Exhibit No:	
Issue:	**Revenue Deficiency;** **Tariff Changes**
Witness:	**Michael R. Noack**
Type of Exhibit:	**Rebuttal Testimony**
Sponsoring Party:	**Laclede Gas Company (LAC)** **Missouri Gas Energy (MGE)**
Case No.:	**GR-2017-0215** **GR-2017-0216**
Date Prepared:	**October 17, 2017**

MISSOURI PUBLIC SERVICE COMMISSION

LACLEDE GAS COMPANY
MISSOURI GAS ENERGY

GR-2017-0215
GR-2017-0216

REBUTTAL TESTIMONY

OF

MICHAEL R. NOACK

October 2017

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REBUTTAL TESTIMONY OF MICHAEL R. NOACK

Q. **WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

A. My name is Michael R. Noack and my business address is 7500 E 35th Terrace, Kansas City, Missouri 64129.

Q. **ARE YOU THE SAME MICHAEL R. NOACK WHO PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING?**

A. Yes, I submitted direct testimony on behalf of both Laclede Gas Company ("LAC") in Case No. GR-2017-0215 and Missouri Gas Energy ("MGE") in Case No. GR-2017-0216.

I. PURPOSE OF TESTIMONY

Q. **WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?**

A. The purpose of my rebuttal testimony is to respond to certain issues raised or positions taken by the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("OPC") and certain other parties in their direct testimony in these proceedings. These include:

a. the Staff's use of an inappropriate methodology for calculating the Operations and Maintenance ("O&M") percentage that should be used to allocate employee payroll and benefit costs between O&M expense and capital;

b. Staff's insufficient allowance for the costs LAC will incur to allow customers to make payments with credit or debit cards without having to make a separate payment (as MGE's customers now do);

c. Staff's proposed adjustment relating to Kansas property taxes incurred by MGE to utility service.

d. Staff's proposal to provide no allowance in rates for future expenditures made by MGE and LAC on their energy efficiency programs.

e. Staff's and OPC's inappropriate disallowance of severance costs that were incurred to achieve, in a fair and humane way, significantly greater employee-related synergies that Staff's has fully reflected in its recommended cost of service;

f. Staff's disallowance of necessary travel expenses;

g. Staff's inconsistent rate base treatment of various regulatory assets;

h. OPC's unwarranted exclusion of necessary and appropriate travel and other management expenses;

i. Discussion of Staff's adjustment to salaries and wages;

j. Staff's adjustment to create a regulatory liability for the over amortization of the Gas Safety AAO;

k. Staff's treatment of the costs associated with expenditures related to the St. Peters' Lateral.

II. MISCALCULATION OF O&M EXPENSE PERCENTAGE

Q. IN THE CASE FILED BY STAFF, HAS A PROPER O&M EXPENSE PERCENTAGE BEEN USED TO REFLECT THE AMOUNT OF COSTS WHICH SHOULD BE SPLIT BETWEEN O&M EXPENSE AND CAPITAL WHICH IS ALSO COMMONLY REFERRED TO AS THE TRANSFER RATE?

A. No. At the time Staff filed its direct case, it used an incorrect transfer rate of 55.9% taken from the Company's response to Staff data request 0044. The rate provided on that data request response is actually a benefit loading rate which is used to add to payroll dollars an amount for benefits such as medical, dental and life insurance. That is not the proper rate to use to allocate payroll related costs between capital and expense.

Q. WERE THERE ANY OTHER PROBLEMS WITH THE WAY STAFF CALCULATED THE O&M PERCENTAGE RATE?

A. The rate Staff used was identical for both MGE and LAC, which is also incorrect. Based on actual experience, the transfer rate for MGE is lower (a lower percentage of costs gets allocated to capital) than the rate for LAC. As a result, more costs should be allocated to O&M for MGE and more to capital for LAC.

Q. HAS THE COMPANY RAISED THESE CONCERNS WITH THE STAFF?

A. Yes, At the time of writing this rebuttal testimony, the issue has been explained to Staff and I believe that Staff will be making corrections to reflect the proper transfer rates for each operating unit.

Q. **WHAT COSTS OR ADJUSTMENTS ARE AFFECTED BY THE APPLICATION OF THIS TRANSFER RATE?**

A. All of the payroll adjustments and the associated adjustments for payroll taxes and the various payroll benefits would be affected by this transfer rate. In addition, adjustments to pension and OPEB costs, which will be explained by Company witnesses Buck and Fallert, would be affected by the transfer rates, as well as incentive compensation and some insurance adjustments.

III. INSUFFICIENT ALLOWANCE FOR CREDIT CARD FEES

Q. WOULD YOU PLEASE ONCE AGAIN EXPLAIN THE COMPANY'S PROPOSED ADJUSTMENT TO INCLUDE AN ALLOWANCE FOR CREDIT CARD FEES FOR LAC?

A. The Company made an adjustment to reflect the cost for LAC to accept a credit (or debit) card payment from a customer for the balance of their gas bill without requiring the customer to pay an additional fee. Currently that cost is assessed to the customer by the credit card company which creates a disincentive to customers to pay through one of the available pay channels. Eliminating the fee for credit card payments is consistent with the approach taken by other businesses for the convenience of their customers. This includes MGE, whose customers do not pay a fee to pay with a credit card. It is also in the Company's interest to accept a credit card payment, as credit card companies are in a much better position to assess creditworthiness and thus to assume the risk of unpaid debt.

Q. WHAT IS THE DIFFERENCE BETWEEN THE ADJUSTMENTS PROPOSED BY COMPANY AND STAFF?

A. The Company adjustment was based on the actual experience of MGE in the most recent 12-month period and reflected the average cost per transaction charged by the vendor processing the credit card payments. The number of card payments each month was compared to the number of residential bills for the same month and that percentage of bills paid with credit cards was applied to the number of LAC residential bills for the same months. On the other hand, the Staff simply added up the last twelve months of credit card payments for LAC and multiplied that number by the transaction cost charged by the vendor.

Q. WHY DID YOU BASE YOUR ADJUSTED NUMBER OF PAYMENTS FOR LAC ON THE NUMBER OF CREDIT CARD PAYMENTS MADE BY MGE CUSTOMERS?

A. MGE began accepting credit card payments without charging customers a fee in 2010. During the test year, MGE averaged approximately 130,000 credit card payments a month or more than double the amount received by LAC. Once that customer fee is eliminated, it should be expected that the number of credit card payments by LAC customers will increase the same way MGE's did. Accordingly, the allowance proposed by the Company relating to such payments is a far more accurate estimate of what the actual fees are likely to be.

IV. PROPERTY TAXES – TAXES ON KANSAS STORAGE GAS

Q. WHEN THIS CASE WAS ORIGINALLY FILED, DID YOU MAKE AN ADJUSTMENT TO PROPERTY TAXES PAID ON GAS STORED IN KANSAS?

A. No. At the time of filing its direct case, and at present, the Company is collecting in rates $1.6 million for the amortization of past property taxes that were paid by MGE for gas stored in Kansas, but not included in rates as well as $1.4 million for the estimated amount of current yearly property taxes on such gas inventories.

Q. DO YOU AGREE AN ADJUSTMENT SHOULD BE MADE RELATING TO THESE COSTS?

A. Yes. An adjustment should be made to reflect the fact the past property taxes paid but not included in rates will be fully amortized in June 2019 or just a little more than a year after rates from this case go into effect. Taking into consideration that the current level of taxes in rates of $1.4 million is also being tracked, the

Company has collected approximately $500,000 more in rates than what has been paid which, when included with the past taxes being amortized, will result in the balance being fully amortized sooner than June 2019.

Q. WHAT IS STAFF'S PROPOSAL IN THIS CASE?

A. Staff is proposing to take the balance of the paid but unrecovered taxes along with any tracked overpayment of taxes since the 2014 rate case and amortize that remaining balance over a new 5-year period. In addition to that amortization, staff is proposing to include in rates $1,122,514 for current taxes without continuing the tracker which we have now. The resulting total adjustment is a reduction of $1,589,056.

Q. DO YOU AGREE WITH THAT ADJUSTMENT?

A. No. The current indicated level of taxes for gas in storage at January 1, 2017 is over $1.6 million or $500,000 more than Staff's proposed level of current taxes. I should also point out that the $1.1 million tax amount paid for 2016 was by far and away the lowest level of tax in the 8 years we have been paying this tax. The level of tax assessed is based on at least 3 factors – the level of gas in storage at January 1, the commodity cost per MMBTU of that gas in storage at January 1, and the mill levies of the counties assessing the tax.

Q. WHAT IS YOUR PROPOSAL?

A. If Staff no longer wants to track these property taxes, I think the Commission should include in rates the tax based on the gas in storage at January 1, 2017, which would be $1,691,513 based on last year's mill levies. The alternative would be to compute an average level of taxes paid over the past 3 or 4 years and continue to track this expense due to the inability of the Company to have any control over these taxes.

This would ensure that the Company does not over or under collect such taxes and that customers do not overpay or underpay them.

V. ENERGY EFFICIENCY EXPENSE – CURRENT PORTION

Q. DOES STAFF AGREE WITH THE COMPANY THAT SOME CURRENT LEVEL OF ENERGY EFFICIENCY COSTS SHOULD BE INCLUDED IN RATES?

A. No. Staff has included no allowance in rates for future expenditures on the Company's Energy Efficiency programs. In support of its recommended treatment of these costs, the Staff's Cost of Service Report only states that it recommends that MGE and LAC continue to defer and amortize energy efficiency costs with no allowance for these costs included in base rates.

Q. WHY DOES THE COMPANY DISAGREE WITH THE STAFF POSITION?

A. We disagree for several reasons. First, both MGE and LAC have routinely incurred a significant level of energy efficiency expenditures over the past four years and there is no reason to conclude that there will be any material reduction in the expenditures during the period rates will be in effect. Accordingly, providing an ongoing allowance in rates is fully justified by this historical experience. Additionally, other parties to this case have an interest in increasing the amount spent on energy efficiency, so if anything, these costs would likely increase rather than decrease. Second, if the Company accounts for the energy efficiency costs in the manner Staff suggests with no current allowance in rates, the regulatory asset, even though a portion of it is being amortized, will only continue to grow. Schedule MRN-R1 illustrates for MGE and Laclede the Staff recommendation for rate treatment of the current Energy Efficiency regulatory asset compared with the Company's recommendation. Using MGE as an example, if the Commission decides that only the amortization of the regulatory asset should be allowed in rates, the total cost to rate payers over a 20-year period based on annual energy efficiency costs based on the suggested 0.5% of revenues would amount to about $7 million of revenue requirement, due to a regulatory asset of about $18 million that never goes away. This results in a delay in recovery for the Company and an addition cost to the customer.

Q. PLEASE VERY BRIEFLY EXPLAIN WHAT IS SHOWN ON REBUTTAL SCHEDULE MRN-R1.

A. Rebuttal Schedule MRN-R1 begins with the current level Staff shows for MGE's Deferred Energy Efficiency balance at June 30, 2017 of $14,684,915. Staff has recommended amortizing this balance over ten years. However, as shown in column (c) there are current costs (based on the Commission ordered .5% of operating revenues) of approximately $2,500,000 each of those ten years which will result in a deferred regulatory asset of $25,000,000 at the end of the 10-year period. The asset has only grown and grown significantly over this period of time. On the other hand, if the Commission adopts the Company proposal to include a current level of costs in rates, that regulatory asset, while not completely being amortized will at least be reduced at the end of the 10-year period. This is shown in columns (e) and (f) of the schedule.

Q. DO YOU BELIEVE THAT, IN PRIOR CASES, THE COMMISSION INTENDED TO ESTABLISH A PERMANENT POLICY TO ONLY

DEFER ENERGY EFFICIENCY EXPENSES, AND NOT TO ALLOW SOME AMOUNT OF ON-GOING EXPENSES IN RATES?

A. No I do not believe the Commission, or the parties for that matter, intended such a result when it ordered that a regulatory asset be set up in MGE Case No. GR-2009-0355. At the time this asset was established, MGE had approximately $1 million of rate payer funds that had been collected for Energy Efficiency programs but not yet spent. Establishing a regulatory asset at that time was the easiest way to allow MGE to spend the excess funds collected from ratepayers and begin to accumulate any additional programs costs. Now that the programs are well-established, substantial and ongoing, some level of current costs needs to be reflected in rates.

VI. ELIMINATION OF SEVERANCE COSTS

Q. WHAT IS YOUR UNDERSTANDING OF STAFF'S ADJUSTMENT TO ELIMINATE SEVERANCE COSTS?

A. The Staff has recommended an adjustment of approximately $280,461 for LAC and $516,248 for MGE to remove severance costs incurred by the Company in connection with changes in employee levels implemented by the Company in 2016. Before discussing Staff's adjustment, it needs to be pointed out that Staff's adjustment for LAC is overstated by $46,737 for 2015 costs incorrectly removed from 2016 and for MGE the adjustment is overstated $44,941 for 2015 costs again incorrectly removed from 2016. According to Staff, this disallowance is appropriate because the Commission does not customarily allow such costs on the theory that the utility is able to realize offsetting savings from the reduction in personnel costs. Since customers continue to benefit as well from these reductions once new rates are established I do not necessarily agree with this theory. The

Company does not contest this adjustment, however, other than those severance costs that should have been designated as transition costs by the Company and eligible for partial recovery under the MGE Acquisition Stipulation and Agreement.

Q. WHAT SEVERANCE COSTS ARE YOU REFERRING TO?

A. These include $471,307 in severance costs that were incurred by the Company in connection with the integration and consolidation of MGE's dispatching center. As a result of this initiative, the Company achieved approximately $643,000 in synergies or savings per year associated with the dispatching function. Under the MGE Acquisition Stipulation and Agreement, 50% of these costs are therefore eligible for recovery. The Company agrees, of course, to absorb the other 50% of these transition costs pursuant to the terms of the S&A as well as the other severance costs disallowed by Staff.

Q. WHAT THEN IS THE TOTAL VALUE OF THESE SEVERANCE COSTS THAT THE COMPANY IS PROPOSING TO RECOVER IN RATES?

A. The total value of these eligible transition costs at 50% is $235,654.

VII. DISALLOWANCE OF NECESSARY TRAVEL EXPENSES

Q. DID STAFF MAKE AN ADJUSTMENT TO DISALLOW TRAVEL EXPENSES OF COMPANY EMPLOYEES?

A. Yes. While the adjustment was small in terms of dollars, the expenses disallowed by Staff are normal, necessary and recurring in nature and proper business expenses. The expense reports identify trips to Kansas City to meet with outside attorneys in order to monitor the ongoing JJ's litigation, along with other business purposes for the trips and these expenses should be allowed. MGE has not incurred any costs of the nature covered in the stipulation and agreement approved in GR-2014-0007 related to the JJ's incident and does not have any expense of this type in the test year.

VIII. RATE BASE TREATMENT OF REGULATORY ASSETS

Q. HAS STAFF INCLUDED IN RATE BASE ALL OF THE REGULATORY ASSETS FOR WHICH THEY RECOMMEND RECOVERY THROUGH AMORTIZATION OF THE ASSET?

A. No. Staff has included in rate base the regulatory assets associated with Energy Efficiency expenditures for both Laclede and MGE and Laclede's Low Income Program. On the other hand, Staff has not included in rate base the Laclede or MGE approved red tag program deferred costs nor the deferred costs of MGE's low income affordability program.

Q. DO YOU AGREE WITH STAFF'S TREATMENT OF THESE REGULATORY ASSETS?

A. No. All of these assets are similar in that investor funds have been expended for the benefit of customers without inclusion in the cost service. A return should be earned on each of these regulatory assets.

IX. OPC ADJUSTMENT TO MANAGEMENT EXPENSES

Q. PLEASE DESCRIBE OPC WITNESS CONNER'S ADJSUTMENT TO DISALLOW OVER $1 MILLION OF MANAGEMENT OUT OF POCKET EXPENSE FOR LACLEDE AND MGE.

A. Ms. Conner requested from the Company the expense reports for each of the officers of Laclede and Spire (OPC DR 1033). Ms. Conner listed each expense for the officers and based on her review of the expenses and her interpretation of the

Company's travel and expense policies determined that each officer had an average of $6,027 of inappropriate expenses either because Ms. Conner deemed an officer to have not followed a policy, to have not identified other individuals sharing in the expense, or in her interpretation of the location and amount, the expense was deemed to not be eligible for rate recovery. Ms. Conner then multiplies the $6,027 allegedly ineligible officer expense times the 430 management employees of Spire for a total excess expense amount of $2.6 million. Of that amount, $1.7 million is allocated to Missouri utilities and then she multiplies that amount by 60% to arrive at her adjustment of $1.023 million.

Q. DO YOU AGREE WITH MS. CONNER'S ADJUSTMENT?

A. No, for several reasons. First, while Ms. Conner has copies of each expense report, there are some receipts where the names of the people included in the expense are noted on the back of the receipt or in the notes section of the expense report and not visible to Ms. Conner. In these case, it might appear that one person spent $60 on lunch, while in reality, the lunch was attended by four or five people. Ms. Conner did not ask follow-up questions, but assumed that the expense was excessive. Ms. Conner would then proceed to disallow the entire expense rather than reduce it to a reasonable level. Perhaps even worse, was her extrapolation of the officer expenses to each of 430 employees. Senior management is expected to travel, and expense levels will be considerably higher than that of other employees. Many management employees would not even charge $6,000 in out of pocket expenses in an entire year, much less $6,000 in excessive expenses. It should further be noted that the Company also has a policy that the highest ranking[1] employee at a Company

[1] i.e. a Vice-President would pay for a group meal attended by Director level or Manager level employees.

function will pay for any group related expenses. This is yet another reason why one cannot base the business expenses of middle and lower management on the expenses incurred by the officers and senior management of the Company. Finally, the Company travel and expense policy is a guideline in which employees are expected to act reasonably and prudently. I disagree with Ms. Conner that obtaining air travel other than through the corporate travel agent is grounds for disallowance of the entire cost of the flight. In summary, this adjustment is severely excessive and overstated and should not be allowed.

X. SALARIES AND WAGES

Q. ARE THERE DIFFERENCES BETWEEN STAFF AND COMPANY RELATED TO THE ADJUSTMENT TO SALARIES AND WAGES?

A. Yes. There are currently significant differences in the amount of total salaries and wages to include in the cost of service for each of the Companies.

Q. WOULD YOU PLEASE DESCRIBE THE MAJOR DIFFERENCES BETWEEN STAFF AND COMPANY?

A. The most significant difference between Staff and Company we believe relates to an error Staff made in reflecting the amount of payroll which should be capitalized. We are in discussions with Staff at the present time to resolve this difference. If we are unsuccessful in resolving this difference, I will address the specifics of the differences between the parties in my surrebuttal testimony.

Q. WHAT OTHER DIFFERENCES ARE THERE BETWEEN STAFF AND COMPANY?

A. The first difference relates to the use by Staff of an incorrect transfer rate or the percentage of payroll costs which should be capitalized and included in plant in service. First Staff used a rate which was not a transfer rate but rather an overhead loading rate for pensions and benefits. The Company has provided Staff with the proper transfer rates and I believe Staff will change their adjustment to reflect the correction.

The second major difference is in the number of and allocation of shared service employees to Laclede and MGE. Staff has used allocation factors which improperly allocate payroll costs to other Spire companies. An example of this is the Regulatory Department. With the exception of the Vice-President of Regulatory, each of the Missouri employees in the department should either be directly assigned to a Missouri utility or allocated between the Missouri utilities. Staff's allocation shifts payroll costs for these employees to the utilities in Alabama and Mississippi, even though they perform no work for those utilities.

The third difference relates to the computation of overtime hours included in Staff's adjustment. Staff is using a three-year average of calendar year overtime hours. However, for the 2017 overtime included in the average, Staff takes the actual overtime for the first six months of 2017 and multiplies those overtime hours by two.

Q. IS THAT THE PROPER WAY TO COMPUTE THAT AVERAGE?

A. No it is not because it fails to take into consideration the overtime hours worked during "fall rush" which is the time in October and November when customers are scrambling to get turned back on and significant amounts of overtime is worked.

Q. WHAT IS YOUR RECOMMENDATION FOR NORMALIZING OVERTIME HOURS?

A. My recommendation would be to use a three-year average of overtime hours for twelve month periods ending June 30, 2015, 2016 and 2017.

XI. OVERCOLLECTION OF GAS SAFETY AAO

Q. DO YOU AGREE WITH STAFF'S ADJUSTMENT TO REDUCE EXPENSE TO REFUND AN OVERCOLLECTION OF LACLEDE'S GAS SAFETY AAO?

A. No. I have reviewed the stipulation and agreement from GR-2005-0284 and also from GR-2013-0171 and was not able to find any language in those stipulations which required or even mentioned tracking the amortization of those costs. The stipulation and agreement in GR-2005-0284 called for amortization of the balance of costs deferred pursuant to the AAO established in Case No. GR-2002-356 over a 10-year period. The stipulation did not require the balance be tracked and any over collection of that amortization is simply caused by regulatory lag which is similar to rate case expense and is usually normalized over 3 or 4 years depending on the past rate case history of the utility. There are stipulation and agreements and Commission orders where costs are specifically designated for tracking, such as pension costs and OPEBs and the Kansas property taxes related to gas held in storage for MGE. However, the amortization of the gas safety AAO was not designated for tracking and Staff's adjustment to refund any over amortization should be disallowed.

XII. ST. PETERS' LATERAL COSTS

Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT TO INCLUDE IN RATE BASE THE PRELIMINARY COSTS TO BUILD A LATERAL PIPELINE TO SECURE ADDITIONAL SOURCES OF GAS.

A. The St. Peters' pipeline was being designed and developed to address concerns Laclede had with its pipeline contract on MoGas. Progress on building this alternative pipeline caused MoGas to enter into negotiations for a substantial discount (~ $4.5 million annually), which addressed key concerns. As such, the project was terminated, but the benefits of the lower negotiated rate created by this project will accrue to customers for the next 12 years, which is why the Company proposed a 12 year recovery of the cost it invested in planning its pipeline, a cost that is a small fraction of the benefit to customers.

Q. WHAT IS STAFF'S POSITION ON THE COMPANY'S ADJUSTMENT?

A. Based on communications with Staff it is my understanding that Staff is accepting Company's adjustment to amortize the costs over a 12-year period but has not included the deferred costs in rate base.

Q. DO YOU AGREE WITH STAFF'S POSITION?

A. I agree with Staff to the extent it is recommending at least a partial recovery of this investment. But I would note that investor supplied funds have been expended to achieve significant cost savings for our customers. Given the magnitude of those savings and the fact that they significantly exceed the revenue requirement that would be necessary to provide a return on as well as a return of this investment, I believe the Company's proposed treatment of this investment remains the most appropriate and equitable one.

XIII. REGULATORY TREATMENT OF HYDROSTATIC TESTING COSTS

Q. OPC WITHNESS HYNEMAN IN HIS TESTIMONY STATES THAT ALL HYDROSTATIC TESTING PERFORMED BY THE COMPANY SHOULD BE SHOULD BE EXPENSED AND NOT CAPITALIZED; WHILE MR.

LAUBER IN HIS REBUTTAL TESTIMONY EXPLAINS WHY THE TESTING SHOULD BE CAPITALIZED. CAN YOU QUANTIFY FOR THE COMMISSION THE DIFFERENCE IN REVENUE REQUIREMENT BETWEEN CAPITALIZING THE COSTS IN THIS CASE VERSUS EXPENSING THE COSTS?

A. Yes. During the test year, MGE capitalized $3,152,252 of hydrostatic testing costs. The revenue requirement associated with those costs consist of $293,603 at staff's midpoint rate of return plus $45,392 of depreciation expense plus $30,134 of property taxes for a total capitalized revenue requirement of $369,129. This compares to the revenue requirement of $3,152,252 if those costs are expensed.

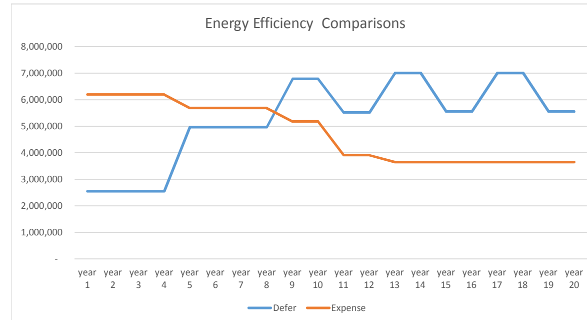
Q.. **DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

A. Yes it does.

Laclede Gas Company

	EE Tranche (a)	Yearly Amortization Proposed by Staff (b)	Estimated Annual Costs based on .5% of Revenue (c)	Expense in Rates (d)	Balance of Regulatory Asset per Staff Recommendation (e)	Cost of Capital @ 10% (e)	Revenue Requirement (f)
Balance of Energy Efficiency Regulatory Asset	**12,711,044**						
year 1		(1,271,104)	3,650,000	-	15,089,940	1,271,104	2,542,209
year 2		(1,271,104)	3,650,000	-	17,468,835	1,271,104	2,542,209
year 3		(1,271,104)	3,650,000	-	19,847,731	1,271,104	2,542,209
year 4	**14,600,000**	(1,271,104)	3,650,000	-	22,226,626	1,271,104	2,542,209
year 5		(2,731,104)	3,650,000	-	23,145,522	2,222,663	4,953,767
year 6		(2,731,104)	3,650,000	-	24,064,418	2,222,663	4,953,767
year 7		(2,731,104)	3,650,000	-	24,983,313	2,222,663	4,953,767
year 8	**14,600,000**	(2,731,104)	3,650,000	-	25,902,209	2,222,663	4,953,767
year 9		(4,191,104)	3,650,000	-	25,361,104	2,590,221	6,781,325
year 10		(4,191,104)	3,650,000	-	24,820,000	2,590,221	6,781,325
year 11		(2,920,000)	3,650,000	-	25,550,000	2,590,221	5,510,221
year 12	**14,600,000**	(2,920,000)	3,650,000	-	26,280,000	2,590,221	5,510,221
year 13		(4,380,000)	3,650,000	-	25,550,000	2,628,000	7,008,000
year 14		(4,380,000)	3,650,000	-	24,820,000	2,628,000	7,008,000
year 15		(2,920,000)	3,650,000	-	25,550,000	2,628,000	5,548,000
year 16	**14,600,000**	(2,920,000)	3,650,000	-	26,280,000	2,628,000	5,548,000
year 17		(4,380,000)	3,650,000	-	25,550,000	2,628,000	7,008,000
year 18		(4,380,000)	3,650,000	-	24,820,000	2,628,000	7,008,000
year 19		(2,920,000)	3,650,000	-	25,550,000	2,628,000	5,548,000
year 20		(2,920,000)	3,650,000	-	26,280,000	2,628,000	5,548,000
		(59,431,044)		-		45,359,952	104,790,996

	Defer	**Expense**
year 1	2,542,209	6,192,209
year 2	2,542,209	6,192,209
year 3	2,542,209	6,192,209
year 4	2,542,209	6,192,209
year 5	4,953,767	5,683,767
year 6	4,953,767	5,683,767
year 7	4,953,767	5,683,767
year 8	4,953,767	5,683,767
year 9	6,781,325	5,175,325
year 10	6,781,325	5,175,325
year 11	5,510,221	3,904,221
year 12	5,510,221	3,904,221
year 13	7,008,000	3,650,000
year 14	7,008,000	3,650,000
year 15	5,548,000	3,650,000
year 16	5,548,000	3,650,000
year 17	7,008,000	3,650,000
year 18	7,008,000	3,650,000
year 19	5,548,000	3,650,000
year 20	5,548,000	3,650,000



	EE Tranche (a)	Yearly Amortization Proposed by Staff (b)	Estimated Annual Costs based on .5% of Revenue (c)	Expense in Rates (d)	Balance of Regulatory Asset per Staff Recommendation (e)	Cost of Capital @ 10% (e)	Revenue Requirement (f)
Balance of Energy Efficiency Regulatory Asset	**12,711,044**						
year 1		(1,271,104)	3,650,000	3,650,000	11,439,940	1,271,104	6,192,209
year 2		(1,271,104)	3,650,000	3,650,000	10,168,835	1,271,104	6,192,209
year 3		(1,271,104)	3,650,000	3,650,000	8,897,731	1,271,104	6,192,209
year 4	**-**	(1,271,104)	3,650,000	3,650,000	7,626,626	1,271,104	6,192,209
year 5		(1,271,104)	3,650,000	3,650,000	6,355,522	762,663	5,683,767
year 6		(1,271,104)	3,650,000	3,650,000	5,084,418	762,663	5,683,767
year 7		(1,271,104)	3,650,000	3,650,000	3,813,313	762,663	5,683,767
year 8	**-**	(1,271,104)	3,650,000	3,650,000	2,542,209	762,663	5,683,767
year 9		(1,271,104)	3,650,000	3,650,000	1,271,104	254,221	5,175,325
year 10		(1,271,104)	3,650,000	3,650,000	(0)	254,221	5,175,325
year 11		-	3,650,000	3,650,000	(0)	254,221	3,904,221
year 12	**-**	-	3,650,000	3,650,000	(0)	254,221	3,904,221
year 13		-	3,650,000	3,650,000	(0)	(0)	3,650,000
year 14		-	3,650,000	3,650,000	(0)	(0)	3,650,000
year 15		-	3,650,000	3,650,000	(0)	(0)	3,650,000
year 16	**-**	-	3,650,000	3,650,000	(0)	(0)	3,650,000
year 17		-	3,650,000	3,650,000	(0)	(0)	3,650,000
year 18		-	3,650,000	3,650,000	(0)	(0)	3,650,000
year 19		-	3,650,000	3,650,000	(0)	(0)	3,650,000
year 20		-	3,650,000	3,650,000	(0)	(0)	3,650,000
		(12,711,044)		73,000,000		9,151,952	94,862,996

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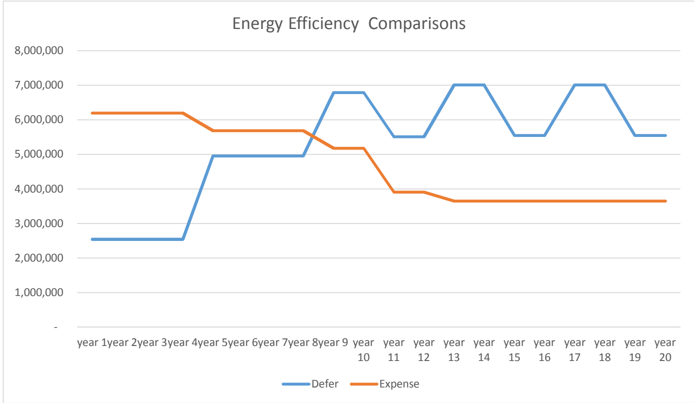
Missouri Gas Energy
Schedule MRN-R1

	EE Tranche (a)	Yearly Amortization Proposed by Staff (b)	Estimated Annual Costs based on .5% of Revenue (c)	Expense in Rates (d)	Balance of Regulatory Asset per Staff Recommendation (e)	Cost of Capital @ 10% (e)	Revenue Requirement (f)
Balance of Energy Efficiency Regulatory Asset	**14,684,915**						
year 1		(1,468,492)	2,500,000	-	15,716,424	1,468,492	2,936,983
year 2		(1,468,492)	2,500,000	-	16,747,932	1,468,492	2,936,983
year 3		(1,468,492)	2,500,000	-	17,779,441	1,468,492	2,936,983
year 4	**10,000,000**	(1,468,492)	2,500,000	-	18,810,949	1,468,492	2,936,983
year 5		(2,468,492)	2,500,000	-	18,842,458	1,881,095	4,349,586
year 6		(2,468,492)	2,500,000	-	18,873,966	1,881,095	4,349,586
year 7		(2,468,492)	2,500,000	-	18,905,475	1,881,095	4,349,586
year 8	**10,000,000**	(2,468,492)	2,500,000	-	18,936,983	1,881,095	4,349,586
year 9		(3,468,492)	2,500,000	-	17,968,492	1,893,698	5,362,190
year 10		(3,468,492)	2,500,000	-	17,000,000	1,893,698	5,362,190
year 11		(2,000,000)	2,500,000	-	17,500,000	1,893,698	3,893,698
year 12	**10,000,000**	(2,000,000)	2,500,000	-	18,000,000	1,893,698	3,893,698
year 13		(3,000,000)	2,500,000	-	17,500,000	1,800,000	4,800,000
year 14		(3,000,000)	2,500,000	-	17,000,000	1,800,000	4,800,000
year 15		(2,000,000)	2,500,000	-	17,500,000	1,800,000	3,800,000
year 16	**10,000,000**	(2,000,000)	2,500,000	-	18,000,000	1,800,000	3,800,000
year 17		(3,000,000)	2,500,000	-	17,500,000	1,800,000	4,800,000
year 18		(3,000,000)	2,500,000	-	17,000,000	1,800,000	4,800,000
year 19		(2,000,000)	2,500,000	-	17,500,000	1,800,000	3,800,000
year 20		(2,000,000)	2,500,000	-	18,000,000	1,800,000	3,800,000
		(46,684,915)		-		35,373,139	82,058,054



	EE Tranche (a)	Yearly Amortization Proposed by Staff (b)	Estimated Annual Costs based on .5% of Revenue (c)	Expense in Rates (d)	Balance of Regulatory Asset per Staff Recommendation (e)	Cost of Capital @ 10% (e)	Revenue Requirement (f)
Balance of Energy Efficiency Regulatory Asset	**14,684,915**						
year 1		(1,468,492)	2,500,000	2,500,000	13,216,424	1,468,492	5,436,983
year 2		(1,468,492)	2,500,000	2,500,000	11,747,932	1,468,492	5,436,983
year 3		(1,468,492)	2,500,000	2,500,000	10,279,441	1,468,492	5,436,983
year 4	**-**	(1,468,492)	2,500,000	2,500,000	8,810,949	1,468,492	5,436,983
year 5		(1,468,492)	2,500,000	2,500,000	7,342,458	881,095	4,849,586
year 6		(1,468,492)	2,500,000	2,500,000	5,873,966	881,095	4,849,586
year 7		(1,468,492)	2,500,000	2,500,000	4,405,475	881,095	4,849,586
year 8	**-**	(1,468,492)	2,500,000	2,500,000	2,936,983	881,095	4,849,586
year 9		(1,468,492)	2,500,000	2,500,000	1,468,492	293,698	4,262,190
year 10		(1,468,492)	2,500,000	2,500,000	-	293,698	4,262,190
year 11		-	2,500,000	2,500,000	-	293,698	2,793,698
year 12	**-**	-	2,500,000	2,500,000	-	293,698	2,793,698
year 13		-	2,500,000	2,500,000	-	-	2,500,000
year 14		-	2,500,000	2,500,000	-	-	2,500,000
year 15		-	2,500,000	2,500,000	-	-	2,500,000
year 16	**-**	-	2,500,000	2,500,000	-	-	2,500,000
year 17		-	2,500,000	2,500,000	-	-	2,500,000
year 18		-	2,500,000	2,500,000	-	-	2,500,000
year 19		-	2,500,000	2,500,000	-	-	2,500,000
year 20		-	2,500,000	2,500,000	-	-	2,500,000
		(14,684,915)		50,000,000		10,573,139	75,258,054

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 Service	)))	File No. GR-2017-0215
In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase its Revenues for Gas Service	)))	File No. GR-2017-0216

AFFIDAVIT

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

Michael R. Noack, of lawful age, being first duly sworn, deposes and states:

1. My name is Michael R. Noack. I am Director of Pricing and Regulatory Affairs for Missouri Gas Energy, an operating unit of Laclede Gas Company. My business address is 7500 E. 35th Terr., Kansas City, Missouri, 64129.

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.

Michael R. Noack

Michael R. Noack

Subscribed and sworn to before me this 16th day of OCTOBER 2017.

MARCIA A. SPANGLER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Sept. 24, 2018
Commission # 14630361

Marcia A. Spangler

Notary Public