MR. PENDERGAST: I'll rephrase.

8 **Q. (By Mr. Pendergast) Has**
9 **Mr. Oligschlaeger addressed this?**

10 A. Yes, he has.

11 **Q. And what has he said?**

12 A. He went into I think it was a couple
13 pages of discussion about the treatment of synergies
14 and transition costs. It was, from my recollection,
15 his belief that the Commission didn't need to
16 provide additional incentives, nor should they
17 disincentivize companies from acquisitions, but that
18 regulatory lag in this case was the incentive that
19 he felt was appropriate for retention of those
20 synergies in addition to recovery of -- and I don't
21 recall whether there was a percentage that he
22 stated, but some recovery of those transition costs.

23 **Q. And is what he said consistent with your**
24 **own view or not of what the regulatory treatment in**
25 **Missouri has been on this issue?**

1 A. Yeah, it's pretty consistent.

2 Q. Okay. And you indicated that there were
3 other jurisdictions that do it differently?

4 A. Yes.

5 Q. And do some jurisdictions permit some
6 sort of explicit sharing of those synergies?

7 A. Yeah. There's various approaches. Some
8 require a showing of the synergies upfront and then
9 providing a specific credit to customers and then to
10 the extent that they can exceed that, then that's
11 sort of theirs to keep over and above that sharing.
12 There's some jurisdictions that have a five-year
13 period of time or ten-year period of time where
14 those -- some portion of those synergies. In the
15 case of Georgia I believe it was the -- it's about
16 50 percent for ten years were allowed to be
17 retained. Other jurisdictions have in place a
18 earning sharing mechanism and once the company goes
19 over a certain ROE level, then some portion is
20 shared with the customers and then usually it
21 becomes a smaller percentage the higher the return
22 is.

23 Q. And have you -- well, are there two sets
24 of synergies basically at issue in this case? The
25 first having to do with the MGE acquisition and then

1 **a second set that have to do with the Alagasco and**
2 **Energy South acquisitions?**

3 A. Yeah. I sort of consider those three
4 sets, but yes. There's -- a lot of the synergies
5 we've been talking about, the ones that are part of
6 the recording part of the stipulation are part of
7 the Laclede gas purchase of the MGE assets, but then
8 there's also a proposal that we have relating to the
9 synergies that were developed from the acquisition
10 of Alagasco by the Laclede Group at that time and
11 then more recently of Energy South, and there's a
12 proposal in there for some retention of those
13 synergies given the short duration of time. You
14 know, Alagasco being at least a year less than the
15 MGE, and the Energy South having, you know, just
16 recently occurred and a lot of the integration
17 planning just occurring during this year. So, yes,
18 there are definitely distinct sets of synergies that
19 are at stake in this proceeding.

20 **Q. And would it be fair to say that in your**
21 **proposal relating to a sharing of the Alagasco**
22 **Energy South synergies, you try to use a Missouri**
23 **framework for how that might be done?**

24 A. Yeah. One of the proposals I put forth
25 was the period of time that we've been out of the

1 rate case since the MGE acquisitions. You know,
2 roughly four-year period of time using that same
3 time frame, again, with Alagasco being one year less
4 and Energy South being roughly three years less than
5 that MGE acquisition. The look was there's a number
6 of relatively fixed costs from our shared services,
7 which is -- those costs are spread across the
8 additional jurisdictions, which help reduce costs
9 for Missouri ratepayers despite really not having
10 anything to do with, you know, Missouri.

11 And so, there's some benefit to those
12 acquisitions that the Laclede Group, now Spire, were
13 able to achieve that are at discussion for this
14 case, and the proposal was to take a look at those
15 sharing of costs and those benefits that would
16 otherwise be rolled up into this rate case and say,
17 you know, have a period of time roughly equivalent
18 to the period of time that we had from the MGE
19 acquisition to continue to have some percentage of
20 benefit for those cost savings that Missouri
21 customers will benefit from.

22 **Q. And just from a quantification**
23 **standpoint, what proportion of those synergies**
24 **relating to these other acquisitions would be passed**
25 **through to customers in this case and what**

1 percentage would be retained by the company under
2 that proposal you talked about?

3 A. The 2017 run rate for those net
4 allocations, again, the cost sharing to those
5 jurisdictions was about \$19 million, and we had
6 proposed that we would take the one year related to
7 Alagasco and three years related to Energy South,
8 that a combined number of that I think
9 coincidentally is close to \$19 million and then
10 amortize that over a four-year period of time after
11 just taking -- I believe the percentage was
12 50 percent of that and it came out to 3.2 million,
13 which is about 17 percent of the run rate savings
14 that Missouri customers will experience from the
15 sharing of those costs related to acquisitions done
16 by the parent company, not by Laclede, Laclede Gas.

17 Q. Okay. So, under that proposal
18 83 percent gets flowed through to Missouri customers
19 immediately. The company --

20 MS. SHEMWELL: Judge, I'm going to
21 object to this. This doesn't seem related to any
22 questions from the Commission.

23 MR. PENDERGAST: Well, I think there was
24 a question about synergies and treatment and how
25 significant a factor that was in whether you go

1 forward with acquisitions or not. So, I think this
2 is perfectly within the scope of that.

3 MS. SHEMWELL: About MGE. The
4 Commissioner raised questions about MGE.

5 MS. PAYNE: Judge, I'll also go ahead
6 and raise an objection that this actually isn't even
7 an issue in this case if you review the list of
8 issues.

9 JUDGE DIPPELL: Okay. I'm going to
10 allow him to ask the question just because I think
11 that it was made clear that there are different
12 synergies involved here and I want that to be clear.

13 Go ahead, Mr. Pendergast.

14 MR. PENDERGAST: Yeah. I'll be real
15 brief.

16 **Q. (By Mr. Pendergast) So, under your**
17 **proposal 83 percent of these synergies would be**
18 **flowed through to customers immediately and**
19 **17 percent would be retained by the company until**
20 **the next rate case?**

21 A. Yes.

22 MR. PENDERGAST: Okay. Thank you. I
23 have no further questions.

24 JUDGE DIPPELL: Thank you.

25 Mr. Lobser, I believe that's all for

1 now.

2 THE WITNESS: And just doing the, the
3 math in my head, I think it was -- if it's 16 for
4 Alagasco and three years of Energy South, I think
5 the total was 25. So, I'm sorry. I misspoke on
6 that.

7 JUDGE DIPPELL: All right. Thank you.

8 COMMISSIONER KENNEY: Can you hand me
9 my...?

10 Thank you.

11 JUDGE DIPPELL: I think our next witness
12 is with Staff.

13 MS. PAYNE: Yes. Thank you.

14 Judge, Staff would call Jamie Myers to
15 the stand.

16 JAMIE MYERS,
17 having been called as a witness herein, having been
18 first duly sworn, was examined and testified as
19 follows:

20 JUDGE DIPPELL: Thank you.

21 DIRECT EXAMINATION

22 BY MS. PAYNE

23 **Q. Can you, please, state and spell your**
24 **name for the court reporter.**

25 A. Yes. Jamie Myers, J-A-M-I-E M-Y-E-R-S.

1 Q. And, Ms. Myers, how are you employed and
2 what is your position?

3 A. I'm employed with the Missouri Public
4 Service Commission. My position is Staff deputy
5 counsel or Staff -- pardon. No longer counsel. I'm
6 the deputy director.

7 Q. All right, Ms. Myers. And did you
8 prepare or cause to be prepared direct testimony in
9 this case currently labeled as Exhibits 201 and 207?

10 A. I did.

11 Q. And do you have any changes or
12 corrections to make to that testimony at this time?

13 A. No corrections.

14 Q. And are the answers contained in that
15 testimony true and correct to the best of your
16 knowledge and belief?

17 A. Yes, they are.

18 Q. And if I asked you the questions
19 contained in that testimony today, would your
20 answers be the same?

21 A. They would be.

22 MS. PAYNE: All right. Judge, at this
23 time I will move for the admission of Exhibits 201
24 and 207, the direct testimony of Jamie Myers.

25 MS. SHEMWELL: Pardon me. Do we have

1 the same issue that she's going to be testifying
2 again on other issues and was the plan to hold off?

3 JUDGE DIPPELL: Her testimony references
4 the policy in the case. So, I think it might be
5 appropriate to offer it for admission now, but if
6 you prefer I wait, I can.

7 MS. SHEMWELL: Yeah. She does the next
8 performance metrics and --

9 MS. PAYNE: Since clearly there's some
10 concern about this, I will wait to offer this
11 testimony.

12 JUDGE DIPPELL: Okay. That's fine.

13 MS. PAYNE: However, if I can, I will go
14 ahead and offer Staff's accounting schedules at this
15 time labeled as Exhibits 202 and 203.

16 (Staff's Exhibits 202 and 203 were
17 offered into evidence.)

18 JUDGE DIPPELL: Would there be any
19 objection to Staff accounting schedules 202 and 203?

20 MR. WOODSMALL: And just to clarify,
21 those are the original accounting schedules?

22 MS. PAYNE: Those are the accounting
23 schedules that were filed with our direct testimony,
24 correct.

25 MR. WOODSMALL: Thank you. No

1 objection.

2 JUDGE DIPPELL: Great. Then I will
3 admit Exhibits 202 and 203.

4 (Staff's Exhibits 202 and 203 were
5 admitted into evidence.)

6 MS. PAYNE: And if I could also move for
7 the admission of Staff's reconciliations to be
8 marked as Exhibits 268 and 269 that were distributed
9 prior to the start of the afternoon portion of this
10 hearing to everyone.

11 (Staff's Exhibits 268 and 269 were
12 offered into evidence.)

13 JUDGE DIPPELL: And can you designate
14 which one of those is Laclede and which one is MGE?

15 MS. PAYNE: The reconciliation for
16 Laclede is designated as 268 and the reconciliation
17 for Missouri Gas Energy is designated as 269.

18 JUDGE DIPPELL: And this is your
19 updated?

20 MS. PAYNE: And this is our most recent
21 reconciliation.

22 JUDGE DIPPELL: Would there be any
23 objection to 268 or 269?

24 MR. ZUCKER: So, do I understand that
25 it's dated November 30th? Is that right?

1 MS. PAYNE: That may be the date on
2 there. However, I do know that it was prepared this
3 week.

4 MR. ZUCKER: So, this is Staff's most
5 recent?

6 MS. PAYNE: This is Staff's most recent,
7 correct.

8 MR. ZUCKER: No objections.

9 MS. SHEMWELL: And Laclede is 268?

10 MS. PAYNE: Yes. And MGE is 269.

11 JUDGE DIPPELL: All right. Then seeing
12 no objection, I will enter Exhibit 268 and 269.

13 (Staff's Exhibits 268 and 269 were
14 admitted into evidence.)

15 MS. PAYNE: And with that I will tender
16 this witness for cross.

17 JUDGE DIPPELL: All right. I'm catching
18 up here.

19 Is there cross-examination from Public
20 Counsel?

21 MS. SHEMWELL: There is not. Thank you.

22 JUDGE DIPPELL: MIEC.

23 MR. MILLS: No questions.

24 JUDGE DIPPELL: MEC.

25 MR. WOODSMALL: Very briefly, Your

1 Honor.

2 CROSS-EXAMINATION

3 BY MR. WOODSMALL

4 Q. Good afternoon.

5 A. Good afternoon.

6 Q. In my opening statement I discussed
7 discovery problems. Are you familiar with any
8 discovery problems that Staff had in this case?

9 A. I am.

10 Q. And can you tell me what kind of
11 problems you had?

12 A. Yeah. So, we did file a motion in this
13 case and we did request a discovery conference. We
14 were able to work that issue out before it got to
15 conference, but just generally, I mean, you know,
16 there were some data-gathering concerns that we had.
17 I think that was also mentioned kind of briefly on
18 cross by Ms. Payne in terms of, you know, trying to
19 get the information by FERC account as well. So, I
20 mean, there were some discovery concerns, but we
21 worked with the company.

22 Q. And were data request responses
23 generally timely?

24 A. Generally, yes. I mean, there was some
25 outreach we made to the company, but generally, yes.

1 **Q. And do you believe that the company's**
2 **discovery responses and timeliness, the adequacy of**
3 **the responses, how do they compare to the responses**
4 **you see in company rate cases?**

5 MR. PENDERGAST: Your Honor, I'm going
6 to object. I've looked at the issues list and I
7 don't see anything related to discovery concerns.
8 We have a process for raising those. If people have
9 a problem with it, we have a number of technical
10 conferences or discovery conferences to talk about
11 it and I think at this stage these questions have no
12 relevance to this proceeding.

13 JUDGE DIPPELL: I'm going to overrule
14 your objection. I think that it, it goes to basic
15 regulatory policy and the overview, which is the
16 issues that we're discussing here today.

17 **Q. (By Mr. Woodsmall) And I'll be very**
18 **brief. Can you compare how the company's**
19 **responsiveness was to other companies that you've**
20 **dealt with?**

21 A. I can compare in terms of, yes, I have
22 done recent rate cases. I was in a different role,
23 though. So, personally I have not had to reach out
24 to companies quite as often as I did in this case in
25 terms of dealing with that, but I will note, as

1 mentioned, these are two cases working at one time.
2 So, again, we did reach out to the company. We were
3 able to resolve a lot of our issues, but hence, we
4 did make a proposal in here for additional
5 surveillance reporting and some sort of, you know,
6 information concerns that we had that we addressed
7 in our cost of service report.

8 MR. WOODSMALL: Thank you. No further
9 questions.

10 JUDGE DIPPELL: Environmental Defense
11 Fund.

12 MS. KARAS: No questions.

13 JUDGE DIPPELL: MoGas.

14 MR. JARRETT: No questions.

15 JUDGE DIPPELL: Spire.

16 MR. PENDERGAST: Thank you, Your Honor.

17 CROSS-EXAMINATION

18 BY MR. PENDERGAST

19 Q. Good afternoon, Ms. Myers.

20 A. Good afternoon, Mr. Pendergast.

21 Q. As I understand it, your role here today
22 is to testify on the overall policy considerations
23 driving Staff's revenue requirement, rate design,
24 class cost of service allocations, tariff issues; is
25 that correct?

1 A. That is correct.

2 Q. And could you briefly describe your
3 **employment history at the Commission. I know that**
4 **you mentioned it in your -- one of your pieces of**
5 **direct testimony.**

6 A. I did, I did. I started here in the
7 Staff counsel's office, which probably is why I
8 mistakenly called myself counselor earlier, and then
9 I transitioned to my current role, which is Staff
10 deputy director.

11 Q. Okay. Great. Thank you.
12 And is this your first time testifying?

13 A. It is.

14 Q. Congratulations.

15 A. Thank you.

16 Q. Now, you submitted two pieces of
17 **testimony in this case; is that correct?**

18 A. That is correct.

19 Q. And one was direct testimony. I think
20 **it was filed on September 8th and that's been marked**
21 **as Staff Exhibit 201 --**

22 A. Yes.

23 Q. -- is that correct?

24 And that was basically to go along with
25 **the revenue requirement, cost of service testimony**

1 that the Staff filed?

2 A. Yes.

3 Q. And then subsequently you filed another
4 piece of direct testimony, which has been marked as
5 207; is that correct?

6 A. That is correct.

7 Q. And that was basically designed to go
8 along with the rate design recommendations and class
9 cost of service testimony of Staff?

10 A. Correct.

11 Q. Okay. Fine.

12 And did you in your role of deputy
13 director look at the various pieces of testimony as
14 they were being prepared and filed?

15 A. Yes. I read all of our testimony before
16 it was filed and after it was filed.

17 Q. Wonderful. Was that an enjoyable
18 process?

19 A. Yes.

20 CHAIRMAN HALL: You are the poster now.

21 Q. (By Mr. Pendergast) And, you know, I
22 just like to start out with kind of a big picture
23 here. There was some discussion today about the new
24 EMS run that was provided by Staff and I think that
25 basically under those EMS runs you're recommending a

1 total of 17.7 million for both MGE and Laclede; is
2 that about right?

3 A. That is about right, yes.

4 Q. Okay. And that 17.7 million is what
5 Staff's recommending and it has to cover the revenue
6 requirement of the current ISRS, right? I mean,
7 you're rebasing the ISRS. So, it has to cover that?

8 A. Uh-huh.

9 Q. And that's currently at about
10 \$49 million?

11 A. Yes.

12 Q. Okay. So, 17.7 million in a revenue
13 requirement to cover \$49 million in revenue
14 requirement associated with ISRS; is that right?

15 A. Well, it doesn't cover, if that is your
16 point.

17 Q. Well, you're saying that we can rebase
18 ISRS, forty, you know, nine million dollars of that
19 and take that down to zero and what comes out the
20 other end is 17.7 million; is that right?

21 A. What I'm saying is we only believe
22 17.7 million is what's needed in this case.

23 Q. And that's fine. And all I'm trying to
24 do is point out you're saying that needs to be
25 rebased, go down to zero, that 49 million goes away

1 and in its place we're recommending 17.7 million?

2 A. Yes.

3 Q. Okay. And that 17.7 million in addition
4 to paying for the \$49 million in capital investment
5 associated with ISRS, it's Staff's view that's
6 sufficient to go ahead and cover all of the other
7 non-ISRS capital investments that have been made by
8 the company since its last rate case?

9 A. From Staff's view, it's what's needed to
10 cover all of the investments that we looked at.

11 Q. And those would be investments like the
12 32.5 million investment that was made to upgrade
13 MGE's information management system?

14 A. If that was included in the test year.

15 Q. Okay. So, once again, that's
16 32.5 million and this 17.7 million is covering that
17 as well?

18 A. Again, we look at the whole picture.
19 Again, as we're looking at the big picture, yes.

20 Q. And as you look at the whole picture,
21 the answer would be yes, it's supposed to cover that
22 as well?

23 A. Yes.

24 Q. And any other investment that the
25 company has made over that period of time that was

1 for regulated utility service?

2 A. Yes.

3 Q. Okay. And we also have in this case a
4 number of regulatory assets, do we not?

5 A. I believe so, yes.

6 Q. Okay. One of them would be the pension
7 asset and I think Staff has recognized that it's
8 right around 135 million now; is that correct?

9 A. I believe in total.

10 Q. Okay. And Staff has included in rates
11 an allowance to permit that to be amortized over,
12 what is it, an eight-year period?

13 A. Subject to check, I believe that is Matt
14 Young's testimony.

15 Q. Okay. And included in rate base?

16 A. I'm not certain about the rate base.

17 Q. Okay. Let's just go with the
18 amortization. What would 135 million divided by 8
19 be?

20 A. I couldn't tell you offhand. I would
21 probably need a calculator. I could probably give
22 you a rough estimation, if that's what you're
23 looking for.

24 Q. A rough estimation would be just fine.

25 A. \$30 million. \$16 million.

1 Thank you. I appreciate, if I'm allowed
2 to take assistance from the crowd.

3 **Q. Okay. So, so, if rates have \$16 million**
4 **in it that are designed to go ahead and now that**
5 **we're finally trying to draw down on it to help pay**
6 **for that and narrow it down, right?**

7 A. I can't answer the specifics of that. I
8 would suggest you ask Matt Young.

9 **Q. Well, let's just assume for argument**
10 **sake that it's around \$16 million and my question to**
11 **you is: Is the 17.7 million supposed to cover that**
12 **\$16 million as well?**

13 A. We're saying in total 17.7 million is
14 what is needed in base rates at this point.

15 **Q. Okay. And so, since you're saying**
16 **that's what's needed in total, that would be**
17 **covering that cost as well?**

18 A. Yes. We looked at that cost as well.

19 **Q. Okay. And we also have some assets**
20 **associated with our energy efficiency program, do we**
21 **not?**

22 A. Yes, you do.

23 **Q. That's around \$30 million; is that**
24 **correct?**

25 A. I believe that is about correct.

1 Q. Okay. And that's being amortized in
2 rates as well, is it not?

3 A. I believe so.

4 Q. Okay. And that's being amortized over a
5 ten-year period?

6 A. I'm not certain about the amortization
7 period.

8 Q. Well, assume it's ten years. 30 million
9 divided by ten. That's another \$3 million that's in
10 rates that this 17.7 million is supposed to be
11 covering; is that correct?

12 A. Yes, we looked at that as well.

13 Q. Okay. And we have other amortization in
14 rates. For example, Staff has proposed to amortize
15 the cost of the St. Peters lateral over four
16 years; is that correct?

17 A. I'm not certain that we proposed that
18 four years in testimony.

19 MS. PAYNE: I'll object, Your Honor.
20 The St. Peters lateral is not an issue in this case
21 currently.

22 MR. PENDERGAST: Okay. Sorry. We've
23 had so many issues. If I've gone beyond what's been
24 formally put in testimony, I will go ahead.

25 Q. (By Mr. Pendergast) Does Staff have

1 anything in its case for the St. Peters lateral at
2 this point?

3 A. We do, and Karen Lyons would be the
4 witness on that.

5 Q. Okay. And do you know what's in its
6 case?

7 A. I do believe there's an amortization
8 period.

9 Q. Okay. And so, whatever that
10 amortization period is and whatever the cost is,
11 that's being covered by the 17.7 million; is that
12 correct?

13 A. We did look at that, yes.

14 Q. Okay. So, it has to be covering that as
15 well.

16 So, oh, can you explain to the
17 Commission what the St. Peters lateral was?

18 A. I cannot go into that sort of detail. I
19 would suggest Karen Lyons would be the witness for
20 that.

21 Q. Okay. So, you're not aware of what
22 savings were achieved by the company as associated
23 with that in pipeline discounts?

24 A. I understand there were savings, which
25 is why we did suggest an amortization.

1 Q. We can discuss that later on.

2 So, this 17.7 million is going to be a
3 pretty busy dollar amount, isn't it? It's got a lot
4 of work to do, does it not?

5 A. It would depend on perspective, but I
6 would say Staff looked at everything, big picture,
7 in total and that was our number.

8 Q. Okay. Thank you.

9 Now, there's been a lot of discussion
10 already about the company's various acquisitions; is
11 that correct? And are we dealing with the financial
12 effects of those in these cases?

13 A. Yes. There has been that conversation
14 and discussion.

15 Q. Yeah. And we got a number of issues in
16 this case that some have been worked out and some
17 have not; is that right?

18 A. I believe so, yes.

19 Q. Okay. And I think Ms. Shemwell talked
20 about the Staff investigation that was done in 2016
21 regarding Spire's acquisition of Energy South and
22 Alagasco. Do you recall that?

23 A. I briefly recall she mentioned that in
24 opening.

25 Q. Yes. And did Staff, indeed, conduct

1 **such an investigation?**

2 A. Yes, it's my understanding Staff did.

3 Q. **And did it prepare a report?**

4 A. Yes.

5 Q. **Okay. And was that report presented in**
6 **September 1st, 2016? Does that sound familiar?**

7 A. I can't confirm that exact date, but
8 around that time frame.

9 Q. **Okay. And Mr. Hyneman was kind enough**
10 **to include a copy of that Staff report in his**
11 **surrebuttal testimony, was he not?**

12 A. I do believe he did, yes.

13 Q. **And he not only included a copy of that,**
14 **but he also discussed how it was characterized in**
15 **the St. Louis papers the day it came out. Do you**
16 **have a copy of his testimony by any chance?**

17 A. I do not.

18 Q. **Okay.**

19 A. Ms. Shemwell just provided me with a
20 copy.

21 Q. **Fantastic.**

22 MS. SHEMWELL: And here's his rebuttal.

23 THE WITNESS: Thank you.

24 Q. **(By Mr. Pendergast) And if I could**
25 **direct your attention to page 29, lines three to six**

1 **of Mr. Hyneman's testimony.**

2 JUDGE DIPPELL: Which testimony are you
3 looking at Mr. Pendergast?

4 THE WITNESS: Thank you.

5 MR. PENDERGAST: The testimony of --
6 surrebuttal testimony of Charles Hyneman and I do
7 not have the exhibit number with me.

8 A. I do not have his surrebuttal.
9 Ms. Shemwell provided me with his direct and
10 rebuttal.

11 MS. SHEMWELL: Even bigger.

12 THE WITNESS: Thank you.

13 A. Yes. I now have his surrebuttal.

14 Q. (By Mr. Pendergast) Okay. Great.

15 And if you -- well, actually turn to
16 **page 28, line 20.**

17 A. Yes.

18 Q. Okay. And that's where he begins to
19 talk about the Staff investigation report; is that
20 correct?

21 A. You know, I apologize. I was actually
22 on one of Mr. Hyneman's schedules. So, let me get
23 to page 20 of the actual testimony.

24 Line 20, is that what you said?

25 Q. **Down at line 20, yes.**

1 A. Yes.

2 MS. PAYNE: It would be page 28.

3 **Q. (By Mr. Pendergast) On page 28.**

4 A. Thank you.

5 MS. SHEMWELL: Judge, for clarification,
6 I think we're talking about exhibit, let's see --

7 JUDGE DIPPELL: 425.

8 MS. SHEMWELL: 420 -- no. 425 is
9 Robinett. Surrebuttal testimony of Hyneman is 418.

10 JUDGE DIPPELL: Okay. That's not what I
11 have on my list, Ms. Shemwell. Maybe I have --
12 let's just continue on and we'll get the exhibit
13 number later.

14 MS. SHEMWELL: Jamie, what does your
15 cover say for the exhibit number?

16 THE WITNESS: 425.

17 MS. SHEMWELL: Thank you.

18 JUDGE DIPPELL: Go ahead,
19 Mr. Pendergast. I'm sorry.

20 **Q. (By Mr. Pendergast) Yeah. So, just for**
21 **a little context, Laclede had completed an**
22 **acquisition of Alagasco in 2014 followed by one of**
23 **Energy South in 2016; is that correct?**

24 A. Yes.

25 **Q. And I think OPC submitted something with**

1 the Commission saying we need to have an
2 investigation of these acquisitions to determine
3 whether they've been detrimental or not and the
4 Commission told the Staff to go ahead and conduct an
5 investigation, did it not?

6 A. Generally that was the procedure.

7 Q. Okay. And Staff did its investigation,
8 it issued its report and, as Mr. Hyneman notes here,
9 that played in our hometown paper that day or the
10 next day the first was an article from the
11 Post-Dispatch; is that correct?

12 A. There is a quote in here from the
13 Post-Dispatch paper, correct.

14 Q. And the first sentence of that says,
15 "Rates have gone up and service has decreased for
16 Laclede Gas customers following its parent company's
17 purchase of a large Alabama natural gas utility an
18 investigation from Missouri regulators has found."
19 Is that what it says?

20 A. That is what it says.

21 Q. Okay. First of all, on the rates have
22 gone up, has Laclede had a rate case since it
23 acquired Alagasco or Energy South?

24 A. No. This is the first one.

25 Q. Okay. So, can you explain to me how

1 rates could have gone up over that period of time
2 without a rate case?

3 MS. PAYNE: I object. This question has
4 nothing to do with the testimony that she submitted
5 and my understanding is that this is a newspaper
6 article that was written and includes statements
7 that would not have anything to do with anything
8 that Ms. Myers has stated in this case.

9 MR. PENDERGAST: I think we've
10 established that these are very important financial
11 issues in this case. This Commission specifically
12 told the Staff to go and do an investigation of
13 these acquisitions. The Staff did an investigation
14 of these acquisitions. They reached certain
15 conclusions, and I think that given the fact we have
16 these issues in this case right now it is perfectly
17 appropriate to ask some questions. If she doesn't
18 know about it, she doesn't have to answer it, but I
19 want to find out whether or not any of these
20 statements that were in the press were at all true.

21 MS. PAYNE: However, what the press said
22 is not anything that Staff reported and is not
23 anything that is relevant to this case. The
24 financial issues are not relevant based on the
25 statements of a journalist.

1 MR. PENDERGAST: I am perfectly fine if
2 she wants to answer based on her knowledge and what
3 the Staff report said, that the newspaper got it
4 wrong, if she wants to go ahead and testify to that.

5 JUDGE DIPPELL: Mr. Pendergast, explain
6 to me again how a newspaper article and
7 Mr. Hyneman's testimony is relevant to Ms. Myers'
8 testimony.

9 MR. PENDERGAST: Because she's the
10 senior staff person here and we have issues
11 associated with the Alagasco acquisition, with the
12 Energy South acquisition. This Commission requested
13 that Staff conduct a detailed investigation of that.
14 The Staff issued a report and I think that if that's
15 the case, then I ought to be able to go ahead and
16 ask a few questions about how it was characterized
17 and what conclusions were drawn are true or not. I
18 don't know. Mr. Hyneman has put it in the record
19 here. I don't know if the Commission is going to
20 read this and believe that it might be true. It's
21 not, but I'd just like to go ahead and clarify that
22 it isn't.

23 JUDGE DIPPELL: Well, I'm going to allow
24 you to ask her about the, the, the study. I don't
25 think it's relevant about what the St. Louis Post

1 had to say that Mr. Hyneman repeated in his
2 testimony that hasn't come into evidence yet.

3 MR. PENDERGAST: Fair enough.

4 Q. (By Mr. Pendergast) Do you know if the
5 Staff report said that the rates to Laclede Gas
6 customers had gone up because of its acquisition of
7 either Alagasco or Energy South?

8 A. No, did not say that.

9 Q. Your report did not say that?

10 A. No, not to my knowledge.

11 Q. Okay. And then from your personal
12 knowledge, if anybody characterized it that way,
13 they were wrong?

14 MS. PAYNE: Objection. What's the
15 relevancy of that question?

16 Q. (By Mr. Pendergast) So, is it your
17 testimony that rates did not go up as a result of
18 our acquisition of Energy South and Alagasco?

19 A. It's my testimony that this is the first
20 rate case you have had since that acquisition, yes.

21 Q. Okay. So, rates could not have been
22 changed --

23 A. Correct.

24 Q. -- over that period of time?

25 Good enough. And the second part of it,

1 as far as service decreasing as a result of our
2 acquisition of Energy South and Alagasco based on
3 what you know of the report and Staff's position on
4 this, is there any allegation that service had
5 decreased?

6 A. I can't speak to that aspect.

7 Q. You can't speak to that?

8 A. No. I'm not aware of that section of
9 the report. I am aware of the timing of rate cases
10 and I have general knowledge of the report, but I
11 cannot speak to that. I don't have personal
12 knowledge of that.

13 Q. Okay. Well, regardless of what may have
14 or may not have been in the Staff report, now that
15 we're in a rate case, has the Staff submitted any
16 witnesses that have raised service, quality of
17 service concerns relating to the acquisition of
18 either Alagasco or Energy South?

19 A. No.

20 Q. Okay. And when it comes to service, is
21 it the company that has proposed performance
22 standards and metrics to hold itself accountable for
23 the quality of the service it provides?

24 A. They do have a performance metrics
25 mechanism proposal, yes.

1 Q. Okay. And is Staff willing to
2 participate in a discussion of that should the
3 Commission determine that after this case is
4 concluded it has enough value to at least be
5 discussed?

6 A. Yes.

7 Q. Okay. Thank you.

8 Okay. Well, enough about 2016. Let's
9 talk about this case.

10 As we talked about, there are a number
11 of acquisition related issues in this case and
12 neither -- well, the company does not dispute that
13 there have been net savings associated with both the
14 MGE acquisition and with the Alagasco, Energy South
15 acquisition.

16 A. It's my understanding the issues in this
17 case are related to the MGE acquisition.

18 Q. Well, I think there's one bullet point
19 under there that talks about merger-related savings
20 and you know that Mr. Lobser has a proposal to go
21 ahead and share synergies associated with the
22 Alagasco and Energy South.

23 MS. SHEMWELL: Excuse me. Could I
24 understand where the one bullet point is, please?
25 One bullet point under there you said.

1 MR. ZUCKER: It's under transition.

2 MS. SHEMWELL: In the list of issues?

3 MR. ZUCKER: In the list of issues.

4 MS. SHEMWELL: Thank you.

5 MR. ZUCKER: And I believe it's the last
6 bullet in the list of issues on the transition.

7 JUDGE DIPPELL: Is there a page?

8 MS. SHEMWELL: Do you have a page number
9 for that?

10 MR. ZUCKER: Well, I have the number
11 seven on mine, and this is from the December.

12 MS. PAYNE: It's issue 12.

13 MS. SHEMWELL: Thank you.

14 MS. PAYNE: You're welcome.

15 JUDGE DIPPELL: Are we all in the same
16 place?

17 All right. Go ahead, Mr. Pendergast.
18 Did you have a question?

19 Q. (By Mr. Pendergast) Yeah. Assuming
20 there's something on the issues list that says this
21 is still an issue, my question to you is: There is
22 no doubt or dispute on the part of the Staff that
23 both the MGE acquisition and the Alagasco, Energy
24 South acquisitions have produced net financial
25 benefits for customers?

1 A. For customers or for shareholders?

2 Q. Well, I mean, you know, for customers as
3 these rates get established. I mean, didn't Staff
4 witness Major calculate \$10.8 million worth of
5 personnel-related savings in his testimony?

6 A. In savings for customers?

7 Q. \$10.8 million in synergies that I'm
8 assuming are reflected in Staff's cost of service.

9 A. Yes. And I guess my confusion,
10 Mr. Pendergast, I'm not trying to be trite here, is
11 simply, as we stated, rates have not gone up since
12 the last rate case, which has been about four years.
13 So, to the extent that any savings have been
14 realized I don't think they've been realized yet.

15 Q. I'm talking about what savings are
16 included in Staff's proposed cost of service that
17 it's saying should go ahead and be approved by the
18 Commission and used as the foundation for rates in
19 the future. Do you have savings for MGE and
20 acquisition savings or reductions in administrative
21 costs associated with the Alagasco and Energy South
22 transactions reflected in your cost of service?

23 A. I don't have specific knowledge if they
24 are reflected of the Alagasco and Energy South. I
25 can't speak to that.

1 Q. Okay. And because of that you can't
2 speak to whether anybody on the Staff has disputed
3 that those savings are real and significant?

4 A. I cannot. No, not at this time.

5 Q. We can ask Mr. Majors that I suppose or
6 somebody else?

7 A. Yes.

8 Q. Okay.

9 A. And he will be a witness.

10 Q. We will do that.

11 In your testimony -- and I'm talking
12 about I think 201 here.

13 A. Uh-huh.

14 Q. You provide sort of a, if you will,
15 revenue requirement formula that's sort of
16 traditional way of thinking about how you come up
17 with a revenue requirement?

18 A. I do. That's on page 6.

19 Q. Yeah. And just a short formula, how
20 does it work?

21 A. Certainly. So, as you can mention here,
22 really what we were trying to get at is typically
23 the formula that we provide here or that's provided
24 in testimony really doesn't get at what is the
25 revenue requirement. So, we were trying to take

1 our, our cost of service formula and then spell out
2 that you need to go the extra step to get to the
3 revenue requirement, and I will say Mark
4 Oligschlaeger and Natelle Dietrich and I worked on
5 this together and I included this piece in my
6 testimony.

7 Q. Well, it's very helpful. And I guess
8 the question is, just laying it out for the
9 Commission, you get the revenue requirement by doing
10 what?

11 A. Here, and this is page 6 and page 7.
12 So, what you do is you take the cost of service and
13 you subtract the adjusted current revenues and from
14 that you will get revenue requirement.

15 Q. Okay. And when you say you adjust it,
16 do you subtract the adjusted revenues from the cost
17 of service?

18 A. Yes. What I'm talking about is you take
19 cost of service and then you subtract adjusted
20 current revenues.

21 Q. Adjusted revenues. Okay.

22 A. Correct.

23 Q. Okay. And under that formula to the
24 extent that your cost of service is lower, then your
25 revenue requirement would be lower, right, all else

1 being equal?

2 A. Again, the current adjusted revenues
3 aspect would need to be included, yes.

4 Q. Sure. And I'm just saying holding them
5 steady and all I'm doing is reducing my cost of
6 service, your revenue requirement is going to be
7 lower if your cost of service is lower?

8 A. Yes.

9 Q. And on the other end, if your revenues
10 are higher, your adjusted revenues, then your
11 revenue requirement is going to be lower?

12 A. Again, if we're assuming we're holding
13 the adjusted current revenues constant.

14 Q. Right.

15 A. Yes.

16 Q. Assuming everything on that side gets
17 held constant.

18 And then, you know, there's a lot of
19 discussion about earnings and that sort of thing.
20 And would you generally agree that to the extent,
21 all else being equal, you can reduce the cost of the
22 business, its cost of service, if you will, that
23 earnings will be higher?

24 A. In terms of a regulated utility?

25 Q. Well, I'm just speaking of a business in

1 **general.**

2 A. Yes. A business in general, I would say
3 so, yes.

4 Q. Okay. So, kind of if you go out and you
5 reduce your cost of service, your earnings will be
6 higher and then if I have a rate case, will that
7 reduced cost of service be reflected in a lower
8 revenue requirement?

9 A. Again, it would depend on the revenues,
10 but possibly, yes.

11 Q. But all else equal, you know, if that's
12 the only thing that's happening, these reduced costs
13 of the business that drove earnings up would be
14 reflected in a reduction in the revenue requirement
15 once they're reflected in rates and you have a rate
16 case?

17 A. Yes, possibly.

18 Q. And if you go ahead and increase your
19 earnings outside the rate case, you give your folks
20 some incentives to go out there and grow the
21 business and that sort of thing and they manage to
22 go ahead and increase the earnings, then when you
23 have a rate case that would be reflected and
24 adjusted revenues and, once again, if they were
25 higher, your revenue requirement would be lower?

1 A. And we're assuming a regulated utility
2 who's chosen to come in for a rate case. Is that
3 your --

4 Q. Yeah. It's a regulated and we're in for
5 a rate case. Now, we drove earnings by increasing
6 revenues and here we are and you're going to put
7 those in your formula and because your adjusted
8 revenues are higher, your revenue requirement is
9 going to be lower?

10 A. Yes. If it's in our test year, yes.

11 Q. Okay. So, I mean, basically the same
12 thing that drives earnings, the same factors that
13 drive earnings, once you have a rate case, they
14 drive lower revenue requirements?

15 A. There is some relationship there, yes.

16 Q. Yeah. And, you know, if you break them
17 apart and you say, okay, we're going to have
18 incentives, but, you know, they're only for revenues
19 and you recognize that increased revenues can result
20 in lower revenue requirement, generally speaking
21 those kind of incentives are okay?

22 A. I can't say with -- you know, I have no
23 specific knowledge of whether generally those are
24 okay.

25 Q. Okay. And you don't have any general

1 knowledge of if your incentives are related to
2 driving efficiencies or reducing the cost of service
3 that's also going to show up in a lower revenue
4 requirement, whether those are okay or not?

5 A. I can't say, no.

6 Q. Okay. What we do know, though, is that
7 generally speaking if I go ahead and have lower
8 costs or higher revenues that drive earnings when I
9 have a rate case, that's going to drive lower
10 revenue requirement?

11 A. I cannot say that that is an absolute
12 guarantee, no, because, again, we look at everything
13 in the test year.

14 Q. But just generally.

15 A. Again, it would depend on what we look
16 at in the test year.

17 Q. Okay. And just so we all know, a lower
18 revenue requirement means lower rates for customers,
19 right, all else being equal?

20 A. That, again, depends on class cost of
21 service and rate design.

22 Q. Okay. But, you know, if I'm looking at
23 customers and all else equal, will a lower revenue
24 requirement result in lower rates than a higher
25 revenue requirement will?

1 MS. PAYNE: Objection. I think the
2 witness has answered this question. Mr. Pendergast
3 is continuing to ask very similar questions and I
4 think my witness has sufficiently answered them.

5 MR. PENDERGAST: She's done a splendid
6 job of answering them. I'll move on.

7 JUDGE DIPPELL: Thank you.

8 Q. (By Mr. Pendergast) I think there was
9 some discussion, I think Mr. Woodsmall talked about
10 the equity component in Staff's recommended capital
11 structure and also for MIEC, and that equity
12 component is around 46 or 47 percent; is that
13 correct?

14 A. I believe it's somewhere in there, yes.

15 Q. And Laclede's is around 54 percent, a
16 little bit above that?

17 A. You'd have to ask Dave Murray that
18 specific question.

19 Q. Can you just tell me how the 46 or
20 47 percent equity component compares to Laclede's
21 normal equity component that its had in multiple
22 cases over the last ten years?

23 A. I cannot answer that question. I would
24 again suggest you ask Dave Murray.

25 Q. So, you're not sure whether it's in the

1 norm or outside the norm or anything else?

2 A. I cannot say.

3 Q. Okay. And when you reviewed Dave
4 Murray's testimony, did you take a look at that and
5 say, hey, Dave, you know, is this 46 or 47 percent
6 equity component, is that consistent with what we've
7 approved down here at the Commission over the years?

8 A. Again, I think you have to look at it as
9 a package in terms of what we're also talking about
10 in terms of short-term debt inclusion, but yes, I
11 did overall think that Dave Murray's suggestion was
12 reasonable.

13 Q. Okay. So, in thinking it was
14 reasonable, you had some sense of what Laclede's
15 traditional equity component has been or was that
16 just not a relevant factor to you?

17 A. Again, looking at Mr. Murray's
18 testimony, I found what he was presenting
19 reasonable.

20 Q. Okay. And when you say -- what some
21 people say, don't mean to put words in your mouth,
22 that Laclede is overearning, you know, that
23 allegation of overearning is based on an assumption
24 that Laclede should have a 46 or 47 percent equity
25 component rather than something that's a lot more

1 consistent with what it's traditionally had; is that
2 correct?

3 MS. PAYNE: Objection. I don't think
4 that Ms. Myers said that Laclede was -- or that the
5 company, that Spire was overearning. I think that's
6 a mischaracterization.

7 Q. (By Mr. Pendergast) Well, for those --
8 if somebody were to say that Laclede has been
9 overearning based on the analysis that Staff has
10 provided in its EMS runs, that overearnings would be
11 based on an equity component that is significantly
12 lower than Laclede's and perhaps the norm for
13 Laclede's equity components, but you're not aware of
14 that?

15 A. Is that still a question?

16 Q. Yeah, it is.

17 A. Okay. I just wanted to make sure after
18 the last statement.

19 Q. Sure.

20 A. So, what I can say about this
21 overearnings piece is that you don't look at just
22 one piece. It's a whole package, correct. So, if
23 someone's looking at it from Staff's equity
24 recommendation in this case, yes, they would look at
25 that piece and that specific number. However, I

1 can't imagine that's all that you would be looking
2 at because you don't look at overearnings as one
3 component.

4 Q. And just kind of like the formulas we
5 talked about before. If this Commission were to
6 include, you know, 54 percent equity component,
7 that's more appropriate than going down to 46 or
8 47 percent, you know, whatever overearnings somebody
9 might say are there would certainly be smaller,
10 would they not, if not nonexistent? Isn't that the
11 way it would work?

12 A. Would you, please, rephrase that
13 question?

14 Q. Yeah. If the Commission orders a higher
15 equity component as part of the capital structure,
16 it proves in this case this 46 or 47 percent, that
17 would go ahead and result in a higher revenue
18 requirement, would it not?

19 A. Yes, it would result in a higher revenue
20 requirement.

21 Q. Okay. I think I'm done. So, on balance
22 is this testifying stuff pretty fun?

23 A. It's about as much fun as me being at
24 that table.

25 MR. PENDERGAST: Thank you very much.

1 THE WITNESS: Thank you.

2 MR. PENDERGAST: I appreciate it.

3 JUDGE DIPPELL: Are there questions from
4 the bench for Ms. Myers?

5 CHAIRMAN HALL: I have no questions.
6 Thank you.

7 COMMISSIONER STOLL: I have no
8 questions.

9 COMMISSIONER KENNEY: No questions.
10 Thank you.

11 JUDGE DIPPELL: All right. Then is
12 there further cross-examination -- well, I guess we
13 didn't have any questions from the bench. Is there
14 redirect?

15 MS. PAYNE: Yes. Thank you, Judge.

16 REDIRECT EXAMINATION

17 BY MS. PAYNE

18 Q. All right. Ms. Myers, I think I'm going
19 to go ahead and start from our most recent.

20 Mr. Pendergast asked you about the supposed synergy
21 savings from the Alagasco and Energy South
22 acquisitions. Do you happen to know the test year
23 in this proceeding?

24 A. Generally, yes.

25 Q. And could you state that for me?

1 A. I believe the test year ended
2 December -- or was June of 2017, correct, with an
3 update period that ended in generally December.

4 **Q. Correct. And do you know when that test**
5 **year began?**

6 A. I do believe it began in June of the
7 2016.

8 **Q. If I said it was January 1st of 2016,**
9 **would you believe me?**

10 A. Yes, I would believe you.

11 **Q. And do you happen to have knowledge of**
12 **when the Alagasco and Energy South acquisitions**
13 **occurred?**

14 A. Generally just dates. I do believe one
15 was 2014 and one was roughly 2016.

16 **Q. And so, would those be considered in**
17 **Staff's test year?**

18 A. In 2016, you know, that would be part of
19 Staff's test year had that been, obviously, June 1st
20 or later. 2014, no.

21 **Q. Okay. Thank you.**

22 **You were asked several questions**
23 **regarding the recommended capital structure and ROE**
24 **in this case. Does Staff have a witness that could**
25 **answer these questions?**

1 A. Yes.

2 **Q. And would these questions perhaps be**
3 **better addressed for Staff's witness Dave Murray?**

4 A. Yes. As I mentioned to Mr. Pendergast,
5 Dave Murray would be the appropriate witness.

6 **Q. Okay. Thank you.**

7 **To your knowledge, when Staff recommends**
8 **a revenue requirement, would you say that -- what**
9 **would you say that reflects? What is that**
10 **recommendation designed to reflect?**

11 A. Yes. That recommendation reflects
12 everything we've looked at in the test year and it's
13 ultimately given that what's in that test year and
14 in this case there is also a update and true-up
15 period, then what is that final revenue requirement
16 number. And so, that's what we looked at in this
17 case.

18 **Q. Thank you.**

19 **And do we consider both increases and**
20 **decreases when we -- when Staff factors a**
21 **recommended revenue requirement at such proceedings?**

22 A. Yes, we do.

23 **Q. To your knowledge, does -- when Staff**
24 **recommends a revenue requirement, is it necessary**
25 **for that to cover anything?**

1 A. No. We don't assign that to any
2 particular one issue.

3 **Q. Do we consider things as a whole**
4 **package?**

5 A. Yes.

6 **Q. All right. And finally, you were asked**
7 **about the, the information that was provided to**
8 **Staff in relation to the MGE acquisition. To your**
9 **knowledge, when the company provided the transition**
10 **cost savings, was that provided by FERC account?**

11 A. No. It was not originally.

12 **Q. And to your knowledge, was the agreement**
13 **that they would provide that information by FERC**
14 **account?**

15 A. It was. There was actual language in
16 the agreement.

17 MS. PAYNE: I have no further questions.
18 Thank you.

19 THE WITNESS: Thank you.

20 JUDGE DIPPELL: Thank you. Ms. Myers,
21 you may step down.

22 I think we're ready, then, for our next
23 witness from Office of Public Counsel.

24 MS. SHEMWELL: Public Counsel calls
25 Dr. Geoff Marke.

1 JUDGE DIPPELL: Dr. Marke, would you,
2 please, raise your right hand.

3 GEOFF MARKE,
4 having been called as a witness herein, having been
5 first duly sworn, was examined and testified as
6 follows:

7 JUDGE DIPPELL: Thank you.

8 DIRECT EXAMINATION

9 BY MS. SHEMWELL

10 Q. Would you, please, state your name and
11 spell it for the court reporter.

12 A. It's Geoff, G-E-O-F-F, Marke, M-A-R-K-E.

13 Q. Dr. Marke, what do you do and where do
14 you work?

15 A. I am the chief economist at the Missouri
16 Office of Public Counsel.

17 Q. How long have you been in that position?

18 A. I've been with Public Counsel since
19 2014.

20 Q. Did you file in this case rebuttal and
21 surrebuttal testimony?

22 A. Yes, I did.

23 Q. Do you have any corrections or additions
24 to your testimony?

25 A. No, I do not.

1 Q. If I were to ask you the same questions
2 today, would your answers be substantially the same?

3 A. Yes, they would.

4 Q. Is your testimony true and correct to
5 the best of your knowledge and belief?

6 A. Yes.

7 MS. SHEMWELL: I'm not going to offer
8 into evidence since Dr. Marke is a witness in a
9 number of cases, and I am not certain as to what the
10 numbers are since we seem to be off. I'll try to
11 coordinate with you during the break, if that's
12 okay.

13 JUDGE DIPPELL: Okay. And just for --

14 MS. SHEMWELL: We'll go with your list.

15 JUDGE DIPPELL: I'm not sure I've got my
16 list correct.

17 Okay. Just for everyone else's
18 information and to double-check my marking, I have
19 it as OPC's 415 as the rebuttal.

20 MS. SHEMWELL: That's what I have. And
21 420 for surrebuttal with confidential schedules and
22 then 421 with public schedules. So, 420 does have
23 confidential information.

24 JUDGE DIPPELL: That's what I have as
25 well.

1 MS. SHEMWELL: Thank you.
2 I tender the witness for cross. Thank
3 you.
4 JUDGE DIPPELL: Is there
5 cross-examination by Staff?
6 MS. PAYNE: No questions. Thank you.
7 JUDGE DIPPELL: Division of Energy.
8 MR. BEAR: No questions, Your Honor.
9 JUDGE DIPPELL: MIEC.
10 MR. MILLS: No questions.
11 JUDGE DIPPELL: Midwest Energy
12 Consumers.
13 MR. WOODSMALL: No questions.
14 JUDGE DIPPELL: National Housing Trust.
15 MR. LINHARES: No questions.
16 JUDGE DIPPELL: Environmental Defense
17 Fund.
18 MS. KARAS: No questions, Your Honor.
19 JUDGE DIPPELL: Consumers Council.
20 MR. COFFMAN: No questions.
21 JUDGE DIPPELL: MoGas.
22 MR. JARRETT: No questions.
23 JUDGE DIPPELL: Spire.
24 MR. PENDERGAST: Just a few.
25

1 CROSS-EXAMINATION

2 BY MR. PENDERGAST

3 Q. Dr. Marke, how are you?

4 A. I'm good. Thank you.

5 Q. Good, good. I just have a couple of
6 questions. I thought it might be helpful to just
7 kind of give the Commission a policy update on some
8 of the issues in this case, and there was some
9 discussion today about the economic development rate
10 or rider and we've got a main extension financing
11 proposal in this case and also one for negotiated
12 gas service contracts that would give us additional
13 tools to meet situations in the competitive
14 marketplace, hopefully attract economic activity in
15 Missouri. Would you generally agree with that?

16 A. I would.

17 Q. And, you know, without talking about
18 whether or not there's an agreement forthcoming, but
19 just looking at the testimony, I think we've had a
20 pretty constructive discussion of that. OPC has
21 proposed some changes to what we filed; is that
22 correct?

23 MS. SHEMWELL: Are you -- excuse me.
24 Are you referring to negotiations?

25 MR. PENDERGAST: No, I'm not referring

1 to negotiations. I'm referring to what has been
2 said in testimony.

3 A. That it was -- that we're being
4 productive?

5 Q. (By Mr. Pendergast) Yes.

6 A. Yes. Okay.

7 Q. And you've made some recommendations,
8 maybe you could improve it here, improve it there?

9 A. Yes.

10 Q. And, you know, we've indicated, I think,
11 in our testimony our willingness to do that. So,
12 that's been kind of a cooperative area that we've
13 had in this case. Would you agree with that?

14 A. It has, yes.

15 Q. Okay. And I think in, in your testimony
16 you talked somewhat about the RSM and, you know, I
17 think you've given the company some credit for --

18 A. Uh-huh.

19 Q. -- what it's tried to do in terms of
20 coming up with ways of reducing customer charges and
21 that sort of thing?

22 A. Yes.

23 Q. Okay. And we appreciate that. I just
24 wanted to go ahead and get a little clarification
25 from you. I think on page 9 of your rebuttal

1 testimony you talk about the RSM and if you look at
2 lines 19 to 20 it says that by ensuring recovery of
3 the company's profits irrespective of market
4 conditions or inefficient utility behavior. Do you
5 see that?

6 A. That's not what I'm reading. Just for
7 clarification, rebuttal?

8 Q. Yes.

9 A. Page 9?

10 Q. Page 8. I'm sorry.

11 A. Page 8.

12 Q. Page 8, lines 19 and 20.

13 MS. SHEMWELL: Can you ask your question
14 again, please?

15 A. Yeah, please.

16 Q. (By Mr. Pendergast) Yeah, sure. So,
17 there you say that -- well, I think you characterize
18 the RSM as ensuring a recovery of the company's
19 profits irrespective of market conditions or
20 inefficient utility behavior. Do you see that?

21 A. I do.

22 Q. Yeah. And I just want to make sure the
23 Commission's clear. The revenue stabilization
24 mechanism is designed to adjust for variations in
25 revenues, right?

1 A. Right.

2 Q. And so, if the revenues are less, and
3 there's other aspects of it, but if revenues are
4 less, you would have been authorized by the
5 Commission, you would have an adjustment to
6 basically flow that revenue variation through to
7 customers; and conversely, if revenues are higher,
8 it's a real cold winter, whatever, there would be an
9 adjustment to return some of that additional revenue
10 back to customers?

11 A. In general, that's how the mechanism
12 would work.

13 Q. Okay. And, and my only point is that,
14 you know, if we are just, like, really inefficient
15 or we go out and do things that increase, you know,
16 our costs, you know, that's not going to be covered
17 by the RSM, is it?

18 A. No.

19 Q. Okay. And so, your comment should be
20 read in the context of to the extent that revenue
21 variations affect profits or rates for that matter,
22 this tends to go ahead and reduce the impact of
23 those variations, but to the extent it's related to
24 revenues, not to costs?

25 A. Mr. Pendergast, I'm going to have you

1 repeat that because I don't want to trip up my
2 answer.

3 Q. You know, I probably should have stopped
4 while I was ahead. So, if I look at this to the
5 extent that revenues affect profits and, you know,
6 affect the customers' bill, the revenue
7 stabilization mechanism could potentially have an
8 impact on that, right?

9 A. Right.

10 Q. Okay. But to the extent that profits
11 are affected because my costs have gone up maybe
12 because of inefficient behavior, that's still going
13 to be on the utility?

14 A. So, the issue I would take with that
15 statement is that in general what we're doing with
16 the revenue decoupling mechanism is it falls under
17 that universe of single issue ratemaking. Right?
18 We're taking now that revenue, it's being adjusted
19 on an annual basis, perhaps maybe on a quarterly
20 basis so there's more fluctuation with it, but it's
21 isolating it. It's just looking at that component.
22 It's not looking at the totality, which is in part
23 what Ms. Myers was talking about earlier.

24 Q. Yeah, but, once again, my point is that
25 if our profits are changing because our costs have

1 **gone up, the revenue stabilization mechanism isn't**
2 **going to impact that?**

3 A. If your profits are changing because
4 costs have gone up?

5 Q. **Yeah. I mean, you talked about this**
6 **ensures profits by making sure that even if you have**
7 **inefficient behavior and costs, you know, increase,**
8 **you'll be taken care of and the revenue**
9 **stabilization mechanism does not do that?**

10 A. So, in general, again, I would say that
11 properly designed it could help ensure that. The
12 concerns in part, and I got to be honest that I
13 think Mr. Stahlman probably did a better job of
14 articulating that specific mechanism in his
15 testimony, but there is a question over how the
16 mechanism would actually be designed. So, average
17 use. How do we define average use across customers
18 over -- there can be huge variations. So, we can
19 just say, well, it's the average customer use at
20 this time. If we're changing it up on a quarterly
21 basis, there's going to be more fluctuation, more
22 variation.

23 In part, to your question earlier,
24 that's why if the Commission elected to go with an
25 RSM, we offered up several other amended issues to

1 help protect customers. One was the 3 percent rate
2 impact cap.

3 Q. Yeah. And I guess I should mention
4 that, too. In addition to progress we made on EDR
5 and extension financing, you've also tried to
6 provide some constructive suggestions on the RSM as
7 well?

8 A. That's correct.

9 Q. Okay. Very good.

10 MR. PENDERGAST: I think that's all I've
11 got. Thank you very much.

12 JUDGE DIPPELL: Thank you.

13 Are there questions from the
14 commissioners for this witness?

15 CHAIRMAN HALL: No questions. Thank
16 you.

17 COMMISSIONER KENNEY: No questions.

18 JUDGE DIPPELL: Is there redirect from
19 Office of Public Counsel?

20 MS. SHEMWELL: No. Thank you, Your
21 Honor.

22 JUDGE DIPPELL: All right. Then,
23 Mr. Marke, you may step down. Thank you.

24 THE WITNESS: Thank you.

25 JUDGE DIPPELL: Go ahead with your next

1 witness, Ms. Shemwell.

2 MS. SHEMWELL: Thank you.

3 Public Counsel calls Charles Hyneman.

4 CHARLES HYNEMAN,

5 having been called as a witness herein, having been

6 first duly sworn, was examined and testified as

7 follows:

8 DIRECT EXAMINATION

9 BY MS. SHEMWELL

10 Q. Mr. Hyneman, would you, please, state
11 your name and spell your last name for the court
12 reporter.

13 A. It's Charles Hyneman, H-Y-N-E-M-A-N.

14 Q. Mr. Hyneman, how are you employed?

15 A. The Missouri Office of Public Counsel.

16 Q. And what is your position there?

17 A. Chief public utility accountant.

18 Q. Mr. Hyneman, have you prepared testimony
19 to be filed in this case?

20 A. Yes, I have.

21 Q. You have prepared, I'm sorry, direct --

22 A. Rebuttal.

23 Q. -- and rebuttal and surrebuttal?

24 A. That's correct.

25 Q. Do you have any changes to your

1 testimony today?

2 A. Not at this time.

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

5 A. Yes.

6 Q. Is your testimony true and correct to
7 the best of your knowledge and belief?

8 A. It is.

9 MS. SHEMWELL: I offer the witness for
10 cross.

11 JUDGE DIPPELL: Thank you. And just for
12 clarification, I have Mr. Hyneman's testimony marked
13 as Exhibit 403 for the direct, 410 for the rebuttal,
14 and 425 for the surrebuttal.

15 MS. SHEMWELL: Mr. Hyneman, might I
16 retrieve your testimony that I handed --

17 THE WITNESS: Yes, certainly.

18 MS. SHEMWELL: -- to Ms. Myers?

19 Yes, Judge. That's what I have. Thank
20 you.

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

23 MS. PAYNE: No questions. Thank you.

24 JUDGE DIPPELL: Division of Energy.

25 MR. BEAR: No questions.

1 JUDGE DIPPELL: MIEC.

2 MR. MILLS: Just briefly, Your Honor.

3 CROSS-EXAMINATION

4 BY MR. MILLS

5 Q. Mr. Hyneman, are you familiar with the
6 Commission practice of making adjustments in a rate
7 case for known and measurable changes?

8 A. Yes, I am.

9 Q. And what -- in order for a change to be
10 appropriate for something like that in what way does
11 it have to be known?

12 A. It is known to have been occurred,
13 incurred in a test year.

14 Q. Okay. Does it have to occur within the
15 test year?

16 A. Within test year or true-up period.

17 Q. Okay. And in order for it to be
18 measurable, what does that mean?

19 A. It means it needs to be measurable with
20 a high degree of accuracy. That's the standard term
21 of known and measurable has been applied in Missouri
22 for several years.

23 Q. And so, could a change in federal tax
24 rates qualify to be a known or measurable change
25 depending on the timing?

1 A. No. That -- in this case that would be
2 a specific adjustment outside the true-up period.
3 That would not be known or measurable for this case.

4 **Q. But in general a change in the tax**
5 **rates, like I said, depending on the timing, could**
6 **be a known and measurable change?**

7 A. Oh, absolutely, yeah. I mean, if the
8 tax law went into effect within the true-up period
9 in this case, it would certainly be known and
10 measurable to this case.

11 MR. MILLS: Thank you. That's all I
12 have.

13 JUDGE DIPPELL: MEC.

14 MR. WOODSMALL: Briefly, Your Honor.

15 CROSS-EXAMINATION

16 BY MR. WOODSMALL

17 **Q. Good afternoon, sir.**

18 A. Good afternoon.

19 **Q. I want to hit on three short points.**
20 **So, I don't think this should take long. Were you**
21 **here for your counsel's opening statement?**

22 A. I listened to it upstairs, yes.

23 **Q. And you heard some discussion from her**
24 **about stock price. Do you recall that?**

25 A. Yes.

1 **Q. Do you know how Spire stock prices**
2 **changed over the last five years?**

3 A. Yeah. I think they roughly doubled, I
4 think, from \$40 to \$80. And I did, I looked it up
5 on Yahoo finance and it looks like, I'm sorry, it
6 looks like the growth rate is 102 percent for Spire.

7 **Q. And following up on a question that**
8 **Commissioner Kenney asked of counsel, do you know**
9 **how the Dow Jones average, the market conditions**
10 **have changed over that same time?**

11 A. Yes. The Dow Jones industrial average
12 increased 84 percent over that time. I also looked
13 the Dow Jones utility average, which is an average
14 of the 50 largest utility stocks in the nation and
15 that increased 67.2 percent. Now, these numbers
16 fluctuate as the stock prices fluctuate, but that's,
17 that's the order of magnitude of the increase.

18 **Q. So, would you accept, subject to change,**
19 **that Spire stock prices increase almost 52 percent**
20 **greater than the Dow Jones utility average in**
21 **percentage terms, not in nominal terms?**

22 A. Okay.

23 MS. SHEMWELL: And he's not asking --

24 A. Yes.

25 MS. SHEMWELL: -- for a prediction?

1 A. No. It's a rough estimation.

2 Yes, that's a good estimation.

3 Q. (By Mr. Woodsmall) Thank you.

4 There were comments made by Mr. Lindsey
5 and I've seen you testify before about J.D. Power
6 Awards.

7 A. Yes.

8 Q. So, some comments made by Mr. Lindsey
9 about J.D. Power Awards. Were you here for those
10 comments?

11 A. The only comments I heard were from
12 Laclede counsel, Mr. Zucker, about J.D. Power.

13 Q. Okay. And what is your understanding or
14 interpretation of how Spire's J.D. Power rankings
15 have changed?

16 A. Yeah. When I heard Mr. Zucker said they
17 skyrocketed I think may be the term he used, it
18 struck me because I did an analysis of Laclede's
19 J.D. Power ratings a few months ago and I noticed
20 for both Laclede and MGE from 2008 to 2017 they were
21 consistently below the average of the group, the
22 peer group for the analysis.

23 Q. And what is their peer group?

24 A. It's the Midwest large utilities.

25 Q. Okay.

1 A. Large segment.

2 **Q. So, in 2017 Spire's J.D. Power ranking**
3 **is below the Midwest peer group ranking; is that**
4 **correct?**

5 A. Below the Midwest average, yes. The
6 Midwest large average it was a ranking of 734.
7 Laclede was at 732 and Missouri Gas Energy was at
8 733.

9 **Q. Thank you.**

10 **Final issue I wanted to address was**
11 **discovery. There were some comments made by your**
12 **consultant in I believe direct testimony. Are you**
13 **generally familiar with discovery problems OPC has**
14 **had not only in this case, but the consolidated**
15 **complaint case?**

16 A. Yes.

17 **Q. And can you tell me generally what were**
18 **those problems?**

19 A. It's consistently late DRs. Some DR
20 responses 40, 60 days late. The responses to them
21 and a lot of times just made no sense. For example,
22 one response -- typically they would say see Staff
23 DR 7 for the answer to an OPC data request, and I
24 know our consultant had problems with this. She'd
25 go to Staff DR 7 response and there was nothing that

1 was relevant to the question that OPC had in its DR,
2 and it was just very frustrating to get that over
3 and over again. And a lot of times you get
4 questions that were simply not answered. So, it was
5 very frustrating in this case dealing with Laclede
6 with the discovery issues.

7 **Q. And can you compare the discovery**
8 **problems in this case to how discovery is handled in**
9 **rate cases that you've done in your 25 years?**

10 A. Yeah. I mean, if I was to give a
11 ranking -- and I have audited in major rate cases, I
12 think, every large utility in the state. And if I
13 was going to give Laclede ranking, it would be a
14 clear F. I have audited utilities that I would give
15 an A rating, A minus, B, C, but Laclede by far would
16 get an F rating when it comes to discovery.

17 MR. WOODSMALL: I have no further
18 questions. Thank you.

19 JUDGE DIPPELL: National Housing Trust.

20 MR. LINHARES: No questions, Your Honor.

21 JUDGE DIPPELL: Environmental Defense
22 Fund.

23 MS. KARAS: No questions.

24 JUDGE DIPPELL: Consumer Council.

25 MR. COFFMAN: No questions.

1 JUDGE DIPPELL: MoGas.

2 MR. JARRETT: No, thank you.

3 JUDGE DIPPELL: Spire.

4 CROSS-EXAMINATION

5 BY MR. PENDERGAST

6 Q. Good afternoon, Mr. Hyneman.

7 A. Good afternoon, Mr. Pendergast.

8 Q. I asked Ms. Myers if this was her first
9 time to testify. She said it was. And this case
10 may present your last opportunity to testify?

11 A. It will.

12 Q. It will. So, kind of a circle of life
13 thing.

14 A. Definitely is true.

15 Q. I just wanted to go ahead and ask a
16 couple questions. You had some discussion about
17 J.D. Powers. Have you looked at the most recent
18 one?

19 A. Yes.

20 Q. Okay.

21 A. Let me clarify. The most recent
22 residential customer survey, yes. Not the business.

23 Q. How much did MGE go up in that one?

24 A. MGE's score in 2016 was 678 and 2017 it
25 was 733.

1 Q. Great. How about for Laclede?

2 A. Laclede in 2016 was 697 and in 2017 it
3 was 732.

4 Q. Thank you.

5 You were asked some questions about data
6 requests. Do you have any sense of how many data
7 requests Laclede got in this case for both MGE and
8 Laclede for all parties?

9 A. I do not.

10 Q. Would you dispute that it was in the
11 thousands?

12 A. I don't know.

13 Q. You don't know. Okay.

14 So, in formulating your opinion, that
15 was done without having the context of what the
16 onslaught of DRs actually were?

17 A. Well, I think that the number of DRs
18 are, one, a function of two companies, and it's also
19 a function of the positions taken by the company in
20 direct testimony. There's a lot of different
21 positions out there. So, if you have a lot of maybe
22 unique positions in direct testimony, it will drive
23 more data requests. When you don't answer data
24 requests the first time, it will drive additional
25 data requests.

1 Q. Well, and data requests will also be
2 driven by what issues other parties want to raise,
3 will it not?

4 A. Yes.

5 Q. For example, not picking on them, but we
6 have the Environmental Defense Fund in this case and
7 it's got some special issues that are of importance
8 to them and, so, they are likely to issue quite a
9 few data requests to get information they think is
10 relevant; is that right?

11 MS. SHEMWELL: Excuse me. He can't
12 speculate as to what EDF is doing or why.

13 A. I don't know if they issued one, five or
14 ten DRs.

15 Q. (By Mr. Pendergast) Okay. So, once
16 again, when you made your comments, it was without
17 the benefit of knowing what other parties like EDF
18 have done as far as the number of data requests?

19 A. Yes. I was speaking to Laclede's
20 responses to OPC's data requests.

21 Q. Okay. Fair enough.

22 Were you here when I had a discussion
23 with Ms. Myers about the Staff investigation report?

24 A. I was.

25 Q. Okay. And did you hear her testify that

1 **because Laclede did not have any rate cases since it**
2 **acquired Energy South and Alagasco that Laclede's**
3 **customers could not have had their rates increased**
4 **because of it?**

5 A. Well, I mean, a general rate case is
6 just one way to increase rates for Laclede. Laclede
7 rates are also increased through the PGA charges,
8 they're increased through the ISRS charges, they're
9 increased through, you know, other means other than
10 base rating.

11 Q. Okay. Well, then tell me how were our
12 **PGA rates increased as a result of the Alagasco or**
13 **Energy South acquisition?**

14 A. I do not know.

15 Q. **You do not know. Okay.**

16 A. But I know your ISRS rates have
17 increased significantly over the last seven years.
18 In fact, I think your capital expenditures have
19 increased more than any utility in the country over
20 recent past.

21 Q. **And that's because of capital work we're**
22 **doing down in Alabama?**

23 A. I didn't say that. I said your ISRS
24 rates in Missouri have increased dramatically over
25 the past several years. So, Laclede has had rate

1 increases, not base rates, since the last case.

2 Q. Okay. Well, how have our ISRS rates
3 increased because of our acquisition of Alagasco?

4 A. I didn't say that they had.

5 Q. Okay. So, you're not saying there was
6 any connection to that?

7 A. I don't know of any connection.

8 Q. Okay. Fair enough.

9 So, you will acknowledge that our base
10 rates didn't increase, you're not aware of how our
11 PGA rates could have increased because of these
12 acquisitions, and you don't have anything to offer
13 as far as whether ISRS charges could have increased
14 because of it?

15 A. No. If you want to talk about the
16 acquisitions, you didn't seek Commission approval of
17 an acquisition. Sometimes in acquisitions utility
18 will agree to cut rates, what KCPL is proposing to
19 do in the acquisition of Westar. They are proposing
20 a rate decrease. Could that be something that came
21 out of Laclede's acquisition of Alagasco? They
22 could have.

23 Q. No. Mr. Hyneman, what I'm talking about
24 is a article that you put in your surrebuttal
25 testimony that showed up in our hometown newspaper

1 that purported to say that the rates of our Missouri
2 customers had gone up because of these acquisitions,
3 that service had decreased because of these
4 acquisitions, and I'm asking you do you have any
5 basis to support that?

6 A. I don't know what was in the
7 individual's mind when he made that statement. I do
8 know in the report of Staff and I think it was Staff
9 witness Schallenberg was one of the most premiere
10 experts in affiliate transactions, I think, in the
11 nation said that Laclede is violating affiliate
12 transactions, and he believes there's a lot of costs
13 being pushed out to Missouri that shouldn't be.
14 Now, that doesn't directly increase rates from that,
15 but it does result in an improper cost allocation.

16 Q. Okay. So, you know, you can say
17 improper allocation, but, you know, what I'm really
18 asking about is had the rates to our customers
19 increased as a result of these acquisitions by
20 September 1st, 2016?

21 A. I don't know.

22 Q. You don't know?

23 A. No. I would have to think through that.
24 Right now I don't know if it did or if it didn't.

25 Q. Okay. So, so, when you recite that

1 article and you put it in your surrebuttal
2 testimony, you don't know whether what it's saying
3 is true or not?

4 A. Well, if I can -- I don't know. I mean,
5 that could very well be an untrue statement. I just
6 have to think through the process, the period and
7 consider all factors whether that is true. I'm not
8 prepared to do that right now.

9 Q. Okay. Fair enough.

10 A. But I will say the point of including
11 that article was to highlight the Staff report, to
12 make a note to the Commission. The Commission
13 normally says that they address Staff reports in the
14 next proceeding. Well, this is the next proceeding
15 for Laclede and I recommend to the Commission it
16 does address this report, some of the customer
17 service concerns Staff outlined and primarily
18 affiliate transaction concerns, major ones that
19 staff outlined that they should be addressed through
20 audit of Laclede's affiliate transactions and
21 require Laclede to update its cost allocation manual
22 that's actually way outdated.

23 So, the purpose of that is to say,
24 Commission, this may be the time for you to take
25 action on those factors. I wasn't certifying that

1 Laclede's rates went up because of the Alagasco.
2 That was a comment in the article, but the purpose
3 with the article was to illustrate that these
4 transactions are important to the citizens of
5 Missouri as illustrated by the St. Louis Business
6 Journal.

7 **Q. Okay. So, that's a clarification maybe**
8 **at the conclusion of this proceeding we could give**
9 **our customers that when you thought that you'd heard**
10 **that these acquisitions had increased your rates and**
11 **decreased the quality of your service, you know,**
12 **it's not like anybody's sitting here saying that's**
13 **what actually happened?**

14 **A. I think if you believe that not to be**
15 **true, you should call the newspaper and ask them to**
16 **retract it.**

17 **Q. We did.**

18 **A. Okay. Well, then they --**

19 **Q. And we --**

20 **A. -- may have had evidence to support.**

21 **JUDGE DIPPELL: Wait, wait, wait. One**
22 **at a time and please ask and answer questions.**

23 **Q. (By Mr. Pendergast) Yeah. I guess I was**
24 **answering your question, wasn't I?**

25 **And as far as, you know, the allocations**

1 and whether or not there's any kind of affiliate
2 transaction concern associated with that, when it
3 comes to allocations between regulated utilities,
4 that's something that's been done for decades, well
5 before the affiliate transaction rule, isn't it?

6 A. I would say if you had two utilities
7 operated under a holding company or controlled by
8 one utility, there would be some transactions.

9 Q. Well, I'm just saying that if you got
10 Ameren and it's got operations in different states,
11 you know, Empire, don't they have operations in
12 different states, and don't you have to go ahead and
13 take their assets and their joint common costs and
14 allocate them between jurisdictions?

15 A. Yes.

16 Q. And that's something the Commission has
17 been doing for decades, isn't it?

18 MS. SHEMWELL: Mr. Hyneman, do you have
19 decades of information?

20 THE WITNESS: No. I'm only aware of the
21 affiliate transaction since I started auditing
22 utilities, which was approximately 2003.

23 Q. (By Mr. Pendergast) Okay. So, you don't
24 know how long the Commission's been doing that.

25 Let me ask you this: As far as the

1 statement that you repeated in your testimony about
2 how we were allocating costs being in violation of
3 the affiliate transaction rule, can you tell me
4 whether anybody filed a complaint after that report
5 was submitted on our corporate allocations?

6 A. I don't believe anyone has.

7 Q. You don't believe anyone has.

8 So, if somebody thought there was a
9 violation going on, they didn't respond to it by
10 filing a complaint?

11 MS. SHEMWELL: I'm going to object to
12 that because Mr. Hyneman cannot speculate as to what
13 everyone or anyone else would do.

14 MR. PENDERGAST: That's fine. It's
15 enough for him to say no complaint has been filed.

16 Q. (By Mr. Pendergast) And our allocations
17 have been looked at to our affiliated utilities in
18 this case, have they not?

19 A. Not to any great extent, no. We have --
20 we have an outside auditor who has looked at cost
21 allocations and merger synergies, but for one
22 individual to do that, she didn't have the amount of
23 time to do a complete audit, and I know Staff --

24 Q. Did the Staff look at it?

25 A. I don't believe Staff looked at anything

1 much at all to do with corporate allocations.

2 Q. Okay. So, whatever we allocated,
3 everybody just said that looks fine to us, is that
4 what happened?

5 A. No. They just didn't address it in the
6 scope of their audit probably due to resource
7 limitations.

8 Q. And do you know how many questions were
9 asked about allocations?

10 MS. SHEMWELL: Again, Mr. Hyneman, I'm
11 going to caution that that calls for speculation.

12 MR. PENDERGAST: Well, if he
13 doesn't know, he can say I don't know.

14 JUDGE DIPPELL: If he's simply asked if
15 he knows, I'll allow it.

16 A. Could you repeat the question?

17 Q. (By Mr. Pendergast) Yeah. Do you know
18 how many questions were asked of the company that
19 related in one way or another to how it allocates
20 its corporate costs?

21 A. No.

22 Q. Okay. And just one last question. At
23 the same time the article that you put in your
24 surrebuttal testimony was talking about rates going
25 up. OPC had a complaint that said that the company

1 **was overearning; is that correct?**

2 A. That's correct.

3 MR. PENDERGAST: Okay. Thank you. I
4 have no further questions.

5 THE WITNESS: You're welcome.

6 JUDGE DIPPELL: Thank you.

7 Are there questions from the bench for
8 Mr. Hyneman?

9 CHAIRMAN HALL: No questions. Thank
10 you.

11 COMMISSIONER STOLL: No questions.

12 COMMISSIONER KENNEY: No questions.

13 JUDGE DIPPELL: Commissioner Rupp.

14 COMMISSIONER RUPP: Good afternoon, sir.

15 THE WITNESS: Good afternoon.

16 COMMISSIONER RUPP: The J.D. Power
17 average that you testified pertains to 2008 and
18 2016. I know J.D. Power has lots of different
19 categories. What are you specifically referring to
20 with that average?

21 THE WITNESS: Yeah. And this was the
22 gas utility residential customer satisfaction
23 survey. J.D. Power normally does two surveys. They
24 do a business customer and a residential. My focus
25 was strictly on residential.

1 COMMISSIONER RUPP: Residential customer
2 service?

3 THE WITNESS: Yes.

4 COMMISSIONER RUPP: And I'm going to
5 show my ignorance here. Is there any type of
6 penalty or any type of anything happen if there is a
7 DR response that does not come in, that is late, or
8 is it just, hey, you guys are late, get it in? Is
9 there anything in our purview that says if you're
10 late, you're fined this or there's some type of...?

11 THE WITNESS: Well, the process, as I
12 understand it, is that if they don't respond to a DR
13 properly or fail to respond, then we'll contact the
14 attorneys, they'll talk it over to see if they can
15 get the issue resolved. If the issue is not
16 resolved, then the hearing, maybe issue a motion to
17 compel. That is a very resource-heavy process that
18 we don't have time to do. We've had dozens of DRs
19 that were not answered. Some that were 40, 30, 40
20 days late. We don't have time for every DR to --

21 COMMISSIONER RUPP: No. That's fine. I
22 didn't know if there was a, okay, if you don't get
23 it, then it goes to the judge.

24 THE WITNESS: Right.

25 COMMISSIONER RUPP: And walk me through

1 the process. So, if the judge issues a motion to
2 compel and they don't -- XYZ company does not compel
3 them, what happens?

4 THE WITNESS: Well, that's an
5 interesting question because that's what happened
6 with Laclede before in a process where Staff in the
7 process of an ACA audit requested a gas invoice from
8 the affiliate and Laclede would not provide it. And
9 so, it went before the Commission over and over
10 again. The Commission finally ordered them to do
11 it. Laclede wouldn't do it. They directed them
12 again and Laclede took them to court, I think it
13 went to Circuit and Supreme Court and finally the
14 Supreme Court ruled, and this is just my
15 understanding, that they have to comply with it.
16 But that one response, DR response from a simple
17 affiliate transaction invoice, in my opinion, wasted
18 hundreds, hundreds of hours of Commission time.

19 COMMISSIONER RUPP: But that was not in
20 this case?

21 THE WITNESS: No, but that's how it do.
22 If the company is not going to provide data, the
23 process goes through the courts.

24 COMMISSIONER RUPP: Now, to help me
25 understand, you were asked how many DR responses the

1 company got and I think it was said in the thousands
2 of something. What is an average number that a
3 large utility such as Spire or Ameren, Kansas City
4 Power & Light, somebody like that, what is the
5 typical rate case number of DR responses that a
6 company would get during a rate case? Do you have
7 an average or can anyone answer that question
8 throughout the course of?

9 THE WITNESS: I could give you from my
10 experience on Staff and with the OPC. Normally on a
11 major -- and I'll give you probably on electric
12 because I worked a lot of electric rate cases. The
13 DR is going to be probably, three, four, five
14 hundred, the Staff data request. OPC, depending on
15 their resources, involvement in the case, may do
16 another 200, 300. So, I think when you talk about
17 those two entities, I think between six to eight
18 hundred would be a good ballpark number of data
19 requests.

20 COMMISSIONER RUPP: Okay. That was all
21 I had. Thank you.

22 THE WITNESS: Thank you.

23 JUDGE DIPPELL: Thank you.

24 Mr. Hyneman, I just had a couple of
25 questions for you just to clarify. So, you talked

1 about some stock percentages earlier.

2 THE WITNESS: Yes.

3 JUDGE DIPPELL: Were those numbers that
4 you are giving from today's date or from some time
5 in the past?

6 THE WITNESS: No. Actually, yeah. And
7 I got on the Yahoo Finance during lunch and ran
8 these queries and those are the numbers. You run
9 them five minutes later, you're going to get a
10 different number because it's a floating stock
11 price.

12 JUDGE DIPPELL: I just wanted to know
13 the date.

14 THE WITNESS: That's today, yes.

15 JUDGE DIPPELL: And then my ignorance
16 here with the J.D. Power numbers that you gave, and
17 you gave us some past ones on how they had increased
18 some. What is that number? What's that number
19 relate to? I mean...

20 THE WITNESS: What it is -- and to be
21 clear, I don't put a lot of stock in J.D. Power, but
22 some entities do, companies do. They consider it
23 relevant to their customer service, and it's a
24 customer service survey. So, they'll contact
25 customers in their service area and ask them

1 specific questions and they combine the results and
2 do an analysis of all the utilities in the region.
3 I think J.D. Power does good work about feedback
4 with utility on certain call center processes and
5 procedures, how they can improve, but I don't know
6 about the overall score being a definite accurate
7 picture of the quality of service the utility is
8 providing.

9 JUDGE DIPPELL: So, but how does that
10 score relate? Is it, like, a credit score? I mean,
11 is it 600 out of 1,000 or with 1,000 being better
12 than zero or...?

13 THE WITNESS: Well, there are different
14 factors that J.D. Power asks about, different
15 questions. They rank those, they weight them, and
16 they come up with a number. And the 217 for
17 example, the average number score for the Midwest
18 large utilities was 734, that's the number.

19 JUDGE DIPPELL: Okay.

20 THE WITNESS: The higher the number the
21 better.

22 JUDGE DIPPELL: Okay. That gives me
23 some context. That's what I was looking for.

24 THE WITNESS: Yeah. I mean, that
25 document you can get online very easily. So, it's

1 not propriety at all.

2 JUDGE DIPPELL: Thank you.

3 Commissioner Rupp, you had another
4 question.

5 COMMISSIONER RUPP: Yeah.

6 Did I just hear you tell the Judge that
7 you don't put a lot of stock into the J.D. Power
8 report?

9 THE WITNESS: As representative of the
10 quality of utility service, yes, as one factor, but
11 a lot more important factor are customer complaints,
12 average speed of answer. All those metrics that
13 Staff monitors for customers in Missouri, I think
14 they're a lot more important than the J.D. Power
15 scores.

16 COMMISSIONER RUPP: You said you don't
17 put much stock in the J.D. Power score, but yet you
18 used it in the response to a question stating that
19 they were -- 2008 and 2016 they were below their
20 peers?

21 THE WITNESS: Below average. What I
22 said, I didn't use J.D. Power testimony. The
23 counsel for Laclede said that J.D. Power score's
24 skyrocketed. I don't believe that to be true and
25 the evidence I gave here shows that it's not true.

1 COMMISSIONER RUPP: But you don't put a
2 whole lot of stock into J.D. Power surveys?

3 THE WITNESS: I think J.D. Power
4 provides service to utilities as far as, you know, a
5 lot of different things, but if I'm going to say for
6 sure that Laclede got a 730 and MGE got a 890, that
7 MGE definitely has better customer service than
8 Laclede, I can't make that. There are too many
9 other factors that are not considered by J.D. Power
10 that goes into that view.

11 COMMISSIONER RUPP: All right. Thank
12 you.

13 JUDGE DIPPELL: All right. Is there
14 further cross-examination based on questions from
15 the bench from Staff?

16 MS. PAYNE: No questions.

17 JUDGE DIPPELL: Division of Energy.

18 MR. BEAR: No questions, Your Honor.

19 JUDGE DIPPELL: MIEC.

20 MR. MILLS: No, thank you.

21 JUDGE DIPPELL: MEC.

22 MR. WOODSMALL: No questions.

23 JUDGE DIPPELL: National Housing Trust.

24 MR. LINHARES: No. Thank you.

25 JUDGE DIPPELL: Environmental Defense.

1 MS. KARAS: No questions.

2 JUDGE DIPPELL: Consumers Council.

3 MoGas.

4 MR. JARRETT: No. Thank you.

5 JUDGE DIPPELL: All right. Spire.

6 MR. PENDERGAST: No questions, Your
7 Honor.

8 JUDGE DIPPELL: Is there redirect?

9 MS. SHEMWELL: Yes. Thank you.

10 REDIRECT EXAMINATION

11 BY MS. SHEMWELL

12 Q. Mr. Hyneman, Mr. Pendergast asked you
13 about whether rates increased from the Alagasco,
14 Energy South acquisition. Do you remember that
15 question?

16 A. Yes.

17 Q. Did you include the Staff report in your
18 testimony?

19 A. In my surrebuttal testimony.

20 Q. The 2016?

21 A. Yes, I did.

22 Q. And did the Staff report have a
23 conclusion; do you recall?

24 A. I don't recall it right now.

25 Q. Let me hand you your testimony.

1 **Does that refresh your recollection?**

2 A. Yes. It's -- it raises two of the
3 concerns identified in the report and that's capital
4 cost and improper cost allocations.

5 **Q. And why did you include that in your**
6 **testimony?**

7 A. The report was that OPC's witness Ara
8 Azad identified problems with cost allocations with
9 Laclede. The Staff has had affiliate transactions
10 and cost allocations problems with Laclede for many
11 years going back at least to 2010-2011. This report
12 says -- to me it says something needs to be done,
13 and I included in my testimony saying, Commission,
14 we agree something needs to be done and what you can
15 do is order the recommendations that OPC has made in
16 this case. First one is that Laclede needs to
17 update its CAM. It's way outdated. The second one
18 is it needs to order cost allocations/affiliate
19 transactions independent audit so we can put to rest
20 the concerns the Staff outlined in this report.
21 Those are necessary. They're needed. And so, I
22 attached this report to let the Commission know the
23 seriousness of the problems that are going on now.

24 **Q. Would you read the conclusion, please.**

25 A. Oh, yes. I'm sorry.

1 "The not detrimental to the public
2 interest standard requires a cost/benefit analysis.
3 Staff is not aware of any benefits that the
4 transactions have."

5 MR. PENDERGAST: Your Honor, I'm going
6 to object to this. What he's reading are statements
7 that were made by people that are not here to be
8 cross-examined. You know, if the Staff wants to put
9 on witnesses to go ahead and validate whether or not
10 these are true. We've already heard a lot about how
11 they weren't true, at least as reported generally,
12 and I think it's fundamentally unfair to have
13 Mr. Hyneman read these conclusions when the people
14 that wrote them aren't here to be cross-examined.

15 JUDGE DIPPELL: Ms. Shemwell.

16 MS. SHEMWELL: Judge, it's sworn
17 testimony filed under affidavit by the Staff in a
18 case. So, this is already in the Commission record
19 with sworn affidavits. I'm simply asking him what
20 did the Staff conclude in that report.

21 JUDGE DIPPELL: I don't think there's a
22 need for Mr. Hyneman to read the report. It's
23 already in the record -- well, it may be in the
24 record if it's admitted. It's attached to his
25 testimony. If it doesn't come in, I'll let you make

1 a motion to -- for the Commission to take official
2 notice of it later.

3 MS. SHEMWELL: Thank you.

4 JUDGE DIPPELL: Is there anything
5 further?

6 Q. (By Ms. Shemwell) In response to a
7 question Mr. Pendergast asked, has Public Counsel's
8 complaint, the complaint that Public Counsel made
9 about overearnings been consolidated in this case?

10 A. It has.

11 JUDGE DIPPELL: Can I get both of you to
12 speak into your microphones?

13 THE WITNESS: I'm sorry.

14 JUDGE DIPPELL: Thank you.

15 Q. (By Ms. Shemwell) In its orders and it's
16 some of its initial orders, does the Commission
17 specifically order a certain response time for data
18 requests?

19 A. Yes. It's generally 20 days.

20 Q. Does it change from 20 days?

21 A. Yes. I think after, like, a rebuttal
22 filing or something it decreases to ten, maybe five
23 days.

24 Q. And you've discussed some of the issues
25 you had. Can you tell me in terms of accumulated

1 **deferred income taxes did you ask a DR?**

2 A. Yes.

3 **Q. From whom did you ask?**

4 A. It was Laclede.

5 **Q. How long did it take you to get a**
6 **response to that?**

7 A. And the response is still not complete,
8 which is kind of sad, but I think it was a two and a
9 half month period. I think it was around
10 mid-September I requested the DR. They came back
11 with being nonresponsive. I kept pursuing it to get
12 the information, information, and then finally I
13 think the company on November 30th didn't do a
14 reconciliation or explain the timing difference in
15 it, but they indicated that these were the deferred
16 tax component that lined up with their 10K, which
17 was the basis of the DR, and then finally after that
18 the company recognized a problem they had and they
19 included an additional \$100 million of deferred
20 income taxes in their rate base.

21 **Q. In their rate base?**

22 A. Yes. There's a rate base offset.

23 MS. SHEMWELL: That's all I have. Thank
24 you.

25 JUDGE DIPPELL: Thank you.

1 All right. Mr. Hyneman, you may step
2 down for now. Thank you.

3 We're going to go ahead then and take a
4 break until 3:25. We can go off the record.

5 (A short recess was taken.)

6 (OPC's Exhibit 427 was marked for
7 identification.)

8 JUDGE DIPPELL: All right. We are back
9 on the record after our break, and we are ready to
10 proceed to the second issue, and we'll start with
11 opening statements. Do the mini openings, are we
12 doing those in the order that we did general?

13 Okay. So, we're all on the same page.

14 All right. Then we can go ahead and
15 start with Spire.

16 MR. ZUCKER: I'm sorry, Your Honor.

17 JUDGE DIPPELL: An opening statement on
18 this issue?

19 MR. ZUCKER: Sure. May it please the
20 Commission:

21 At Spire/MGE we believe in providing
22 people incentives and that's because people respond
23 to incentives and we think that that is a good
24 management tool and I think that's the reason it is
25 used as a management tool throughout corporate

1 America. Like us at Laclede incenting our
2 employees, we think that you, the Commission, should
3 provide incentives to us. And the -- and the
4 incentives would work both ways. It would provide
5 an opportunity for the company to supplement its
6 income if it can provide the kind of service that is
7 considered above and beyond just adequate. It would
8 also cause the company to lose money if it provided
9 service that was not considered adequate. Between
10 losing money and getting money is a wide range of
11 just acceptable in which there would be no, no
12 movement either way.

13 We believe that a performance metrics, a
14 performance incentive program would dovetail well
15 with our own employee incentive program, and let me
16 explain that, if I could. Let's say that we come
17 out of this case with approval of, in rates, for a
18 given employee, that employee's base salary and a
19 target incentive of 100 percent, which means the
20 employee did what they're expected to do. If you
21 can -- if you do more than that, you get over
22 100 percent. If you do less, you get under
23 100 percent, the employee does, and then the
24 employee makes in effect less than they would
25 otherwise make. So, some of their, their

1 compensation is at risk.

2 So, let's say in this example, so, we
3 have the 100 percent target in rates and the
4 employee underperforms and performs at a 50 percent
5 level so that we then pay the employee only
6 50 percent of his incentive. We collected in rates
7 100 percent, but only paid 50 percent. The company
8 would be in that case ahead in a situation in which
9 you would assume the company provided poor customer
10 service because of the, the employee's subpar
11 performance. The performance incentive from the
12 Commission would then tell us provide some of that
13 money back that you -- that you got in rates because
14 of the poor performance. You wouldn't have to do
15 anything specific. The program would work that way
16 automatically. So, if it's done right, in effect
17 the performance incentive program would dovetail
18 well with the company's incentive program.

19 In this case we did not get to the point
20 of actually proposing detailed metrics and detailed
21 levels, but what we're asking the Commission to do
22 is order us and the other parties to participate in
23 a working group to try to come up with a program
24 that could work and would serve the benefits that I
25 just described. I think that's all I have to say

1 about that.

2 The Staff has filed testimony in which
3 they've said they would participate in such a
4 workshop if we had one or a working group. OPC
5 filed testimony saying that they think it's a waste
6 of time and they weren't interested in it. But we
7 think that it's definitely worth exploring and it --
8 just as we think providing incentives to our
9 employees is good management and supervision, we
10 think that it's a good idea for the Commission to
11 provide the company with those.

12 Thank you.

13 JUDGE DIPPELL: Did you have questions?

14 CHAIRMAN HALL: Yes.

15 Good afternoon.

16 MR. ZUCKER: Good afternoon.

17 CHAIRMAN HALL: Why did the company not
18 come into the rate case with a proposal for three to
19 five metrics?

20 MR. ZUCKER: Well, we had good
21 intentions, but we didn't -- we weren't able to pull
22 it off and also, you know, we talked to the parties.
23 There's a lot of resistance to it. And so, we just
24 never -- in fact, at one point we had a technical
25 conference to discuss various issues and we ended up

1 getting stuck on an issue that I thought was a
2 no-brainer. So, we didn't get very far on those, on
3 those issues and in the end we had to spend a lot of
4 time responding to DRs instead of doing some more
5 proactive things.

6 CHAIRMAN HALL: Okay. Thank you.

7 COMMISSIONER KENNEY: No questions.

8 JUDGE DIPPELL: Thank you.

9 Is there an opening from Staff?

10 MS. PAYNE: Thank you. May it please
11 the Commission:

12 My name is Whitney Payne, and I think
13 I'd like to open by saying that I believe it's a
14 little unfair that the company characterizes
15 anything from the other parties as resistance. I
16 believe that Staff is always open to discussion with
17 the companies of any new proposals or things that it
18 believes may improve the company or the customer
19 experience.

20 However, the company's initial proposal
21 appeared to tie the mechanism to the customer
22 experience, but there was very little detail in its
23 direct testimony regarding this matter and, in fact,
24 Staff was unable to really ascertain how this
25 proposal may even appear until Mr. Lobser filed

1 surrebuttal testimony to which, obviously, we've not
2 had a chance to respond because it was surrebuttal.

3 Even at that, I think in response to the
4 Chairman's question, this is a very incomplete
5 proposal. It's very unclear to the parties exactly
6 how something like this would operate. We are
7 certain that, that there could be a group to discuss
8 this. However, it appears that there's a
9 substantial amount of planning remaining before a
10 formal proposal could be presented to the
11 Commission.

12 So, we think that should the Commission
13 determine that this is something that it would like
14 us to explore, the best matter would be to create a
15 stakeholder group of the interested parties to
16 discuss the details of this and then present a more
17 formal proposal in Spire's next rate case.

18 Staff will present its witness Jamie
19 Myers to discuss more on this matter to answer your
20 questions and such.

21 Are there any questions now?

22 CHAIRMAN HALL: No questions. Thank
23 you.

24 COMMISSIONER KENNEY: No questions.
25 Thank you.

1 JUDGE DIPPELL: Thank you.

2 MS. PAYNE: Thank you.

3 JUDGE DIPPELL: Public Counsel.

4 MS. SHEMWELL: Thank you. May it please
5 the Commission:

6 We are in agreement with Staff that the
7 company has not made any sort of complete or formal
8 proposal. There are no specifics. In a data
9 response when Mr. Buck, he indicated he would
10 appreciate input from the parties into what should
11 be included in the performance metrics.

12 OPC is opposed to this issue, which
13 Dr. Marke calls pay for performance, and he is happy
14 to discuss the economic theory behind his position,
15 that while OPC appreciates that some incentives are
16 valuable, this may not be the correct approach.

17 Thank you.

18 JUDGE DIPPELL: Any questions?

19 CHAIRMAN HALL: Yeah.

20 Is OPC opposed to performance metrics in
21 all cases? I mean, calling performance metrics pay
22 for performance is a rather derogatory description.
23 So, I'm wondering if there's ever a time that
24 performance metrics are appropriate.

25 MS. SHEMWELL: Dr. Marke can answer that

1 better than I can.

2 CHAIRMAN HALL: Under the bus.

3 MS. SHEMWELL: Which he offered to take
4 the fall, just in fairness. He's actually consulted
5 some of Alfred Kahn's writings about the issue.

6 CHAIRMAN HALL: Oh, no.

7 MS. SHEMWELL: Yeah. He's looked into
8 this rather thoroughly and is able to answer your
9 questions, I think.

10 CHAIRMAN HALL: Thank you.

11 MS. SHEMWELL: Thank you.

12 JUDGE DIPPELL: Division of Energy,
13 anything?

14 MR. BEAR: No, Your Honor.

15 JUDGE DIPPELL: National Housing Trust,
16 anything?

17 Sorry. I keep looking at you. I know
18 you're not.

19 Environmental Defense Fund.

20 MS. KARAS: Nothing, Your Honor.

21 JUDGE DIPPELL: Midwest Energy
22 Consumers.

23 MR. WOODSMALL: Yes, Your Honor,
24 briefly.

25 I hadn't prepared an opening statement,

1 but it struck me this morning as we were listening
2 to opening statements just some general thoughts on
3 this.

4 I want you to think about all the places
5 in which this utility extracts money from the
6 customers all for the goal of getting them to
7 provide safe and adequate service at just and
8 reasonable rates. We have salaries. I just looked
9 up. Suzanne Sitherwood makes \$3.3 million a year.
10 Utility jobs are well-paying jobs. We have
11 incentive compensation, which a lot of this is built
12 into rates. All for the purpose of incenting them
13 to provide just and reasonable rates. We have a gas
14 supply incentive plan. All for the purpose of
15 getting them to procure gas at the cheapest cost.
16 We have a sharing mechanism for off-system sales.
17 All for the purpose to getting them to maximize
18 these off-system sales. We have a similar sharing
19 plan for capacity release. All for the purpose of
20 getting them to maximize the revenues at capacity
21 release, but, apparently, that's not enough.

22 We now need performance metrics, another
23 revenue stream just to get them to do the job that,
24 apparently, their salary isn't enough to do. At
25 \$3.3 million a year, why aren't these managers

1 taking care of that? So, that is my fundamental
2 problem with this. If they want a performance
3 metric, what revenue streams are they going to get
4 rid of? Are they going to get rid of the GSIP?
5 Will the performance metric do the things that the
6 GSIP does or it's just another way to get money? Is
7 it going to get rid of the OSS capacity release
8 sharing plan or is it just another one? Is it going
9 to get rid of some of the incentive comp? Those
10 questions are left unanswered. To me, to customers
11 it just looks like another way to hit the customers
12 for money to do the things that they should do as a
13 regulated monopoly.

14 JUDGE DIPPELL: Questions?

15 CHAIRMAN HALL: Yes.

16 I'll ask you the same question. So, do
17 you think that performance metrics are ever
18 appropriate?

19 MR. WOODSMALL: I can't say yes or no.
20 I have yet to see a plan that has been fully fleshed
21 out not only from this utility, but any utilities.

22 CHAIRMAN HALL: So, you've never seen a
23 performance metric that you thought was appropriate?

24 MR. WOODSMALL: A performance metric
25 just in a vacuum?

1 CHAIRMAN HALL: Or a program, a
2 performance based --

3 MR. WOODSMALL: I've never -- I've never
4 seen a program that I -- that is spelled out in
5 detail that I think is appropriate. I'm not
6 saying --

7 CHAIRMAN HALL: In this country?

8 MR. WOODSMALL: In this country.

9 I haven't done an extensive look. I'm
10 not saying it couldn't exist, but I haven't seen one
11 fleshed out in enough detail that I could say, yeah,
12 we should do that in Missouri.

13 CHAIRMAN HALL: Let's say that this
14 Commission decided that there were three or four
15 things that it thinks, the five of us thinks are
16 very, very, very important, more important than
17 anything else whether -- I mean, it would probably
18 involve some kind of safety component, some kind of
19 reliability component, you know, etc. Those are the
20 things that we think are the absolute most
21 important. Are you opposed to rates being in some
22 way related to the things that we think are the most
23 important?

24 MR. WOODSMALL: Are you asking me if I
25 disagree with the Commission? Possibly.

1 CHAIRMAN HALL: You've not shied from
2 saying that before. So, I wouldn't expect you to
3 shy away from it now.

4 MR. WOODSMALL: No. My, my fundamental
5 problem is there are incentive comp metrics for
6 safety already. There are other incentive comp
7 metrics designed to incent these type of things.
8 So, are we just now making up another program to do
9 the same thing that the incentive comp was designed
10 to do? And so, those are the things I want you to
11 look at. Rather than just looking at this in a
12 vacuum, consider all the other programs that are
13 already in existence.

14 CHAIRMAN HALL: Realizing that we could
15 put metrics in place that could result in a
16 reduction in rates?

17 MR. WOODSMALL: And that's -- it could
18 and that's a bad situation because, obviously, then
19 things haven't, haven't happened well.

20 CHAIRMAN HALL: Well, but it's -- but in
21 the absence of these performance metrics, those
22 things still would not have occurred and ratepayers
23 would be paying more. So, it could -- this program
24 could result in ratepayers paying less and actually
25 it's probably a 50/50 call as to what would happen,

1 isn't it?

2 MR. WOODSMALL: As I've seen the limited
3 amount of discussion on the program, the only way
4 that ratepayers would pay less is if service goes
5 down, safety, falls, call center metrics go down.
6 The only way customers would pay less is if service
7 goes down, so, or costs go up.

8 CHAIRMAN HALL: Which I guess is about
9 as likely as those metrics moving the other way?

10 MR. WOODSMALL: Frankly, I don't think
11 it is as likely. The utility wouldn't be proposing
12 this unless they believed there is upside potential.

13 CHAIRMAN HALL: But it's not a matter of
14 proposing. It's a matter of what this Commission
15 actually decides to do.

16 MR. WOODSMALL: As always. Yes.

17 CHAIRMAN HALL: Okay. Thank you.

18 JUDGE DIPPELL: I don't see any other
19 questions. Thank you, Mr. Woodsmall.

20 MIEC.

21 MR. MILLS: And I think rather than
22 going ahead with my prepared opening statement, I'll
23 just hit on that last question. And I think one of
24 the issues that we have with performance metrics,
25 and I don't disagree that theoretically performance

1 metrics could work, the problem is when you set
2 forth a limited set of performance metrics the
3 utility has every incentive to manage to those as
4 opposed to every other facet of its business. So,
5 regardless of what you consider to be the most
6 important things, that means the utility is going to
7 manage to those. So, there's almost never a chance
8 that the utility is going to fall short of whatever
9 the minimal performance is to achieve at least the,
10 the not having the rates go down because they have,
11 as Dr. Marke pointed out, that the whole Brewster's
12 Millions theme.

13 They can throw enough money at whatever
14 that particular performance metric is to be able to
15 meet it. Even if that means -- for example, if your
16 performance metrics are concentrated on customer
17 service, even if that means neglecting safety, even
18 if that means neglecting something else, they're
19 going to meet those metrics.

20 And so, the problem with performance
21 metrics is they are almost by definition too limited
22 and the reason that utility regulation has worked
23 for all these years without it is because they have
24 an overall performance metric, which is to provide
25 safe and adequate service at just and reasonable

1 rates and if they don't, then they get dinged, but
2 they get to manage all facets of the business in the
3 way that they deem appropriate and they have to hit
4 all of them. If you single out particular aspects,
5 then you've got all kinds of problems with
6 everything you haven't singled out.

7 So, to your point about it's just as
8 likely to go down as go up, I don't think that's the
9 case. I think they're able to control that.

10 CHAIRMAN HALL: Well, it sounds to me
11 like you're almost endorsing these metrics, because
12 you're saying that all we have to do is identify
13 what it is important for the company to do and then
14 they'll do it. So, if we do a good job of
15 identifying what's important, then these metrics are
16 awesome because they'll work.

17 MR. MILLS: If you can identify the only
18 things that are important and be confident that
19 there's not something else that's not included in
20 the performance metrics, then that's the case, which
21 is why I say in theory they can work, but in
22 practice there are always things that you leave out
23 that don't get incentives that perhaps should have
24 been, or things that you do incent that they would
25 be doing anyway. And so, it's the -- it's the

1 transition from theory to practice I think is the
2 issue here.

3 CHAIRMAN HALL: Okay. Thank you.

4 MR. MILLS: Then back to a couple of
5 points that I wanted to make in addition to that.

6 The question that's presented in this
7 case is not whether or not we should be adopting
8 performance metrics. The company gave up on that
9 when they failed to present it in their direct case.
10 The question is: Should there be another some sort
11 of a process to develop performance metrics to
12 implement some other time? And I think you heard
13 from Mr. Zucker just a minute ago that his notion is
14 the Commission would order the parties to get
15 together to work on performance metrics. And that,
16 that in and of itself I believe is, is problematic
17 because not all parties have the same ability to
18 participate in some sort of an open-ended kind of
19 workshop like that.

20 But the real problem I think is there's
21 an underlying, I think, assumption there that it may
22 be the case that performance metrics get implemented
23 sometime outside of the context of a rate case. And
24 to my mind that is a considerable problem because I
25 think that would be single-issue ratemaking, would

1 be inappropriate and probably unlawful. You're,
2 you're picking out particular aspects of the utility
3 business for which they can raise rates, for which
4 rates can be lowered. All of this without looking
5 at all relevant factors.

6 So, if the idea is to simply direct the
7 parties to work together to see if we can come up
8 with some metrics for the next case, that's one
9 thing. We don't like it, but if the idea is to, as
10 the company has I think suggested in the opening
11 statement, come up with a process that would lead to
12 implementation of performance metrics before the
13 next rate case, we would be vehemently opposed to
14 that.

15 And I would be happy to take questions.

16 JUDGE DIPPELL: Are there any other
17 questions?

18 COMMISSIONER KENNEY: No questions.

19 MR. MILLS: Thank you.

20 JUDGE DIPPELL: Thank you.

21 Consumers Council, anything?

22 MR. COFFMAN: May it please the

23 Commission:

24 I just wanted to briefly give my
25 perspective on performance-based ratemaking, and

1 I've seen a good number of proposals and a good
2 number of states that have started to implement some
3 type of performance-based ratemaking and it's one of
4 these things that looks so good in a textbook.
5 Theoretically, it makes a lot of sense, but the
6 reality has not been positive in my, my view.

7 Part of it is that once you start going
8 down that road, you had, you know, whatever handful
9 of issues that are goals wind up pushing aside often
10 the cost efficiency incentive. In my mind, the
11 traditional cost of service regulation has been so
12 successful for over 100 years because it is a really
13 good incentive in and of itself, together with the
14 regulatory lag and the pressures on the utility.
15 You know, I don't call it regulatory lag. I call it
16 the cost efficiency incentive. And when you put
17 into place -- when you take incentives and put them
18 in the ratemaking, you wind up kind of pushing it
19 aside.

20 I mean, you know, everyone may agree
21 with the four or five, six, ten great things that
22 you're moving towards, but if you aren't careful,
23 you wind up losing the incentive that is I think the
24 basic one for monopoly regulating utilities and that
25 is to keep it low.

1 The other thing that is a hazard if you
2 implement these, in my experience, is that
3 commissions are hesitant when they start out and
4 they tend to set the bar too low and very often it
5 winds up being a windfall for the utility. So, if
6 you are going down this road, I think you really
7 have to be aggressive to make sure you don't
8 inadvertently create a situation that raises rates.

9 So, that's my perspective and take it
10 for what it's worth.

11 JUDGE DIPPELL: Any questions for
12 Mr. Coffman?

13 CHAIRMAN HALL: I think I know what your
14 answer's going to be, but can you respond to
15 Mr. Mills' argument that it would be single-issue
16 ratemaking if we were to do it outside of a rate
17 case, which is actually, unfortunately, I think
18 probably accurate, which is --

19 MR. COFFMAN: Well, yeah. I mean,
20 there's a variety of ways you could do it, but
21 outside of a rate case, not having all relevant
22 factors is a problem. I'm not sure exactly the
23 mechanism that you're talking about, but, yeah, I
24 think you have to worry about that.

25 CHAIRMAN HALL: You're not sure the

1 mechanism I'm talking about. What do you mean?

2 MR. COFFMAN: Well, I guess if you're
3 trying to impose a performance-based ratemaking
4 after this rate case that would then affect rates.

5 CHAIRMAN HALL: Yeah. The proposal
6 that's at issue in this case.

7 MR. COFFMAN: Yeah, that sounds like a
8 problem with single-issue ratemaking.

9 CHAIRMAN HALL: Thank you.

10 JUDGE DIPPELL: All right. I'm looking
11 to see who else is here. Is there anyone else that
12 I haven't asked that would like to make an opening
13 statement on this? Okay.

14 CHAIRMAN HALL: Well, then before we
15 turn to witnesses, I think Mr. Mills has raised an
16 interesting issue. I was wondering if Staff, OPC,
17 and the company could respond to that, whether or
18 not it would constitute single-issue ratemaking.

19 MR. ZUCKER: You want a response right
20 now?

21 CHAIRMAN HALL: Sure.

22 MR. ZUCKER: I would love to. Should I
23 do it from here or go to the --

24 JUDGE DIPPELL: From there is fine. Go
25 ahead. Whichever.

1 Go ahead, Mr. Zucker.

2 MR. ZUCKER: In my view this is
3 absolutely not single-issue ratemaking because
4 single-issue ratemaking is when you say, okay, we're
5 going to set such-and-such a rate for, let's say,
6 uncollectibles, we'll give you \$1,000 for
7 uncollectibles, and then I come in later and say,
8 hey, it turned out that my uncollectibles were
9 \$1,500. So, I would like to have a little case and
10 get the \$1,500. That's single-issue ratemaking.

11 What you're doing is coming up with a
12 new program in which you would pay us nothing unless
13 we did something that you wanted us to do, unless we
14 met a certain criteria. So, it is an incentive
15 program. What you're saying -- what you would be
16 saying is I've already set your rates for safe
17 and adequate service at just and reasonable rates.
18 Now I want -- now I'm going to give you an
19 opportunity to do X and earn a little more or do Y
20 and have to pay in. So, it is -- there's no need to
21 look at all relevant factors in that case. You have
22 done something specific outside of the -- of the
23 normal ratemaking.

24 CHAIRMAN HALL: Well, let me -- let me
25 pose this as a possible answer and get your

1 response. That in a proceeding outside of a rate
2 case we set metrics that resulted in the regulatory
3 asset or a regulatory liability that would not be
4 applied until the next rate case and in that next
5 rate case we take all relevant factors into account.

6 MR. ZUCKER: Yes is the answer to that.
7 That is a perfectly acceptable way to do it.

8 MR. WOODSMALL: Your Honor, can I jump
9 in here now to respond to that exact question?

10 If you go back to the 1979 case where
11 the Commission implemented an FAC without statutory
12 authority, they deferred increases in fuel costs
13 just in that type of situation, deferred it into the
14 next case and the court said without statutory
15 authority that was unlawful. So, simply putting it
16 into a deferral account and treating it in the next
17 case was deemed to be unlawful there.

18 MR. ZUCKER: Yeah, I agree with that.
19 In the situation there there was nothing extra being
20 done. They just decided to change a cost. In our
21 case we have had, for example, gas supply incentive
22 plans that were created outside of rate cases in the
23 same exact way you just described, Chairman Hall.

24 JUDGE DIPPELL: And Staff, do you have
25 some input?

1 MS. PAYNE: Yes, now that I've waited my
2 turn.

3 I think the answer here is twofold.
4 Initially Staff's thought was to implement something
5 in between rate cases would be single-issue
6 ratemaking and that's why we proposed that it would
7 be best saved for the next rate case, any proposal
8 that would come out of such a working group.

9 I think what I'm hearing now from what
10 Mr. Zucker is explaining is that they might suggest
11 an amount or a program be put into place in this
12 case and then the actual details of it to be
13 determined in between the rate cases, and I think
14 our problem with that is that there is so little to
15 go on right now I don't think it's appropriate to
16 implement the program and then figure out what that
17 program will look like later.

18 So, I think Staff will stick to its
19 suggestion that the most appropriate thing is that
20 if the company wants this and if the Commission
21 would like us to create something like this, it
22 needs to be created by a working group outside of
23 this rate case and the actual proposal needs to be
24 implemented -- or needs to be looked at for
25 implementation in the next rate case.

1 COMMISSIONER KENNEY: Do you think that
2 what you just explained was Mr. Zucker was saying we
3 could do?

4 MS. PAYNE: To create a program --

5 COMMISSIONER KENNEY: Well, just like we
6 did in the Empire when there was a pilot program, we
7 stuck an amount of money in, said okay, you guys
8 figure out how you want to do it, you came back and
9 told us how you were going to do it, but we already
10 put the money in and said do it this way -- do
11 something.

12 MS. PAYNE: I am not specifically
13 familiar with the Empire program, but I am going to
14 go on a limb and say that there was probably a
15 little bit more defined parameters for that program.

16 COMMISSIONER KENNEY: I guess my
17 question is does it matter? My question is: Do you
18 think is that legal to do what you just described
19 what Mr. Zucker was mentioning?

20 MS. PAYNE: I would have to do a little
21 bit more research to determine the exact legality of
22 that. Like I said, my understanding coming into the
23 hearing room today was not that that was the
24 proposal. But I don't think that it's appropriate.
25 As far as the specific legality, I would have to do

1 a little bit more research.

2 COMMISSIONER KENNEY: Okay.

3 JUDGE DIPPELL: Mr. Zucker, you wanted
4 to reply?

5 MR. ZUCKER: Yes. Thank you, Your
6 Honor.

7 Ms. Payne is right. That isn't the
8 proposal. Our proposal -- and maybe I should also
9 straighten something out that I may have misspoke
10 earlier. Our proposal is for you to establish a
11 working group to see if they can come up with a
12 program, there wouldn't be any money in it yet
13 because we wouldn't know if we were going to get
14 money or give money, and anyone who does not want to
15 participate should not be required to.

16 JUDGE DIPPELL: And was there -- Office
17 of Public Counsel, did you have additional comments
18 in answer to the Chairman's questions?

19 MS. SHEMWELL: Well, I think that
20 Mr. Zucker has actually said that there's not
21 anything for the Commission to consider here except
22 whether or not there should be a working group,
23 which is -- would have no revenue impact. So, the
24 Commission could. Again, there aren't parameters
25 for this program. There's nothing proposed. So, it

1 would almost have to go to a working group if the
2 Commission feels that there is sufficient value
3 taking time away from other cases to look at this
4 and right now.

5 JUDGE DIPPELL: Were there any other
6 commissioner questions or counsel on the topic?

7 COMMISSIONER STOLL: No.

8 JUDGE DIPPELL: All right. Then I think
9 we're ready to go forward, then, with the first
10 witness on this topic from the company.

11 MR. ZUCKER: The company calls Mr. Eric
12 Lobser.

13 Before we start here, may I make a
14 request?

15 JUDGE DIPPELL: Request away.

16 MR. ZUCKER: Okay. When we do these
17 opening statements, so far I've gone first every
18 time or Mr. Pendergast will go first and then other
19 people come up and say things that I don't have a
20 chance to respond to. Mr. Woodsmall for example, he
21 doesn't have a witness in the case. So, I can't
22 cross-examine anyone and he's said some things that
23 are demonstrably false that I have not gotten a
24 chance to respond to, and I'm not saying that he
25 can't say things that are false. He's free to try

1 to say whatever he wants, but what I'm saying is why
2 don't we take turns as to who goes first and who
3 doesn't?

4 MR. WOODSMALL: Your Honor, it's called
5 burden of proof, and at least on this issue it has
6 been demonstrated by everybody that the company
7 hasn't met their burden of proof. In fact, they've
8 punned saying we haven't done enough.

9 JUDGE DIPPELL: Okay. I'm not going to
10 get into an argument about, about that. I think for
11 now we'll go ahead and stick to the order. If there
12 is something that is said in the openings that a
13 party whose basically issue this really is feels
14 that they need to respond to, I'll give you the
15 opportunity to respond if you feel that it can't be
16 covered in the testimony.

17 MR. ZUCKER: Thank you, Your Honor.

18 JUDGE DIPPELL: All right.

19 You were previously sworn. So, you
20 remain under oath and you may continue.

21 ERIC LOBSER,
22 having been called as a witness herein, having been
23 first duly sworn, was examined and testified as
24 follows:

25

1 DIRECT EXAMINATION

2 BY MR. ZUCKER

3 Q. Good afternoon, Mr. Lobser.

4 A. Good afternoon.

5 Q. Are you the same Eric Lobser that filed
6 the direct testimony that you've already admitted to
7 earlier this afternoon?

8 A. Yes.

9 Q. And rebuttal also?

10 A. Yes.

11 Q. And surrebuttal also?

12 A. Yes.

13 Q. Okay. And you have already said that
14 your answers would be the same. Has anything
15 changed in the last couple hours?

16 A. No.

17 MR. ZUCKER: Okay. Your Honor, you
18 know, we have a number of repeat witnesses. I'm
19 wondering if maybe a better use of time from a
20 default standpoint would be to see if there are any
21 of these routine testimonies that, that we've all
22 done that anyone has an objection to?

23 JUDGE DIPPELL: I'm not sure what you're
24 referring to. You mean as the entire group or this
25 witness in particular?

1 MR. ZUCKER: Well, either -- I think
2 either one would be better. The entire group would
3 be very efficient in terms of saying, okay, all of
4 these exhibits are basically the people that the
5 witness's prefiled testimony. There's, there's
6 usually not an objection to it, but someone could be
7 free to have an objection. If they want to reserve
8 that, then maybe we should just -- we could go
9 forward on just a witness-by-witness basis.

10 MR. WOODSMALL: Your Honor, what we've
11 done in other cases is after the first time the
12 party just says tender the witness and skip all
13 this.

14 JUDGE DIPPELL: Yeah. I think that
15 that's appropriate in this case. However, I am open
16 that if you-all want to discuss among yourselves
17 after the hearing today, if you want to agree that
18 there are certain exhibits that you're already --
19 you're not going to have any objections to, then at
20 the beginning of the hearing, we could just admit
21 all of those and get that out of the way. If that's
22 more confusing because there are half that you're
23 going to have objections to and half that you're
24 not, then we'll just go back to our original plan,
25 which is just to hold the exhibits.

1 But yes, for the repeat witnesses, if
2 you just want to tender the witness, I'll assume if
3 there is something that has changed in the testimony
4 that instead of tendering the witness, you'll bring
5 that up.

6 MR. ZUCKER: Well, I appreciate
7 Mr. Woodsmall's suggestion there and yours, Your
8 Honor. So, I will tender the witness.

9 JUDGE DIPPELL: Okay. Thank you.
10 All right. Then cross-examination by
11 Staff.

12 MR. MILLS: Judge, before we get to the
13 cross-examination, I do have objections to the
14 witness's testimony on this issue.

15 JUDGE DIPPELL: Okay. Well, then let's
16 go back to -- we did previously offer this testimony
17 and --

18 MR. MILLS: It's been offered, but not
19 admitted.

20 JUDGE DIPPELL: Yes, yes. And can you
21 tell me your objections -- hold on just one moment.

22 MR. MILLS: If it helps you with your
23 reference materials, they're all going to have to do
24 with 4 CSR 240-2.130(7), which is the Commission's
25 regulation on evidence and prefiled testimony.

1 JUDGE DIPPELL: I'm sorry. Give me that
2 rule again.

3 MR. MILLS: It's chapter 2, 130, sub
4 seven.

5 JUDGE DIPPELL: All right. Now, go
6 ahead with your objections.

7 MR. MILLS: The first objection is to
8 the rebuttal testimony, page 22, line --

9 MR. ZUCKER: Sorry. Rebuttal testimony?

10 MR. MILLS: Rebuttal testimony.

11 JUDGE DIPPELL: Can I get you to speak
12 into the microphone, Mr. Mills?

13 MR. MILLS: I'm sorry. Page 22, line
14 20, through page 24, line 10. I'm sorry. I'm
15 sorry. Let me correct all of that. You might want
16 to keep it in mind because that's the surrebuttal
17 testimony.

18 In the rebuttal testimony I'm talking
19 about page 30, line 20, through page 31, line 16.
20 And the Commission's regulations on rebuttal
21 testimony state that rebuttal testimony is
22 responsive to testimony in exhibits and any other
23 party's direct case. By Mr. Lobser's own admission,
24 no party in this case filed direct testimony on this
25 issue. So, there is, accordingly, nothing in the

1 record for Mr. Lobser to have rebutted. Yet,
2 nonetheless, he's got a full half a page of
3 testimony that is simply bolstering the limited
4 amount of testimony that was in the direct case.
5 You just can't have rebuttal testimony if there's
6 nothing to rebut.

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

9 MR. ZUCKER: Yes. I was amused to hear
10 that with nothing to respond to Mr. Lobser still
11 came up with a full half page of testimony. So,
12 basically, he said that nobody filed any testimony
13 on it and he has very little there.

14 MR. MILLS: Very little is still more
15 than nothing and this would be, if allowed, evidence
16 in the case that's directly in conflict with the
17 Commission rules on what rebuttal testimony should
18 include.

19 JUDGE DIPPELL: All right. Does any
20 other party have a comment on this issue?

21 I'm going to sustain Mr. Mills
22 objection. The witness clearly says in his
23 testimony that he's responding to nothing, so...

24 MR. ZUCKER: Well, Your Honor, what
25 about the first two sentences starting -- "Not

1 really," being the first sentence and, "Accordingly,
2 I'm reserving my right," being the second sentence.
3 Could we leave that in?

4 JUDGE DIPPELL: I don't see that it adds
5 anything, Mr. Zucker. So, I'm just going to strike
6 line 20 through 16, it's page 30, line 20, through
7 page 31, line 16.

8 MR. MILLS: And then, Judge, I also have
9 objections to the surrebuttal testimony, and this is
10 where I inadvertently gave the wrong page numbers
11 before. In the surrebuttal testimony page 22, line
12 20, through page 24, line 10. And the objection
13 here is that the Commission, again this is Chapter
14 Two, 130, sub seven, requires that a utility or any
15 party, but in this case it's the utility who's the
16 moving party to include all testimony in exhibits
17 asserting and explaining that party's entire case in
18 chief in its direct testimony. What we have here
19 from Spire is the direct testimony that perhaps
20 could have or should have been included, but was
21 not. So, we have the party's case in chief here in
22 the surrebuttal testimony where no other party has
23 the opportunity to file rebuttal to it and, again,
24 this is in direct contradiction of the Commission's
25 rules on the way testimony is to be filed.

1 JUDGE DIPPELL: Mr. Zucker.

2 MR. ZUCKER: Excuse me. I think that in
3 direct we made certain representations and then this
4 just in surrebuttal constitutes a retreat from that
5 to a lesser position. So, I don't see how that is
6 coming up with a, you know, a new deal in
7 surrebuttal.

8 JUDGE DIPPELL: You look puzzled,
9 Mr. Mills. Did you have something?

10 MR. MILLS: No. Well, I'm, I'm -- no,
11 I'm not. Puzzled is not what I am. I'm somewhat
12 taken aback at the gall of saying this is not a new
13 position. It is entirely a new position. There was
14 no program proposed in the direct testimony. It was
15 a general notion that performance metrics would be a
16 good idea and maybe there should be four or five.
17 Now we have an entirely new proposal for an entirely
18 new process by which the performance metrics could
19 be established. It's not in response to anyone
20 else. It's a whole new proposal based on the fact
21 that they forgot or neglected or decided not to put
22 a proposal in their case in chief, and it simply
23 sandbags all the other parties because we have no
24 way to address this in testimony and this is a new
25 proposal that should have been in the direct

1 testimony so that in the normal course of events we
2 would address it in rebuttal testimony and the
3 company could address it in surrebuttal. They, of
4 course, as a moving party have the opportunity to
5 get the first word and the last word, but the way
6 they've done it is they've prevented us from getting
7 any word, and that's why the Commission's rules are
8 set forth this way.

9 MR. ZUCKER: That's actually not true,
10 Your Honor. We did get the first word, other
11 parties said that they didn't think it was a good
12 idea, that's the resistance that I kind of
13 mentioned, and then we said okay, how about if we
14 just back down to just talking about it. I don't
15 think that that is taking a new position. In fact,
16 I could just stand up there during my opening
17 statement and request that.

18 MR. MILLS: And he could do that, but
19 that would not be evidence. The problem here is
20 this is going to be evidence in the record to which
21 other parties have not had the opportunity to
22 respond. And I think it's incorrect to say that the
23 parties had resistance to the idea of performance
24 metrics. The parties that filed testimony said
25 there weren't enough specifics to even address it in

1 this case. And so, the company has sort of used
2 that position to bootstrap new direct testimony in
3 its surrebuttal testimony.

4 JUDGE DIPPELL: I'm going to allow this
5 to stay in. We've had a lot of discussions about
6 performance metrics today. I do believe that they
7 mentioned a program. They are changing that here.
8 We're going to go forward with it. It stays.
9 Overruled.

10 Did you have any other objections,
11 Mr. Mills?

12 MR. MILLS: No. That's all. Thank you.

13 JUDGE DIPPELL: Were there any other
14 objections to these portions of Mr. Lobser's
15 testimony?

16 All right. Now, we still have
17 Mr. Lobser on other issues, though, correct? So,
18 we're still not ready for this to come in. Okay.

19 All right. Let's go forward then with
20 our cross-examination by Staff.

21 MS. PAYNE: No questions. Thank you.

22 JUDGE DIPPELL: Sorry. I lost my place
23 here.

24 Public Counsel.

25

1 CROSS-EXAMINATION

2 BY MS. SHEMWELL

3 Q. Mr. Lobser, you agree that what you're
4 suggesting at this point is a working group to
5 consider performance metrics?

6 A. Yes. It's to put into effect a
7 structure that would look at the interest of all
8 stakeholders and better align the company with the
9 employees and the customers.

10 MS. SHEMWELL: Thank you.

11 JUDGE DIPPELL: Division of Energy.

12 MR. BEAR: No questions, Your Honor.

13 JUDGE DIPPELL: MIEC.

14 MR. MILLS: Yes.

15 CROSS-EXAMINATION

16 BY MR. MILLS

17 Q. Let me -- let me see if I can tie down
18 the question of what is a working group and what
19 you're proposing here is. Say, for example, the
20 Commission does what you suggest in this case and
21 docket a case and I suppose it would be a GW case
22 for a workshop to look at the question of
23 performance metrics for Laclede and MGE. Would you
24 suggest that that be a formal case with the formal
25 rules of evidence, discovery, the necessity to

1 **intervene, or do you see it more as an informal case**
2 **where the parties just get together and talk**
3 **informally?**

4 A. I think, you know, trying to get the
5 input from parties to me would be better achieved
6 through an informal case, but I'm not aware of the,
7 you know, specific differentiations and benefits and
8 detriments to the different approaches, but the idea
9 would be to provide the best forum for interested
10 parties to then weigh in on a way to look at how the
11 utility does business. It's not just cost based.
12 It's also performance based and outcome based.

13 Q. **In your surrebuttal testimony at page**
14 **23, line 13.**

15 A. Could you give that page again, please?

16 Q. **Yeah. Surrebuttal testimony, page 23,**
17 **line 13.**

18 A. Okay.

19 Q. **You talk about a process that culminates**
20 **in an evidentiary hearing; is that correct?**

21 A. Yes, that's correct.

22 Q. **Okay. Is that -- is that what you mean**
23 **by a working group?**

24 A. That would be the -- the outcome of the
25 working group would to present something to the

1 Commission at which point the other parties would
2 have the opportunity to weigh into evidence their
3 viewpoints on the -- on what was submitted to the
4 Commission.

5 **Q. If the working group meets, I don't**
6 **know, for some period of time, concedes that they're**
7 **unable to agree on a set of performance metrics,**
8 **under your proposal what would happen then?**

9 A. Then the, the proposal would be
10 submitted by the company. Other parties would be
11 free to submit their own proposals. If there's no
12 consensus, then obviously it wouldn't be a single
13 proposal, and then the Commission could then weigh
14 in on what approach it deemed to be appropriate.

15 **Q. And isn't the company, without any**
16 **action from the Commission in this case, free to**
17 **file such a proposal?**

18 A. I'm not certain. One of the issues that
19 we face, one of the areas of opposition that we face
20 a fair amount is concerns about parties bringing
21 something to the Commission in between rate cases.
22 And so, we were trying to be responsive to parties
23 back in as early as July not wanting to be part of
24 the formation of what this program was that I
25 established in three pages of testimony in my direct

1 testimony and provide an opportunity for folks to
2 have additional time because stakeholder involvement
3 in such a process is an important part of that
4 process.

5 **Q. So, it's your notion that, as Mr. Zucker**
6 **said in his opening statement, that the Commission**
7 **would order parties to participate in this working**
8 **group; is that correct?**

9 MR. ZUCKER: I'm going to object to that
10 because I straightened that out.

11 MR. MILLS: I'm asking what his position
12 is.

13 MR. ZUCKER: Well, ask him what his
14 position is then. Don't characterize what I didn't
15 say.

16 **Q. (By Mr. Mills) Is it your position that**
17 **you think the Commission should order parties to**
18 **participate in this working group?**

19 A. I think the parties to this case, to the
20 extent that they have -- are impacted by the, the
21 outcome, to me it would make sense for them to be
22 part of this case.

23 **Q. That doesn't answer my question.**

24 A. I don't know whether that means that
25 they have to be ordered to do so or they would do so

1 voluntarily. You know, I don't have a legal degree.
2 So, I don't know, you know, what the requirements
3 would be, but for a party to try and weigh in on
4 this, they would have to be part of the proceedings.
5 And so, there's been a number of parties that have
6 expressed interest in opposing this.

7 **Q. Well, if Mr. Zucker says that he does**
8 **not believe the Commission should order parties to**
9 **participate in this, in such a process, would you**
10 **disagree with that?**

11 A. I would defer to his understanding of
12 the legal process.

13 **Q. So, if the company is not asking the**
14 **Commission to order parties to participate in such a**
15 **discussion, what does the company get out of the**
16 **Commission ordering a process to happen in this case**
17 **that it doesn't get if the company simply proceeds**
18 **on its own?**

19 A. To me this would be something that would
20 provide assurances that this issue, which I think is
21 important to all stakeholders, is something that is
22 discussed in a timely manner. We decided to shift
23 from a formal proposal within the rate case to a
24 working group outside of the rate case because there
25 was a fair amount of resistance, again, early on in

1 the process back in July to having time or having
2 any interest in being part of the process to develop
3 something that, again, would affect all
4 stakeholders. So, we were trying to be responsive
5 to that, the feelings of the parties to the case.

6 Q. Okay. So, tell me if I'm paraphrasing
7 your answer incorrectly, but your notion is that
8 having the Commission order such a process in this
9 case would put pressure on the parties to
10 participate?

11 A. It would give it a time frame. It would
12 give it party involvement. Parties have expressed
13 interest whether it's positive or negative into this
14 subject matter. So, I would -- I guess I would
15 agree with your paraphrasing that it would put
16 pressure on parties to be part of the case.

17 Q. And then getting back to the question
18 what happens if the parties do meet and are unable
19 to come to an agreement. You said you do envision
20 an evidentiary hearing and then following the
21 evidentiary hearing you would envision the
22 Commission issuing an order I assume; is that
23 correct?

24 A. Yes.

25 Q. And from your perspective would you

1 envision that Commission order establishing a set of
2 performance metrics that would be put into place
3 outside of the context of a rate case?

4 MR. ZUCKER: I'm going to object to that
5 calling for a legal conclusion.

6 MR. MILLS: Judge, I'm not asking for a
7 legal conclusion. I'm asking him how he envisions
8 this process working.

9 JUDGE DIPPELL: And I'll allow him to
10 answer. Overruled.

11 A. The process would be something that was
12 begun during a rate case process, would put into
13 place a mechanism that then had a deferral mechanism
14 for those impacts to future rates to be reviewed at
15 the next rate case. So, rates would not be changing
16 between rate cases.

17 Q. (By Mr. Mills) So, your idea would be,
18 say, we're a step beyond the evidentiary hearing,
19 the Commission orders that this performance metrics
20 program be put into place, the company succeeds
21 wildly, just assume that for purposes of this
22 question, and so is entitled to a significant amount
23 of money in response. Okay. Do you have those
24 assumptions in mind?

25 A. I guess that's a lot of presumptions,

1 but that's your supposition.

2 Q. But you understand what they are?

3 A. I understand what you're saying.

4 Q. Okay. In that case it is your proposal
5 that whatever that sum of money that the company is
6 entitled to because of succeeding wildly on the
7 performance metrics is deferred until the next rate
8 case?

9 A. Yes. That was in the direct testimony
10 on, I believe, page 41 of what was submitted back in
11 April.

12 Q. And if in that next rate case the
13 Commission determines that the company is, in fact,
14 overearning and should have a rate decrease, what
15 would happen to the amounts deferred pursuant to the
16 performance metrics?

17 A. Well, overearning would be something
18 that would be related to base rates and this if it
19 was part of how a company earned its base rates,
20 then the opposite would possibly be true, that, you
21 know, if it had done really poorly and lost a lot of
22 money, that the company could come in and ask the
23 Commission to increase its base rates because of
24 this. These are not intended to be part of base
25 rates. Otherwise, the incentive doesn't mean

1 anything.

2 MR. MILLS: That's all the questions I
3 have. Thank you.

4 JUDGE DIPPELL: Midwest Energy
5 Consumers.

6 MR. WOODSMALL: Yes, real briefly.

7 CROSS-EXAMINATION

8 BY MR. WOODSMALL

9 Q. We've talked about this, and I'm not
10 going to get into the subject, but we've talked
11 about this quite a bit in technical conference and
12 settlement conferences and everything, and I'm just
13 wondering has the company received enough input to
14 this point in time that if it was filing the rate
15 case now, it could propose a more definitive type
16 program?

17 A. In my estimation, we could propose a
18 mostly one-sided performance mechanism and set of
19 metrics. There hasn't been enough, in my mind,
20 enough input and dialogue between the stakeholders
21 to the process to create a more fulsome approach,
22 but we certainly could propose something that to me
23 would not achieve the intent of such a mechanism,
24 which is aligning the interest of the stakeholders.
25 So, in essence, yes, we could formulate something

1 now, but it's not based off of a lot of input or
2 hardly any input from the stakeholders.

3 Q. So, if assuming that the Commission
4 agrees that this constitutes single-issue ratemaking
5 and can't be implemented between rate cases, you
6 have the input to present something in the next
7 case; is that correct?

8 A. Well, there would be the opportunity
9 probably to get the input, but as I said before, I
10 really haven't received a whole lot of input. It's
11 mostly been sort of I don't want to talk about this
12 now, you know, I've got too much going on, I have no
13 interest, very little input. So, it would be a
14 matter of trying to get additional input between
15 rate cases, which might be similar to what we
16 received from this since filing in April and our
17 first discovery conference, which was canceled
18 because there were no issues and we decided to meet
19 and folks expressed a lot of hesitance to weigh in
20 on this. So, I don't know that we would actually
21 get input from parties on something like this
22 between rate cases, but we would try and achieve it.

23 MR. WOODSMALL: I have no further
24 questions. Thank you.

25 JUDGE DIPPELL: Environmental Defense

1 Fund.

2 MS. KARAS: No questions.

3 JUDGE DIPPELL: Consumers Council.

4 MR. COFFMAN: No questions.

5 JUDGE DIPPELL: Is there any questions
6 for Mr. Lobser from the bench?

7 CHAIRMAN HALL: I have no questions.

8 Thank you.

9 COMMISSIONER KENNEY: I have no
10 questions.

11 JUDGE DIPPELL: Is there any redirect
12 from Spire?

13 MR. ZUCKER: Yes, Your Honor. Real
14 quickly.

15 REDIRECT EXAMINATION

16 BY MR. ZUCKER

17 **Q. If the Commission created a working**
18 **group to look into performance metrics, would that**
19 **signal interest by the Commission?**

20 A. I wouldn't want to speak for them, but
21 to me it would signal interest from the Commission.

22 **Q. And in response to the situation brought**
23 **up by Mr. Mills that if the company succeeds wildly,**
24 **the amount of money that could be involved either**
25 **plus or minus can be controlled or set by the**

1 Commission; is that right?

2 A. Correct.

3 Q. And when you said one-sided set of
4 metrics, you meant one-sided meaning you would only
5 have the company's input?

6 A. Yes, that's correct.

7 Q. Not one-sided meaning it would only go
8 up or down?

9 A. No. I meant getting input from other
10 parties. So, it would be the opinion of one side of
11 the situation.

12 MR. ZUCKER: Thank you.

13 That's all, Your Honor.

14 JUDGE DIPPELL: Thank you, Mr. Lobser.
15 You may step down for now.

16 I think the next witness is from Staff.

17 MS. PAYNE: Yes. Staff calls Jamie
18 Myers.

19 JUDGE DIPPELL: And Ms. Myers, you were
20 also previously sworn. So, you remain under oath.

21 JAMIE MYERS,
22 having been called as a witness herein, having been
23 first duly sworn, was examined and testified as
24 follows:

25

1 DIRECT EXAMINATION

2 BY MS. PAYNE

3 Q. And I'm not going to step you through
4 the basic questions over again, but I do want to ask
5 you do you have any testimony on this issue?

6 A. No, I do not have any prefiled testimony
7 on this issue.

8 Q. Did you review the testimony that was
9 filed on this issue in this case?

10 A. Yes. I reviewed the direct testimony
11 and the surrebuttal testimony of Eric Lobser.

12 MS. PAYNE: All right. Then I will go
13 ahead and tender this witness for cross?

14 JUDGE DIPPELL: Let me just start by
15 asking is there going to be any cross for Ms. Myers
16 on this issue?

17 MR. MILLS: I do have a question, yes.

18 JUDGE DIPPELL: Okay. Well, let me just
19 go through the list quickly then.

20 Public Counsel.

21 MS. SHEMWELL: No questions.

22 JUDGE DIPPELL: Division of Energy.

23 MR. BEAR: No questions.

24 JUDGE DIPPELL: Mr. Mills.

25

1 CROSS-EXAMINATION

2 BY MR. MILLS

3 Q. Ms. Myers, this is sort of a clarifying
4 question. Who is Brooke Richter?

5 A. Brooke Richter is a member of Staff.

6 Q. And did she not file testimony on this
7 issue?

8 A. She did, but as we previously discussed,
9 the testimony she filed on was reflective of
10 Mr. Lobser's direct, which is no longer entirely
11 reflective of what is the issue now in this case.
12 Therefore, I made myself available to just generally
13 answer any questions regarding Mr. Lobser's
14 surrebuttal.

15 Q. Well, will Staff be offering the
16 testimony of Ms. Richter?

17 A. We had not intended on providing her as
18 a witness.

19 MR. MILLS: Okay. That's all I have.

20 JUDGE DIPPELL: All right. Anything
21 from Environmental Defense Fund?

22 MS. KARAS: No questions.

23 JUDGE DIPPELL: Consumers Council.

24 MR. COFFMAN: No questions.

25 JUDGE DIPPELL: Spire.

1 MR. ZUCKER: Thank you, Your Honor.

2 CROSS-EXAMINATION

3 BY MR. ZUCKER

4 Q. In her prefiled testimony Ms. Richter
5 said that she -- that Staff would be willing to
6 participate in a working group if the Commission
7 ordered one. Do you adopt that position?

8 A. Yes, I do.

9 MR. ZUCKER: Permission to approach,
10 Your Honor.

11 JUDGE DIPPELL: Go ahead.

12 Q. (By Mr. Zucker) I've handed you Staff DR
13 70.4; is that correct?

14 A. Yes, you have.

15 Q. And can you read the first question
16 there?

17 A. Listed as Question No. 1 or would you
18 like the description?

19 Q. Listed as Question No. 1.

20 A. "Please provide the complete," and this
21 is in quotations, "listing of all the annual cost
22 reductions by FERC divisional accounts related to
23 the synergies generated from the acquisition of
24 Missouri Gas Energy for each year since its
25 purchase."

1 **Q. And can you read the answer for me?**

2 MS. PAYNE: I'm going to object. I'm
3 unclear based on what my witness has just read and
4 has not been provided to me as to how this relates
5 to the performance metrics proposal or lack thereof.

6 JUDGE DIPPELL: Mr. Zucker.

7 MR. ZUCKER: Yeah. This relates to data
8 requests. Now, you won't find data requests on the
9 issues list, but there's been a lot of talk about
10 data requests and, you know, we -- I don't think we
11 ever had a discovery conference, maybe we had one
12 and there was an issue between Staff and the
13 Division of Energy in that one, but what I've handed
14 her is a question and answer where we provided the
15 information by FERC account that Chairman Hall asked
16 about earlier.

17 MS. PAYNE: Your Honor, this has
18 absolutely no relevancy to the matter at hand.

19 JUDGE DIPPELL: I agree. This isn't the
20 time or the place for this questioning, Mr. Zucker.

21 MR. ZUCKER: Will there be a different
22 time or place?

23 MS. PAYNE: Mr. Zucker is welcome to
24 include any of these things in his brief.

25 JUDGE DIPPELL: I'm not sure. I opened

1 that door and I'm really regretting that, but this
2 isn't the time or place.

3 MR. ZUCKER: Okay. I think Ms. Payne's
4 suggestion is good. I'll just put it in my brief.

5 JUDGE DIPPELL: Thank you.

6 Is there anything further from Spire for
7 Ms. Myers relevant to this issue?

8 MR. ZUCKER: Let me check, Your Honor.
9 No, Your Honor. That's all I have.

10 JUDGE DIPPELL: Thank you.

11 Are there questions from the bench for
12 Ms. Myers on performance metrics?

13 CHAIRMAN HALL: I just have -- I just
14 have one, I think.

15 If the Commission were to require the
16 parties to put together performance metrics for
17 Spire, on behalf of Staff, would, would the
18 Commission's new customer experience department be
19 spearheading that effort on behalf of Staff?

20 THE WITNESS: Yes. And I would suggest
21 that there would be some guidance on the focus. I
22 would say -- and in discussions with the company
23 their focus wasn't necessarily customer experience
24 in the sense that we often define it. They were
25 presenting things like, and I think generally these

1 are good ideas, that were very safety focused in
2 terms of, you know, reacting to safety responses and
3 line losses and leaks and things of that nature.
4 So, yes, customer experience would be involved, but
5 I also think to the extent the Commission finds
6 particular metrics important that sort of guidance
7 would be helpful.

8 CHAIRMAN HALL: Thank you.

9 JUDGE DIPPELL: Are there any other
10 Commission questions?

11 All right. Is there any further
12 cross-examination based on the Chairman's question?

13 MR. WOODSMALL: One question.

14 JUDGE DIPPELL: Mr. Woodsmall.

15 RECROSS-EXAMINATION

16 BY MR. WOODSMALL

17 Q. You were asked a question about -- well,
18 first off, you were asked whether Staff would
19 participate in a workshop and then you were just
20 asked who would be leading that. Is it Staff's
21 recommendation that the Commission order such a
22 workshop?

23 A. Staff has not taken a formal position on
24 whether or not that sort of workshop is necessary.
25 I think our thought is, you know, that's up to the

1 Commission if it's necessary or not. And I think
2 our point of view is we're happy to participate in
3 that to the extent the Commission would like us to.

4 **Q. But you have no opinion as to whether**
5 **such a workshop or performance metrics speaks were**
6 **furthered?**

7 A. No, no opinion.

8 MR. WOODSMALL: No further questions.

9 JUDGE DIPPELL: Thank you.

10 Are there any other further
11 cross-examination based on that question?

12 MR. ZUCKER: No, Your Honor.

13 JUDGE DIPPELL: All right. Then is
14 there redirect?

15 MS. PAYNE: No. Thank you.

16 JUDGE DIPPELL: All right. Ms. Myers,
17 you may step down.

18 THE WITNESS: Thank you.

19 JUDGE DIPPELL: Mr. Marke, you were
20 previously sworn as well. So...

21 MS. SHEMWELL: I tender him for cross.
22 Thank you.

23 JUDGE DIPPELL: Thank you.

24 Is there any cross-examination for
25 Mr. Marke by Staff?

1 MS. PAYNE: No. I'm sorry. Thank you.

2 JUDGE DIPPELL: Division of Energy.

3 MR. BEAR: No, Your Honor.

4 JUDGE DIPPELL: MIEC.

5 MR. MILLS: No questions.

6 JUDGE DIPPELL: Midwest Energy

7 Consumers.

8 GEOFF MARKE,

9 having been called as a witness herein, having been

10 first duly sworn, was examined and testified as

11 follows:

12 CROSS-EXAMINATION

13 BY MR. WOODSMALL

14 **Q. Same question. Does Public Counsel**
15 **recommend that the Commission establish a workshop**
16 **to further explore performance metrics?**

17 A. No.

18 **Q. Can you tell me why?**

19 A. Sure. I think there's a variety of
20 reasons why. My surrebuttal testimony sort of
21 outlines a lot of this. The idea behind performance
22 metrics isn't something new. Ms. Shemwell offered
23 this earlier, but Alfred Kahn does talk about this.
24 He devotes a whole chapter in his volume two book on
25 the economics of regulation. And in general -- I'll

1 just read one sentence that jumped out at me.
2 Speaking about incentive plans he says, "These plans
3 have typically been short-lived, being easily
4 modified or abandoned when rates of return under
5 them become unacceptably high." And he provides
6 tons of evidence, you know, dating back well over --
7 up to about 100 years ago, so the turn of the
8 century, of good intentions gone awry.

9 The biggest concern I think Public
10 Counsel would have is we do have experience with
11 some performance metrics. We have experience with
12 MEA. I personally have had experience with MEA. I
13 mean, I know other examples have been opined here,
14 but there's asymmetrical information that takes
15 place. We spoke a lot about DRs and sort of the
16 time lag between that, but at the end of the day the
17 company has all the information. They have the most
18 up to date information on the service they can
19 provide and how they can go ahead and enhance that.

20 From our perspective as a very
21 understaffed group, it's very difficult to go ahead
22 and get a handle on the transparency of the metrics
23 involved. And I'll just give an anecdotal example.
24 We had filed this complaint with Ameren MEA. That's
25 a statute that came down that essentially allowed

1 the company to go ahead and set their targets. When
2 those -- our first year experience with MEA Ameren
3 went ahead and met their targets within that first
4 year. That means every additional year after that
5 first year, according to the company, as they
6 delivered was, you know, essentially a windfall
7 profit. We took issue with it and, you know, that
8 was settled.

9 But that's the concern that we have in
10 part with opening up a docket like this is that
11 there's a lot of information to gather and a lot
12 of -- although, I appreciate conceptually
13 Mr. Lobser's offering about how performance metrics
14 could go ahead and incentivize the sort of direction
15 that you want. At the end of the day, we have a lot
16 of concerns about teachings to the test, and the
17 example that we gave was call metrics. If, if the
18 teaching to the test of that performance was how
19 quickly do you answer the call, then you're going to
20 get that outcome, but it's going to probably be at
21 the expense of other issues.

22 **Q. And just quickly, for those of us that**
23 **aren't a doctorate in economics, can you tell us who**
24 **Alfred Kahn is and what his credentials were?**

25 A. Alfred Kahn was, was an economist. He

1 was a former chair of the New York Public Service.
2 Kahn's largely credited with deregulating the
3 airline industry. Recently passed away.

4 MR. WOODSMALL: No further questions.
5 Thank you.

6 JUDGE DIPPELL: Anything from the
7 Environmental Defense Fund?

8 MS. KARAS: No questions, Your Honor.

9 JUDGE DIPPELL: Consumers Council.

10 MR. COFFMAN: No questions.

11 JUDGE DIPPELL: And Spire.

12 MR. ZUCKER: Yes, Your Honor.

13 CROSS-EXAMINATION

14 BY MR. ZUCKER

15 Q. Good afternoon, Dr. Marke.

16 A. Afternoon.

17 Q. So, you basic -- you just referred to an
18 example in your testimony where one particular
19 factor was, was selected and your comment was that
20 they'll teach -- what is it? Teach to the?

21 A. Teach to the test.

22 Q. Yeah, teach to the test. So, that the
23 company would focus on that factor and maybe
24 overspend to reach that factor; is that right?

25 A. It's one hypothetical example, yes.

1 Q. Okay. And if we also had a cost
2 incentive to go with the performance incentive,
3 would those two offset each other?

4 A. So, if I understand correctly, a cap on
5 existing expenditures, say, for call service?

6 Q. Okay. Answer that one.

7 A. I mean, that's better.

8 Q. If the Commission ordered such a working
9 group that we're talking about, would you be
10 involved in it?

11 A. I suspect so.

12 Q. And would -- do you think the outcome,
13 if you were involved in it, would be an ill-designed
14 pay for performance arrangement?

15 A. I don't know.

16 MR. ZUCKER: Okay. All right. Thank
17 you.

18 JUDGE DIPPELL: Are there any questions
19 from the bench for Mr. -- or Dr. Marke?

20 CHAIRMAN HALL: Yeah.

21 Good afternoon.

22 THE WITNESS: Good afternoon.

23 CHAIRMAN HALL: My question is
24 relatively simple. Is there ever a circumstance
25 where you think performance metrics are appropriate

1 for a regulated utility?

2 THE WITNESS: I think there could be. I
3 mean, I think the key here -- my experience with
4 looking at performance metrics, and I became really
5 interested in this about two years ago because there
6 was a lot of discussion about this down the street
7 as to opening this up as an issue. And again, I
8 think conceptually it makes sense. Let's, you know,
9 let's reward sort of behavior that we want to see.

10 My experience reading the literature and
11 looking at what other states are doing is that we
12 have to allocate a fair amount of time and resources
13 to designing it correctly. Our inhibitions from
14 Public Counsel, and you've heard this already, is
15 that there was no information offered up. It was,
16 hey, maybe we'll go ahead and do a couple
17 performance metrics, what's your opinion on that?
18 It's difficult to heard cats in short.

19 CHAIRMAN HALL: Yeah. So, I'm trying to
20 understand what would be the basis for determining
21 that performance metrics might be appropriate in one
22 instance, but not in another. I understand your
23 concern that they be crafted correctly. I
24 understand that, and I understand your concern that
25 it would take resources of all the parties and OPC

1 has limited resources, and your concern that it
2 would go down this road, we're going to end up with
3 metrics that are easily achievable to the detriment
4 of ratepayers. I understand all that, but what I'm
5 trying to understand is what would be the situation
6 where you think metrics, performance metrics would
7 be appropriate and could be helpful?

8 THE WITNESS: Crystal clear direction.
9 I mean, that's the easiest thing. I mean, absent
10 that, I think everybody's going to be free to offer
11 up all sorts of different designs. Usually these
12 performance-based metrics are a package with
13 legislation. It's performance-based metrics plus X,
14 Y, and Z, right? And in that scenario commissions
15 spend a considerable amount of time trying to draft
16 and craft that outcome. I suspect if the commission
17 wanted to go down this route, you would probably
18 hear information from the electric companies and the
19 water companies and everybody else. So, clear
20 direction would help.

21 CHAIRMAN HALL: Thank you.

22 JUDGE DIPPELL: Any other commissioner
23 questions?

24 COMMISSIONER KENNEY: No. Thank you.

25 JUDGE DIPPELL: All right. Is there

1 further recross based on the commissioner questions
2 from -- I'm just going to --

3 MR. WOODSMALL: Same question.

4 JUDGE DIPPELL: Mr. Woodsmall.

5 RECROSS-EXAMINATION

6 BY MR. WOODSMALL

7 Q. There was question and answer discussing
8 legislation. Can you tell me what happened to the
9 performance-based legislation?

10 A. It didn't get out of committee.

11 Q. So, to your knowledge, is there
12 statutory authority currently for performance-based
13 regulation?

14 A. No.

15 MR. WOODSMALL: No further questions.

16 JUDGE DIPPELL: Any other recross based
17 on that question.

18 MR. ZUCKER: Yes, Your Honor.

19 RECROSS-EXAMINATION

20 BY MR. ZUCKER

21 Q. Chairman Hall asked you about metrics
22 and you said there hadn't been any. Is it true that
23 the company's suggested percentage of calls answered
24 in less than a minute might be a good metric?

25 A. Mr. Lobser did offer up a handful of

1 different ideas, yes.

2 Q. And were the other ideas field
3 appointments attained?

4 A. Uh-huh.

5 Q. Leak response time?

6 A. That sounds correct.

7 Q. Leaks per thousand miles of main?

8 JUDGE DIPPELL: You need to answer out
9 loud.

10 A. Yes. I'm sorry. Yes.

11 Q. (By Mr. Zucker) Dig-ins per thousand
12 miles?

13 A. Yes.

14 Q. And finally, OSHA recordables?

15 A. Yes. And if I may, the follow-up to
16 that is and to the question you raised earlier, you
17 know, at what cost? Right?

18 Q. Right.

19 A. Okay.

20 Q. Okay. Thank you. Oh, hold on.

21 MR. ZUCKER: Can I have Mr. Pendergast
22 ask a question? I think it would go faster.

23 JUDGE DIPPELL: Go ahead.

24

25

1 CROSS-EXAMINATION

2 BY MR. PENDERGAST

3 Q. Yeah. I just wanted to make a
4 clarification, if you will. You talked about some
5 performance legislation not making it out of
6 committee and I want to make sure you weren't
7 talking about -- or are you aware of the Rate Case
8 Modernization Act that was also considered in the
9 last legislative session?

10 A. Yes.

11 Q. And that had, you know, authorization
12 for performance metrics as part of a lot of
13 different other things, did it not?

14 A. It did, yes.

15 Q. Okay. And it wasn't oriented primarily
16 towards performance regulation. It was oriented
17 more towards extending the Commission's ratemaking
18 powers in periods between rate cases?

19 A. Yes.

20 Q. Okay. And I just wanted to clarify.
21 That did make it out of committee, for what that's
22 worth?

23 A. Yes.

24 MR. PENDERGAST: Yeah. Okay, great.

25 Thank you.

1 JUDGE DIPPELL: All right. Then is
2 there any redirect?

3 REDIRECT EXAMINATION

4 BY MS. SHEMWELL

5 Q. Good evening, Dr. Marke.

6 A. Good evening.

7 Q. You said that in response to Mr. Zucker
8 that having a cap would be better, a better metric.
9 What would be the best metric?

10 A. I'm not sure I can answer that.

11 Q. Okay. You had said, if I may offer,
12 well defined. That's all right -- I'll just move to
13 my next question.

14 A metric that rewards some performance,
15 does that mean that other areas of performance may
16 be neglected?

17 A. It could.

18 Q. Is there any way to identify all areas
19 of performance that are necessary for the best
20 customer experience?

21 A. It would be -- as a general rule,
22 customers respond to price. So, overwhelmingly
23 customers prefer lower bills.

24 Q. The ideas that Mr. Lobser offered, were
25 those offered, like leak response time, in his

1 **surrebuttal?**

2 A. I don't believe so.

3 **Q. Do you think they were in his rebuttal?**

4 A. Ms. Shemwell, I would probably need to
5 verify that.

6 **Q. Okay.**

7 A. Yeah.

8 **Q. Is leak response time something that you**
9 **consider a safety issue that you're going to expect**
10 **the company to perform at its maximum anyway?**

11 A. So, you know, leak response time is an
12 interesting one. Right? So, we -- part of the
13 problem with understanding the performance metrics
14 is determining what a base is, what's our base leak
15 response time. Right? The company is going to be
16 operating -- well, if we base it off of historical
17 precedents, it's going to be difficult to determine
18 just that point alone, what, what are we considering
19 our base? We've got two utilities that are
20 operating with potentially different technology.
21 That just comes to mind right off the bat.

22 **Q. Different territories?**

23 A. Different territories. With the
24 recognition that the technology is such where the
25 industry's just moving towards that anyway. Right?

1 We're becoming much more advanced in determining how
2 to identify leak response time. I could speak more
3 to, like, call center metrics. An example would be
4 call deferral technology. Right? And I think I
5 referenced that in my testimony, but bringing on
6 additional technology could lower those metrics,
7 but, again, it's at what cost.

8 MS. SHEMWELL: That's all I have. Thank
9 you.

10 JUDGE DIPPELL: Thank you.

11 Dr. Marke, you may step down.

12 THE WITNESS: Thank you.

13 JUDGE DIPPELL: Let's take a very short
14 break before we go to Mr. Meyer. Let's come back at
15 five after and we'll wrap up with him and then call
16 it a night.

17 No. I'm getting some resistance. So,
18 the court reporter says she's good to go. So, all
19 right. Then we'll just continue on.

20 MR. COFFMAN: Your Honor, if I may
21 inquire. We had hoped to have our witness, Jackie
22 Hutchinson on today and it doesn't look like we're
23 going to get to her, and I didn't know whether it
24 was your hope that we would start the low-income
25 assistance programs or not.

1 JUDGE DIPPELL: Let me consult quickly.
2 Will Ms. Hutchinson be available
3 tomorrow?

4 MR. COFFMAN: It's my understanding that
5 she could do it first thing in the morning, but if
6 not then, then it would have to be later Friday.

7 MR. ZUCKER: We're willing to let her go
8 out of turn now.

9 MR. BEAR: Your Honor, yeah, the
10 low-income energy issue is probably one of our most
11 importance issues at the Division of Energy as asked
12 by the Chairman of such. If allowing her to go out
13 of order and even before the opening statements,
14 it's a little bit unorthodox. If that works for her
15 schedule, we would have no objection since I do
16 understand that his witness, you know, is making a
17 personal sacrifice to be here today by taking
18 vacation.

19 JUDGE DIPPELL: Okay.

20 MR. COFFMAN: I don't know. We may be
21 able to do openings, we'll see, but if it's your
22 intention to start with the low-income issues in the
23 morning, then I'm sure we can work that out.

24 JUDGE DIPPELL: We can do that. If she
25 can be available first thing in the morning, we'll

1 make sure we get her in early.

2 MR. COFFMAN: Appreciate the
3 accommodation.

4 JUDGE DIPPELL: Thank you.

5 All right. Go ahead, Mr. Mills.

6 No. I'm sorry. I haven't sworn you in.
7 We haven't seen you yet today.

8 THE WITNESS: That's right.

9 GREG MEYER,

10 having been called as a witness herein, having been
11 first duly sworn, was examined and testified as
12 follows:

13 DIRECT EXAMINATION

14 BY MR. MILLS

15 Q. Could you state your name for the
16 record, please.

17 A. Greg Meyer.

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

20 A. I'm a principal with Brubaker &
21 Associates, Inc.

22 Q. And on whose behalf are you testifying
23 here today?

24 A. The MIEC.

25 Q. And are you the same Greg Meyer that has

1 caused to be filed rebuttal testimony in both highly
2 confidential and nonproprietary versions?

3 A. Yes.

4 Q. And if I were to ask you the same
5 questions that there are contained therein here
6 today, would your answers be the same?

7 A. Yes, they would.

8 Q. Are those answers true and correct to
9 the best of your knowledge information and belief?

10 A. Yes, they are.

11 Q. Do you have any corrections to make to
12 that testimony?

13 A. No, I do not.

14 MR. MILLS: Okay. Judge, Mr. Meyer is
15 testifying on several other issues in addition to
16 this. So, I will not offer his testimony at this
17 time, but I will note that I have laid the
18 foundation, and his next appearances I will simply
19 tender him for cross-examination. And I will
20 provide the copies for identification to the court
21 reporter. Exhibit 753, I'm sorry, HC and NP.

22 JUDGE DIPPELL: All right. And I
23 believe under our new rule we just have
24 confidential, though.

25 MR. MILLS: Yes, correct.

1 JUDGE DIPPELL: So, Exhibit No. 753, is
2 that what you had it marked?

3 MR. MILLS: I do, yes.

4 JUDGE DIPPELL: Mr. Mills, I didn't
5 actually get an exhibit list from you, so, for your
6 premarked numbers.

7 MR. MILLS: I'm sorry. We did file it,
8 but perhaps I did not give it to you directly.

9 JUDGE DIPPELL: Perhaps it was in EFIS.
10 All right.

11 MR. MILLS: And I tender the witness for
12 cross-examination.

13 JUDGE DIPPELL: Thank you.

14 Is there cross-examination from Spire?

15 MR. ZUCKER: Is it possible for us to go
16 on the end? I don't know how we got to be first on
17 this. Could we move?

18 JUDGE DIPPELL: Would there be any
19 objection to Spire going last?

20 MR. WOODSMALL: Well, in fact, they're
21 listed first and last. I just noticed that, so...

22 MR. ZUCKER: You're right.

23 JUDGE DIPPELL: Then that's how you
24 ended up. All right.

25 MR. ZUCKER: Yeah, we're willing to do

1 both, Your Honor.

2 JUDGE DIPPELL: All right. We'll move
3 you to last.

4 Staff.

5 MS. PAYNE: No questions. Thank you.

6 JUDGE DIPPELL: Public Counsel?

7 MS. SHEMWELL: No questions. Thank you.

8 JUDGE DIPPELL: Division of Energy.

9 MR. BEAR: No questions.

10 JUDGE DIPPELL: Midwest Energy
11 Consumers.

12 MR. WOODSMALL: One question.

13 CROSS-EXAMINATION

14 BY MR. WOODSMALL

15 Q. In your counsel's opening statement he
16 talked about the importance of implementing
17 performance metrics in the context of a general rate
18 case. Do you recall that?

19 A. I do.

20 Q. And there was discussion about the legal
21 reason for that, single-issue ratemaking, and I'm
22 not asking you to comment on that, but is there a
23 technical reason why you believe that it should be
24 implemented in a general rate case or was it
25 entirely legal?

1 A. No. I think that you should -- if
2 you're going to go down this road of putting
3 together performance metrics, I think that the
4 adoption of those should be considered within all
5 the other factors of the rate case and perhaps even
6 concentrating on those metrics versus the making
7 sure those metrics, if you want to approve them,
8 line up with, for instance, incentive compensation
9 plans of the company. So, I think it should be done
10 within the context of a rate case so that all the
11 parties can look at all the operations of the
12 utility at one time and make a decision on what the
13 proper cost of service is going forward with the
14 implementation of those performance metrics, if they
15 are implemented.

16 MR. WOODSMALL: That was all I had, Your
17 Honor.

18 JUDGE DIPPELL: Thank you.

19 National Housing Trust.

20 They're not here.

21 Environmental Defense Fund.

22 MS. KARAS: No questions, Your Honor.

23 JUDGE DIPPELL: Consumers Council.

24 MR. COFFMAN: No questions.

25 JUDGE DIPPELL: And Spire.

1 CROSS-EXAMINATION

2 BY MR. ZUCKER

3 Q. Good afternoon, Mr. Meyer.

4 A. Good afternoon.

5 Q. And your position on performance metrics
6 is that you're against doing it?

7 A. We haven't -- the company hasn't given
8 me anything to respond to. So, there's nothing out
9 there for me to address except for I just learned of
10 six potential metrics that you might want to
11 consider, but since April this company has not come
12 forward with any formal proposal in any form of
13 testimony at all.

14 Q. And don't you also oppose the RSM even
15 though it doesn't affect your client?

16 A. I do.

17 MR. ZUCKER: Thank you.

18 I'm sorry. That's all I had.

19 JUDGE DIPPELL: I'm sorry. I thought
20 you had more.

21 Are there questions from the bench for
22 Mr. Meyer?

23 CHAIRMAN HALL: Yeah, briefly.

24 Good evening.

25 THE WITNESS: Evening.

1 CHAIRMAN HALL: You've been involved in
2 cases in a number of states; is that correct?

3 THE WITNESS: Yes. Indirectly and
4 directly, yes.

5 CHAIRMAN HALL: Ballpark how many states
6 have you been involved in?

7 THE WITNESS: Fifteen.

8 CHAIRMAN HALL: Fifteen. In those 15
9 states or any other states, for that matter, have
10 you seen any performance metrics that you thought
11 were appropriately crafted and applied?

12 THE WITNESS: I can't recall of any at
13 this time, no.

14 CHAIRMAN HALL: Do you have a sense as
15 to what appropriate metrics would look like either
16 in general or specific to this company?

17 THE WITNESS: No, I have not developed
18 any specific metrics for this company or of the
19 industry in general. I've been involved this
20 utility -- I mean, I'm sorry. This Commission
21 attempted this in the past and was called a
22 management efficiency adjustment and it was a 40
23 basis point adder to the rate of return for a
24 demonstration that management was efficient and
25 providing, you know, quality leadership and service,

1 and I can tell you that that was a very contentious
2 and very ardent or difficult process. In one case
3 alone I had to respond to a 112-page document where
4 the utility tried to justify how efficient it was.
5 So, this is not a new concept in Missouri.

6 CHAIRMAN HALL: So, what would an
7 appropriate performance metric look like or are you
8 opposed to all performance metrics in all
9 situations?

10 THE WITNESS: I haven't seen a
11 performance metric yet that I can approve of. I
12 haven't tried to develop one. I would suggest that
13 you start with the incentive compensation plans of
14 the utility and, and, and make sure that those plans
15 are driven towards the performance metrics of
16 quality of service that you're looking for because I
17 think that's the core.

18 CHAIRMAN HALL: Yeah. I've got some
19 questions about that, but we're not on that issue
20 right now.

21 So, bottom line, you have not been able
22 to ascertain any type of performance metric that is
23 appropriate in for any utility in any state at any
24 time?

25 THE WITNESS: I have not been asked to

1 do that, no.

2 CHAIRMAN HALL: Okay. Thank you.

3 COMMISSIONER KENNEY: I just have one
4 follow-up question. Just curious. What was that
5 company that they did that with the 40 basis points
6 for management?

7 THE WITNESS: Well, it was for
8 several -- I mean, the issue was for several
9 companies. The one that I was describing I believe
10 was Southwestern Bell.

11 COMMISSIONER KENNEY: Okay. Thank you.

12 JUDGE DIPPELL: Is there any follow-up
13 cross-examination based on the Commissioners'
14 questions?

15 MR. ZUCKER: I had one.

16 JUDGE DIPPELL: Mr. Zucker.

17 RE-CROSS-EXAMINATION

18 BY MR. ZUCKER

19 **Q. You answered a question from Chairman**
20 **Hall about a 40 basis point adder. Laclede has**
21 **suggested five basis points by factor; is that**
22 **correct?**

23 A. Five basis points per metric?

24 **Q. Per metric, yes.**

25 A. I agree with that.

1 MR. ZUCKER: Okay. Thank you.

2 JUDGE DIPPELL: Is there redirect?

3 MR. MILLS: Yes, just briefly.

4 REDIRECT EXAMINATION

5 BY MR. MILLS

6 Q. You testified that you've been involved
7 in regulatory proceedings in about 15 states. In
8 how many of those have you looked at performance
9 metrics?

10 A. I've not been asked to look at
11 performance metrics in any of those states.

12 Q. Okay. So, so, when you answered
13 questions about you haven't seen one that you
14 thought was appropriate, you have not looked for
15 any, have you?

16 A. That's not been the scope of my work in
17 those other states.

18 Q. Do you have an opinion as to whether
19 it's possible to develop appropriate performance
20 metrics?

21 A. I would be very skeptical about a
22 performance metric that would be -- that could
23 justify increased profits for a utility.

24 Q. And why is that?

25 A. I believe that there are -- like I said

1 before, I think you should concentrate on incentive
2 plans to achieve these quality of service
3 enhancements. I believe that the utility profits
4 that are already included in rates are sufficient
5 and that there shouldn't be another incentive for
6 them to have to provide quality service. I believe
7 that utility employees are well compensated both
8 through their base rates and their incentive
9 compensation, that they should be able to provide
10 quality service for customers.

11 **Q. And you were asked some questions about**
12 **incentive compensation. How do you -- how do you**
13 **differentiate between the incentives provided to**
14 **company employees through incentive compensation and**
15 **the incentives that would be provided through**
16 **performance metrics? Are they separate or are they**
17 **duplicative?**

18 **A.** Well, before you even go -- before you
19 even attempt to adopt a performance metric for
20 shareholders as I'll define them, I think you must
21 define what the incentive compensation plans are and
22 make sure that those are in alignment. If they're
23 not, then I don't -- I just don't see the, the need
24 to have another profit mechanism at the utility
25 level. I mean, the utility -- the employees should

1 be concentrating on achieving these types of.
2 Whatever performance you want to enhance, that
3 should be drilled down to the employee through the
4 incentive plans.

5 **Q. And incentive compensation plans for**
6 **most utilities and certainly for this utility are**
7 **looked at in the context of rate cases, are they**
8 **not?**

9 A. That's correct.

10 MR. MILLS: I have no further questions.

11 JUDGE DIPPELL: Thank you.

12 All right. Then, Mr. Meyer, that
13 concludes you for the day. You may step down.

14 It looks like then we will start the
15 low-income energy assistance program issue in the
16 morning, and we will make sure to get in
17 Ms. Hutchinson early.

18 Is there any other preliminary matters?

19 MR. WOODSMALL: Is it 8:30 or 9:00?

20 JUDGE DIPPELL: 8:30. And let's get
21 started at 8:30. We are officially behind. We can
22 go off the record. Thank you.

23 (The hearing went into recess for the
24 day at 5:09 p.m.)

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CERTIFICATE OF REPORTER

I, Amanda N. Farrar, a Certified Court Reporter for the State of Missouri, do hereby certify that the witnesses whose testimony appears in the foregoing transcript were duly sworn; the testimony of said witnesses was taken by me to the best of my ability and thereafter reduced to typewriting by me; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Amanda Farrar

Certified Court Reporter

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