

Exhibit No: 022
Issue: Capital Structure, Pensions,
OPEBs
Witness: Glenn W. Buck
Type of Exhibit: True-Up Direct Testimony
Sponsoring Party: Laclede Gas Company (LAC);
Missouri Gas Energy (MGE)
Case Nos.: GR-2017-0215, GR-2017-0216
Date Prepared: October 27, 2017

LACLEDE GAS COMPANY
MISSOURI GAS ENERGY

GR-2017-0215
GR-2017-0216

TRUE-UP DIRECT TESTIMONY

OF

GLENN W. BUCK

October 2017

Spice Exhibit No. 22
Date 12-11-17 Reporter O.H.
File No. GR-2017-0215
GR-2017-0216

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1 **TRUE-UP DIRECT TESTIMONY OF GLENN W. BUCK**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Glenn W. Buck, and my business address is 700 Market St., St. Louis, Missouri, 63101.

3 Q. ARE YOU THE SAME GLENN W. BUCK WHO PREVIOUSLY FILED DIRECT
4 AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

5 A. Yes, I submitted direct and rebuttal testimony on behalf of both Laclede Gas Company
6 (“LAC”) in Case No. GR-2017-0215 and Missouri Gas Energy (“MGE”) in Case No.
7 GR-2017-0216.

8 **PURPOSE OF TESTIMONY**

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

10 A. The purpose of my testimony is to sponsor the true-up of the following items:

- 11 1. The capital structure that the Company recommends be used in this proceeding;
12 2. Income statement adjustments related to pensions and post-retirement benefits
13 other than pensions (“OPEBs”);

14 It is important to note that my updates do not reflect any change in methodologies but,
15 rather, only reflect updated numbers due to the availability of information as of
16 September 30, 2017.

17 **CAPITAL STRUCTURE**

18 Q. PLEASE EXPLAIN TRUE-UP SCHEDULE F.

19 A. Schedule F details the elements of Laclede’s capital structure and calculates certain
20 embedded costs for the various kinds of capital used to finance the company’s provision
21 of utility service. The capital structure components consist of common equity and long-
22 term debt as of September 30, 2017. Schedule F contains the adjusted two-component

1 capital structure and the resultant weighted average cost of capital. Short-term debt was
 2 not included in the capital structure because the average level of construction work in
 3 progress, propane, margin calls on our multi-year hedging program, and deferred gas
 4 costs subject to PGA carrying costs (none of which are proposed to be included in rate
 5 base) exceeds the average level of short-term debt outstanding during the true-up period
 6 after taking into consideration the September 15, 2017 funding of \$170 million of long-
 7 term debt instruments. These private placements mature in three tranches ranging
 8 between fifteen and forty years and were issued at an attractive effective combined “all-
 9 in” cost of 3.94%.

10 **Q. WHAT IS THE CAPITAL STRUCTURE OF THE COMPANY AS OF**
 11 **SEPTEMBER 30, 2017.**

12 **A. As of September 30, 2017, the Company’s capital structure is:**

**Spire Missouri (Formerly Laclede Gas Company)
 Capital Structure at September 30, 2017**

	<u>Amount</u>	<u>Percentage Of Capitalization</u>
Long-Term Debt	\$990,894,186	45.8%
Common Equity	1,170,951,764	54.2%
Total	\$2,161,845,950	100.0%

PENSION AND OPEB EXPENSE

13
 14
 15
 16 **Q. HAVE YOU UPDATED RATE BASE TO REFLECT THE 9/30/2017 PREPAID**
 17 **ASSET / LIABILITY BALANCES (“BALANCES”) FOR PENSIONS AND**
 18 **OPEBS?**

1 Yes. The True-up schedules reflect the pension and OPEB asset / liability balances as of
2 September 30, 2017.

3 **Q. HAVE YOU MADE ANY INCOME STATEMENT ADJUSTMENTS TO**
4 **REFLECT THE NEW BALANCES?**

5 Yes. The income statement reflects amortization of these new balances over a 10-year
6 period consistent with the approach used in Laclede's direct testimony.

7 **Q. DO YOU HAVE ANY UPDATES REGARDING PENSION FUNDING.**

8 A. Our actuary, Willis Towers Watson ("Towers"), informed the Company that their
9 original calculation of funding levels for MGE was based on incorrect beginning of the
10 year balances for the trust statements and, as a result, MGE will have a required
11 minimum funding level in FY 2018. Originally, it had been reported at a \$0 required
12 funding level. Towers is updating its calculation at this time. As soon as the new
13 requirement has been determined, the Company will pass the information on to the other
14 parties to this proceeding.

15 **Q. DOES THIS COMPLETE YOUR TRUE-UP DIRECT TESTIMONY?**

16 A. Yes.

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)

AFFIDAVIT

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

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

1. My name is Glenn W. Buck. I am Director, Regulatory and Finance for Laclede Gas Company. My business address is 700 Market St., St Louis, Missouri, 63101.
2. Attached hereto and made a part hereof for all purposes is my true-up 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.

Glenn Buck
Glenn W. Buck

Subscribed and sworn to before me this 27th day of OCTOBER 2017.

Marcia A. Spangler
Notary Public

