

*Exhibit No.:*  
*Issue:* ISRS True-ups  
*Witness:* Mark L. Oligschlaeger  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Direct Testimony  
*File No.:* GO-2015-0178  
*Date Testimony Prepared:* April 9, 2015

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DEPARTMENT**

**DIRECT TESTIMONY**

**OF**

**MARK L. OLIGSCHLAEGER**

**LACLEDE GAS COMPANY**

**CASE NO. GO-2015-0178**

*Jefferson City, Missouri*  
*April 2015*



1 Q. What knowledge, skills, experience, training and education do you have in the areas of  
2 which you are testifying as an expert witness?

3 A. I have been employed by this Commission as a Regulatory Auditor for over 30 years and  
4 have submitted testimony on ratemaking matters numerous times before the Commission. I have also  
5 been responsible for the supervision of other Commission employees in rate cases and other regulatory  
6 proceedings many times. I have received continuous training at in-house and outside seminars on  
7 technical ratemaking matters since I began my employment at the Commission.

8 Q. Have you participated in the Commission Staff's ("Staff") review of the application filed  
9 by Laclede Gas Company ("Laclede" or "Company") in Case No. GO-2015-0178?

10 A. Yes, I have, with the assistance of other members of Staff.

11 **EXECUTIVE SUMMARY**

12 Q. Please summarize your testimony in this proceeding.

13 A. In this testimony, I will discuss the objection raised by The Office of the Public  
14 Counsel (OPC) in this proceeding to Laclede's request to use a "true-up" procedure to update the  
15 amount of eligible plant-in-service to be included as part of its proposed Infrastructure Surcharge  
16 Replacement Mechanism (ISRS) rate adjustment. The Staff's position is that use of true-up procedures  
17 within the ISRS application process is acceptable under certain conditions.

18 **ISRS TRUE-UPS**

19 Q. What is the "Infrastructure Surcharge Replacement Mechanism" (ISRS)?

20 A. ISRS is a single-issue ratemaking tool authorized by the Missouri General Assembly  
21 which allows certain water utilities (Section 393.1000 to 393.1006 RSMo.) and natural gas utilities  
22 (Section 393.1009 to 393.1015 RSMo.) to recover the costs of qualifying plant-in-service additions

1 outside of the context of general rate applications. The Commission has promulgated rules setting forth  
2 the ISRS filing requirements and procedure for natural gas utilities at 4 CSR 240-3.265 and for water  
3 utilities at 4 CSR 240-3.650. Through filed ISRS applications, qualifying utilities can recover the  
4 depreciation expense and return associated with eligible net plant additions, as well as an amount  
5 associated with property taxes on those additions.<sup>1</sup>

6 Q. Under the applicable statutes<sup>2</sup> and the Commission's ISRS rules<sup>3</sup>, what are the time limits  
7 for Staff and other parties to audit and review utility requests for ISRS rate adjustments, and what are  
8 the time limits for the Commission to issue an order regarding an ISRS application?

9 A. Under the statute and rules, the Staff and other parties have 60 days in which to review  
10 the ISRS rate request and file recommendations with the Commission. From that point, the Commission  
11 has an additional 60 days to conduct a hearing on the application, if there are any contested matters, and  
12 issue its order regarding the ISRS rate adjustment.

13 Q. What is a "true-up?"

14 A. A "true-up" is a term for an audit procedure involving review of financial information not  
15 available at the time of the initial utility rate application. A true-up is essentially a review of updated  
16 information submitted during the course of a utility rate audit.

17 Q. Is use of true-up procedures common in other types of rate applications commonly filed  
18 with the Commission?

19 A. Yes. In general rate applications in recent years, true-up procedures have been used in  
20 almost all such cases before the Commission.

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<sup>1</sup> The property taxes on eligible plant additions must be due within 12 months of the ISRS application date to be recoverable through an ISRS.

<sup>2</sup> Section 393.1006.2 and Section 393.1015.2 RSMo.

<sup>3</sup> Commission Rule 4 CSR 240-3.265(11) and (12); Commission Rule 4 CSR 240-3.650(11) and (12).

1 Q. Has the Staff agreed to use true-up procedures in prior ISRS applications?

2 A. Yes, in certain cases where the utilities have requested true-up procedures as part of their  
3 ISRS rate applications. Staff has conducted “true-up” reviews of ISRS information in all Laclede’s prior  
4 ISRS applications dating back to at least 2009.

5 Q. Under the ISRS statutes and rules, is the use of true-up procedures as part of ISRS audits  
6 allowable?

7 A. There is no specific discussion of use of true-up procedures in the ISRS statutes or rules.  
8 The Staff Counsel’s office has advised me that use of true-up procedures by the Staff in its audits of  
9 ISRS applications is permissible, but not required or mandatory.

10 Q. What is the Staff’s general position regarding use of true-up procedures in ISRS  
11 applications?

12 A. The Staff is not opposed to using true-up procedures in ISRS applications as long as it  
13 has a reasonable opportunity to review the updated financial information (i.e., ISRS plant work order  
14 information).

15 Q. Please explain the mechanics of how true-up requests are typically handled in ISRS  
16 applications.

17 A. I will use Laclede’s request for a true-up in this current application as an example.

18 Laclede filed this ISRS rate application in late January 2015, based on its actual ISRS eligible  
19 plant expenditures from September 2014 through December 2014. In addition, its filed ISRS rate  
20 increase amount was also based upon budgeted ISRS eligible plant additions through the end of  
21 February 2015. Therefore, Laclede was seeking a true-up of ISRS plant information in this application  
22 covering the months of January and February 2015.

1 Q. When did the Staff receive actual work order information from Laclede to support its  
2 ISRS revenue requirement amount associated with eligible January-February 2015 plant additions?

3 A. The Staff received this information from Laclede via electronic mail on March 12, 2015.

4 Q. What is an adequate amount of time for Staff to review true-up information in an ISRS  
5 application prior to filing its recommendation?

6 A. In general, receiving such information at least two weeks prior to the filing date for the  
7 Staff's recommendation should be sufficient for review of the updated information and to conduct any  
8 necessary follow-up questions with the utility regarding the true-up information. In this particular case,  
9 the Staff's recommendation regarding Laclede's ISRS application was due on March 31, 2015.  
10 Therefore, the Staff received the true-up information 19 days prior to its recommendation filing. The  
11 Staff believes this was an adequate amount of time to review the true-up plant work orders, and to  
12 recommend their inclusion in Laclede's ISRS rates if appropriate.

13 Q. Does the Staff have less time to review true-up information in ISRS applications than it  
14 has to review true-up information that is provided in the context of general rate proceedings?

15 A. Not in all cases. In some general rate proceedings, true-up information may be provided  
16 to the Staff and other parties only two or three weeks prior to the Staff's true-up testimony filing date. It  
17 should be noted that the true-up information Staff reviews as part of its audits of general rate  
18 proceedings covers many more areas of cost of service than does ISRS true-up information, and usually  
19 has significantly greater dollar value than the value of updated ISRS plant information.

20 Q. Does the Staff limit its use of true-up information in ISRS applications to updates of  
21 plant-in-service balances?

22 A. No. In recent years, Staff has employed a standard practice of updating the amounts of  
23 accumulated depreciation reserve ("depreciation reserve") and accumulated deferred income tax reserve

1 (“ADIT reserve”) associated with ISRS plant additions past the cut-off date used by the utilities in their  
2 initial ISRS filings, in order to move the balances for these items closer to the effective date of new  
3 ISRS rates. Both the depreciation reserve and ADIT reserve amounts reduce rate base, and thus offset to  
4 some degree the rate impact of inclusion of ISRS eligible plant additions in ISRS revenue requirement  
5 calculations.

6 Q. Please summarize your testimony in this proceeding.

7 A. The Staff recommends that the ISRS revenue requirement calculated for Laclede in this  
8 proceeding include the financial impact of eligible actual plant-in-service information for January and  
9 February 2015.

10 Q. Does this conclude your direct testimony in this proceeding?

11 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

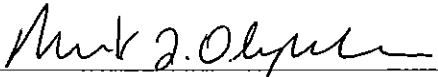
In the Matter of the Verified Application and )  
Petition of Laclede Gas Company to Change )  
its Infrastructure System Replacement )  
Surcharge in Its Laclede Gas Service Territory )

File No. GO-2015-0178

AFFIDAVIT OF MARK L. OLIGSCHLAEGER

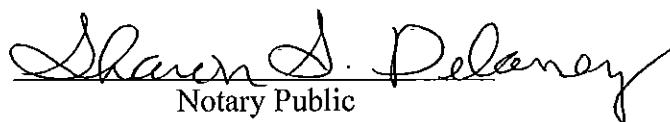
STATE OF MISSOURI     )  
  )     ss.  
COUNTY OF COLE     )

Mark L. Oligschlaeger, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
Mark L. Oligschlaeger

Subscribed and sworn to before me this 9th day of April, 2015.

SHARON S. DELANEY  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: February 19, 2019  
Commission Number: 15633438

  
Notary Public



**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
Union Electric Company d/b/a Ameren Missouri	EO-2015-0055	<b>Rebuttal:</b> Demand-Side Investment Mechanism
Kansas City Power & Light Company	EU-2015-0094	<b>Direct:</b> Accounting Order – Department of Energy Nuclear Waste Fund Fees
Kansas City Power & Light Company	EO-2014-0255	<b>Rebuttal:</b> Continuation of Construction Accounting
Union Electric Company d/b/a Ameren Missouri	EC-2014-0223	<b>Rebuttal:</b> Complaint Case – Rate Levels
Kansas City Power & Light Company	EO-2014-0095	<b>Rebuttal:</b> DSIM
Union Electric Company d/b/a Ameren Missouri	ET-2014-0085	<b>Surrebuttal:</b> RES Retail Rate Impact
Kansas City Power & Light Company & KCP&L Greater Missouri Operations Co	EU-2014-0077	<b>Rebuttal: Accounting Authority Order</b>
Kansas City Power & Light Company	ET-2014-0071	<b>Rebuttal:</b> RES Retail Rate Impact <b>Surrebuttal:</b> RES Retail Rate Impact
KCP&L Greater Missouri Operations Company	ET-2014-0059	<b>Rebuttal:</b> RES Retail Rate Impact <b>Surrebuttal:</b> RES Retail Rate Impact
Missouri Gas Energy, A Division of Laclede Gas Company	GR-2014-0007	<b>Surrebuttal:</b> Pension Amortizations
The Empire District Electric Company	ER-2012-0345	<b>Direct (Interim):</b> Interim Rate Request <b>Rebuttal:</b> Transmission Tracker, Cost of Removal Deferred Tax Amortization; State Income Tax Flow-Through Amortization <b>Surrebuttal:</b> State Income Tax Flow-Through Amortization
KCP&L Greater Missouri Operations Company	ER-2012-0175	<b>Surrebuttal:</b> Transmission Tracker Conditions
Kansas City Power & Light Company	ER-2012-0174	<b>Rebuttal:</b> Flood Deferral of off-system sales <b>Surrebuttal:</b> Flood Deferral of off-system sales, Transmission Tracker conditions
Union Electric Company d/b/a Ameren Missouri	ER-2012-0166	<b>Responsive:</b> Transmission Tracker
Union Electric Company d/b/a Ameren Missouri	EO-2012-0142	<b>Rebuttal:</b> DSIM
Union Electric Company d/b/a Ameren Missouri	EU-2012-0027	<b>Rebuttal:</b> Accounting Authority Order <b>Cross-Surrebuttal:</b> Accounting Authority Order
KCP&L Greater Missouri Operations Company	EO-2012-0009	<b>Rebuttal:</b> DSIM

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
Missouri Gas Energy, A Division of Southern Union	GU-2011-0392	<b>Rebuttal:</b> Lost Revenues <b>Cross-Surrebuttal:</b> Lost Revenues
Missouri-American Water Company	WR-2011-0337	<b>Surrebuttal:</b> Pension Tracker
The Empire District Electric Company	ER-2011-0004	<b>Staff Report on Cost of Service: Direct:</b> Report on Cost of Service; Overview of the Staff's Filing, <b>Surrebuttal:</b> SWPA Payment, Ice Storm Amortization Rebasing, S02 Allowances, Fuel/Purchased Power and True-up
The Empire District Electric Company, The-Investor (Electric)	ER-2010-0130	<b>Staff Report Cost of Service: Direct</b> Report on Cost of Service; Overview of the Staff's Filing; Regulatory Plan Amortizations; <b>Surrebuttal:</b> Regulatory Plan Amortizations
Missouri Gas Energy, a Division of Southern Union	GR-2009-0355	<b>Staff Report Cost of Service: Direct</b> Report on Cost of Service; Overview of the Staff's Filing; <b>Rebuttal:</b> Kansas Property Taxes/AAO; Bad Debts/Tracker; FAS 106/OPEBs; Policy; <b>Surrebuttal:</b> Environmental Expense, FAS 106/OPEBs
KCP&L Greater Missouri Operations Company	EO-2008-0216	<b>Rebuttal:</b> Accounting Authority Order Request
The Empire District Electric Company	ER-2008-0093	Case Overview; Regulatory Plan Amortizations; Asbury SCR; Commission Rules Tracker; Fuel Adjustment Clause; ROE and Risk; Depreciation; True-up; Gas Contract Unwinding
Missouri Gas Utility	GR-2008-0060	Report on Cost of Service; Overview of Staff's Filing
Laclede Gas Company	GR-2007-0208	Case Overview; Depreciation Expense/Depreciation Reserve; Affiliated Transactions; Regulatory Compact
Missouri Gas Energy	GR-2006-0422	Unrecovered Cost of Service Adjustment; Policy
Empire District Electric	ER-2006-0315	Fuel/Purchased Power; Regulatory Plan Amortizations; Return on Equity; True-Up
Missouri Gas Energy	GR-2004-0209	Revenue Requirement Differences; Corporate Cost Allocation Study; Policy; Load Attrition; Capital Structure

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
Aquila, Inc., d/b/a Aquila Networks-MPS-Electric and Aquila Networks-L&P-Electric and Steam	ER-2004-0034 and HR-2004-0024 (Consolidated)	Aries Purchased Power Agreement; Merger Savings
Laclede Gas Company	GA-2002-429	Accounting Authority Order Request
Union Electric Company	EC-2002-1	Merger Savings; Criticisms of Staff's Case; Injuries and Damages; Uncollectibles
Missouri Public Service	ER-2001-672	Purchased Power Agreement; Merger Savings/Acquisition Adjustment
Gateway Pipeline Company	GM-2001-585	Financial Statements
Ozark Telephone Company	TC-2001-402	Interim Rate Refund
The Empire District Electric Company	ER-2001-299	Prudence/State Line Construction/Capital Costs
Missouri Gas Energy	GR-2001-292	SLRP Deferrals; Y2K Deferrals; Deferred Taxes; SLRP and Y2K CSE/GSIP
KLM Telephone Company	TT-2001-120	Policy
Holway Telephone Company	TT-2001-119	Policy
Peace Valley Telephone	TT-2001-118	Policy
Ozark Telephone Company	TT-2001-117	Policy
IAMO Telephone Company	TT-2001-116	Policy
Green Hills Telephone	TT-2001-115	Policy
UtiliCorp United & The Empire District Electric Company	EM-2000-369	Overall Recommendations
UtiliCorp United & St. Joseph Light & Power	EM-2000-292	Staff Overall Recommendations
Missouri-American Water	WM-2000-222	Conditions
Laclede Gas Company	GR-99-315  (remand)	Depreciation and Cost of Removal
United Water Missouri	WA-98-187	FAS 106 Deferrals

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
Western Resources & Kansas City Power & Light	EM-97-515	Regulatory Plan; Ratemaking Recommendations; Stranded Costs
Missouri Public Service	ER-97-394	Stranded/Transition Costs; Regulatory Asset Amortization; Performance Based Regulation
The Empire District Electric Company	ER-97-82	Policy
Missouri Gas Energy	GR-96-285	Riders; Savings Sharing
St. Louis County Water	WR-96-263	Future Plant
Union Electric Company	EM-96-149	Merger Savings; Transmission Policy
St. Louis County Water	WR-95-145	Policy
Western Resources & Southern Union Company	GM-94-40	Regulatory Asset Transfer
Generic Electric	EO-93-218	Preapproval
Generic Telephone	TO-92-306	Revenue Neutrality; Accounting Classification
Missouri Public Service	EO-91-358 and EO-91-360	Accounting Authority Order
Missouri-American Water Company	WR-91-211	True-up; Known and Measurable
Western Resources	GR-90-40 and GR-91-149	Take-Or-Pay Costs

**Cases prior to 1990 include:**

COMPANY NAME	CASE NUMBER
Kansas City Power and Light Company	ER-82-66
Kansas City Power and Light Company	HR-82-67
Southwestern Bell Telephone Company	TR-82-199
Missouri Public Service Company	ER-83-40
Kansas City Power and Light Company	ER-83-49
Southwestern Bell Telephone Company	TR-83-253
Kansas City Power and Light Company	EO-84-4
Kansas City Power and Light Company	ER-85-128 & EO-85-185
KPL Gas Service Company	GR-86-76

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

**COMPANY NAME**

Kansas City Power and Light Company

Southwestern Bell Telephone Company

**CASE NUMBER**

HO-86-139

TC-89-14