

247

Exhibit No.:
Issue: Propane Inventory, AMR
Meter Devices, General
Ledger Reporting,
Surveillance Reporting,
Gas Safety AAO
Witness: Lisa M. Ferguson
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: GR-2017-0215 &
GR-2017-0216
Date Testimony Prepared: November 21, 2017

MISSOURI PUBLIC SERVICE COMMISSION
COMMISSION STAFF DIVISION
AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

LISA M. FERGUSON

Staff Exhibit No. 247
Date 12/5/17 Reporter AF
File No. GR-2017-0215, GR-2017-0216

SPIRE MISSOURI INC. d/b/a SPIRE

LACLEDE GAS COMPANY and MISSOURI GAS ENERGY
GENERAL RATE CASE

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

Jefferson City, Missouri
November, 2017

**** Denotes Confidential Information ****

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1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **LISA M. FERGUSON**

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

5 **LACLEDE GAS COMPANY and MISSOURI GAS ENERGY**

6 **CASE NOS. GR-2017-0215 and GR-2017-0216**

7 Q. Please state your name and business address.

8 A. Lisa M. Ferguson, 111 N. 7th Street, Suite 105, St. Louis, MO 63101.

9 Q. By whom are you employed?

10 A. I am employed by the Missouri Public Service Commission (“Commission”)
11 as a member of the Auditing Staff ("Staff").

12 Q Are you the same Lisa M. Ferguson who filed rebuttal on October 17, 2017 in
13 this case?

14 A. Yes, I am.

15 Q. What is the purpose of your surrebuttal testimony in this proceeding?

16 A. My surrebuttal testimony will respond to the rebuttal testimony of the
17 following LAC/MGE witnesses on the following issues:

18 C. Eric Lobser – LAC/MGE: AMR Device Contract

19 Keri E. Feldman – LAC/MGE: General Ledger Recording

20 Glenn W. Buck – LAC/MGE: Propane Inventory, Surveillance Reporting

21 Michael R. Noack – LAC/MGE: Overcollection of Gas Safety AAO

1 **PROPANE INVENTORY**

2 Q. What was Staff's position regarding natural gas and propane inventories in its
3 direct filing?

4 A. Staff witness Dave M. Sommerer recommended on page 62 of Staff's Cost of
5 Service report to include current natural gas inventory as well as propane inventory as a part
6 of rate base for LAC. This creates consistency between LAC and MGE for regulatory
7 treatment of natural gas inventory and removes all natural gas inventory and propane
8 inventory from LAC's PGA/ACA. Staff witness Sommerer maintains his position to include
9 gas and propane inventory as a part of rate base as long as a commensurate level of short term
10 debt is included in LAC's and MGE's capital structure to show the correct financing
11 relationships regarding inventory. As such, Staff included a 13-month average for these items
12 ending June 30, 2017, in the cost of service as part of its direct case.

13 Staff is also including the propane inventory as part of rate base, because LAC
14 continues to include this inventory in its portfolio along with natural gas in order to meet peak
15 demand. According to the Company's response to Staff Data Request No. 385, "While the
16 propane cavern and vaporization equipment is currently needed to meet peak day demand
17 requirements under more extreme weather conditions, it is not an optimal resource for reasons the
18 Company has previously discussed. . . Since retirement of the propane facilities would not occur
19 until additional pipeline capacity was available, the timing of any such retirement would likely
20 coincide with the Spire STL pipeline becoming operational. That project is currently under
21 consideration at the Federal Energy Regulatory Commission." It is clear by the response to this
22 data request that the propane inventory is utilized for the same purposes as the natural gas
23 inventory in meeting customer demand, and this will be the case at least until the STL Pipeline is
24 approved by FERC, built, and in use. ** _____ **. There

1 is no reason to create different regulatory treatment for propane and natural gas inventories
2 where propane is accounted for in the PGA/ACA mechanism and the natural gas inventories
3 are included in rate base.

4 **AUTOMATED METER READING (AMR) DEVICE CONTRACT**

5 Q. On page 8, lines 8-22 and page 9, lines 1-11 of the rebuttal testimony of
6 LAC/MGE witness C. Eric Lobser, he discusses how LAC was able to negotiate the purchase
7 of AMR devices in LAC's system, which has been providing automatic meter reads for its
8 customers since 2005. What is LAC proposing as part of this rate proceeding?

9 A. In addition to purchasing the AMR devices from Landis+Gyr, LAC also
10 negotiated a reduction in cost for meter reading that is performed by the same vendor. LAC is
11 seeking a new depreciation account as well as amortization treatment for the AMR device
12 investment, as well as proposing to reflect in revenue requirement the return on investment,
13 property tax, and repair or replacement costs.

14 Q. What is Staff's position on this issue?

15 A. Due to the timing of LAC's proposal for inclusion of the AMR devices in this
16 case, Staff is currently reviewing and analyzing discovery regarding this issue and intends to
17 further address this issue as part of its true-up testimony.

18 **GENERAL LEDGER REPORTING**

19 Q. On page 9, lines 21-23 of the rebuttal testimony of LAC/MGE witness Keri E.
20 Feldman, she responds to Staff's proposal for additional revenue-related detail to be recorded
21 in the general ledger. She states, "From the Company's standpoint, this observation warrants
22 no change in the current process of booking revenue at a higher level, with detailed billing
23 and revenue reports that tie back to general ledger by FERC account." Has Staff since met

1 with LAC/MGE to gain a more in depth understanding of LAC's and MGE's specific process
2 of general ledger recording?

3 A. Yes. Staff met with LAC/MGE witness Keri Feldman and another LAC/MGE
4 employee on Friday October 10, 2017, to perform a detailed walk through of how each
5 revenue element is recorded and displayed in the Customer Care & Billing (CC&B) subledger
6 and how the detailed reports that are produced from the CC&B subledger are then validated
7 against the more consolidated amounts that are booked in the general ledger. Staff now has
8 an understanding of how these items are recorded, as well as how Staff can procure certain
9 detailed revenue information from the CC&B revenue reports and tie that detailed information
10 in with the more broad information recorded in the general ledger. Staff now agrees with the
11 position taken by LAC and MGE witness Feldman and proposes no change to LAC/MGE's
12 current revenue general ledger recording process.

13 **SURVEILLANCE REPORTING**

14 Q. On page 26, lines 1-12 of the rebuttal testimony of LAC/MGE witness Glenn
15 W. Buck, he responds to Staff's recommendation of surveillance reporting to be provided to
16 the Commission subsequent to the current rate case. Is Staff recommending LAC and MGE
17 provide surveillance data in addition to that already being provided to the Commission?

18 A. No. Staff is aware that LAC and MGE already provide a form of surveillance
19 data to the Commission. However, it does not provide specific individual LAC and MGE
20 division data in a format readily calculable so as to make a meaningful assessment of actual
21 earnings levels. Staff is proposing in this case to replace the surveillance reports formerly
22 provided to the Commission with a new format of surveillance data that will allow earnings
23 monitoring separately for LAC and MGE. Along with the surveillance reported data, Staff

1 also requests that LAC and MGE provide their general ledger and CC&B subledger data on a
2 quarterly basis. Staff plans to provide a spreadsheet template to LAC and MGE to work with
3 the company on an understanding of the reporting information that is being sought. It is not
4 Staff's intention to require LAC and MGE to expend additional resources to accumulate and
5 report additional data; this information is created monthly through normal bookkeeping
6 processes and is readily available. The information being sought would be helpful to not only
7 Staff and OPC but also LAC/MGE in its continual monitoring of division earnings. It is
8 especially important that Staff and OPC be able to receive this information and monitor it
9 because of Spire Inc's ongoing acquisition strategy. ** _____
10 _____
11 _____

12 _____ ** In the event that Spire Inc. acquires additional utilities in between rate cases, as
13 it already has with Alagasco and Energy South Inc., this could have a profound effect on
14 customers' future utility rates as well as the earnings that Spire Missouri realizes. The
15 acquisition strategy allows for the possibility of overearnings if rates remain the same while
16 greater economies of scale are achieved.

17 Once Staff and LAC/MGE have an agreed upon format for providing the desired
18 information, Staff requests that LAC and MGE begin providing this to the Commission
19 starting with the effective date of rates in this case.

20 **OVERCOLLECTION OF GAS SAFETY ACCOUNTING AUTHORITY ORDER**
21 **(AAO)**

22 Q. On page 15, lines 3-20 of the rebuttal testimony of LAC/MGE witness
23 Michael R. Noack, he discusses how he has "reviewed the stipulation and agreement from

1 GR-2005-0284 and also from GR-2013-0171 and was not able to find any language in those
2 stipulations which required or even mentioned tracking the amortization of those costs. The
3 stipulation and agreement in GR-2005-0284 called for amortization of the balance of costs
4 deferred pursuant to the AAO established in Case No. GR-2002-356 over a 10 year period.
5 The stipulation did not require the balance be tracked and any over collection of that
6 amortization is simply caused by regulatory lag. However, the amortization of the gas safety
7 AAO was not designated for tracking and Staff's adjustment to refund any over amortization
8 should be disallowed." Does Staff agree with this explanation?

9 A. No. LAC/MGE witness Noack states that the AAO that was established in the
10 2002 case was not a tracked item because there was no specific language declaring it as such.
11 In that case, LAC requested a special regulatory mechanism, an AAO, to defer gas safety
12 costs associated with the service line replacement program (SLRP) to be recovered in later
13 rate cases. LAC was granted this special AAO deferral treatment and began to amortize gas
14 safety costs. This particular AAO is the last in a series of gas safety AAOs for which LAC
15 was recovering cost deferrals in rates. AAOs are similar to trackers, in that certain
16 extraordinary costs are requested to be deferred for future rate recovery; the difference being
17 that the recovery of the balance of costs pursuant to an AAO must be decided in a separate
18 proceeding. This means that the costs associated with that specific issue are "tracked" and
19 recorded in a specific account for future recovery. No additional language is necessary to
20 delineate this as a tracker because the Commission ordered recovery of these specific costs
21 over a 10 year period, not 12 years and 5 months, which would be the period of time those
22 costs will have been in rates until the rates are changed as part of this rate case.

Surrebuttal Testimony of
Lisa M. Ferguson

1 Staff views AAOs or trackers differently than regular revenue, expense, and
2 investment items because they are meant to make the utility whole; in that they are meant to
3 ensure the recovery of the exact amount of certain costs that they are expending; no more, no
4 less. This is not an expense that should benefit or impair LAC through regulatory lag because
5 the costs are isolated for exact recovery. This means that these costs are being recovered
6 without the consideration of all other relevant factors that could either increase or reduce the
7 cost of service. At the time of the last rate case, the remaining amount from the 10 year
8 amortization of these costs that was established as part of Case No. GR-2005-0284, was
9 continued via the stipulation in Case No. GR-2013-0171, so that LAC could recover the
10 remaining amount of this 10 year amortization. When the 10 year amortization period ended
11 in September 2015, LAC had wholly recovered those specific deferred costs; therefore, any
12 amount recovered in rates after that point in time should essentially be considered an over
13 recovery that needs to be returned to rate payers. LAC is attempting to treat this amortization
14 in the same manner as normal annualized/normalized expenses despite the fact that these costs
15 are not normal annualized/normalized expenses.

16 Q. Does this conclude your surrebuttal testimony?

17 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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

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

AFFIDAVIT OF LISA M. FERGUSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

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

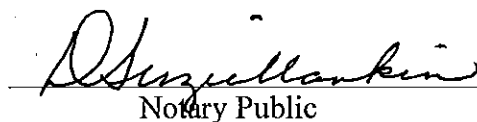
Further the Affiant sayeth not.


LISA M. FERGUSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 21st day of November, 2017.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2020
Commission Number: 12412070


Notary Public