

Exhibit No.:

Issue(s):

Rate Base/
Depreciation

Witness/Type of Exhibit: Robinett/True-Up Rebuttal

Sponsoring Party:

Public Counsel

Case No.:

GR-2017-0215

GR-2017-0216

TRUE-UP REBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

**LACLEDE GAS COMPANY
MISSOURI GAS ENERGY**

CASE NO. GR-2017-0215

CASE NO. GR-2017-0216

December 20, 2017

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

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


In the Matter of Laclede Gas Company)
d/b/a Missouri Gas Energy's Request to) Case No. GR-2017-0216
Increase Its Revenues for Gas Service)

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my true-up rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


 John A. Robinett
 Utility Engineering Specialist

Subscribed and sworn to me this 20th day of December 2017.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037


 Jerene A. Buckman
 Notary Public

My Commission expires August 23, 2021.

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**TRUE-UP REBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
LACLEDE GAS COMPANY
MISSOURI GAS ENERGY**

CASE NO. GR-2017-0215 and GR-2017-0216

1 **Q. Please state your name and business address.**

2 A. John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.

3 **Q. By whom are you employed and in what capacity?**

4 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Utility Engineering
5 Specialist.

6 **Q. Are you the same John A. Robinett that filed direct, rebuttal, surrebuttal, and live**
7 **testimony on behalf of the OPC in this proceeding?**

8 A. Yes.

9 **Q. What is the purpose of your true- up rebuttal testimony?**

10 A. The purpose this testimony is to address Staff’s true-up direct testimony recommendations
11 related to the Automated Meter Reading (AMR) Meter Interface Units (MIUs). In addition
12 I will address the proposed depreciation reserve for Laclede as reflected in Laclede witness
13 Michael R. Noack’s true-up direct testimony.

14 **Staff’s AMR MIUs Recommendation**

15 **Q. What is Staff’s recommendations related to AMR MIUs?**

16 A. Staff Witness Keenan B. Patterson in his true-up direct testimony recommends an
17 amortization period of 7.5 years and the creation of Account No. 397.2.

18 **Q. Does OPC agree with Staff’s Witness Patterson’s recommendations?**

19 A. In part, OPC supports Staff’s recommendation. OPC supports the reflection of a new plant
20 sub-account for the AMR MIUs in account 397.2 - AMR Devices. However, OPC
21 recommends a five percent depreciation rate be applied to the assets in this account to reflect
22 the estimated average service life of these assets. The average service of these assets are based

1 on the 20 year battery life as Laclede described in response to OPC Data Request No. 8563
2 (attached as Schedule JAR-TUR-1). Depreciation accounting is fundamentally a process of
3 allocating in a systematic and rational manner the value of a depreciable asset over its life.¹

4 **Q. If the Commission determines that Staff’s Recommended 7.5 year remaining life of the**
5 **AMR MIUs is the appropriate period to recover the AMR MIU plant asset, what is**
6 **OPC’s recommendation?**

7 A. OPC requests that the Commission order a depreciation rate of 13.33 percent (7.5 years and
8 zero net salvage) for Account 397.2. These AMR MIU devices are tangible hard plant assets
9 that are depreciated and not amortized. Amortizations are usually reserved for soft or
10 intangible assets such as computer software and regulatory assets.

11 **Q. Does Staff witness Lisa M. Ferguson have additional items related to AMR MIUs**
12 **discussed in her true-up direct testimony?**

13 A. Yes.

14 **Q. What are OPC’s thoughts on Staff witness Ferguson’s recommendations related to**
15 **AMR MIUs?**

16 A. OPC supports Ms. Ferguson’s recommendation to remove \$694,256 of estimated
17 maintenance costs for the AMR MIUs due to the amended contract containing maintenance
18 and installation costs. Additionally OPC supports Staff’s recommendation to remove
19 \$415,605 of estimated property tax as Laclede will not be assessed for those assets until at
20 least January 2018 and will not pay tax for the AMR MIUs until at least December 31,
21 2018.

22 **Q. Is OPC supportive of Staff’s recommendation for a cost-benefit study related to the**
23 **decision of future Advanced Metering Infrastructure (AMI) investments?**

¹ National Association of Regulatory Utility Commissioners (“NARUC”), Public Utility Depreciation Practices (Washington, DC: NARUC, 1996), p. 11.

1 A. Yes. OPC agrees with Staff that Laclede should provide to Staff and OPC for review a cost
2 benefit study of leasing/ownership of future AMI investment. OPC also requests this study
3 for any future plans for the MGE division as well.

4 **Forest Park Depreciation Reserve Loss**

5 **Q. Is Laclede proposing to true-up the amount of its depreciation reserve reflected as an**
6 **offset (decrease) to its proposed September 30, 2017 rate base?**

7 A. Yes. In his October 27, 2017 True-Up Direct Testimony, Laclede witness Noack provided
8 the list of items Laclede is proposing to include in its true-up revenue requirement. The
9 list is on page 1 line 15 of Mr. Noack's True-Up Direct testimony and Mr. Noack
10 specifically lists depreciation reserve as a true-up item at page 2 line 14 of his testimony.
11 The proposed adjustments and amount of Laclede's depreciation reserve are found in
12 Schedule D attached to the True-Up Direct testimony. This Schedule D is labeled
13 December, 31, 2016, but OPC believes this is an error and, instead, it should be dated
14 September 30, 2017.

15 **Q. Does the amount of depreciation reserve Mr. Noack suggests reflect the effect of**
16 **Laclede's "mass asset" accounting for the retirement of the Forest Park Service**
17 **Center prior to the Company's use of Gain or Loss accounting?**

18 A. Yes. The impact of Laclede's early retirement of the Forest Park buildings resulted in an
19 increase to Laclede's rate base of \$1.77 million. In effect, Laclede is recording a loss of
20 \$1.77 million on its books for the sale of the Forest Park building through the use of what
21 is referred to as "mass asset" accounting. By using mass asset accounting, Laclede seeks
22 to recover the \$1.77 million loss from ratepayers by removing more from the depreciation
23 reserve than was actually accrued to that account. After Laclede removed the original cost
24 of the Forest Park building and reserve from its books, it then applied the use of "Gain and
25 Loss" accounting and recorded a gain of \$7.8 million on the sale of the Forest Park
26 properties.

1 **Q. What is the definition of Mass Property Group or Account?**

2 A. An account consisting of large numbers of similar units, the life of any one of which is not,
3 in general, dependent upon the life of any other units. For such classes of plant, the
4 retirement of a group of units occurs gradually until the last unit is retired. The retirements
5 and additions to the account occur more or less continually and systematically.²

6 **Q. Should Laclede have used mass asset accounting to remove the original cost of the
7 Forest Park buildings from its books and records?**

8 A. No. It does not apply to this transaction because there are a large number of the district
9 main maintenance shops (three prior to sale) and they are not continually being replaced.

10 **Q. What is “Gain and Loss” accounting?**

11 A. This is the accounting method required by the Federal Energy Regulatory Commission
12 (“FERC”) Uniform System of Accounts (“USOA”) to reflect the sale of gas plant
13 constituting an operating unit or system, such as the Forest Park Service Center. As noted
14 in the Cost of Service Staff Report of Staff witness Jason Kunst, the FERC USOA for gas
15 utilities proscribes the following treatment for the sale of utility assets that constitutes an
16 operating unit or system:

17 F. When gas plant constituting an operating unit or system is sold,
18 conveyed, or transferred to another by sale, merger, consolidation,
19 or otherwise, the book cost of the property sold or transferred to
20 another shall be credited to the appropriate utility plant accounts,
21 including amounts carried in account 114, Gas Plant Acquisition
22 Adjustments. The amounts (estimated if not known) carried with
23 respect there-to in the accounts for accumulated provision for
24 depreciation, depletion, and amortization and in account 252,
25 Customer Advances for Construction, shall be charged to such
26 accounts and the contra entries made to account 102, Gas Plant
27 Purchased or Sold. Unless otherwise ordered by the Commission,
28 the difference if any, between (a) the net amount of debits and
29 credits and (b) the consideration received for the property (less

² National Association of Regulatory Utility Commissioners (“NARUC”), Public Utility Depreciation Practices (Washington, DC: NARUC, 1996), p. 322

1 commissions and other expenses of making the sale) shall be
2 included in account 421.1, Gain on Disposition of Property, or
3 account 421.2 Loss on Disposition of Property (see account 102,
4 Gas Plant Purchased or Sold).³
5

6 **Q. Should Laclede have used this FERC gain and loss accounting to record the sale of**
7 **the Forest Park properties?**

8 A. Yes, that is my understanding.

9 **Q. If Laclede would have used only the FERC required accounting for this transaction,**
10 **how would this sale be recorded?**

11 A. Laclede should have made the following adjustments to its books and records under the
12 FERC required accounting method described above:
13

Cash	8.3
Buildings Reserve	1.5
Buildings	3.3
Land	.73
Gain on Sale	5.8

14
15
16
17
18
19
20
21 This accounting method would remove only the actual amount charged to the depreciation
22 reserve for the Forest Park building instead of the full original costs. Therefore, if Laclede
23 would have accounting for this transaction correctly, only \$1.5 million would have been
24 removed from the reserve and not the \$3.3 million actually taken out of the reserve. The
25 fact that Laclede recorded this transaction incorrectly and not in accordance with the FERC
26 USOA, its rate base, as reflected in the True-Up Direct testimony of Laclede witness Noack

³ Conservation of Power and Water Resources 18 C.F.R. 1.F.201 (2017)
Gas Plant Instructions 5. *Gas Plant purchased or sold* B. (4) F.
<https://www.ecfr.gov/cgi-bin/text-idx?SID=215229580808294c5b2ba3776c5f9096&mc=true&node=pt18.1.201&rgn=div5>

1 is overstated by \$1.77 million, which is the original cost of \$3.3 million less the amount
2 charged to the reserve of \$1.5 million.

3 **Q. What is OPC's recommendation on this adjustment?**

4 A. OPC requests the Commission order Laclede to increase the accumulated depreciation
5 reserve by the \$1.77 million loss on retirement and require Laclede to account for this
6 transaction correctly in accordance with the FERC USOA as required by Commission rule.

7 **Q. Does this conclude your true-up rebuttal testimony?**

8 A. Yes, it does.

**Laclede Gas Company / Missouri Gas Energy
GR-2017-0215 / GR-2017-0216**

Response to OPC Data Request 8560 - 8565

8560. Please provide the automated- meter-reading-services agreement between Laclede Gas Company and Landis and Gyr dated March 11, 2005.

Please see the attached

8561. What is the actual book value of the AMR devices Laclede Gas Company purchased from Landis and GYR on July 1 2017?

Month Ending : Sep-2017

Depreciation Group	Accum Cost	Allocated Reserve	Net Value
LGC 397.10 Commun Equip AMRs	\$16,624,219.88	\$593,722.14	\$16,030,497.74

8562. Please provide by month and year how many Landis and Gyr AMR devices were placed onto Laclede Gas meters?

Before the July 1 agreement, Laclede paid for the read not the device. So, this was not tracked

8563. Laclede Gas Company is asking to recover the purchase price from its customers over 7 years. Please provide the basis for this depreciation rate request.

Most devices were purchased in 2005, they have about a 20-year life.

8564. What is the expected life (Remaining Life and Average Service Life) of the Landis and Gyr AMR devices that Laclede is purchasing? Please provide the basis for this expectation.

About 7 years

8565. What is the current average age of the AMR devices in Laclede's service territory?

About 12 years