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Other Policy Proposals;
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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

MARK L. OLIGSCHLAEGER

SPIRE MISSOURI, INC., d/b/a SPIRE

**LACLEDE GAS COMPANY and MISSOURI GAS ENERGY
GENERAL RATE CASE**

CASE NOS. GR-2017-0215 AND GR-2017-0216

Jefferson City, Missouri
October 2017

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **MARK L. OLIGSCHLAEGER**

4 **SPIRE MISSOURI, INC., d/b/a SPIRE**

5 **LACLEDE GAS COMPANY and MISSOURI GAS ENERGY**
6 **GENERAL RATE CASE**

7 **CASE NOS. GR-2017-0215 AND GR-2017-0216**

8 Q. Please state your name and business address.

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

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

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

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

16 A. In April 2011, I assumed the position of Manager of the Auditing Department
17 within the Commission Staff Division.

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

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

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

23 A. Yes, numerous times. A listing of the cases in which I have previously filed
24 testimony before this Commission, and the issues I have addressed in testimony in cases from
25 1990 to current, is attached as Schedule MLO-r1 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
4 approximately 36 years and have submitted testimony on ratemaking matters numerous times
5 before the Commission. I have also been responsible for the supervision of other Commission
6 employees in rate cases and other regulatory proceedings many times. I have received
7 continuous training at in-house and outside seminars on technical ratemaking matters since
8 I began my employment at the Commission.

9 Q. Have you participated in the Commission Staff's ("Staff") review of the
10 applications filed by Laclede Gas Company (LAC) in Case No. GR-2017-0215 and Missouri
11 Gas Energy (MGE) in Case No. GR-2017-0216 to increase customer rates?

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

13 **EXECUTIVE SUMMARY**

14 Q. Please summarize your rebuttal testimony in this proceeding.

15 A. In this testimony, I will address the policy proposals discussed by LAC and
16 MGE witness C. Eric Lobser in his direct testimony under the headings *Tracking of Certain*
17 *Costs for Inclusion in Future Rates* (pages 37-40), *Performance Metrics for Customer Service*
18 *and Cost Management* (pages 40-43), and *Treatment of Acquisition Costs and Synergies*
19 (pages 43-46).

20 I will also briefly comment on statements made by Mr. Lobser in his direct testimony
21 at page 38 regarding rate treatment of certain computer software expenses.

22 Q. Are other Staff witnesses addressing LAC and MGE's proposed accounting
23 and ratemaking mechanisms addressed on pages 37 – 46 of Mr. Lobser's direct testimony?

1 A. Yes. Staff witness Karen Lyons addresses aspects of the environmental cost
2 and cyber-security tracker proposals in her rebuttal testimony. Staff witness Keith Majors
3 addresses the major capital projects (“construction accounting”) tracker proposal in his
4 rebuttal testimony. Staff witness Brooke Richter addresses the customer-service metrics
5 proposal in her rebuttal testimony.

6 **TRACKER PROPOSALS**

7 Q. What is a “tracker”?

8 A. The term “tracker” refers to rate mechanisms under which the amount of
9 a particular cost of service item actually incurred by a utility is “tracked” and compared to
10 the amount of that item currently included in a utility’s rate levels. Any over-recovery or
11 under-recovery of the item in rates compared to the actual expenditures made by a utility
12 is then booked to a regulatory asset or regulatory liability account, and would be eligible to
13 be included in the utility’s rates set in its next general rate proceeding through an amortization
14 to expense.

15 Q. Should use of trackers be a common occurrence in Missouri rate regulation
16 of utilities?

17 A. No. Rates are normally set in Missouri to allow a utility an opportunity to
18 recover its cost of service, measured as a whole, on an ongoing basis from the utility’s
19 customers. However, under this approach, neither utilities nor utility customers are allowed
20 to be reimbursed through the rate case process for any prior under or over-recovery of costs
21 experienced by the utility in rates, either measured for its cost of service as a whole or for
22 individual cost of service components. For this reason, use of trackers in order to provide

1 reimbursement in rates to utilities or customers of any over or under-recovery of individual
2 rate components is rare and should be dependent on unique and unusual circumstances.

3 Q. Under what criteria might Staff consider the use of trackers to be justified?

4 A. Use of trackers may be justified under the following circumstances: (1) when
5 the applicable costs demonstrate significant fluctuation and up-and-down volatility over time,
6 and for which accurate estimation is difficult; (2) new costs for which there is little or no
7 historical experience, and for which accurate estimation is accordingly difficult; and (3) costs
8 imposed upon utilities by newly promulgated Commission rules. In addition, the costs should
9 be material in amount.

10 Q. Why are trackers sometimes justified by significantly fluctuating and
11 volatile costs?

12 A. If a utility's cost levels for a particular rate item over time demonstrate
13 significant up-and-down volatility, it can be appropriate to implement a tracker mechanism
14 for this type of item to reduce the amount of risk associated with a material inaccuracy in
15 estimating the particular cost for purposes of setting the utility's rates.

16 Q. What is an example of a Commission authorized tracker for a volatile cost?

17 A. All major utilities operating in Missouri, including LAC and MGE, have
18 tracker mechanisms in place, at the present time, for their pension and other post-employment
19 benefit ("OPEB") expenses. (The term "OPEBs" generally refers to retiree medical benefits.)
20 Annual pension and OPEB expense amounts have at times been subject to significant annual
21 volatility, primarily because pension and OPEB funding amounts are impacted by investment
22 outcomes in equity and debt markets that, of course, can swing upward or downward based
23 upon trends in the general economy.

1 Q. Are there other unusual aspects to pension and OPEB expense that justify
2 using tracking mechanisms?

3 A. Yes. In Missouri, utilities place amounts intended for later payment to retired
4 employees for pensions and OPEBs into external trust funds to help ensure that such funds are
5 available when due to utility employees.¹ It is good policy for utilities to keep as current as
6 possible on funding of pension and OPEB amounts. In this respect, authorizing tracker
7 mechanisms for these expense items encourages utilities to stay current on pension and OPEB
8 funding levels, by ensuring that utilities are ultimately made whole for their contributions,
9 even in the event such contributions exceed the amount of pension and OPEB expense
10 allowances currently included in their rate levels. Of course, if pension or funding amounts
11 turn out to be less than the amounts for these items currently included in a utility's rate level,
12 use of trackers also ensure that the funding/rate differential would ultimately be flowed back
13 to its customers.

14 Q. Are there other instances where trackers may be justified?

15 A. In rare circumstances, utilities will incur significant new expenses for which
16 they have little or no history to aid in determining an appropriate ongoing level for these
17 expenses for setting rates. In those circumstances, it may be appropriate to authorize a tracker
18 to protect both the utility and its customers from over- or under-recovery in rates of these
19 expenses due to erroneous estimates.

20 Q. Has Staff agreed to use of a tracker for this reason in previous cases?

21 A. Yes. When the Iatan II generating station went into service in 2010, Staff
22 agreed to a tracker applicable to the operation and maintenance ("O&M") expenses associated

¹ Federal law requires prefunding of pension amounts. In Missouri, under state law utilities must prefund OPEB amounts in order to be eligible for rate recovery of this item on an accrual basis in advance of actual payment to retirees.

1 with this power plant for Kansas City Power & Light Company, for KCPL Greater Missouri
2 Operations and for The Empire District Electric Company, given the lack of prior history for
3 these expenses. (All of these entities receive power from the Iatan II unit, and are responsible
4 for a portion of the unit's O&M expenses.) However, Staff only intended for the utilities to
5 use these trackers for the initial years of operation of the Iatan II unit, until an adequate
6 history of the unit's O&M expenses existed. This tracker has since been discontinued for all
7 of these utilities.

8 Q. Are there any other instances where the Commission has used trackers?

9 A. In some circumstances, the Commission has established, within the rules it
10 promulgates, provisions for tracking and recovery of incremental costs caused by utility
11 compliance with new rules. This was the case with the Commission rules requiring electric
12 utilities to take certain actions regarding vegetation management and infrastructure inspection
13 activities, which became effective in 2008.

14 Q. Are cost deferrals resulting from use of trackers any different from cost
15 deferrals resulting from use of accounting authority orders?

16 A. Yes. In Missouri, when someone refers to an "accounting authority order,"
17 also known as an AAO, it is understood that person is referring to a Commission order that
18 allows a utility to defer certain costs on its balance sheet, for potential recovery of the
19 deferred costs in rates through amortizations to expense in general rate proceedings. This is
20 similar to how deferrals resulting from trackers may be treated in general rate proceedings.
21 However, the nature of the costs to which AAOs are normally granted, and the nature of the
22 costs to which tracking treatment is normally granted, are quite different.

1 Q. Would you explain the major differences in how AAOs and trackers have been
2 used in Missouri?

3 A. Typically, AAOs have been used to allow utilities to capture certain
4 unanticipated and “extraordinary” costs that are not included in their ongoing rate levels. The
5 term “extraordinary costs” has been defined as costs associated with an event that is unusual,
6 unique, and non-recurring in nature. The classic example of an extraordinary event is the
7 occurrence of a natural disaster, such as a wind or ice storm, or major flood that affects a
8 utility’s service territory.

9 In contrast, trackers have been used in Missouri to track certain costs that are ongoing
10 to a utility, and for which some allowance has been built into the company’s existing rate
11 levels. For this reason, while costs subject to trackers exhibit some highly unusual or unique
12 attributes which justify the use of a tracker, these costs are not “extraordinary” in the sense
13 that this term is commonly applied to costs covered by AAOs.

14 Q. Why would widespread use of trackers in setting utility rates not be in the
15 public interest?

16 A. There are at least two reasons. First, excessive use of trackers would tend to
17 unreasonably skew ratemaking results either in favor of the utility or in favor of its customers.
18 Secondly, broad use of trackers would inevitably dull the incentives a utility has to operate
19 efficiently and productively under the rate regulation approach employed in Missouri.

20 Q. Why would the widespread use of trackers tend to unreasonably skew the
21 ratemaking results for a utility?

22 A. With certain exceptions, the policy in Missouri has been to set a utility’s rates
23 based upon measurement of “all relevant factors,” taking into accounts levels of revenues,

1 expenses, rate base, and rate of return that are calculated at or about the same point in time.
2 Use of an “all relevant factors” approach is necessary in order to ensure that a utility’s
3 rate levels are based upon an accurate measurement of its cost of service at a particular point
4 in time.

5 When trackers are used as part of setting rates, certain cost factors inevitably receive
6 different and inconsistent treatment compared to other cost factors. For example, if a utility
7 tracks expenses that tend to increase in amount over time, but does not track cost of service
8 factors that may reduce its cost of service (factors such as revenue growth, or increases in the
9 rate base offsets for accumulated depreciation or deferred taxes), the utility will have the
10 potential of receiving retroactive dollar-for-dollar recovery of certain cost increases in its
11 customer rates through the operation of its trackers, while pocketing for itself any beneficial
12 changes in other cost of service components that occur over the same period. In this manner,
13 inappropriate use of trackers can lead to skewed and unfair ratemaking results.

14 Q. How do trackers affect a utility’s incentives to operate efficiently?

15 A. An inevitable byproduct of cost of service ratemaking approach is
16 “regulatory lag.” “Regulatory lag” is simply the passage of time between when a utility
17 experiences a change in its cost of service, and when that change is reflected in its rate levels.
18 While the utilities often portray regulatory lag as a phenomenon that is entirely or almost
19 entirely negative or harmful, the existence of regulatory lag does provide utilities with
20 incentive to be as efficient and cost-effective over time as they can. Excessive use of trackers
21 can serve to eliminate or weaken these beneficial incentives.

1 Q. Would you explain your point further?

2 A. The operation of regulatory lag as part of the normal ratemaking process
3 exposes a utility to the prospect of lower earnings if its cost of service increases between
4 general rate proceedings, but it also allows the utility to experience higher earnings after a
5 general rate proceeding, if it is able to reduce its cost of service. The use of trackers would
6 damage this “penalty/reward” aspect of current Missouri ratemaking policy, if applied to
7 normal and ongoing utility costs. A company that experiences an increase in an expense that
8 is being tracked will experience no reduction in earnings related to that increased cost
9 (because the cost increase will be captured on its balance sheet and not on its income
10 statement) and, therefore, will have less incentive to attempt to minimize any such cost
11 increase. On the other hand, a company that experiences a reduction in an expense that is
12 being tracked will experience no increase to its ongoing earnings levels as a result of the
13 decreased cost (again, because the cost decrease will be captured on its balance sheet and not
14 on its income statement). Therefore, the utility would have less incentive to attempt to
15 produce the lower cost levels in the first place.

16 Q. For what cost of service items are LAC and MGE seeking authority to
17 implement new tracking mechanisms?

18 A. In this rate case, LAC and MGE are seeking authority to implement trackers
19 for environmental expenditures, for “integrity management” expenses and for certain
20 categories of capital additions. I briefly address each of these requests, and explain why they
21 do not meet appropriate criteria for use of a tracker.

22 Q. Please describe LAC’s and MGE’s request to use a tracker for environmental
23 costs.

1 A. At page 38 of his direct testimony, Mr. Lobser proposes that the capital and
2 expense costs associated with compliance with “any federal, state or local environmental law,
3 regulation or rule” be deferred and recovered in rates by LAC and MGE.

4 Q. Are environmental related costs potentially subject to special ratemaking
5 treatment?

6 A. Under certain circumstances, they could be. The Missouri legislature has
7 previously given the Commission authority to implement ratemaking procedures to allow
8 utilities to recover costs associated with environmental compliance mandates outside of
9 general rate proceedings (Section 386.266). The Commission subsequently implemented
10 rules to govern the operation of any such rate mechanisms for electric and water utilities (but
11 not for natural gas utilities). It should be noted that the Commission maintains discretion as to
12 whether to grant single-issue rate treatment of environmental costs for qualifying utilities.

13 Q. To date, has the Commission granted any Missouri utility authority to change
14 its rates on a single-issue basis for environmental compliance costs?

15 A. No.

16 Q. Has any Missouri utility previously sought authority to use a tracker for
17 environmental compliance costs?

18 A. Staff is aware of only one such utility, MGE, in Case No. GR-2014-0007. The
19 rate case was resolved through stipulation without the environmental tracker being authorized.

20 Q. Under certain circumstances, are environmental compliance costs a type of
21 cost that could be considered for tracking treatment by natural gas utilities?

22 A. In Staff’s view, yes, if such costs are mandated for the utility by relevant
23 authority and are material in amount.

1 Q. Is Staff aware of any environmental expenditures anticipated by LAC and
2 MGE that would meet these criteria at this time?

3 A. No. Please refer to the rebuttal testimony of Staff witness Lyons for a further
4 discussion of this point.

5 Q. What is Staff's view towards the possibility of granting a utility "pre-emptive"
6 tracking authority for a category of costs that it may or may not incur in material amounts in
7 the future?

8 A. Staff's position is that special ratemaking mechanisms such as trackers should
9 only be prospectively authorized when a utility can demonstrate in a general rate case a very
10 high probability that it will incur a material level of qualifying costs in the near future. In
11 Staff's view, it would not be appropriate to authorize trackers to operate as an "insurance
12 policy" for the utility to protect it from negative earnings impacts of types of costs that may or
13 may not be incurred in the future. Under that approach, a utility would be granted advance
14 "blanket" authority to track a cost that might, in fact, be easily absorbed under normal
15 accounting conventions without any significant detrimental earnings impact to the company.

16 Q. Please describe LAC's and MGE's request to use a tracker mechanism for
17 "integrity management expenses."

18 A. At page 38 of his direct testimony, Mr. Lobser proposes that tracker treatment
19 be authorized for "integrity management expenses, whether from physical or cyber threats,
20 that may be required or mandated above current cost levels."

21 Q. Is this a category of costs potentially subject to special ratemaking treatment?

22 A. Under some circumstances, possibly. To the extent that Missouri utilities are
23 mandated in the future by relevant regulatory authorities to incur material costs to safeguard

1 | their systems from physical or cyberattacks, use of special regulatory treatments such as
2 | trackers could be considered for such costs.

3 | Q. Have other utilities sought authority to track integrity management related
4 | costs, or otherwise provide that category of costs special ratemaking treatment, in the past?

5 | A. Yes. Please see the rebuttal testimony of Staff witness Lyons for a discussion
6 | of this history.

7 | Q. Is Staff aware of any integrity management expenditures anticipated by LAC
8 | and MGE for which special ratemaking treatment should be considered at this time?

9 | A. No, as also discussed in the rebuttal testimony of Staff witness Lyons.

10 | Q. What is Staff's position in regard to the possibility of granting a utility "pre-
11 | emptive" tracking authority for future integrity management costs?

12 | A. Staff's position on this proposal is that LAC and MGE have failed to
13 | demonstrate any need at this time for special ratemaking treatment of integrity management
14 | costs. For the reasons previously discussed in relation to the environmental cost tracker
15 | proposal, it is not appropriate for the Commission to authorize trackers for costs that do not
16 | have a very high probability of being incurred in the near future in material amounts.

17 | Q. Please describe LAC and MGE's request that a tracker be authorized for costs
18 | associated with certain capital additions.

19 | A. At page 38 of his direct testimony, Mr. Lobser proposes that the depreciation,
20 | taxes, and carrying costs associated with "major capital projects necessary to support the
21 | business and provide customer benefits, but that do not produce any new revenues to offset
22 | the costs and have significant investment requirements with relatively high depreciation rates"
23 | be subject to tracking treatment.

1 Q. What is Staff's position regarding this proposal?

2 A. This proposal appears to constitute an attempt to apply extraordinary
3 accounting and ratemaking treatment to costs associated with normal and ongoing utility
4 capital activities. LAC and MGE have not demonstrated to any degree why this proposal is
5 justified.

6 Q. Is it ever acceptable to allow deferrals of depreciation expense and carrying
7 costs associated with assets that are in-service?

8 A. Yes, in very limited circumstances. In the past, the Commission has allowed
9 "construction accounting" (deferral of depreciation and carrying charges for assets that are
10 in-service) for very large capital projects considered to be extraordinary by the Commission.
11 The Commission, due to the belief that the financial impact of the asset becoming in-service
12 was quite significant to the utility, deemed these particular projects "extraordinary". The
13 majority of the projects qualifying for construction accounting in the past were very large
14 electric generating plant additions. In contrast to this past practice, LAC's and MGE's plant
15 addition tracking proposal in this case would expand this rarely granted accounting treatment
16 to an unprecedented number of plant additions.

17 There is additional discussion of LAC's and MGE's construction accounting proposal,
18 and the Commission's past approvals of this approach, in Staff witness Majors' rebuttal
19 testimony.

20 **OTHER POLICY PROPOSALS**

21 Q. What other ratemaking/regulatory policy proposals advocated in Mr. Lobser's
22 direct testimony will you address in this testimony?

1 A. I will address the proposal by LAC and MGE to defer a portion of changes
2 to the level of incurred O&M costs for future reflection in rates. I will refer to this proposal
3 as the “cost management mechanism.” I will also discuss the concept promulgated by
4 Mr. Lobser that costs and savings associated with merger and acquisition (“M&A”)
5 transactions entered into by Spire, Inc. involving out-of-state utilities should be afforded some
6 special recognition in Missouri rates. I will refer to that proposal as the “M&A costs and
7 synergies” concept.

8 Q. Before specifically addressing these proposals, do you have any general
9 comments regarding the presentation of these concepts in LAC’s and MGE’s cases?

10 A. Yes. There is not sufficient information in LAC’s and MGE’s direct testimony
11 supporting these proposals to respond to them in any other manner than at a high level of
12 generality. These initiatives were discussed in Mr. Lobser’s direct testimony more as
13 conceptual outlines than as fully fleshed out proposals. Staff obtained some additional details
14 concerning the proposals from LAC and MGE through Staff submission of data requests to
15 the utilities. Even so, from Staff’s perspective these proposals have not been supported in
16 sufficient detail to reasonably expect either an agreement by the parties to this proceeding
17 regarding adoption of these proposals, or to meaningfully litigate issues regarding the
18 adoption or operation of these initiatives.

19 Q. Notwithstanding your comments above, does Staff have general concerns with
20 the concept and structure of the cost management mechanism as outlined by Mr. Lobser?

21 A. Yes. This proposal is premised upon the alleged need for LAC and MGE to be
22 provided additional incentives to “manage” O&M expense levels. However, while O&M
23 expense levels are one of the primary elements of utility cost of service, such expenses are not

1 the only driver of increases to cost of service. The companies' cost-management mechanism
2 proposal appears to be designed to "incentivize" LAC and MGE to seek to reduce its cost of
3 service in one discreet cost of service area (O&M expenses), while ignoring other potential
4 significant factors that can drive rate increases, such as rate base additions. This could lead to
5 inappropriate ratemaking scenarios wherein customers may be asked to fully compensate
6 LAC and MGE in rates for a higher overall cost of service driven by plant additions or other
7 factors, but with the actual increase amounts further inflated by the impact of the deferred
8 O&M expense reduction amounts "shared" with the utility through operation of the cost
9 management mechanism.

10 Q. Does Staff have general concerns with the concept behind the M&A costs and
11 synergies discussion found in Mr. Lobser's direct testimony?

12 A. Yes. Mr. Lobser's M&A costs and synergies proposal appears to be premised
13 upon an underlying belief that regulatory commissions should actively encourage utilities to
14 engage in M&A activities. Staff disagrees. Staff's position is that no special accounting
15 and/or ratemaking mechanisms are necessary to allow utilities the opportunity to derive an
16 appropriate amount of benefits from discretionary merger and acquisition transactions.
17 Merger and acquisition activities can be entered into by regulated utilities for a variety of
18 reasons, primarily the expectation that a substantial amount of benefits will accrue to its
19 shareholders as a result of the transaction. While customers can benefit as well from merger
20 and acquisition efforts, the dollar amount of customer benefits are subjective and extremely
21 difficult to quantify. For these reasons, Staff recommends that the Commission neither
22 encourage or discourage discretionary utility merger and acquisition efforts, and instead
23 attempt to maintain a set of consistent ratemaking policies governing how merger and

1 acquisition savings and costs are treated. An appropriate set of ratemaking policies to
2 accomplish this goal would be to not allow rate recovery of any direct M&A costs (typically,
3 merger premiums and “transaction” costs), and to allow merger transition costs to be
4 recovered in rates only if the utility can demonstrate that a greater amount of merger savings
5 has been achieved by the utility. In addition, the utilities should be allowed to retain all of
6 their achieved merger savings through the operation of regulatory lag until new general rates
7 are established, at which point rates would incorporate all merger savings into the utility cost
8 of service. This set of policies, if maintained, provides Missouri utilities with advance notice
9 of how M&A related financial impacts will likely be treated for ratemaking purposes, and
10 should be helpful in their assessment of potential M&A transactions. In fact, these are the
11 policies that have been used in this jurisdiction for some time for M&A transaction
12 ratemaking, including the 2013 purchase of MGE by Spire, Inc., and the policies remain
13 appropriate in Staff’s view.

14 Q. Among other rationales, have LAC and MGE sought to justify their policy
15 ratemaking proposals in this case by citations to the need for more timely recovery of costs
16 and to the phenomenon of regulatory lag?

17 A. Yes. As one example, in Mr. Lobser’s direct testimony at page 37, he notes
18 that the tracker proposals advocated by LAC and MGE would “help reduce the unintended
19 consequences of regulatory lag.”

20 Q. Does Staff view that either LAC or MGE have a current problem with
21 regulatory lag or materially deficient earnings?

22 A. No. Staff’s revenue requirement recommendations in these cases, which
23 would set LAC’s and MGE’s rates below current levels (when taking into account existing

1 ISRS rates), indicates that both LAC and MGE are currently over earning. Staff is not aware
2 of any evidence that either LAC or MGE are facing any significant earnings pressure at this
3 time or in the recent past. Staff witness Majors addresses the recent trend in LAC's and
4 MGE's earnings levels in rebuttal testimony.

5 **SOFTWARE ACCOUNTING**

6 Q. At page 40 of his rebuttal testimony, Mr. Lobser suggests that certain prepaid
7 software lease costs be provided rate base treatment in order to eliminate "capital bias." What
8 is your reaction?

9 A. Staff takes no position at this time on this matter. In my understanding, LAC
10 and MGE have not brought forward any specific software costs in this proceeding for which
11 this particular treatment is requested. In the future, if the companies seek an alternative
12 accounting treatment for actual incurred software costs other than that prescribed by the
13 applicable Uniform System of Accounts, then such a request should be made in the context of
14 an AAO case or general rate case so that Staff and other parties can review LAC's and MGE's
15 requested treatment.

16 Q. Does this conclude your rebuttal testimony?

17 A. Yes, it does.

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
Missouri-American Water Company	WU-2017-0351	Rebuttal: Property Tax AAO
Missouri Gas Energy and Laclede Gas Company	GO-2016-0332 and GO-2016-0333	Rebuttal: ISRS Updates; Capitalized Incentive Compensation; Hydrostatic Testing
Kansas City Power & Light Company	ER-2016-0285	Rebuttal: Tracker Proposals; Use of Projected Expenses; Expense Trackers in Rate Base
Laclede Gas Company and Missouri Gas Energy	GO-2016-0196 and GO-2016-0197	Rebuttal: ISRS True-ups
Union Electric Company d/b/a Ameren Missouri	ER-2016-0179	Rebuttal: Transmission Tracker; Noranda Deferral; Regulatory Reform
KCP&L Greater Missouri Operations Company	ER-2016-0156	Rebuttal: Tracker Proposals; Use of Projected Expenses; Tracker Balances in Rate Base; Deferral Policy
Missouri-American Water Company	WR-2015-0301	Rebuttal: Environmental Coast Adjustment Mechanism; Energy Efficiency and Water Loss Reduction Deferral Mechanism Tracker
Laclede Gas Company	GO-2015-0178	Direct: ISRS True-ups
Kansas City Power & Light Company	EU-2015-0094	Direct: Accounting Order – Department of Energy Nuclear Waste Fund Fees
Union Electric Company d/b/a Ameren Missouri	EO-2015-0055	Rebuttal: Demand-Side Investment Mechanism
Kansas City Power & Light Company	ER-2014-0370	Rebuttal: Trackers Surrebuttal: Trackers; Rate Case Expense
Kansas City Power & Light Company	EO-2014-0255	Rebuttal: Continuation of Construction Accounting
Union Electric Company d/b/a Ameren Missouri	EC-2014-0223	Rebuttal: Complaint Case – Rate Levels
Kansas City Power & Light Company	EO-2014-0095	Rebuttal: DSIM
Union Electric Company d/b/a Ameren Missouri	ET-2014-0085	Surrebuttal: RES Retail Rate Impact
Kansas City Power & Light Company & KCP&L Greater Missouri Operations Co.	EU-2014-0077	Rebuttal: Accounting Authority Order

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
Kansas City Power & Light Company	ET-2014-0071	Rebuttal: RES Retail Rate Impact Surrebuttal: RES Retail Rate Impact
KCP&L Greater Missouri Operations Company	ET-2014-0059	Rebuttal: RES Retail Rate Impact Surrebuttal: RES Retail Rate Impact
Missouri Gas Energy, A Division of Laclede Gas Company	GR-2014-0007	Surrebuttal: Pension Amortizations
The Empire District Electric Company	ER-2012-0345	Direct (Interim): Interim Rate Request Rebuttal: Transmission Tracker, Cost of Removal Deferred Tax Amortization; State Income Tax Flow-Through Amortization Surrebuttal: State Income Tax Flow-Through Amortization
KCP&L Greater Missouri Operations Company	ER-2012-0175	Surrebuttal: Transmission Tracker Conditions
Kansas City Power & Light Company	ER-2012-0174	Rebuttal: Flood Deferral of off-system sales Surrebuttal: Flood Deferral of off-system sales, Transmission Tracker conditions
Union Electric Company d/b/a Ameren Missouri	ER-2012-0166	Responsive: Transmission Tracker
Union Electric Company d/b/a Ameren Missouri	EO-2012-0142	Rebuttal: DSIM
Union Electric Company d/b/a Ameren Missouri	EU-2012-0027	Rebuttal: Accounting Authority Order Cross-Surrebuttal: Accounting Authority Order
KCP&L Greater Missouri Operations Company	EO-2012-0009	Rebuttal: DSIM
Missouri Gas Energy, A Division of Southern Union	GU-2011-0392	Rebuttal: Lost Revenues Cross-Surrebuttal: Lost Revenues
Missouri-American Water Company	WR-2011-0337	Surrebuttal: Pension Tracker
The Empire District Electric Company	ER-2011-0004	Staff Report on Cost of Service: Direct: Report on Cost of Service; Overview of the Staff's Filing Surrebuttal: SWPA Payment, Ice Storm Amortization Rebasing, SO2 Allowances, Fuel/Purchased Power and True-up
The Empire District Electric Company, The-Investor (Electric)	ER-2010-0130	Staff Report Cost of Service: Direct Report on Cost of Service; Overview of the Staff's Filing; Regulatory Plan Amortizations; Surrebuttal: Regulatory Plan Amortizations

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
Missouri Gas Energy, a Division of Southern Union	GR-2009-0355	Staff Report Cost of Service: Direct Report on Cost of Service; Overview of the Staff's Filing; Rebuttal: Kansas Property Taxes/AAO; Bad Debts/Tracker; FAS 106/OPEBs; Policy; Surrebuttal: Environmental Expense, FAS 106/OPEBs
KCP&L Greater Missouri Operations Company	EO-2008-0216	Rebuttal: 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
Ozark Telephone Company	TC-2001-402	Interim Rate Refund
The Empire District Electric Company	ER-2001-299	Prudence/State Line Construction/Capital Costs

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
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
Western Resources & Southern Union Company	GM-94-40	Regulatory Asset Transfer

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
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

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Cases prior to 1990 include:

<u>COMPANY NAME</u>	<u>CASE NUMBER</u>
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
Kansas City Power and Light Company	HO-86-139
Southwestern Bell Telephone Company	TC-89-14