

Exhibit No.:	_____
Issue(s):	Telemetric Equipment Replacement Costs/ “Budget” Infrastructure Costs
Witness/Type of Exhibit:	Roth/Direct
Sponsoring Party:	Public Counsel
Case No.:	GO-2015-0178

DIRECT TESTIMONY

OF

KERI ROTH

Submitted on Behalf of the Office of the Public Counsel

LACLEDE GAS COMPANY

CASE NO. GO-2015-0178

April 9, 2015

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KERI ROTH

LACLEDE GAS COMPANY

CASE NO. GO-2015-0178

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1 A. I graduated in May 2011, from Lincoln University, in Jefferson City, Missouri, with a
2 Bachelor of Science Degree in Accounting.

3
4 Q. HAVE YOU RECEIVED SPECIALIZED TRAINING RELATED TO PUBLIC
5 UTILITY ACCOUNTING?

6 A. Yes. In addition to being employed by the Missouri Office of the Public Counsel since
7 September 2012, I have also attended the NARUC Utility Rate School held by Michigan
8 State University.

9
10 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE MISSOURI
11 PUBLIC SERVICE COMMISSION (“COMMISSION” or “MPSC”)?

12 A. Yes. Please refer to Schedule KNR-1, attached to this testimony, for a listing of cases in
13 which I have submitted testimony.

14
15 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

16 A. The purpose of my direct testimony is to provide the Commission with facts relevant to
17 Laclede Gas Company’s (“Laclede”) petition to change its Infrastructure System
18 Replacement Surcharge (“ISRS”).

19
20 Q. WHY DID PUBLIC COUNSEL REQUEST AN EVIDENTIARY HEARING?

1 A. As stated in Public Counsel’s motion for an evidentiary hearing, filed with the
2 Commission, the following legal arguments have been raised by OPC Counsel: (1) “It is
3 Public Counsel’s understanding that this telemetric equipment is not being replaced
4 because it is worn out or in deteriorated condition as required by §393.1009(5)(a) RSMo
5 for infrastructure replacements eligible under the ISRS;” (2) “It is also the understanding
6 of Public Counsel that Laclede’s ISRS filing includes “budget” amounts, which act as
7 placeholders for infrastructure costs to be incurred *after* Laclede files its application.
8 Allowing the ISRS to include costs incurred after the application is unlawful under the
9 ISRS statutes, which require schedules and supporting documentation to be filed with
10 the application.”

11
12 **II. TELEMETRIC EQUIPMENT REPLACEMENT COSTS**

13 Q. PLEASE STATE THE ISRS REQUIREMENT IN RSMo §393.1009(5)(a).

14 A. RSMo §393.1009(5) explains what “Gas utility plant projects” qualify as eligible
15 replacements. RSMo §393.1009(5)(a) states:

16
17 (a) Mains, valves, service lines, regulator stations, vaults, and
18 other pipeline system components installed to comply with state or
19 federal safety requirements as replacements for existing facilities
20 that have worn out or are in deteriorated condition;

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22 Emphasis added by Public Counsel.
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Q. PLEASE DESCRIBE THE COSTS OF THE TWO REPLACEMENTS DISPUTED BY PUBLIC COUNSEL.

A. As shown in Appendix A, attached to Laclede’s filed application, page 38, listed under Regulator Stations – Additions, there are two items related to telemetric equipment in which Public Counsel disputes the costs. The first item is work order #604180, described as “Upgrade Instrumentation,” with a cost of \$205,916.37. The second item is work order #604190, described as “Repl Bristol Netwrk RTU’s,” with a cost of \$133,284.56.

Q. HAS PUBLIC COUNSEL BEEN PROVIDED WITH COPIES OF THE WORK ORDERS DESCRIBED ABOVE?

A. Yes. Public Counsel requested copies of the work orders in Public Counsel Data Request #2. Please see attached Schedule KNR-2.

Q. WHAT IS THE BASIS FOR PUBLIC COUNSEL’S UNDERSTANDING OF WHY LACLEDE REPLACED THE TELEMETRIC EQUIPMENT?

A. Public Counsel data request #1 asked Laclede to provide a list of all components that were defective, how they were defective, and the cost to replace the components. As

1 shown in Schedule KNR-3, Laclede provided the following response to Public Counsel's
2 data request:
3

4 We do not have a list of defective components. However, the
5 components replaced were old, worn and obsolete. This
6 replacement was not an upgrade in the sense that you might
7 upgrade your 14 inch computer monitor to a 19 inch monitor.
8 Rather, the replacement was necessary because the replaced
9 equipment was no longer being supported by the manufacturer,
10 meaning replacement parts and technical assistance were not
11 available.
12
13

14 **III. "BUDGET" INFRASTRUCTURE COSTS**

15 Q. PUBLIC COUNSEL DATA REQUEST #5 ASKS LACLEDE TO EXPLAIN THE
16 LINE ITEMS, WITH A DESCRIPTION DETAILED AS "BUDGET," SHOWN IN
17 THE SUPPORTING DOCUMENTATION ATTACHED TO LACLEDE'S ISRS
18 APPLICATION. PLEASE DESCRIBE LACLEDE'S RESPONSE TO PUBLIC
19 COUNSEL DATA REQUEST #5.

20 A. As shown in Schedule KNR-4, Laclede explains that the "budget" items listed in the
21 spreadsheet, attached as supporting documentation to the application, are capital
22 expenditures to be "closed" in January and February 2015. Laclede updated the
23 "budget" amounts with actual amounts once the amounts were known. Actual amounts
24 were not known until after Laclede filed its ISRS application.

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Q. WHAT IS THE TOTAL ISRS ELIGIBLE ADDITIONS LACLEDE STATES IN ITS INITIAL APPLICATION FILING?

A. Laclede calculates ISRS plant to total \$39,665,391.55.

Q. WHAT IS THE TOTAL ISRS ELIGIBLE PLANT ADDITIONS LACLEDE STATES IN ITS SUPPLEMENTAL WORKPAPERS PROVIDED ON MARCH 12, 2015?

A. Laclede calculates ISRS plant to total \$42,967,845.91.

Q. IS THE ACTUAL INFRASTRUCTURE COSTS INCURRED HIGHER THAN THE “BUDGET” AMOUNTS LACLEDE INCLUDED IN ITS INITIAL APPLICATION?

A. Yes. The actual infrastructure costs incurred is \$3,302,455 higher than the “budget” amounts Laclede included in its initial filing.

Q. WHAT IS THE AMOUNT OF ISRS INCURRED AFTER THE APPLICATION FILING DATE, JANUARY 30, 2015?

A. The amount if ISRS incurred after the application filing date, January 30, 2015, is approximately \$8,161,018.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

Direct Testimony of Keri Roth
Case No. GO-2015-0178

1 || A. Yes, it does.

**CASE PARTICIPATION
OF
KERI ROTH**

<u>Company Name</u>	<u>Case No.</u>
Empire District Electric Company	ER-2012-0345
Emerald Pointe Utility Company	SR-2013-0016
Lake Region Water & Sewer Company	WR-2013-0461
Summit Natural Gas of Missouri, Inc.	GR-2014-0086
Hickory Hills Water & Sewer Company, Inc.	WR-2014-0167/SR-2014-0166
Empire District Electric Company	ER-2014-0351

PUBLIC COUNSEL DATA REQUEST NUMBER 2

LACLEDE GAS COMPANY
CASE NO.: GO-2015-0178

REQUESTED BY: Marc Poston
REQUESTED FROM: Rick Zucker
DATE OF REQUEST: MARCH 3, 2015

Information Requested:

Please provide all work orders and all other documentation and correspondence, including electronic correspondence and documentation, regarding the costs included in this ISRS request that were incurred replacing telemetric equipment.

Response:

See attached.

F-117 WORK ORDER AUTHORIZATION - CAPITAL
 LACLEDE GAS COMPANY
 REV 08/10
 DESIGNER WORK REQUEST ID _____ CONSTRUCTION W.O. NO. 60418
 SERVICE HUB PROJECT ID _____ RETIREMENT W.O. NO. 55729
 Laclede DIVISION
 PROJECT Upgrade Instrumentation for TM Station SERVICE TRANSFER W.O. NO. _____
 TRACKING NO. _____ ADDITION PLANT ACCOUNT 378 ITS/FAC. MGMT. REVIEW _____
 DATE 12/08/11 RETIREMENT PLANT ACCOUNT 378.00 DATE APPROVED 12-20-11

DESCRIPTION AND NECESSITY

Upgrade telemetric equipment at TM station to replace defective equipment and older technology

Many of the existing telemetric stations that are in the SCADA system require continuous monitoring of the equipment and must stay current with System Control's systems. For System Control to properly manage and operate the distribution system, electronic monitoring and control are a must. Older equipment is required to be updated to keep up with the current changes in the industry and to be able to work properly with Laclede's SCADA network.

DEPARTMENT CODE 525

RELATED WORK ORDER (TRACKING) NUMBERS ESTIMATED C&M MANDAYS
 ADDITION: RETIREMENT:

SUMMARY OF ESTIMATED CAPITAL EXPENDITURES IN DOLLARS (Good for 30 days)

1	2	3	4	5	6	7	8	9	NEW CAPITAL TOTAL
CONTRACT LABOR	MANAGEMENT LABOR	MECHANICAL EQUIPMENT	MATERIAL STORES	MATERIAL PURCHASED	CONTRACTED WORK	DEPARTMENT CLEARINGS	TAXES	OVERHEAD & INTEREST	
19,916	10,966	2,026	7,130	34,355	15,000	32,707	3,304	66,573	191,977

RETIREMENT SUMMARY

1	2	3	4	5	6	7	8	9	REMOVAL COST TOTAL
CONTRACT LABOR	MANAGEMENT LABOR	MECHANICAL EQUIPMENT	MATERIAL STORES	MATERIAL PURCHASED	CONTRACTED WORK	DEPARTMENT CLEARINGS	TAXES	OVERHEAD	
									0

ITEM	CL.	UNIT	LOCATION	PROPERTY VALUE	REMOVAL COST	SALVAGE VALUE
TOTALS				\$0	\$0	\$0

RIGHTS OF WAY REQUIRED GRID NET CHARGE TO DEPRECIATION RESERVE: \$0

MUNICIPALITY: Various Various PERMITS EASEMENTS OTHER

OVER 30 DAYS YES NO
 OVERHEAD % 57 BUDGET PROJECT NO. 36SI TAX CODE ASSET MANAGEMENT APPROVED 12/19/11 UNCOMMITTED BUDGET PROJECT BALANCE 191,900

MANAGEMENT AUTHORIZATION & APPROVAL (See Appendix A to Procedure 35-02)

Authorized: [Signature] Date: 12-14-2011 Approved: [Signature] Date: 12-16-11

Am 12/15/11

F-117

WORK ORDER AUTHORIZATION - CAPITAL

REV 08/10

LACLEDE GAS COMPANY

DESIGNER WORK REQUEST ID _____

CONSTRUCTION W.O. NO. 60419

SERVICE HUB PROJECT ID _____

RETIREMENT W.O. NO. 55730

DIVISION _____

SERVICE TRANSFER W.O. NO. _____

PROJECT Phase II of V to Replace Bristol Network 3000 RTU's

ITS/FAC. MGMT. REVIEW _____

TRACKING NO. _____ ADDITION PLANT ACCOUNT 378 & 379.10

DATE 12/09/11 RETIREMENT PLANT ACCOUNT 378.10 & 379.10

DATE APPROVED 12-20-11

DESCRIPTION AND NECESSITY

Replace six Series 3300 Bristol RTU's that are part of a five year plan to upgrade the telemetric equipment. The existing RTU's are obsolete and parts are no longer available.

The existing 3300 series RTU's are no longer available from the manufacturer. Parts and service are no longer being supported by the manufacturer and service support is being redirected to the product lines. The RTU's are vital to the SCADA network and are essential for Laclede's operation of the distribution system.

DEPARTMENT CODE 525

RELATED WORK ORDER (TRACKING) NUMBERS

ADDITION: ESTIMATED C&M MANDAYS
RETIREMENT:

SUMMARY OF ESTIMATED CAPITAL EXPENDITURES IN DOLLARS (Good for 30 days)

1	2	3	4	5	6	7	8	9	NEW
CONTRACT	MANAGEMENT	MECHANICAL	MATERIAL	MATERIAL	CONTRACTED	DEPARTMENT	TAXES	OVERHEAD &	CAPITAL
LABOR	LABOR	EQUIPMENT	STORES	PURCHASED	WORK	CLEARINGS		INTEREST	TOTAL
12,386	15,309	1,290	5,700	34,199	0	27,337	2,902	42,475	141,598

RETIREMENT SUMMARY

1	2	3	4	5	6	7	8	9	REMOVAL
CONTRACT	MANAGEMENT	MECHANICAL	MATERIAL	MATERIAL	CONTRACTED	DEPARTMENT	TAXES	OVERHEAD	COST
LABOR	LABOR	EQUIPMENT	STORES	PURCHASED	WORK	CLEARINGS			TOTAL
									0

ITEM	CL.	UNIT	LOCATION	PROPERTY VALUE	REMOVAL COST	SALVAGE VALUE
Retirement will be based on the greatest need from the field locations. Those locations are still being evaluated.						
TOTALS				\$0	\$0	\$0

RIGHTS OF WAY REQUIRED: GRID _____ NET CHARGE TO DEPRECIATION RESERVE: \$0

MUNICIPALITY: Various Various PERMITS EASEMENTS OTHER

OVER 30 DAYS YES <input checked="" type="checkbox"/>	OVERHEAD % <u>46</u>	BUDGET PROJECT NO. <u>52TO</u>	TAX CODE _____	ASSET MANAGEMENT APPROVED <u>[Signature]</u>	UNCOMMITTED BUDGET PROJECT BALANCE <u>141,600</u>
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MANAGEMENT AUTHORIZATION & APPROVAL (See Appendix A to Procedure 35-02)

Authorized: [Signature] Date: 12-14-2011
 Approved: [Signature] Date: 12-16-11

John 12/16/11

PUBLIC COUNSEL DATA REQUEST NUMBER 1

LACLEDE GAS COMPANY
CASE NO.: GO-2015-0178

REQUESTED BY: Marc Poston
REQUESTED FROM: Rick Zucker
DATE OF REQUEST: MARCH 3, 2015

Information Requested:

For each expense included in this ISRS request that includes costs incurred replacing telemetric equipment, please provide:

- (1) an explanation of this equipment and its purpose;
- (2) a list of all components that were defective, how they were defective, and the cost to replace those components;
- (3) a list of all components that were "older technology" and the cost to upgrade those components; and
- (4) the legal authority for including in ISRS the costs incurred upgrading "older technology" that is not worn or deteriorated.

Response:

See responses to OPC Data Request Nos. 5 and 6 in Case No. GO-2014-0212. For your convenience, a copy of those responses is attached hereto.

**OFFICE OF THE PUBLIC COUNSEL
DATA REQUEST**

**LACLEDE GAS COMPANY
CASE NO. GO-2014-0212**

Requested From: Rick Zucker
Requested By: Marc Poston
Date Requested: March 19, 2014

Information Requested: Construction Work Order 60418 appears to be an upgrade to telemetric equipment to replace “defective equipment and older technology.” Please provide: (1) an explanation of this equipment and its purpose; (2) a list of all components that were defective, how they were defective, and the cost to replace those components; (3) a list of all components that were “older technology” and the cost to upgrade those components; and (4) the legal authority for including in ISRS the costs incurred upgrading “older technology” that is not worn or deteriorated.

Response Provided:

1. This equipment is used to help ensure safe operation of the pipeline distribution system by remotely controlling (through telemetry) strategic pressure, regulating and odorization facilities throughout the system.
2. We do not have a list of defective components. However, the components replaced were old, worn and obsolete. This replacement was not an upgrade in the sense that you might upgrade your 14 inch computer monitor to a 19 inch monitor. Rather, the replacement was necessary because the replaced equipment was no longer being supported by the manufacturer, meaning replacement parts and technical assistance were not available.
3. The list of replacement equipment at telemetric sites is below:

Quantity	Description
2	TZID-C positioners for Spencer
2	Mounting Kits for Spencer
1	8 slot Bristol cabinet for Spencer
1	Power supply for Bristol CW for Spencer
1	150 Mhz CPU process with 2 -RS232, 1-RS485, and 1-Ethernet for Spencer
1	25 Button Key pad with cable for Spencer
1	Analog input card, 8 IO for Spencer

- 1 N300 controller for the Njex System at Patterson
- 1 N200 controller for the Njex System at Barnhart
- 1 YZ Njex odorant injection system, 6200 Series for Barnhart
- 2 Pressure transmitters, 3051T, 0-1200, LCD display for Spencer

The cost to replace the components was \$205,479

- 4. See response to No. 2 above. The new pipeline system components were installed to replace facilities that were old, worn and obsolete.

Prepared By: Robert Noelker

OFFICE OF THE PUBLIC COUNSEL

DATA REQUEST

**LACLEDE GAS COMPANY
CASE NO. GO-2014-0212**

Requested From: Rick Zucker
Requested By: Marc Poston
Date Requested: March 19, 2014

Information Requested: Construction Work Order 60419 appears to be an upgrade to telemetric equipment to replace equipment that is "obsolete." Please provide: (1) an explanation of this equipment and its purpose; and (2) the legal authority for including in ISRS the costs incurred upgrading equipment that is obsolete but does not appear to be worn or deteriorated.

Response Provided:

See response to DR 5. This equipment consists of remote terminal units used in the SCADA system.

Prepared By: Robert Noelker

Laclede Gas Company
GO-2015-0178

Response to OPC Data Request 0005

Please explain the line items shown on the spreadsheets attached to Laclede's application in this case where the "Description" of the item is described as "Budget." Please explain the purpose of these line items and whether Laclede is proposing to include these budget amounts in the ISRS. If Laclede seeks to include these Budget amounts in the ISRS, please explain in detail the legal basis for including the costs described as "Budget" or "Budger" in the ISRS. To the extent these refer to costs incurred after Laclede filed its application, please provide the authority by which these additional amounts can lawfully be considered in the present application.

Response:

These were estimates of capital expenditures to be "closed" to plant in service in the months of January and February 2015 which were subsequently updated with actual amounts "closed" when available. These estimates were provided as placeholders in the ISRS process much the way estimates are include in the initial filing in rate cases and subsequently updated or even "trued-up" with actuals during the pendency of the proceeding.

The update of ISRS plant to reflect two months of additional ISRS investments is part and parcel of a corresponding practice of also updating ISRS plant to reduce ISRS revenues by reflecting an additional three and a half to four months of accumulated depreciation expense and deferred tax liability. The inclusion of estimates as updated for by actual expenditures has been in practice for years in rate case proceeding and was first started in a Laclede ISRS proceeding in GO-2009-0221. Such precedent has been approved by the Commission in every Laclede Report and Order issued since that time including: GO-2009-0221, GO-2009-0389, GO-2010-0212, GO-2011-0058, GO-2011-0361, GO-2012-0145, GO-2012-0356, GO-2013-0352, GO-2014-0212, GR-2015-0026, each of which the Office of Public Counsel has had an opportunity to participate in. Further, both the Commission Staff and the Company have clearly identified in formal submissions the use of this practice in these prior ISRS filings.

Upon discussion with counsel, such a process is entirely consistent with the use of budgeted and updated costs in rate cases that has been practiced in this state for decades without explicit statutory authority. In fact, there is nothing in the language of the ISRS statute or rules that precludes such a practice. Finally, the practice of using budgeted and updated cost information in this and other ISRS cases has in no way prejudiced OPC's ability to review and make recommendations given the timing of the update and when OPC customarily begins its review.

Signed by: Glenn Buck