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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

True-Up Hearing

January 3, 2018
Jefferson City, Missouri
Volume 22

In The Matter Of Spire Missouri,) File No. GR-2017-0215
Inc.'s Request To Increase Its) File No. GR-2017-0216
Revenue For Gas Service)

NANCY DIPPELL, Presiding
SENIOR REGULATORY LAW JUDGE
DANIEL Y. HALL, Chairman

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A P P E A R A N C E S

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

2 JUDGE DIPPELL: Okay. Well, let's go
3 ahead and go on the record. Today is January 3rd,
4 2018. My name is Nancy Dippell. I'm the
5 Regulatory Law Judge assigned to this case -- or
6 these cases, which are GR-2017-0215 and
7 GR-2017-0216 in the matter of Spire Missouri,
8 Inc.'s request for increase in its revenues for gas
9 service.

10 So this is -- we're here today for the
11 true-up portion of this hearing and to wrap up a
12 few preliminary matters. I'm going to begin by
13 getting entries of appearance for those present.
14 So let's start with the company. Spire?

15 MR. ZUCKER: Thank you, your Honor. Good
16 morning. Rick Zucker and Michael C. Pendergast
17 here on behalf of Spire Missouri, Inc., formerly
18 known as Laclede Gas Company and referred to in
19 this case as LAC, L-A-C, and Missouri Gas Energy
20 referred to as MGE. Thank you.

21 JUDGE DIPPELL: Thank you. Staff?

22 MS. PAYNE: Whitney Payne and Nicole Mers
23 for the staff of the Missouri Public Service
24 Commission. And the court reporter had already has
25 our information.

1 JUDGE DIPPELL: Public Counsel?

2 MS. SHEMWELL: Good morning and thank you.
3 Lera Shemwell representing the Office of the Public
4 Counsel, and Monnie has my information. Thank you.

5 JUDGE DIPPELL: Thank you. Is Division of
6 Energy here this morning? Let me just -- Midwest
7 Energy consumers here? MIEC?

8 MR. MILLS: Yes. Lewis Mills appearing on
9 behalf of MIEC.

10 JUDGE DIPPELL: Is there anyone -- any
11 other parties present that would like to make an
12 entry?

13 Seeing none, I did hear from Mr. Coffman
14 with Consumers Council and Ms. Caris with the
15 Environmental Defense Fund, both saying that they
16 would not be here today.

17 And my usual caveat, those that may be --
18 well, I guess they're not listing in now, are they,
19 since our video isn't currently on. But anyway, if
20 -- if you're not here, then you don't get to have a
21 say in what goes on in here today.

22 All right. So I have a few preliminary
23 things to take care of. We will basically do the
24 witness list in order of cross that you presented
25 in the issues list that was submitted. If there

1 are any changes to that, just let me know as we go
2 along. Okay.

3 MR. ZUCKER: Your Honor, there's one
4 change right now we'd like to --

5 (Recording began.)

6 JUDGE DIPPELL: There you go.

7 MR. ZUCKER: And that is Spire witness
8 Glenn Buck is listed under AMR meters, and he
9 should be listed under incentive compensation.

10 JUDGE DIPPELL: Okay.

11 MR. ZUCKER: So rather than the AMR
12 meters.

13 MS. SHEMWELL: So both?

14 MR. ZUCKER: No. Rather than.

15 JUDGE DIPPELL: Do you have just
16 Mr. Lobser for AMR meters?

17 MR. ZUCKER: Yes, your Honor.

18 JUDGE DIPPELL: Okay. And with regard to
19 incentive compensation, so we are -- what is going
20 on with incentive compensation? I thought that we
21 had settled it, but it's on the list for today. So
22 that did not get completely settled?

23 MR. PENDERGAST: Yeah. Your Honor, I
24 think at the time that we came back from our
25 discussions we had indicated that we thought we had

1 things resolved, except for the numbers.

2 And the numbers turned out to be, at least
3 at this point, a bridge too far. I can say I think
4 that we have resolved all of our differences with
5 respect to the union piece of the incentive
6 compensation.

7 Would everybody agree with that? So that
8 is resolved, and that will not be a matter that
9 needs to be discussed. But what we still have is
10 the management portion that will need to be
11 addressed.

12 JUDGE DIPPELL: Okay. So that's not --
13 that's really a continuation of our previous
14 hearing and not actually a true-up issue?

15 MR. PENDERGAST: I think that would not be
16 an inaccurate summary. Double negative.

17 MS. SHEMWELL: Public Counsel also thought
18 that it had been resolved several times, but,
19 unfortunately, that didn't happen.

20 JUDGE DIPPELL: Okay. And then,
21 additionally, you had weather normalization
22 adjustment rider. We don't have any specific
23 written true-up testimony on that issue. That's a
24 tariff issue we'll hold over from the hearing?

25 MR. PENDERGAST: Yes, your Honor. I think

1 we reserve the right to respond through a weather
2 normalization adjustment rider tariff that Staff
3 had presented on the last day of the evidentiary
4 hearing.

5 And we had prepared a brief affidavit that
6 just includes our commentary on that particular
7 tariff. I've talked to the other parties. I think
8 they're fine if we want to just admit that into the
9 record as an exhibit.

10 Mr. Buck is here to testify on it should
11 the Commission have any questions. But to kind of
12 expedite the proceedings, I can pass those out. I
13 already have provided them to the parties.

14 And if it's acceptable to the Commission,
15 we'll just admit that into the evidence, and then
16 we're done with that issue.

17 JUDGE DIPPELL: Okay.

18 MR. PENDERGAST: While -- while we're on
19 housekeeping matters, we've also talked to the
20 parties, as you recall, on the Forest Park issue.

21 We had a Motion to Strike and, also, an
22 affidavit in response to what Public Counsel had
23 presented in true-up testimony on the theory that
24 the Commission is better off with more information
25 rather than less.

1 We've agreed with the other parties to
2 withdraw our Motion to Strike. And I think the
3 parties are agreeable to just admitting into the
4 record both OPC's testimony on the issue as well as
5 our response and yet another affidavit by Mr. Buck.

6 If the Commission has some questions, of
7 course, he would be available. But absent
8 Commission questions, I think this issue is taken
9 care of as well.

10 JUDGE DIPPELL: Okay. So Public Counsel
11 agrees with that?

12 MS. SHEMWELL: We do agree with that. We
13 will be calling Mr. Robinett to testify. There are
14 other issues besides the Forest Park issue for
15 true-up on which he is planning to testify. So
16 this doesn't affect the rest of his testimony.

17 JUDGE DIPPELL: Correct. Okay.

18 MS. SHEMWELL: Thank you.

19 MR. PENDERGAST: Your Honor, would it be
20 helpful to hand out that brief affidavit by
21 Mr. Buck on the weather normalization rider at this
22 point to you?

23 JUDGE DIPPELL: Yes, please.

24 MR. KEEVIL: Judge, while Mr. Pendergast
25 is passing out his exhibit while you're still on

1 housekeeping -- by the way, for the reporter, my
2 name is Jeff Keevil on behalf of Staff, PSC Staff.

3 On the last day of hearing, Chairman Hall
4 had requested Ms. Kliethermes to provide an exhibit
5 which, I believe, Exhibit No. 284 was reserved for
6 that exhibit.

7 And the exhibit that he had requested was
8 a \$22 customer charge inclining block rate billing
9 back for -- yeah -- proposal in billing back
10 representation.

11 I have that, and it will take just a very
12 brief explanation. If -- when you're ready, I can
13 attempt to explain that. But I see the computer is
14 still being worked on, so I'll -- I'll shut up.

15 JUDGE DIPPELL: I'm sorry, Mr. Keevil. I
16 think we now have our video and audio feed up, so
17 would you back up and then tell me that again?

18 MR. KEEVIL: In the beginning --

19 JUDGE DIPPELL: So Exhibit 284 was --

20 MR. KEEVIL: No. Exhibit 284, the last of
21 the day of the hearing, Ms. Kliethermes was on the
22 stand on the residential customer charge rate and
23 design issue.

24 And she presented at that time Exhibits 2
25 -- I forget what the numbers were, but there were

1 two exhibits that were introduced by her at that
2 time.

3 JUDGE DIPPELL: Right. 282 and 283.

4 MR. KEEVIL: 283. Okay. Chairman Hall
5 also requested that she present -- or late file, I
6 should say, an inclining block with -- with a \$22
7 customer charge and show the bill impacts
8 associated with that \$22 customer charge inclining
9 block residential rate proposal.

10 I have handed out an earlier exhibit --
11 it's been pre-marked Exhibit 284. And that -- what
12 that is is the exhibit that was requested by
13 Chairman Hall, which shows the \$22 customer charge
14 and inclining block rate structure for the
15 residential.

16 I would note that at the time of the
17 hearing, which was -- I believe ended on December
18 15th, the billing determinants for this case had
19 not completely been stipulated.

20 Subsequent to that, on December 20th,
21 there was a stipulation filed which resolved the
22 billing determinants issue. And so because of
23 that, in the exhibit that I've passed out today,
24 Exhibit 284, Ms. Kliethermes used the stipulated
25 billing determinants, which were the stipulated in

1 the agreement that was filed after we concluded the
2 hearing.

3 Because of that, in order to get a fair
4 comparison of the \$22 customer charge inclining
5 block rate, we felt we needed to go back and re-do
6 the previous one that we submitted on the last day
7 of hearing, which did not include the stipu --
8 because it hadn't been stipulated yet, the billing
9 determinants.

10 So in Exhibit 284, the first several pages
11 there show you the inclining block with both a \$26
12 customer charge and a \$22 customer charge based on
13 the stipulated billing determinants.

14 And then beginning on page -- I believe
15 it's on page 9, what you see is a -- an updated
16 version of what was submitted at the hearing, which
17 now is using the stipulated billing determinants so
18 you can get a better comparison between the
19 inclining block version and the flat version.

20 So I just wanted to make that clear that
21 the last several pages of this actually supersedes
22 what was submitted the last day of the hearing
23 because at the time of the hearing, the billing
24 determinants had not been stipulated. Now they
25 have.

1 And what -- what has been passed out this
2 morning has the stipulated billing determinants.
3 Okay?

4 JUDGE DIPPELL: Okay.

5 MR. KEEVIL: That's Explanation No. 1.

6 JUDGE DIPPELL: Okay. And Ms. Kliethermes
7 is available if there are any questions?

8 MR. KEEVIL: Ms. Kliethermes is available
9 today if there are any questions. The other thing
10 I would mention is that even though the Exhibit 284
11 now has the stipulated billing determinants,
12 obviously, we don't know what the revenue
13 requirement coming out of this case is going to be.

14 So Ms. Kliethermes has used Staff's direct
15 filed revenue requirement in calculating these
16 rates. And, obviously, that would change slightly,
17 either up or down, based on the outcome of the
18 case.

19 So you should just keep that in mind when
20 looking at the -- at the rates themselves. It
21 would change slightly based on what happens in the
22 -- with the revenue requirement portion of this
23 rate case.

24 But the billing determinants themselves,
25 these -- these are the updated -- or these use the

1 updated billing determinants. And I just wanted to
2 point that out.

3 And that would be true of -- as far as
4 using the Staff's direct filed revenue requirement
5 that, would be true of any of the rate comparisons
6 that Ms. Kliethermes has prepared. So I just
7 wanted to make that clear that we've been able to
8 update the billing determinants but not the revenue
9 numbers.

10 So with that, I would offer Exhibit 284
11 since, like I said, Chairman Hall had requested it
12 on the last day of hearing.

13 JUDGE DIPPELL: Okay. But the parties
14 have just received that this morning, correct?

15 MR. KEEVIL: That's right. That's right.

16 JUDGE DIPPELL: Okay. And, also, pending
17 in conjunction with that, were the previous
18 Exhibits 282 and 283, which were admitted.

19 However, I had said that we would have the
20 opportunity at this part of the hearing for Spire
21 to do any further rebuttal, basically. But now you
22 have new numbers to look at. Do you need more time
23 to look at this before making any objection? Or
24 are you prepared to --

25 MR. PENDERGAST: Your Honor, I think all

1 we would request -- I have no reason to doubt the
2 accuracy of these numbers. But, you know, it would
3 be helpful if we could have our experts just take a
4 look at them.

5 And if, in fact, we do see any errors or
6 problems with it to be able to go ahead and alert
7 the Commission to that sometime in the next day or
8 so. I don't know that we'll able to get them
9 scrubbed in the next hour or two.

10 But if we could simply reserve the
11 opportunity to respond if we think there's a need
12 to respond, that would be helpful.

13 JUDGE DIPPELL: Okay. We can do that.
14 Would there be any other objection or hesitation
15 about this exhibit?

16 MS. SHEMWELL: No.

17 JUDGE DIPPELL: All right. Seeing none,
18 I'm going to go ahead, then, and admit the exhibit
19 with the caveat that I will allow the company to
20 respond in the next two days if you have any error
21 or correction or other issue in that mode. I will
22 -- after we talk about the stipulations and so
23 forth, we'll see if there are any further
24 Commission questions.

25 (Exhibit 284 was offered and admitted into

1 evidence.)

2 CHAIRMAN HALL: I will have some.

3 JUDGE DIPPELL: And if Ms. Kliethermes can
4 stay available, then we may have her come back up
5 to -- to answer some questions.

6 Okay. So I think that takes care of --
7 oh, one -- one more exhibit that we need take care
8 of, and that's Exhibit 274, was the Staff report
9 from AW-2011-0330.

10 And I held off admitting that because it
11 was an HC exhibit in that case and I wanted to look
12 at it further to determine what to do. So I have
13 looked at that.

14 What the Chairman was requesting with
15 regard to that exhibit was what had happened in
16 other states. That portion of the report is not
17 highly confidential.

18 The portion of the report that is highly
19 confidential is specific to various utilities who
20 are not parties to this case. So what I'm going to
21 do is I'm going to admit the public version of that
22 exhibit and -- and not the highly confidential
23 version. So that's Exhibit No. 274. And there was
24 previously no objection to that coming in or we may
25 have taken official notice of that?

1 No. I think it was just offered. So I'm
2 going to receive into the evidence Exhibit 274, the
3 public version. And I have a copy of that for the
4 court reporter.

5 (Exhibit 274 was offered and admitted into
6 evidence.)

7 MR. KEEVIL: Judge, I just might note that
8 I had previously given a court reporter a copy of
9 284, which was the one I was talking about
10 previously. So she should already have a copy of
11 that.

12 JUDGE DIPPELL: Yes. Okay. Thank you.
13 All right, then. Are there any other preliminary
14 matters before we start talking about the
15 stipulations?

16 MS. PAYNE: Staff would go ahead and offer
17 the exhibit that was previously handed out. It's
18 accounting schedules for LAC and MGE respectively
19 that reflect the true-up positions and all of the
20 agreements in the three stipulations and agreements
21 that we are going discuss.

22 JUDGE DIPPELL: Okay. And Staff's next
23 numbers are 285 and 286.

24 MS. PAYNE: Okay.

25 JUDGE DIPPELL: So I will mark the Staff

1 -- the Staff accounting schedules dated -- did they
2 these have -- when were these --

3 MS. PAYNE: It says at the very bottom
4 they were prepared January 2018.

5 JUDGE DIPPELL: Oh, I see. Date prepared.
6 Actually, it's up at the top 1/3/18. So I will
7 mark the one from GR-2017-0215 as Exhibit 285 and
8 the one from 2016 as 286. Is there any objection
9 to those staff accounting schedules? Seeing none,
10 then I will admit those schedules.

11 (Exhibits 285 and 286 were offered and
12 admitted into evidence.)

13 JUDGE DIPPELL: Anything further?

14 MS. PAYNE: Your Honor, I do have one more
15 thing. The company stated previously that as -- in
16 regards to its weatherization issue that's listed,
17 the weather normalization adjustment rider, that
18 they would address that by admittance of their
19 affidavit.

20 We previously had submitted Exhibit 281,
21 and the company had asked to reserve the right to
22 respond to that exhibit before it was admitted.
23 Staff would go ahead and offer that now in response
24 to the company's prior statements.

25 JUDGE DIPPELL: Okay. I show that that

1 was admitted on the last day of hearing. But just
2 to cover our bases, would there be any objection to
3 Exhibit 281 at this point?

4 MR. PENDERGAST: We have no objection to
5 admitting it twice, your Honor.

6 JUDGE DIPPELL: All right. Then 281 is
7 received. Thank you.

8 (Exhibit 281 was offered and admitted into
9 evidence.)

10 JUDGE DIPPELL: And then do I need to mark
11 the affidavit from the company?

12 MR. PENDERGAST: Yes, your Honor, if you
13 would.

14 JUDGE DIPPELL: The company's next Exhibit
15 number is 63, and that is an affidavit related to
16 weather normalization adjustment rider tariff.

17 MR. ZUCKER: I'll give one to the court
18 reporter.

19 JUDGE DIPPELL: And then are you offering
20 that exhibit, Exhibit 63, at this time?

21 MR. PENDERGAST: Yes, your Honor.

22 JUDGE DIPPELL: Would there be any
23 objection to that exhibit? Seeing none, then I
24 will receive that into evidence.

25 (Exhibit 63 was offered and admitted into

1 evidence.)

2 JUDGE DIPPELL: Did we have any other
3 preliminaries?

4 MR. PENDERGAST: Just as I indicated
5 earlier, on the Forest Park issue, we've agreed to
6 withdraw our motion objecting to the admission of
7 OPC's testimony on that issue in return for
8 admitting the affidavit in response of the company.
9 Do you need to have a copy of that? Should we mark
10 it as an exhibit to admit it into evidence?

11 JUDGE DIPPELL: I can mark -- I can mark
12 the copy from the Motion. But if you would give --
13 well, I was going to say if you would give that to
14 the court reporter -- do you have --

15 MR. ZUCKER: Yes. It has the Motion in
16 front and then the affidavit.

17 JUDGE DIPPELL: Would there be any
18 objection -- well, should we -- so if we admit
19 Public Counsel's testimony and this affidavit, then
20 that issue -- we're done with that unless there
21 were questions from the Commission?

22 MR. PENDERGAST: That's correct.

23 MS. SHEMWELL: That's correct.

24 JUDGE DIPPELL: Okay. So would there be
25 any objection to Exhibit 64, which is -- it's

1 actually the -- it's just the affidavit part of the
2 motion that has been submitted to the court
3 reporter. But -- it's an affidavit of Glenn Buck
4 having to do with forest park issue. Any
5 objection?

6 MS. SHEMWELL: No.

7 JUDGE DIPPELL: Seeing none, then I will
8 receive Exhibit 64.

9 (Exhibit 64 was offered and admitted into
10 evidence.)

11 JUDGE DIPPELL: And then Public Counsel
12 has testimony on that issue. Is that the only --
13 there's more than that testimony in that --

14 MS. SHEMWELL: That is correct.

15 JUDGE DIPPELL: Okay. We'll just wait and
16 admit that when we get to that then. All right.
17 Any other preliminary issues? All right. Looks
18 like then we are ready -- we're going to -- the
19 parties have requested --

20 MS. SHEMWELL: Judge, I -- I do have
21 another -- I'm sorry.

22 JUDGE DIPPELL: Okay. Ms. Shemwell.

23 MS. SHEMWELL: A couple of the
24 stipulations do not have Certificates of Service,
25 which means that they do not have dates on them.

1 And I've discussed with the company, I'm
2 assuming they will be refiled with at least a date.
3 Does the Judge have a preference?

4 JUDGE DIPPELL: I think that just -- it
5 would be fine to just submit the Certificate of
6 Service stating that that's a -- an addendum. I
7 noticed that as well, that the partial Stip. and
8 agreement, I didn't see a stipulation -- or a
9 Certificate of Service on that and the partial
10 unanimous stipulation and agreement.

11 MR. KEEVIL: Judge, if I could just make
12 an observation, I don't think -- I think what you
13 said would avoid this problem that I'm about to
14 mention.

15 But if the entire stipulation was refiled,
16 one might argue that the time period to the object
17 to the stipulation would restart, and, therefore,
18 people who have not objected to the stipulations as
19 of yet, you know, who knows.

20 So I -- I would suggest that rather than
21 refiling the entire stipulation, you do something
22 -- do something else. And like you said -- I mean,
23 to me, the EFIS already shows when they were filed.
24 So I don't know what the problem would --

25 JUDGE DIPPELL: That is correct,

1 Mr. Keevil. The problem is that EFIS doesn't --
2 well, I would have to look on the our service rule.
3 But the problem is a definitive report that these
4 had been served on the other parties for the clock
5 to start running.

6 So if someone wants to submit a
7 Certificate of Service saying that it was, in fact,
8 served on all of the parties on the date it was
9 filed, then that would probably be care of that
10 issue.

11 MS. PAYNE: Your Honor, to clarify, I
12 believe that only applies to the partial
13 stipulation and agreement that was filed December
14 13th.

15 JUDGE DIPPELL: Okay.

16 MS. SHEMWELL: I think there was a second
17 one.

18 MS. PAYNE: Was there service on the other
19 two?

20 MS. SHEMWELL: The second one.

21 JUDGE DIPPELL: Okay. You guys can look
22 at that on EFIS and determine what needs to be
23 corrected. But I can't consider it a unanimous
24 agreement if it hasn't been served. Anything else?
25 If it's just a matter of a filing error, then

1 that's what the certificate can say.

2 Okay. Let's go ahead, then, and get
3 started on the review of the stipulations and
4 agreements. And is there a spokesperson from the
5 company or Staff or who wants to begin?

6 MR. ZUCKER: I'll begin, your Honor.

7 JUDGE DIPPELL: Thank you, Mr. Zucker.

8 MR. ZUCKER: So the first stipulation was
9 -- with all the tariffs attached to it was filed
10 during the hearing. And I think we've talked about
11 that one already and presented it. If there are
12 any questions, I'm sure the parties are ready and
13 willing to respond to those.

14 The second stipulation, which I'm -- which
15 is the partial non-unanimous stipulation and
16 agreement covered several issues. First,
17 transition costs.

18 We -- when -- when Laclede bought MGE, the
19 parties agreed that Laclede would be able to
20 recover half of their transition costs. And this
21 settlement covers an agreement in terms of the
22 amounts that we would be collecting.

23 Second, the capitalization of hydrostatic
24 testing was a -- an issue raised by OPC. And the
25 -- the issue is whether a hydrostatic testing

1 should be capitalized or expensed.

2 OPC wanted it to be expensed. So we've
3 agreed to expense it. And there's been a certain
4 amount put in rates for that purpose.

5 Cash working capital, there a fairly
6 simple change to the revenue requirement there.
7 New Blue software allocation, the Public Counsel
8 withdrew its request to allocate costs outside of
9 Missouri under the circumstances.

10 And rebranding, the -- the agreement says
11 that certain amounts have been removed from -- from
12 the cost of service. So that is the second
13 stipulation.

14 And the third one is called non-unanimous
15 stipulation regarding revenue allocation and
16 non-residential rate design. So this is basically
17 a rate design stipulation.

18 The company's position was if the parties
19 can agree to it and it looked okay to us, we didn't
20 have any problem with it. And so we -- the parties
21 reached an agreement. We don't object to it.

22 And if the Commission -- the Commission
23 would like more information on it, I would probably
24 want to defer to the people that went ahead and
25 made the deal. I notice that Mr. Mills is here and

1 behalf of MIEC and could probably answer questions
2 on that.

3 JUDGE DIPPELL: Mr. Chairman, would you
4 have any immediate questions on --

5 CHAIRMAN HALL: Yeah. Good morning. Let
6 me -- let me just -- can you refresh my
7 recollection on what the changes are to the
8 economic development rider per the stipulation?

9 MR. ZUCKER: All right. I'll have to
10 first refresh my own recollection. So the economic
11 development rider is a rider that MGE already had.
12 And so we extended it to Laclede Gas for the
13 eastern side of Missouri.

14 And I think there was also a change in how
15 revenues are created. So with regard to the
16 revenues, there was an issue that the -- the
17 customer would get a lower negotiated rate, which
18 would go away over time.

19 And so the -- the issue was whether the
20 company would have to continue to recover just the
21 lower negotiated rate or whether there could be --
22 there would be a change to the regular rate to
23 acknowledge the fact that the lower negotiated rate
24 was going -- was going away.

25 CHAIRMAN HALL: So it -- it still requires

1 that the company agree to a lower rate? Is -- is
2 that correct?

3 MR. PENDERGAST: Yeah. I think it's fair
4 to say what we resolved, Chairman, was how do we go
5 ahead and treat revenues when you've offered an
6 economic development rate. And the way the tariff
7 used to read was that you would come into the rate
8 case and you would use the higher rate.

9 You would impute that to begin with. And
10 then it was kind of unclear as to what happened
11 after that. And what we've done, you know, by way
12 of agreement, is to say when you come into a rate
13 case, you have to recognize two things.

14 The one thing is if that rate is
15 increasing because you only have a certain term and
16 the way it's organized, that rate may go up the
17 next year. It may go up the other year.

18 You need to take into account that
19 increase in revenue that you're going to be
20 receiving and factor it into rates so that the
21 company is not benefiting from the lower rate
22 that's being offered during the test year, but it's
23 also recognizing the increase in revenue it will be
24 receiving.

25 And we also agreed that if there was an

1 increase in volume under the contract that that
2 increase in volume would also be recognized.

3 So what we were really trying to do was to
4 capture what the impact of that economic
5 development rate is going to be during the period
6 it will be in effect.

7 It -- it was, I think, more of a
8 refinement of what was there before and to make
9 sure that the company is neither benefiting
10 inappropriately from when the rate case is held or
11 being disadvantaged inappropriately from when the
12 rate case is settled.

13 CHAIRMAN HALL: And it's -- it's the
14 company's position that all -- that all ratepayers
15 benefit from this additional load?

16 MR. PENDERGAST: Yeah. We think that
17 under the structure that the parties have agreed to
18 other ratepayers will benefit from -- from having
19 offered this economic development rate.

20 CHAIRMAN HALL: And do the other parties
21 agree with that assessment? Staff?

22 MS. PAYNE: Generally, yes, we would
23 agree.

24 CHAIRMAN HALL: Okay. OPC?

25 MS. SHEMWELL: Generally, yes, we would

1 agree. Thank you.

2 CHAIRMAN HALL: Yeah. Anybody else here
3 that -- care to comment? Could you explain to me,
4 moving on to page 4, what the customer
5 confidentiality program was that is being
6 eliminated?

7 MR. ZUCKER:: Yeah. This was an MGE
8 tariff. And I believe it just had to do with
9 keeping customers' confidential information. OPC
10 wanted to remove it. And maybe I should let them
11 speak to it if -- if --

12 MS. SHEMWELL: OPC was concerned that it
13 would be unable under that -- you're talking about
14 the one that has been eliminated? Would be unable
15 to receive confidential information. That was our
16 concern. So we asked the company to eliminate it,
17 and they agreed.

18 CHAIRMAN HALL: OPC would be unable to
19 obtain the confidential information?

20 MS. SHEMWELL: That was our concern with
21 the way it was written.

22 CHAIRMAN HALL: Staff, do you have
23 thoughts on that?

24 MS. PAYNE: We did not take a position on
25 that. We -- we didn't agree or disagree with OPC's

1 position on that. We do not see where removing the
2 provision should harm -- cause any harm.

3 CHAIRMAN HALL: Moving on to page 7 of the
4 first stip. concerning energy efficiency programs,
5 my understanding is that this stipulation
6 establishes an energy efficiency collaborative that
7 is merely advisory. Is that -- is that correct?

8 MR. ZUCKER: Yes, sir.

9 CHAIRMAN HALL: So all decisions -- final
10 decisions regarding the programs, the budget, et
11 cetera, would be set by the company; is that
12 correct?

13 MR. ZUCKER: Well, decisions that didn't
14 require Commission approval, yes.

15 CHAIRMAN HALL: Okay. Well, that -- you
16 perhaps anticipated my next question. Turning to
17 page 10 on the program cost, it says that the
18 budget bridge program will provide for incentive
19 payments, marketing costs and the company's
20 administrative costs. Are -- are those items that
21 would be set by the Commission?

22 MR. ZUCKER: I think the answer to that is
23 no. That would -- we wouldn't come to the
24 Commission for something at that level. That would
25 just be part of the -- the budget that the

1 Commission is effectively approving by approving
2 the formula that creates the budget.

3 CHAIRMAN HALL: Including -- including
4 incentive payments? So what is meant by incentive
5 payments?

6 MR. PENDERGAST: Yeah. I think that's
7 something that was proposed by National Housing
8 Trust. And I think it's designed to get landlords
9 more interested in making improvements to their
10 property that will, of course, benefit the -- the
11 lower income customers that reside in those
12 properties.

13 And the details of those incentive
14 payments are yet to be worked out. You know, we
15 want to make sure, to the extent that we're
16 providing those kind of incentives, which are, you
17 know, not dissimilar to rebates and other things we
18 offered that it's --

19 CHAIRMAN HALL: Okay. So it's incentive
20 payments to customers?

21 MR. PENDERGAST: Yeah. To customers or
22 landlords in order to have these measures adopted
23 and installed. It's not part of our incentive
24 compensation program, your Honor.

25 CHAIRMAN HALL: So there's -- there's

1 nothing in the energy efficiency program that
2 allows for anything other than covering the
3 company's costs; is that correct?

4 MR. PENDERGAST: Yes, as far as the
5 company is concerned.

6 CHAIRMAN HALL: And there's no like --
7 there's no return on any investment, just a return
8 of any investment; is that correct?

9 MR. PENDERGAST: Well, I think that the
10 energy efficiency deferrals that we've had in the
11 past that have already been spent are being
12 included in rate base. And I think there is a
13 return on those if I'm correct.

14 MR. ZUCKER: Yes.

15 MR. PENDERGAST: Yeah. But that's after
16 they've already been spent. You know, while we're,
17 you know, making these investments and funding
18 those programs, that would be correct.

19 CHAIRMAN HALL: And I just have a --
20 another question on the third stipulation on page
21 4. I have a policy question for the MGE rate
22 design.

23 There is a declining volumetric rate
24 structure. And I understand why -- why this is
25 different than -- than residential. This is for

1 large volume. But could someone give me a policy
2 explanation for why that makes sense?

3 MR. KEEVIL: We can have Ms. Kliethermes
4 show up if you -- if no one from any -- I think it
5 was primarily the industrials and Ms. Kliethermes
6 who worked on that as well as someone from the
7 company.

8 We can have -- we can have her show up and
9 address that if you -- no one else can,
10 Mr. Chairman.

11 MS. PAYNE: Chairman, part of the reason
12 behind that, I know -- and, obviously, Ms.
13 Kliethermes can explain it much better than I can.

14 But the large volume customers usage does
15 not vary. So to the extent that we're trying to
16 provide it an incentive to -- to curve, that was
17 why we incorporated the declining.

18 CHAIRMAN HALL: I assumed it was a cost of
19 service issue that -- I mean, but --

20 MS. PAYNE: Yes. Exactly.

21 CHAIRMAN HALL: Okay. Well --

22 MR. KEEVIL: Someone's on their way to get
23 her right now.

24 CHAIRMAN HALL: Well, we're -- I mean, I
25 have questions for her on Exhibit 284, so maybe we

1 can do all that together. I think those are all
2 the questions I have regarding the stipulations.

3 JUDGE DIPPELL: Okay. All right, then. I
4 guess we can -- I'm trying to decide if we should
5 wait for Ms. Kliethermes to come and just take care
6 of that or if we should go on to the actual true-up
7 issue.

8 MS. PAYNE: Judge, she is present if you
9 would like to call her.

10 JUDGE DIPPELL: Let's just go ahead and do
11 that while we're on that subject and -- Ms.
12 Kliethermes, you were sworn at our evidentiary
13 hearing, and this is a continuance of that hearing.
14 So you will remain under oath for our purposes here
15 today.

16 MS. KLIETHERMES: Okay.

17 JUDGE DIPPELL: Thank you.

18 MS. KLIETHERMES: Thanks.

19 JUDGE DIPPELL: And I apologize. You were
20 here in the room, and then the minute you stepped
21 out, we --

22 MS. KLIETHERMES: I'm sorry. Yeah. I'm
23 sorry.

24 JUDGE DIPPELL: Go ahead, Mr. Chairman.

25 CROSS-EXAMINATION OF ROBIN KLIETHERMES

1 BY CHAIRMAN HALL:

2 Q Good morning. So the -- my question is
3 with regards to the third stipulation, 20th of
4 December, the declining volumetric rate design
5 structure for the large volume rate class?

6 A Yes.

7 Q What is the policy rationale for that?

8 A Before the -- so for the large volume,
9 that -- that's the rate structure that's been in
10 place for a long time with them.

11 It's also that in that class, we have very
12 large customers that do use gas. There's --
13 there's more customers in that class that use gas
14 all year round, have higher load factors.

15 And so if you have a -- a declining block,
16 it kind of -- it not only incentivizes, but if
17 you're -- if you become a higher load customer,
18 there's benefits by having a declining block rate
19 rather than being more winter-focused.

20 Q I'm not sure I understand that. I guess
21 some -- the policy rationale for -- for inclining
22 block rates is generally to promote conservation.

23 A Uh-huh.

24 Q I guess that that is not a policy
25 rationale necessarily for industrial users who are

1 going to use what they need in order to produce
2 what they need to produce?

3 A Right. Because -- and -- most of that is
4 because they use gas year-round for processing
5 purposes rather than -- I mean, heating is a part
6 of that. But it's less heating and more process
7 oriented.

8 Q And so then is the declining block rate
9 structure merely a reflection of the cost of
10 service because it is -- it is cheaper per therm at
11 some amount to provide service?

12 A Yes. So our class cost of service shows
13 that on a per therm basis, the bigger -- the bigger
14 you are, the less expensive. On a per therm basis,
15 it is. And then on a customer, it's more
16 expensive.

17 Q And why is there a separate structure for
18 summer and winter if it's year-round usage?

19 A So I think Laclede -- one of them has some
20 summer and winter, and one of them does not. That
21 is something we could look at.

22 We didn't really look too much into the
23 large volume class because we were changing SGS and
24 LGS. We had quite a bit of concerns with rate
25 continuity.

1 When you go into now changing large
2 volume, that adds another -- that could add another
3 layer of rate continuity. That definitely could be
4 something we look at in the next rate case.

5 **Q Okay.**

6 JUDGE DIPPELL: Go ahead with your
7 questions about the Exhibit 284.

8 **Q (By Chairman Hall) yeah. I have a couple**
9 **questions about Exhibit 284.**

10 A Sure.

11 **Q Do you have it in front of you?**

12 A Yes.

13 **Q Okay. First, what was the -- the basis**
14 **for -- for picking 50 therms as the cut-off?**

15 A So 50 therms for a cut-off was where -- so
16 there was a couple of things. We were looking at
17 how -- where -- where do billing determinants ends
18 up and how -- how -- where do billing determinants
19 fall.

20 And with using the 50 therms, that was a
21 good cut-off to where when you do the incline, it
22 wouldn't be too steep because there's enough
23 billing determinants after 50 and before 50.

24 There is also 50 -- some of the things
25 that I was thinking about was what is a kind of a

1 base level usage that you could, you know, use.

2 And we see a lot at winter usage at the
3 100 therm mark. So we didn't want to -- but then
4 -- but then it drops off drastically in the summer
5 for the 100 therm mark.

6 So we wanted to do something less than
7 100, but more than the 3- because everybody is over
8 30 in the winter. And 50 was a good point to where
9 could customers strive to reduce their usage to 50
10 therms.

11 **Q So what is it -- is there an average**
12 **residential use? Winter? Summer?**

13 A So for winter, it's about 100. It's going
14 to range, I think -- and it's different for Laclede
15 and MGE. I think it's around a 180 to 100,
16 somewhere in there, about a hundred therms a month.
17 And in the summer, it could be like 10 to 20
18 therms. It -- it drops off drastically once it
19 gets into the shoulder months of April through
20 October.

21 **Q Okay. And if -- if we wanted to do some**
22 **kind of hybrid of level structure in the winter and**
23 **inclining just in the summer, would -- would we be**
24 **able to just combine those from this chart? Or**
25 **would that -- am I being over-simplistic?**

1 A You mean doing no -- no block -- inclining
2 block in the winter? Just do a flat charge in the
3 winter?

4 Q No. Doing -- well, doing the -- doing the
5 flat -- the -- the level -- the level structure in
6 the -- in the -- in the winter.

7 So if you -- if you went up looking at the
8 first page of Exhibit 284 where -- with the \$22
9 customer charge, you would stay at -- at .22054 --

10 A I see. Okay.

11 Q -- for both above and below 50 therms.
12 But then for the summer do the inclining.

13 A Okay. I think that -- I -- so the 22 and
14 the 22 cents is built off of annual therms. I
15 would have to look at that, but I think you could
16 potentially do something like that.

17 Q Okay. Is there -- from your perspective,
18 is there a policy rationale for doing that?
19 Numbers aside for a moment. Is there a policy
20 rationale for only doing the inclining in the
21 summer where the usage is at least somewhat more
22 discretionary?

23 A Yeah. I mean, so if you're looking at --
24 so summer usage, we do see about 80 to 90 percent
25 of the customers under -- under 50 therms in the

1 summer. But there are customers that do use over
2 that, and that could be, you know, more -- that is
3 more discretionary gas usage. And, yeah, you
4 could do that.

5 **Q Whereas in the winter, the large portion**
6 **of the use is -- is for heating the home?**

7 A Very much so, yes.

8 **Q And while there can be some discretion in**
9 **whether you're going to go 68 or 72 --**

10 A Right.

11 **Q -- some amount of that is clearly not**
12 **discretionary?**

13 A Right. Yes.

14 CHAIRMAN HALL: Okay. I think that's all
15 the questions I had.

16 MS. KLIETHERMES: All right. Thank you.

17 JUDGE DIPPELL: Thank you. Would there be
18 any questions of Ms. Kliethermes about these issues
19 from Public Counsel?

20 CROSS-EXAMINATION

21 BY MS. SHEMWELL:

22 **Q Do you personally have a preference for**
23 **one way or the other?**

24 A For the rate structure?

25 **Q Yes.**

1 A What Staff -- Staff's position in this
2 case was just a flat volumetric rate. But we did
3 offer the incline as the alternative.

4 MS. SHEMWELL: Okay. Thank you.

5 JUDGE DIPPELL: Would there be anything
6 from MIEC?

7 MR. MILLS: No questions.

8 JUDGE DIPPELL: Spire?

9 CROSS-EXAMINATION

10 BY MR. ZUCKER:

11 **Q Just -- just one, I think. You mentioned**
12 **something about 80 to 100 CCF use with -- and maybe**
13 **I misheard. Was that in the winter or the summer?**

14 A Oh, just the winter. Just the winter
15 months.

16 **Q And that's for residential?**

17 A Yes. And that's mainly -- and maybe I
18 need to clarify. Looking at January, February,
19 December, those three.

20 And I know there's -- technically, per the
21 tariff, winter is defined as could be six months
22 for one utility, and I think it's five months for
23 the other utility.

24 So looking at the core months of January,
25 February and December, you're looking at about 80

1 to 100.

2 MR. ZUCKER: Thank you.

3 JUDGE DIPPELL: Anything from Staff?

4 CROSS-EXAMINATION

5 BY MR. KEEVIL:

6 Q Just -- just for clarification, Judge, so
7 I can figure out -- Ms. Kliethermes, when the
8 Chairman was asking you, referring to the actual
9 numbers on Exhibit 284, just for clarification
10 purposes -- and I tried to explain this earlier
11 when I offered the exhibit.

12 And I don't know if I clarified things or
13 further confused things. It -- the numbers -- the
14 volumetric numbers shown on Exhibit 284 will change
15 based on revenue requirement results of this case,
16 correct?

17 A Yes.

18 Q So what effect, if any, would that have on
19 those -- on those volumetric numbers?

20 A Well, if the revenue requirement is above
21 Staff's direct filed for Laclede, then those
22 numbers would go up.

23 Q And if it's below, it would go down?

24 A It would go down. Right.

25 Q And you just mentioned that Exhibit 284 is

1 **simply for Laclede and not for MGE?**

2 A Yes. That is correct.

3 **Q Okay. So you -- you couldn't really take**
4 **the numbers from this chart and apply them to a**
5 **different revenue requirement?**

6 A Right. Correct.

7 **Q Okay.**

8 MS. SHEMWELL: Just a second. I didn't
9 hear -- I apologize. Did you say you could or you
10 couldn't?

11 MR. KEEVIL: Could not.

12 MS. SHEMWELL: Thank you. Thank you.

13 MR. KEEVIL: I think that's all I have,
14 Judge. Thank you.

15 JUDGE DIPPELL: Okay. All right, then. I
16 think that's all on that topic for you,
17 Ms. Kliethermes. Thank you.

18 MS. KLIETHERMES: Thanks.

19 JUDGE DIPPELL: Okay. With that, I think
20 we're ready, then, to go ahead and discuss the
21 issues for today, which is the AMR meters issue to
22 start. Do we have opening statements on that
23 issue?

24 MR. ZUCKER: Yes, your Honor.

25 JUDGE DIPPELL: Okay. Let's start with

1 the company then.

2 OPENING STATEMENT

3 BY MR. ZUCKER:

4 MR. ZUCKER: May it please the Commission.
5 Prior to July of last year, 2017, our customers
6 paid for meter reads at a price of approximately 98
7 cents per read, and it was an expense. So they
8 paid that rate -- every -- every year, that amount
9 was in rates.

10 On -- in July of this year, the company
11 purchased the AMR devices. And the result of that
12 is the customers' rates, the revenue requirement in
13 this case will go down because we took this action
14 during the rate case true-up period.

15 And the question then becomes how much
16 will the rates go down? What we're asking for --
17 well, in the 98 cents that the customer was paying,
18 that included the -- our contractors, maintenance
19 of their system, meaning replacing these devices as
20 they wore out, and property taxes.

21 We have cut the rate to 24 cents from 98.
22 So the -- the expense that is in rates would be 24
23 cents. That does not include these amounts of the
24 system replacement or system maintenance or
25 property taxes.

1 What we are asking for in this case is for
2 the Commission to include in our rates the cost of
3 these maintenance and property taxes so that we
4 don't pay a price or pay a penalty for having done
5 this at a time where customers will get almost
6 immediate benefit from this.

7 After -- if you approve this amount and
8 the amount we were asking for is 1.1 million per
9 year, if you approve this amount, customers will
10 still end up saving about one million a year in
11 revenue requirement, meaning our revenue
12 requirement would be less by that amount.

13 So in effect -- and for customers, this
14 should be transparent. In effect, where they were
15 paying 98 cents a read, now they would be paying
16 approximately 86 cents. So we've reduced the price
17 by 12 percent just by taking the actions that we
18 took.

19 Staff's position is that, you know, we're
20 big boys and we should know -- big boys and girls,
21 I guess, and we should know what happens when we
22 make a -- make a move like that during the rate
23 case, that we don't get those expenses like future
24 property taxes.

25 And so, in effect, the message they're

1 sending us is you are going to pay a price for
2 doing this, and -- and, of course, the message the
3 company gets is we shouldn't have done it that way.
4 We're asking the Commission to cover these costs
5 for us so we don't pay a price for bringing the
6 customers a million dollars a year.

7 JUDGE DIPPELL: Any questions
8 Mr. Chairman?

9 CHAIRMAN HALL: Yeah I want to make sure
10 -- so -- so your figure you have saving ratepayers
11 a million dollars a year, does that assume that the
12 Commission takes the company's position on
13 maintenance and property tax?

14 MR. ZUCKER: Yes, your Honor.

15 CHAIRMAN HALL: How much --

16 MR. ZUCKER: Or Chairman.

17 CHAIRMAN HALL: Do you know how much
18 customers would save -- actually, never mind.
19 Thank you.

20 JUDGE DIPPELL: Okay. Thank you,
21 Mr. Zucker. Staff?

22 MS. PAYNE: Thank you.

23 OPENING STATEMENT

24 BY MS. PAYNE:

25 MS. PAYNE: May it please the Commission.

1 To provide a little background, the AMR devices
2 that the company just referenced permit the company
3 to read its meters remotely.

4 And they have previously leased these
5 devices from Landis & Gyr, the company that they
6 are now -- entered into a contract with.

7 They purchased them for \$16.6 million on
8 July 1st, 2017, which was after the test year but
9 within the true-up period.

10 Staff recognizes, as the company states,
11 that the cost of the meter reads was reduced from
12 98 cents to 24 cent and would like to clarify that
13 the company has already accepted Staff's proposal
14 to reduce the O&M expense related to the meter
15 reading by about \$6.22 million and to record the
16 \$16.6 million contract price in its plant and
17 service in a new plant account along with
18 amortizing the cost of the devices over a seven and
19 a half year period as the company stated in its
20 true-up position statements.

21 So the only remaining issue to discuss, as
22 the company said, is what they call maintenance
23 costs and property tax.

24 Now, Staff's understanding from the
25 amended contract itself, and we intend to provide

1 that as an exhibit later today, was that the
2 contract already included the cost for Landis & Gyr
3 to provide the maintenance on these devices for the
4 duration of that contract.

5 However, the company has since informed
6 Staff that when it uses the term "maintenance
7 cost," what it is actually referring to is the cost
8 to replace any device that malfunctions or breaks
9 which constitutes additional capital cost over the
10 amount of the per meter read that is stated in the
11 contract.

12 The company is estimating that this will
13 be about \$700,000 a year. So this \$700,000 is
14 actually an estimated ongoing expense for future
15 capital AMR device additions, not actually a
16 maintenance expense.

17 The company is further estimating that the
18 property taxes for the AMR devices will be about
19 \$400,000 a year, and that's the other amount that
20 they are asking to be included in rates totaling
21 the 1.1 million in the request.

22 Now, contrary to what the company has said
23 in its testimony, Staff is not actually rejecting
24 these costs. Staff does find that neither of the
25 costs were incurred prior to the true-up date of

1 October 30th, 2017, and they are not known beyond a
2 reasonable doubt.

3 We feel it is improper to include these in
4 the cost of service. To include these would
5 actually violate the matching principle.

6 The request that the company has made here
7 is actually very comparable to that made in the
8 Hillcrest Utility Operating case, WR-2016-0064.

9 The Commission's report and order in that
10 case stated, Hillcrest has proposed that estimated
11 property taxes in the amount of \$2,972 should be
12 included in its cost of service in this case.
13 That estimated property tax will not be paid until
14 approximately December 31st, 2016. So it is beyond
15 the test and update periods for this case.

16 Since it occurs after the update period,
17 to be included in Hillcrest' cost of service, the
18 expense must have been realized or known and must
19 be calculable with a high degree of accuracy or
20 measurable.

21 However, the evidence shows that the 2016
22 property tax amount has not yet been paid, is an
23 estimate of the property tax cost and could change
24 during the summer of 2016. Therefore, that
25 property tax estimate is not known and measurable,

1 so it is inappropriate to include that amount in
2 the revenue requirement for this case, end quote.

3 Staff agrees with the Commission's
4 position in that case that the property tax and the
5 maintenance costs are not known and measurable and
6 could change. And they -- this is inappropriate to
7 include them in the cost of service.

8 Now, the company discusses its concerns
9 about being held harmless for these costs. Staff
10 finds, in fact, that they will be able to seek the
11 known and measurable costs associated with these
12 elements in its next general rate case as is proper
13 for all of the costs outside the test year and
14 true-up periods. In fact, it is the ratepayers who
15 will be held harmless by this method.

16 Essentially, what Laclede is asking for is
17 to receive preferential treatment from any other
18 Missouri utility based only on its estimations, and
19 it justifies its requested by arguing that it could
20 have waited to purchase the meters after the update
21 period and claimed the savings for itself.

22 However, Staff has incorporated all of the known
23 and measurable costs related to AMRs as the company
24 reflected in its position statements and to its
25 cost of service calculations based on what is fair

1 and reasonable.

2 The Commission, in fact, should not
3 include this \$1.1 million additional estimated
4 property tax and the estimated level of expense for
5 future investments as the company has proposed.

6 Staff's witnesses Karen Lyons, Lisa
7 Ferguson and Keenan Patterson will be available to
8 answer any of your questions. Are there any
9 questions for me?

10 CHAIRMAN HALL: Yeah. I -- you indicated
11 that it's Staff's position that it would be
12 inappropriate to include property tax and
13 maintenance costs in the cost of service; is that
14 correct?

15 MS. PAYNE: That's correct.

16 CHAIRMAN HALL: By inappropriate, do you
17 mean illegal?

18 MS. PAYNE: It violates matching
19 principles, so, yes, in fact, illegal.

20 CHAIRMAN HALL: Okay. Thank you.

21 MS. PAYNE: Thank you.

22 JUDGE DIPPELL: Public Counsel?

23 OPENING STATEMENT

24 BY MS. SHEMWELL:

25 MS. SHEMWELL: Good morning. May it

1 please the Commission. Public Counsel agrees with
2 Staff's position on this matter. However, with the
3 -- in terms of depreciation, Mr. Robinett will
4 testify that OPC recommends a five-year
5 depreciation rates be applied to assets already in
6 Account 397.2, a 5 percent depreciation rate be
7 applied to reflect the estimated average service
8 life of these assets as opposed to an amortization
9 rate.

10 The average service lives are based on the
11 20-year battery life as Laclede describes in
12 response to a data request. And the 20-year use
13 life is the normal meter life to be included in the
14 -- in depreciation. That's all I have. Thank you.

15 JUDGE DIPPELL: Any questions,
16 Mr. Chairman?

17 CHAIRMAN HALL: No questions. Thank you.

18 JUDGE DIPPELL: Thank you, Ms. Shemwell.
19 Is there any -- doesn't look like we have any of
20 the other parties here. So we can go ahead and
21 begin with our first witness on this issue. The
22 company?

23 MR. ZUCKER: The company called Eric
24 Lobser.

25 JUDGE DIPPELL: Mr. Lobser, you also

1 previously testified --

2 MR. LOBSEY: Yes.

3 JUDGE DIPPELL: -- in the first part of
4 this hearing, so you'll remain under oath for these
5 purposes.

6 MR. LOBSEY: Okay.

7 JUDGE DIPPELL: Thank you.

8 MR. ZUCKER: I do -- your Honor, I do not
9 believe that we have presented or had admitted the
10 true-up testimony.

11 JUDGE DIPPELL: That is correct. However,
12 I believe that those were marked in your earlier
13 exhibit list. I don't see Mr. Lobser's testimony
14 earlier. I don't believe this one's been given a
15 number yet. So the true-up rebuttal. Is there
16 other true-up testimony?

17 MR. ZUCKER: No. Not from Mr. Lobser.
18 Just true-up rebuttal.

19 JUDGE DIPPELL: True-up rebuttal, then,
20 will be marked as Exhibit 65.

21 MR. ZUCKER: And I'll give a copy of the
22 to the court reporter.

23 JUDGE DIPPELL: You can go ahead.

24 DIRECT EXAMINATION OF ERIC LOBSEY

25 BY MR. ZUCKER:

1 Q Good morning, Mr. Lobser.

2 A Good morning.

3 Q And you are the same Eric Lobser who filed
4 true-up rebuttal testimony in this case on December
5 20th?

6 A Yes, I am.

7 Q And do you have any changes to that
8 testimony?

9 A No, I do not.

10 Q Is this -- are the -- is this testimony
11 true and correct to the best of your knowledge and
12 belief?

13 A Yes.

14 MR. ZUCKER: Okay. So I would offer this
15 testimony into the record. This is -- well, I
16 think all of his other testimonies have been
17 admitted.

18 JUDGE DIPPELL: Is there any objection to
19 Exhibit No. 65? Seeing none, then I will admit
20 Exhibit 65.

21 (Exhibit 65 was offered and admitted into
22 evidence.)

23 MR. ZUCKER: Thank you, your Honor. Pass
24 the witness.

25 JUDGE DIPPELL: Are there any questions on

1 cross-examination from Staff.

2 CROSS-EXAMINATION

3 BY MS. MERS:

4 Q Good morning.

5 A Good morning.

6 Q What was the read cost charged by Landis &
7 Gyr prior to the amendment agreement?

8 A I believe it was 98 cents.

9 Q And that contract price is currently
10 reflected in rates, correct?

11 A When rates were set, it might have been at
12 a different rate than the 98 cents. I can't swear
13 to that.

14 Q Okay. What is the price that Landis & Gyr
15 is currently charging for meter readings to
16 Laclede?

17 A They have a network charge of 24 cents.

18 Q Okay. So that's a 74 cent decrease, then?

19 A From the 98 cents, yes.

20 Q Do you know how many meters Laclede
21 currently has?

22 A Approximately 690,000, somewhere in that
23 neighborhood.

24 Q Okay. Do you have a calculator up there
25 with you?

1 A Yes.

2 Q Okay. So if you took the amount that you
3 were saving per your estimated meter, I actually
4 think that I have the number, subject to check if
5 you'd want to accept it, is 692,325 meters?

6 A Yes.

7 Q So if you took that amount and multiplied
8 it by your savings, how much would you be saving a
9 month, approximately?

10 A Just on those differences, without
11 including other costs, that 74 cents, would be
12 512,320.

13 Q Okay. And you entered into this contract
14 on July 1st, correct?

15 A Yes.

16 Q And rates will go into effect on this case
17 on March 8th, 2018, correct?

18 A Yes.

19 Q So that's approximately eight months of
20 savings Laclede has been able to benefit from,
21 correct?

22 A On that amount or -- because we also had
23 to purchase the system.

24 Q Just -- just for the savings.

25 A Just for the difference in the cost of the

1 lease, yes.

2 Q So how much would that monthly cost of \$5
3 -- 512,321 times eight, what would that approximate
4 total savings be then?

5 A Those two numbers multiplied together
6 would be about 4.1 million, but that wouldn't be
7 the savings because there's other costs relating to
8 this.

9 Q Sure. But just for -- just for the
10 decrease in price, that's 4.1 million -- and that's
11 retained savings that Laclede's been able to
12 benefit from, correct?

13 A Again, prior to the other costs.

14 Q Sure. And that money has not been passed
15 on to ratepayers, correct?

16 A Correct.

17 Q And Staff is not making an adjustment to
18 reach back and disallow any of the that
19 \$4.1 million in retained savings, correct?

20 A Not that I'm aware of.

21 Q Did you prepare or review any data request
22 responses in this case?

23 A I think most of the data requests were
24 reviewed by Glenn Buck and prepared by folks in our
25 Operations Control area.

1 Q And you guys aren't planning on offering
2 Glenn Buck anymore as a witness?

3 A Not on the AMR. I don't think he provided
4 testimony on that.

5 Q Okay. Well, let's see if you've -- if
6 you've reviewed these and see if what we can --
7 what we can give to you?

8 A Sure.

9 MS. MERS: I'd like to mark as an exhibit
10 at this time -- and I apologize. I don't know what
11 Exhibit number Staff is on.

12 JUDGE DIPPELL: We -- Staff is up to
13 Exhibit 287.

14 Q (By Ms. Mers) Okay. Do you recall seeing
15 Data Response Request 44 at any time or reviewing
16 it?

17 A I -- I don't believe I've reviewed this.
18 But it's -- it's possible.

19 Q Does -- the information provided, does
20 that appear to be a correct -- an accurate response
21 assigned to you by Glenn Buck?

22 A Yes. From my brief review.

23 Q Okay. And do you recognize the attachment
24 as the amendment to the automated meter reading
25 service agreement?

1 A Yes.

2 Q **And are you familiar with that document?**

3 A Somewhat, yes.

4 Q **Okay. Could you read the first two lines**
5 **of paragraph 4 for me, please?**

6 A Sure. It's the heading of Maintenance and
7 Installation. Landis & Gyr continues to be
8 responsible for maintenance of MIUs under Section
9 3.1, Maintenance of MIUs of the services agreement
10 and updating the NOC -- you mean the first two
11 sentences or first two lines?

12 Q **Yeah. That's -- that's fine. I think**
13 **that gets the point across.**

14 A Okay.

15 Q **Thank you for that.**

16 A Sure.

17 MS. MERS: At this time, I'd like to go
18 ahead and offer this exhibit into the record.

19 JUDGE DIPPELL: Would there be any
20 objection to Exhibit 287?

21 MR. ZUCKER: Just let me take a moment to
22 think about whether this was confidential.

23 JUDGE DIPPELL: Okay.

24 MR. ZUCKER: It has -- attached is the
25 agreement between Laclede and Landis & Gyr. And it

1 does have some pricing and other numbers in it.

2 MS. MERS: Sure. It was not marked as
3 confidential when we received it. But if you can
4 justify it to the Commission, we would be okay with
5 that.

6 MR. ZUCKER: If you don't mind, I would
7 like to err on the side of making it confidential.
8 It has Landis & Gyr business information in it.

9 JUDGE DIPPELL: Can we make it
10 confidential subject to Spire telling us what part
11 should be redacted and what parts can remain
12 public?

13 MR. ZUCKER: I think -- I'm just referring
14 to the attachment, which is the actual agreement
15 between -- okay you're saying within that
16 agreement?

17 JUDGE DIPPELL: Yes. I mean, we -- we
18 just read paragraph -- parts of Paragraph 4, so,
19 obviously, that can remain public.

20 If the Commission should need to refer to
21 any of it, it would be good to know what -- what
22 parts -- like is it Exhibit A to the amendment? Or
23 do you think there are parts of the amendment that
24 might also --

25 MR. ZUCKER: Well, we've talked about some

1 of these costs already.

2 JUDGE DIPPELL: So like I say, I'm going
3 to -- I'm going to admit it right now as
4 confidential. And I'm going to ask you to let me
5 know after the hearing in a few days what parts of
6 it really are confidential?

7 MR. ZUCKER: Fair enough. Thank you, your
8 Honor.

9 JUDGE DIPPELL: Okay.

10 CHAIRMAN HALL: With -- with an
11 explanation for -- for why it should be
12 confidential as well consistent with our new rule.

13 MR. ZUCKER: Thank you.

14 JUDGE DIPPELL: Thank you. Thank you,
15 Mr. Chairman. Yes. So I will go ahead and admit
16 Exhibit 287 as confidential at this time.

17 (Exhibit 287 was offered and admitted into
18 evidence.)

19 MS. MERS: Okay. Thank you. If I could
20 approach again?

21 JUDGE DIPPELL: Yes.

22 MS. MERS: I'd like to mark another
23 exhibit.

24 JUDGE DIPPELL: That will be 288.

25 Q (By Ms. Mers) If you could review that,

1 do you recall reviewing this data request response
2 at any time? I believe it mentions your testimony.
3 There's questions regards your testimony, if that
4 helps refresh your recollection.

5 A Yeah. I believe it was prepared by Glenn
6 Buck. And I'm not sure whether he had assistance
7 from others on that. But I can review it now.

8 Q Okay.

9 A Okay.

10 Q It does, just for the record, mention a
11 700,000 figure you included in your testimony --

12 A Yes.

13 Q -- and how you arrived at that figure?

14 A Yes.

15 Q Okay. Could you read Question 3 and the
16 answer into the record for me, please?

17 A Would the 700,000 include any annual
18 maintenance that would need to be performed on the
19 Meter Interface Units, MIUs? If not, please
20 provide annual maintenance cost that would be
21 necessary for the deployed meter devices and the
22 appropriate FERC accounts this cost would be
23 recorded in.

24 Response: No. All annual maintenance is
25 built into the monthly service fee of the 24 cents.

1 Landis & Gyr dedicates about eight full-time
2 employees to working the maintenance calls for this
3 system. Vehicle expenses and administrative
4 expenses are also billed into the -- into the fee.
5 This is part of what we pay the service fee for.
6 The service fee also includes operating the system
7 and providing us reads. No study has ever been
8 done to see how much it would cost LAC to do the
9 maintenance.

10 MS. MERS: Okay. Thank you. At this
11 time, I'd like to enter this exhibit into the
12 record?

13 JUDGE DIPPELL: Would there be any
14 objection to Exhibit 288?

15 MR. ZUCKER: No, your Honor. No, your
16 Honor.

17 JUDGE DIPPELL: All right. Then, seeing
18 no objection, I will admit Exhibit 288.

19 (Exhibit 288 was offered and admitted into
20 evidence.)

21 **Q (By Ms. Mers) Does Patrick Robertson**
22 **report to you?**

23 A Pat Robinson?

24 **Q Yes.**

25 A No, he does not.

1 Q And what does he do at Laclede?

2 A He's the Operations Controller.

3 Q Okay. Do you review his e-mails, or are
4 you ever copied on his e-mails?

5 A A decent amount, yes.

6 Q Do you recall any e-mail sent by
7 Mr. Robinson regarding this issue?

8 A A number of them, yes.

9 Q Okay.

10 MS. MERS: If I could approach again.

11 JUDGE DIPPELL: Yes. Will this also need
12 an exhibit number?

13 MS. MERS: Yes, please.

14 JUDGE DIPPELL: It's Exhibit 289.

15 Q (By Ms. Mers) Do you recall that as an
16 e-mail? And I believe you were copied on it and
17 actually have responded.

18 A It was part of it.

19 Q Yes.

20 A It was during the hearings in December.

21 Q Sure. And did you direct Mr. Robinson in
22 this e-mail to attach invoices regarding the
23 replacement of the devices?

24 A I don't recall exactly what I was asked,
25 but I was asking for some support to provide in

1 discussions with Lisa Ferguson about the
2 replacement costs for the devices.

3 Q Okay. And is that support provided, if
4 you turn to the last page, in an Excel spreadsheet?

5 A Yes.

6 Q And that spreadsheet shows invoices were
7 paid on dates starting from November 1st, 2017, to
8 December 6th, 2017, correct?

9 A Yes.

10 Q And that's outside the test year in this
11 case, correct?

12 A Those dates are, yes.

13 Q Okay.

14 MS. MERS: At this time, I'd like to enter
15 this exhibit into the record.

16 JUDGE DIPPELL: Would there be any
17 objection to Exhibit 289?

18 MR. ZUCKER: No, objection, your Honor.

19 JUDGE DIPPELL: And I will admit Exhibit
20 289.

21 (Exhibit 289 was offered and admitted into
22 evidence.)

23 MS. MERS: Okay. And last one, I promise.
24 If I can approach again.

25 JUDGE DIPPELL: And this will be marked as

1 Exhibit 290.

2 Q Here's one for you. And do you recognize
3 those as the invoices?

4 A That was attached to the e-mail?

5 Q Yes.

6 A Yes. They were from the purchases, I
7 believe, related to months of July 2017 through
8 October 2017.

9 Q All right. And are those invoices for
10 capital items?

11 A I believe so.

12 Q Okay.

13 A I didn't look at every line item on it,
14 but I believe they were related to purchases of
15 devices for replacements of failed ones.

16 Q Okay.

17 MS. MERS: I'd like to enter this exhibit
18 into the record.

19 JUDGE DIPPELL: Any objection to Exhibit
20 290?

21 MR. ZUCKER: No, your Honor.

22 Q And -- And just for the clarification, at
23 the top, the invoice dates are a due date of
24 another November 4th, 2017, correct? The second
25 one is a due date of November 6th, 2017, and the

1 **third one is a due date of December 6th, 2017,**
2 **correct?**

3 A The second one looks like it has a due
4 date of December 6th. But maybe I'm misreading it.

5 Q **No. You're correct. Thank you for the**
6 **clarification. And, again, those were paid outside**
7 **the test year?**

8 A They were paid outside the test year. But
9 I believe it's four classes were installed before.

10 Q **Okay. Thank you. And outside of the**
11 **true-up as well, then?**

12 A Yes. I'm sorry. Yes.

13 Q **Okay.**

14 JUDGE DIPPELL: Hang on just a second.

15 MS. MERS: I'm sorry.

16 JUDGE DIPPELL: That -- Exhibit 290 was
17 offered, and I asked for objections. I didn't hear
18 any. I will admit Exhibit 290.

19 (Exhibit 290 was offered and admitted into
20 evidence.)

21 JUDGE DIPPELL: Now go ahead, Ms. Mers.

22 Q **(By Ms. Mers) Okay. And do you recall**
23 **preparing a spreadsheet for your rebuttal**
24 **testimony, not your true-up rebuttal, but your**
25 **rebuttal testimony that it was -- I believe it was**

1 late filed that listed these expenses, correct?

2 A Yes.

3 Q And on that sheet, you've labeled them
4 replacement costs and not maintenance costs,
5 correct?

6 A Yes.

7 Q Okay. And was that incremental
8 replacement cost figured by determining an annual
9 amount of return on return of and an expense level
10 for replacement plant not in service yet?

11 A Yes. It was a factor of --

12 Q Okay. Thank you. And that would make it,
13 again, a capital expense, correct?

14 A The -- the expense related to both return
15 on and return of capital and then, also, property
16 tax.

17 Q Okay. If this ongoing level of expense is
18 included in the cost of service, that would, again,
19 just to clarify, provide a return of and return on
20 an estimate of property tax for an investment that
21 may or may not be in service yet, correct?

22 A Correct.

23 Q Okay. Bear with me. I've got one more
24 for you. You don't know how many AMR devices will
25 be replaced in the future with certainty, correct?

1 A Based off of what we've seen since 2005, I
2 think we had a pretty decent estimate that -- it
3 appears --

4 **Q But it's an estimate, correct?**

5 A It is an estimate.

6 MS. MERS: Okay. Thank you so much for
7 your testimony today I have nothing further.

8 JUDGE DIPPELL: All right. Is there any
9 -- are there any questions from the Bench? I'm
10 sorry. Public Counsel?

11 MS. SHEMWELL: No questions. Thank you.

12 JUDGE DIPPELL: Are there any questions
13 from the Bench?

14 CHAIRMAN HALL: Just a few, I believe.

15 CROSS-EXAMINATION

16 BY CHAIRMAN HALL:

17 **Q Good morning.**

18 A Good morning.

19 **Q On page 2 of your true-up rebuttal**
20 **testimony, lines 12 through 13, you indicate that**
21 **customers will benefit by about a million dollars**
22 **per year as a result of the -- as a result of the**
23 **-- of the contract?**

24 A Correct. It's kind of converting a lease
25 into a buy, essentially.

1 **Q And to what extent does the company**
2 **benefit from the new contract?**

3 A The contract allows us a little bit more
4 flexibility as our contract was expiring in 2020,
5 which is -- seems like a long way away. But there
6 is a fair amount of time and effort in replacing
7 the system.

8 We're looking at potential replacements of
9 the system to improve the results. It provides us
10 more flexibility in the timing of that as well as
11 negotiations with whatever vendors that we would
12 have.

13 Those should result in a better approach
14 to replacing the system and hopefully a better
15 position. So that's one of the benefits of
16 negotiating this contract. It doesn't sort of hold
17 us hostage to an expiring contract for a system
18 that we don't have a replacement on the way for.

19 **Q Well, you're -- you're turning an**
20 **operational expense into a capital expense.**

21 A Yes. A lease into a buy, essentially.

22 **Q And the capital expense, do you get a**
23 **return on that investment? You did not get a**
24 **return on the -- on the expenditure, on the expense**
25 **item; is that correct?**

1 A We get recovery of our cost of capital.
2 Yes.

3 **Q So does that, in and of itself, inure to**
4 **the benefit of the company?**

5 A Well, it would help pay for the capital
6 costs of our debt and equity holders, yes.

7 **Q So it increases your rate base?**

8 A It increases our rate base, yes.

9 **Q Which allows for a return on that**
10 **additional rate base?**

11 A Correct. To cover those costs. Yes.

12 **Q So there is a financial benefit to the**
13 **company and shareholders for these transactions**
14 **independent of the business rationale you -- that**
15 **you laid out for the -- for the transaction?**

16 A Well, it would allow them to recover the
17 cost of the \$16.6 million that was invested.

18 **Q So the -- the contract that you entered**
19 **into on July 1st replaced a contract that was not**
20 **set to expire until 2020; is that correct?**

21 A I believe that's correct.

22 **Q What was the motive -- if you know, why**
23 **did L&G agree to renegotiate the contract if it**
24 **resulted in less money for them?**

25 A Well, the -- the less money relates to the

1 system itself. So it moved from having both the
2 system and the devices bundled into one contract
3 into just providing the system. And then basic
4 maintenance for the devices.

5 But we -- and purchase the devices from
6 them so they had less cost of capital. And then
7 would replace the devices as they failed. So we
8 took some of the costs that they were incurring off
9 the table for them. We had --

10 **Q And was that reason for them to enter into**
11 **the contract, that it takes some of their costs?**

12 A Well, that's -- that's the reason why they
13 were willing to accept a lower price for the system
14 from the 98 cents to the 24 cents.

15 **Q Did you consider waiting until after the**
16 **true-up period was over to enter into this**
17 **contract?**

18 A It -- it was a consideration. But the --
19 the more time that went on, we had approached them
20 a while back to try and not be in position of
21 having a system that takes three to four years to
22 replace and having less than that amount of time
23 left on the contract, which would put us in a -- a
24 bad leverage position on renegotiation or finding a
25 replacement server.

1 So that was kind of a -- a key element.
2 The more time that went on, the more risks that we
3 would incur, not to be able to make this deal
4 occur.

5 So, you know, once we were able to reach
6 an agreement with Landis & Gyr, we felt it was in
7 the best interest where we would be positioned on
8 negotiations as well as for our customers to do
9 that sooner rather than later.

10 **Q So in response to questions from -- from**
11 **Staff Counsel about the \$4.1 million in retained**
12 **savings as a result of the contract between July**
13 **1st and the date that -- that the rates go into**
14 **effect, I -- I believe that you -- the sense I got**
15 **from you was that that was not a -- a full**
16 **depiction of the story, that there were some other**
17 **costs --**

18 A Right.

19 **Q -- and other items that may mitigate that**
20 **4.1 savings somewhat. Could you explain that to**
21 **me?**

22 A Yes. The 98 cents down to the 24 cents,
23 again, related to the devices that were already in
24 place with those related costs. So, essentially,
25 converting those kind of like a car lease into a

1 purchase. So now we would bear the cost. So we
2 had the \$16.6 million of -- of investment in the
3 system. And then we would incur costs going
4 forward.

5 And so that 4.1 million was really just
6 the gross savings. And then against that would be
7 costs that we're going to incur related to the
8 investment in the system as well as the ongoing
9 replacement and property taxes related to the --
10 those devices whereas Landis & Gyr would still
11 maintain the network that -- that reads those
12 devices.

13 **Q So the only -- so what could mitigate that**
14 **4.1 million is the -- the maintenance cost and the**
15 **property tax that you --**

16 A Yes. Staff has already put into rate base
17 the investment in the system, so that's part of the
18 offset to it. The other components relate to the
19 property tax and the replacement costs.

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

22 JUDGE DIPPELL: Thank you. Are there
23 additional questions based on the questions from
24 the Bench from Staff?

25 MS. MERS: Just one.

1 BY MS. SHEMWELL:

2 Q You mentioned maintenance expense. And we
3 look at Exhibit -- I'm sorry. What is that? The
4 Landis & Gyr contracts amendment to the automated
5 meter reading service agreement, it's 287, which we
6 confidentially marked as confidential?

7 A Yes.

8 Q Landis -- paragraph 4 on page 1, Landis &
9 Gyr continues to be responsible for maintenance of
10 the MIUs; is that correct?

11 A That's what that sentence states.

12 Q And a second question, what depreciation
13 rate are you calculating?

14 A We are using an amortization rate of
15 13.3 percent. I think we had originally proposed
16 seven year. Staff had proposed seven and a half.
17 And we adjusted from our testimony in our true-up
18 to that seven and a half year.

19 Q Is that a rate ordered by the Commission?

20 A No. That's a proposal.

21 MS. SHEMWELL: Thank you.

22 JUDGE DIPPELL: Is there any redirect?

23 MR. ZUCKER: Yes, your Honor.

24 REDIRECT EXAMINATION

25 BY MR. ZUCKER:

1 Q Good morning again, Mr. Lobser.

2 A Good morning.

3 Q You were discussing with just about
4 everybody, I think, the July 2017 to March 201
5 period. Do you recall that?

6 A Yes.

7 Q And during that period, customers will
8 still pay the equivalent of the 98 cents per read
9 to Laclede?

10 A Yes. Or whatever was put into rates at
11 the previous rate case, yes.

12 Q Okay. And Laclede has fronted 16.6
13 million to -- to Landis & Gyr to buy those devices,
14 correct?

15 A Correct.

16 Q And that was on July 1st?

17 A Yes.

18 Q And is -- are those devices depreciating
19 -- have -- are they depreciating since July 1st?

20 A Yes. Yes, they are.

21 Q Is Laclede getting any return for that?
22 Or I'm sorry. Any reimbursement for that during
23 the period of July to March?

24 A Not specifically for that. Again, a lot
25 of these were part of the 98 cents that we were

1 paying but by converting it from essentially a
2 lease to a buy. We're now incurring those costs.

3 **Q Okay. And you're incurring the other**
4 **costs of maintaining the system since July 1?**

5 A Related to purchasing the devices that
6 need to be replaced.

7 **Q Okay. So maintaining the system rather**
8 **than maintaining a specific device?**

9 A The systems of devices. There's also a
10 network that reads those devices. Just clarifying.

11 **Q And between July 1st and March 8th, you**
12 **were not receiving a return of this investment or a**
13 **return on it; is that correct?**

14 A That's correct.

15 **Q Will you ever get that money back?**

16 A I don't believe so.

17 **Q But you're trying, though, right?**

18 A Well, again, as I -- as I mentioned, these
19 costs were in a different form than the 98 cent
20 lease. Because we've entered into this deal that's
21 beneficial to the customer and better position to
22 us going forward, they've converted the nature from
23 a lease to a buy.

24 So depending on how you look at it, these
25 costs are covered or they're not. But they're --

1 they weren't covered as a return on or return of
2 the investment previously.

3 Q So when you say that this transaction
4 better positioned the company --

5 A Yes.

6 Q -- it better positioned the company for
7 future negotiations or meter reading?

8 A Both negotiations and, also, the
9 implementation of rolling out a new system to
10 improve technology.

11 Q And, ultimately, the customers will
12 benefit from that upgraded technology?

13 A Yes.

14 Q And the -- the better position you put
15 yourself in may result in the customer getting a --
16 a benefit in the costs that they'll pay for this
17 new system?

18 A It would -- it would be beneficial
19 potentially in the costs and, also, how we -- we do
20 the implementation of the system. It wouldn't be
21 held to a specific date or forced by an expiring
22 contract.

23 Q You were asked a question about getting
24 property taxes in the next rate case. Do you
25 recall that?

1 A Yes.

2 Q Assuming that that happened, would that
3 reimburse the company at all for property taxes
4 that it will pay between now and the next rate
5 case?

6 A No.

7 Q That money is gone?

8 A Yes.

9 Q You mentioned something about -- or your
10 ability or our ability to estimate the -- the need
11 for replacement of AMR devices. Can you go into
12 that?

13 A Well, we've had a working relationship
14 with Landis & Gyr for over a decade and have
15 experienced -- or understand the experience rate on
16 the failures of these devices, and so have a pretty
17 close approximation. You know, a four-month period
18 of time isn't a great period of time to -- to
19 validate that.

20 But what we had estimated for the
21 replacement costs, the invoices that were shown
22 earlier are just slightly above that number. So we
23 were potentially a little bit low on the
24 estimation.

25 But, again, four months is a short period

1 of time. And we were basing this off of over a
2 decade of experience. We think it would be pretty
3 close to the failure rate that we experienced.

4 Q If you assume that you could have waited
5 three more months to make this deal without any
6 change in what the deal would be and you knew what
7 position that Staff was going to take in this case,
8 would we have made this deal in July or October, in
9 your opinion?

10 A If we knew all things would be the same,
11 that they wouldn't have lost the ability to achieve
12 this deal because we had been working on it for a
13 number of months leading up to July, in order for
14 us to recover our costs, it, you know, appears that
15 it would have been better to wait until October 1st
16 to make the deal.

17 But the timing was not something that was
18 completely in our control. And we didn't know
19 whether all things would be equal October 1 as they
20 were in July. We had been negotiating for a number
21 of months leading up to that actually hoping to
22 make something happen as soon as possible.

23 MR. ZUCKER: Okay. Thank you, Mr. Lobser.

24 JUDGE DIPPELL: Thank you. Okay.

25 Mr. Lobser, you may step down from there. We're

1 going to go ahead and take a short break and return
2 at -- let's just make it seven minutes. We're
3 going to return at 11:00 and try to get through
4 this so that Commissioners can have their agenda.
5 Let's go off the record.

6 (Break in proceedings.)

7 JUDGE DIPPELL: Okay. I think we can go
8 ahead and go back on the record. Okay. So that
9 was the only Staff witness -- or the only Spire
10 witness on that issue. So we're ready to begin
11 with Staff's witnesses.

12 MS. MERS: Staff would call Lisa Ferguson
13 to the stand.

14 JUDGE DIPPELL: Refresh my memory. Did
15 you testify before?

16 MS. FERGUSON: Yes. A couple times.

17 JUDGE DIPPELL: I thought you did. So you
18 remain under oath for our purposes here today.

19 MS. FERGUSON: Okay.

20 DIRECT EXAMINATION

21 BY MS. FERGUSON:

22 Q Did you prepare direct testimony and
23 true-up rebuttal testimony in this case? I think
24 they've been marked as exhibits -- or will be
25 marked as Exhibits 291 and 292 respectively?

1 A Yes.

2 Q Do you have any corrections to that
3 testimony?

4 A I do not.

5 Q Is that testimony true and accurate to the
6 best of your knowledge and belief?

7 A Yes.

8 Q And if I asked you the same questions
9 today, would you give me the same answers?

10 A Yes.

11 MS. MERS: Then I would go ahead and offer
12 Exhibits 291 and 292 into the record and tender the
13 witness for cross.

14 JUDGE DIPPELL: Would there be any
15 objection to Exhibits 291 and 292? Seeing none,
16 then I will admit those into evidence.

17 (Exhibit 291 and 292 were offered and
18 admitted into evidence.)

19 JUDGE DIPPELL: Is there cross-examination
20 for Public Counsel? I'm sorry. I didn't realize
21 we don't have Public Counsel here yet. Is there
22 cross-examination from Spire?

23 MR. PENDERGAST: Yes, your Honor.

24 CROSS-EXAMINATION

25 BY MR. PENDERGAST:

1 Q Good morning, Ms. Ferguson.

2 A Good morning.

3 Q I just have a couple of questions for you
4 on your testimony. And I think just to make sure
5 we've got all the question numbers straight, I'd
6 just like to go through your description of the
7 revenue requirement impacts of this AMR purchase
8 that I think you discuss at page 2 of your true-up
9 rebuttal testimony. Do you have that?

10 A I do.

11 Q Okay. And there's a couple of things that
12 make revenue requirement go up and a couple of
13 things that make it go down; is that correct?

14 A That's correct.

15 Q Okay. Let's talk about the couple of
16 things that make it go up. First, there's
17 16.6 million approximately in rate base that's
18 being added as a result of purchase; is that
19 correct?

20 A That's correct.

21 Q And could you tell me, just ballpark, what
22 the revenue requirement impact of that is?

23 A If I'm going off of an approximation, just
24 a rule of thumb, it's usually about 10 percent. So
25 I'd say 1.6 million.

1 Q 1.6. Good enough for our purposes. And
2 then there's an annual amortization to facilitate a
3 return of that investment; is that correct?

4 A That's correct.

5 Q And that's about 2.2 million?

6 A Yes.

7 Q Okay. So if we add those two numbers
8 together, revenue requirement is going up as a
9 result of this purchase by how much?

10 A Approximately 3.8.

11 Q 3.8 million. Okay. And then, of course,
12 on the other side of the ledger, there is the
13 decrease in expense associated with reducing the
14 per meter reader charge from, what, 98 cents to
15 approximately 24 cents?

16 A That's correct.

17 Q And how much is that reduction in revenue
18 requirement associated with that?

19 A Approximately 6.2 million.

20 Q About 6.2 million. So if we go ahead and
21 do a net -- and we subtract the increase from the
22 decrease, what's the net impact on revenue
23 requirement from those three impactors?

24 A Make me do it on the spot, Mike.

25 Q Sorry.

1 A Roughly 2.4 million.

2 Q Okay. So that's -- that's a \$2.4 million
3 savings not taking into consideration property
4 taxes and not taking into consideration maintenance
5 replacement costs that ratepayers would benefit
6 from once rates go into effect?

7 A That's correct. Because without including
8 any replacements costs subsequent to the true-up
9 cut-off.

10 Q Okay. So that's 2.4 million, you know,
11 each and every year, however long we stay out; is
12 that correct?

13 A If you look at it in isolation, yes.

14 Q Okay. Sure. And right now, I -- I think
15 you talk about, you know, the fact that the company
16 could have gone ahead and done this deal at the end
17 of the true-up period in this case; is that
18 correct?

19 A That's correct.

20 Q And that -- that was when?

21 A The true-up cut-off was September 30th,
22 2017.

23 Q Okay. And if the company had waited
24 until, say, October 1st and done the deal, what
25 level of benefits would customers be receiving as a

1 result of this arrangement?

2 A If you are looking at this in isolation?

3 Q Yes.

4 A Then it would be zero.

5 Q It would be zero. So 2.4 whatever million
6 would go down to zero had the company just waited
7 until October 1st to do this deal?

8 A If you were looking at it in isolation
9 without any other relevant factors of increases or
10 decreases, that's correct.

11 Q Okay. And, you know, you say in your
12 testimony, I think, the company's got to keep in
13 mind both the interest of its customers and its
14 shareholders; is that correct?

15 A That's correct.

16 Q Okay. And, you know, looking at what the
17 shareholder is getting out of this deal under
18 staff's treatment and with the customers getting
19 out of it, the company is getting a return of and a
20 return on its \$16.6 million investment; is that
21 correct?

22 A That's correct.

23 Q Okay. And it's going to go ahead and, you
24 know, earn that return subject to whatever happens
25 with depreciation and so forth and so on until the

1 next rate case?

2 A That's correct.

3 Q Okay. And that return, of course, will be
4 based on whatever decision the Commission makes
5 with regard to ROE and capital structure; is that
6 correct?

7 A That's correct.

8 Q Okay. Now, if you assume that we're also
9 going to have these expenses between now and the
10 next rate case and those expenses of 1 million --
11 1.1 million are offset against that return, do you
12 know what impact that has on the company's overall
13 return its receiving as a result of this deal?

14 A Well, No. 1, I don't agree that all of the
15 -- that all of the amounts that you're speaking of
16 are expenses.

17 However, if you did consider them
18 expenses, there's also other relevant factors that
19 go into effect between now and the next rate case,
20 things that would make the -- probably make the
21 cost for the company go up and some of them would
22 go down.

23 Q Well, looking at it in isolation, and
24 there might always be other things going on, would
25 it be fair to say that any return the company is

1 getting on this investment to the extent there are
2 additional expenses that were included in the 98
3 cent fee before are really going to offset that
4 return for the company?

5 A Can you rephrase?

6 Q Sure. Let me rephrase it. You've said
7 that the company is going to get a return on and a
8 return of this 16.6 million investment, right?

9 A That's correct.

10 Q Okay. And that's what Staff's
11 recommended?

12 A Yes.

13 Q Okay. But Staff is also recommending that
14 these other associated costs that the company has
15 identified associated with its purchase of this
16 system will not be recovered in rates until the
17 next rate case; is that correct?

18 A Yes. And I don't believe that the company
19 will suffer from the replacement costs because
20 these are capital costs that will be picked up with
21 -- in the next rate case.

22 The property taxes will also be annualized
23 in the next rate case. And if you're looking at it
24 in isolation, I don't believe that -- I don't think
25 you can look at it in isolation because there are a

1 lots of things that are going into the fact -- or
2 into the calculation of the return that the company
3 is going to get.

4 **Q Well, let me be in isolation just for just**
5 **a moment. If you assume that we file our rate case**
6 **in about four years, let's say it's now 2022, is**
7 **the company going to be able to recover any**
8 **property taxes it paid in connection with this**
9 **investment in 2019?**

10 A Well, they won't be assessed property tax
11 until January of '18, and they also won't pay any
12 property tax on these items until December of 2017.

13 So if they -- if you all filed in 2022,
14 the level that's being -- the level that is built
15 in as property tax in this rate case will be what
16 we consider the ongoing level. And we believe that
17 would cover whatever costs that you would have.

18 **Q Okay. Well, let me put it a different**
19 **way. In that 2022 rate case, will the Staff go**
20 **back and say, What kind of property taxes did you**
21 **pay on this in 2019 and let me give you that?**

22 A If you're talking the exact numbers,
23 probably not the exact numbers. But we would be
24 annualizing based off of historical information to
25 set an ongoing level.

1 Q I know you're going to be setting an
2 ongoing level. But my question to you is, are you
3 going to allow the company to recover property
4 taxes it paid in 2019?

5 A I think that's an easier question than it
6 is to answer because there could be other cost
7 reductions that could cover that expense in the
8 cost of service.

9 Q Well, let's just talk about property taxes
10 regardless of whether there are other things that
11 might offset them. Will the Staff permit the
12 company to recover those property taxes its going
13 to pay in 2019, just looking at that alone?

14 A We believe it would be covered in the
15 annualized level going forward. So yes.

16 Q Okay. So in the 2022 case, you will reach
17 back and if we pay \$450,000 of property tax, you're
18 going to go ahead and add that to our property
19 taxes for the next rate case?

20 A We're not going to reach back and pull
21 just that number, no.

22 Q Okay. That's all I'm trying to get at. I
23 mean, you know, it's just once those are paid, and
24 if we don't file against until 2022, there is no
25 future rate case that's going to give it back to

1 **us, is there?**

2 A If you're looking at just going back and
3 pulling that exact number without considering any
4 relevant factors that would affect that, then I can
5 say, no, you would probably not.

6 **Q Okay.**

7 A But --

8 **Q And would the same thing be true for any**
9 **property taxes we pay in 2020?**

10 A Like I said before, any -- any property
11 taxes that you're going to incur we would consider
12 included in your annualized level of ongoing
13 property tax expense.

14 **Q Once again, are you going to make some**
15 **special allowance to let us defer those taxes from**
16 **2020 and recover them in our next rate case?**

17 A No, we would not defer a certain amount of
18 property tax.

19 **Q Okay. Fair enough. I mean, that's all**
20 **I'm trying to get at. And the same thing is true**
21 **of 2021?**

22 A I mean, this is all conjecture considering
23 I don't know when the next rate case will be. I
24 mean, there's a lot of factors that go into account
25 here.

1 Q Okay. Well, would it be fair to say it's
2 not until we have another rate case and another
3 test year and there's an ongoing level of property
4 tax that Staff is going to recognize that we won't
5 collect any additional property tax until that
6 point?

7 A Any additional -- any additional on top of
8 the annualized level, yes.

9 Q Okay. Okay. And your annualized level,
10 just to be clear, does not include any property
11 taxes associated with this investment?

12 A It would be based our annualized level
13 based on the actual taxes paid in '16 over the
14 '16 plan and applied to January 1st of '17. So,
15 yes, it does not include it.

16 Q Okay. Great. Fair enough. So just
17 looking at -- we went through the process of what
18 goes up and what goes down on the revenue
19 requirement. And I think you identified, what,
20 \$2.4 million worth of savings?

21 A I'm sorry?

22 Q \$2.4 million worth of net savings?

23 A Oh, what you're saying -- in isolation,
24 yes.

25 Q Okay. And would you agree with me that

1 the company shareholders are going to be able to
2 benefit from about, what, eight months of that?

3 A Yes.

4 Q Okay. And then customers will benefit
5 from that to the tune of three, four years, however
6 long we stay out; is that correct?

7 A That's correct.

8 Q Okay. Let me ask you this. Is it your
9 experience as a Regulatory Auditor that a lot of
10 utility decisions are made based on the timing of
11 rate cases?

12 A I think it's completely within the
13 utility's power as to when they make decisions
14 because of the -- the fact that they can file a
15 rate case whenever they need to.

16 Q Yeah. And what I'm asking you is not
17 whether it's in their power or not. But I'm asking
18 you, in actuality, are a lot of utility decisions
19 made based on when you're going to file a rate
20 case, when the true-up is going to be, when the
21 test year is going to be, that kind of thing?

22 A To be honest with you, I don't know
23 because I've never worked for a utility.

24 Q Okay. So you don't know the if time when
25 they're going to ahead have a power plant become

1 operational or they take other actions based on,
2 you know, when it's going to be included or
3 eligible for inclusion in a rate case?

4 A I would think it would be important for
5 that to be taken into account. Yes.

6 Q Okay. And let me ask you this: Do you
7 think consumers might benefit if these timing
8 considerations were not so significant?

9 A I don't know.

10 Q Do you think those customers might benefit
11 -- if the utilities just went out and made a
12 decision based on when it was best for the business
13 and its customers to make that decision without
14 regard for when a true-up up is going to be,
15 without regard to when a test year is going to be,
16 they just were to say, This is the right thing to
17 do, and I'm going to do it, and I'm not going to
18 worry about timing considerations?

19 A Can you repeat that?

20 Q Yeah. Do you think it might be better for
21 customers if utilities, rather than trying to gauge
22 their actions and -- and decide whether to make an
23 action or not take an action, did it based on just
24 pure business decisions and what's best for the
25 business and what's best for the customer without

1 regard to when a rate case might happen or what the
2 timing of that rate case might be?

3 A I -- I don't know. It's possible.

4 Q Okay. Now, you've talked a lot about
5 these property taxes and maintenance replacement
6 costs not being eligible for recognition in rates
7 under the current matching principle.

8 A Correct.

9 Q Okay. And does the Commission also have
10 other tools available to it other than just the
11 matching principle?

12 A I mean, there's several other rate-making
13 principles.

14 Q No. For example --

15 A Just in general.

16 Q -- the accounting authority order,
17 correct?

18 A That's correct.

19 Q And we've got one that has been proposed
20 by Staff in connection with the Kansas property tax
21 issue; is that right?

22 MS. MERS: I'll object to the mention of
23 the Kansas property tax. That is still a live
24 issue in this case. It's not a true-up issue.
25 It's been agreed to be briefed, and I think it's

1 prejudicial to other parties who are not present to
2 be able to cross-examine for it to be able to be
3 brought up in this juncture.

4 MR. PENDERGAST: Well, I think it's
5 entirely appropriate. She's raised the issue of
6 how we do things in the rate-making process here in
7 Missouri. And, you know, we can't go ahead and
8 recognize these expenses because they're outside
9 the true-up period.

10 And all I'm inquiring about is are there
11 other tools available to the Staff and to the
12 Commission to address these kind of issues.

13 MS. MERS: I don't believe in her
14 testimony that she mentioned the Kansas property
15 tax specifically. If you'd like to talk about
16 other issues that include the Commission, I find
17 that to be acceptable. I object to a live issue
18 that is --

19 MR. PENDERGAST: Yeah. I'll withdraw any
20 reference to the Kansas property tax issue.

21 **Q (By Mr. Pendergast) You know, do you know**
22 **whether or not there are accounting authority**
23 **orders that are available to the Commission?**

24 A They are an available avenue, yes.

25 **Q Pardon?**

1 A They are an available avenue.

2 Q Okay. They are an available avenue. And,
3 you know, one thing that you could do if you've got
4 real concerns about going outside the true-up
5 period and how known and measurable these
6 additional costs are, you could allow them to go
7 ahead and be deferred and trued up in the next rate
8 case under an accounting authority order, couldn't
9 you?

10 A It's possible. But you would need to meet
11 the requirements of an AAO.

12 Q Okay. But, you know, if you met those
13 requirements, that is a device that's available?

14 A Yes. It is available.

15 Q Let me ask you this. If somebody came to
16 you and said, I've got a -- I've got a proposition
17 for you, for any utility that can come in and make
18 a capital investment and reduce in absolute terms
19 what its customers are having to pay for utility
20 service, you know, I'm going to -- I'm going to
21 give you an AAO so that you don't get harmed by
22 doing that. Is that something that Staff would
23 consider?

24 A Providing an AAO for property taxes?

25 Q I'm saying, as a matter of policy telling

1 the utilities in this state, If you can figure out
2 ways to come in and substitute capital for an
3 expense and thereby reduce what ratepayers have to
4 pay for utility service, would Staff to be able
5 willing to say, you know, we'll go ahead and
6 encourage that, we'll give you an accounting
7 authority order for a cost associated with that
8 effort as long as the ratepayers are coming up
9 being benefited?

10 A I don't believe we would ever request an
11 AAO for property taxes. They're not extraordinary.

12 Q I'm not saying whether you --

13 A You would have to meet the requirements of
14 an AAO.

15 Q Yeah. Property taxes except for the AAO
16 associated with Kansas property taxes. But let's
17 leave that aside.

18 I guess my basic question is, do you feel
19 any need on the part of the Commission Staff as to
20 try and facilitate customer beneficial transactions
21 that reduce -- as a result in reduction in revenue
22 requirement by reaching beyond, you know, these,
23 you know, matching principle considerations and
24 seeing if you've got other tools in your tool box
25 to make it work for everybody?

1 A I mean, I think the Staff considers all of
2 the options available to us. But I don't consider
3 that an option here.

4 Q Okay. You don't consider that an option
5 and haven't considered it as an option?

6 A For property taxes, no.

7 Q Well, except for the Kansas property
8 taxes?

9 A In this case -- I cannot speak to Kansas
10 property taxes because I am not the Staff witness
11 on that.

12 Q Okay. Do you know whether the Staff has
13 proposed a continuation of that AAO for Kansas
14 property taxes, if you know?

15 A No. I do not know.

16 Q You do not know. Okay. Well the record
17 will speak for itself. So would it have been your
18 preference if the company had waited till October
19 1st just taking that 2.4 million in the bottom line
20 and we wouldn't have had to deal with these issues
21 in this case?

22 A I don't have a preference for either way.

23 Q Okay. So would it be fair to say, then,
24 that the Staff is simply indifferent as to whether
25 a utility creates those types of facilities for its

1 **customers or doesn't?**

2 A I believe that a company should create --
3 create the best savings for customers as they
4 possibly can because it ultimately benefits the
5 company as well because reduced expense usually
6 means they can have the opportunity to earn a
7 greater return. So either way, I think it benefits
8 both.

9 Q **Oh, and you think it benefited the**
10 **customer by doing this on July 1st as opposed to**
11 **October 1st?**

12 A Do I believe that it benefited them?

13 Q **Yes.**

14 A I believe I showed through my -- my
15 true-up work paper that there was a cost benefit
16 analysis performed, and it did benefit them, which
17 is why I included it.

18 Q **Well, let me ask you this: Would it have**
19 **benefited the company and its shareholders more if**
20 **it had done it on October 1st?**

21 A I -- I performed a calculation, and, yes,
22 it would have benefited them.

23 Q **Okay. And once again, are you indifferent**
24 **to whether a potential utility action benefits**
25 **customers or shareholders more?**

1 A I'm indifferent to who -- this isn't a
2 contest. I don't -- I don't particularly look at
3 the costs to see who is benefiting more from it.

4 **Q Okay.**

5 A So yes, I guess I'm indifferent.

6 **Q Okay.**

7 MR. PENDERGAST: I think that's all I
8 have. Thank you very much.

9 JUDGE DIPPELL: Thank you. Are there
10 questions -- did Public Counsel have any cross for
11 this witness?

12 MS. SHEMWELL: We did not. Thank you.
13 Thank you for checking.

14 JUDGE DIPPELL: Commissioner Hall?

15 CROSS-EXAMINATION

16 BY CHAIRMAN HALL:

17 **Q Good morning. I just have one -- one**
18 **question. If the company had waited until October**
19 **1st to enter into this contract, but Staff was**
20 **aware that this contract was an option, is it**
21 **possible that Staff might have taken a position**
22 **that some of the company's costs related -- to the**
23 **-- to the AMR payments would have been imprudent?**

24 A If we were aware of the contract, had the
25 ability to review it, yeah, it's possible we could

1 have said that it was imprudent.

2 **Q Why?**

3 A Because that would have been the most cost
4 beneficial decision to make, not only for the
5 customers but for the company.

6 CHAIRMAN HALL: I have no further
7 questions. Thank you.

8 JUDGE DIPPELL: Is there further
9 cross-examination based on the Chairman's questions
10 from Public Counsel?

11 MS. SHEMWELL: No, thank you.

12 JUDGE DIPPELL: From Spire?

13 MR. PENDERGAST: No, your Honor.

14 JUDGE DIPPELL: Is there direct from
15 Staff?

16 MS. MERS: Yes, please.

17 REDIRECT EXAMINATION

18 BY MS. MERS:

19 **Q You were asked a variety of questions from**
20 **Counsel for Spire about -- in particular with focus**
21 **on isolating costs. Could you explain why we don't**
22 **look at costs in isolation?**

23 A We don't look at costs in isolation
24 because there are several factors that could
25 actually raise the expense or lower the expense or

1 maybe raise revenue or lower revenue during that
2 same time period. To reach out disrupts the
3 relationship between revenue, expenses and
4 investment.

5 **Q That's the matching principle; is that**
6 **correct?**

7 A That's correct.

8 **Q Can you name anything that in 2018 or 2019**
9 **that could offset the costs?**

10 A There are several items that, you know, if
11 you want to reach out to grab this property tax or
12 this ongoing capital, it could possibly be offset
13 by any kind of revenue growth during that time
14 period.

15 The New Blue allocation that Staff did not
16 reach out and allocate costs to that Alagasco or
17 ESI from New Blue, there's also tax reform that
18 could offset it as well.

19 **Q Do you -- is there ever in the rate case a**
20 **reach back to capture for customers' costs that**
21 **have decreased outside of a test year?**

22 A No.

23 **Q Are the replacement costs known and**
24 **measurable?**

25 A No.

1 Q Who -- who determines the timing of rate
2 cases?

3 A The company.

4 Q And there's a -- there's been a lot of
5 talk about property taxes. Just for clarification,
6 when are property taxes assessed?

7 A Property taxes are assessed on January 1.

8 Q And when are they paid?

9 A December 31 of each year.

10 Q There was also some conversations about
11 AAOs. Can you explain what the requirements for an
12 AAO are?

13 A Typically, the cost for AAO recovery need
14 to be extraordinary or material.

15 Q Would you consider the costs material in
16 this case?

17 A No.

18 Q Are they extraordinary?

19 A No.

20 Q Mr. Pendergast was asking you questions
21 about customers benefiting from cost cutting
22 measures. Is it also true that if a cost cutting
23 measure is incurred outside of a rate case that
24 shareholder benefit until there is a rate case that
25 passes on that same thing to their customer?

1 A That's correct. And the company has
2 actually had that occur right now with their --
3 with their merger with request MGE, Alagasco and
4 ESI.

5 Q Okay. And the last question you got was
6 about Staff being indifferent. Is Staff the
7 ratepayer advocate?

8 A No.

9 Q Is Staff the utility?

10 A No.

11 Q So would you agree -- or is it your
12 explanation of what Staff does is that we just
13 examine the case as presented as a neutral party?

14 A That is correct.

15 MS. MERS: All right. I have nothing
16 further. Thank you.

17 JUDGE DIPPELL: Thank you. Thank you,
18 Ms. Ferguson. You may step down. All right.
19 Let's go ahead, then, with the next Staff witness,
20 and we will break for the Commission's agenda at
21 about 11:50. So let's see how far we can get.

22 MS. MERS: Yes. Staff would call
23 Ms. Karen Lyons to the stand.

24 JUDGE DIPPELL: Ms. Lyons, have you
25 previously --

1 MS. LYONS: I have not know.

2 JUDGE DIPPELL: You haven't previously
3 testified yet. Would you please raise your right
4 hand?

5 KAREN LYONS,
6 being first duly sworn to testify the truth, the whole
7 truth, and nothing but the truth, testified as follows:

8 DIRECT EXAMINATION

9 BY MS. MERS:

10 Q Would you please state and spell your name
11 for the record.

12 A Karen Lyons, L-y-o-n-s.

13 Q Who are you employed by and in what
14 capacity?

15 A I'm a Regularity Auditor for the Missouri
16 Public Service Commission.

17 Q And did you prepare true-up direct in this
18 case?

19 A I did.

20 Q Do you have any corrections to that
21 testimony?

22 A I do not.

23 Q And is that testimony true and accurate to
24 the best of your knowledge and belief?

25 A Yes.

1 Q If I asked you the same questions, would
2 you give the same answers?

3 A Yes.

4 MS. MERS: I would like to go ahead and
5 enter the true-up direct testimony of Karen Lyons
6 as I believe that would be Exhibit 293 into the
7 record.

8 JUDGE DIPPELL: That is correct. Would
9 there be any objection to Exhibit 293?

10 MR. PENDERGAST: No objection.

11 JUDGE DIPPELL: Seeing no objection, I
12 will receive that into evidence.

13 (Exhibit 293 was offered and admitted into
14 evidence.)

15 MS. MERS: And I would tender the witness
16 for cross.

17 JUDGE DIPPELL: Is there any
18 cross-examination of Mrs. Lyons by Public Counsel?

19 MS. SHEMWELL: None. Thank you.

20 JUDGE DIPPELL: Spire?

21 MR. PENDERGAST: None here, your Honor.

22 JUDGE DIPPELL: Are there any questions
23 from the Bench?

24 CHAIRMAN HALL: No questions. Thank you.

25 JUDGE DIPPELL: In that case, I believe

1 your testimony is concluded. And that was
2 painless. Thank you.

3 MS. MERS: Staff would call Mr. Keenan
4 Patterson to the stand, please.

5 JUDGE DIPPELL: Mr. Patterson, would you
6 raise your right hand?

7 KEENAN PATTERSON,
8 being first duly sworn to testify the truth, the whole
9 truth, and nothing but the truth, testified as follows:

10 DIRECT EXAMINATION

11 BY MS. MERS:

12 JUDGE DIPPELL: Thank you.

13 **Q (By Ms. Mers) Can you please state and**
14 **spell your name for the record?**

15 A My name is Keenan Patterson, K-e-e-n-a-n
16 P-a-t-t-e-r-s-o-n.

17 **Q And who are you employed by and in what**
18 **capacity?**

19 A I'm a Utility Regulatory Engineer on the
20 Staff of the Missouri Public Commission -- excuse
21 me -- Missouri Public Service Commission.

22 **Q And did you prepare true-up direct**
23 **testimony in this case marked as Exhibit 294?**

24 A I did.

25 **Q Do you have any corrections to that**

1 testimony?

2 A No.

3 Q And is that testimony true and accurate to
4 the best of your knowledge and belief?

5 A Yes.

6 Q And if I asked you the same questions
7 contained in that testimony today, would your
8 answers be the same?

9 A Yes.

10 MS. MERS: At this time, I'd like to enter
11 Exhibit 294 into the record.

12 JUDGE DIPPELL: Would there be any
13 objection to Exhibit 294? Seeing no objection, I
14 will receive that into evidence.

15 (Exhibit 294 was offered and admitted into
16 evidence.)

17 MS. MERS: I would tender the witness for
18 cross.

19 JUDGE DIPPELL: Thank you. Will there be
20 any cross-examination for Mr. Patterson from Public
21 Counsel?

22 MS. SHEMWELL: Thank you.

23 CROSS-EXAMINATION

24 BY MS. SHEMWELL:

25 Q Mr. Patterson, in your testimony, I

1 believe it's on page 2, you are recommending
2 amortization?

3 A Yes.

4 Q How would a new AMR device for new service
5 be accounted for under the amortization method you
6 recommend?

7 A It would not.

8 MS. SHEMWELL: Thank you.

9 JUDGE DIPPELL: Is there cross-examination
10 by Spire?

11 MR. PENDERGAST: No questions, your Honor.

12 JUDGE DIPPELL: Are there any questions
13 from the Chairman?

14 CHAIRMAN HALL: No questions. Thank you.

15 JUDGE DIPPELL: Is there any redirect?

16 MS. MERS: No, thank you.

17 JUDGE DIPPELL: All right, then. I
18 believe that concludes your testimony,
19 Mr. Patterson. Thank you.

20 All right. And that's the last staff
21 witness on this issue, correct?

22 MS. MERS: Yes, it is.

23 JUDGE DIPPELL: Then we can proceed with
24 Public Counsel.

25 MS. SHEMWELL: Public Counsel calls

1 Mr. John Robinett.

2 JUDGE DIPPELL: Mr. Robinett, have you
3 been previously sworn?

4 MR. ROBINETT: Previously.

5 JUDGE DIPPELL: All right. Then you
6 remain under oath for our purposes. Thank you.

7 MS. SHEMWELL: Judge, shall we mark this
8 exhibit?

9 JUDGE DIPPELL: Yes. I have Public
10 Counsel's next Exhibit number is 438.

11 MS. SHEMWELL: I will offer this exhibit.

12 JUDGE DIPPELL: And this exhibit is the
13 true-up --

14 MS. SHEMWELL: Rebuttal testimony of John
15 A. Robinett. All right. Would there be any
16 objection to Exhibit 438?

17 MS. MERS: None from Staff.

18 JUDGE DIPPELL: Seeing no objection, then
19 I will admit Exhibit 438.

20 (Exhibit 438 was offered and admitted into
21 evidence.)

22 JUDGE DIPPELL: Is there cross-examination
23 for Mr. Robinett by Staff?

24 MS. MERS: No questions. Thank you.

25 JUDGE DIPPELL: Spire?

1 MR. PENDERGAST: Just a few, your Honor.

2 CROSS-EXAMINATION

3 BY MR. PENDERGAST:

4 Q Good morning, Mr. Robinett.

5 A Good morning.

6 Q I just want to make sure I understand your
7 proposal as it pertains to the AMR issue. And I
8 think in your testimony, you've proposed a 5
9 percent depreciation rate for these devices; is
10 that correct?

11 A Yes.

12 Q Okay and that equate to about a 20-year
13 useful life?

14 A Every service life. Yes.

15 Q Okay. And for the 16.6 or whatever
16 million dollar investment we've made in these
17 devices, when do you start counting on your 20
18 years?

19 A It would be when rates become effective.
20 There's no rate currently ordered.

21 Q Okay. So now, most of these devices,
22 they've been in service for 12 years or so, haven't
23 they, 13 years?

24 A They weren't previously owned by the
25 company. But, yes, DRs from the company say Landis

1 & Gyr installed them in '05, '06.

2 Q Okay. And I think you've said they've got
3 about a 20-year life; is that right?

4 A That was based on DR responses from the
5 company that the battery life on average is 20
6 years. Yes.

7 Q Okay. So I guess what I'm trying to
8 figure out here is when rates become effective in
9 March, do we start depreciating all of those
10 existing units at 5 percent a year for 20 years?

11 A If the Commission orders it that way, yes.

12 Q So, you know, if you assume that most of
13 these are going to be gone by seven and a half
14 years, about a third of the cost will have been
15 recovered by the time they're all out of service,
16 isn't that correct, under at 20-year?

17 A You would also be replacing those at the
18 same time. Yes. I mean, so you would have new
19 units going in as well. And that was part of my
20 concern was addressing new unit replacements
21 because the current Staff and company position does
22 not include anything ongoing other than an
23 amortization period which has a set period of
24 ending.

25 Q Well, you know, I'm concerned about

1 getting a recovery of this existing investment.
2 And all else being equal, if the Commission just
3 adopts a 20-year starting in March of 2018
4 depreciation rate for that, you know, it will only
5 be about one-third depreciated by the time these
6 units are taken out of service; isn't that correct?

7 A I don't know when these units will be
8 pulled.

9 Q Okay. So you say that they've got a
10 20-year life -- you know, they've been installed
11 since 2005, but you don't have any idea how long
12 they're going to last?

13 A I mean, that's an average guess. Some
14 will last shorter. Some will last longer.

15 Q Okay. So under Public Counsel's proposal,
16 you went through that analysis that got to the 2.4
17 million in benefits for customers that included
18 Staff's amortization of about \$2.2 million per
19 year.

20 You would -- instead of that amortization,
21 you would have a 5 percent depreciation rate on
22 that investment?

23 A I also asked that if the Commission ruled
24 against me that they make the seven and a half year
25 a remaining life depreciation rate.

1 **Q Okay. If they ruled against you?**

2 A Right. So if they agree that the seven
3 and a half years is correct, I ask that its
4 depreciation -- a depreciation rate be ordered
5 instead of an amortization period.

6 **Q Okay. Well, thank you for putting that**
7 **all back in your testimony. Appreciate it.**

8 JUDGE DIPPELL: Are there questions from
9 the Bench for Mr. Robinett?

10 CHAIRMAN HALL: Yeah.

11 CROSS-EXAMINATION

12 BY CHAIRMAN HALL:

13 **Q Good morning.**

14 A Good morning.

15 **Q What is the effect of depreciating versus**
16 **amortizing?**

17 A The amortization would only be for the
18 existing units. So if they replace anything, there
19 is nothing built in to account for that. So the
20 depreciation expense, that would just be stranded
21 there. Does that make sense?

22 Basically, with the depreciation rate,
23 they would have a rate to continue to accrue.
24 Basically, they would have to book depreciation
25 expense for all the new ones if there's an ordered

1 rate.

2 With the amortization, it's just a dollar
3 amount for the pre-existing. It doesn't track
4 anything that would be replaced.

5 Q So if -- if they didn't replace any of the
6 meters until 7.5 years from the date that -- that
7 rates go into effect and they did, in fact, replace
8 all of them, would there be any difference between
9 amortizing or depreciating?

10 A No.

11 CHAIRMAN HALL: Okay. Thank you.

12 CROSS-EXAMINATION

13 BY JUDGE DIPPELL:

14 Q Thank you. Mr. Robinett, I just have one
15 question, and maybe I'm reading your testimony
16 correct.

17 But on page 4, on line 8, the question is,
18 Should Laclede have used mass asset accounting to
19 remove the original cost of Forest Park buildings
20 from its books and records?

21 And your answer is, No, it does not apply
22 to this transaction because there are a large
23 number of district maintenance shops. And it goes
24 on. Is -- is that correct, that there are a large
25 number or there are not a large number?

1 A There would not be a large -- it was
2 three --

3 Q Okay.

4 A -- at the time. Sorry.

5 Q So is that an error in your testimony, and
6 that should have said there are not a large number?

7 A Right.

8 Q Okay. I just wanted to make sure I was
9 reading that correctly. Thank you.

10 JUDGE DIPPELL: Is there further
11 cross-examination based on question from the Bench
12 from Staff?

13 MS. MERS: No. No, thank you.

14 JUDGE DIPPELL: From Spire?

15 MR. PENDERGAST: Just one.

16 RE CROSS EXAMINATION

17 BY MR. PENDERGAST:

18 Q I think Chairman Hall asked you a question
19 about the difference between depreciation and
20 amortization. And would the amortization apply
21 both to the existing units that are operating as
22 well as replacement units that need to be installed
23 pending a switch-over of the entire system?

24 A I don't think it would, no.

25 Q And why is that?

1 A Because those aren't currently in that
2 16.6 to my knowledge.

3 **Q So under your approach or under your**
4 **understanding, those would be excluded?**

5 A Could you describe to me what you mean by
6 excluded?

7 **Q Not subject to the 7.5 year**
8 **amortization.**

9 A I think the 7.5 is strictly related to
10 that 16.6 for the original purchase price. Yes.

11 **Q And then what happens to the other ones?**

12 A I honestly don't know under Staff and the
13 company's proposal. That's why I recommended a
14 depreciation rate.

15 MR. PENDERGAST: Okay. Thank you. No
16 further questions.

17 JUDGE DIPPELL: Is there any redirect?

18 MS. SHEMWELL: Thank you.

19 REDIRECT EXAMINATION

20 BY MS. SHEMWELL:

21 **Q In this case, the company bought used**
22 **meters, correct?**

23 A These are devices attached to the meters.

24 **Q Used?**

25 A Yeah. I mean, the -- they -- from the

1 company, they were using -- they relayed to me that
2 they were installed by Landis & Gyr on their meters
3 between '05 and '06.

4 **Q Do you have any idea how many of these**
5 **have been replaced since the original installation?**

6 A I do not.

7 **Q Do you know when the company will begin**
8 **replacement of these reading devices immediately?**

9 A When you say replacement, you mean -- do
10 you mean a complete overhaul, or are you talking
11 about placement of failing units?

12 **Q I'm asking you, do you have any idea when**
13 **they will begin replacements of either failing or**
14 **other units?**

15 A For failing, I would say as soon as they
16 become aware that it's a failing unit, they would
17 want it replaced.

18 **Q And do you know anything about the other**
19 **units?**

20 A I think the company indicated they had
21 planned somewhere in the 2020 time frame to begin
22 replacement.

23 **Q Generally. And you referred to the 16.6.**
24 **16.6 what?**

25 A Million. That was the approximate

1 purchase price of the AMR devices from Landis &
2 Gyr.

3 Q And we have established that Landis & Gyr
4 will continued to do the maintenance?

5 A That is the statement that is in paragraph
6 4 of that amended.

7 MS. SHEMWELL: That's all I have. That's
8 all I have. Thank you.

9 JUDGE DIPPELL: Thank you. Thank you,
10 Mr. Robinett. I believe that concludes your
11 testimony.

12 MR. ROBINETT: Thank you.

13 JUDGE DIPPELL: And I believe that is all
14 of Public Counsel's witnesses on this subject?

15 MS. SHEMWELL: That's correct.

16 JUDGE DIPPELL: All right, then. So that
17 concludes the testimony on the AMR devices. What
18 do we need to still wrap up with regard to
19 incentive compensation? Do we need to have those
20 witnesses?

21 MR. ZUCKER: Yes.

22 JUDGE DIPPELL: Okay. Well, in that case,
23 since we are -- I'm assuming there's going to be
24 questions for those witnesses as from the parties?

25 MR. ZUCKER: Yes.

1 JUDGE DIPPELL: Okay. In that case, I'd
2 say let's go ahead and break for lunch and the
3 Commission's agenda and return at 1:15 for the
4 conclusion of this hearing. All right. So let's
5 go ahead and go off the record.

6 (Lunch recess.)

7 JUDGE DIPPELL: Okay. Then let's go ahead
8 and go back on the record. Okay. Before we went
9 back on the record, we were doing some exhibit
10 numbering.

11 And just to clarify, the earlier exhibits
12 that were the Staff true-up accounting schedules
13 should -- that should have been the ones that were
14 filed earlier should have been marked as two --
15 now, I'm sorry. Now I've got myself confused.
16 Those are the ones --

17 MS. PAYNE: Those should have been 285 and
18 286.

19 JUDGE DIPPELL: Okay. The earlier ones
20 should have been marked as 285 and 286, and the
21 updated ones should have been marked as 296 and
22 297.

23 MS. MERS: Correct.

24 JUDGE DIPPELL: And so that is the way the
25 record will reflect. And I admitted one set and

1 not necessarily the other set. So let me just ask
2 again if there is any -- excuse me -- any objection
3 to Staff true-up accounting schedules, both the
4 ones for GR-2017-0215 and 0216 that were earlier
5 submitted with the true-up testimony and have been
6 marked as 285 and 286 or the updated ones that have
7 now been marked as 296 and 297. Any objections?

8 MS. SHEMWELL: Have the updated ones been
9 passed out yet?

10 JUDGE DIPPELL: I thought that that -- she
11 passed those out this morning.

12 MS. MERS: I believe so. Yeah. It's the
13 unmarked -- yes. That version.

14 MS. SHEMWELL: These are the 290 --

15 MS. MERS: The 295 and 290 -- or 296
16 and --

17 JUDGE DIPPELL: What was previously this
18 morning handed out are the 296 and 297.

19 MS. SHEMWELL: Thank you.

20 JUDGE DIPPELL: Okay. Seeing no
21 objection, those -- all four of those exhibits are
22 admitted.

23 (Exhibit Nos. 185, 186, 296 and 297 were
24 offered and admitted into evidence.)

25 JUDGE DIPPELL: And then along those

1 lines, it's been brought to my attention we
2 discovered yesterday that one of Staff's exhibits
3 that was given to the court reporter at the end of
4 the last hearing, it was testimony -- it was part
5 of the testimony of Lisa Ferguson -- and I don't
6 have it right in front of me right now. Oh, here
7 it is.

8 It was Staff Exhibit 247, which was
9 surrebuttal testimony of Lisa Ferguson, had the
10 correct cover page on it, but actually had the
11 wrong testimony attached to that cover page.

12 And I have instructed the Data Center to
13 substitute with what had been originally filed as
14 Staff's testimony for that exhibit.

15 And Ms. Shemwell brought to my that on --
16 Office of Public Counsel has a similar issue, and
17 that is with the surrebuttal of -- rebuttal.
18 Sorry.

19 MS. SHEMWELL: Rebuttal.

20 JUDGE DIPPELL: Sorry. Of Mr. Heinemann
21 that was marked as Exhibit 410 also has the correct
22 cover sheet but the wrong testimony attached. So
23 we are going to substitute that the same way.

24 So with that being said, now I believe
25 that the Chairman may have some additional AMR

1 questions that you wanted to ask? Or did you get
2 those answered in the interim?

3 CHAIRMAN HALL: Yeah. I'll -- I do have
4 just a couple quick ones for -- for Counsel. I
5 guess this is Counsel for Spire and Staff.

6 Concerning the 16.6 million amortization
7 amount, why are we amortizing that and not
8 depreciating it?

9 MR. ZUCKER: Do you want me to give it a
10 try? The answer is that we expect to replace the
11 system in the early 2020s. And when that's done,
12 we would like to just zero out the amounts in
13 capital.

14 If we depreciate it and then prematurely
15 take all of these items out of rate base, it
16 results in a large debit to the depreciation
17 reserve and throws things off.

18 So we're hoping to just, because we're
19 going to change this, consider it all an entire
20 system that will just get amortized off and then
21 zeroed out at the -- at the -- when it's replaced.

22 MS. MERS: That would be my understanding
23 as well. And I was under the impression, and Spire
24 can correct me if I'm wrong, but the -- when the
25 contract expires, they're going to be moved to AMI

1 meters, so the AMR would be no longer in use at the
2 end of the contract expiring in seven and a half
3 years.

4 CHAIRMAN HALL: Okay. Thank you.

5 JUDGE DIPPELL: Okay. Then with that, I
6 think we are ready to move on to the incentive
7 compensation issue. And did you have an opening
8 with regard to that or --

9 MR. ZUCKER: Sure.

10 JUDGE DIPPELL: Okay. Spire? Would you
11 at least just update us again as to where we are
12 with regard to this issue?

13 OPENING STATEMENT

14 BY MR. ZUCKER:

15 MR. ZUCKER: Okay. So I think -- I'm
16 sorry. We never did an opening on this issue.
17 Just before we were going to start, we had -- we
18 announced that we thought we were close enough to
19 put it off, and if things didn't work out, we'd be
20 back today. And, unfortunately, here we are.

21 So the incentive compensation issue is
22 similar to what we did this morning on AMR. The
23 company has gone to a lot of trouble -- has
24 incented its -- its employees on both financial --
25 financial and operational and customer service

1 matters. The results of that have been
2 extraordinary.

3 The company has, as we said here on the
4 first day of hearings, not had a rate increase
5 outside of ISRIS for seven years. And we have,
6 through some acquisitions, managed to spread costs
7 so well that here we stand with a modest rate
8 increase request after seven years.

9 And -- and the -- the outcome of that
10 should be that the Commission approve the costs of
11 the employees who were able to bring these kind of
12 results. And the costs of employees, the
13 compensation they earn is a combination of base
14 salary and incentive compensation.

15 One issue I would like to address
16 specifically is earnings-based incentive
17 compensation.

18 Now, Staff's witness has testified that
19 the Commission has declined to include in rates
20 incentive compensation based on earnings. He cites
21 a number of Commission orders for this proposition,
22 the most recent of which being in 2007.

23 What Staff's testimony omits is the most
24 recent case on this topic decided by the
25 Commission, which is Case No. ER-2008-0318, which

1 is an Ameren rate case decided by the Commission in
2 early 2009.

3 In that case, the Commission allowed
4 Ameren to recover the cost of a management
5 incentive program because it was not funded purely
6 by earnings, but by a mix of earnings and
7 performance metrics.

8 The Commission also approved other Ameren
9 incentive programs that had unam -- unambiguous
10 metrics for the financial management of the
11 business, albeit not earnings per share, along with
12 the services -- service metrics and operational
13 metrics.

14 The Commission found that, overall,
15 Ameren's incentive plan was likely to bring
16 improvements in employee performance that will
17 benefit customers as well as shareholders.

18 Now, certainly, in the Ameren case, the
19 Commission did not alter its view that it would
20 look with disfavor on incentive programs that were
21 solely based on earnings.

22 The Commission has previously reasoned
23 that such a program could allow for a situation in
24 which company employees would single-mindedly focus
25 on earnings by cutting costs to the detriment of

1 service.

2 However, as I just said, the Commission
3 did explicitly approve a program partially based on
4 earnings and partially based on performance
5 metrics.

6 Spire generally agrees with the
7 Commission's policy as clarified in the 2009 Ameren
8 case. The Commission's position is fully
9 consistent with Spire's views regarding balanced
10 score cards.

11 Like Ameren, Spire's annual incentive
12 plan, or AIP, is based on a mix of financial and
13 performance incentives. The AIP applies to all
14 employees in both management and the unions.

15 Spire agrees that financial incentives
16 without performance incentives could possibly lead
17 to reduced costs accompanied by reduced service.

18 On the other hand, performance incentives
19 without financial incentives could also lead to
20 better service but at an increased cost. And the
21 -- the balanced incentive program that Spire has
22 contains both performance and financial incentives
23 to discourage employees from sacrificing one in
24 favor of the other.

25 The Commission's approval of the Ameren

1 incentive plan acknowledges the truism that
2 earnings are simply revenues minus costs. And when
3 the company reduces costs relative to revenues,
4 earnings increase.

5 If that happens in a test year, rates
6 decrease. If it happens before a test year, the
7 result may be that there is no test year because
8 the utility would not need to come in for an
9 increase as soon as it otherwise would have.

10 This is exactly what is happening with
11 Spire. In fact, we wouldn't be here today but for
12 the ISRIS statute, and the results you are seeing
13 in this case, the results being a relatively modest
14 rate increase request, arise in no small part from
15 an incentive program that rewards earnings along
16 with performance.

17 The financial earnings component of
18 Spire's AIP benefits both customers and
19 shareholders. In a rate case, increased earnings
20 that had been kept entirely by shareholders then go
21 entirely to customers who keep those savings every
22 year until the next rate case.

23 The company's financial component
24 incentivizes the increased earnings that will soon
25 redound to customers. It is singularly unfair to

1 take those results for customers while at the same
2 time denying the company recovery of the very
3 incentives it paid to achieve those results.

4 We cannot hand over savings to customers
5 while turning a blind eye to the regulatory system
6 by claiming that earnings are only for
7 shareholders. And according to the 2009 Ameren
8 case, you do not, in fact, do that.

9 Now, Staff appears to seek an imbalanced
10 plan. It does not dismiss the service and
11 operating objectives on principle, but it does
12 reject out of hand the earnings-based objectives.

13 Despite the 2009 Ameren opinion, Staff
14 seems to believe that earnings is a dirty word.
15 But why? While there is some tension between the
16 shareholder and the customer, that tension is
17 limited.

18 So take ROE for example. Let's say it
19 could come out anywhere from zero to 20 percent.
20 The customer representatives understand that
21 investors must be compensated for the use of their
22 money, and the shareholders understand that the
23 Commission will place a limit on that compensation.

24 So in this particular case, the one we're
25 standing before you, the -- the customer and

1 shareholders representatives both agree that the
2 ROE will end up somewhere between 8.9 percent and
3 10.35 percent.

4 So within the 20 percent range that I
5 originally set up, that represents a difference of
6 less than one and a half percent.

7 And once you set rates in these -- in this
8 case, that's the end of the financial tension. At
9 that point, once we leave with our new rates, the
10 customer representative, the customers'
11 representative, like Public Counsel, are rooting
12 hard for the shareholders to succeed because they
13 know that the shareholders success today lowers the
14 customer's rates tomorrow.

15 And that's why Public Counsel wanted to
16 see our earnings in 2016, and that's why they were
17 excited to file a complaint when they thought we
18 were earning a return of 10.45 percent. They knew
19 that shareholder success translates into customer
20 benefit.

21 So having earnings as a component of an
22 incentive plan simply accomplishes what the
23 customer wants in the first place, lower rates.

24 Hopefully, we can all agree that earnings
25 is not a bad word and that the customer and the

1 shareholder both have a stake in higher earnings.

2 At the same time, given the fact that the
3 AIP authorizes a host of buried financial terms in
4 choosing performance goals, the company is willing
5 to consider a less controversial nomenclature that
6 still supplies an effective financial incentive for
7 customers.

8 In the end, incentive compensation is
9 simply part of a nearly universal market
10 compensation package that employees expect to see
11 and that companies use to motive performance.

12 It is well-known that if Spire offered no
13 incentive opportunities, employees would expect
14 higher base pay in the range of 75 to 100 percent
15 of the current target incentive.

16 Had Spire chosen to just pay that market
17 rate base salary, we wouldn't be here because the
18 Staff would recommend and the Commission would
19 approve such compensation.

20 We are here because the company follows
21 best management practices by creating programs that
22 motivate employees to go above and beyond their
23 normal job performance.

24 We ask that the Commission maintain the
25 policy it clarified in the Ameren case and approve

1 recovery for Spire's reasonable compensation costs,
2 including the cost of its annual incentive
3 compensation plan.

4 Spire also has an equity incentive plan,
5 which is awarded in stock rather than cash and has
6 a longer term view. Its incentives occur --
7 encourage retention of key employees, improved
8 earnings and relative shareholder value.

9 For the reasons discussed above, all three
10 of these components benefit customers as well as
11 shareholders.

12 Finally, I want to talk about the
13 capitalization of incentive-based compensation.
14 Employee compensation is a mix of capital and
15 expense based on the employee's function.

16 All compensation should follow the
17 employee's capital expense ratio, including the
18 incentive compensation. The Commission should not
19 make a capital adjustment for any compensation
20 earned previously, certainly not from before the
21 last rate case, which was settled or before the
22 rate case before that which was settled.

23 The -- the Commission should not allow the
24 Staff to re-trade those deals. And that concludes
25 my remarks.

1 JUDGE DIPPELL: Mr. Chairman, do you have
2 any questions for Mr. Zucker?

3 CHAIRMAN HALL: I have no questions.
4 Thank you.

5 JUDGE DIPPELL: Thank you. Staff?

6 OPENING STATEMENT

7 BY MS. MERS:

8 MS. MERS: Good afternoon, Chairman Hall.
9 Good afternoon, Judge. If it pleases the
10 Commission.

11 You heard one case that Spire can point to
12 regarding this issue in their favor, but that
13 ignores the last 30 years of Commission precedents
14 that that excluded incentive compensation,
15 especially related to earnings per share.

16 The company acknowledged that fact in
17 testimony, and, I believe, actually in the opening
18 that Spire gave in their general opening that they
19 had maybe based on all of the Commission precedents
20 dropped the earnings per share issue, but here we
21 are litigating it today.

22 So some of the case precedent that you
23 didn't hear about an Ameren case -- it's a 1987, so
24 it's a little older. The Commission made
25 disallowances stating in the report and order that

1 an acceptable management performance plan should
2 contain goals that improve existing performance and
3 the benefits of the plan should be ascertainable
4 and reasonably related to the incentive plan, end
5 quote. You did not find that here.

6 An MGE case in GR-96-285, the Commission
7 found the cost of MGE's incentive compensation
8 program should not be included in the revenue
9 requirement because the incentive compensation
10 program was driven, at least primarily, if not
11 solely, by the goal's shareholder wealth
12 maximization, and it was not significantly driven
13 by the interest of ratepayers.

14 Again in 2004, MGE asked for incentive
15 compensation. That case is GR-2004-0209. The
16 Commission stated in its report and order, quote,
17 The Commission agrees with Staff and Public Counsel
18 that the financial incentive portions of the
19 incentive compensation plan should not be recovered
20 in rates. Those financial incentives seek to
21 reward the company's employees for making their
22 best effort to improve the company's bottom line.

23 Improvements to the company's bottom line
24 chiefly benefit the company's shareholders and not
25 its ratepayers. Indeed, some of the actions that

1 might benefit a company's bottom line such as a
2 large rate increase or the elimination of customer
3 service personnel might have an adverse effect on
4 ratepayers.

5 If the company wants to have an incentive
6 compensation plan that rewards its employees for
7 achieving financial goals that chiefly benefit
8 shareholders, it is welcome to do so.

9 However, the shareholders that benefit
10 from that plan should pay for the cost of the plan.
11 The portion of the incentive compensation related
12 to the company's financial goals will be excluded
13 from the company's cost of service revenue
14 requirement, end quote.

15 Staff is not unfairly discriminating
16 against the company by including earnings-based
17 compensation. But we've only been applying the
18 Commission's longstanding articulated standards for
19 evaluating incentive compensation.

20 Only that which benefits -- produces
21 benefits to Missouri ratepayers and incentivizes
22 employees to perform duties at a level above the
23 minimum required is appropriate for rate recovery
24 from the ratepayers.

25 Staff examined the goals that Spire

1 Missouri set forth for employees to earn for its
2 individual incentive compensation, and we only
3 allow those that, one, require the employee to
4 perform at a level above what is required for the
5 applicable job title; two, are objective and
6 measurable; three, are related to Missouri
7 regulated operation; four, required improvement
8 over past performance; and, five, if achieved,
9 showed a direct link to overall ratepayer benefits.

10 That's what we've seen articulate in
11 Commission standards. The Staff discovered that
12 many of the company's metrics in this case were not
13 designed as to influence employee to go above and
14 beyond the basic requirements of full-time
15 employee.

16 Other metrics were vague. And many were
17 tied to the performance of Spire's operations
18 outside of Missouri, inappropriate for Missouri
19 ratepayers to pay for.

20 A substantial portion of these objectives
21 failed to meet Staff's criteria and did not show a
22 clear ratepayer benefit.

23 The only exception was for the team unit
24 performance for unit employment, and staff did not
25 make disallowances for those metrics.

1 Staff also disallowed discretionary
2 rewards that we found, and that decision is also
3 supported by Commission precedent. That would be
4 ER-2016-0315 quoting that the Commission concludes
5 that incentive compensation for earnings, goals,
6 charitable activities and activities unrelated to
7 the provision of retail electric service and
8 discretionary awards and stock options should not
9 be recoverable in rates.

10 Again, stock options is something that the
11 Commission has generally declined to include in
12 rates for incentive compensation.

13 I think that you can compare this issue to
14 rate base expense. Staff acknowledges that some
15 incentives provide benefits to customers, like
16 faster customer response time and improved safety.

17 However, there are some metrics that
18 incentivize benefits to shareholders like earnings
19 per share. Those metrics align the interest of
20 employees with shareholder interest.

21 The primary shareholder interest is wealth
22 maximization, which is not a ratepayer interest.
23 Therefore, the cost associated with these
24 compensations should be borne by shareholders.

25 Staff is not telling the company not to

1 offer incentive compensation based on earning, just
2 as Staff does not tell the company what it can and
3 cannot litigate in a rate case.

4 Staff takes the decision in both instances
5 that ratepayers should be held harmless for costs
6 that they receive no benefit. That's the end of my
7 remarks, but Staff Witness Matthew Young will be
8 able to answer any questions you have on this
9 issue.

10 CHAIRMAN HALL: I have no questions.
11 Thank you.

12 MS. MERS: Thank you.

13 JUDGE DIPPELL: Thank you. Is there
14 anything from Public Counsel?

15 OPENING STATEMENT

16 BY MS. SHEMWELL:

17 MS. SHEMWELL: Thank you. Public Counsel
18 supports incentive compensation based on employee
19 goals and objectives that, if attained, provide a
20 direct customer benefit.

21 This includes employee safety goals and
22 other goals that require employees to go above and
23 beyond normal orange performance.

24 However, consistent with Commission policy
25 and precedent, explained articulately by

1 Ms. Mers, OPC does not support incentive
2 compensation payments based on earnings metrics
3 such as net income, earnings per share or stock
4 appreciation. Those are designed to benefit
5 shareholders.

6 There's no question that shareholders
7 benefit much more directly than employees from this
8 type of incentive.

9 OPC does not support the inclusion of any
10 short-term compensation based on incentives that do
11 not directly benefit utility customers.

12 OPC does not support rate recovery of any
13 stock-based compensation and is proposing to remove
14 all stock-based compensation that is reflected in
15 Laclede's and MGE's test year accounts. Thank you.

16 CHAIRMAN HALL: I have no questions.
17 Thank you.

18 JUDGE DIPPELL: Thank you, Ms. Shemwell.
19 Okay. Again, I think we're ready to begin with
20 Spire's first witness.

21 MR. ZUCKER: Spire calls Mark Mispagel.
22 Now is the time.

23 JUDGE DIPPELL: Can I get you to raise
24 your right hand?

25 MR. MISPAGE: You sure can.

1 MARK MISPAGEL,
2 being first duly sworn to testify the truth, the whole
3 truth, and nothing but the truth, testified as follows:

4 DIRECT EXAMINATION

5 BY MR. ZUCKER:

6 JUDGE DIPPELL: Thank you.

7 MR. ZUCKER: I believe Mr. Mispagel's
8 testimony has already been admitted. But I'll be
9 glad to offer it again.

10 JUDGE DIPPELL: No. I believe you are
11 correct. And I see no reason to offer it again.
12 So that was Exhibit 48 his testimony.

13 MR. ZUCKER: Okay.

14 Q (By Mr. Zucker) All right. Good
15 afternoon, Mr. Mispagel.

16 A Good afternoon.

17 Q I'm about to turn you over for
18 cross-examination as to the other parties. Are you
19 ready?

20 A I sure am.

21 Q Okay.

22 MR. ZUCKER: Thank you. No further
23 questions.

24 Q (By Mr. Zucker) Before we do that,
25 though, you might go ahead and spell your name for

1 **the court reporter.**

2 A Sure. Mark, M-a-r-k, and last name is
3 Mispagel, M-i-s-p, as in Paul, a-g-e-l.

4 MR. ZUCKER: Thank you.

5 MR. MISPAGEL: Thank you.

6 JUDGE DIPPELL: Cross-examination by
7 Staff?

8 CROSS-EXAMINATION

9 BY MS. MERS:

10 Q **Just one question. Well, two, I guess.**
11 **Are you -- are you familiar with other utility**
12 **operations in the state?**

13 A Not directly. Only from reading various
14 testimony from historical purposes.

15 Q **Would you be surprised to learn that**
16 **Ameren Missouri is not collecting earnings-based**
17 **incentive compensation in rates currently?**

18 A That's not what I understand from reading
19 the --

20 Q **From the 2008 case?**

21 A Uh-huh.

22 Q **Okay.**

23 MS. MERS: All right. Thank you.

24 JUDGE DIPPELL: Is there any
25 cross-examination from Public Counsel?

1 MS. SHEMWELL: Thank you.

2 CROSS-EXAMINATION

3 BY MS. SHEMWELL:

4 Q Good afternoon.

5 A Good afternoon.

6 Q I'm Lera Shemwell, and I represent the
7 Office of the Public Counsel. On page 5 of your
8 testimony, line 15 --

9 A Yes, ma'am.

10 Q -- you say that based upon a proxy review
11 of other companies that we consider peers, we found
12 that all of them also offered plans similar to our
13 AIP and EIP. I did not find a list of those peers
14 in your testimony. You did not include that,
15 right?

16 A Correct. It -- it is in our -- our proxy
17 for the -- the past multiple years.

18 Q What does that mean?

19 A The -- the list of our -- our proxy peer
20 group that's -- that's in our -- in our peers.

21 Q And where is that found?

22 A It's in our -- in our proxy. The -- the
23 annual filing of our proxy statement.

24 Q All Laclede employees participate in
25 incentive compensation?

1 A That's correct.

2 Q Not just management?

3 A Correct.

4 Q But all do. On page 6, you say you, Use
5 industry market data from surveys and publicly
6 available sources. But you have not identified any
7 of those sources in your testimony, correct?

8 A Correct.

9 Q When you compare companies, did you
10 consider, for example, their other benefits such as
11 retirement benefits that might help retain
12 employees?

13 A When looking at salary surveys, in
14 general, we're looking at the three main metrics of
15 base salary, incentive and -- which is short-term,
16 and then long-term incentives as well. That gives
17 you kind of the total --

18 Q Is retirement a long-term incentive?

19 A No. Retirement is a more of a long-term
20 benefit.

21 Q Okay. It's not included? I'm sorry.

22 A So we look at the -- yes. In general,
23 it's not included in the salary data that we pull.
24 But we do also look at other benefits relative to
25 industry.

1 **Q Do you know how many years Laclede has**
2 **offered incentive plans to employees?**

3 A No, I do not.

4 **Q How do you determine a minimum level of**
5 **acceptable customer service?**

6 A Is there a specific metric? In general.
7 I don't know which metric you may be talking about
8 relative to customer service, but in general, we
9 would work with the Department management, and they
10 would typically take a look at the -- the metrics
11 that they have. And then they would determine what
12 the minimally acceptable level of performance that
13 they would deem to be appropriate for a pay-out.

14 But, again, there's various customer
15 service metrics such as time to answer the phone,
16 time to -- time on a phone call. So all of those
17 would be really specific metrics that would need to
18 be taken -- taken at -- would need to be considered
19 by Department management to set a threshold, a
20 target and a -- and a high performing target.

21 **Q Is it your position that the incentives do**
22 **not include anything for an employee that has just**
23 **met the minimum level but only include performance**
24 **above what is necessary to provide safe and**
25 **adequate service?**

1 MR. ZUCKER: I'm going to object to that
2 to the extent it calls for a legal conclusion as to
3 what safe and adequate service is. This -- this
4 witness is a compensations benefit expert.

5 JUDGE DIPPELL: Ms. Shemwell, do you want
6 to clarify if the witness knows what safe and
7 adequate compensation -- or service is?

8 Q (By Ms. Shemwell) Do you know that
9 **Laclede is required by statute to provide its**
10 **customers with safe and adequate service at just**
11 **and reasonable rates?**

12 A I did not know that until right now.

13 Q Okay.

14 A But I'm --

15 Q **I'll withdraw the question.**

16 MS. SHEMWELL: And thank you. That's all
17 I have. Thank you.

18 JUDGE DIPPELL: Thank you. Mr. Chairman,
19 do you have questions?

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

22 JUDGE DIPPELL: Thank you. Is there
23 redirect from Spire?

24 MR. ZUCKER: Just real briefly.

25 REDIRECT EXAMINATION

1 BY MR. ZUCKER:

2 Q You've been with Laclede how long?

3 A Two and a half years.

4 Q And has there always been incentives --
5 incentive plans since you've been here?

6 A Yes, there has.

7 Q Have there been plans going back as far as
8 you've seen?

9 A As far as I know, they've been going back.
10 I don't have a -- a date, though, when they
11 started.

12 Q Very good.

13 MR. ZUCKER: That's all, your Honor.
14 Thank you.

15 JUDGE DIPPELL: Thank you. Thank you.
16 You may step down. Would Staff like to call its
17 witness?

18 MS. MERS: Yes. Staff calls --

19 MR. ZUCKER: I'm sorry, your Honor. I was
20 also going to call Glenn Buck.

21 JUDGE DIPPELL: Oh, that's right. I'm
22 sorry. You told me that at the beginning.

23 MR. ZUCKER: Yeah. I think I meant to
24 call him first, actually. But now I'm calling him
25 second.

1 JUDGE DIPPELL: Thank you.

2 DIRECT EXAMINATION OF GLENN BUCK

3 BY MR. ZUCKER:

4 JUDGE DIPPELL: Mr. Buck, you were
5 previously sworn into these proceedings, so you'll
6 remain under oath for our purposes, please.

7 A Thank you.

8 JUDGE DIPPELL: Go ahead, Mr. Zucker. I
9 apologize.

10 Q (By Mr. Zucker) Good afternoon, Mr. Buck.

11 A Good afternoon.

12 Q I am just going to turn you over for
13 cross-examination, if that's okay with you.

14 A That's fine. Thank you.

15 JUDGE DIPPELL: Is there cross-examination
16 for Mr. Buck by Staff?

17 MS. MERS: No, there's not. No, thank
18 you.

19 JUDGE DIPPELL: Public Counsel?

20 MS. SHEMWELL: Nothing from Public
21 Counsel. Thank you.

22 JUDGE DIPPELL: Mr. Chairman, did you have
23 questions for Mr. Buck?

24 CHAIRMAN HALL: I have no questions for
25 Mr. Buck.

1 JUDGE DIPPELL: Well, it appears we didn't
2 need to call Mr. Buck after all. But thank you,
3 Mr. Buck.

4 MR. BUCK: Thank you.

5 JUDGE DIPPELL: Now we can go on to Staff
6 witness.

7 MS. MERS: Staff would call Matthew Young
8 to the stand.

9 JUDGE DIPPELL: Mr. Young, you also
10 testified before us in the earlier proceedings on
11 this matter, so you will remain under oath.

12 MR. YOUNG: Okay.

13 MS. MERS: I would tender the witness for
14 cross.

15 JUDGE DIPPELL: Is there cross-examination
16 for Mr. Young by Public Counsel?

17 MS. SHEMWELL: None. Thank you.

18 JUDGE DIPPELL: By Spire?

19 MR. ZUCKER: Yes, your Honor.

20 CROSS-EXAMINATION OF MATTHEW YOUNG

21 BY MR. ZUCKER:

22 Q Good afternoon, Mr. Young.

23 A Good afternoon.

24 Q Is it Staff's position that for the
25 management portion of the annual incentive plan,

1 **AIP, that Spire should recover neither the**
2 **performance-based portion nor the earnings-based**
3 **portion?**

4 A By performance-based portion, you mean the
5 individual performance?

6 Q **Individual performance, team performance,**
7 **the customer service.**

8 A Team performance. But non-union, that's
9 correct. Yes.

10 Q **Okay. Very good. Have you ever performed**
11 **a benefit study?**

12 A No, I haven't.

13 Q **Have you ever designed a compensation**
14 **program?**

15 A No, I haven't.

16 Q **Have you ever implemented a compensation**
17 **program that was designed by someone else?**

18 A No, I haven't.

19 Q **Have you ever worked in compensation and**
20 **benefits?**

21 A No, I have not.

22 Q **Have you ever worked in Human Resources?**

23 A No, I have not.

24 Q **Do you supervise other employees?**

25 A No, I don't.

1 Q Have you ever supervised other employees?

2 A Yes, I have.

3 Q Okay. When was that?

4 A Oh, it was many years ago at a retail
5 store.

6 Q Okay. Have you testified before on
7 incentive compensation?

8 A No, I haven't.

9 Q And by testified, I mean either testified
10 on the stand or filed written testimony.

11 A Thank you for clearing that up. I have
12 written testimony in KCP&L cases.

13 Q And according to your background and
14 credentials, you have a -- a Bachelor of Liberal --
15 Liberal Arts; is that correct?

16 A That's right.

17 Q And can you tell me what your major was?

18 A For the Bachelor degree, it's just a
19 Liberal Arts degree.

20 Q Yes.

21 A It's a general, non-specific degree.

22 Q Okay. Did you take any Human Resource
23 classes in college?

24 A I believe I did take one Human Resource
25 class.

1 Q Do you remember what it was?

2 A Human Resources.

3 Q Was there a number that went with it?

4 A 101. No. I don't recall. It was
5 introductory.

6 Q Okay. I assume that you are not certified
7 by the Society of Human Resources?

8 A I am not.

9 Q Are you a member of the Society of Human
10 Resource Management?

11 A No.

12 Q Are you a member of the Human Resource
13 Management Association?

14 A No.

15 Q Are you a member of the Compensation and
16 Benefits Network?

17 A No.

18 Q Have you ever worked at a business large
19 enough to have an HR Department?

20 A Yes.

21 Q And that was -- was that in the retail?

22 A It was.

23 Q Have you ever been involved in an
24 incentive program as an employee?

25 A Yes. Yes.

1 Q Was that at your retail job?

2 A It was.

3 Q And you have worked for the Commission
4 since 2013; is that correct?

5 A That's right.

6 Q And is there an employee incentive program
7 here at the Commission?

8 A No, there is not.

9 Q Would you like to have one?

10 A Everything comes at a price. I don't
11 know.

12 Q If there was one, can you suggest for me
13 one objective for yourself?

14 A Not get injured on the job.

15 Q Is that -- is that a real danger?

16 A It's very minimal.

17 Q I'm going to look at your direct
18 testimony. And that's in the -- the cost of
19 service report, pages 102 and 103. So there, you
20 cite Commission decisions on incentive
21 compensation, and those decisions end with the 2007
22 KCP&L case. Well, let me -- in your footnote, the
23 last case is ER-2007-0291; is that correct?

24 A Yes, it is.

25 Q And then can you tell me why in neither of

1 your two testimonies, direct and surrebuttal, that
2 you did not include ER-2008-0318, an Ameren rate
3 case that you may have heard me just refer to that
4 was decided in 2009?

5 A I think the Ameren case was different from
6 the current case, both in Staff's position and in
7 the incentive comp. structure.

8 JUDGE DIPPELL: Can I clarify there? Was
9 Mr. Young's testimony actually rebuttal and
10 surrebuttal instead of direct and rebuttal?

11 MR. ZUCKER: We had direct as part of the
12 cost of service report, I believe.

13 JUDGE DIPPELL: Oh, okay. Okay. I'm
14 sorry. Go ahead.

15 Q (By Mr. Zucker) On -- on your surrebuttal
16 at the bottom of page 24, line 30, it says, Staff
17 is aware of the following cases. Do you see that?

18 A That's right.

19 Q And then there's a list of cases, correct?

20 A Correct.

21 Q And ER-2008-0318 is nowhere to be found in
22 that list?

23 A Right. It says, Staff is aware of the
24 following cases in which the Commission decided
25 against financial benchmarks.

1 **Q Okay. So is that -- is the Ameren case**
2 **not there because the Commission decided for**
3 **financial benchmarks?**

4 A Well, in the Ameren case, Ameren had a
5 program in which was purely financial benchmarks,
6 and they didn't seek recovery of it. The part that
7 was litigated only had a small mix of financial
8 benchmarks, which the Commission decided for.

9 **Q Did the Commission not approve a -- a**
10 **program that included a component of 25 percent of**
11 **earnings per share?**

12 A Yeah. I think 25 percent is right in the
13 financial components, and Laclede's plan is about
14 50 percent.

15 **Q And in that same case, Ameren had some key**
16 **performance indicators other than earnings per**
17 **share. Do you recall that?**

18 A I'm not aware of what the -- we call them
19 KPIs in that case, I believe. I'm not aware what
20 they actually were.

21 **Q Do you recall one being financial**
22 **management of the business?**

23 A Again, I don't -- I don't recall what the
24 KPIs were in this Ameren case.

25 MR. ZUCKER: Permission to approach?

1 JUDGE DIPPELL: Yes, you may.

2 MR. ZUCKER: I think last time I didn't
3 give you one. I'm going to go with you first this
4 time. Do you want one, Whitney?

5 MS. PAYNE: Yes.

6 Q (By Mr. Zucker) Will you identify what
7 I've handed you?

8 A You've handed me a portion of the report
9 and order in Case No. ER-2008-0318.

10 Q (By Mr. Zucker) Okay. And did the
11 portion I handed you include the section on
12 incentive compensation?

13 A It does.

14 MR. ZUCKER: Could I have this exhibit
15 marked, your Honor?

16 JUDGE DIPPELL: Yes. I -- you had a
17 couple of exhibits marked before we went on the
18 record.

19 MR. ZUCKER: Yes. 66, 67, 68 and 69. I
20 think we're up to 70.

21 JUDGE DIPPELL: Okay. And I will mark
22 this as Exhibit 70.

23 Q (By Mr. Zucker) does -- starting with
24 page 84, does that appear to be the incentive
25 compensation decision by the Commission as you

1 **recall it?**

2 A Yes, it does.

3 MR. ZUCKER: I would like to offer this
4 document into evidence.

5 JUDGE DIPPELL: Would there be any
6 objection to these portions of the report and order
7 in ER-2008-0318 coming into the record?

8 MS. MERS: No objection.

9 MS. SHEMWELL: Not having read the entire
10 report and order, I don't know if there's anything
11 else that would affect this. So I might ask the
12 Commission to take notice of the entire report and
13 order and that only a portion is submitted here.

14 JUDGE DIPPELL: We can do that. Would
15 there be any objection to --

16 MR. ZUCKER: That's fine with me. I just
17 wanted to shorten the -- the amount of paper that I
18 turned in.

19 JUDGE DIPPELL: I appreciate that. We
20 will admit as Exhibit 70, these portions, but take
21 official notice as well of the entire report and
22 order.

23 (Exhibit 70 was offered and admitted into
24 evidence.)

25 Q (By Mr. Zucker) Okay. Please turn to

1 page 87 of this report and order.

2 A Okay.

3 Q Starting with the first full paragraph,
4 which is on the third line there, can you read that
5 for me, the first two sentences?

6 A First two sentences. The KPIs are part of
7 a system AmerenUE has developed to communicate
8 specific goals to its employees and to drive the
9 performance of those employees. A KPI is focused
10 on four critical areas, financial management of the
11 business, process improvement, the customers and
12 employees. And it looks like a couple of foot
13 notes cites about our rebuttal.

14 Q Okay. Thank you. Could you turn to page
15 91?

16 A Okay.

17 Q Do you see where it says that the -- the
18 Ameren plan will benefit AmerenUE's ratepayers as
19 well as the company shareholders?

20 A Yeah. Whatever the KPI system is, it
21 appears the Commission found that. That's correct.

22 Q And at the bottom of page 90, --

23 A Yes.

24 Q -- did the Commission say that, So long as
25 the overall program does not contain incentives

1 that could be harmful to ratepayers such as the
2 purely financial incentives that caused the
3 Commission to disallow recovery of AmerenUE's
4 long-term compensation plan, AmerenUE should be
5 able to recover the costs of incentive compensation
6 through rates?

7 A That's what it says.

8 Q So in -- in providing the history and the
9 cites to the Commission, was it your goal to
10 advocate to the Commissioners against
11 earnings-based incentive compensation or to just
12 present the full picture to the Commission?

13 A I made the adjustment to assign
14 earnings-based compensation to shareholders that's
15 consistent with this sentence, actually. The idea
16 of overall program that has purely financial
17 incentives could be harmful for ratepayers. The
18 corporate and the -- the business unit components
19 of the Laclede's plan are purely financial
20 incentives.

21 Q Yeah. But isn't a -- doesn't each
22 employee have a mix of financial and performance
23 metrics?

24 A I believe the -- the executives and the
25 directors are 100 percent financial metrics. And

1 then it trickles down to the rank and file
2 employees, which are 50 percent financial metrics.

3 Q Okay. So let's take an upper management
4 employee. Would that employee have about 50/50 in
5 terms of financial and performance?

6 A Yeah. 50 percent would be a financial and
7 the other 50 percent would be metrics that are
8 assigned to that employee.

9 Q Individual performance?

10 A Correct.

11 Q And so would you agree with me that that's
12 not a purely financial incentive?

13 A That is not a purely financial. No.

14 Q I'm -- have you read this order before I
15 handed them you?

16 A Yeah. I'm sure I have.

17 Q Okay. Would you look at the bottom of
18 page 89?

19 A Okay.

20 Q Do you see where it says, Staff should not
21 be in the business of trying to design a
22 compensation principle for AmerenUE?

23 A I see that.

24 Q And it also says, toward the bottom, Staff
25 must certainly -- I guess the last line there,

1 **Staff must certainly evaluate AmerenUE's incentive**
2 **compensation plans. However, it must do so at a**
3 **higher level and not get bogged down in the**
4 **details. Did I --**

5 A I agree with that. Yeah.

6 **Q Okay. And did you follow that**
7 **prescription?**

8 A Yes. I -- I think I the -- the four
9 primary components of AIP are pretty high level.

10 **Q Okay. So you feel like you did not get**
11 **bogged down in the details?**

12 A I certainly looked at the details. I
13 think you can't make a decision without looking at
14 details. But I did, you know, pass -- I did
15 recommend inclusion of the union plan although the
16 entire plan wasn't a hundred percent what we look
17 for in incentive compensation plans. I did not
18 include the individual plan, although 100 percent
19 of the individual non-union plan would be
20 unacceptable.

21 **Q Okay. Can you turn to page 28 of your**
22 **testimony -- of your surrebuttal testimony?**

23 A Okay.

24 **Q So do you see you've identified three**
25 **objectives there in bold? Well, it's in bold.**

1 **It's confidential, correct?**

2 A Correct.

3 MR. ZUCKER: I'm going to say as long as
4 we don't get into people's personal incentives that
5 we -- we can waive the confidential part of it. Is
6 that okay, your Honor?

7 JUDGE DIPPELL: Yes. But I will count on
8 you to help police what can't and can't be said in
9 public.

10 MR. ZUCKER: Okay. Very good. Thank you.

11 Q (By Mr. Zucker) Okay. Do you see the
12 Department called Leak and Maintenance?

13 A Why.

14 Q And these objectives, these three that you
15 laid out there, your position is -- is that these
16 should not be approved by the Commission because
17 they're not challenging employees to perform above
18 the level that is normally required; is that
19 correct?

20 A That was one of the things I looked at,
21 yes.

22 Q Right. But for this particular group --

23 A For this table, that's correct.

24 Q That's what you were doing. Okay. So the
25 Leak and Maintenance Department, the objective is

1 to continue to continue to teach the younger
2 employees my knowledge that I have gained over 25
3 years. Did I read that right?

4 A That's right.

5 Q Do you know whether it was that employee's
6 job to teach younger employees?

7 A I would assume that would be everyone's
8 job, in my opinion.

9 Q In your opinion?

10 A Yeah.

11 Q Okay.

12 A Right.

13 Q So you're saying that you think that every
14 employee should be teaching younger employees?

15 A It's certainly not a job function that
16 would qualify as an at-risk metric, a metric that
17 would place a portion of someone's compensation at
18 risk.

19 Q Okay. Is it possible that that employee's
20 job was to perform a certain function, and that
21 employee was going the extra mile to help younger
22 employees?

23 A I guess that would be subjective and
24 non-measurable to teach younger employees what
25 you've learned is maybe not the extra mile.

1 Q Do you know what an objective is?

2 A Yes, I do.

3 Q And can you tell me?

4 A It's a goal.

5 Q Okay. And you have picked out one
6 objective for this employee, correct?

7 A Right.

8 Q And do you know how many objectives a
9 typical employee would have?

10 A I think everyone -- I would say, on
11 average, each employee has four objectives.

12 Q Okay. That's fair enough. And do you
13 know whether or not the employee's objectives are
14 weighted?

15 A I believe they are.

16 Q Do you know what weighting means?

17 A Yes.

18 Q Can you describe that for me?

19 A Where a -- this example of, you know,
20 passing on knowledge to younger generation might be
21 a weight as less important of the employees on
22 their goals.

23 MR. ZUCKER: One moment, your Honor.

24 Q (By Mr. Zucker) Okay. Are you aware that
25 this objective that you picked to continue to teach

1 younger employees was weighted at zero percent?

2 A I'm not aware of that.

3 MR. ZUCKER: Permission to approach, your
4 Honor?

5 JUDGE DIPPELL: You may.

6 Q (By Mr. Zucker) Would this be the
7 document you looked at?

8 A That looks familiar. It does say zero.
9 I wonder why a metric was set up if it was worth
10 nothing.

11 Q So you just said you wonder why a metric
12 was set up that was worth nothing. Could this be a
13 metric that the employee identified as a good idea
14 but was not weighted for purpose of the incentive
15 pay-out?

16 A There was 6500 different metrics. I -- I
17 didn't put that much detail -- examination into
18 that much detail.

19 Q You didn't pick up that that one was a
20 zero percent?

21 A No. I --

22 Q You wouldn't tell this Commission to
23 reject the performance components of a program
24 based on a weightless objective, would you?

25 A I think I tried to pick some objectives

1 that illustrated what I saw in the entire program
2 and not to pick on a single objective.

3 Q Okay. But is that a -- is that a no or a
4 yes?

5 A I wouldn't suggest the Commission do the
6 entire program based on a metric that was worth
7 nothing, if that was your question.

8 Q Yes, it was. Thank you. Okay. Looking
9 at another objective on that same -- that same
10 section there, you pick out the Treasury
11 Department. And the objective is succession
12 planning. Do you see that?

13 A I do.

14 Q Now, you have provided the title of that
15 objective, succession planning. Under the title is
16 a more detailed description of the objective. Are
17 you aware of that?

18 A If it was under the title, I think I would
19 have included it.

20 Q All right. Well --

21 A I did not mean to omit part of an
22 objective.

23 Q Okay. But did -- did you have an
24 opportunity to review the detailed descriptions for
25 this objective?

1 A I'm sure I did. It's very -- it's also
2 very possible this -- this objective was assigned
3 to more than one employee.

4 Q **You're -- why is that?**

5 A I'm sorry?

6 Q **Why -- why do you think it was assigned to
7 more than one employee?**

8 A Because I think -- I saw that some
9 employees IDs that were different but were in the
10 same department had the same objectives.

11 Q **And does that make sense to you that an
12 objective might flow down in a department?**

13 A Yes.

14 Q **Okay. So you -- you're saying you did not
15 review the detailed description under this
16 objective?**

17 A I'm saying I don't remember the -- the
18 text that was in the -- the box that I pulled this
19 out of. If there was detail under succession, I
20 hadn't -- and I meant to do, it was narrow.

21 Q **Well, when you -- when you made a data
22 request, you asked for objectives; is that correct?**

23 A Yes, I did.

24 Q **Okay. And you received a document similar
25 to the one I just showed you a minute ago?**

1 A Yes.

2 Q And that document has an employee number,
3 correct?

4 A Yes.

5 Q A -- correct?

6 A Yes.

7 Q The title of an objective, correct?

8 A Uh-huh. Yes.

9 Q And a weighting number?

10 A Yes.

11 Q Did you ask for any further documentation
12 on the -- on those objectives?

13 A On specific objectives, no, I did not.

14 Q Okay. So do you -- and you probably don't
15 recall how much weight this objective was given to
16 the succession planning?

17 A No, I don't.

18 Q Okay. Do you know whose succession is
19 being planned?

20 A I assume someone who is about to retire.

21 Q Would you -- would that be something you
22 would have found out had you been able to look at
23 the whole performance review?

24 A I don't know where else I would have seen
25 that.

1 Q Okay. Do you know what the target
2 performance was for this objective?

3 A No, I don't.

4 Q Do you know whether the employee met this
5 performance?

6 A As I sit here, no, I don't.

7 Q Do you know what rating the employee
8 received?

9 A No, I don't.

10 Q Am I starting to bog you down in the
11 details of an incentive plan?

12 A I can keep up.

13 Q Do you know these answers for any of the
14 objectives you looked at? You looked at a whole --
15 at the whole list of employee objectives, correct?

16 A I did. But if you're going to ask me
17 about an objective and --

18 Q Well, did you look at anything other than
19 just the title of the objectives on the list?

20 A The objectives themselves on the list and
21 the Department that employee was in.

22 Q Okay. But you didn't look at the detailed
23 descriptions of objectives that were -- the
24 detailed descriptions underneath the title?

25 A I looked at the descriptions as they were

1 given to me in that pile.

2 Q Okay. And that description is the --
3 you're not aware, then, maybe that there are
4 detailed descriptions under the -- that that
5 objective title --

6 A If they provided to me, I would have
7 looked at them.

8 Q Okay. And so you didn't look at any of
9 the performance levels, such as the threshold, the
10 target or the high performance levels on any of
11 these objectives; is that correct?

12 A Not for each objective. As I understand,
13 the supervisor of each employee gives a rating and
14 their opinion of what the employee has done.

15 I don't know if there is a threshold
16 target and high achievement. If -- if I understand
17 your question, it's just a scale of 0 to 5 on what
18 they did.

19 Q Okay. And so you asked questions and
20 found out that that's how the system works?

21 A Yes. Yes, I did.

22 Q Who decides on an objective? I think you
23 may have answered that already, but if you wouldn't
24 mind --

25 A The last data request, if I recall

1 correctly, the employee and their supervisor get
2 together and make sure they decide what their
3 objective should be.

4 **Q And is that approved by the second level**
5 **supervisor?**

6 A I believe it is.

7 **Q And when they set up these objectives, do**
8 **they not also set up thresholds, targets and what**
9 **constitutes high performance?**

10 A I -- I just don't recall if -- if there is
11 threshold or high performance on that.

12 **Q You didn't see that?**

13 A And even if there is, everything should be
14 on a scale somewhere in between threshold and high
15 performance.

16 **Q Aren't performance levels measurable?**

17 A If the metric is set up correctly.
18 Succession planning or -- maybe there's a problem
19 with that. But how can you measure how well that
20 employee taught his younger generation? I don't
21 know.

22 **Q Okay. So you did not look at the -- what**
23 **was in that -- under that objective as a -- as the**
24 **employee's target goal or any other goal?**

25 A I don't recall any -- any targets for the

1 level of knowledge passed on.

2 Q Did you -- do you recall any targets at
3 all?

4 A No. For many of the metrics, no, there
5 was know targets, just a general objective.

6 Q You were just looking at the title of the
7 objective?

8 A And the details provided with it.

9 Q The details being what else? The weight
10 and the Department?

11 A The details, you know, they came with the
12 events in the file. There were no details on any
13 of that.

14 Q Well, isn't the performance levels that
15 are the real test as to the difficulty of the
16 objective? The objective itself is only the -- the
17 beginning of the fortunate story; isn't that
18 correct?

19 A That's right. But if there is no target
20 performance level, you really can't measure how
21 well the performance is.

22 Q I agree with that. But you didn't look at
23 any of those targets?

24 A If they -- if they weren't provided, there
25 was not. I did not see a lot of targets set for

1 any of the objectives. In my testimony, my
2 surrebuttal testimony, I believe I said that's
3 where the individual plan had failed the most, the
4 setting benchmarks.

5 **Q Sure. Because you only looked at the**
6 **title of the objective. It's like looked -- you**
7 **looked at the title of a book and now you --**

8 MS. MERS: I would object that this has
9 been asked and answered multiple times by now.

10 MR. ZUCKER: Well, I don't think I'm being
11 clear enough to -- to make the point that he's only
12 looked at the -- at the title. But I -- I will get
13 to it.

14 JUDGE DIPPELL: Thank you, Mr. Zucker.

15 MR. ZUCKER: Permission to approach again?

16 JUDGE DIPPELL: You may.

17 **Q (By Mr. Zucker) Can you tell me what I**
18 **just handed you?**

19 A This appears to be a performance review
20 for an employee.

21 **Q Uh-huh. And do you see a -- an individual**
22 **objective for that employee?**

23 A Yes, I do.

24 **Q Do you see, like, key objectives? Is**
25 **there a 1.1?**

1 A Yes, there is.

2 Q And -- and there is a specific objective
3 there, right?

4 A Yes, there is.

5 Q And that's the kind of thing you looked
6 at, correct?

7 A I don't recall this objective, but yes.
8 It appears to be the type of information I looked
9 at.

10 Q Okay. Then underneath that is more detail
11 about what this objective is all about?

12 A There is a line that says, Target
13 performance will be achieved. And then it goes on
14 to say, With the certain tasks completed by date.

15 Q Okay. And if you look down a little
16 further, do you see a part called Objective
17 Details?

18 A Yes.

19 Q And do you see a section for Threshold
20 with a description?

21 A Yes.

22 Q In other words, that is what the employee
23 would need to do to meet the threshold?

24 A Yes. And if -- and if the company didn't
25 provide this sort of level of details in the data

1 request responses, you're right, I didn't review
2 it.

3 Q Okay. Don't -- one of the things you're
4 critical of the objective is because you say it's
5 the employee's job. But shouldn't the objective be
6 the employee's job? I mean, shouldn't it start
7 there?

8 A Base compensation is for the employee's
9 job. The incentive compensation is to put some of
10 the employee compensation at risk.

11 Q But isn't the real issue where the targets
12 are set for that -- for that employee for that
13 particular objective?

14 A The real issue is the five measurements
15 that I set forth in my direct testimony in the cost
16 of service report. Some of that would be the
17 employee's job. Some of that -- if the target's
18 measurable, some of that doesn't have anything to
19 do with Missouri ratepayers.

20 Q Okay. Let me give you an example. Let's
21 say my job is to do push-ups. And so my objective
22 might be do a lot of push-ups. Okay?

23 A Right.

24 Q That's the same as -- that objective would
25 be the same as my job, correct?

1 A Right.

2 Q And I might say, Okay, ten is my target
3 for push-ups. That's what's expected of me. So I
4 put down ten as the target. Did you follow that?

5 A Sure.

6 Q And I might say seven is the threshold.

7 A All right.

8 Q So I would get -- if I could do seven
9 push-ups, I would get a 50 percent pay-out; is that
10 correct?

11 A Right.

12 Q As you understand it?

13 A Uh-huh.

14 Q And let's say 15 is high performance.
15 Okay?

16 A And doing push-ups is your job already,
17 right?

18 Q Doing push-ups is my job already. So
19 isn't -- it's not the title of the objective that
20 matters, but the levels that determine the extent
21 of the challenge; is that right?

22 A That's right. I didn't see the levels in
23 the DR response. It asked for how this stuff was
24 awarded.

25 Q Okay. At the end of the year, do you know

1 **how the employee is evaluated?**

2 A By their immediate supervisor, I believe.

3 Q **Okay. So you asked the data request**
4 **called 61.2 about this same subject. Do you recall**
5 **that?**

6 A Yes, I do.

7 Q **Do you have that in front of you, by any**
8 **chance?**

9 A Maybe.

10 JUDGE DIPPELL: Sir, what was that cite
11 again?

12 MR. ZUCKER: It's DR 61.2.

13 JUDGE DIPPELL: Oh, okay.

14 A Yes. I have it.

15 Q **(By Mr. Zucker) Okay. Do you see on No.**
16 **1 where it says, Each year during the performance**
17 **review process, supervisors meet individually with**
18 **each employee to assess and discuss performance**
19 **toward achievement of individual goals? Did I read**
20 **that correctly?**

21 A Yes, you did.

22 Q **The performance on each goal is assessed**
23 **by the supervisor with a rating of one through**
24 **five; is that correct?**

25 A That's right.

1 Q And is that your understanding of how our
2 evaluation system works?

3 A I believe so. And my criticism is that
4 when the objective is to make the CEO's life
5 easier, how do you measure that one through five?

6 Q Well, you wouldn't know because you didn't
7 look at it, right?

8 A If it wasn't provided to me, no, I didn't
9 look at it.

10 Q Okay. Can you turn to page 29?

11 A Of?

12 Q Of your surrebuttal. Okay. So in this
13 area, you're critical of objectives for not being
14 objective and measurable; is that correct?

15 A That's right.

16 Q And can you see the Leak and Maintenance
17 one there?

18 A Right.

19 Q And did you know this objective is also
20 weighted at zero percent?

21 A I did not know that. And, again, I don't
22 know why objectives were set up if they were not
23 worth anything.

24 Q Well, if this was a union employee, he
25 would have -- he or she would have a team

1 objective; is that correct?

2 A That's correct. These objectives came out
3 of the non-union employee -- non-union and employee
4 data request response. So this would be a
5 supervisor in the Leak and Maintenance Department.

6 Q Okay. So if you look at that objective,
7 it has a -- a place for a number there for the
8 number of customers that -- that this employee is
9 going to interview and a date by which to do that,
10 correct?

11 A Correct.

12 Q And wouldn't -- if you didn't see the rest
13 of this employee's performance review, you wouldn't
14 know what number or date got filled in there,
15 correct?

16 A I'm not -- I wasn't aware that there was
17 anything more than that to the objective.

18 Q Well, let me ask you this. If there was a
19 number and a date filled in, wouldn't you consider
20 that measurable?

21 A Yes, I would.

22 Q On page 27 of your surrebuttal, line 9,
23 Staff believes that a -- a goal should require
24 improvement over past performance; is that right?

25 A That's right.

1 Q And having read Spire's response to that
2 in, I guess, Mr. Mispagel's testimony, do you still
3 stand by that as a -- as something to evaluate an
4 objective?

5 A Yeah. This -- this criteria came from a
6 Commission order. And I believe it's based on the
7 assumption that the company is attempting to -- to
8 identify areas of improvement.

9 And I would agree that if the company is
10 trying to maintain where they are on a certain
11 subject, improvement over past performance would
12 eventually been unattainable. But then you just
13 pick another area of concern to go with.

14 Q Okay. I think you've address my issue.
15 Like, for example, if you had -- if you had -- if
16 your objective was to have no injuries and you had
17 no injuries one year, the next year, you couldn't
18 have negative injuries, could you?

19 A That's right. Then you find another area
20 to try to improve.

21 Q Okay. On page 31 of your surrebuttal, you
22 give an example of an employee who is in the
23 department called Meter to Cash.

24 A Yes.

25 Q And that employee's objective was to

1 monitor, review and complete meter read approval
2 office estimate to-dos on a daily basis; is that
3 correct?

4 A That's right.

5 Q And your claim there is that does not call
6 for improvement over past performance; is that
7 right?

8 A That's right.

9 Q Do you know what a to-do list is? I'm
10 sorry. Did you answer?

11 A I didn't hear the question. I paused.

12 Q I'm sorry. Do you know what a to-do is?

13 A No. In this context, I don't know what a
14 to-do is.

15 Q Okay. Do you know whether the to-do was
16 part of the employee's job or whether the employee
17 was taking on extra work in this case?

18 A I don't know, For me, that makes it non-
19 measurable.

20 Q Do you know if estimate -- if estimate
21 to-dos were being completed on a daily basis prior
22 to this?

23 A Prior to the -- no, I don't.

24 Q Okay. If you don't know these things, you
25 can't really say whether or not this is an

1 **improvement over past performance, can you?**

2 A The objective I read wouldn't say compared
3 to year when we did it on a weekly basis.

4 Q Okay. Would it make sense to you that if
5 the employee has performed to the normal level
6 expected in the job that the employee would get
7 approximately 100 percent of the target incentive?

8 A The normal level of the performance in the
9 job would be covered in base salary. The 100
10 percent of the objective in their individual
11 incentive comp. would be a target. Pay-out. What
12 was your question? I'm sorry.

13 Q Okay. Let me -- let me ask it again
14 accurately. Would it make sense to you that if the
15 employee has performed to the normal level expected
16 in the job that the employee would get
17 approximately 100 percent of the target incentive?

18 A Again, I -- I would bicker that the level
19 included in the job would not be -- shouldn't be
20 part of the incentive compensation.

21 Q Okay. But the base salary leaves some
22 compensation at risk, does it not?

23 A Basically doesn't -- is not a list.

24 Q But base salary leaves some compensation
25 at risk. Are you aware of that?

1 A Are you talking about market salary?

2 Q I'm talking about a -- well, I guess the
3 question is, is a base -- is the base salary in
4 Laclede's program the same as market-based salary?

5 A I --

6 Q Market salary?

7 A I believe Laclede compares base salaries
8 at their company to the market-based salaries, and
9 then they also compare incentive compensation at
10 their company to the market incentive compensation.

11 Q Okay. So isn't -- is not the base salary
12 an amount that is less than what the market salary
13 would otherwise be with an incentive to allow the
14 employee to either make the same as they would have
15 made if it was just base less or more?

16 A If you would -- I guess if you're saying
17 the base salary is less than the total compensation
18 on the market. And then your question might be the
19 base compensation total would be the same as the
20 market compensation. But you have to assume the
21 market is putting some compensation at risk.

22 Q Okay. Do you think that Laclede's
23 incentive program motivates employees to avoid
24 getting less than their target?

25 A The metrics that I saw, I wouldn't call

1 them motivation.

2 **Q Let me ask you this. If you were a strong**
3 **employee, a good performer, would you rather work**
4 **at a job that is just base pay or a job that has a**
5 **base slightly lower than that with an incentive to**
6 **make more than base pay?**

7 A If I knew I was a strong performer, I
8 would probably prefer the opportunity to make more
9 than base.

10 **Q Do you believe that expenses incurred for**
11 **earnings-based incentive comp only benefit**
12 **shareholders?**

13 A Primarily only benefit shareholders.

14 **Q And what do you mean by primarily?**

15 A I'm sure there is some very indirect link
16 right there, but it's a very long stretch.

17 **Q And -- and is that because between rate**
18 **cases, shareholders would benefit from increased**
19 **earnings?**

20 A Yes. The shareholders get to keep the
21 regulatory lag through improved performance. And
22 the ratepayers end up capturing lower cost of
23 service. But, again, that's the ratepayers.

24 **Q What if we only had an earnings-based**
25 **incentive program during test years? Would that be**

1 **acceptable to Staff?**

2 A That would have to be evaluated in the
3 context of an actual case, I suppose.

4 **Q If Spire did not recover expenses incurred**
5 **to lower costs relative to revenues, shouldn't the**
6 **company also keep the savings that were achieved**
7 **with those costs?**

8 A I believe the company would keep the
9 savings through regulatory lag.

10 **Q And then the share -- and then the**
11 **customer would get them, correct?**

12 A During the next rate case, yes.

13 **Q But in Staff's view, Staff is not going to**
14 **pay for the earnings-based incentive compensation**
15 **at all?**

16 A The earnings-based incentive compensation
17 is directed to shareholder -- well, it should be
18 trying to assign to shareholders.

19 **Q Did we just agree that customers get the**
20 **benefit of it for saving in a test year?**

21 A As an incidental effect, yes.

22 **Q Oh, it's just incidental?**

23 A After the have shareholders enjoyed the --
24 the wealth that's been maximized, assuming the
25 entire program works, then the ratepayers see the

1 benefit.

2 Q And what about earnings in a test year?
3 Incentive earnings? Don't the share -- customers
4 get -- get those savings the very next year?

5 A If earnings happened in a test year, I
6 mean, it's -- what happened in a test year gets
7 normalized or annualized in a rate case. Just
8 because it happen on a test year doesn't mean it
9 leads to the rate-making.

10 Q Well, if the company lowered costs
11 relative to revenues during a test year, wouldn't
12 it be Staff's position that the customers should
13 then get the benefit of those lowered costs?

14 A If that's the current cost the company was
15 experiencing, yes, that should be the cost of
16 service.

17 Q If Spire cannot recover its expenses
18 incurred to lower costs relative to revenues,
19 shouldn't the company also keep the savings?

20 A I'm sorry. Say that again, please.

21 Q Well, I think I already asked that one.
22 Let me -- that one should have been objected to.
23 But I think I've put everyone to sleep.

24 Okay. Here's my next question. How is it
25 fair for the customer to not pay an expense that

1 **resulted in increased earnings but then reap the**
2 **savings that flows from those increased earnings?**

3 A Because the -- the earnings creates a risk
4 for the ratepayer. It's -- if -- if the savings
5 were created by a reduction in customer service, if
6 the savings were created by a focus on non-Missouri
7 operations, earnings per share is Spire total
8 company earnings. That includes the earnings of
9 Alabama, Mississippi, non-regulated entities.
10 Very, very long length to ratepayer benefit for
11 Missouri customers.

12 Q **Okay. So I would agree that -- that there**
13 **should be an allocation of Spire earnings between**
14 **Missouri and other -- other non-regulated companies**
15 **and other regulated companies. Would that solve**
16 **that problem?**

17 A No. It's not about actual performance.
18 It's about the risk created. If you have
19 objectives and Directors making decisions trying to
20 increase the bottom line just to increase their own
21 compensation, then that's a serious risk.

22 Q **Okay. I'll give you an example. Let's**
23 **say there was an incentive for our Treasurer to**
24 **lower the interest expense on short-term debt.**
25 **Okay?**

1 A Uh-huh.

2 Q And let's say she exceeded expectations
3 and lowered interest expense by \$220,000 from where
4 it was expected to be and she did it the year
5 before the rate case test year. Are you following
6 me?

7 A Sure.

8 Q And let's say that that earned her a 110
9 percent pay-out for excellent performance. Okay?
10 Is that a yes?

11 A Yes.

12 Q Okay. So all else being equal, the
13 company's earnings would have gone up by \$220,000,
14 right?

15 A Over the two-year period; is that right?

16 Q Well, this is just one year we're looking
17 at.

18 A You said the year before the test year?

19 Q The year before the test year.

20 A Okay.

21 Q And who did that benefit, that \$220,000
22 earnings increase?

23 A That benefited the shareholders.

24 Q Okay. And meanwhile, the customers are
25 still paying the \$220,000 from the previous rate

1 case that was in rates; is that correct?

2 A All parts equal. Correct.

3 Q Okay. Now it's the test year. Let's say
4 our Treasurer saves \$210,000 in interest expense
5 this year over what was expected and earns an
6 incentive pay-out at the 105. Okay?

7 All else equal, earnings were actually
8 \$10,000 lower than the year before. Does that
9 sound right to you?

10 A You've reduced earnings by saving
11 interest?

12 Q Well, earnings are actually lower. In my
13 example, the company saved 220,000 the year before.
14 This year, they only saved 210,000.

15 A Oh, okay.

16 Q So -- so earnings were actually \$10,000
17 lower than the year before. Correct?

18 A Overall, \$210,000 lower than three years
19 before.

20 Q Yes. Very good.

21 A I'm trying to follow your example.

22 Q Yes, you are. You're that's very good.
23 You anticipated me there. So let's say now that --
24 that that was -- since that was the test year,
25 we're in a rate case and Staff averages the past

1 two years. How much would Staff then lower
2 interest expense by?

3 A If we're averaging the past two years, we
4 would increase test year interest expense by about
5 \$5,000. The year before the test year was \$220
6 savings, so 1,000 savings. Test year was 210,
7 average of 215.

8 Q Okay.

9 A Which is five for the test year.

10 Q And that would lower revenue requirement
11 by 215,000, correct?

12 A No. No. The test year. Interest target
13 for the revenue requirement. If we're going to
14 increase interest expense by \$5,000, that would
15 increase revenue requirement.

16 Q Well, aren't customers paying from the
17 rate case before the entire 220,000 that wasn't
18 saved? We agreed with -- we agreed to that
19 earlier.

20 A Oh, okay. So the rate case before, all
21 else is still equal?

22 Q Yes.

23 A The cost of service would have decreased
24 by \$215,000. That's right.

25 Q Okay. And -- okay. And that would lower

1 customers rates by that amount?

2 A Without getting too detailed in capital
3 structure, I assume so, yes. Yes.

4 Q Okay. Thank you. So in the example we
5 just went through, an incentive program that led to
6 higher earnings for shareholders also resulted in
7 lower rates for customers. Is that a fair summary?

8 A After a two-year regulatory lag, yes.

9 Q Okay. On your surrebuttal testimony, page
10 25, line 11, you say, basically, that incentive
11 compensation costs should be borne by shareholders
12 if they show no tangible benefit to the ratepayers?

13 A That's what the Commission has decided.

14 Q And isn't lowering the rates by \$215,000
15 as we did in the example we just went through a
16 tangible benefit to customers?

17 A That's one part of the cost of service
18 package.

19 Q Is that a yes?

20 A Yes. It would be a -- a benefit to
21 ratepayers in isolation.

22 Q Do you agree that earnings are simply
23 revenues minus costs?

24 A Yes, they are.

25 Q Mr young, once rates are set in a rate

1 case, isn't it in the customer's interest for the
2 company to do well, that is, to increase earnings?

3 A Ratepayers are -- it's in their interest
4 to have a financially healthy utility.

5 Q But isn't it in their direct interest for
6 the company to do well so that when they either
7 don't come in for a rate case because they're
8 holding their own or they come in and have rates
9 reduced, isn't the customer rooting for the
10 company?

11 A No. No. The customer is indifferent to
12 how much retained earnings the company gets. The
13 customer doesn't get to touch that.

14 Q Okay. So you don't think that if the
15 company does well the customers are -- wouldn't be
16 interested in having lower rates?

17 A I don't know if one leads to the other.

18 Q Okay. Let's look at page 32 of your
19 surrebuttal.

20 A Yes.

21 Q Okay? All right. On that page, you have
22 listed objectives that you believe are contrary to
23 the interest of customers; is that right?

24 A That's right.

25 Q Okay. Looking at the second one,

1 **Operations Training. Do you see that one?**

2 A Yes.

3 **Q The objective is not to receive a notice**
4 **of probable violation from the -- the Missouri**
5 **Staff audit; is that correct?**

6 A Not to receive any violations during the
7 Public Service Commission audit.

8 **Q Okay.**

9 A Yes.

10 **Q Can you explain why incentivizing an**
11 **employee to pass a Commission audit is bad for**
12 **customers?**

13 A This is an incentive to -- it creates a
14 risk to hide problems, to hide red flags, to -- in
15 order to -- for that employee to -- to get a higher
16 incentive pay-out.

17 **Q Okay. So you're assuming that the**
18 **employee would be willing to cheat?**

19 A Not an assumption of any -- of Laclede or
20 any employee of Laclede. It's about the risk
21 created by the incentive.

22 **Q And do you think if that employee got**
23 **caught the employee could lose his job?**

24 A If the employee was caught in misbehavior,
25 I would think that would be an option. Yes.

1 Q And would that be -- would it be worth it
2 to -- for that employee in order to get an -- a
3 pay-out on one incentive to risk losing his job?

4 A Well, that's the thing about misbehavior.
5 It doesn't follow logic.

6 Q Okay. All right. So you see it as a risk
7 in this case that an employee would cheat, correct?

8 A It creates an environment, yes.

9 Q Do you think it's also an incentive for
10 the employee to do things that help avoid
11 violations?

12 A I think that would be part of the
13 employee's regular duties.

14 MR. ZUCKER: One moment, please.

15 Q (By Mr. Zucker) All right. Do utilities
16 typically capitalize a portion of their incentive
17 compensation costs?

18 A I believe they do.

19 Q In the past, has the Commission disallowed
20 in any order capitalized earnings-based incentive
21 compensation amounts in general rate cases?

22 A I'm not aware of any orders addressing it
23 one way or the other.

24 Q Has Staff recommended removal of certain
25 capitalized incentive compensation costs in past

1 **rate cases?**

2 A I'm aware of at least one KCP&L case and
3 the 2010 -- 2013 Laclede cases.

4 **Q Has the Commission ever ruled on the issue**
5 **of allowing capitalized earnings-based incentive**
6 **compensation expense in rates in a litigated case?**

7 A Again, I'm not -- I'm not aware of an
8 order one way or the other.

9 **Q In Laclede's case, Laclede's and MGE, you**
10 **suggested excluding some capital from, I guess, EIP**
11 **and AIP, correct?**

12 A That's correct.

13 **Q And did you make an adjustment for the**
14 **cost of capital to -- to affect revenue**
15 **requirement, the cost of capital on that capital**
16 **that you --**

17 A I didn't do any work on any cost of
18 capital issues.

19 **Q Well, did -- did you include depreciation**
20 **expense when determining what the revenue**
21 **requirement was?**

22 A Our -- our accounting schedules
23 automatically calculate depreciation expense. So
24 when I make adjustments to the rate base, and those
25 accounting schedules do the -- the schedules do it

1 themselves.

2 Q Okay. So the program handled it?

3 A That's right.

4 Q Do you know if the program handles
5 deferred taxes?

6 A No. I don't believe so.

7 Q Are you aware that capital investments by
8 the company create deferred taxes?

9 A I don't have any reason to dispute that.
10 Staff Witness Lisa Ferguson handled our deferred
11 income tax adjustments.

12 Q Okay. Are you familiar with how deferred
13 taxes work?

14 A Not enough to talk about it. No.

15 MR. ZUCKER: I think I'm done asking
16 questions. Thank you.

17 MR. YOUNG: Thank you.

18 JUDGE DIPPELL: Thank you. Okay. I have
19 just a few questions for you, Mr. Young.

20 MR. YOUNG: Sure.

21 CROSS-EXAMINATION

22 BY JUDGE DIPPELL:

23 Q Would Staff be okay with -- or could Staff
24 go along with an incentive compensation program
25 that was based on service costs and safety?

1 A Yes. Those two items are primarily why
2 Staff included the union incentive compensation
3 that were based on customer service and safety.

4 **Q And decreasing costs?**

5 A I didn't see any metrics that -- that
6 would be a valuable metric. In this case, I didn't
7 see any cost decreased metrics.

8 **Q Okay. And did you have any part in**
9 **formulating Staff's original answers or positions**
10 **in their position statements that were filed --**
11 **excuse me -- prior to the beginning of the hearing?**

12 A In the December hearing in those position
13 statements?

14 **Q Yes.**

15 A Yeah. I'm sure I reviewed them and had
16 them, but --

17 **Q Okay. Looking back at that, one of the**
18 **sub-issues on incentive compensation, the last one**
19 **was E. And it was to the extent the Commission**
20 **declines to include employee incentive compensation**
21 **in rates, what adjustments should be made to base**
22 **salaries paid -- I'm sorry -- paid to employees?**

23 **And Staff's position was, Individual**
24 **incentive compensation should be included, assuming**
25 **100 percent achievement of the 200 -- or of the**

1 **2016 individual incentive compensation plans.**

2 **Do you still -- is that still Staff's**
3 **position on that issue?**

4 A That is the fall-back position.

5 **Q Okay.**

6 A Again, if the Commission decides that --
7 you know, and this is, in my opinion, unrelated to
8 earnings-based incentive compensation.

9 But for the individual, that is a
10 fall-back position that recognizes that it is
11 guaranteed compensation. It is not at risk. So
12 let's just assume 100 percent achievement.

13 **Q And is that fall-back position in your**
14 **testimony?**

15 A I believe it's in my surrebuttal.

16 JUDGE DIPPELL: Okay. Okay. That's all
17 the questions I had. Is there further
18 cross-examination based on my questions from Public
19 Counsel?

20 MS. SHEMWELL: No, thank you.

21 JUDGE DIPPELL: From Spire?

22 MR. ZUCKER. Oh, a few. Thank you, your
23 Honor.

24 RE CROSS EXAMINATION

25 BY MR. ZUCKER:

1 Q Mr. Young, you just said that you thought
2 decreasing costs would be a valuable metric. Do
3 you recall that?

4 A I do.

5 Q And I agree with you. If a company
6 decreased its costs, a utility decreased its costs
7 by, let's say, a million dollars, but, meanwhile,
8 revenues also decreased by a million dollars, there
9 would be no change to rates, all else equal. Do
10 you agree with that?

11 A If costs decreased by a million dollars
12 and revenues decreased?

13 Q Yes.

14 A The company would need revenue
15 requirements of \$2 million? If revenues -- I'm
16 sorry. You're right. You're right.

17 Q I got you that time.

18 A You did.

19 Q All right. So there would be no rate
20 increase?

21 A Right.

22 Q There would be no rate increase or
23 decrease?

24 A Right.

25 Q But the company would have met a -- a goal

1 to reduce its cost by a million dollars in that
2 case?

3 A And depending on what kind of costs the
4 company has targeted, I believe that's a valuable
5 metric. With that -- without that metric, then
6 revenues would have decreased and costs would have
7 remained the same and pay for both of those things.

8 Q Okay. Okay. So if costs decreased by a
9 million and revenues increased by a million, what
10 would be the effect on rates?

11 A A decrease in costs increases rates. An
12 increase in revenues is a decrease in rates.

13 Q Let's try that again.

14 A Right.

15 Q The company decreases costs by a million
16 and increases revenues by a million. What would
17 the effect be on rates?

18 A It would be a decrease in rates of
19 2 million.

20 Q Okay.

21 MR. ZUCKER: Okay. Thank you. That's all
22 I have.

23 JUDGE DIPPELL: Is there redirect?

24 MS. MERS: Yes. I'm sorry.

25 REDIRECT EXAMINATION

1 BY MS. MERS:

2 Q All right. You -- you faced a lot of
3 questions, so we're going to try to go through
4 these. You were asked by Counsel for Spire about
5 disallowing individual metrics. Could you explain
6 why we disallowed the individual metrics?

7 A Again, the five criteria identified in my
8 surrebuttal and my cost of service report. A vast
9 majority of those metrics failed to live up to
10 those criteria.

11 Q And there was -- and you referred to
12 Commission precedent that supported that.

13 A I'm sorry?

14 Q You had Commission precedent that
15 supported those metrics, correct?

16 A Subject to check, yes, I did. And I
17 explained where I got those criteria from in my
18 surrebuttal.

19 Q And it was made very clear. You're not an
20 HR professional. You're not a professional of
21 auditing credentials. Do you want to speak on your
22 audit experience at all?

23 A This isn't my first incentive compensation
24 issue. And while I don't have the HR credentials,
25 I don't have the company's resources either, so all

1 I can do is review the current plan.

2 Q And, I mean, we review things like
3 insurance in these cases, correct?

4 A Yes.

5 Q And we don't have insurance agents that
6 are making those adjustments, right?

7 A No. No, we don't.

8 Q It came out during some questions from
9 Counsel for Spire that -- that some of the
10 employees were suggesting their own incentives. Do
11 you see a danger to employees suggesting their own
12 incentives that they can be compensated for?

13 A No. No, I don't have a problem with that.

14 Q Okay. You were asked before your prior
15 incentive comp. experience. Does KCP&L currently
16 have earnings-based incentive comp. in their cost
17 of service?

18 A No. I believe it's Plan Year 2016 KCP&L
19 removed earnings-based metrics from their plan.

20 Q And Staff has disallowed in the past
21 unclear vague metrics to incentivized superior
22 performance, correct? In past cases? This is not
23 the first time something has been vague? Unclear?

24 A I -- I don't know.

25 Q Okay. You reviewed the Ameren case, and

1 you said it was different. Can you explain how?
2 Did they have better metrics? Would that be an
3 assumption that --

4 A They were using the KPIs. And I believe
5 that -- those KPIs were applicable to the entire
6 plan whereas Laclede's plan is very
7 employee-specific for its version of KPIs.

8 Q Okay.

9 A Also, the Ameren case was different
10 because the -- the incentive compensation plan
11 Ameren had, that was entirely based on earnings.
12 They didn't seek recovery in rates so it wasn't
13 litigated.

14 Also, in that case, I guess something
15 similar is the equity compensation was not
16 recoverable.

17 Q Okay. And do you still have that report
18 and order in front of you? On page 87, the second
19 -- or the first full paragraph, one of quotes is,
20 The KPIs are part of the system AmerenUE has
21 developed to communicate specific goals to its
22 employees and to drive the performance of those
23 employees.

24 Would you distinguish this case from that
25 Ameren case in that there are not specific goals

1 **communicated to employees and that they are not**
2 **driving the performance of the employees?**

3 A I just don't know about Ameren's KPIs in
4 the '08 case to make that comparison.

5 Q Okay. And you've also noted, I believe,
6 that on page 86, that first full paragraph, the
7 last sentence, does -- you state that long-term
8 compensation plans based on measures of financial
9 return achieved by the utility that those costs
10 should fall on shareholders who primarily benefit.
11 Is that your understanding of the case?

12 A Yes.

13 Q Okay. And one last question about this
14 report and order. On page 90, there is a quote
15 that says, AmerenUE's incentive programs must stand
16 and fall as a program. Did you evaluate Spire's
17 incentive compensation as a total package? And
18 would you say that it fell as a program in the
19 total individual metrics and earning base?

20 A Yeah. I believe I -- while I separated
21 the -- what they call the AIP, Annual Incentive
22 Plan, four different categories. Those categories
23 are still high level.

24 Q Okay. And so, overall, when you evaluated
25 the program, you weren't seeing the kind of things

1 the Commission has supported in prior cases for its
2 alleged incentive?

3 A I believe the Commission didn't want to go
4 through each individual employee and say, This
5 person, employee incentive is in. This person,
6 employee incentive is out. Let's just keep it as
7 appropriate.

8 Q Okay. And that's what you did?

9 A Yes.

10 Q Okay. You had some questions about if you
11 received incentive comp., and you answered that you
12 don't and that you're also not currently
13 supervising anybody. Do you still pass on your
14 knowledge and training to other employees when they
15 start?

16 A Yes. There are -- there are auditors in
17 -- in my office that are newer than I am. And I do
18 help them on their first-time issues.

19 Q And does everybody in your department do
20 that?

21 A Yes.

22 Q Because it's just kind of part of the job,
23 right?

24 A It's expected. Yes.

25 Q Okay. There was a lot of back and forth

1 about the DR responses that you've received in this
2 case. And Counsel for Spire noted that -- that
3 maybe some additional information wasn't requested.
4 Or maybe that you didn't review it.

5 If -- if Laclede has additional
6 information regarding a data request sent,
7 especially if it's information that would justify
8 or support that position, would you say that it's
9 their duty or burden to provide it to Staff?

10 A I would -- I would say that would be in
11 their interest to support their case.

12 Q Would we know this data is existing if
13 it's not provided to us?

14 A Not necessarily, no.

15 Q All right. You're not telling -- Staff's
16 position is not telling Spire not to offer
17 incentive compensation, correct?

18 A That's correct. It's just an assignment
19 to the shareholders since it's in the shareholder's
20 primary interest.

21 Q And I guess, to wrap up, there was some
22 discussion from Counsel for Spire about customers
23 pushing for or -- or hoping that the -- the company
24 does well.

25 Have you ever, at a local public hearing,

1 **heard a customer congratulate Spire for its higher**
2 **earnings or its shareholders returns?**

3 A No. The closest I've come is customers
4 stating that Spire needs to cover their costs. I'm
5 sorry. The utility needs to cover their cost.

6 Q **But no overwhelming joy that it -- that**
7 **it --**

8 A No. No. I think that's fair.

9 MS. MERS: All right. That's all I have.
10 Thank you.

11 JUDGE DIPPELL: Okay then. I think that's
12 all for you, Mr. Young. I'm sorry. Ms. Shemwell?

13 MS. SHEMWELL: I was just going to say I
14 think Mr. Riley will -- is the last witness. And I
15 thought we might check to see if anyone has
16 questions for Mr. Riley. And if not, then I think
17 we might be done.

18 JUDGE DIPPELL: Let me just ask that
19 question, then. Are there going to be any
20 cross-examination questions for Mr. Riley?

21 MR. ZUCKER: No.

22 MS. SHEMWELL: Make that funny face.

23 JUDGE DIPPELL: Okay. There won't be any
24 cross-examination questions for Mr. Riley. And
25 that will be the end of the witnesses that you all

1 need to put on today, right?

2 MS. SHEMWELL: Yes. We still have a few
3 exhibits that we need to get.

4 MS. MERS: Yes.

5 JUDGE DIPPELL: I desperately need to take
6 a break and try to find my voice. So let's come
7 back in about ten minutes, 3:25, and try to finish
8 up our housekeeping details. Thank you. Let's go
9 off the record.

10 (Break in proceedings.)

11 JUDGE DIPPELL: Okay. We're back on the
12 record after our break. I'm going to try to get --
13 get through this. I seem to have a little cold
14 coming on.

15 Okay. So we need to -- shall we just
16 begin with Public Counsel? Your witnesses'
17 exhibits were already in; is that correct?

18 MS. SHEMWELL: That's correct. That's
19 correct.

20 JUDGE DIPPELL: Okay. Then with regard to
21 Spire, you had some more exhibits that you needed
22 to offer?

23 MR. ZUCKER: Yes. We had true-up direct
24 and rebut and -- and one rebuttal. I think they
25 were numbers like 66, 67, 68, 69. Does that sound

1 right, Court Reporter?

2 THE COURT REPORTER: (Court Reporter nods
3 head.)

4 MR. ZUCKER: You can't -- you have to say
5 it out loud. You cannot type.

6 JUDGE DIPPELL: So was that Mr. Buck,
7 Mr. Feldman and Mr. Knoack?

8 MR. ZUCKER: Yes.

9 JUDGE DIPPELL: And then there was one
10 more --

11 MS. SHEMWELL: Knoack.

12 MR. ZUCKER: Knoack direct and rebuttal.

13 JUDGE DIPPELL: Okay. So just to
14 complicate matters more, we had already numbered
15 those.

16 MR. ZUCKER: Oh, sorry.

17 JUDGE DIPPELL: Even though they weren't
18 admitted earlier.

19 MR. ZUCKER: Oh, sorry. That was so long
20 ago.

21 JUDGE DIPPELL: Yeah.

22 MS. SHEMWELL: It was.

23 JUDGE DIPPELL: But the court reporter has
24 now numbered the actual physical things here. So
25 just to keep it straight, I'm going to go with what

1 you guys did on the physical exhibits so we don't
2 have to change that. So if anyone has a copy of
3 Spire's exhibit list, ignore that with regard to
4 the true-up testimony.

5 MR. ZUCKER: Sorry, Judge.

6 JUDGE DIPPELL: So can you tell us,
7 Mr. Zucker, which one is number -- which way?

8 MR. ZUCKER: I should be able to. 66 was
9 the true-up direct of Glenn Buck.

10 JUDGE DIPPELL: Okay.

11 MR. ZUCKER: 67 is the true-up direct of
12 Carrie Feldman.

13 JUDGE DIPPELL: Okay.

14 MR. ZUCKER: 68 is the true-up up direct
15 of Michael Knoack.

16 JUDGE DIPPELL: Okay.

17 MR. ZUCKER: And 69 is the true-up
18 rebuttal of Michael Knoack. You know what?
19 There's one more. There's the true-up rebuttal of
20 Eric Lobser, and I have that marked as 65.

21 JUDGE DIPPELL: We -- we already entered
22 that one.

23 MR. ZUCKER: Oh.

24 JUDGE DIPPELL: We did that one when he
25 was on the stand earlier.

1 MR. ZUCKER: Okay. Good.

2 MS. SHEMWELL: So 66 was who?

3 MR. ZUCKER: 66 --

4 MS. PAYNE: Was Buck direct.

5 MS. SHEMWELL: And then Feldman?

6 MR. ZUCKER: And Feldman was 67, and
7 Knoack 68 and 69.

8 MS. SHEMWELL: Okay.

9 JUDGE DIPPELL: And are you offering those
10 at this time, Mr. Zucker?

11 MR. ZUCKER: I certainly am.

12 JUDGE DIPPELL: Would there be any
13 objections to Exhibit 66, 67, 68 and 69 as we
14 previously listed them?

15 MS. PAYNE: No.

16 JUDGE DIPPELL: Seeing no objection, I
17 will enter those into the record.

18 (Exhibits 66, 67, 68 and 69 were offered
19 and admitted into evidence.)

20 MR. ZUCKER: Thank you, your Honor.

21 JUDGE DIPPELL: Okay. And then did Staff
22 have any additional exhibits that needed to be --
23 yes? You had one.

24 MS. PAYNE: Yes. I'm not sure that
25 anybody offered Exhibit 295, which is the true-up

1 testimony of Amanda McMellan.

2 JUDGE DIPPELL: Let me make sure that's
3 also the number I have. Yes. That's the number I
4 had. Would there be any objection to Exhibit 295,
5 the true-up testimony of Amanda McMellan?

6 MR. PENDERGAST: No.

7 MR. ZUCKER: No.

8 JUDGE DIPPELL: Seeing none, then I will
9 admit that.

10 (Exhibit 295 was offered and admitted into
11 evidence.)

12 JUDGE DIPPELL: And then Office of Public
13 Counsel, did you have any additional exhibits?

14 MS. SHEMWELL: Robinett is in, I believe,
15 No. 438. I'd offer --

16 JUDGE DIPPELL: No. 438 is -- has been
17 admitted.

18 MS. SHEMWELL: Yes. I don't -- I don't
19 think we have any additional.

20 JUDGE DIPPELL: All right, then. So those
21 last two issues that were on the issues list for
22 today, the Forest Park depreciation reserve and the
23 tariff issue for the weatherization, those are now
24 submitted based on the filings, right?

25 MR. ZUCKER: Yes.

1 MR. PENDERGAST: Yes.

2 MS. PAYNE: Correct.

3 JUDGE DIPPELL: Okay. Okay. I did have
4 the briefing schedule pulled up here. But I forget
5 what it is. But it's short. I mean, the 8th and
6 the 17th. Correct?

7 MS. PAYNE: Correct.

8 JUDGE DIPPELL: It's short for a reason.
9 The Commission doesn't have a lot of time to make
10 this decision, so proceed with that. We will be
11 getting the transcript -- I think it's still on a
12 two-day turnaround.

13 MS. SHEMWELL: Judge, I heard from Staff
14 that EFIS is going to be down on Sunday.

15 JUDGE DIPPELL: Okay. Is that an issue
16 for brief preparation or --

17 MS. SHEMWELL: Yes, potentially.

18 MS. PAYNE: Judge, if you would like, I am
19 in possession now of an e-mail from our IT
20 Department that gives an overview of what will be
21 done when. If you would like me to forward that to
22 you and perhaps you can send it out on the parties?

23 JUDGE DIPPELL: That might be helpful. So
24 you're saying you're not going to be able to
25 prepare your brief if EFIS is down on Sunday?

1 MS. SHEMWELL: I don't know. I'm
2 concerned that we would be checking cites,
3 certainly, on Sunday. I'm pretty sure we'll all be
4 working on Sunday. That was my concern.

5 MR. ZUCKER: You know, that's a reasonable
6 concern. I -- I agree with everything Ms.
7 Shemwell said.

8 MS. SHEMWELL: Wait. Strike by lightning.

9 MR. PENDERGAST: Off the record.

10 MR. ZUCKER: Everything she said in the
11 last sentence.

12 JUDGE DIPPELL: Do your best. As I said,
13 in December, I am not inclined to extend the
14 briefing deadlines. So do your best and let me
15 know Monday morning. But make your excuses good.

16 MAN IN AUDIENCE: I guess the dog ate it
17 probably doesn't do any good, huh?

18 JUDGE DIPPELL: Yes. The dog ate it will
19 not work in this instance. Okay. Enough said
20 about that. So I also asked Spire, then, to tell
21 me which parts of Exhibit 287 are actually
22 confidential, and I would like you to do that by
23 Friday.

24 MR. ZUCKER: Okay.

25 MS. PAYNE: And then, Judge, they also

1 will need to respond by Friday to 284, the
2 inclining block rate design exhibit that Staff
3 presented.

4 JUDGE DIPPELL: Exactly. And if you could
5 -- well, just get that to me by 5:00 on Friday.

6 MR. ZUCKER: Okay.

7 JUDGE DIPPELL: And those things coming in
8 and the transcript coming in late make me -- may
9 make me more lenient Monday morning. But not very.
10 Is there anything else that we need to wrap up
11 before we conclude this?

12 MS. SHEMWELL: I don't have anything.
13 Thank you.

14 JUDGE DIPPELL: Okay.

15 MS. PAYNE: Staff rests.

16 JUDGE DIPPELL: Then thank you all very
17 much for your cooperation. I look forward to
18 reading your briefs.

19 MR. ZUCKER: Thank you, your Honor.

20 MS. SHEMWELL: Thank you.

21 JUDGE DIPPELL: We can go off the record.

22 (The proceedings were concluded at p.m. on
23 January 3, 2018.)

24

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15	Service Commission.)			
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