

Exhibit No.:
Issue(s): O&M Ratio
Employee Overtime
Witness: Antonija Nieto
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: GR-2017-0215 and
GR-2017-0216
Date Testimony Prepared: November 21, 2017

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING UNIT

SURREBUTTAL TESTIMONY

OF

ANTONIJA NIETO

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
November 2017*

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O&M RATIO..... 2
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1 rebuttal testimony and filed schedules of LAC's and MGE's witness Michael R. Noack.¹
2 Additionally, I will address Staff's adjustment for one half of the salary for two of the
3 Company's External Affairs employees as a response to rebuttal testimony of LAC's and
4 MGE's witness Lewis E. Keathley.²

5 **O&M RATIO**

6 Q. Please briefly describe the difference between Staff and the Company related
7 to the O&M ratio.

8 A. In their direct filed wage and salary adjustment work papers, LAC and MGE
9 used 61.12% and 72.25%, respectively, for the O&M ratio. Those percentages were derived
10 by dividing the sum amount of payroll expense in operations and maintenance accounts by the
11 total payroll expense, which includes the capital accounts. In Staff's direct filing, Staff
12 recommended using the test year O&M ratio of 55.90% for both LAC and MGE relying on
13 the response provided by the Company to Staff Data Request 0044.

14 Q. Have those differences been resolved?

15 A. Subsequent to the direct filing, Staff met with the Company and discussed the
16 O&M ratio. Based on the discussion with the Company and additional information acquired,
17 Staff modified the O&M ratio to 54.33% for LAC and 60.23% for MGE. The modified O&M
18 ratio will be reflected in the true-up revenue requirement calculation, which is to be filed
19 November 28, 2017. At this time, Staff and the Company are in agreement on the O&M
20 percentage ratio.

¹ Rebuttal testimony of LAC's and MGE's witness Michael R. Noack, pages 13, line 17, and 14, line 19.

² Rebuttal testimony of LAC's and MGE's witness Lewis E. Keathley, page 7, line 23.

1 **EMPLOYEE OVERTIME**

2 Q. Please briefly describe the difference in Staff's and Company's calculation of
3 employee overtime.

4 A. As a component of payroll expense, Staff calculated overtime expense based
5 on average overtime hours incurred by LAC and MGE during the test year, annualized 2017,
6 and applied the most current wage rate through June 30, 2017. The Company determined its
7 amounts for overtime expense for LAC and MGE using the ratio of overtime dollars over the
8 total payroll expense and applying it to the normalized payroll expense.

9 Q. Were LAC and MGE in agreement with Staff's methodology of calculating the
10 overtime expense?

11 A. No. In his rebuttal testimony, LAC's and MGE's witness Michael R. Noack
12 states that because Staff used an average of test year and annualized 2017 as the base for the
13 overtime hours calculation, Staff: "...fails to take into consideration the overtime hours
14 worked during "fall rush" which is the time in October and November when customers
15 are scrambling to get turned back on and significant amounts of overtime is
16 worked."³ Mr. Noack further recommends that Staff should use a three-year average of
17 overtime hours for the 12 month periods ending June 30, 2017.

18 Q. Has Staff accepted the Company's recommendation?

19 A. Yes. Staff will true-up the overtime hour expense by using a three-year
20 average of overtime hours for the 12 month periods ending September 30, 2015, 2016, and
21 2017. By doing so, Staff will capture the "fall rush" and have a better representation of the
22 employee overtime hour expense.

³ Rebuttal testimony of LAC's and MGE's witness Michael R. Noack, page 14, line 19.

Surrebuttal Testimony of
Antonija Nieto

1 Q. Did Staff address the payroll adjustment made pertaining to External Affairs
2 employees mentioned in rebuttal testimony of Company's witness Lewis E. Keathley?

3 A. Yes. Per discussion with LAC and MGE subsequent to the direct filing, LAC
4 and MGE had already allocated one half of the salary for those two employees to "below the
5 line" non-utility accounts. In the true-up filing, Staff will include half of the salary for two of
6 the Company's External Affairs employees previously removed, thus avoiding the double
7 removal of their salaries.

8 Q. Were there any other payroll related issues raised in the Company's
9 rebuttal testimony?

10 A. Yes. Witness Noack disagreed with the number and allocation of shared
11 service employees to Laclede and MGE.⁴ For Staff's recommendation on this issue, please
12 see the surrebuttal testimony of Staff witness Keith Majors.

13 Q. Does this conclude your surrebuttal testimony?

14 A. Yes, it does.

⁴ Rebuttal testimony of LAC's and MGE's witness Michael R. Noack, pages 14, line 5.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's)
Request to Increase Its Revenues for) Case No. GR-2017-0215
Gas Service)

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

AFFIDAVIT OF ANTONIJA NIETO

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

COMES NOW ANTONIJA NIETO and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Surrebuttal Testimony; and that the same is true and correct according to her best knowledge and belief.

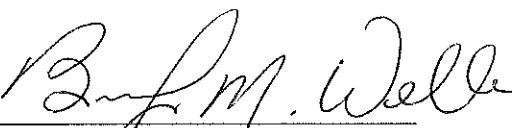
Further the Affiant sayeth not.



ANTONIJA NIETO

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 20th day of November, 2017.



Notary Public



BEVERLY M. WEBB
My Commission Expires
April 14, 2020
Clay County
Commission #12464070