

Exhibit No:
Issue: Terms of Proposed Sale of 880
Line
Witness: Scott E. Woley
Type of Exhibit: Direct Testimony
Sponsoring Party: Laclede Gas Company
Case Nos.: GM-2017-0018
Date Prepared: October 31, 2016

LACLEDE GAS COMPANY

GM-2017-0018

DIRECT TESTIMONY

OF

SCOTT E. WOLEY

October 2016

DIRECT TESTIMONY OF SCOTT E. WOLEY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Scott E. Woley and my business address is 700 Market St., St. Louis, Missouri, 63101.

Q. WHAT IS YOUR PRESENT POSITION?

A. I am presently employed as Vice President, Gas Supply and Operations for Laclede Gas Company. (“Laclede” or “Company”).

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

A. I was appointed to my current position in 2014. In that position, I am responsible for managing the Gas Supply and Gas Operation groups for Laclede, including its operating unit Missouri Gas Energy, and for Alabama Gas Corporation (“Alagasco”). The Gas Supply group is responsible for contracting and managing gas supply, pipeline transportation capacity and pipeline storage capacity at Spire’s LDCs. The Gas Operation group includes Gas Control centers in Missouri and Alabama, SCADA support groups, Laclede’s Lange Storage field and Alagasco’s LNG facilities.

Q. PLEASE DESCRIBE YOUR WORK HISTORY PRIOR TO ASSUMING YOUR CURRENT POSITION.

Prior to assuming my current position, I was Director of Gas Supply for Laclede beginning in 2008. In that position, I was responsible for assisting in the negotiation and implementation of contracts relating to gas supplies and pipeline transportation and storage capacity, as well as the analytical work required to determine where, when, how and at what price such resources should be procured. Before that I was Superintendent of Instrumentation and System Control for Laclede Gas, beginning in 2001. Between 2001

1 and 1985, when I first went to work for Laclede Gas, I held various positions in Operations,
2 Engineering and Construction for the Company.

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

4 A. I received a BS degree in chemical engineering from the University of Missouri in
5 1985 and an MBA from Washington University in 1990.

6 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS COMMISSION?**

7 A. No.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 A. The purpose of my testimony is to testify in support of Laclede's proposed sale of the 880
10 line segment ("880 Line Segment") to Spire STL Pipeline, LLC ("STL Pipeline") as well
11 as explain the terms under which Laclede proposes to make that sale. I will also explain
12 why the sale of the 880 Line Segment, on the terms proposed by the Company, is not
13 detrimental to the public interest, but instead entirely consistent with the interests of
14 Laclede's utility customers.

15 **Q. IS ANY OTHER WITNESS SUBMITTING TESTIMONY IN SUPPORT OF THE**
16 **SALE OF THE 880 LINE SEGMENT?**

17 A. Yes. Direct Testimony is also being filed in support of the proposed sale by Craig
18 Hoeferlin on behalf of Laclede and Scott E. Jaskowiak on behalf of STL Pipeline.

19 **Q. WHAT IS THE 880 LINE SEGMENT?**

20 A. The 880 Line Segment Line consists of the approximately eastern most 8 miles of the
21 existing 9 mile long transmission feeder pipeline that Laclede currently operates and that
22 is commonly referred to as the 880 line. The 880 line is made of steel and has a diameter
23 of 20 inches. It extends from Laclede takepoints in North St. Louis County, including

1 Laclede's storage field, to the Chain of Rocks takepoint off Enable Mississippi River
2 Transmission ("Enable MRT"), which borders on the Mississippi River. The 880 Line
3 Segment comes by its name because it has a maximum allowable operating pressure of 880
4 psig which is different from the rest of Laclede's pipeline systems. It was installed in 1961
5 and at 55 years old, is nearly fully depreciated.

6 **Q. IS LACLEDE PROPOSING TO SELL AND TRANSFER ALL OF THE 880 LINE**
7 **TO STL PIPELINE?**

8 A. No, not all of it. Laclede is proposing to sell and transfer the eastern most 8 miles ("880
9 Line Segment") of the 9 mile long 880 line. Laclede will retain approximately 1 mile on
10 the western most portion of the line that will connect Laclede's storage facility directly to
11 the STL Pipeline.

12 **Q. WHAT IS THE CURRENT NET BOOK VALUE OF THE 880 LINE SEGMENT?**

13 A. Its current net book value is approximately \$50,000.

14 **Q. WHY IS LACLEDE PROPOSING TO SELL THE 880 LINE SEGMENT TO STL**
15 **PIPELINE?**

16 A. As discussed more fully in the direct testimony of Mr. Jaskowiak, the sale of the 880 Line
17 Segment to STL Pipeline would enable it to be used as part of the new interstate pipeline
18 that STL Pipeline is proposing to build. By substituting the 880 Line Segment for what
19 would otherwise be more expensive, newly constructed pipeline, such an approach would
20 reduce the overall cost of service that Laclede and its customers would need to pay to
21 transport gas over the new the pipeline, and enhance safety by upgrading the 880 Line.

22 **Q. DOES LACLEDE SUPPORT THE CONSTRUCTION OF THE STL PIPELINE?**

1 A. Yes. I believe the new STL Pipeline, if approved by the Federal Energy Regulatory
2 Commission ("FERC") will provide significant benefits for Laclede's residential,
3 commercial and industrial customers in the St. Louis market. The new pipeline, which
4 would be approximately 65 miles long, would interconnect with the Rockies Express
5 ("REX") pipeline in Scott County, Illinois. It would transport up to 400,000 Dth/day of
6 natural gas south through Illinois before crossing the Mississippi and Missouri rivers and
7 connecting to Laclede's storage facility in North St. Louis County. This will, in turn,
8 provide Laclede and its customers in the St. Louis market area with enhanced access to
9 favorably priced gas supplies from the Marcellus and Utica shale production areas in the
10 eastern Appalachian region and various shale production areas in the western Rockies
11 area. This would be in addition to Laclede's current access to natural gas supplies in
12 production fields located in Kansas, Oklahoma, Texas and the Gulf Coast.

13 **Q. DOES THIS GREATER DIVERSITY IN THE GAS SUPPLY BASINS THAT**
14 **LACLEDE CAN ACCESS MEAN THAT THE COSTS OF SUCH SUPPLIES**
15 **WILL BE LOWER IN THE FUTURE?**

16 A. While greater diversity of supply does not guarantee a specific cost result, experience has
17 shown that such diversity generally provides additional opportunities to take advantage of
18 supply basin price differentials that may emerge as a result of external market conditions,
19 weather and other factors. Over time, such sourcing flexibility can provide significant
20 savings for customers. Furthermore, the EIA and most other experts within the industry
21 project the majority of natural gas supply growth in this country for the foreseeable future
22 will occur from the supply basins that we are proposing to gain access to through the
23 new STL Pipeline.

1 **Q. ARE THERE ANY OTHER BENEFITS TO LACLEDE AND ITS CUSTOMERS**
2 **FROM THE NEW PIPELINE?**

3 A. Yes. The new pipeline will also provide improved reliability of supply since it does not
4 cross the New Madrid Seismic Zone and is therefore much less exposed to damage from
5 potential earthquakes. While it is impossible to forecast when a seismic event of a
6 significant magnitude may occur in the New Madrid Zone, the probability of one
7 occurring in the next decade or two is not insubstantial. Moreover, studies of shown that
8 should a severe earthquake occur, it could result in serious damage to critical
9 underground pipelines that supply the St. Louis market from the south. Having a
10 significant supply of gas from capacity, like the proposed STL Pipeline, that does not
11 traverse the New Madrid Seismic Zone would contribute to a more secure and reliability
12 supply situation in the event such circumstances were to occur. It also enhances
13 reliability more generally by providing another alternative source of capacity in the event
14 compressor failures or other factors disrupt service on other pipelines.

15 **Q. WOULD THE PROPOSED PIPELINE PROVIDE ANY OTHER**
16 **ENHANCEMENTS TO THE QUALITY OF PIPELINE SERVICES**
17 **CURRENTLY AVAILABLE TO LACLEDE?**

18 A. Yes. With the incorporation of the 880 Line Segment, the new pipeline would allow for
19 a bi-directional interconnect between Laclede and Laclede's largest existing pipeline
20 supplier, Enable MRT.

21 **Q. HOW WOULD THIS BENEFIT LACLEDE?**

22 A. By permitting gas to flow in both directions between Laclede's storage facilities and
23 Enable MRT's takepoint, such an arrangement would further enhance the reliability of

1 the pipeline grid servicing the St. Louis area. Simply put, it would provide added
2 flexibility to dispatch gas supplies from alternative sources if necessary to respond to
3 an outage or other event that caused a disruption in supply over a particular pipeline
4 path. At the same time, it would provide a southbound delivery path to Enable MRT's
5 storage fields in northern Louisiana. This, in turn, would permit additional, favorably
6 priced gas supplies to be accessed and transported throughout the year, most importantly
7 in the heating season. This means that during the winter when Laclede's demand is
8 greatest, Laclede will not only be able to receive significant quantities of more
9 economic REX supplies through the STL Pipeline, but will also be able to receive and
10 take advantage of the return of such REX supplies that were injected into storage and
11 that can now be used to meet the needs of its customers.

12 **Q. WHY DOES LACLEDE BELIEVE THAT SELLING THE 880 LINE SEGMENT**
13 **TO STL PIPELINE FOR USE IN THE NEW PIPELINE IS NOT DETRIMENTAL**
14 **TO THE PUBLIC INTEREST OR THE INTERESTS OF LACLEDE'S**
15 **CUSTOMERS?**

16 **A.** As previously discussed, the new pipeline itself would provide Laclede, its customers and
17 the St. Louis area market generally with additional opportunities to obtain favorably-
18 priced gas supplies. At the same time, it would enhance the reliability of the Company's
19 gas supply portfolio and give Laclede additional tools to manage that portfolio in the
20 most effective way possible. What the sale of the 880 Line Segment would do, under the
21 terms being proposed, is help create these benefits for the lowest cost possible by
22 avoiding millions of dollars in new construction costs that would otherwise have to be
23 paid for by Laclede and its customers. Given these considerations, I strongly believe

1 that the sale of the 880 Line Segment is not detrimental to the public interest but instead
2 fully consistent with the interests of Laclede and its customers in obtaining reliable and
3 reasonably priced gas supplies.

4 **Q. IS SELLING THE 880 LINE SEGMENT TO STL PIPELINE THE ONLY WAY**
5 **TO ACCOMPLISH THIS REQUEST?**

6 A. No, it is not, but it is the most economical. As part of a route analysis, STL
7 Pipeline compared alternative routes where pipeline facilities could be built to
8 facilitate our needs of both a direct connection to Laclede and Enable MRT. However,
9 such a route would require constructing approximately 8.5 miles of additional new
10 pipeline facilities over a route that is considerably more populous than the proposed
11 shorter route using the 880 Line Segment. At a pipeline construction cost of \$3 million
12 per mile, this alternative would cost approximately \$25 million more than the
13 existing proposed route.

14 **Q. HOW WOULD USING THIS ALTERNATIVE TO THE 880 LINE SEGMENT**
15 **AFFECT THE PIPELINE'S END USERS, INCLUDING THE CUSTOMERS OF**
16 **LACLEDE?**

17 A. Because the additional cost would be reflected in the STL Pipeline's FERC approved
18 rates for transporting gas supplies, it would significantly increase the cost of
19 transportation service to end users.

20 **Q. IF THIS ALTERNATIVE ROUTE WAS CHOSEN, COULD LACLEDE**
21 **ABANDON THE 880 LINE SEGMENT?**

22 A. No, the 880 Line Segment would still be required to move gas from Enable MRT and the
23 new alternative route to Laclede's delivery stations into the north side of Laclede's

1 distribution system. This would leave the 880 line in place, without upgrades, which
2 Laclede would undoubtedly need to undertake at additional expense while still bearing
3 the risk and responsibility of owning and operating this line into the future.

4 **Q. COULDN'T LACLEDE SIMPLY APPLY FOR A FERC CERTIFICATE TO**
5 **OPERATE THE 880 SEGMENT ITSELF AS AN INTERSTATE PIPELINE?**

6 **A.** That's a possibility, but not a very economic or feasible one. Like the duplicate physical
7 facilities approach, end users would have to pay through their rates the not inconsiderable
8 duplicate regulatory costs for two pipelines, rather than just one, and the systems would
9 be managed separately in an inefficient manner. These added costs would not be offset
10 by any added operating or financial benefits. In addition, Laclede would need to develop
11 additional computer infrastructure capable of scheduling and confirming gas flows for
12 interstate service. STL Pipeline will be already be required to provide this capability as
13 part of operating an interstate pipeline so Laclede would essentially be developing
14 duplicative computer infrastructure.

15 **Q. IN ADDITION TO REDUCING LACLEDE'S EXPOSURE TO THE RISKS AND**
16 **COSTS OF UPGRADING THE 880 LINE SEGMENT ITSELF, WOULD THE**
17 **APPROACH BEING RECOMMENDED BY LACLEDE ALSO REDUCE ITS**
18 **EXPOSURE TO OTHER COST INCREASES?**

19 **A.** Yes. With the new pipeline, Laclede would also have less exposure to cost and rate
20 pressures relating to any system integrity investments that may need to be made by its
21 legacy pipelines.

1 **Q. HOW CAN YOU BE CERTAIN THAT THESE BENEFITS FROM THE SALE OF**
2 **THE 880 LINE SEGMENT WILL ACTUALLY ACCRUE TO LACLEDE AND**
3 **ITS CUSTOMERS?**

4 A. We have ensured that those benefits will be realized by insisting that any sale agreement
5 include a number of firm contractual commitments from STL Pipeline. As shown by the
6 Letter of Intent attached as SEW Schedule 1 to my direct testimony, STL Pipeline has,
7 among other things, agreed that it will reflect in its FERC rates the net book value of
8 the 880 Line Segment at the time it is sold, plus any upgrades to the Segment that STL
9 Pipeline may pay for to ensure it will continue to meet all safety and operational
10 requirements. This commitment ensures that Laclede and its customers will receive the
11 full “cost reduction” value of the 880 Line Segment on a going forward basis. In
12 addition, provisions of the Service Agreement between Laclede and STL Pipeline will
13 ensure that Laclede receives firm transportation capacity over the 880 Line Segment up
14 to its contract entitlements on the pipeline, with the bi-directional flexibility I previously
15 mentioned. Given these commitments, I can testify with confidence that the proposed
16 sale of the 880 Line Segment is not detrimental, but instead will be affirmatively
17 beneficial to Laclede and its customers if approved by the Commission.

18 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

 A. Yes.

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

In the Matter of the Application of Laclede)
Gas Company to Transfer an Asset to Spire) Case No. GM-2017-0018
Pipeline, Inc.)

AFFIDAVIT

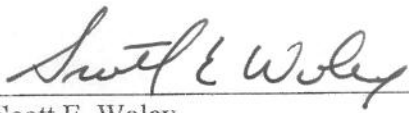
STATE OF MISSOURI)
) SS.
COUNTY OF ST. Louis)

Scott E. Woley, of lawful age, being first duly sworn, deposes and states:

1. My name is Scott E. Woley. My business address is 700 Market Street, St. Louis MO. 63101. I am Vice President – Gas Supply and Operations of Laclede Gas Company.

2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Laclede Gas Company in the above captioned case.

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.



Scott E. Woley

Subscribed and sworn to before me this 31st day of October, 2016.

Notary Public

Letter of Intent
Between Laclede Gas Company and Spire STL Pipeline LLC

This letter of intent between Laclede Gas Company ("Laclede") and Spire STL Pipeline LLC ("STL Pipeline") (collectively "the Parties"), dated October 20, 2016, reflects the Parties' intention to enter into an agreement under which Laclede will sell to STL Pipeline approximately 8 miles of Laclede's current 880 line (the "880 Line Segment") for use by STL Pipeline in the construction of a new interstate pipeline. Subject to the negotiation of a complete sales agreement, the Parties contemplate and commit that the following terms and processes will govern their development and execution of such an agreement.

1. Commitment of STL Pipeline to Reflect Sales Price in Calculation of Rates

Subject to regulatory approval by the Missouri Public Service Commission, Laclede intends to sell the 880 Line Segment to STL Pipeline for its net book value at the time of the sale, which is expected to be approximately fifty thousand dollars (\$50,000). In exchange, STL Pipeline commits that it will use this net book value at the time of sale to calculate its rates for transportation services, with no adjustments other than those reasonably required to reflect incremental costs incurred by STL Pipeline to upgrade the 880 Line Segment to meet applicable safety requirements and ensure its operational effectiveness and integrity.

2. Commitment of Laclede to Exclude Cost of 880 Line Segment from Regulated Cost of Service

Laclede commits that at the time STL Pipeline begins to charge Laclede rates for transportation service utilizing the 880 Line Segment, Laclede will exclude from its Missouri retail rates any return, depreciation or taxes, or a reasonable approximation thereof, on the then remaining net book value of the 880 Line Segment.

3. STL Pipeline Service Commitments

STL Pipeline commits that Laclede shall be entitled to take volumes, on a primary firm basis, over the 880 Line Segment up to the full amount of Laclede's firm transportation entitlements on the STL Pipeline and that Laclede's entitlements shall also include the right to transport gas on a bi-directional basis over the Line Segment.

4. Regulatory Approvals

These commitments by Laclede and STL Pipeline are subject to obtaining any regulatory approvals that may be required for the matters addressed by this letter from the Missouri Public Service Commission, the Federal Energy Regulatory Commission or any other governmental authority with jurisdiction over such matters.

5. Governing Law.

This Letter of Intent, as well any future Service Agreement resulting from this Letter of Intent, shall be governed by the laws of the state of Missouri.

Laclede Gas Company

By: Scott E Woley
(Signature)

Name: SCOTT E. WOLEY
(Print)

Title: VP GAS SUPPLY
& OPERATIONS

Date: 10-31-16

Spire STL Pipeline LLC

By: A. E. Jaskowiak
(Signature)

Name: SCOTT E. JASKOWIAK
(Print)

Title: VP STRATEGY &
CORP. DEVELOPMENT

Date: 10-31-16