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** Tariff No. YG-2017-0195
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** Tariff No. YG-2017-0196

MOTION TO STRIKE TESTIMONY
OR, IN THE ALTERNATIVE, TO ACCEPT VERIFIED RESPONSE

COME NOW, Laclede Gas Company ("Laclede"), now known as Spire Missouri Inc. d/b/a Spire (referred to herein as "LAC"), Laclede Gas Company d/b/a Missouri Gas Energy (now known as Spire Missouri West but referred to herein as "MGE"), and for its Motion to Strike or, in the Alternative, to Accept Verified Response, states as follows:

MOTION TO STRIKE

1. On December 20, 2017, the Office of the Public Counsel ("OPC") submitted the rebuttal true-up testimony of John Robinett. Beginning on page 3, line 4, and continuing through page 6, line 6, of his testimony, Mr. Robinett addresses certain matters relating to the accounting treatment that should be afforded to the sale proceeds of LAC's Forest Park property. LAC respectfully requests that the Commission strike this portion of Mr. Robinett's testimony and exclude it from the record in this proceeding because it is not proper true-up testimony.

2. As the Procedural Order in this case makes clear, the purpose of the true-up process in these cases is to consider "changes" that have occurred to various expense, revenue and rate base items between the June 30, 2017 ending of the update period and the

September 30, 2017 ending of the true-up period. Absolutely nothing, however, relating to the treatment, nature or amount of the Forest Park proceeds has changed since June 30, 2017, nor for that matter has anything changed since the end of the test year in 2016. In short, the Forest Park proceeds are decidedly not the kind of revenue or cost item that has changed since the end of the update period and can therefore be properly "trued-up" as part of the true-up process.

3. It is also worth noting that OPC has had multiple opportunities to address this issue in its direct, rebuttal and surrebuttal testimony in this proceeding and has actually used those opportunities to discuss and present its position on how the proceeds from the sale of the Forest Park properties should be treated. (See Direct Testimony of Charles Hyneman, pp. 3-7; and Rebuttal Testimony of Charles Hyneman, pp. 2-6). OPC should not be permitted to unilaterally relegate to itself yet another round of testimony on this issue by inappropriately claiming it as a true-up issue. Indeed, such a result would be directly contrary to the Commission's rules of Practice and Procedure which prohibit a party from supplementing its direct, rebuttal or surrebuttal testimony without an explicit Commission order permitting it to do so. *See* 4 CSR 240-2.130(10).

4. Finally, the only basis that OPC has claimed in support of raising this issue in the true up process is its contention that depreciation and the depreciation reserve were items that were subject to being trued-up. Such a contention simply ignores the critical fact that there was no revenue or cost change in these categories relating to the Forest Park proceeds. Absent such a change, adoption of OPC's argument for considering this issue would transform the true-up process into a litigation "free-for-all" where virtually any rate base, expense or revenue issue could be presented as a true-up issue simply because it fell

within one of the general category of costs or revenues that are subject to being trued-up. This would effectively defeat the entire purpose of the true-up process, which is to update the cost of service for changes in costs and revenues that have actually occurred since the end of the update period. For all of these reasons, the Commission should strike OPC's true-up rebuttal testimony on this issue.

VERIFIED RESPONSE

5. In the event the Commission does not strike OPC's rebuttal true-up testimony on the Forest Park proceeds issue, then LAC requests that the Commission accept this verified response to such testimony. Specifically, LAC requests that the Commission take note of the attached affidavit submitted by Glenn Buck, in which Mr. Buck demonstrates that:

- Contrary to OPC's assertion on page 3, lines 18-19 of its True-up Rebuttal Testimony, there has been *no increase* in the Company's rate base as a result of the customary treatment provided to the undepreciated book value (of approximately $1.8 million) of the Forest Park property at the time the sale of the property took place. Instead, the sale left the Company's rate base unchanged. Moreover, once new rates are established in this case, the Company will no longer be receiving any depreciation expense relating to the $1.8 million undepreciated book value. The Company could only receive such depreciation expense through a future adjustment to its theoretical reserve coupled with a corresponding adjustment to its depreciation rates. Since no change is being made in the Company's depreciation rates in this proceeding, it will not receive any return of this investment until and unless these adjustments are made in a future general rate proceeding. In short, while the Company would continue to earn a return on the $1.8 million undepreciated value of its investment in the Forest Park buildings, it will not be receiving any return of this investment.

- OPC's assertion that ratepayers have somehow been disadvantaged by the Company's treatment of the Forest Park proceeds also ignores the fact that the Company used a portion of those proceeds (namely proceeds for relocation expenses) to purchase $1.95 million worth of capital items, including furniture, that would have otherwise been included in LAC's rate base and cost of service. By LAC using Forest Park proceeds to purchase these capital items, customers have been relieved of any obligation to pay either a return *on* or a return *of* these items. This means that any revenue requirement impact associated with earning a return *on* the Forest Park property (but no return *of*) has been more than offset by the elimination of any return *on* or return *of* a capital investment in a slightly larger amount. Given this consideration, OPC has no basis for asserting that ratepayers have been detrimentally affected by the Company's treatment of the Forest Park proceeds.[1]

6. LAC believes that this information is essential to provide the Commission with the context for this issue that OPC has failed to provide in its improper true-up rebuttal

[1]This is particularly true in light of the other evidence that has been presented in this case regarding the financial impacts of the Forest Park sale. Among other things, that evidence demonstrates that the Company: (i) used relocation proceeds from the Forest Park sale to pay for other moving expenses that would have otherwise been included it rates; (ii) constructed a new service center at Manchester that has a lower revenue requirement impact in this case than the Forest Park facilities would have had if the Company would have retained and rehabbed those facilities for future use; and (iii) used proceeds from the sale to make a $1.5 million contribution to a project aimed at revitalizing core areas of the St. Louis downtown area.

testimony. Accordingly, such information should be considered by the Commission if it does not strike the portions of OPC's testimony that have been identified above.

WHEREFORE, for the foregoing reasons, LAC respectfully requests that the Commission strike those portions of OPC's rebuttal true-up testimony identified herein or, in the alternative, accept this verified response.

Respectfully submitted,

/s/ Rick E. Zucker
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ATTORNEYS FOR LAC AND MGE

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing was served electronically, or hand-delivered, or via First Class United States Mail, postage prepaid, on all parties of record herein on this 29th day of December, 2017.

/s/ Rick Zucker

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AFFIDAVIT

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

Glenn W. Buck, of lawful age, being first duly sworn, deposes and states:

1. My name is Glenn W. Buck. My business address is 700 Market Street, St. Louis, Missouri 63101; and I am Director, Regulatory and Finance for Spire Missouri Inc., formerly known as Laclede Gas Company ("LAC"). I have previously submitted Direct, Rebuttal, Surrebuttal and True-up testimony in this case.

2. Contrary to OPC's assertion on page 3, lines 18-19 of Mr. Robinett's True-up Rebuttal Testimony, there has been *no increase* in the Company's rate base as a result of the customary treatment provided to the undepreciated net book value (of approximately $1.8 million) of the Forest Park property at the time the sale of the property took place. Instead, as I will explain below, the sale left the Company's rate base unchanged.

3. Of course, the original building was fully depreciated long ago. However, more recent capital additions have resulted in additional gross plant of roughly $3.3 million, offset by a depreciation reserve of $1.5 million, leaving a net rate base asset of $1.8 million. When the buildings were retired (as being worthless per the appraisal), LAC credited the building asset account by $3.3 million, eliminating the asset, and debited, or reduced the depreciation reserve

account by the same $3.3 million. As stated above, these offsetting entries left the rate base unchanged. However, instead of having an asset of $3.3 million and a depreciation reserve of $1.5 million, the accounts instead reflected an asset of zero, and a negative reserve debit of $1.8 million. Since the reserve merely "keeps score" of depreciation lives over time, the reserve debit can have no effect on customer rates until a depreciation study is performed in the future, which study may suggest an adjustment to depreciation rates after taking into account all of the shorter and longer than average lives of LAC's depreciable assets.

4. Upon new rates being established in this case, the Company will no longer be receiving any depreciation expense relating to the $1.8 million undepreciated book value. Since no change is being made in the Company's depreciation rates in this proceeding, it will not receive any return of this unrecovered investment until and unless these adjustments are made in a future general rate proceeding. Because rate base has not changed, the Company will continue to earn a return on the $1.8 million investment in the property; however, the Company will not be receiving any return of this investment.

5. On the other side of the slate, the Company used a portion of the sale proceeds intended for relocation expenses to purchase $1.95 million worth of capital items, including furniture. This capital investment would have otherwise been included in LAC's rate base and cost of service, but instead it was contributed to capital by the Company free of charge to its customers. Therefore, customers will pay neither a return of, nor a return on, this $1.95 million investment.

6. The amount that LAC contributed to capital for the customers' benefit is actually larger than the net asset remaining in the buildings that had to be retired. This means that any revenue requirement impact associated with earning a return *on,* but not a return *of,* the Forest

Park property has been more than offset by the elimination of any return *on* or return *of* the Company's new capital contribution. Given the fortuitous turn of events that allowed the Company to exit a property it no longer needed without having to incur significant capital costs or face environmental and other risks that would likely have been borne by customers, while at the same time obtaining funding that allowed the Company to relocate and purchase furniture at no cost to customers, OPC has no basis for asserting that our customers have been detrimentally affected by the Forest Park transaction.

7. I hereby swear and affirm that the information contained herein is true and correct to the best of my knowledge and belief.

Glenn W. Buck

Glenn W. Buck

Subscribed and sworn to before me this 29th day of December, 2017.

SHEILA TURNER
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: Feb. 2, 2021
17151711

Notary Public