

**Exhibit No:**  
**Issue:** Hydrostatic Testing; Replacements  
of Cast Iron and Bare Steel with  
Incidental Plastic Pipe  
**Witness:** Mark D. Lauber  
**Type of Exhibit:** Rebuttal Testimony  
**Sponsoring Party:** Laclede Gas Company (LAC)  
Missouri Gas Energy (MGE)  
**Case Nos.:** GR-2017-0215  
GR-2017-0216  
**Date Prepared:** October 17, 2017

**LACLEDE GAS COMPANY  
MISSOURI GAS ENERGY**

**GR-2017-0215  
GR-2017-0216**

**REBUTTAL TESTIMONY**

**OF**

**MARK D. LAUBER**

**October 2017**

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**MDL-R1**

**REBUTTAL TESTIMONY OF MARK D. LAUBER**

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**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Mark D. Lauber, and my business address is 700 Market St., St. Louis, Missouri, 63101.

**Q. WHAT IS YOUR PRESENT POSITION?**

A. I am presently employed as Director of Health, Safety and Environmental Compliance for Spire, formerly Laclede Gas Company (“Company”).

**Q. PLEASE STATE HOW LONG YOU HAVE HELD YOUR POSITION AND BRIEFLY DESCRIBE YOUR RESPONSIBILITIES.**

A. I was appointed to my present position in November 2015. In this position, I am responsible for the occupational health and safety of the Company’s employees, the Company’s compliance with environmental laws and regulations, and completing the Company’s environmental objectives.

**B. WHAT WAS YOUR EXPERIENCE WITH THE COMPANY PRIOR TO BECOMING DIRECTOR, HEALTH, SAFETY, AND ENVIRONMENTAL COMPLIANCE?**

A. I joined Laclede in January 1987, as a staff engineer. I was promoted to Engineer I in January 1990, Engineer II in January 1992, Assistant to the District Superintendent, Construction & Maintenance in May 1993, Senior Maintenance Engineer in January 1997, and Superintendent of Maintenance Engineering in January 1999. I was appointed Manager of Pipeline Safety Compliance in April 2013 with responsibility for pipeline safety at both Laclede Gas (LAC) and MGE following Laclede’s acquisition of MGE.

**Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

1 A. I received a Bachelor of Science degree in Electrical Engineering from the University of  
2 Missouri at Rolla in December 1986. Since January 1997, I have been certified as a  
3 International Cathodic Protection Specialist by the National Association of Corrosion  
4 Engineers (NACE).

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

6 A. Yes. I submitted testimony in Case No. GC-2006-0318, as well as Case Nos. GO-2016-  
7 0332 and GO-2016-0333.

8 **I. PURPOSE OF TESTIMONY**

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. The purpose of my rebuttal testimony is to respond to portions of the direct testimony filed  
11 on behalf of the Office of the Public Counsel (“OPC”) by Charles R. Hyneman.  
12 Specifically, I will address two issues. The first concerns Mr. Hyneman’s assertion that  
13 project expenditures made to hydrostatically test, or hydro-test, certain pipeline facilities  
14 should be expensed rather than capitalized. I will explain why this assertion is incorrect in  
15 that it fails to recognize that such testing is a vital and essential component of allowing the  
16 asset to be in service and function in its intended manner and is inconsistent with the  
17 capitalization of other testing expenditures that are made to ensure facilities can be placed  
18 in service and made operational in a safe manner.

19 **Q. IS ANY OTHER WITNESS SUBMITTING TESTIMONY ON THIS ISSUE?**

20 A. Company witness Michael Noack is also submitting rebuttal testimony on this issue in  
21 which he explains why capitalization is a preferred accounting treatment for this item and  
22 why adoption of OPC’s recommended approach would result in a higher revenue  
23 requirement for customers in this case.

1 **Q. WHAT IS THE SECOND ISSUE YOU WILL BE ADDRESSING?**

2 A. The second issue relates to Mr. Hyneman’s assertion that that the Commission should  
3 disallow certain costs previously collected by the Company through its ISRS mechanism  
4 because the Company replaced cast iron main that contained incidental patches of plastic,  
5 and replaced some plastic service lines as part of its cast iron replacement program. As I  
6 will discuss, Mr. Hyneman’s proposed disallowance – which he makes no effort to quantify  
7 in his direct testimony – should be rejected by the Commission because it is based on a  
8 demonstrably false premise. Specifically, I will explain why Mr. Hyneman is simply  
9 incorrect when he asserts that the Company has spent “million and millions of dollars” to  
10 replace such plastic pipe. In fact, by replacing this incidental pipe as part of its cast iron  
11 program, the Company has actually saved its customers millions and millions of dollars  
12 and, in the process, constructed a far safer and more reliable system than would have been  
13 the case had it not done so. As a result, there is absolutely no basis for OPC’s proposed  
14 adjustment.

15 **II. TREATMENT OF HYDROSTATIC TESTING COSTS**

16 **Q. PLEASE EXPLAIN WHAT HYDROSTATIC TESTING IS IN THE CONTEXT OF**  
17 **NATURAL GAS PIPELINE FACILITIES.**

18 A. Hydrostatic testing of natural gas pipelines is a pressure test process where a pipeline is  
19 taken out of service and tested for strength and possible leaks by filling the pipeline with  
20 pressurized water. Hydrostatic testing has long been used to determine, verify and improve  
21 pipeline integrity.

22 **Q. WHAT SPECIFIC FLAWS CAN A HYDROSTATIC TEST IDENTIFY?**

1 A. Several types of flaws can be detected through hydrostatic testing, including manufacturing  
2 defects, stress corrosion cracking, galvanic corrosion, internal corrosion, mechanical  
3 damage, and weld defects. One of the key objectives of the test is to find possible flaws  
4 that exist in the pipeline. The test creates a certain amount of stress for a given time to  
5 allow these possible flaws to be exposed as leakages. The test pressure is designed to  
6 provide a sufficient tolerance between itself and the maximum operating pressure such that  
7 surviving flaws in the pipeline shall not grow over time after the pipeline is placed into  
8 service at the intended operating pressure.

9 **Q. DO FEDERAL SAFETY REGULATIONS REQUIRE THAT CERTAIN**  
10 **FACILITIES BE HYDROSTATICALLY-TESTED?**

11 A. Yes, federal pipeline safety regulations require that pipeline operators subject all newly  
12 constructed pipelines to a post construction pressure test, and to keep records of that  
13 pressure test. Hydrostatic testing is the method used by the Company to perform these  
14 tests on natural gas transmission lines, which are typically the larger, highest pressure lines  
15 in the system. The cost of the test is included with the capital cost of constructing the  
16 pipeline. The current federal requirements came into existence in 1970 with the inception  
17 of the federal pipeline safety code. All pipelines installed after July 1970 require a  
18 documented one-time pressure test completed in compliance with regulatory requirements  
19 to establish a **Maximum Allowable Operating Pressure (MAOP)**. Pipelines installed prior  
20 to 1970 must meet either a specific pressure test, operating history, or design requirements  
21 as outlined in 4 CSR 240-40.030(12)(M) [49 CFR part 192.616] to establish an MAOP.  
22 Additionally, pressure testing is one acceptable option to assess certain threats defined by  
23 4 CSR 240-40.030(16), Pipeline Integrity Management for Transmission Lines [49 CFR

1 part 192 Subpart O]. Furthermore, an advisory bulletin issued by DOT's Pipeline  
2 Hazardous Materials Safety Administration (PHMSA) on January 10, 2011, provided  
3 specific regulatory interpretations that placed a renewed focus on locating and verifying  
4 the records of historical pressure tests of transmission pipelines.

5 **Q. WHY DID PHMSA PLACE A RENEWED FOCUS ON HYDROSTATIC TESTING**  
6 **IN JANUARY 2011?**

7 **A.** The renewed focus occurred as a result of the September 2010 explosion in San Bruno,  
8 California resulting from a natural gas transmission pipeline failure. PHMSA sought to  
9 have pipeline operators undertake detailed threat and risk analyses that integrate accurate  
10 data and information from their entire pipeline system, especially when calculating MAOP.  
11 In doing so, PHMSA stated that "PHMSA's goal is to improve the overall integrity of  
12 pipeline systems and reduce risks." The identification and review of hydrostatic pressure  
13 testing records is a key component in ensuring the adequacy of MAOP calculations for  
14 transmission lines. PHMSA's new interpretations stated that traceable, verifiable and  
15 complete records were necessary which led the Company to determine that certain  
16 hydrostatic testing projects were required.

17 **Q. WHAT ARE THE CONSEQUENCES IF HYDROSTATIC TESTING IS NOT**  
18 **DONE ON A PIPELINE FACILITY WHERE IT IS REQUIRED?**

19 **A.** The choice would be for the Company to perform a hydrostatic test or replace the line. The  
20 test is required to determine if the line is safe to operate at its MAOP. If the line passes,  
21 the hydrostatic test successfully extended the life of the line and avoided the cost of  
22 replacement. If the line fails the test and an unacceptable flaw is identified, the Company  
23 can often make an investment during the test to enhance the integrity of the line. However,

1 if the line needs to be replaced, the new line must still be subjected to a one-time post  
2 construction hydrostatic test that also becomes part of the capital cost of the line.

3 **Q. SO THE EXPENDITURE FOR HYDROSTATIC TESTING ALLOWS THE**  
4 **PIPELINE FACILITY TO BE PLACED BACK IN SERVICE AND PERFORM ITS**  
5 **INTENDED FUNCTION?**

6 A. Yes. The completion of a one-time hydrostatic pressure test will allow these pipelines to  
7 continue to be operated and maintained into the future in a similar manner as a newly  
8 constructed pipeline.

9 **Q. HOW IS OPC PROPOSING TO ACCOUNT FOR THESE HYDROSTATING**  
10 **TESTING COSTS?**

11 A. At pages 33-35 of his direct testimony OPC witness Charles Hyneman is proposing that  
12 these costs be treated as an expense item rather than capitalized and recovered over the  
13 remaining life of the facility. He also proposes to disallow certain hydrostatic costs that  
14 the Company capitalized and began to recover in ISRS charges that were approved by the  
15 Commission in filings made prior to when OPC first raised the hydrostatic testing issue in  
16 the Company's most recent ISRS filings.

17 **Q. DO YOU AGREE WITH THESE RECOMMENDATIONS?**

18 A. No. In terms of OPC's proposal to disallow certain hydrostatic testing costs that were  
19 included in previous ISRS charges approved by the Commission, I have been advised by  
20 legal counsel that that such a disallowance is inappropriate since it concerns an eligibility  
21 (rather than prudence) issue that must be raised at the time an ISRS filing is made, not  
22 years later in a rate case. Indeed, Mr. Hyneman himself has testified before this  
23 Commission that the focus in an ISRS proceeding is ISRS eligibility, as contemplated by



1 Section 393.1015.2(4). In response to questions from his counsel in Case Nos. GO-2016-  
2 0332 and GO-2016-0333, Mr. Hyneman testified as follows:

3 Q. Could we raise prudence issues in this?

4 A. No.

5 Q. What is the purpose of this case?

6 A. To determine that the costs that are going to be charged in the  
7 surcharge are ISRS eligible costs and it's calculated correctly.

8 Q. And that's the only issue?

9 A. **That's the whole thing.** (Emphasis added)<sup>1</sup>

10 **Q. HOW ABOUT OPC'S RECOMMENDATION THAT HYDROSTATIC TESTS**  
11 **SHOULD BE EXPENSED RATHER CAPITALIZED?**

12 A. I disagree with that recommendation as well for several reasons. First, contrary to what  
13 Mr. Hyneman implies in his testimony, as more fully discussed below, the Commission  
14 has made no determination that such costs should be expensed rather than capitalized.  
15 Second, hydrostatic testing costs are a one-time expenditure that serve the same purpose as  
16 similar one-time pipeline testing costs that have been routinely capitalized for many years,  
17 namely to permit a particular asset to be safely placed in service or, in this case, to be placed  
18 back in service. Third, because the incurrence and amount of these expenditures can vary  
19 from year to year, capitalization can better ensure that such costs are not over or under  
20 recovered over time. Finally, expensing of these costs, as proposed by OPC, would require  
21 that the Company's revenue requirement and rates be increased significantly above the

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<sup>1</sup> Transcript of Evidentiary Hearing, Vol. I, January 3, 2017, page 248, lines 7-14, Case Nos. GO-2016-0332 and GO-2016-0333.

1 level being proposed by the Company in order to establish an ongoing allowance for such  
2 expenditures.

3 **Q. WHY IS MR. HYNEMAN INCORRECT IN SUGGESTING THAT THE**  
4 **COMMISSION HAS ALREADY DETERMINED THAT HYDROSTATIC**  
5 **TESTING COST SHOULD BE EXPENSED RATHER THAN CAPITALIZED?**

6 A. As someone who also participated in the ISRS cases in which OPC first raised the issue of  
7 whether hydrostatic testing costs were ISRS-eligible, I am aware that OPC also raised the  
8 issue of whether such costs should be expensed or capitalized. I have reviewed the  
9 Commission's Report and Order which resolved these issues. While Mr. Hyneman is  
10 correct that the Commission determined that such costs were not ISRS-eligible, it did not  
11 reach or even attempt to resolve the issue of whether such costs should be expensed or  
12 capitalized. Any implication to the contrary is inaccurate.

13 **Q. PLEASE EXPLAIN YOUR STATEMENT THAT CAPITALIZATION RATHER**  
14 **THAN EXPENSING OF THESE COSTS IS APPROPRIATE GIVEN THE**  
15 **NATURE OF SUCH COSTS AND THE REASON THEY ARE BEING INCURRED.**

16 A. Whenever a utility installs a new main or service, it is tested, pursuant to applicable safety  
17 requirements, to ensure that it has no physical defects that would preclude it from operating  
18 properly and safely. The costs incurred to perform such testing are a one-time expenditure  
19 and are properly capitalized as part of the cost of the asset. The hydrostatic testing costs at  
20 issue here serve an identical purpose. As I previously discussed, they too are incurred on  
21 a one-time basis, are mandated by applicable safety regulations and are necessary to  
22 establish an MAOP and ensure that the pipeline has no physical defects that would preclude  
23 it from operating properly and safely. The only difference – and it is a difference without

1 a distinction – is that hydrostatic testing costs are incurred to ensure that the asset can be  
2 placed back into service rather than placed into service for the first time.

3 **Q. DOES CAPITALIZATION ALSO ENSURE THAT THESE ONE-TIME COSTS**  
4 **WILL BE MORE APPROPRIATELY AND ACCURATELY RECOVERED FROM**  
5 **CUSTOMERS OVER TIME?**

6 A. Yes. As discussed more fully by Company witness Mike Noack, capitalization means that  
7 the hydrostatic testing costs incurred to qualify this asset to provide service to customer for  
8 years into the future will be spread over the remaining useful life of the asset rather than  
9 recovered immediately from customers, as is the case with expenses. As a result,  
10 customers will pay for this cost in better proportion to how they are benefitting from the  
11 asset over time. In addition, it is my understanding that capitalization will better ensure  
12 that these costs, which can vary from year to year, will not be over or under-recovered from  
13 customers.

14 **Q. SHOULD THE COMMISSION NEVERTHELESS AGREE THAT THESE**  
15 **HYDROSTATIC COSTS SHOULD BE EXPENSED RATHER THAN**  
16 **CAPITALIZED, WOULD AN UPWARD ADJUSTMENT NEED TO BE MADE TO**  
17 **THE COMPANY’S REVENUE REQUIREMENT AND RATES IN THIS CASE?**

18 A. Yes. As explained by Company witness Noack, adoption of OPC’s proposal would require  
19 that an allowance for hydrostatic testing expenditures be added to the Company’s revenue  
20 requirement in this case. While Mr. Noack quantifies the amount of this adjustment in his  
21 rebuttal testimony, I would simply note that it is significantly greater than the revenue  
22 requirement amount resulting from the Company’s capitalization of these costs.  
23 Regardless of the technical accounting considerations, I consider this upward impact on

1 rates to be yet another factor that warrants the capitalization treatment being proposed by  
2 the Company in these proceedings.

3 **III. INCIDENTAL REPLACEMENT OF PLASTIC FACILITIES**

4 **Q. HAVE YOU REVIEWED MR. HYNEMAN'S TESTIMONY AND**  
5 **RECOMMENDATIONS REGARDING THE COSTS HE CLAIMS HAVE BEEN**  
6 **INCURRED BY THE COMPANY IN CONNECTION WITH THE INCIDENTAL**  
7 **REPLACEMENT OF PLASTIC MAIN AND SERVICES THAT HAS OCCURRED**  
8 **DURING THE COURSE OF THE COMPANY'S CAST IRON REPLACEMENT**  
9 **PROGRAM?**

10 A. Yes. Mr. Hyneman has proposed that the Commission disallow in this proceeding certain  
11 costs that have been collected through MGE's or LAC's ISRS mechanism because they  
12 were allegedly incurred to replace some plastic mains and services as part of the operating  
13 units' cast iron and unprotected steel replacement programs. According to Mr. Hyneman,  
14 MGE and LAC have spent "millions and millions of dollars" to replace these plastic  
15 facilities and since they were not in a worn-out or deteriorated condition, they were not  
16 eligible for ISRS inclusion.

17 **Q. HAS THE COMMISSION PREVIOUSLY REJECTED OPC'S POSITION ON**  
18 **THIS ISSUE?**

19 A. Yes. Unlike the issue of whether hydrostatic testing expenditures should be capitalized or  
20 expensed, the Commission actually reached and ruled upon this issue in the Company's  
21 most recent ISRS cases. In doing so, the Commission rejected OPC's contention that  
22 alleged costs associated with the replacement of these plastic facilities should be excluded  
23 from the Company's ISRS mechanism. As Mr. Hyneman notes, OPC has appealed the

1 Commission's decision and OPC seeks to preserve its ability in these cases to adjust the  
2 Company's cost of service should it prevail on appeal.

3 **Q. DO YOU BELIEVE THAT THE COMMISSION SHOULD CONSIDER**  
4 **PRESERVING OPC'S ABILITY TO MAKE A DISALLOWANCE FOR THESE**  
5 **COSTS SHOULD IT PREVAIL ON APPEAL?**

6 A. No, I do not. First, OPC is continuing to propose that some amount of costs be excluded  
7 from the Company's ISRS filings for the costs supposedly incurred to replace these plastic  
8 facilities, without ever providing a quantification of those costs or even a method for  
9 calculating them. OPC did not provide such critical information in the Company's last  
10 ISRS filings nor have they done so in these rate cases. I have been advised by legal counsel  
11 that it should have done so in its direct testimony if it wanted to preserve that issue for  
12 Commission consideration.

13 **Q. DOES THAT MEAN YOU CAN'T OFFER ANY OPINION REGARDING THE**  
14 **MERITS OF OPC'S POSITION?**

15 A. No. Even without the benefit of any information on how OPC would quantify its proposed  
16 adjustment, I can state that there is no real basis for a disallowance of any amount.

17 **Q. PLEASE EXPLAIN WHY YOU BELIEVE THERE IS NO BASIS FOR A**  
18 **DISALLOWANCE OF ANY AMOUNT RELATING TO THIS ISSUE.**

19 A. There is no basis for a disallowance of any amount because OPC's entire position on this  
20 issue rests on the false assumption that the Company has incurred some additional cost in  
21 connection with its incidental replacement of these plastic facilities. That is simply not  
22 correct. In fact, the opposite is true. Specifically, by replacing these patches of plastic pipe  
23 as part of its cast iron and unprotected steel replacement programs, the Company has

1 actually saved its customers millions of dollars in costs that they would otherwise have to  
2 pay for in rates.

3 **Q. EXACTLY HOW HAS THE COMPANY SAVED ITS CUSTOMERS MONEY BY**  
4 **REPLACING PLASTIC PIPE AS PART OF ITS CAST IRON AND**  
5 **UNPROTECTED STEEL REPLACEMENT PROGRAMS?**

6 A. As the Commission recognized in rejecting OPC's position on this issue in the Company's  
7 last ISRS proceedings, it would have been uneconomic, unsafe and operationally  
8 impractical to even try and integrate the newer plastic pipe being installed as part of the  
9 cast iron and unprotected steel replacement programs with the scattered segments of older  
10 plastic pipe.

11 **Q. PLEASE EXPLAIN WHY IT WOULD HAVE BEEN UNECONOMIC TO**  
12 **COMPLETE THESE PROJECTS IN A MANNER THAT CONTINUED TO**  
13 **UTILIZE THE PLASTIC PIPE THAT WAS REPLACED?**

14 A. The existing pieces of plastic main vary in length from just a few feet to several hundred  
15 feet. Plastic mains were typically installed as a repair or replacement of a specific portion  
16 of cast iron or unprotected steel main to address the safety and integrity of the system.  
17 Several years ago, Laclede ended its focus on piecemeal repairs and replacements and  
18 developed a strategic plan to orderly and efficiently accelerate the elimination of cast iron  
19 and steel. Our plan is to bring customers a safer system faster and in a cost-effective  
20 manner.

21 **Q. PLEASE CONTINUE.**

22 A. Cast iron and the subject steel mains are typically installed deeper than is required or  
23 necessary for plastic pipe; however the original plastic pipe installed as piecemeal

1 replacements had to be installed at the same depth to connect to the older main. These  
2 older mains are also commonly under pavement which is currently avoided where possible  
3 when we install plastic pipe for replacement of these mains. Installing pipe at greater  
4 depths and under pavement significantly drives up cost. An attempt to utilize the plastic  
5 pipe that is being replaced would require tie-in connections at a greater depth and in  
6 locations often under pavement which would significantly drive up cost. Similar issues  
7 exist for many of our plastic service lines. The main tie-in connection would be at a  
8 completely different location and depth from the previous location before the main was  
9 replaced. Additionally, where feasible the Company moves meters located inside to an  
10 outside location. If a plastic service line is serving an inside meter the new outside meter  
11 may have to be at an entirely different location than the previous point of entry into the  
12 customer's building. Service lines are an integral part of the distribution system feeding  
13 our customers. If the main is being replaced in a different location then the services also  
14 must be relocated and replaced. Because of these considerations, it is far more economic  
15 and cost effective to abandon the incidental patches of plastic facilities at the same time the  
16 cast iron or unprotected steel facilities are being replaced and install a single unified  
17 pipeline system than it would be to try and integrate the new pipeline facilities with these  
18 patches of older plastic mains and services.

19 **Q. HAS THE COMPANY CONDUCTED ANY ANALYSIS TO CONFIRM THAT IT**  
20 **IS, IN FACT, SAVING MONEY WITH THIS APPROACH?**

21 A. Originally, the Company had not performed an engineering analysis because engineering  
22 personnel considered it axiomatic that bypassing the old main would be less expensive than  
23 tying into it. We have now performed such an analysis. Attached as Schedule MDL-R1

1 to my Rebuttal Testimony is an engineering analysis that was performed on an actual cast  
2 iron replacement project in which 2549 feet of main was replaced, consisting of 2330 feet  
3 of cast iron main and two small patches of plastic pipe totaling 219 feet. This project is  
4 representative of what the Company typically encounters when it replaces cast iron main  
5 as part of its replacement program. Using our standard analytical tools for estimating  
6 construction costs, the engineering analysis estimated the cost to install one continuous  
7 plastic main to bypass the cast iron facilities and plastic pipe versus replacing only cast  
8 iron facilities and tying the new pipe into the older plastic patches.

9 **Q. WHAT WERE THE RESULTS OF THIS ANALYSIS?**

10 A. It was about 20% more expensive to use the plastic patches rather than bypassing them.  
11 The extra cost arises from extra tie-in holes and fittings that are needed to incorporate the  
12 plastic patches into the new main. In summary, there is no cost, but rather a cost savings  
13 associated with replacing the older plastic piping.

14 **Q. DID THE COMPANY ANALYZE A DIFFERENT WAY TO REPLACE THE CAST**  
15 **IRON MAIN?**

16 A. Yes. Prior to 2011, the Company was not strategically replacing entire neighborhoods of  
17 cast iron, but rather patching areas of cast iron that were leaking and needed attention. This  
18 is how the two plastic patches became interspersed in this cast iron main. The Company  
19 looked at the cost to perform the two patches and found the cost to be about \$76,400 to  
20 install 219 feet of plastic main. If the Company continued with a piecemeal approach at  
21 this pace, it would take 23 excavations in this neighborhood to ultimately complete the  
22 replacement of the entire 2,549 feet of main at a total cost of just under \$900,000, versus  
23 the \$285,600 to bypass the entire main in one job.



1 **Q. ISN'T IT POSSIBLE THAT THERE COULD BE INSTANCES WHERE THE**  
2 **REVERSE WOULD BE TRUE, AND IT WOULD BE LESS EXPENSIVE TO**  
3 **REPLACE THE CAST IRON FACILITIES BY TYING INTO THE EXISTING**  
4 **PLASTIC FACILITIES?**

5 A. Based on my experience, I believe such instances would be rare and certainly not sufficient  
6 to offset the overwhelming savings associated with the far more numerous instances where  
7 it is more cost effective to replace both the cast iron or bare steel facilities and the older  
8 plastic facilities.

9 **Q. ASIDE FROM THESE ECONOMIC CONSIDERATIONS, WOULD CONTINUED**  
10 **USE OF THESE PLASTIC PIPELINE SEGMENTS COMPROMISE THE SAFETY**  
11 **AND OPERATIONAL INTEGRITY OF THE COMPANY'S DISRIBUTION**  
12 **SYSTEM?**

13 A. Yes, in several ways. The very nature of the construction process required to create deeper  
14 excavations and in locations which are generally exposed to more traffic creates higher  
15 safety risk for our crews. Also, the additional tie-in points would increase the number of  
16 connections and fittings required, which in general increases the risk of future leakage.  
17 Additionally, continuing to use these plastic segments may cause installations in non-  
18 standard locations which may be more difficult to locate causing higher risk of third party  
19 damage.

20 **Q. GIVEN ALL OF THESE CONSIDERATIONS, IS THERE ANY CONCEIVABLE**  
21 **BASIS FOR OPC'S PROPOSED DISALLOWANCE?**

22 A. No. As I indicated earlier in my testimony, after nearly a year of discovery, OPC has still  
23 failed to quantify a disallowance relating to the plastic issue or even offer a method for

1 calculating such a disallowance. In the end, I think this persistent failure is a natural  
2 byproduct of the fact that there are simply no additional costs that have been incurred by  
3 the Company as a result of its incidental replacement of some plastic pipe as part of its cast  
4 iron and unprotected steel replacement programs. OPC's contention to the contrary is  
5 based on nothing more than a completely unsupported and entirely fictitious assumption  
6 that such additional costs have been incurred. Its attempt to continue this obvious fiction  
7 should be rejected by the Commission.

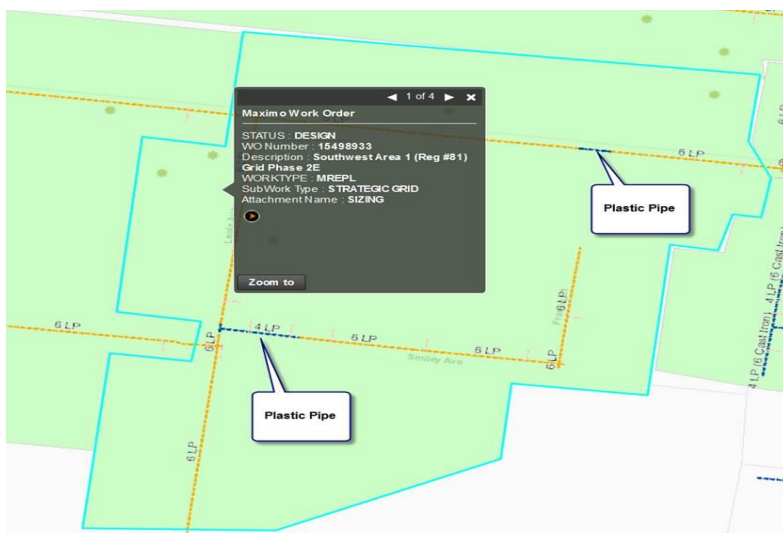
8 Q. **DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?**

9 A. Yes.

	Scenario 1 - All New Pipe	Scenario 2 - Utilize Existing Plastic	WO 60181	WO 60933
Cast Iron Abandoned	2384'	2384'	51'	9', (319)*
Plastic Installed	2549'	2330'	51'	168'
Plastic Existing Used	NA	219'	NA	NA
Total Plastic Pipe	2549'	2549'	51'	168'
Cost	\$285,634.75	\$341,132.05	\$29,417.88	\$46,989.21

\*319' of Steel main was abandoned in the alley between Franke Ct and Tamm Ave. Originally there was no main where the plastic was installed in this WO.

MDL-R1



**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 ) File No. GR-2017-0215  
Service )

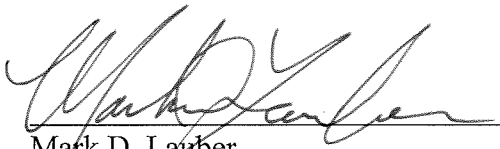
In the Matter of Laclede Gas Company )  
d/b/a Missouri Gas Energy's Request to ) File No. GR-2017-0216  
Increase its Revenues for Gas Service )

A F F I D A V I T

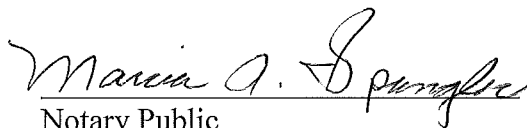
STATE OF MISSOURI )  
 ) SS.  
CITY OF ST. LOUIS )

Mark D. Lauber, of lawful age, being first duly sworn, deposes and states:

1. My name is Mark D. Lauber. I am Director, Health and Safety, Environment and Crisis Management for Laclede Gas Company. My business address is 700 Market St., St Louis, Missouri, 63101.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony on behalf of Laclede Gas Company and MGE.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

  
Mark D. Lauber

Subscribed and sworn to before me this 16<sup>th</sup> day of OCTOBER 2017.

  
Notary Public

