

Exhibit No.:

Issue:

Manufactured Gas Plants

Witness:

Craig R. Hoeferlin

Type of Exhibit:

Surrebuttal Testimony

Sponsoring Party:

Laclede Gas Company

Case No.:

GR-99-315

LACLEDE GAS COMPANY

GR-99-315

SURREBUTTAL TESTIMONY

OF

CRAIG R. HOEFERLIN

FILED

AUG 19 1999

Missouri Public
Service Commission

SURREBUTTAL TESTIMONY OF CRAIG R. HOEFERLIN

1 Q. Please state your name and business address.

2 A. My name is Craig R. Hoeferlin, and my business address
3 is 3950 Forest Park Avenue, St. Louis, Missouri 63108.

4 Q. Are you the same Craig R. Hoeferlin who previously
5 filed direct testimony in this case?

6 A. Yes, I am.

7 Q. Are you currently the Chief Engineer for Laclede Gas
8 Company?

9 A. No. On May 1, 1999, after my direct testimony was
10 filed, I was appointed to the position of
11 Superintendent of Operations for Laclede Gas Company.
12 My areas of responsibility currently include the
13 Engineering, Construction and Maintenance, Gas Supply
14 and Control, and the Transportation Departments.

15 Q. What is the purpose of your testimony?

16 A. My surrebuttal testimony will address the rebuttal
17 testimony of Public Counsel witness Ted Robertson
18 regarding costs associated with dismantling and
19 cleaning up manufactured gas plants (MGPs).

20 Q. Do you have any corrections to make to your direct
21 testimony?

1 A. Yes. On page 13, lines 5 and 6 of my direct testimony,
2 I stated that thus far Laclede has spent a total of
3 \$364,470 to investigate the Carondelet Cake site. The
4 correct figure as of March 1, 1999 is \$196,959.

5 Q. What is the current status of the Shrewsbury Operating
6 Center property investigation?

7 A. On June 30, 1999, the United States Environmental
8 Protection Agency (EPA) approved the Administrative
9 Order on Consent (AOC) and Work Plan for the site.

10 Q. What specifically does the Work Plan require in terms
11 of remediation efforts for the site?

12 A. The Work Plan actions include: implementation of a
13 deed restriction that would restrict the future use of
14 the site by Laclede and any future owner of the
15 property; maintenance of erosion controls and perimeter
16 fencing; limitations on any future excavations;
17 restriction on access by Laclede employees to the site;
18 and maintenance of the bank of Deer Creek, which forms
19 one of the boundaries of the site. The Work Plan also
20 requires the removal of source material from the tar
21 well and tar separator, the planting of poplar trees
22 (which have been shown to facilitate the chemical
23 uptake of MGP constituents) and the resurfacing and

1 maintenance of the asphalt and concrete surfaces at the
2 site.

3 Q. To date, have any of these actions been completed?

4 A. Yes. The maintenance of the erosion controls and
5 perimeter fencing is performed by Laclede personnel on
6 an ongoing basis. Similarly, the restriction on access
7 by Laclede employees to the site and the resurfacing
8 and maintenance of the asphalt and concrete surfaces
9 are also ongoing efforts. The implementation of a deed
10 restriction is in progress, the removal of source
11 material from the tar well and tar separator is
12 scheduled for completion in September of 1999, and the
13 grading and placement of riprap for the maintenance of
14 Deer Creek is scheduled for October of 1999.

15 Q. What is the latest cost estimate for implementing the
16 Work Plan?

17 A. Laclede's environmental consultant has estimated that
18 the total cost for implementing the Work Plan is
19 approximately \$459,500. None of this cost has yet been
20 paid.

21 Q. How much has been paid so far?

1 A. The total expenditures for the site from February of
2 1994 through August 19, 1999, are \$637,767.

3 Q. What is the current status of the Carondelet Coke site
4 investigation?

5 A. On June 25, 1999, a field investigation summary report
6 prepared by Laclede's environmental consultant was sent
7 to the Missouri Department of Natural Resources (MDNR).
8 In summary, the report states that no further
9 investigation is required for any of the areas
10 investigated at the site, and assessment of the
11 remediation requirements necessary for development of
12 the site can be performed with the results of this
13 investigation. The report also states that the
14 following remediation alternatives should be considered
15 during preparation of a Remedial Action Plan (RAP) for
16 future development of the site: a) removal of free
17 product and piping observed near the former process
18 tank pads in the By-Products Processing Area; b)
19 remediation of shallow groundwater to manage the impact
20 migrating toward the point of compliance along the
21 River Des Peres; c) placement of approximately 10 feet
22 of fill near the former lagoon to facilitate future
23 development of the property; and d) utilization of

1 institutional and engineering controls to limit
2 exposure to polynuclear aromatic hydrocarbon (PAH)
3 constituents and arsenic in surface and subsurface
4 soil. Institutional controls should consist of a deed
5 restriction, raising the grade and capping with asphalt
6 or concrete pavement, or structures.

7 Q. Has the MDNR commented on Laclede's field investigation
8 summary report for the site?

9 A. To date, the MDNR has not responded to the report.

10 Q. What are Laclede's expenditures to date on the site?

11 A. The expenditures for this site from 1996 through
12 August 19, 1999, are \$336,794.

13 Q. What will future expenses be for the site?

14 A. For the foreseeable future we anticipate that these
15 expenses will be of the same order of magnitude as they
16 have been in the past.

17 Q. What is the current status of the Station A
18 environmental lawsuit?

19 A. The other Potentially Responsible Parties' (PRPs')
20 lawsuit against Laclede was dismissed on April 26,
21 1999. This dismissal was "without prejudice," so the
22 lawsuit could be refiled in the future.

1 Q. Should the Company be permitted to recover from its
2 customers the costs associated with the MGP sites that
3 are no longer in service?

4 A. Yes. Even though none of Laclede's MGPs are currently
5 in operation, some components of the plants, such as
6 buildings and gas holders, are still in service. In
7 addition, much of the infrastructure required to serve
8 our present customers would not have been built had it
9 not been for the development and operation of these
10 MGPs. For example, many of Laclede's mains that are
11 still in service, date to the time when all of
12 Laclede's gas requirements were provided by MGPs.
13 Since current customers financially benefit from the
14 lower cost infrastructure developed as a direct result
15 of MGP operations, it is entirely appropriate that they
16 pay environmental costs associated with these plants.
17 Also, it should be noted that the site of the
18 Shrewsbury MGP is located on Laclede's existing
19 Shrewsbury, Missouri service center, which presently
20 serves Laclede's customers.

21 Q. In Mr. Robertson's testimony, he claims that any
22 contamination that may have occurred " was done under

1 the auspices of managers of the Company." Is this
2 entirely true?

3 A. No. When the Company operated the MGPs, coal gas by-
4 products including coke, benzene, toluene, coal tar and
5 lamp black were commercially viable products sold to
6 local buyers. The obvious profitability of by-product
7 sales suggests that it is unlikely that Laclede
8 disposed of significant quantities of such materials on
9 its MGP properties. In addition, Laclede has not found
10 evidence during its investigations of its MGP sites to
11 suggest that Laclede ever intentionally dumped any
12 manufactured gas by-products. However, Laclede did not
13 have control over its MGP sites during all periods when
14 contamination may have occurred. For example, Laclede
15 did not have control over the Carondelet Coke site
16 prior to purchasing it in 1917. Similarly, Laclede has
17 not had direct control of the site since the property
18 was sold by Laclede in 1950. From 1950 to the present,
19 the site has been owned by no less than three owners,
20 two of which used the site for the production of coke.
21 In addition, after the sale by Laclede in 1950, the
22 production capacity of the plant was nearly doubled by
23 the addition of more coke ovens. The history of

1 Laclede's other MGP sites is similar in that there have
2 been multiple successive owners. Therefore, it
3 certainly is not a fair statement to say that any
4 contamination that may have occurred at any of
5 Laclede's former MGP sites " was done under the
6 auspices of the managers of the Company."

7 Q. Doesn't the fact that Laclede did not exercise control
8 over the MGP sites during certain periods exempt the
9 Company from liability associated with contamination
10 which occurred during these periods?

11 A. No. The Comprehensive Environmental Response,
12 Compensation and Liability Act of 1980 (CERCLA) imposes
13 joint and several and strict liability on all
14 potentially responsible parties. Since Laclede has
15 been identified as a potentially responsible party with
16 regard to these sites, it is responsible for
17 investigation and remediation costs, whether it caused
18 the underlying contamination or not. Although this
19 liability was completely unforeseeable at the time
20 Laclede operated the MGPs, it is a very real liability
21 today.

22 Q. Does this conclude your testimony?

23 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's)
Tariff to Revise Natural Gas Rate) Case No. GR-99-315
Schedules)

A F F I D A V I T

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

Craig R. Hoeferlin, of lawful age, being first duly sworn,
deposes and states:

1. My name is Craig R. Hoeferlin. My business address is
3950 Forest Park Avenue, St. Louis, Missouri 63108; and I am the
Superintendent of Operations of Laclede Gas Company.

2. Attached hereto and made a part hereof for all purposes
is my surrebuttal testimony, consisting of pages 1 to 8,
inclusive.

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.



Craig R. Hoeferlin

Subscribed and sworn to before me this 19th day of August,
1999.



