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Issue:	Revenue Deficiency; Tariff Changes
Witness:	Michael R. Noack
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Laclede Gas Company; Missouri Gas Energy
Case No.:	GR-2017-0215; GR-2017-0216
Date Prepared:	April 11, 2017

**LACLEDE GAS COMPANY
MISSOURI GAS ENERGY**

**GR-2017-0215
GR-2017-0216**

DIRECT TESTIMONY

OF

MICHAEL R. NOACK

April 2017

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DIRECT TESTIMONY OF MICHAEL R. NOACK

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Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. My name is Michael R. Noack and my business address is 7500 E 35th Terrace, Kansas City, Missouri 64129.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by Missouri Gas Energy (“MGE”), an operating unit of Laclede Gas Company (“Laclede”), as Director of Pricing and Regulatory Affairs.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science in Business Administration with a major in Accounting from the University of Missouri in Columbia. Upon graduation, I was employed by Troupe Kehoe Whiteaker & Kent (TKWK), a Certified Public Accounting Firm in Kansas City, Missouri. I spent approximately 20 years working with TKWK or firms that were formed from former TKWK employees or partners. I was involved during that time in public utility consulting and financial accounting, concentrating primarily on rate cases for electric and gas utilities and financial audits of independent telephone companies across the United States. In 1992, I started Carleton B. Fox Co. Inc. of Kansas City which was an energy consulting company specializing in billing analysis and tariff selection for large commercial and industrial customers. In July of 2000, I started my employment with MGE.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

1 A. Yes. I have testified or submitted pre-filed testimony in numerous Commission
2 proceedings, including MGE's last five rate cases, Case Nos. GR-2001-292, GR-
3 2004-0209, GR-2006-0422, GR-2009-0355 and finally GR-2014-0007.

4 **PURPOSE OF TESTIMONY**Error! Bookmark not defined.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
6 **PROCEEDINGS?**

7 A. The purpose of my testimony is to support the revenue requirements of Laclede's
8 operating units in Eastern Missouri ("LAC") and Western Missouri ("MGE"). As
9 filed, MGE is requesting a gross revenue increase of \$50.4 million. However, since
10 MGE is already collecting \$13.4 in ISRS charges, the net incremental increase is
11 \$37.0 million. LAC is requesting a gross revenue increase of \$58.1 million. Since
12 LAC is already collecting \$29.5 million in ISRS charges, its net incremental
13 increase is \$28.5 million. Following the conclusion of LAC's and MGE's currently
14 pending ISRS filings, the requested incremental revenues will decrease by the
15 amount of the ISRS approved in those cases. The revenue deficiencies are
16 supported by Schedules MRN-D1 for MGE and MRN-D2 for LAC, which consists
17 of sections A through H, and which are attached to this testimony. I will be
18 responsible for sponsoring most of the adjustments made to the test year ending
19 December 31, 2016, and updated for known and measurable changes that support
20 the revenue deficiency.

21 **Q. HOW DO THE PROPOSED INCREMENTAL RATE INCREASES**
22 **COMPARE TO PREVIOUS REQUESTS FOR RATE RELIEF BY MGE**
23 **AND LAC?**

1 A. The amounts being requested by MGE and LAC to cover all of their non-ISRS
2 costs are significantly lower than the comparable amounts that were sought in prior
3 cases. In fact, on a combined basis, they are significantly less than the non-ISRS
4 rate increases sought by MGE and LAC in their 2009/2010 rate cases. In 2009,
5 LAC and MGE each independently filed their first rate cases in three years. They
6 sought a combined total of \$81 million in non-ISRS revenue. From the time those
7 rate cases concluded in 2010 until the present, Laclede and MGE have not increased
8 their non-ISRS rates. In the current cases, LAC and MGE are requesting a
9 combined non-ISRS increase of \$65.5 million. To put these facts in perspective,
10 LAC and MGE have not only operated for seven years without a non-ISRS
11 increase, but after those seven years, they are now requesting a combined non-ISRS
12 increase that is less than the amount they requested in 2009, even though the 2009
13 request covered a historical period (3 years), which is less than half of the
14 corresponding period (7 years) covered by the current cases.

15 **Q. HOW HAS THIS BEEN ACHIEVED?**

16 A. Much of this achievement is a result of the growth strategy that has been
17 successfully pursued by Spire and Laclede over the past several years – a strategy
18 that has allowed us to keep our promise to the Commission to “bend down” the
19 inclining cost curve that historically led LAC and MGE to seek and obtain
20 significantly larger and more frequent rate increases in the past.

21 **Q. WHEN DID LACLEDE’S OPERATING UNITS LAST FILE FOR**
22 **GENERAL RATE INCREASES?**

1 A. MGE’s last general rate case was filed on September 16, 2013, more than three
2 and a half years ago, while LAC’s last general rate case was filed on December
3 21, 2012, or well over four years ago.

4 **Q. WHY DO MGE AND LAC NEED TO FILE FOR A GENERAL RATE**
5 **INCREASE?**

6 A. LAC must file a rate case within three years of April 12, 2014, when its
7 Infrastructure System Replacement Surcharge (“ISRS”) rates first became
8 effective after the last general rate case, in order to continue to collect the ISRS
9 rates approved by the Commission. In addition to the ISRS requirement to file a
10 general rate case within three years of implementing new ISRS rates, the
11 Stipulation and Agreement approved by the Commission in GM-2013-0254
12 requires that Laclede file simultaneous rate cases for its LAC and MGE operating
13 units for the first rate case filed after October 1, 2015.

14 **ADMINISTRATIVE MATTERS**

15 **Q. MR. NOACK, WOULD YOU PLEASE SUMMARIZE THE DIFFERENT**
16 **SECTIONS OF SCHEDULES MRN-D1 AND MRN-D2 ATTACHED TO**
17 **YOUR DIRECT TESTIMONY?**

18 A. Schedule MRN-D1 contains the Accounting Schedules supporting the requested
19 rate increase for MGE while Schedule MRN-D2 contains the Accounting
20 Schedules supporting the rate increase request for LAC. Both MRN-D1 and
21 MRN-D2 consist of the same component schedules for each Company.

22 Schedule A summarizes the revenue deficiency at December 31, 2016.

23 Schedule B summarizes and supports the various rate base items and offsets.

24 Schedule C summarizes and supports plant in service.

1 Schedule D summarizes and supports reserve for depreciation.
2 Schedule E summarizes and supports the various working capital components and
3 other regulatory assets.
4 Schedule F summarizes the capital structure and rate of return.
5 Schedule H summarizes and supports the operating income statement &
6 adjustments.

7 **Q. WHAT IS THE TEST YEAR USED TO DEVELOP THE REVENUE**
8 **REQUIREMENT FOR LAC AND MGE?**

9 A. The test year is the twelve months ending December 31, 2016, adjusted for known
10 and measurable changes.

11 **Q. WILL LAC AND MGE BE REQUESTING THAT THE TEST YEAR BE**
12 **UPDATED AND/OR “TRUED-UP”?**

13 A. Yes. We are requesting the test year be updated or trued-up through September
14 30, 2017. This is consistent with the process used in all five of the MGE rate
15 cases I have supervised since 2000. We believe this approach will provide a
16 relatively current time period of actual experience on which to base rates, while at
17 the same time providing an opportunity for the Commission Staff and other
18 parties to audit this actual experience.

19 **Q. WHAT “TRUE-UP” DATE ARE LAC AND MGE REQUESTING?**

20 A. At this time, we would consider September 30, 2017 as the true-up date where we
21 would update all major components of the cases including capital structure,
22 components of rate base and the major revenue and expense items and
23 adjustments. We believe this update through September 30, 2017 should be
24 sufficient to establish a reasonable and representative cost of service. I should

1 note, however, that as this proceeding unfolds there may be a need to revisit this
2 issue depending on the positions taken by other parties. There also may be a
3 need to consider certain additional changes in accounting practices, orders or
4 procedures or to incorporate tariff modifications to reflect those positions taken
5 by other parties.

6 **MGE REVENUE DEFICIENCY**

7 **Q. MR. NOACK, WOULD YOU PLEASE EXPLAIN SCHEDULE MRN-D1**
8 **ATTACHED TO YOUR TESTIMONY?**

9 A. Yes. Schedule MRN-D1 details MGE's revenue deficiency for the test year
10 ended December 31, 2016. The schedule details rate base, rate of return, required
11 net operating income, adjusted net operating income, an estimate of the
12 September 30, 2017 update on revenue requirement and, finally, the revenue
13 deficiency. The total revenue deficiency shown on Schedule A is \$50.4 million.
14 The increase in revenue will be offset partially by the elimination and
15 corresponding inclusion in base rates of \$13.4 million of ISRS revenues that are
16 currently being collected by the Company resulting in a net revenue increase of
17 \$37.0 million.

18 Schedule A-1 is the summary of net operating income per books for the test year
19 ending December 31, 2016, a summary of the adjustments made to operations,
20 and finally, the net operating income, as adjusted.

21 Schedule A-2 is a summary income tax computation, both per book and as
22 adjusted for the twelve months ending December 31, 2016. An explanation of the
23 effective tax rate used to compute as adjusted income taxes is contained in the
24 direct testimony of Laclede witness Kuper.

1 **Q. MR. NOACK, WOULD YOU PLEASE DESCRIBE SCHEDULE B, THE**
2 **CALCULATION OF RATE BASE?**

3 A. Schedule B summarizes the requested rate base of MGE at December 31, 2016.
4 Total rate base of \$792.5 million consists of net plant of \$836.1 million, Working
5 Capital components of \$72.6 million, and the balance of Accumulated Deferred
6 Income Taxes and other rate base offsets of \$116.2 million.

7 **Q. WHO WILL BE SPONSORING TESTIMONY EXPLAINING THE**
8 **VARIOUS COMPONENTS OF RATE BASE?**

9 A. Laclede witness Keathley will offer testimony on MGE's offsets to rate base of
10 Customer Deposits, Advances for Construction, Deferred Taxes and MGE's rate
11 base offset from Docket No. GM-2013-0254. He will also offer testimony on
12 Plant in Service, Reserve for Depreciation, Regulatory Assets and Working
13 Capital components of Materials and Supplies, Prepayments and Gas Storage
14 Inventory. Company witness Lyons of ScottMadden will offer testimony on Cash
15 Working Capital and Laclede witness Buck will offer testimony on Postretirement
16 Assets included in rate base.

17 **Q. PLEASE DESCRIBE THE ADJUSTMENTS TO OPERATING INCOME**
18 **THAT YOU ARE SPONSORING ON SCHEDULE H.**

19 A. Schedule H, consisting of 20 sub-schedules, details all of the adjustments made to
20 cost of service. The first two pages of Schedule H detail the operating income
21 statement summarized by the uniform system of accounts. It shows the test year
22 balances per books at December 31, 2016, a summary of the pro forma
23 adjustments to each account and finally the adjusted balance at December 31,

1 2016. The next four pages detail each adjustment individually by FERC account
2 number.

3 Schedule H-1 is the detail of test year margin revenue after backing out purchased
4 gas adjustment revenue, gross receipts taxes billed, unbilled revenue, off-system
5 sales and finally ISRS revenues collected during the test year, while Schedule H-2
6 summarizes the revenue adjustments proposed by MGE.

7 **Q. ARE YOU SPONSORING THE REVENUE ADJUSTMENTS DETAILED**
8 **ON SCHEDULE H-2?**

9 A. I am sponsoring the “Commercial-Domestic Use” adjustment while Laclede
10 witness Feldman will provide direct testimony on the other revenue adjustments.

11 **Q. WHAT IS THE “COMMERCIAL-DOMESTIC USE” ADJUSTMENT?**

12 A. The commercial-domestic use adjustment reduces revenue by \$2.1 million to
13 reflect a rate change for landlords who are currently being billed as a small
14 general service (SGS) customer when their property is in their name and not in the
15 tenant’s name. Pursuant to its tariff, MGE’s residential rate currently is “not
16 available to locations served through a master meter or to a location other than the
17 customer’s domicile.” That means an MGE customer who has rental property is
18 not eligible for the residential rate when the property is unoccupied and in their
19 name. MGE has coded the account to be domestic use for sales tax purposes, but
20 the customer is being charged under a commercial rate. MGE is proposing to
21 change the availability of the residential rate to include all domestic use customers
22 (including landlords / customers with rental property).

23 **Q. APPROXIMATELY HOW MANY CUSTOMERS WILL BE AFFECTED**
24 **BY THIS CHANGE?**

1 A. During the test year ended December 31, 2016, 223,060 bills were repriced from
2 SGS to RS service or a monthly average of 18,588 customers.

3 **Q. WHY IS MGE PROPOSING THIS CHANGE?**

4 A. Landlords and owners of rental property have expressed frustration for several
5 years about the change back and forth between the residential and small general
6 service rates. The Office of Public Counsel has also questioned the reasons for
7 reclassifying these customers based on whose name the service was in. MGE is
8 currently the only gas company in the state to make this distinction between
9 landlord and tenant. With this change, MGE's definition of residential customer
10 and MGE's practices in this area will be the same as LAC's.

11 **Q. WHAT IS BEING PROPOSED BY MGE TO EFFECT THIS CHANGE?**

12 A. MGE is proposing new language in the Residential Gas Service (RS) tariff sheet
13 and the same definition of 'Residential Customer' in the General Terms and
14 Conditions that is currently included in LAC's General Terms and Conditions.
15 Laclede witness Weitzel is sponsoring those tariff changes.

16 **Q. WHAT IS THE NEW DEFINITION OF A RESIDENTIAL CUSTOMER
17 BEING PROPOSED IN THIS CASE?**

18 A. A residential customer will be defined as follows:

19 **A customer who purchases gas service for domestic use, including gas service**
20 **provided to a single family dwelling or to a single meter serving a multiple family**
21 **dwelling consisting of four (4) or fewer single family dwelling units, regardless of**
22 **whether the customer is the ultimate consumer of the gas service. In addition, a**
23 **customer who purchases gas service for such a dwelling while the dwelling is vacant**
24 **shall be classified as a Residential Customer. This definition is intended to satisfy**
25 **the provisions of Section 144.030 (23) RSMo, by establishing and maintaining a**
26 **system and rate classification of "residential" to cause sales to residential customers**
27 **under any of the Company's rate schedules to be considered as sales made for**
28 **domestic use and thus exempt from sales tax.**
29

1 As mentioned earlier, with this definition MGE will be treating residential
2 customers similar to all other gas companies in the state, including the LAC
3 operating unit.

4 **Q. PLEASE EXPLAIN SCHEDULE H-3.**

5 A. Schedule H-3, also sponsored by Laclede witness Feldman, removes purchased
6 gas costs from the operating income statement along with costs associated with
7 off-system sales, unbilled gas costs and the gross receipts tax expense. These
8 expenses should not be included in the determination of the cost of service.
9 Purchased gas costs are recovered through the PGA mechanism and not base
10 rates, while gross receipts taxes are simply pass through taxes.

11 **Q. PLEASE EXPLAIN THE PAYROLL RELATED ADJUSTMENTS.**

12 A. The payroll adjustment is detailed on Schedule H-4 while the associated
13 adjustments to the Company's match to employee 401K contributions and payroll
14 taxes are detailed on Schedules H-5 and H-6. The first part of the adjustment
15 annualizes payroll based on the actual February 17, 2017 employee levels and pay
16 rates, and includes adjustments for overtime worked based on actual overtime
17 hours and proforma pay rates, and payouts under the Annual Incentive Program
18 (AIP) based on proforma wage levels. The second part of the adjustment
19 recognizes that an additional 92 employees are expected to be hired across the
20 entire company by September 30, 2017 with 61 being hired for LAC, 17 for
21 MGE, and the final 14 being shared service employees whose time will be
22 allocated between the different units of the Company. (37 new employees began
23 with the Company on March 27, 2017.)

1 **Q. WHAT IS INCLUDED IN YOUR ADJUSTMENT TO EMPLOYEE**
2 **BENEFITS?**

3 A. The adjustment to employee benefits on Schedule H-5 normalizes all expenses
4 representing employee benefits paid on behalf of employees. Included in these
5 benefits are FAS 87 pension expense and FAS 106 post retirement benefit costs,
6 which will be discussed in the direct testimony of Laclede witness Buck. The
7 other employee benefits being adjusted are the payroll related insurance costs for
8 life insurance, accidental death & dismemberment (AD&D) insurance and long-
9 term disability (LTD) insurance along with the Company match to employee
10 401K contributions. These adjustments to insurance costs and the 401K match
11 are all related to the payroll expense adjustment on Schedule H-4.

12 **Q. PLEASE EXPLAIN TAB H-6, PR-TAXES.**

13 A. The adjustment on Schedule H-6 recognizes the increase to payroll taxes
14 associated with the payroll adjustment detailed on Schedule H-4.

15 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO PROPERTY INSURANCE**
16 **AND INJURIES AND DAMAGES?**

17 A. Schedule H-7 normalizes the property insurance and injuries and damages by
18 taking a three-year average of worker compensation claims paid and
19 auto[mobile?] and general liability claims paid and adding to that average the
20 insurance premiums increases expected to be paid on behalf of MGE.

21 **Q. WHY HAVE YOU MADE AN ADJUSTMENT TO TEST YEAR**
22 **INSURANCE COSTS?**

1 A. The adjustment has been made to reflect a normalized level of claims paid and to
2 reflect the known and measurable changes in premium costs for MGE. Those
3 costs have been included as a test year expense on Schedule H-7.

4 **Q. PLEASE EXPLAIN SCHEDULE H-8.**

5 A. Schedule H-8 reflects the proposed adjustment to include an ongoing level of
6 energy efficiency costs in MGE's cost of service. As of December 31, 2016 MGE
7 has accumulated \$14.0 million of energy efficiency costs for expenditures in a
8 regulatory asset. That balance goes all the way back to March 2010 when the
9 Commission ordered MGE to work toward developing an energy efficiency
10 program funded by up to 0.5% of gross revenues with the program expenses
11 accounted for in a regulatory asset. Pursuant to the stipulation and agreement in
12 MGE last rate case, GR-2014-0007, MGE amortized only a modest amount
13 annually of \$0.2 million, while at the same time continuing to incur expenditures
14 under its energy efficiency program. Based on the current gross revenues of
15 MGE the targeted amount of energy efficiency funds to be spent on programs for
16 the benefit of customers is approximately \$2.5 million per year. Given the size
17 and consistent amount of EEC expenditures, some amount of current expenditures
18 should be included in the cost of service, along with a ten-year amortization of the
19 current regulatory asset. Such amounts are reflected on Schedule H-8.

20 **Q. WHAT IS THE AMOUNT OF CURRENT ENERGY EFFICIENCY**
21 **FUNDING YOU ARE PROPOSING TO INCLUDE IN RATES?**

22 A. Based on the current gross revenues of MGE, the targeted amount of energy
23 efficiency funds to be spent on programs for the benefit of customers would be
24 approximately \$2.5 million per year. As shown on H-8, however, we have

1 included a lower normalized amount of \$1.8 million to better reflect actual
2 experience. This amount represents a 3-year average of spending for years 2014,
3 2015 and 2016.

4 **Q. HAVE YOU PROPOSED AN ADJUSTMENT TO UNCOLLECTIBLE**
5 **EXPENSE?**

6 A. Yes. I have increased bad debt expense or uncollectible expense by \$3.1 million
7 on Schedule H-9. Laclede witness Krick will explain this adjustment in his direct
8 testimony.

9 **Q. PLEASE EXPLAIN THE ADJUSTMENTS ON SCHEDULE H-10.**

10 A. The adjustments on Schedule H-10 amortizes expected rate case expense over a 3-
11 year period, amortizes the cost of the current depreciation study prepared for this
12 case over a five-year period, and recognizes the current level of the Commission
13 assessment for the period July 1, 2016 through June 30, 2017.

14 **Q. WHAT IS THE PURPOSE OF SCHEDULE H-11?**

15 A. Schedule H-11 computes interest on the average thirteen-month balance of
16 residential customer deposits at an interest rate of 4.75%, or 1% over the prime
17 rate, as of December 31, 2016, consistent with MGE's tariff Sheet No. R-14.

18 **Q. HAVE YOU PROPOSED AN ADJUSTMENT TO DEPRECIATION**
19 **EXPENSE?**

20 A. Yes. Schedule H-12 details the adjustment to depreciation expense based upon
21 the level of plant investment at December 31, 2016.

22 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO AMORTIZATION**
23 **EXPENSE.**

1 A. Schedule H-13 details the pro forma amortization expense. The adjustment
2 consists of three parts. The first part annualizes the amortization of all leasehold
3 improvements, miscellaneous intangible plant and unamortized MGE software
4 assets at December 31, 2016. This also includes amortization of the Enterprise
5 Software which has been allocated to MGE. The second part of the adjustment
6 computes amortization of Deferred Energy Efficiency Program costs and Low
7 Income Program costs based upon a requested ten-year amortization period. The
8 energy efficiency program was described above and called for an ongoing level of
9 expense be included in rates. The Low Income Programs are a “Red-Tag” Repair
10 Program and a one-time Low-Income Energy Affordability Program agreed to in
11 the Stipulation and Agreement in GR-2014-0007. The third part of the
12 adjustment amortizes one-half of the one-time non-capital transition cost balance
13 over a five-year period in accordance with the Stipulation and Agreement in GM-
14 2013-0254.

15 **Q. DO THE ANNUAL COST REDUCTIONS RELATED TO THE**
16 **SYNERGIES REALIZED BY LACLEDE EXCEED THE AMOUNT OF**
17 **TRANSITION COSTS FOR WHICH AMORTIZATION IS REQUESTED?**

18 A. Yes, cost reductions related to the synergies greatly exceed the transition costs for
19 which the amortization is being requested.

20 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO PROPERTY TAXES.**

21 A. Schedule H-14 reflects an increase to property taxes to recognize the increased
22 plant at December 31, 2016 and increased assessments expected in the counties in
23 MGE’s service territory. Laclede witness Kuper will explain the adjustment in
24 his direct testimony. There is a second adjustment made to property taxes to

1 allocate to MGE a portion of the property taxes related to the Enterprise Software
2 being allocated to MGE.

3 **Q. PLEASE EXPLAIN SCHEDULE H-15.**

4 A. Schedule H-15 is a reconciliation of the regulatory asset and the ongoing expense
5 associated with Ad Valorem taxes assessed on storage gas in Kansas. As part of
6 the Stipulation and Agreement in GR-2014-0007, MGE agreed to include in rates
7 \$1.6 million associated with the amortization of the regulatory asset related to the
8 past assessment of Kansas Ad Valorem taxes and \$1.4 million to reflect an
9 ongoing level of expense. MGE also agreed to track the ongoing level of expense
10 and record to the regulatory asset the difference between the \$1,400,000 included
11 in rates and what is actually paid each year. As of December 31, 2016 the balance
12 of the regulatory asset related to Kansas Ad Valorem taxes is \$3.6 million.

13 **Q. PLEASE EXPLAIN SCHEDULE H-16.**

14 A. Schedule H-16 adjusts expenses for known increases in the contractor cost to
15 locate lines in the MGE service territory. The majority of the adjustment is
16 related to the cost to locate fiber which increased from \$13.40 to \$32.60 per locate
17 in May 2016.

18 **Q. PLEASE EXPLAIN SCHEDULE H-17, OTHER EXPENSE**
19 **ADJUSTMENTS.**

20 A. Schedule H-17 reflects a decrease to account 912 to eliminate from the cost of
21 service the cost of sports tickets included in operating expenses.

22 **Q. PLEASE EXPLAIN SCHEDULE H-18.**

23 A. Currently, MGE has included in rates \$0.75 million for low-income
24 weatherization programs administered by the Community Action Agency of

1 Greater Kansas City, and several other social agencies located in the other parts of
2 MGE's service territories. MGE would recommend that this level of funding
3 continue along with the \$0.75 million of funding in rates for MGE energy
4 efficiency and education initiatives.

5 **LAC REVENUE DEFICIENCY**

6 **Q. MR. NOACK, WOULD YOU PLEASE EXPLAIN SCHEDULE MRN-D2**
7 **ATTACHED TO YOUR TESTIMONY?**

8 A. Yes. Schedule MRN-D2 details the LAC revenue deficiency for the test year
9 ended December 31, 2016. The schedule details rate base, rate of return, required
10 net operating income, adjusted net operating income and finally, the revenue
11 deficiency. The net revenue deficiency shown on Schedule A is \$58.1 million.
12 The increase in revenue will be offset partially by the elimination and
13 corresponding inclusion in base rates of \$29.5 million of ISRS revenues that are
14 currently being collected by LAC, resulting in a net revenue increase of \$28.5
15 million.

16 Schedule A-1 is the summary of net operating income per books for the test year
17 ending December 31, 2016, a summary of the adjustments made to operations,
18 and finally, the net operating income, as adjusted.

19 Schedule A-2 is a summary income tax computation both per books and as
20 adjusted for the twelve months ending December 31, 2016. An explanation of the
21 effective tax rate used to compute as adjusted income taxes is contained in the
22 direct testimony of Laclede witness Kuper.

23 **Q. MR. NOACK, WOULD YOU PLEASE DESCRIBE SCHEDULE B, THE**
24 **CALCULATION OF RATE BASE?**

1 A. Schedule B summarizes the requested rate base of LAC at December 31, 2016.
2 Total rate base of \$1,231.7 million consists of net plant of \$1,169.3 million,
3 Working Capital components of \$274.6 million, and the balance of Accumulated
4 Deferred Income Taxes and other rate base offsets of \$212.2 million.

5 **Q. WHO WILL BE SPONSORING TESTIMONY EXPLAINING THE**
6 **VARIOUS COMPONENTS OF RATE BASE?**

7 A. Laclede witness Keathley will offer testimony on the LAC offsets to rate base of
8 Customer Deposits, Advances for Construction, and Deferred Taxes. He will also
9 offer testimony on Plant in Service, Reserve for Depreciation, Regulatory Assets
10 and Working Capital components of Materials and Supplies, Prepayments and
11 Gas Storage Inventory. Company witness Lyons of ScottMadden will offer
12 testimony on Cash Working Capital, and Laclede witness Buck will offer
13 testimony on Prepaid Pension Assets and the OPEB Regulatory Asset included in
14 rate base.

15 **Q. PLEASE DESCRIBE THE ADJUSTMENTS TO OPERATING INCOME**
16 **THAT YOU ARE SPONSORING ON SCHEDULE H.**

17 A. Schedule H, consisting of 19 sub-schedules, details all of the adjustments made to
18 cost of service. The first two pages of Schedule H detail the operating income
19 statement summarized by the uniform system of accounts. It shows the test year
20 balances per books at December 31, 2016, a summary of the pro forma
21 adjustments to each account and finally the adjusted balance at December 31,
22 2016. The next four pages detail each adjustment individually by FERC account
23 number.

1 Schedule H-1 is the detail of test year margin revenue after backing out purchased
2 gas adjustment revenue, gross receipts taxes billed, unbilled revenue, off-system
3 sales and finally ISRS revenues collected during the test year, while Schedule H-2
4 summarizes the revenue adjustments proposed for LAC.

5 **Q. WHO IS SPONSORING THE REVENUE ADJUSTMENTS DETAILED**
6 **ON SCHEDULE H-2?**

7 A. Laclede witness Feldman is providing direct testimony on the revenue
8 adjustments detailed on Schedule H-2.

9 **Q. PLEASE EXPLAIN SCHEDULE H-3.**

10 A. Schedule H-3, also sponsored by Laclede Witness Feldman, removes purchased
11 gas costs from the operating income statement along with costs associated with
12 off-system sales, unbilled gas costs and the gross receipts tax expense. These
13 expenses should not be included in the determination of the cost of service.
14 Purchased gas costs are recovered through the PGA mechanism and not base rates
15 while gross receipts taxes are simply pass through taxes.

16 **Q. PLEASE EXPLAIN THE PAYROLL RELATED ADJUSTMENTS.**

17 A. The payroll adjustment is detailed on Schedule H-4 while the associated
18 adjustments to the Company's match to employee 401K contributions and payroll
19 taxes are detailed on Schedules H-5 and H-6. The first part of the adjustment
20 annualizes payroll based on the actual February 17, 2017 employee levels and pay
21 rates and includes adjustments for overtime worked based on actual overtime
22 hours and proforma pay rates, and AIP payouts based on proforma wage levels.
23 The second part of the adjustment recognizes that an additional 92 employees are
24 expected to be hired across the entire company by September 30, 2017 with 61

1 being hired for LAC, 17 for MGE, and the final 14 being shared service
2 employees whose time will be allocated between the different units of the
3 Company. (37 new employees began with the Company on March 27, 2017.)

4 **Q. WHAT IS INCLUDED IN YOUR ADJUSTMENT TO EMPLOYEE**
5 **BENEFITS?**

6 A. The adjustment to employee benefits on Schedule H-5 normalizes all expenses
7 representing employee benefits paid on behalf of employees. Included in these
8 benefits are FAS 87 pension expense and FAS 106 post retirement benefit costs,
9 which will be discussed in the direct testimony of Laclede witness Buck. The
10 other employee benefits being adjusted are the payroll related insurance costs for
11 life insurance, accidental death & dismemberment (AD&D) insurance and long-
12 term disability (LTD) insurance, along with the Company match to employee
13 401K contributions. These adjustments to the insurance costs and the 401K
14 match are all related to the payroll expense adjustment on Schedule H-4. The final
15 adjustment to employee benefits is an adjustment to SERP expense, which is
16 based on an average of payments made over that last three years.

17 **Q. PLEASE EXPLAIN TAB H-6, PR-TAXES.**

18 A. The adjustment on Schedule H-6 recognizes the increase to payroll taxes
19 associated with the payroll adjustment detailed on Schedule H-4.

20 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO PROPERTY INSURANCE**
21 **AND INJURIES AND DAMAGES?**

22 A. Schedule H-7 normalizes the property insurance and injuries and damages by
23 taking a three-year average of worker compensation claims paid and auto and

1 general liability claims paid and adding to that average the increased insurance
2 premiums expected to be paid on behalf of LAC.

3 **Q. WHY HAVE YOU MADE AN ADJUSTMENT TO TEST YEAR**
4 **INSURANCE COSTS?**

5 A. The adjustment has been made to reflect a normalized level of claims paid and to
6 reflect the known and measurable changes in premium costs for LAC. Those costs
7 have been included as a test year expense on Schedule H-7.

8 **Q. PLEASE EXPLAIN SCHEDULE H-8.**

9 A. Schedule H-8 reflects the proposed adjustment to include an ongoing level of
10 energy efficiency costs in the LAC cost of service. As of December 31, 2016,
11 LAC has accumulated \$11.6 million of energy efficiency costs in a regulatory
12 asset. Like MGE, LAC has an energy efficiency spending target of 0.5% of gross
13 revenues. Based on its current gross revenues, LAC's energy efficiency spending
14 target is approximately \$3.7 million per year, which also includes \$1.0 million of
15 Low Income Weatherization Funds. Given the size and consistent amount of
16 EEC expenditures, some amount of current expenditures should be included in the
17 cost of service, along with a ten-year amortization of the current regulatory asset.
18 Such amounts are reflected on Schedule H-8.

19 **Q. WHAT IS THE AMOUNT OF CURRENT ENERGY EFFICIENCY**
20 **FUNDING YOU ARE PROPOSING TO INCLUDE IN RATES?**

21 A. As shown on Schedule H-8, a normalized amount of \$2.0 million has been
22 included. This amount does not include any funding for the low income
23 weatherization program. This amount represents a 3-year average of spending for
24 years 2014, 2015 and 2016.

1 **Q. HAVE YOU PROPOSED AN ADJUSTMENT TO UNCOLLECTIBLE**
2 **EXPENSE?**

3 A. Yes. I have increased bad debt expense or uncollectible expense by \$1.8 million
4 on Schedule H-9. Laclede witness Krick will explain this adjustment in his direct
5 testimony.

6 **Q. PLEASE EXPLAIN THE ADJUSTMENTS ON SCHEDULE H-10.**

7 A. The adjustments on Schedule H-10 amortize expected rate case expense over a 3-
8 year period, amortize the cost of the current depreciation study prepared for this
9 case over a five-year period, and recognize the current level of the Commission
10 assessment for the period July 1, 2016 through June 30, 2017.

11 **Q. WHAT IS THE PURPOSE OF SCHEDULE H-11?**

12 A. Schedule H-11 computes interest on the average thirteen-month balance of
13 residential customer deposits at an interest rate of 4.75%, or the prime rate as of
14 December 31, 2016, plus 1%, consistent with LAC Tariff Sheet No. R-5-d.

15 **Q. HAVE YOU PROPOSED AN ADJUSTMENT TO DEPRECIATION**
16 **EXPENSE?**

17 A. Yes. Schedule H-12 details the adjustment to depreciation expense based upon
18 the level of plant investment at December 31, 2016.

19 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO AMORTIZATION**
20 **EXPENSE.**

21 A. Schedule H-13 details the pro forma amortization expense. The adjustment
22 consists of two parts. The first part annualizes the amortization of all leasehold
23 improvements, miscellaneous intangible plant and unamortized LAC software
24 assets at December 31, 2016. The second part of the adjustment computes

1 amortization of Deferred Energy Efficiency Program costs and Low Income
2 Program costs based upon a requested ten-year amortization period. The energy
3 efficiency program is discussed above. The Low Income Programs are a “Red-
4 Tag” Repair Program and a Low-Income Energy Affordability Program. The final
5 asset being amortized is the initial Energy Efficiency Asset of LAC which has
6 approximately 3.5 years of amortization remaining.

7 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO PROPERTY TAXES.**

8 A. Schedule H-14 reflects an increase to property taxes to recognize the increased
9 plant at December 31, 2016 and increased assessments expected in the counties in
10 LAC’s service territory. Laclede witness Kuper will explain the adjustment in his
11 direct testimony. There is a second adjustment made to property taxes to allocate
12 to MGE a portion of the property taxes related to the Enterprise Software being
13 allocated to MGE.

14 **Q. PLEASE EXPLAIN SCHEDULE H-15.**

15 A. Schedule H-15 adjusts expenses for known increases in the contractor cost to
16 locate lines in LAC’s service territory. The majority of the adjustment is related
17 to the cost to locate fiber which increased from \$13.40 to \$32.60 per locate in
18 May 2016.

19 **Q. PLEASE EXPLAIN SCHEDULE H-16, OTHER EXPENSE**
20 **ADJUSTMENTS.**

21 A. Schedule H-16 reflects a decrease to accounts 912 and 921 to eliminate from the
22 cost of service the cost of tickets to various events included in operating expenses.

23 **Q. PLEASE EXPLAIN SCHEDULE H-17.**

1 A. H-17 reflects an expense for the cost to accept a credit card payment from a
2 customer for the balance of their gas bill without requiring an additional fee.
3 Currently that cost is assessed to the customer by the credit card company which
4 reduces the incentive for a customer to pay with a credit card. No fee credit card
5 payments are consistent with the approach taken by other businesses for the
6 convenience of their customers. It is also in the Company's interest to accept a
7 credit card payment, as credit card companies are in a much better position to
8 assess creditworthiness and thus to assume the risk of unpaid debt.

9 **Q. HOW DID YOU COMPUTE THE ADJUSTMENT TO CREDIT CARD**
10 **FEES?**

11 A. The LAC adjustment was based on the actual experience of MGE in the most
12 recent 12-month period and based on the average cost per transaction charged by
13 the vendor processing the credit card payments. The number of card payments
14 each month was compared to the number of residential bills for the same month
15 and that percentage of bills paid with credit cards was applied to the number of
16 LAC residential bills for the same months.

17 **SCHOOL TRANSPORTATION PROGRAM**

18 **Q. MR. NOACK, AS PART OF THE PARTIAL STIPULATION AND**
19 **AGREEMENT IN GR-2014-0324 FILED FEBRUARY 22, 2017 MGE**
20 **AGREED TO PROVIDE CERTAIN INFORMATION PERTAINING TO**
21 **THE ISSUE OF BALANCING AND CASHING OUT MONTHLY**
22 **TRANSPORTATION VOLUMES FOR SCHOOLS PARTICIPATING IN**
23 **THE SCHOOL TRANSPORTATION PROGRAM ("STP"). WHAT**

1 **INFORMATION WAS REQUESTED BY THE MISSOURI PUBLIC**
2 **SERVICE COMMISSION STAFF?**

3 A. Under the Partial Stipulation, MGE agreed to provide the following information:

- 4 1. A discussion of the costs and benefits of upgrading the reading capabilities
5 of each STP customer meter so that monthly meter reads coincide with the
6 monthly STP nominations;
7
8 2. A detailed description of the meter changes or meter reading changes that
9 could be made to allow for monthly meter reads to coincide with the
10 monthly STP nominations.
11
12 3. The cost of upgrading the reading capabilities of each STP customer meter
13 so that monthly meter reads coincide with the monthly STP nominations;
14
15 4. The Company’s position regarding the question of whether meter or meter
16 reading changes provide enough benefit to sales customers to justify
17 inclusion of the meter and meter reading change costs into a sale customer
18 cost of service.
19

20 **Q. DID THE COMMISSION APPROVE THE PARTIAL STIPULATION AND**
21 **AGREEMENT?**

22 A. Not as of this writing. MGE is nevertheless providing the information, for two
23 reasons. First, MGE agreed with Staff that it would do so. Second, MGE would
24 like to reach a mutually acceptable resolution of the STP issue with Staff and the
25 Missouri School Boards Association, which is the largest STP association in the
26 MGE territory. MGE hopes that providing Staff the information it seeks will be a
27 step in the direction of reaching such a resolution.

28 **Q. CURRENTLY WHAT IS THE PROCESS OF READING EACH STP**
29 **CUSTOMER METER?**

30 A. Currently each STP customer meter is read electronically once per month, at
31 various times throughout the month, as part of a regular cycle meter reading
32 program. Meter trucks drive through select portions of the service area and

1 collect meter reads from a device that sits atop each customer's meter. In the case
2 of very rural areas, the reads are collected using handheld devices. Because of the
3 vast service territory of MGE (31 counties in the western half of the state) it is not
4 feasible to combine all of the schools in the STP into a single meter reading route
5 that would coincide with calendar month nominations made by the marketers
6 serving the schools in the STP program. Currently there are approximately 850
7 schools taking gas service under the STP tariff and approximately 104 meter
8 reading routes serving those schools. The inability to obtain reads to match
9 calendar month nominations prevents MGE from being able to accurately cash
10 out STP customers, as prescribed in the tariff.

11 **Q. IF MGE WERE TO INSTALL ELECTRONIC GAS MEASUREMENT**
12 **(EGM) EQUIPMENT AT EACH SCHOOL SIMILAR TO THE**
13 **EQUIPMENT WHICH CURRENTLY SERVES MGE'S NON-SCHOOL**
14 **TRANSPORATION CUSTOMERS, WHAT WOULD BE THE**
15 **APPROXIMATE COST OF THOSE METERS?**

16 A. Currently the cost of the Instrument Point device, which has to be installed to call
17 in the meter reads at a set time of the month (to coincide with pipeline
18 nominations), costs approximately \$2,300 before including the labor and
19 overhead costs to install. The labor and overhead costs are estimated at \$436
20 making the total cost of equipment and installation approximately \$2,736. The
21 detail of these costs can be found on Schedule MRN-D3.

22 **Q. IS THAT THE FINAL COST TO THE CUSTOMER?**

23 A. No, it is not. When the customer pays for the meter and installation costs the
24 Company treats the payment as a contribution in aid of construction, so it is

1 taxable income to the company. As a result, there is additional language on MGE
2 tariff Sheet No. 71 which requires that the charge be “grossed-up” to cover the
3 income tax. At the current effective tax rate, the income tax amount would be
4 approximately \$1,000, making the total cost of electronic gas metering (EGM)
5 equipment \$3,736. However, if MGE paid for the meters and the installation, the
6 total cost, which would exclude the income tax component, would approximate
7 \$2.3 million.

8 **Q. WOULD THAT PROVIDE ENOUGH BENEFIT TO SALES CUSTOMERS**
9 **TO JUSTIFY INCLUDING THOSE COSTS IN RATES CHARGED TO**
10 **THE SALES CUSTOMERS.**

11 A. In my opinion, no. In an analysis prepared for Staff last June, the principal cost
12 not being recovered as a result of any imbalance at the end of a month was the
13 cost to use storage to either inject excess volumes or withdraw short volumes.
14 When those volumes were priced at the rates MGE pays for storage, the additional
15 cost not being recovered was approximately \$0.002 per Ccf.

16 **Q. HAS MGE ADJUSTED THE RATES TO ADDRESS THIS?**

17 A. Yes. As part of the stipulation and agreement, MGE attached a specimen tariff
18 sheet which increases the Balancing Fee from \$0.001 per Ccf to \$0.003 per Ccf.
19 MGE is filing a tariff with that adjustment as part of this case.

20 **Q. IS MGE LIMITED BY STATUTE AS TO WHAT CAN BE DONE TO**
21 **COMPENSATE FOR THE INABILITY TO CASH THESE CUSTOMERS**
22 **OUT?**

23 A. Yes. Section 393.310 of the Revised Missouri Statutes (the “STP Statute”)
24 prohibits charging the schools for telemetry equipment or any special metering,

1 unless the individual school uses over 100,000 therms annually. At the same
2 time, the STP Statute also states that the tariff shall not have any negative
3 financial impact on the other customers of the gas company. Those two statutory
4 provisions preclude MGE from passing on the cost of the EGM equipment to the
5 schools or the other customers. By including the additional \$0.002 per Ccf in the
6 balancing fee, MGE believes that both the schools and other customers are being
7 fairly treated.

8 **Q. DO YOU BELIEVE ANYTHING ELSE NEEDS TO BE DONE AT THIS**
9 **TIME?**

10 A. Yes. Although there has been nothing in the history of how the schools have
11 nominated their transportation volumes to suggest a pattern of imbalances that
12 have adversely affected sales customers, in response to input from Staff, MGE is
13 proposing a tariff change that will motivate the schools to minimize estimated
14 imbalances. At the same time, MGE is proposing a tariff change to remove the
15 infeasible language to try and cashout STP customer imbalances. MGE believes
16 these tariff changes, along with the increase to the Balancing Fee discussed above,
17 will improve the program at a cost that does not outweigh its benefits, while
18 protecting customers from adverse effects of the STP.

19 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

20 A. Yes it does.

Laclede Gas Company

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LACLEDE GAS COMPANY
December 31, 2016
Revenue Deficiency

Line No.	Description (a)	Ref. (b)	Required Return (c)	Earnings Deficiency (d)	Net Revenue Deficiency (e)
1	Rate Base	B	\$1,231,666,769		
2	Rate of Return	F	<u>7.700%</u>		
3	Required Return		<u>\$94,838,341</u>	\$94,838,341	
4	Adjusted Test Year Net Operating Income	A-1		<u>59,910,891</u>	
5	Earnings Deficiency			<u>\$34,927,450</u>	\$34,927,450
6	Multiply by Income Tax Gross-up Factor				<u>1.62308</u>
7	Net Revenue Deficiency				<u>\$56,690,011</u>
8	Allowance for Known and Measurable Changes/ True-up Estimate				<u>\$1,365,000</u>
9	Total Revenue Deficiency				<u><u>\$58,055,011</u></u>

LACLEDE GAS COMPANY
December 31, 2016
Summary of Net Operating Income
Per Books and Adjusted

Line No.	Description (a)	Per Books (b)	Adjustments (c)	As Adjusted (d)
<u>REVENUES</u>				
1	Operating Base Revenues	\$638,979,104	(\$314,851,676)	\$324,127,427
2	Other Utility Revenues	49,380,343	(44,162,607)	5,217,736
3	Total Operating Revenues	<u>\$688,359,446</u>	<u>(\$359,014,283)</u>	<u>\$329,345,163</u>
<u>OPERATING EXPENSES</u>				
4	Manufactured Gas Production Expense	\$1,778,570	(\$1,615,570)	\$163,000
5	Purchased Gas Expense	\$302,328,240	(302,756,502)	(428,262)
6	Natural Gas Storage Expense	\$3,215,291	0	3,215,291
7	Distribution Expense	\$56,441,869	180,228	\$56,622,097
8	Customer Accounts Expense	32,606,735	3,318,358	35,925,094
9	Customer Service and Information Expense	1,582,603	3,190,129	4,772,732
10	Sales Expense	2,094,122	(411,017)	1,683,105
11	Administrative and General Expense	58,449,180	12,823,388	71,272,568
12	Payroll Adjustment		7,596,534	7,596,534
13	Total Operating and Maintenance Expenses	<u>\$458,496,610</u>	<u>(\$277,674,452)</u>	<u>\$180,822,158</u>
14	Depreciation & Amortization Expense	\$58,251,501	(\$3,381,639)	\$54,869,862
15	Interest on Customer Deposits	1,957,942	(1,842,998)	114,944
16	Taxes Other Than Income	54,671,173	(32,757,661)	21,913,512
17	Total Operating Expenses	<u>\$573,377,226</u>	<u>(\$315,656,750)</u>	<u>\$257,720,476</u>
18	Operating Income Before Income Tax	\$114,982,220	(\$43,357,534)	\$71,624,687
19	Less: Income Tax Expense	28,358,049	(16,644,393)	11,713,656
20	Net Operating Income	<u>\$86,624,171</u>	<u>(\$26,713,141)</u>	<u>\$59,911,031</u>

LACLEDE GAS COMPANY
December 31, 2016
Income Tax

Line No.	Description (a)	Reference (b)	Per Books (c)	As Adjusted (d)
1	Total Operating Revenues	A-1	\$688,359,446	\$329,345,163
2	Total Operating Expenses	A-1	<u>(573,377,226)</u>	<u>(257,720,476)</u>
3	Net Operating Income	A-1	<u>\$114,982,220</u>	<u>\$71,624,687</u>
4	Flow Through Adjustments		(\$19,187,363)	(\$19,187,363)
5	Less: Interest on Long Term Debt		<u>(21,924,033)</u>	<u>(21,924,033)</u>
6	Total Tax Adjustments		<u>(\$41,111,396)</u>	<u>(\$41,111,396)</u>
7	Net Taxable Income		<u>\$73,870,824</u>	<u>\$30,513,290</u>
8	Income Tax		<u>\$28,358,049</u>	<u>\$11,713,656</u>

LACLEDE GAS COMPANY
December 31, 2016
Rate Base

Line No.	Description (a)	Reference (b)	Amount (c)
1	Intangible Plant	C	\$10,986
2	Production Plant	C	\$11,727,532
3	Underground Storage Plant	C	\$28,601,549
4	Other Storage Equipment	C	\$1,155,529
5	Transmission Plant	C	\$2,064,647
6	Distribution Plant	C	1,591,961,341
7	General Plant	C	165,183,526
8	Construction Work in Progress	C	<u>28,891,590</u>
9	Gross Plant In Service		<u>\$1,829,596,700</u>
10	Accumulated Depreciation & Amortization	D	<u>(660,339,792)</u>
11	Net Plant in Service		\$1,169,256,908
12	Working Capital	E	274,641,839
13	Customer Deposits	B-1	(4,354,823)
14	Customer Advances	B-2	(1,020,828)
15	Deferred Income Taxes - Other (Net of AMT)	B-3	(206,856,327)
16	Total Rate Base		<u><u>\$1,231,666,769</u></u>

LACLEDE GAS COMPANY
Thirteen Months Ending December 31, 2016

Customer Deposits

Line No.	Month	Residential Amount
	(a)	(b)
1	Dec-15	(4,071,945)
2	Jan-16	(4,048,871)
3	Feb-16	(3,985,985)
4	Mar-16	(3,917,067)
5	Apr-16	(4,081,902)
6	May-16	(4,174,527)
7	Jun-16	(4,293,072)
8	Jul-16	(4,416,148)
9	Aug-16	(4,577,435)
10	Sep-16	(4,704,752)
11	Oct-16	(4,801,274)
12	Nov-16	(4,813,873)
13	Dec-16	<u>(4,813,986)</u>
14	Total	<u><u>(\$52,257,872)</u></u>
15	Average	<u><u>(\$4,354,823)</u></u>
16	Interest Rate	<u>4.75%</u>
17	Interest Expense	<u><u>\$206,854</u></u>

LACLEDE GAS COMPANY
Thirteen Months Ending December 31, 2016

Customer Advances

Line No.	Month	Amount
	(a)	(b)
1	Dec-15	(1,148,207)
2	Jan-16	(1,088,630)
3	Feb-16	(1,091,188)
4	Mar-16	(1,069,171)
5	Apr-16	(1,129,580)
6	May-16	(1,029,447)
7	Jun-16	(983,164)
8	Jul-16	(966,397)
9	Aug-16	(971,380)
10	Sep-16	(971,380)
11	Oct-16	(961,179)
12	Nov-16	(942,880)
13	Dec-16	(942,880)
14	Total	<u><u>(\$12,249,940)</u></u>
15	Average	<u><u>(\$1,020,828)</u></u>

LACLEDE GAS COMPANY
December 31, 2016

Accumulated Deferred income Taxes

Line No.	Description (a)	Amount (b)
1	Deferred Taxes, Laclede Direct Plant as of 12/31/16	(\$206,856,327)
2	Total Accumulated Deferred Income Taxes	<u>(\$206,856,327)</u>

LACLEDE GAS COMPANY
Plant in Service
December 31, 2016

Line No.	Description (a)	Plant Balance @ 12/31/16	Total Adjustments (c)	Total As Adjusted (d)
<u>INTANGIBLE PLANT</u>				
1	(301) Organization	\$2,501		\$2,501
2	(302) Franchises	8,484		8,484
3	Total Intangible Plant	<u>\$10,986</u>		<u>\$10,986</u>
<u>PRODUCTION PLANT</u>				
4	(304) Land & Land Rights-Mfg Gas	\$119,929		\$119,929
5	(305) Structures & Improvements-Mfg Gas	1,869,054.12		1,869,054.12
6	(307) Other Power Equipment	159,015.53		159,015.53
7	(311) Propane Equipment-Gas Ops	4,749,844.99		4,749,844.99
8	(311.1) Propane Storage Cavern-Gas Ops	4,829,688.40		4,829,688.40
9	Total Production Plant	<u>\$11,727,532</u>		<u>\$11,727,532</u>
<u>UNDERGROUND STORAGE PLANT</u>				
10	(350.1) Land	\$1,201,600		\$1,201,600
11	(350.2) Rights of Way	778,418		778,418
12	(351.2) Compression Station Structure	612,741		612,741
13	(351.4) Other Structures	1,009,838		1,009,838
14	(352) Wells	6,090,514		6,090,514
15	(352.1) Storage Leaseholds & Rights	2,055,422		2,055,422
16	(352.2) Reservoirs	245,023		245,023
17	(352.3) Non-Recoverable Natural Gas	6,503,628		6,503,628
18	(352.4) Wells - Oil & Vent Gas	1,932,818		1,932,818
19	(353) Lines	2,876,382		2,876,382
20	(354) Compressor Station Equipment	2,747,710		2,747,710
21	(355) Measuring & Regulating Equipment	2,247,516		2,247,516
22	(356) Purification Equipment	233,042		233,042
23	(357) Other Equipment	66,896		66,896
24	Total Underground Storage Plant	<u>\$28,601,549</u>		<u>\$28,601,549</u>
<u>OTHER STORAGE EQUIPMENT</u>				
25	(360) Land & Land Rights	\$50,654		\$50,654
26	(361) Structures & Improvements	107,233		107,233
27	(362) Gas Holders	659,027		659,027
28	(363.3) Compressor Equipment	338,616		338,616
29	Total Other Storage Equipment	<u>\$1,155,529</u>		<u>\$1,155,529</u>
<u>TRANSMISSION PLANT</u>				
30	(365.2) Rights of Way - Transmission	\$41,153		\$41,153
31	(367) Mains - Transmission	2,013,840		2,013,840
32	(371) Other Equipment - Transmission	9,654		9,654
33	Total Transmission Plant	<u>\$2,064,647</u>		<u>\$2,064,647</u>

LACLEDE GAS COMPANY
Plant in Service
December 31, 2016

Line No.	Description	Plant Balance @ 12/31/16	Total Adjustments	Total As Adjusted
	(a)		(c)	(d)
<u>DISTRIBUTION PLANT</u>				
34	(374) Land & Land Rights	\$3,040,444		\$3,040,444
35	(375) Structures & Improvements	14,523,797		14,523,797
36	(375) Struct & Improv - Leased Property	101,089		101,089
37	(376.1) Mains - Steel	230,736,646		230,736,646
38	(376.2) Mains - Cast Iron	21,555,524		21,555,524
39	(376.3) Mains - Plastic	451,903,950		451,903,950
40	(378) Meas. & Reg. Station - General	12,743,518		12,743,518
41	(379) Meas. & Reg. Station - City Gate	2,844,287		2,844,287
42	(380.1) Services - Steel	38,730,897		38,730,897
43	(380.2) Services - Plastic	645,762,615		645,762,615
44	(381) Meters	129,541,012		129,541,012
45	(383) House Regulators	25,568,099		25,568,099
46	(385) Commercial & Ind Meas & Reg Eq	14,480,417		14,480,417
47	(386) Other Property - Customer Premises	22,975		22,975
48	(387) Other Equipment	406,070		406,070
49	Total Distribution Plant	<u>\$1,591,961,341</u>		<u>\$1,591,961,341</u>
<u>GENERAL PLANT</u>				
50	(389) Land	\$10,089		\$10,089
51	(390) Structures & Improvements	569,960		569,960
52	(390) Struct & Improv - Leased Property	2,461,296		2,461,296
53	(391) Furniture & Fixtures	4,008,541		4,008,541
54	(391.1) Data Processing Systems	12,891,697		12,891,697
55	(391.2) Mechanical Office Equipment	30,559		30,559
56	(391.3) Data Processing Software	34,308,318		34,308,318
57	(391.4) Data Processing Systems	329,979		329,979
58	(391.5) Enterprise Software-EIMS	116,904,317	(67,787,723)	49,116,594
59	(392.1) Transportation Eq - Automobiles	2,932,261		2,932,261
60	(392.2) Transportation Eq - Trucks	16,547,461		16,547,461
61	(393) Stores Equipment	332,530		332,530
62	(394) Tools, Shop & Garage Equipment	14,615,834		14,615,834
63	(395) Laboratory Equipment	306,723		306,723
64	(396) Power Operated Equipment	22,349,910		22,349,910
65	(397.0) Communication Equipment	1,237,715		1,237,715
66	(398) Miscellaneous Equipment	3,134,059		3,134,059
67	Total General Plant	<u>\$232,971,249</u>	<u>(\$67,787,723)</u>	<u>\$165,183,526</u>
68	Total Original Cost Plant in Service	\$1,868,492,833	(\$67,787,723)	\$1,800,705,111
69	Construction Work in Progress	28,891,590		28,891,590
70	Accumulated Depreciation and Amortization	<u>(672,614,561)</u>	<u>(12,274,769)</u>	<u>(660,339,792)</u>
71	Net Plant In Service	<u>\$1,224,769,862</u>	<u>(\$80,062,492)</u>	<u>\$1,169,256,908</u>

LACLEDE GAS COMPANY
Accumulated Reserves for Depreciation and Amortization
December 31, 2016

Line No.	Acct No.	Description (a)	Test Year Direct (b)	Proforma Adjustments (c)	Test Year As Adjusted (d)
1	108	Accumulated Depreciation-Plant in Service	\$517,895,822	(\$12,274,769)	\$505,621,053
2	108.5	Accumulated Depreciation-Removal Costs	104,407,343	0	104,407,343
3	111	Accumulated Amortization	<u>55,324,486</u>	<u>0</u>	<u>55,324,486</u>
4		Total Accumulated Depreciation & Amortization	677,627,650	(12,274,769)	665,352,881
5	108.1	Less: Retirement Work in Progress	<u>5,013,089</u>	<u>0</u>	<u>5,013,089</u>
6		Accumulated Depreciation and Amortization	<u><u>\$672,614,561</u></u>	<u><u>(\$12,274,769)</u></u>	<u><u>\$660,339,792</u></u>

LACLEDE GAS COMPANY
December 31, 2016
Working Capital

Line No.	Description (a)	Reference (b)	Amounts (c)
1	Materials and Supplies Inventory	E-1	\$4,422,930
2	Prepayments	E-2	11,259,456
3	Gas Inventory - Volumes and Price	E-3	68,077,170
4	Cash Working Capital	E-4	21,659,955
5	Other Regulatory Assets	E-5	167,377,003
6	Insulation Financing / Energy Wise	E-6	<u>1,865,806</u>
7	Total Working Capital		<u><u>\$274,662,320</u></u>

LACLEDE GAS COMPANY
Thirteen Months Ending December 31, 2016
Materials & Supplies

Line No.	Month	Amount
	(a)	(b)
1	Dec-15	4,415,283
2	Jan-16	4,344,740
3	Feb-16	4,181,315
4	Mar-16	4,163,788
5	Apr-16	4,256,789
6	May-16	4,529,386
7	Jun-16	4,444,659
8	Jul-16	4,468,472
9	Aug-16	4,439,249
10	Sep-16	4,525,880
11	Oct-16	4,717,974
12	Nov-16	4,754,151
13	Dec-16	4,082,227
14	Total	<u>\$53,075,160</u>
15	Average	<u>\$4,422,930</u>

LACLEDE GAS COMPANY
Thirteen Months Ending December 31, 2016
Prepayments

Line No.	Month (a)	Amount (b)
1	Dec-15	9,556,340
2	Jan-16	8,847,511
3	Feb-16	8,204,127
4	Mar-16	7,818,956
5	Apr-16	14,203,790
6	May-16	13,867,204
7	Jun-16	13,269,711
8	Jul-16	12,340,850
9	Aug-16	11,045,207
10	Sep-16	10,940,999
11	Oct-16	12,491,322
12	Nov-16	11,303,343
13	Dec-16	<u>12,004,565</u>
14	Total	<u><u>\$135,113,472</u></u>
15	Average	<u><u>\$11,259,456</u></u>

LACLEDE GAS COMPANY
Thirteen Months Ending December 31, 2016
Gas Inventory

Line No.	Month	Dollars
	(a)	(b)
1	Dec-15	85,989,829
2	Jan-16	71,912,903
3	Feb-16	59,059,639
4	Mar-16	46,666,794
5	Apr-16	42,293,472
6	May-16	44,609,359
7	Jun-16	51,504,063
8	Jul-16	63,675,556
9	Aug-16	75,949,785
10	Sep-16	86,311,217
11	Oct-16	96,381,391
12	Nov-16	94,426,686
13	Dec-16	82,280,529
14	Total	<u>\$816,926,044</u>
15	Average	<u>\$68,077,170</u>

Laclede Gas Company
Test Year Ended December 31, 2016

Summary of Cash Working Capital

Line #	Description (A)	Amount (B)
1	Cash Working Capital from Tim Lyon's Schedule	<u><u>\$21,639,474</u></u>

LACLEDE GAS COMPANY
Regulatory Assets
December 31, 2016

Line No.	Year Ended	Balance
	(a)	(b)
1	Prepaid Pension / OPEB Assets	\$153,687,092
2	Leasehold Improvements	1,681,386
3	Low Income Program Net of Amortization	40,333
4	Red Tag Program	28,429
5	Initial Energy Efficiency Asset Net of Amortization	300,667
6	Energy Efficiency Program	<u>11,639,096</u>
7	Total Regulatory Assets	<u><u>\$167,377,003</u></u>

LACLEDE GAS COMPANY
Insulation Financing and Energy Wise
December 31, 2016

Line No.	Year Ended (a)	Balance (b)
1	Insulation Financing Balance	\$ 1,067,214
2	Energy Efficiency Program	<u>798,591</u>
3	Total	<u><u>\$1,865,806</u></u>

LACLEDE GAS COMPANY
Summary of Cost of Capital
December 31, 2016

Line No.	Description (a)	Ratio (b)	Cost Rate (c)	Composite Rate (d)
1	Long-Term Debt	42.800%	4.159%	1.780%
2	Short-Term Debt	0.000%	0.000%	0.000%
3	Preferred Stock	0.000%	0.000%	0.000%
4	Common Equity	<u>57.200%</u>	10.350%	<u>5.920%</u>
5	Total	<u><u>100.000%</u></u>		<u><u>7.700%</u></u>

LACLEDE GAS COMPANY
 Twelve Months Ending December 31, 2016

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
(a)	(b)		(c)	(d)	(e)
OPERATING REVENUE					
1	480	Residential	\$476,800,098	(\$219,173,931)	\$257,626,168
2	481.1	Commercial	145,435,199	(92,338,892)	53,096,307
3	481.2	Industrial	0	0	0
4	483	Sales for Resale	0	0	0
5	487	Late Payment Charges	4,749,544	0	4,749,544
6	488	Miscellaneous Service Revenue	0	0	0
7	489	Transport	16,743,806	(3,338,854)	13,404,952
8	493	Rent From Property	29,241	0	29,241
9	495	Other Gas Revenue	44,601,559	(44,162,607)	438,952
10		Total Operating Revenue	\$688,359,446	(\$359,014,283)	\$329,345,163
OPERATING & MAINTENANCE EXPENSE					
Manufactured Gas Production Expense					
11	710	Operation Supervisor & Engineering	\$86,504	\$0	\$86,504
12	712	Other Power Expenses	138	0	138
13	717	Liquefied Petroleum Gas Expenses	2,927	0	2,927
14	723	Fuel for Liquefied Petroleum Gas Process	1,276	0	1,276
15	728	Liquefied Petroleum Gas	1,504,322	(1,615,570)	(111,248)
16	735	Miscellaneous Production Expenses	80,275	0	80,275
17	740	Maintenance Supervision & Engineering	18,969	0	18,969
18	741	Maintenance of Structures & Improvements	5,498	0	5,498
19	742	Maintenance of Production Equipment	78,661	0	78,661
20		Total Manufactured Gas Production Expense	\$1,778,570	(\$1,615,570)	\$163,000
Purchased Gas Expense					
21	804	Purchased Gas Expense	\$298,486,626	(\$302,756,502)	(\$4,269,876)
22	808.1	Gas Withdrawn From Storage - Debit	4,038,366	0	4,038,366
23	810	Gas Used for Compressor Station Fuel - Credit	(63,447)	0	(63,447)
24	812	Gas Used for Other Utility Operations - Credit	(133,306)	0	(133,306)
25		Total Purchased Gas Expense	\$302,328,240	(\$302,756,502)	(\$428,262)
Natural Gas Storage Expenses					
26	814	Operation Supervisor & Engineering	\$261,518	\$0	\$261,518
27	815	Maps and Records	57,853	0	57,853
28	816	Wells Expenses	359,840	0	359,840
29	817	Line Expenses	13,694	0	13,694
30	818	Compressor Station Expenses	112,122	0	112,122
31	819	Compressor Station Fuel & Power	65,942	0	65,942
32	820	Measuring & Regulating Station Expenses	518,161	0	518,161
33	821	Purification Expenses	106,554	0	106,554
34	823	Gas Losses	6,883	0	6,883
35	824	Other Expenses	237,850	0	237,850
36	825	Storage Well Royalties	99,907	0	99,907
37	830	Maintenance Supervision & Engineering	30,457	0	30,457
38	831	Maintenance of Structures & Improvements	207,692	0	207,692
39	832	Maintenance of Reservoirs & Wells	200,399	0	200,399
40	833	Maintenance of Lines	180,532	0	180,532
41	834	Maintenance of Compressor Station Equipment	308,876	0	308,876
42	835	Maint of Measuring & Regulating Station Exp	44,832	0	44,832
43	836	Maintenance of Purification Equipment	51,568	0	51,568
44	837	Maintenance of Other Equipment	244,982	0	244,982
45	840	Operation Supervisor & Engineering	20,870	0	20,870
46	841	Operation Labor & Expenses	6,068	0	6,068
47	842.1	Fuel	9,497	0	9,497
48	843.2	Maintenance of Structures & Improvements	69,195	0	69,195
49		Total Natural Gas Storage Expenses	\$3,215,291	\$0	\$3,215,291
Distribution Operation Expense					
50	870	Operation, Supervision and Engineering	\$4,914,668	\$0	4,914,668
51	871	Distribution and Load Dispatching	1,180,217	0	1,180,217
52	874	Mains and Service Expenses	9,640,343	180,228	9,820,571
53	875	Distributing Regulating Station Expenses	792,828	0	792,828
54	876	Measuring and Regulating Station Exp-Industrial	155,837	0	155,837
55	877	Measuring and Regulating Station Exp-City Gate	110,205	0	110,205
56	878	Meter and House Regulator Expenses	14,896,146	0	14,896,146
57	879	Customer Installation Expenses	2,371,255	0	2,371,255
58	880	Other Expenses	2,034,041	0	2,034,041
59	881	Rents	0	0	0
60		Total Operation Expense	\$36,095,538	\$180,228	\$36,275,765
Distribution Maintenance Expense					
61	885	Maintenance Supervision and Engineering	\$2,740,753	\$0	\$2,740,753
62	886	Maintenance of Structures and Improvements	810,702	0	810,702
63	887	Maintenance of Mains	8,162,916	0	8,162,916
64	889	Maint. of Measuring and Regulating Eq-General	673,931	0	673,931
65	890	Maint. of Measuring and Regulating Eq-Industrial	60,228	0	60,228
66	891	Maint. of Measuring and Regulating Eq-City Gate	34,503	0	34,503
67	892	Maintenance of Services	4,715,313	0	4,715,313
68	893	Maintenance of Meters and House Regulators	2,791,294	0	2,791,294

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	Test Year Per Book	Total Adjustments	Test Year As Adjusted
(a)	(b)	(c)	(d)	(e)	
69	894	Maintenance of Other Equipment	356,692	0	356,692
70		Total Maintenance Expenses	<u>\$20,346,332</u>	<u>\$0</u>	<u>\$20,346,332</u>
71		Total Distribution Expense	<u>\$56,441,869</u>	<u>\$180,228</u>	<u>\$56,622,097</u>
Customer Accounts Expense					
72	901	Supervision	\$0	\$0	\$0
73	902	Meter Reading Expense	8,680,331	0	8,680,331
74	903	Customer Records and Collection Expense	17,549,573	1,515,820	19,065,392
75	904	Uncollectible Accounts	6,257,451	1,802,539	8,059,990
76	905	Miscellaneous Customer Accounts Expense	119,381	0	119,381
77		Total Customer Accounts Expenses	<u>\$32,606,735</u>	<u>\$3,318,358</u>	<u>\$35,925,094</u>
Customer Service and Informational Expense					
78	907	Supervision	\$0	\$0	\$0
79	908	Customer Assistance	1,483,989	3,190,129	4,674,118
80	909	Informational and Instructional Advertising Exp.	98,614	0	98,614
81		Total Cust. Service and Information Exp.	<u>\$1,582,603</u>	<u>\$3,190,129</u>	<u>\$4,772,732</u>
Sales and Advertising Expense					
82	911	Supervision	\$328,536	\$0	\$328,536
83	912	Demonstrating and Selling Expenses	1,626,887	(411,017)	1,215,870
84	913	Advertising Expenses	138,699	0	138,699
85	916	Miscellaneous Sales Expenses	0	0	0
86		Total Sales and Advertising Expenses	<u>\$2,094,122</u>	<u>(\$411,017)</u>	<u>\$1,683,105</u>
Administrative and General Expense					
87	920	Administrative and General Salaries	\$20,728,266	\$0	\$20,728,266
88	921	Office Supplies and Expenses	1,336,170	(10,788)	1,325,382
89	922	Administrative Expenses Transferred	(12,025,514)	0	(12,025,514)
90	923	Outside Services Employed	10,302,849	0	10,302,849
91	924	Property Insurance	632,413	31,376	663,789
92	925	Injuries and Damages	5,268,150	986,515	6,254,665
93	926	Employee Pensions and Benefits	24,776,425	11,740,418	36,516,843
94	928	Regulatory Commission Expense	1,946,243	75,867	2,022,110
95	930	Miscellaneous General Expenses	3,127,102	0	3,127,102
96	931	Rents	2,148,699	0	2,148,699
97	932	Maintenance of General Plant	208,378	0	208,378
98		Total Administration and General Expense	<u>\$58,449,180</u>	<u>\$12,823,388</u>	<u>\$71,272,568</u>
99		Payroll Adjustment		7,596,534	7,596,534
100		Total O & M Expense	<u>\$458,496,610</u>	<u>(\$277,674,452)</u>	<u>\$180,822,158</u>
101	403	Depreciation	47,472,639	1,129,853	48,602,492
102	404, 405	Amortization	10,778,862	(4,511,492)	6,267,370
103	431	Interest on Customer Deposits	1,957,942	(1,842,998)	114,944
104	408	Payroll Taxes (1**)	4,736,408	544,831	5,281,239
105	408	Property Taxes (2***)	16,116,471	200,902	16,317,372
106	408	Gross Receipts Tax (3300 + 4000)	33,503,393	(33,503,393)	0
107	408	Other Taxes (41**)	314,901	0	314,901
108	408	Taxes Other Than Income	<u>\$54,671,173</u>	<u>(\$32,757,661)</u>	<u>\$21,913,512</u>
109		TOTAL EXPENSES	<u>\$573,377,226</u>	<u>(\$315,656,750)</u>	<u>\$257,720,476</u>
110		OPERATING INCOME BEFORE INCOME TAX	<u>\$114,982,220</u>	<u>(\$43,357,534)</u>	<u>\$71,624,687</u>
111	409,410	Income Taxes Note: per book & adjusted income tax computed on A-2	28,358,049	(16,644,393)	11,713,656
112		NET OPERATING INCOME	<u>\$86,624,171</u>	<u>(\$26,713,141)</u>	<u>\$59,911,031</u>

Laclede Gas Company
Twelve Months Ending December 31, 2016
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Min Acct.	Description	Test Year Per Basis	H-1 Adj. Gt. Rev. to Test Year Margin	H-2 Normaliz. & Adj. Test Year Margin	H-3 Remove Purch. Cost and GRT	H-4 Payroll Expenses	H-5 Employee Benefits	H-6 Property Taxes	H-7 Insurance	H-8 Energy Efficiency Costs	H-9 Uncollectible Expense	H-10 Regulatory Commission Expense	H-11 Interest on Customer Deposits	H-12 Depreciation Expense	H-13 Amortization Expense	H-14 Property Tax Expense	H-15 Leases	H-16 Other Expense Adjustments	H-17 Credit Card Fees
		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)
OPERATING REVENUE																				
1	480	Racketball	\$476,803,088	(\$225,016,832)	\$5,845,702															
2	481.1	Compassaid & Indictal	140,435,199	(89,480,491)	1,121,569															
3	481.2	Indictal	0	0	0															
4	483	Share for Resale	0	0	0															
5	487	Late Payment Charges	4,740,544																	
6	488	Miscellaneous Services Revenue	0																	
7	489	Transport	16,740,906	(3,393,798)	24,944															
8	483	Rent From Property	29,241	0																
9	485	Other Gas Revenue	44,601,559	(44,167,607)																
10		Total Operating Revenue	\$589,359,446	(\$385,037,498)	\$5,892,215															
OPERATING & MAINTENANCE EXPENSE																				
Manufactured Gas Production Expense																				
11	710	Operation Supervisor & Engineering	\$86,504																	
12	712	Other Power Expenses	138																	
13	717	Liquid Petroleum Gas Expenses	2,927																	
14	723	Fuel for Liquefied Petroleum Gas Process	1,278																	
15	728	Liquefied Petroleum Gas	1,504,322																	
16	735	Miscellaneous Production Expenses	80,275																	
17	740	Maintenance Supervision & Engineering	16,969																	
18	741	Maintenance of Structures & Improvements	5,468																	
19	742	Maintenance of Production Equipment	79,651																	
20		Total Manufactured Gas Production Expense	\$1,779,570			(\$1,615,570)														
Purchased Gas Expense																				
21	804	Purchased Gas Expense	\$388,489,626																	
22	808.1	Gas Withdrawn From Storage - Debit	4,038,366																	
23	810	Gas Used for Compressor Station Fuel - Credit	(63,447)																	
24	812	Gas Used for Other Utility Operations - Credit	(133,305)																	
25		Total Purchased Gas Expense	\$302,229,240			(\$302,756,502)														
Natural Gas Storage Expenses																				
26	814	Operation Supervisor & Engineering	\$281,518																	
27	815	Maps and Records	57,853																	
28	816	Wells Expenses	359,940																	
29	817	Line Expenses	13,654																	
30	818	Compressor Station Expenses	112,122																	
31	819	Compressor Station Fuel & Power	65,942																	
32	820	Measuring & Regulating Station Expenses	516,161																	
33	821	Purification Expenses	106,554																	
34	823	Gas Leases	6,883																	
35	824	Other Expenses	237,850																	
36	825	Storage Well Royalties	89,907																	
37	830	Maintenance Supervision & Engineering	30,457																	
38	831	Maintenance of Structures & Improvements	207,692																	
39	832	Maintenance of Reservoirs & Wells	200,369																	
40	833	Maintenance of Lines	180,532																	
41	834	Maintenance of Compressor Station Equipment	309,876																	
42	835	Maint. of Measuring & Regulating Station Exp	44,832																	
43	836	Maintenance of Purification Equipment	51,569																	
44	837	Maintenance of Other Equipment	244,982																	
45	840	Operation Supervisor & Engineering	20,970																	
46	841	Operation Labor & Expenses	6,068																	
47	842.1	Fuel	9,407																	
48	843.2	Maintenance of Structures & Improvements	69,155																	
49		Total Natural Gas Storage Expenses	\$3,212,211																	
Distribution Operation Expenses																				
50	870	Operation Supervisor & Engineering	\$4,914,688																	
51	871	Distribution and Load Dispatching	1,160,217																	
52	874	Mails and Services Expenses	9,840,343																	
53	875	Measuring and Regulating Station Expenses	782,628																	
54	876	Measuring and Regulating Station Exp-Indictal	153,837																	
55	877	Measuring and Regulating Station Exp-Other	110,205																	
56	878	Mails and House Regulator Expenses	14,886,748																	
57	879	Customer Installation Expenses	2,371,285																	
58	880	Other Expenses	2,034,041																	
59	881	Rent	0																	
60		Total Operation Expense	\$35,295,558																	
Distribution Maintenance Expense																				
61	885	Maintenance Supervision and Engineering	\$2,740,783																	
																		180,228		
																		\$180,228		

Laclede Gas Company
Twelve Months Ending December 31, 2018
Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Acct.	Description	H-1 Test Year Per Each Year Budget	H-2 Normaliz & Adj. Test Year Margin	H-3 Remove Purch. Gas Cost and CRT	H-4 Payroll Expenses	H-5 Employee Benefits	H-6 Payroll Taxes	H-7 Insurance	H-8 Energy Efficiency Costs	H-9 Unallocable Expenses	H-10 Reciprocity Commission Expenses	H-11 Int'l Customer Deposits	H-12 Depreciation Expenses	H-13 Amortization Expenses	H-14 Property Tax	H-15 Lease Expenses	H-16 Other Expense Adjustments	H-17 Credit Card Fees			
62	689	Maintenance of Structures and Improvements	810,702																			
63	687	Maintenance of Mains	8,162,916																			
64	689	Maint. of Measuring and Regulating Eq-General	973,951																			
65	680	Maint. of Measuring and Regulating Eq-Industrial	17,549,573																			
66	681	Maint. of Measuring and Regulating Eq-City Gas	34,503																			
67	682	Maintenance of Services	4,715,573																			
68	683	Maintenance of Meters and House Regulators	2,791,284																			
69	684	Maintenance of Other Equipment	395,692																			
70		Total Maintenance Expenses	\$29,246,952	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
71		Total Distribution Expense	\$59,441,859	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$180,228	\$0	\$0	\$0	\$0	
72	901	Customer Accounts Expense																				
73	902	Supervision	\$0																			
74	903	Meter Reading Expense	8,890,331																			
75	904	Customer Records and Collection Expense	17,549,573																			
76	905	Unallocable Accounts	6,237,451																			
77		Miscellaneous Customer Account Expense	119,351																			
		Total Customer Accounts Expense	\$32,895,735	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,892,539	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,515,820	
78	907	Customer Service and Informational Expense																				
79	908	Supervision	\$0																			
80	909	Customer Assistance	1,493,989																			
81		Informational and Instructional Advertising Exp.	98,614							2,053,354					1,195,774							
		Total Cust. Service and Informational Exp.	\$1,592,603	\$0	\$0	\$0	\$0	\$0	\$0	\$2,053,354	\$0	\$0	\$0	\$0	\$1,195,774	\$0	\$0	\$0	\$0	\$0	\$0	
82	911	Sales and Advertising Expense																				
83	912	Supervision	\$328,536																			
84	913	Demonstrating and Selling Expenses	1,626,887																			
85	916	Advertising Expenses	138,689																			
86		Miscellaneous Sales Expenses	0																			
		Total Sales and Advertising Expenses	\$2,094,122	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
87	920	Administrative and General Expense																				
88	921	Administrative and General Salaries	\$20,728,286																			
89	922	Office Supplies and Expenses	1,336,170																			
90	923	Administrative Expenses Transferred	(12,025,514)																			
91	924	Outside Services Employed	10,302,849																			
92	925	Property Insurance	632,413																			
93	926	Injuries and Damages	5,285,150						31,376													
94	928	Employee Penalties and Benefits	24,775,425				11,740,418															
95	930	Regulatory Commission Expense	1,845,243									75,887										
96	931	Miscellaneous General Expenses	3,127,102																			
97	932	Rents	2,148,699																			
98	932	Maintenance of General Plant	239,578																			
		Total Administrative and General Expense	\$59,449,190	\$0	\$0	\$0	\$11,740,418	\$0	\$1,077,891	\$0	\$0	\$75,887	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
99		Payroll Adjustment				\$7,595,534																
100		Total O & M Expenses	\$49,499,610	\$0	(\$34,372,072)	\$7,595,534	\$11,740,418	\$0	\$1,077,891	\$2,053,354	\$1,892,539	\$75,887	\$0	\$0	\$1,195,774	\$0	\$180,228	(\$421,805)	\$0	\$0	\$1,515,820	
101	403	Depreciation	47,472,639											1,120,853								
102	404, 405	Amortization	10,778,892																			
103	431	Interest on Customer Deposits and Financing	1,857,942										(1,751,089)		(4,511,492)							
104	408	Payroll Taxes (1**)	4,756,408					\$44,851														
105	408	Property Taxes (2**)	48,141,471																			
106	408	Goods Receipts Tax (3300 + 4000)	30,105,935		(30,503,353)																200,892	
107	408	Other Taxes (41**)	374,931																			
108	408	Texas Other Than Income	\$54,674,173	\$0	(\$33,533,353)	\$0	\$0	\$544,851	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200,802	\$0	\$0	\$0	\$0	\$0	
109		TOTAL EXPENSES	\$79,377,226	\$0	(\$37,875,485)	\$7,595,534	\$11,740,418	\$544,851	\$1,077,891	\$2,053,354	\$1,892,539	\$75,887	(\$1,751,089)	\$0	\$1,120,853	(\$3,354,718)	\$200,802	\$0	\$0	\$0	\$0	
110		OPERATING INCOME BEFORE INCOME TAX	\$14,967,220	(\$385,036,488)	\$3,892,215	(\$7,595,534)	(\$11,740,418)	(\$544,851)	(\$1,077,891)	(\$2,053,354)	(\$1,892,539)	(\$75,887)	\$1,751,089	(\$1,120,853)	(\$3,354,718)	(\$200,802)	(\$544,851)	(\$0)	(\$0)	(\$0)	(\$0)	\$0
111	403, 410	Income Taxes																				
112		Net Paycheck & Withheld Income Tax computed on A-2	\$86,524,171	(\$385,036,488)	\$3,892,215	(\$7,595,534)	(\$11,740,418)	(\$544,851)	(\$1,077,891)	(\$2,053,354)	(\$1,892,539)	(\$75,887)	\$1,751,089	(\$1,120,853)	(\$3,354,718)	(\$200,802)	(\$544,851)	(\$0)	(\$0)	(\$0)	(\$0)	\$0
		NET OPERATING INCOME	\$86,524,171	(\$385,036,488)	\$3,892,215	(\$7,595,534)	(\$11,740,418)	(\$544,851)	(\$1,077,891)	(\$2,053,354)	(\$1,892,539)	(\$75,887)	\$1,751,089	(\$1,120,853)	(\$3,354,718)	(\$200,802)	(\$544,851)	(\$0)	(\$0)	(\$0)	(\$0)	\$0

Line No.	Main Acct.	Description	Year Per Basis	Income Tax Payment	Total Adjustments	Year As Adjusted
(a)	(b)	(c)	(d)	(e)	(f)	(g)
OPERATING REVENUE						
1	480	Retail	\$275,800,088			\$275,800,088
2	481.1	Commercial & Industrial	144,435,188	(82,617,937)		61,817,251
3	481.2	Industrial	0	(92,350,892)		(92,350,892)
4	483	Sales for Resale	0	0	0	0
5	487	Late Payment Charges	4,749,544	0	0	4,749,544
6	488	Miscellaneous Services Revenue	0	0	0	0
7	489	Transport	16,743,855	0	0	16,743,855
8	493	Rent From Property	23,241	(3,338,854)		20,902,147
9	495	Other Gas Revenue	44,857,159	64,152,607		109,009,766
10		Total Operating Revenue	\$389,359,446	\$0	(\$339,014,239)	\$39,345,207
OPERATING & MAINTENANCE EXPENSE						
Manufactured Gas Production Expense						
11	710	Operation Supervisor & Engineering	\$85,504	\$0	\$0	\$85,504
12	712	Other Power Expenses	138	0	0	138
13	717	Liquid Petroleum Gas Expenses	2,827	0	0	2,827
14	723	Charge for Liquidated Petroleum Gas Process	1,276	0	0	1,276
15	728	Liquid Petroleum Gas	1,500,322	(1,615,570)		(115,248)
16	735	Miscellaneous Production Expenses	80,275	0	0	80,275
17	740	Maintenance Supervision & Engineering	16,869	0	0	16,869
18	741	Maintenance of Structures & Improvements	5,489	0	0	5,489
19	742	Maintenance of Production Equipment	78,651	0	0	78,651
20		Total Manufactured Gas Production Expense	\$1,778,570	\$0	(\$1,615,570)	\$163,000
Purchased Gas Expense						
21	604	Purchased Gas Expense	\$298,488,628			\$298,488,628
22	636.1	Gas Withdrawn From Storage - Debit	4,038,388	(\$302,799,502)		(\$302,799,502)
23	610	Gas Used for Compressor Station Fuel - Credit	(63,447)	0	0	(63,447)
24	612	Gas Used for Other Utility Operations - Credit	(133,325)	0	0	(133,325)
25		Total Purchased Gas Expense	\$302,328,244	\$0	(\$302,799,502)	(\$471,258)
Natural Gas Storage Expenses						
26	614	Operation Supervisor & Engineering	\$281,518	\$0	\$0	\$281,518
27	615	Maps and Records	57,853	0	0	57,853
28	616	Wells Expenses	358,840	0	0	358,840
29	617	Line Expenses	13,694	0	0	13,694
30	618	Compressor Station Expenses	112,122	0	0	112,122
31	619	Compressor Station Fuel & Power	65,942	0	0	65,942
32	620	Measuring & Regulating Station Expenses	518,181	0	0	518,181
33	621	Purification Expenses	106,554	0	0	106,554
34	623	Gas Losses	6,883	0	0	6,883
35	624	Other Expenses	237,850	0	0	237,850
36	625	Storage Well Royalties	99,907	0	0	99,907
37	630	Maintenance/Supervision & Engineering	30,457	0	0	30,457
38	631	Maintenance of Structures & Improvements	207,692	0	0	207,692
39	632	Maintenance of Reservoirs & Wells	200,389	0	0	200,389
40	633	Maintenance of Lines	180,532	0	0	180,532
41	634	Maintenance of Compressor Station Equipment	308,976	0	0	308,976
42	635	Maint of Measuring & Regulating Station Exp	44,832	0	0	44,832
43	636	Maintenance of Purification Equipment	51,598	0	0	51,598
44	637	Maintenance of Other Equipment	244,982	0	0	244,982
45	640	Operation Supervisor & Engineering	20,870	0	0	20,870
46	641	Fuel	6,487	0	0	6,487
47	642.1	Maintenance of Structures & Improvements	89,195	0	0	89,195
48	642.2	Maintenance of Structures & Improvements	69,152	0	0	69,152
49		Total Natural Gas Storage Expenses	\$3,215,291	\$0	\$0	\$3,215,291
Distribution Operation Expenses						
50	670	Operation, Supervision and Engineering	\$4,614,688	0	0	4,614,688
51	671	Distribution and Load Dispatching	1,180,217	0	0	1,180,217
52	674	Main and Service Expenses	9,840,343	180,228	0	10,020,571
53	675	Distributing Regulating Station Expenses	792,628	0	0	792,628
54	676	Measuring and Regulating Station Exp-Industrial	485,937	0	0	485,937
55	677	Measuring and Regulating Station Exp-City Gas	110,205	0	0	110,205
56	678	Miscellaneous Expenses	14,896,146	0	0	14,896,146
57	679	Customer Installation Expenses	2,371,255	0	0	2,371,255
58	680	Other Expenses	2,034,041	0	0	2,034,041
59	681	Rents	0	0	0	0
60		Total Distribution Operation Expenses	\$38,935,528	\$180,228	\$0	\$39,115,756
61	685	Maintenance Supervision and Engineering	\$2,740,753	\$0	\$0	\$2,740,753

Laclede Gas Company
 Twelve Months Ending December 31, 2016
 Distribution of Revenue and Expense Adjustments by Account No.

Line No.	Main Account	Description	Year Year For Base	Income Tax Adjustment	Total Adjustments	Year Year As Adjusted
(a)	(b)	(c)	(d)	(e)	(f)	(g)
62	888	Maintenance of Structures and Improvements	810,702	0	0	810,702
63	887	Maintenance of Mains	8,162,516	0	0	8,162,516
64	888	Maint. of Measuring and Regulating Eq-General	673,931	0	0	673,931
65	890	Maint. of Measuring and Regulating Eq-Industrial	60,228	0	0	60,228
66	891	Maint. of Measuring and Regulating Eq-City Gate	34,503	0	0	34,503
67	892	Maintenance of Services	4,715,313	0	0	4,715,313
68	893	Maintenance of Meters and House Regulators	2,791,284	0	0	2,791,284
69	894	Maintenance of Other Equipment	355,692	0	0	355,692
70		Total Maintenance Expenses	\$20,246,332	\$0	\$0	\$20,246,332
71		Total Distribution Expense	\$58,441,869	\$0	\$190,228	\$58,632,097
72	901	Customer Accounts Expense	\$0	\$0	\$0	\$0
73	902	Supervision	8,680,331	0	0	8,680,331
74	903	Meter Reading Expense	17,549,573	1,815,820	19,085,392	19,085,392
75	904	Customer Records and Collection Expense	6,257,451	1,802,539	8,059,990	8,059,990
76	905	Uncollectible Accounts	119,391	0	119,391	119,391
77		Miscellaneous Customer Accounts Expense	\$32,658,735	\$0	\$3,318,358	\$35,977,093
78		Total Customer Accounts Expense	\$32,658,735	\$0	\$3,318,358	\$35,977,093
79	907	Customer Service and Informational Expense	\$0	\$0	\$0	\$0
80	908	Supervision	1,483,989	0	0	1,483,989
81	909	Customer Assistance	3,180,129	0	0	3,180,129
82	910	Informational and Instructional Advertising Exp.	68,614	0	0	68,614
83	911	Informational and Instructional Advertising Exp.	\$1,892,803	\$0	\$3,180,129	\$4,772,732
84	912	Total Customer Service and Informational Exp.	\$1,892,803	\$0	\$3,180,129	\$4,772,732
85	913	Sales and Advertising Expense	\$28,538	\$0	\$0	\$28,538
86	914	Supervision	1,628,887	(411,017)	1,215,870	1,215,870
87	915	Demonstrating and Selling Expenses	138,659	0	0	138,659
88	916	Advertising Expenses	0	0	0	0
89	917	Miscellaneous Sales Expenses	\$2,084,122	\$0	(\$411,017)	\$1,673,105
90		Total Sales and Advertising Expenses	\$2,084,122	\$0	(\$411,017)	\$1,673,105
91	920	Administrative and General Expenses	\$20,728,266	\$0	\$0	\$20,728,266
92	921	Administrative and General Salaries	1,238,170	(10,789)	1,325,382	1,325,382
93	922	Office Supplies and Expense	(12,025,514)	0	(12,025,514)	0
94	923	Administrative Expenses Transferred	10,302,849	0	10,302,849	10,302,849
95	924	Outside Services Employed	832,413	0	0	832,413
96	925	Property Insurance	31,378	0	0	31,378
97	926	Employee Pension and Benefits	896,515	0	0	896,515
98	927	Injuries and Damages	2,478,425	0	0	2,478,425
99	928	Employee Pension and Benefits	11,740,418	0	0	11,740,418
100	929	Regulatory Commission Expense	75,867	0	0	75,867
101	930	Miscellaneous General Expenses	3,127,102	0	0	3,127,102
102	931	Rents	2,148,698	0	0	2,148,698
103	932	Maintenance of General Plant	208,378	0	0	208,378
104	933	Total Administrative and General Expense	\$58,448,180	\$0	\$12,823,368	\$71,271,548
105	934	Payroll Adjustment	7,596,534	0	0	7,596,534
106		Total O & M Expenses	\$66,044,714	\$0	(\$377,674,452)	\$163,622,158
107	403	Depreciation	47,472,639	\$1,128,853	\$46,602,462	\$46,602,462
108	404	Amortization	10,778,862	(4,511,492)	\$6,267,370	\$6,267,370
109	431	Interest on Customer Deposits and Financing	1,857,942	(1,842,698)	114,644	114,644
110	408	Payroll Taxes (177)	4,756,408	544,831	5,291,239	5,291,239
111	409	Property Taxes (277)	16,116,471	203,962	16,317,232	16,317,232
112	408	State Income Tax (2000 + 4000)	33,933,985	(33,933,985)	0	0
113	408	Other Taxes (417)	314,931	0	314,931	314,931
114	408	Taxes Other Than Income	\$54,671,173	\$0	(\$32,757,091)	\$21,914,082
115		TOTAL EXPENSES	\$73,377,226	\$0	(\$315,656,750)	\$257,720,476
116		OPERATING INCOME BEFORE INCOME TAX	\$114,962,220	\$0	(\$43,357,534)	\$71,604,686
117	405,410	Income Taxes	28,395,049	(16,644,389)	(16,644,389)	11,750,659
118		NET OPERATING INCOME	\$86,524,171	\$16,844,389	(\$28,713,141)	\$74,655,419

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Test Year Margin Revenue

Line No.	Description (a)	Main Account/Revenue Class				Total (g)
		480 21 (b)	481.1/2/3 22 & 23 (c)	483, 489 28, 38 (e)	487 (f)	
1	Total Revenue per Book	476,773,725	145,461,566	16,743,813	4,749,544	688,359,446
2	Less: GRT Revenue, Unbilled Revenue, PGA Revenue, and Miscellaneous Adjustments	(225,019,632)	(93,460,461)	(3,363,798)	0	(366,006,498)
3	Test Year Margin	251,754,093	52,001,105	13,380,015	4,749,544	322,352,948

LACLEDE GAS COMPANY
 Twelve Months Ending December 31, 2016

Revenue Adjustments

Line	No.	Description (a)	Main Account/Revenue Class					Total (g)
			Residential Gas Sales 480	Commercial & Industrial Gas Sales 481.11/2/3	22 & 23 (c)	Transportation Revenues 489,483	Service Charges and Other	
	21					38,28	487,488,493,495	
			(b)			(e)	(f)	
1		Test Year Margin	\$251,754,093	\$52,001,105	\$13,380,015	\$5,217,736		\$322,352,948
2		Weather Normalize	\$3,983,602	\$1,600,176	\$0			\$5,583,778
3		Rate Switching Adjustments	(2,365)	378,091	(136,604)			\$239,122
4		Customer Growth Annualization	1,864,465	262,697	161,548			\$2,288,710
5		Rate Classification Adjustments	0	(1,119,395)	0			(\$1,119,395)
6		Total Adjustments	5,845,702	1,121,569	24,944	0		6,992,215
7		As Adjusted Test Year Margin	\$257,599,794.39	\$53,122,673	\$13,404,959	\$5,217,736		\$329,345,163.09

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Remove Purchase Gas Costs and Gross Receipts Tax

Line No.	Description (a)	Amount (b)
1	Purchase Gas Costs (Acct. 804)	(\$244,347,386)
2	Gross Receipts Tax (Acct. 4081)	(33,503,393)
3	Unbilled Gas Cost (Acct. 804)	(16,620,593)
4	Off System Sales Expense (Acct. 804)	(41,788,523)
5	Liquefied Petroleum Gas (Acct. 728)	(1,615,570.00)
6	Total Adjustment	<u><u>(\$337,875,465)</u></u>

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Payroll Adjustment

Line No.	Description	Dollars		Headcount	
		(a)	(b)	(c)	(d)
	Contract Payroll				
1	Test Year Payroll		40,169,644		1,048.1
2	12 Month Normalized Payroll		<u>41,888,575</u>		<u>1,038.0</u>
3				1,718,931	(10.1)
	Management Payroll				
4	Test Year Payroll		16,468,505		321.4
5	12 Month Normalized Payroll		<u>16,230,313</u>		<u>311.0</u>
6				(238,192)	(10.4)
	Shared Services				
7	Test Year Payroll		13,553,917		264.4
8	12 Month Normalized Payroll		<u>14,776,499</u>		<u>266.0</u>
9				<u>1,222,582</u>	1.6
10	Regular Payroll Adjustment			2,703,321	
11	Overtime Payroll Adjustment			450,197	
12	Employee Level Adjustment (Reg & OT)-Direct			3,182,648	61.0
13	Employee Level Adjustment (Reg & OT)-Shared Service			903,543	14.0
14	AIP Adjustment			<u>356,825</u>	
15	Total Wage & Salary Adjustment			<u>7,596,534</u>	<u>56.1</u>

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Employee Benefits

Line No.	Description (a)	Insurance Rate (b)	Amount (c)
<u>Insurance Costs</u>			
1	Life Insurance (per \$1000)	\$ 0.2190	\$16,981
2	AD&D (per \$1000)	\$ 0.0100	775
3	LTD (per \$1000)	\$ 0.8950	69,399
4	LTD/STD/FMLA Admin Fees (per person)	\$ 8.21	4,148
5	Total Payroll Related Insurance Costs		<u>\$91,303</u>
<u>401K Employee Match Adjustment</u>			
		<u>401K Match Rate</u>	<u>Amount</u>
6	Payroll Adjustments:		
7	Regular Payroll Adjustment	4.15%	\$112,188
8	Overtime Payroll Adjustment	4.15%	\$18,683
9	Employee Level Adjustment (Reg & OT)-Direct	4.15%	\$132,080
10	Employee Level Adjustment (Reg & OT)-Shared Service	3.80%	\$34,335
11	AIP Adjustment	4.15%	\$14,808
12	Total 401K Employee Match Adjustment		<u>\$312,094</u>
<u>Pension and OPEB Adjustment</u>			
13	Laclede %	29,882,000.00	
14	Asset Amortization	<u>15,368,709.15</u>	
15	Recovery	45,250,709.15	
16	Allowance In Rates	<u>24,955,000.00</u>	
17	Difference	20,295,709.15	
18	O&M %	54.50%	
19	Adjustment	<u>11,061,405.04</u>	
<u>SERP Adjustment</u>			
20	926100 SERP Expense - Test Year		\$552,536
21	Payments - Jan 2014 - Dec 2016	\$3,174,727	
22	Three Year Average	3.00	<u>1,058,242</u>
23	Difference		505,706
24	O&M %		<u>54.50%</u>
25	Adjustment		<u>\$275,616</u>

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Payroll Taxes

Line No.	Description (a)	Amount (b)
	Payroll Taxes	
1	FICA Adjustment	540,873
2	Unemployment Tax Adjustment	<u>3,957</u>
3	Total Payroll Taxes Adjustment	<u><u>544,831</u></u>

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Insurance / Injuries & Damages

Line No.	Description (a)	Twelve Months Ending December 31, 2014 (b)	Twelve Months Ending December 31, 2015 (c)	2016 (d)	3 Year Avg. (e)	925 Amount (f)	924 Amount (g)
Laclede Claims:							
1	Workers Compensation Claims Paid	\$2,167,883	\$2,100,787	\$2,015,653	\$2,094,775		
2	Property Claims Paid	227,296	494,056	542,688	421,347		
3	Auto Claims Paid	49,782	75,174	52,746	59,234		
4	Total Proforma Claims	<u>\$2,444,962</u>	<u>\$2,670,018</u>	<u>\$2,611,087</u>	<u>\$2,575,356</u>		
5	Test Year Accrual				1,886,220		
6	Adjustment				<u>\$689,136</u>	\$689,136	
Insurance Premiums							
7	Property Insurance - Dec. 2016			\$57,392			
8	Months			12			
9	Annualized			<u>688,701</u>			
10	Test Year			632,413			
11	Adjustment			<u>\$56,288</u>	55.742%		\$31,376
O&M Transfer Rate							
Excess Liability and Worker Comp							
12	Expected Increase Rate			\$429,448			
13	Months			5%			
14	Annualized			<u>450,920</u>			
15	Test Year			40,189			
16	Adjustment			<u>491,109</u>			
17	Months			12			
18	Annualized			<u>5,893,312</u>			
19	Test Year			5,331,267			
20	Adjustment			<u>\$562,044</u>	55.742%		\$313,297
D&O Insurance - Dec 2016							
21	Months			\$31,820			
22	Annualized			12			
23	Test Year			<u>381,838.92</u>			
24	Adjustment			410,395.02			
25				<u>(\$28,556)</u>	55.742%		(\$15,918)
26	Total Adjustments					<u>\$986,515</u>	<u>\$31,376</u>

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Energy Efficiency

Line No.	Description (a)	Amount (b)
	Energy Efficiency Program Expenses	
1	Calendar Year 2014	\$2,118,288
2	Calendar Year 2015	\$2,051,721
3	Calendar Year 2016	\$1,930,053
4	Total	<u>\$6,100,062</u>
5	Three year average	<u>\$2,033,354</u>

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Uncollectible Expense

Line No.	Description (a)	Amount (b)	Amount (c)
1	Twelve Months Ended August, 2013	3,236,689	
2	Twelve Months Ended August, 2014	8,783,809	
3	Twelve Months Ended August, 2015	<u>12,159,471</u>	
4	Three Year Average		\$8,059,990
5	Less Test Year Uncollectible Expense		(6,257,451)
6	Adjustment to Test Year - Acct. 904		<u><u>\$1,802,539</u></u>

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Regulatory Commission Expense

Line No.	Description (a)	Amount (b)	Amount (c)
1	Estimate of current rate case expense	<u>\$596,668</u>	
2	Annual Amortization (3 years)		\$198,889
3	Normalized level of expense for depreciation study		\$6,000
4	Proforma NARUC Assessment		9,156
5	Other Regulatory Commission Expenses		71,046
6	Proforma MPSC Assessment - 7/1/2016 - 6/30/2017		<u>1,737,018</u>
7	Total Proforma Regulatory Commission Expense		\$2,022,110
8	Less Test Year Regulatory Commission Expense		(1,946,243)
9	Adjustment to Test Year - Acct. 928		<u><u>\$75,867</u></u>

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Interest on Customer Deposits

Line No.	Description (a)	Reference (b)	Residential (c)
1	Customer Deposits	B-2	\$4,354,823
2	Interest Rate		4.75%
3	Proforma Interest on Customer Deposits		<u>\$206,854</u>
4	Less Test Year Interest on Customer Deposits		<u>(1,957,942)</u>
5	Adjustment to Test Year - Acct. 431		<u><u>(\$1,751,088)</u></u>

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Depreciation Expense

Line No.	Description (a)	Amount (b)	Current Depreciation Rate (c)	Annualized Depreciation (d)	Proposed Rate (e)	Proforma Depreciation Expense (f)
<u>INTANGIBLE PLANT</u>						
1	(301) Organization	\$2,501	0.00%	\$0	0.00%	\$0
2	(302) Franchises	8,484	0.00%	0	0.00%	0
3	Total Intangible Plant	<u>\$10,986</u>		<u>\$0</u>		<u>\$0</u>
<u>PRODUCTION PLANT</u>						
4	(304) Land & Land Rights-Mfg Gas					
5	(305) Structures & Improvements-Mfg Gas	\$1,869,054	1.67%	\$31,213	1.67%	\$31,213
6	(307) Other Power Equipment	159,016	3.50%	5,566	3.50%	5,566
7	(311) Propane Equipment-Gas Ops	4,749,845	3.71%	176,219	3.71%	176,219
8	(311.1) Propane Storage Cavern-Gas Ops	4,829,688	1.11%	53,610	1.11%	53,610
9	Total Production Plant	<u>\$11,607,603</u>		<u>\$266,608</u>		<u>\$266,608</u>
<u>UNDERGROUND STORAGE PLANT</u>						
10	(350.1) Land	\$1,201,600				
11	(350.2) Rights of Way	778,418		0		0
12	(351.2) Compression Station Structure	612,741	3.33%	20,404	3.33%	20,404
13	(351.4) Other Structures	1,009,838	2.18%	22,014	2.18%	22,014
14	(352) Wells	6,090,514	1.22%	74,304	1.22%	74,304
15	(352.1) Storage Leaseholds & Rights	2,055,422		0		0
16	(352.2) Reservoirs	245,023	1.22%	2,989	1.22%	2,989
17	(352.3) Non-Recoverable Natural Gas	6,503,628	1.11%	72,190	1.11%	72,190
18	(352.4) Wells - Oil & Vent Gas	1,932,818	1.22%	23,580	1.22%	23,580
19	(353) Lines	2,876,382	1.17%	33,654	1.17%	33,654
20	(354) Compressor Station Equipment	2,747,710	1.22%	33,522	1.22%	33,522
21	(355) Measuring & Regulating Equipment	2,247,516	1.79%	40,231	1.79%	40,231
22	(356) Purification Equipment	233,042	2.38%	5,546	2.38%	5,546
23	(357) Other Equipment	66,896	4.55%	3,044	4.55%	3,044
24	Total Underground Storage Plant	<u>\$28,601,549</u>		<u>\$331,479</u>		<u>\$331,479</u>
<u>OTHER STORAGE EQUIPMENT</u>						
25	(360) Land & Land Rights	\$50,654				
26	(361) Structures & Improvements	107,233				
27	(362) Gas Holders	659,027				
28	(363.3) Compressor Equipment	338,616				
29	Total Other Storage Equipment	<u>\$1,155,529</u>		<u>\$0</u>		<u>\$0</u>
<u>TRANSMISSION PLANT</u>						
30	(365.2) Rights of Way - Transmission	\$41,153				
31	(367) Mains - Transmission	2,013,840	1.44%	28,999	1.44%	28,999
32	(371) Other Equipment - Transmission	9,654	2.33%	225	2.33%	225
33	Total Distribution Plant	<u>\$2,064,647</u>		<u>\$29,224</u>		<u>\$29,224</u>
<u>DISTRIBUTION PLANT</u>						
34	(374) Land & Land Rights	\$3,040,444				
35	(375.1) Str & Imp - District Meas & Reg	786,503	3.00%	23,595	3.00%	23,595
36	(375.2) Str & Imp - Service Centers	13,378,049	3.00%	401,341	3.00%	401,341
37	(375.3) Str & Imp - Garage	290,197	3.00%	8,706	3.00%	8,706

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Depreciation Expense

Line No.	Description (a)	Amount (b)	Current Depreciation Rate (c)	Annualized Depreciation (d)	Proposed Rate (e)	Proforma Depreciation Expense (f)
38	(375.4) Str & Imp - Other Small Structures	69,048	3.00%	2,071	3.00%	2,071
39	(375) Struct & Impr - Leased Property	101,089	(see adj. H-13)		(see adj. H-13)	
40	(376.1) Mains - Steel	230,736,646	1.44%	3,322,608	1.44%	3,322,608
41	(376.2) Mains - Cast Iron	15,833,586	3.31%	524,092	3.31%	524,092
42	(376.21) Mains - Cast Iron Encapsulations	5,721,938	3.31%	189,396	3.31%	189,396
43	(376.3) Mains - Plastic & Copper	451,903,950	1.57%	7,094,892	1.57%	7,094,892
44	(378) Meas. & Reg. Station - General	12,743,518	3.71%	472,784	3.71%	472,784
45	(379) Meas. & Reg. Station - City Gate	2,844,287	3.71%	105,523	3.71%	105,523
46	(380.1) Services - Steel	38,730,897	5.23%	2,025,626	5.23%	2,025,626
47	(380.2) Services - Plastic	645,762,615	3.75%	24,216,098	3.75%	24,216,098
48	(381) Meters	129,541,012	2.37%	3,070,122	2.37%	3,070,122
49	(383) House Regulators	25,568,099	2.00%	511,362	2.00%	511,362
50	(385) Commercial & Ind Meas & Reg Eq	14,480,417	3.25%	470,614	3.25%	470,614
51	(386) Other Property - Customer Premises	22,975	7.14%	1,640	7.14%	1,640
52	(387) Other Equipment	406,070	2.78%	11,289	2.78%	11,289
53	Total Distribution Plant	<u>\$1,591,961,341</u>		<u>\$42,451,760</u>		<u>\$42,451,760</u>
<u>GENERAL PLANT</u>						
54	(389) Land	\$10,089				
55	(390) Structures & Improvements	569,960	3.00%	17,099	3.00%	17,099
56	(390) Struct & Improv - Leased Property	2,461,296	(see adj. H-13)		(see adj. H-13)	
57	(391) Furniture & Fixtures	4,008,541	3.33%	133,484	3.33%	133,484
58	(391.1) Data Processing Systems	12,891,697	20.00%	2,578,339	20.00%	2,578,339
59	(391.2) Mechanical Office Equipment	30,559	10.00%	3,056	10.00%	3,056
60	(391.3) Data Processing Software	34,308,318	(see adj. H-13)		(see adj. H-13)	
61	(391.4) Data Processing Systems	329,979	10.00%	32,998	10.00%	32,998
62	(391.5) Enterprise Software-EIMS	49,116,594	(see adj. H-13)		(see adj. H-13)	
63	(392.1) Transportation Eq - Automobiles	2,932,261	14.17%	415,501	14.17%	415,501
64	(392.2) Transportation Eq - Trucks	16,547,461	8.18%	1,353,582	8.18%	1,353,582
65	(393) Stores Equipment	332,530	2.22%	7,382	2.22%	7,382
66	(394) Tools, Shop & Garage Equipment	14,615,834	2.63%	384,396	2.63%	384,396
67	(395) Laboratory Equipment	306,723	3.57%	10,950	3.57%	10,950
68	(396) Power Operated Equipment	22,349,910	6.92%	1,546,614	6.92%	1,546,614
69	(397.0) Communication Equipment	1,237,715	5.00%	61,886	5.00%	61,886
70	(398) Miscellaneous Equipment	3,134,059	3.45%	108,125	3.45%	108,125
71	Total General Plant	<u>\$165,183,526</u>		<u>\$6,653,413</u>		<u>\$6,653,413</u>
72	Total Original Cost Plant in Service	\$1,800,585,181		\$49,732,484		\$49,732,484
73	Less Depreciation Charged to Clearing			(\$1,129,993)		(\$1,129,993)
74	Less Test Year Depreciation Expense					(\$47,472,639)
75	Adjustment to Test Year - Acct. 403					<u>\$1,129,853</u>

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Amortization Expense

Line No.	Description	Original Cost Plant	Monthly Test Year Amortization Expense	Proforma Amortization Expense	Acct No.
	(a)	(b)	(c)	(d)	(e)
1	(352.1) Storage Leaseholds & Rights	\$20,185	\$34	\$406	404.2
2	(390) Struct & Improv - Leased Property	2,461,296	10,521	126,256	404.3
3	(391.3) Data Processing Software	34,308,318	186,110	2,233,323	404.3
4	(391.5) Enterprise Software-EIMS	<u>49,116,594</u>	<u>286,513</u>	<u>3,438,162</u>	404.3
5	Sub Total	<u>\$85,906,392</u>	<u>\$483,179</u>	<u>\$5,798,146</u>	
		Unamortized		Proforma	
		<u>Balance</u>	<u>Mo Amort Amt</u>	<u>Amortization</u>	
6	Other Leased Property	<u>\$1,681,386</u>	<u>\$39,102</u>	<u>\$469,224</u>	404.3
7	Total Amortization			6,267,370	
8	Less Test Year Amortization			<u>(10,778,862)</u>	
9	Adjustment to Test Year Account 404			<u>(4,511,492)</u>	
		Unamortized		Proforma	
		<u>Balance</u>	<u>Mo Amort Amt</u>	<u>Amortization</u>	
10	<u>Deferred Energy Efficiency and Low Income Program Costs</u>	<u>\$11,639,096</u>	96,992	\$1,163,910	
11	Deferred Energy Efficiency Cost Balance	\$40,333	917	\$11,000	
12	Low Income Program Net of Amortization	\$28,429	237	\$2,843	
13	Red Tag Program	\$300,667	6,833	<u>\$82,000</u>	
14	Initial Energy Efficiency Asset Net of Amortization				
14	Pro-Forma Amortization Expense			\$1,259,753	908.0
15	Less Test Year Amortization Expense			<u>(102,978)</u>	
16	Adjustment to Test Year - Accts. 908			<u>\$1,156,774</u>	

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Property Tax Adjustment

Line No.	Description	Reference	Real Estate & Personal Property	Manufacturers	Total
1	Calendar Year 2016 Taxes Paid		15,810,739	216,217	16,026,956
2	Calendar 2016 Assessed Values		167,209,638	2,550,530	169,760,168
3	Average 2016 Rate Per \$100 Valuation		<u>9.4556%</u>	<u>8.4773%</u>	<u>9.4409%</u>
4	Calendar Year 2017 Estimated Taxes Due		16,753,200	234,000	16,987,200
5	Calendar 2017 Estimated Assessed Values		177,176,823	2,760,301	179,937,124
6	Estimated Rates		9.4556%	8.4773%	9.4409%
7	Percentage Split Between Real Estate & Personal Property and Manufacturers' Property Based on 1/1/17 Assessed Values		<u>98.6%</u>	<u>1.4%</u>	<u>100.0%</u>

	Real Estate & Personal Property	Manufacturers	Total
8 Increase from 12/31/16 to 12/31/17	<u>\$942,461</u>	<u>\$17,783</u>	<u>\$960,244</u>

Pro Forma Rate Calculation:

	Assessed	Tax
9 Total	179,937,124	16,987,200
10 Less: Manufacturer's	<u>(2,760,301)</u>	<u>(234,000)</u>
11 Total Real Estate/Personal Property	<u>177,176,823</u>	<u>16,753,200</u>
Effective Real Estate/Personal Property Proforma Tax Rate	<u>9.4556%</u>	

13 Net Plant at 12/31/16 (before adj to allocate Enterprise Software)	\$1,224,769,862
14 Assessed Value Percentage	<u>14.47%</u>
15 Allocated Enterprise Software to MGE (net plant)	<u>(\$55,512,954)</u>
16 Decrease in Assessed Value	<u>(\$8,030,577)</u>
17 Allocation of Property Tax to MGE	<u>(\$759,342)</u>

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Locates Expense

Line No.	Description (a)	Total (b)
1	January	16,059
2	February	16,242
3	March	22,140
4	April	22,997
5	May	22,556
6	June	24,775
7	July	20,249
8	August	23,543
9	September	28,410
10	October	25,814
11	November	14,314
12	December	13,361
13	Total Locates	<u>250,460</u>

CY16 Locates - Laclede

	<u>Quantity</u>	<u>Cost</u>	<u>Total</u>
14	Locates - Jan 16 - March 16	49,922	\$ 658,976
15	Locates - April 16 - Dec 16	179,749	2,408,642
16	Fiber Locates - Jan 16 - Mar 16	4,519	59,646
17	Fiber Locates - Apr 16	1,909	25,577
18	Fiber Locates - May 16 - Dec 16	14,361	468,163
19	Total Locates	<u>250,460</u>	<u>\$ 3,621,004</u>

Pro Forma Locates Cost - MGE

20	Locates	229,672	\$ 3,123,537
21	Fiber Locates	20,788	677,695
22	Total	<u>250,460</u>	<u>\$ 3,801,231</u>
23	Adjustment to A/C 874		<u>\$ 180,228</u>

24	Locates	91.7%
25	Fiber Locates	8.3% USIC
26		<u>100.0%</u>

* Breakdown of fiber locates from

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Other Expense Adjustments

Line No.	Description (a)	Acct	Total (b)
<u>Expense Eliminations</u>			
1	Eliminate Ticket Expense	912	(\$411,017)
2	Eliminate Ticket Expense	921	(\$10,788)
3	Total		<u>(\$421,805)</u>
<u>EnergyWise and Insulation Financing Costs</u>			
4	Interest income from insulation financing		\$32,016
5	Interest income from EnergyWise financing		\$59,894
6	Total		<u>\$91,910</u>

LACLEDE GAS COMPANY
Twelve Months Ending December 31, 2016

Credit Card Fees

Line						
No.	Month	Card Transactions	MGE Residential Bills	Percent Using Cards	Laclede Residential Bills	Proforma Credit Card Payments
	(a)	(b)				
1	February 16	143,726	454,299	31.6%	610,496	193,142
2	March	141,517	454,156	31.2%	610,747	190,311
3	April	130,602	451,743	28.9%	607,036	175,498
4	May	132,597	447,880	29.6%	604,365	178,925
5	June	126,389	444,826	28.4%	600,990	170,760
6	July	118,439	440,688	26.9%	596,097	160,207
7	August	132,260	436,892	30.3%	594,468	179,963
8	September	118,981	442,383	26.9%	594,212	159,816
9	October	128,690	440,102	29.2%	594,216	173,754
10	November	129,459	443,515	29.2%	595,564	173,841
11	December	133,028	450,412	29.5%	602,511	177,950
12	January 17	144,724	457,505	31.6%	610,284	193,053
13	Total	<u>1,580,412</u>	<u>5,364,402</u>		<u>7,220,987</u>	<u>2,127,221</u>
14	Average MGE Transaction Cost				\$	0.71
15	Adjustment				<u>\$</u>	<u>1,515,820</u>

Electronic Gas Measurement Equipment - Cost of Service

	LAC & MGE
	Cost per Instrument Point
Measurement	
Labor	129.53
Vehicle	17.04
	146.57
Other Labor (Design & Order)	70.00
Clearings	75.54
Payroll Tax (on Labor & 92% of Clearings)	15.25
Subtotal	307.36
Overhead **	129.09
	\$ 436.45
Instrument Point Cost	2,300.00
Total Cost per Instrument Point	\$ 2,736
Approximate number of schools in STP Program	850
Approximate cost of installing electronic metering equipment (excl. income tax)	\$ 2,325,983

** Includes pension, benefit, and other overhead costs

Electronic Gas Measurement Equipment - Current Charges Per Tariff Sheet No. 71

Per Meter Site (1 instrument point)	\$ 5,000
Each addt'l instrument point	\$ 2,000
Addt'l charge for customers served by orifice meters	\$ 3,000
Monthly O&M fee	\$ 25

**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) File No. GR-2017-0215
Service)

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

A F F I D A V I T

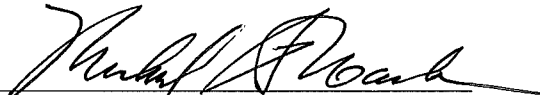
STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Michael R. Noack, of lawful age, being first duly sworn, deposes and states:

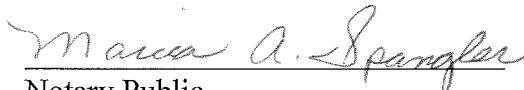
1. My name is Michael R. Noack. I am Director of Pricing and Regulatory Affairs for Missouri Gas Energy, an operating unit of Laclede Gas Company. My business address is 7500 E. 35th Terr., Kansas City, Missouri, 64129.

2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Laclede Gas Company and MGE.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.


Michael R. Noack

Subscribed and sworn to before me this 3rd day of April 2017.


Notary Public

