

*Exhibit No.:*  
*Issue:* Pension Amortizations  
*Witness:* Mark L. Oligschlaeger  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Surrebuttal Testimony  
*Case No.:* GR-2014-0007  
*Date Testimony Prepared:* April 3, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION  
UTILITY SERVICES - AUDITING**

**SURREBUTTAL TESTIMONY**

**OF**

**MARK L. OLIGSCHLAEGER**

**MISSOURI GAS ENERGY COMPANY  
A Division of Laclede Gas Company**

**CASE NO. GR-2014-0007**

*Jefferson City, Missouri  
April 2014*

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**MARK L. OLIGSCHLAEGER**  
**MISSOURI GAS ENERGY**  
**CASE NO. GR-2014-0007**

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1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **MARK L. OLIGSCHLAEGER**

4 **MISSOURI GAS ENERGY**

5 **CASE NO. GR-2014-0007**

6 Q. Please state your name and business address.

7 A. Mark L. Oligschlaeger, P.O. Box 360, Suite 440, Jefferson City, MO 65102.

8 Q. Please describe your educational background and work experience.

9 A. I attended Rockhurst College in Kansas City, Missouri, and received a Bachelor  
10 of Science degree in Business Administration, with a major in Accounting, in 1981. I have been  
11 employed by the Missouri Public Service Commission (“Commission”) since September of 1981  
12 within the Auditing Unit.

13 Q. What is your current position with the Commission?

14 A. Since April 2011, I have held the position of Manager of the Auditing Unit,  
15 Utility Services Department, Regulatory Review Division, of the Commission.

16 Q. Are you a Certified Public Accountant (CPA)?

17 A. Yes, I am. In November of 1981, I passed the Uniform Certified Public  
18 Accountant examination and, since February of 1989, I have been licensed in the state of  
19 Missouri as a CPA.

20 Q. Have you previously filed testimony before this Commission?

21 A. Yes, numerous times. A listing of the cases in which I have previously filed  
22 testimony before this Commission, and the issues I have addressed in testimony in cases from  
23 1990 to current, is attached as Schedule MLO 1 to this rebuttal testimony.

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

3 A. I have been employed by this Commission as a Regulatory Auditor for over  
4 32 years, and have submitted testimony on ratemaking matters numerous times before the  
5 Commission. I have also been responsible for the supervision of other Commission employees  
6 in rate cases and other regulatory proceedings many times. I have received continuous training  
7 at in-house and outside seminars on technical ratemaking matters, since I began my employment  
8 at the Commission.

9 **EXECUTIVE SUMMARY**

10 Q. Please summarize your surrebuttal testimony in this proceeding.

11 A. I address claims made in the rebuttal testimony filed by Missouri Gas Energy  
12 (“MGE”) in this proceeding that the language in a stipulation and agreement entered into in  
13 MGE’s previous rate proceeding, Case No. GR-2009-0355, authorized it to not offset over  
14 collections in rates of previous “vintages” of prepaid pension asset amortizations against any  
15 existing under-recovery of other prepaid pension asset amortizations. Staff strongly disagrees  
16 with this view.

17 Staff witness Keith Majors is also submitting surrebuttal testimony on this issue in  
18 this proceeding.

19 **PENSION AMORTIZATIONS**

20 Q. Were you involved with the stipulation and agreement entered into by Staff and  
21 other parties in Case No. GR-2009-0355 (“2009 Stipulation”), which concerned accounting and  
22 rate treatment of pension expense, among other matters?

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1           A.     Yes. I was the assigned co-case coordinator in that proceeding for the Staff's  
2 Utility Services Division. Part of my responsibilities in the position included oversight over the  
3 development of Staff's positions regarding rate treatment of pension costs in that case. I was  
4 also involved with all aspects of developing the 2009 Stipulation, including the negotiations  
5 between MGE, Staff and other parties and the subsequent drafting of language in the 2009  
6 Stipulation in the area of pension expenses.

7           Q.     Have you recently reviewed the language regarding pension costs in the  
8 2009 Stipulation?

9           A.     Yes, I have. Since it has been approximately four and one-half years since the  
10 2009 Stipulation was entered into, I have reviewed the portion of the 2009 stipulation relating to  
11 pension expense in preparing this surrebuttal testimony.

12          Q.     How would you describe the 2009 Stipulation as it applies to MGE's  
13 pension costs?

14          A.     The agreement reached in the 2009 rate case relating to pension expense called  
15 for continuation of the use of "tracker mechanisms" to record the ongoing difference between  
16 rate collections of pension expense and the amount of pension expense incurred by MGE and  
17 funded into an external trust. This basic approach has been used, with modifications, since the  
18 early years of the last decade to develop rate treatment of both pension expenses and other retiree  
19 medical benefits expenses (OPEBs) for large utilities in this State. I have been involved with  
20 development of this rate method for pensions and OPEBs since the early stages of this approach.

21                More specifically, the 2009 Stipulation called for MGE to recover the amount of prior  
22 under collections in rates of pension expense amortizations associated with three "vintages" of  
23 pension cost differentials captured in separate tracker mechanisms.

1 Q. What is the general intent underlying use of “tracker mechanisms” to set rates  
2 in Missouri?

3 A. Normally, rates are set in order to allow utilities an opportunity to recover their  
4 cost of service in totality. Under the typical approach, a utility may incur less or more of a  
5 particular cost than the level of the cost reflected in its current rates. However, a utility would  
6 not normally be allowed to recoup any prior deficiency in the amount of a particular cost  
7 collected in rates, or be required to refund to customers any excess amount of a particular cost  
8 collected in rates.

9 In certain rare situations, use of tracker mechanisms has been allowed in this jurisdiction  
10 to enable utilities to “track” the ongoing differences in the amount of a cost collected in rates and  
11 the amount of the cost incurred by the utility. The utility or other parties can then seek rate  
12 treatment of the tracked amount of the cost through an amortization to expense in a subsequent  
13 general rate case proceeding.

14 Q. Why have tracker mechanisms been previously authorized for pension expense  
15 for MGE and other Missouri utilities?

16 A. Pension expenses have certain highly unusual aspects compared to other expenses  
17 commonly incurred by Missouri utilities. One such aspect is a requirement by law that utilities  
18 (and nonregulated companies) that offer certain types of pension benefits must prefund these  
19 amounts in trust mechanisms. In addition, at certain times in the past there has been a high  
20 level of volatility and unpredictability regarding the annual levels of pension costs incurred  
21 by utilities.

22 Q. Can use of trackers reduce the level of regulatory risk faced by both utilities and  
23 their customers?

1           A.     Yes, if used in the manner advocated by Staff in this proceeding. Fundamentally,  
2 use of tracker mechanisms means utilities can ultimately recover in rates the exact amount of a  
3 particular cost that they incur, no more and no less. By largely eliminating the possibility that  
4 the utility will either over- or under-recover the cost in its rates, the regulatory risk faced both by  
5 the utility and its customers is thereby reduced.

6           Q.     Is this consistent with the position taken by MGE witness Michael R. Noack in  
7 this proceeding regarding operation of the Company's pension expense trackers?

8           A.     No. As expressed by Mr. Noack at pages 23-24 of his rebuttal testimony, MGE's  
9 position on this issue is that any over-recovery of the amount of a pension expense tracker  
10 amortization should not be used to offset any remaining under-recovery of a pension expense  
11 tracker amortization associated with a separate tracker vintage. Instead, the amount of the  
12 over-recovery of pension amortization expense would flow to the utility's net operating income.  
13 The implications of this position are that trackers can be used to shield utilities entirely from the  
14 risk of under-collecting a particular cost, while customers are still exposed to the risk of the  
15 utility over-collecting the particular costs in rates.

16          Q.     Was it expected by Staff that any over collection of a pension amortization  
17 expense included in the rate levels in Case No. GR-2009-0355 would be captured to offset  
18 against unrecovered pension amortization costs from a later vintage?

19          A.     Yes. The tracker mechanism was designed to allow identification of the amount  
20 recovered in rates for all vintages of pension amortizations in order to determine their  
21 appropriate disposition in MGE's next general rate proceeding.

22          Q.     Mr. Noack points to the language in the 2009 Stipulation as supporting the  
23 Company's position on this matter. Do you agree?

Surrebuttal Testimony of  
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1           A.     No, not at all. Staff's intent regarding the treatment of pension expense in the  
2 2009 Stipulation was to allow MGE to recover in rates the amount of its incurred pension  
3 expenses over time, no more and no less. It was not Staff's intent to allow the utility the benefit  
4 of a one-sided accounting and rate mechanism to protect itself against the risk of under-  
5 recovering pension rates, while still retaining the benefit of over-collections of the cost in rates.  
6 Staff would not and will not enter into a stipulation with MGE or any other utility concerning use  
7 of a tracker mechanism for any cost that would operate in the manner advocated by MGE in this  
8 proceeding for its pension trackers.

9           Q.     Does this conclude your surrebuttal testimony?

10          A.     Yes, it does.



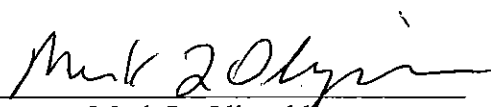
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of Missouri Gas Energy, Inc.'s    )  
Filing of Revised Tariffs to Increase its Annual    )            Case No. GR-2014-0007  
Revenues for Natural Gas                                )

AFFIDAVIT OF MARK L. OLIGSCHLAEGER

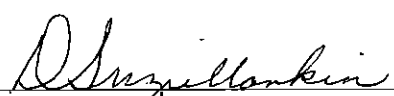
STATE OF MISSOURI                                )  
  )  
COUNTY OF COLE                                )            ss.

Mark L. Oligschlaeger, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Surrebuttal 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 3<sup>rd</sup> day of April, 2014.

**D. SUZIE MANKIN**  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: December 12, 2016  
Commission Number: 12412070

  
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Notary Public

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
Kansas City Power & Light Company	EO-2014-0077	<b>Rebuttal:</b> DSIM
Kansas City Power & Light Company & KCP&L Greater Missouri Operations Co	EU-2014-0077	<b>Rebuttal: Accounting Authority Order</b>
Union Electric Company d/b/a Ameren Missouri	ET-2014-0085	<b>Surrebuttal:</b> RES Retail Rate Impact
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
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
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

**CASE PARTICIPATION OF  
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<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
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
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

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
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
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

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
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
COMPANY NAME	CASE NUMBER
KPL Gas Service Company	GR-86-76
Kansas City Power and Light Company	HO-86-139
Southwestern Bell Telephone Company	TC-89-14