

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Hearing

August 16, 2012

Jefferson City, Missouri

Volume 2

In the Matter of Laclede Gas)
Company's Application to Establish) File No. GO-2012-0363
Depreciation Rates for Enterprise)
Computer Software Systems)

MORRIS L. WOODRUFF, Presiding,
CHIEF REGULATORY LAW JUDGE.
KEVIN D. GUNN, Chairman,
ROBERT S. KENNEY,
COMMISSIONERS.

REPORTED BY:
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1 P R O C E E D I N G S

2 (WHEREUPON, the hearing began at 8:30 a.m.)

3 JUDGE WOODRUFF: This is File

4 No. GO-2012-0363, in the matter of Laclede Gas Company's

5 application to establish depreciation rates for their

6 Enterprise computer software systems.

7 We'll begin today by taking entries of

8 appearance, beginning with Laclede.

9 MR. PENDERGAST: Thank you, your Honor.

10 Michael C. Pendergast and Rick Zucker appearing on behalf

11 of Laclede Gas Company. Our business address is 720 Olive

12 Street, St. Louis, Missouri 63101.

13 JUDGE WOODRUFF: And the Staff.

14 MS. SHEMWELL: Good morning and thank you.

15 Lera Shemwell and Goldie Tompkins representing the Staff

16 of the Missouri Public Service Commission.

17 JUDGE WOODRUFF: And Public Counsel.

18 MR. POSTON: Thank you. Marc Poston

19 appearing for the office of the Public Counsel and the

20 public.

21 JUDGE WOODRUFF: Thank you. I believe

22 that's all the parties, so let's move to opening

23 statements, beginning with Laclede.

24 MR. PENDERGAST: Thank you, your Honor. We

25 have a couple of demonstrative exhibits, but until we get

1 our new system in effect, we've had to go ahead and put it
2 on poster board, but we will go ahead and be handing out
3 copies of that.

4 I'd like to begin by thanking the
5 Commission for making the time to promptly address this
6 particular issue. I think it's appropriate to say that
7 earlier this year the Commission, probably in this very
8 room, warmly congratulated the parties to the Missouri
9 American Water Company case on their efforts to
10 constructively work with each other and reach an agreement
11 in an overall resolution of that case, one major feature
12 of which was the recommendation that the Commission
13 approved to establish a 5 percent depreciation rate and
14 20-year service life for the new enterprise-wide
15 information management system that Missouri American was
16 in the process of implementing at that time.

17 We thought that was a fortuitous event
18 because, coincidentally, Laclede was in the process of
19 implementing its own enterprise-wide information system
20 that's very similar to what Missouri American was
21 implementing. We had been underway in attempting to
22 develop this system for over a year and a half at that
23 particular point in time, and we were about nine months
24 away from beginning to implement it.

25 This is a system that would be and will be

1 replacing a number of other core components of previous
2 systems that had been sequentially implemented by Laclede
3 over time and that had been operated by Laclede anywhere
4 from 10 to 25 years. It's the most significant investment
5 that the company has ever made in information technology.
6 When all is said and done, it will cost approximately
7 \$60 million plus. So it is a very significant investment.

8 And because our prior systems had operated
9 for 10, 15, 25 years, we thought the 20-year service life
10 and 5 percent depreciation rate approved by the Commission
11 in the Missouri American Company case was tailor-made to
12 fit this particular asset, this particular investment.

13 Accordingly, we came forward, we filed the
14 application that initiated this proceeding in which we
15 requested that the Commission establish a 5 percent/
16 20-year service life depreciation provision for this
17 particular asset.

18 Unfortunately, the warm glow of the
19 Missouri American Water Company case proved a little
20 fleeting. As you know from the testimony and the
21 pleadings that have been presented in this case, the Staff
22 and the company have actually agreed to a modified version
23 of what the company proposed; namely, to propose a
24 7 percent depreciation rate and a 15-year service life for
25 the EIMS investment.

1 But Public Counsel has continued to say
2 that this investment should be pigeonholed into an
3 existing depreciation rate of 20 percent and 5 years that
4 the company has in effect for various kinds of computer
5 and computer software.

6 Laclede would respectfully suggest that
7 there's no legal, factual or policy basis for Public
8 Counsel's approach in this case. And, you know, you don't
9 have to go very far into the weeds to reach that
10 conclusion. As I said probably less than six months ago,
11 Public Counsel stood before this Commission and said that
12 the actions it was taking in the Missouri American Water
13 Company case were consistent with the public interest and
14 were just and reasonable.

15 And I know that there's always give and
16 take in negotiated settlements, but I also know that when
17 the Commission approves a settlement, it has an obligation
18 to make sure that its terms are just and reasonable. And
19 in proposing that Laclede's Enterprise Information System
20 should be given a 20 percent rate rather than the
21 5 percent rate or the 7 percent rate now recommended by
22 the parties, Public Counsel's essentially saying that the
23 Commission made a huge mistake in the Missouri American
24 Water Company case, that it agreed to a depreciation rate
25 that was only one-third or one-fourth of what the real

1 depreciation rate for that kind of asset should be, and
2 that it approved a service life for that particular asset
3 that's more than five times or four times longer than what
4 it would suggest to the Commission today is appropriate.

5 And quite frankly, we think that's just
6 nonsense. We don't believe that the Commission was wrong
7 in what it did in the Missouri American Water Company
8 case, that Public Counsel was wrong in what it recommended
9 in the Missouri American Water Company case. What we
10 think is the Commission was right then, it would be right
11 now by approving what Staff and company have proposed, and
12 that Public Counsel and Public Counsel alone is wrong.

13 And if you want further high level
14 confirmation of that fact, all you need to do is think a
15 little bit about what approval of Public Counsel's
16 proposal would mean for the company's customers, and what
17 it would mean is that we would try and recover this asset
18 that is going to last at least 15 years over the first
19 third of its life, over the first five years, and because
20 you would be depreciating it more quickly, the impact on
21 rates when there is an impact on rates would be
22 significantly higher in our next rate case. If we were to
23 use that 20 percent rate, customers would probably pay,
24 according to Mr. Buck, who's presented testimony on the
25 subject, 7 to \$8 million more in rates.

1 Now, under the best of circumstances, it
2 would be wrong to artificially increase rates simply to go
3 ahead and accelerate the recovery of an investment that's
4 going to continue to provide service for at least a decade
5 after it would be fully depreciated, but it seems to me
6 that it's particularly inappropriate now.

7 The Commission just a few weeks ago said
8 that, based on some of the input it had gotten from public
9 hearings, I believe in the Ameren case, that it was going
10 to open up a docket to consider the legality and the
11 reasonableness and the potential structure of a rate for
12 low-income customers to try and help those vulnerable
13 customers in this rather challenging economic environment.
14 And to artificially increase rates by 7 or \$8 million
15 unnecessarily in an environment like that simply doesn't
16 make any sense.

17 And finally, it sends really a terrible
18 message to utilities. I mean, what it says is, okay,
19 you've done the right thing, you've moved forward, you've
20 made a very significant investment so that you can
21 continue to provide high-quality, reliable and safe
22 service to your customers, and here's what we're going to
23 do: We're going to go ahead and try and invent a legal
24 straightjacket that will make you depreciate a significant
25 amount of that expense, far more than you should if you

1 were following the matching principle of matching costs
2 and benefits, because you had the gall to go ahead and do
3 this positive thing for your customers. And I don't think
4 that's a message that the Commission wants to send.

5 There's been a lot of discussion in the
6 testimony, and I don't know for sure whether Public
7 Counsel would be okay with what we're requesting here if
8 it was convinced that this is a depreciation, new
9 depreciation rate for a new kind of asset, but it
10 certainly spent a great deal of time talking about why it
11 doesn't believe this is a new kind of asset that is just
12 replacing other information systems, perhaps with some
13 more bells and whistles.

14 And I'm not really sure that it makes a
15 difference whether you want to call it a new or you want
16 to call it the same, but I think under any definition it
17 is indisputably a new and different kind of asset.

18 If I could refer here to the chart, and
19 I've handed out a copy --

20 JUDGE WOODRUFF: If you'd move the easel
21 over here by the witness stand, that way Commissioner
22 Kenney can view it on the camera. Bring it on over here
23 to the witness. That's fine.

24 COMMISSIONER KENNEY: Thank you.

25 MR. PENDERGAST: In any event, Public

1 Counsel's claim is that this is just replacing other
2 similar systems, perhaps with a few bells and whistles,
3 and I suppose you could say that about nearly any new
4 intention. As you see here on the chart, on the
5 right-hand side you have an iPhone, and you could go ahead
6 and say that the iPhone doesn't do anything more than that
7 old Ma Bell rotary dial telephone does on the side. In
8 other words, it makes phone calls. You could say it
9 doesn't do anything more in playing iTunes and allowing
10 you to download them than that record player does, and you
11 could go ahead and say that it's just like an old manual
12 typewriter from the standpoint that you can go ahead and
13 type and send text messages and create documents on it.

14 But I think anybody would look at that and
15 the integrated whole of that iPhone and would probably
16 conclude that this is a different kind of thing than those
17 old three things even though, you know, it serves
18 functions that are similar to it.

19 Same thing is true with the Enterprise-Wide
20 Information System. As you can see there, the old
21 unintegrated components of our previous systems, first of
22 all, they were sequentially implemented. We had them put
23 into effect in '87, '92, '98, '99. In other words, we
24 kind of addressed various functional areas of the company
25 and their information technology needs in a sequential

1 order. This system is completely integrated, and it's
2 being implemented all at once.

3 From a cost standpoint, there's very little
4 similarity between the two. These old components cost
5 anywhere from 700,000 to at most \$7 million. This new
6 system, as I said before, is going to be 60 million plus.
7 So it's an order of magnitude bigger than anything we've
8 ever done before.

9 It is going to go ahead and provide our
10 customer service people with the capability to do things
11 for the customer and do them with a speed and proficiency
12 that they've never been able to do. You can kind of see
13 some of the screens, the old kind of clunky screen that we
14 have in the CIS and the new kind of screen we have where
15 our customer service people are going to be able to call
16 up screens that will allow them to immediately calculate
17 what a customer's cold weather rule payment is, to
18 immediately give the customer additional information on
19 his account, on his usage, in other words, to really bring
20 it in to the cutting edge on being able to communicate
21 more fully and quicker with your customers.

22 Work flow management, because these are
23 integrated systems, instead of having to go from one
24 system, run through a process, take the results from that
25 system, go to another system, run it back through that

1 system, maybe go to a third system, after it spits out
2 something run it through again, these systems communicate
3 with each other. They talk with each other. Information
4 goes in one system, it feeds into another, and it feeds
5 into a third, and by doing that you capture efficiencies
6 that the old system was simply incapable of achieving.

7 It has enhanced discovery -- or disaster
8 recovery features. There are features that will allow us
9 to go ahead and monitor even more closely our regulatory
10 compliance with various safety features. I could go on
11 and on and on.

12 And one other thing I would say is our old
13 system -- and Laclede's known for keeping its technology
14 around for a long time. I think Staff and everybody else
15 would verify that -- was a COBOL-based system. The only
16 problem with COBOL is nobody's teaching that anymore,
17 nobody's graduating people that know about COBOL and how
18 it operates, and we were very concerned that in a short
19 period of time we wouldn't even have the resources to go
20 ahead and maintain the system.

21 So we needed to move forward, we had to
22 move forward, and we did, with a system that's
23 incomparably better and different than the various
24 unintegrated components that we had before.

25 So that said, now that we have this new

1 system, what's an appropriate depreciation rate for it?
 2 And that gets us to our next slide. Public Counsel's
 3 talked a lot in its testimony about the need for a
 4 depreciation study. Here it is, right here on this chart,
 5 which is really all you need to determine what a
 6 reasonable depreciation rate is for this system.

7 It depicts how long our prior individual
 8 component information systems have lasted. The youngest
 9 is our payroll system, which is now ten years old. Our
 10 Walker system, which handles various accounting and
 11 finance functions, is 14 years old. We have a leak
 12 control system that's now going to be going on 19 years.
 13 Materials management recently celebrated its 20-year
 14 birthday. We have a service location that's also 20 years
 15 old. And our main customer information system weighs in
 16 at 25 years old.

17 So in light of that history, which as you
 18 can see at the bottom would indicate about a 18-year
 19 in-service average, what's a reasonable depreciation rate
 20 for this new investment that is basically superseding all
 21 of these systems that is now integrated, that if you're
 22 going to go ahead and make any future changes to it, you
 23 have to take into account that it will change all the
 24 systems that 90 percent of our employees use? Is a
 25 20-year life like the Commission approved for the Missouri

1 American Water Company case reasonable? Probably, given
2 the history that we have here. Is the average 18 years in
3 service that we've actually experienced over the last 25
4 years reasonable? Probably.

5 But based on Staff's recommendation, which
6 is now supported by John Spanos, who has extensive
7 experience in the depreciation field, we're proposing a
8 very reasonable, very moderate, very conservative 15-year
9 service life.

10 And, you know, the only outlier in any of
11 these figures is the one at the bottom, which is the
12 five-year service life that Public Counsel is proposing.
13 And, you know, you just can't reconcile that with reality,
14 with the data that we have here. Nor can you reconcile it
15 with the notion that we spent three years and will have
16 spent three years putting this system together, developing
17 it, engineering it, implementing it, and Public Counsel
18 would have you believe that after doing that and spending
19 60 million plus to go ahead and do it, five years -- or
20 no, two years after it's implemented we're going to start
21 the process of coming up with a new system.

22 That's just ridiculous. Of course we're
23 not going to do that. And if we did do that and Public
24 Counsel wanted to come in and say we were imprudent for
25 doing that, I'd be hard pressed to say we weren't.

1 So that said, we think that what the Staff
2 and the company recommend here is eminently reasonable.
3 No question about it.

4 Public Counsel has raised some concerns
5 about whether there's a legal barrier to doing this. Now,
6 you know, it's a little difficult to give a great deal of
7 credence to that legal concern given this Commission's
8 historical practice over the years of changing
9 depreciation rates, of establishing new depreciation
10 rates, and doing it in between rate cases. The Commission
11 has independent statutory authority to set depreciation
12 rates. The only requirement is that it had a hearing,
13 unless, of course, the parties agree not to and the
14 Commission's fine with that, and we're having a hearing.

15 And even though we don't think there's any
16 limitation whatsoever on the Commission's ability to do
17 what we have asked it to do, we've also agreed in an
18 effort to address OPC's concerns to some additional
19 safeguards. And let's put that up.

20 In its pleadings Public Counsel's relied a
21 great deal on an Ameren case. Instead of looking at the
22 KCPL case where you approved a depreciation rate just six
23 months ago outside the context of a rate case, actually
24 it's more like two or three months, they've looked at this
25 Ameren case where its effort to change the depreciation

1 rates in that case were rejected by the Commission.

2 They were rejected for a number of reasons,
3 and probably dicta more than anything else. The
4 Commission said, well, just granting this one change in a
5 depreciation rate for what was an existing asset, not a
6 new one, would be inappropriate because we don't have a
7 full depreciation study to take a look at and we don't
8 want to go ahead and cherry pick.

9 You know, whether you agree, you know, with
10 that decision or not, and Public Counsel opposed it and
11 apparently didn't, it's saying we can't do anything in
12 this case because Laclede hasn't submitted a full
13 depreciation study.

14 I would note that Public Counsel was fine
15 recommending a 20-year service life for the information
16 system in the Missouri American Water Company case even
17 though it didn't have a depreciation study. I would note
18 that there was no depreciation study in the KCPL case, and
19 Public Counsel did not oppose that.

20 But it says that it would like to have a
21 depreciation study, and the company is agreeable to
22 submitting a depreciation study in its next rate case
23 before any ratemaking consequences whatsoever are
24 recognized from the Commission's approval of the 7 percent
25 rate being proposed today.

1 We're also going one step further and
2 saying that if the Commission determines based on that
3 depreciation study that there should be a different rate
4 other than the 7 percent/15-year service life that the
5 Staff and company are recommending, that we're fine,
6 although we don't think it's necessary, but we're fine
7 with using that depreciation rate to go back and
8 recalculate how much depreciation expense Laclede should
9 have accrued from the time this new depreciation rate
10 would go into effect, namely October 1st, 2012, until
11 whenever new rates are established. And because you can
12 use that new rate, recalculate how much we should have
13 accrued, you'll be able to go ahead and if you think that
14 there should be a different offset to rate base, you can
15 make a different offset to rate base.

16 In other words, we are completely reserving
17 the opportunity of all parties and all Commissioners to go
18 ahead and reach a different determination if, based on all
19 relevant factors, based on the new depreciation study, it
20 concludes that something different than what we are
21 recommending today was more appropriate.

22 And, of course, it goes without saying,
23 we're also fine with having parties challenge both the
24 decisional and the executional prudence of this
25 investment. We're not asking anybody to buy off on the

1 overall level of cost. We're not asking anybody to buy
2 off on whether we should have moved forward. In other
3 words, we're proposing that there be absolutely no
4 ratemaking determination in this case whatsoever.

5 So I think even Public Counsel would
6 recognize, even though it's making this single-issue
7 ratemaking argument, that there's no immediate impact on
8 rates, and I think with these safeguards, Public Counsel
9 also has to recognize, even though it keeps saying that
10 the Commission's going to be locking in what the amount of
11 accrued depreciation expense will be, it's going to be
12 locking in what the rate base effects will be, the
13 Commission will be doing no such thing if it agrees to
14 these various safeguards.

15 And even though the Commission has
16 independent authority to approve depreciation rates
17 outside of a rate case, what these various safeguards do
18 is bring this squarely within the legal parameters that
19 the Missouri courts have recognized for taking accounting
20 actions outside of the rate case. We have a long history
21 of Accounting Authority Orders that the Commission has
22 approved where utilities have been allowed to defer
23 various expenses for eventual recovery in rates.

24 In 1993 Public Counsel challenged the
25 Commission's ability to do that with the Missouri Public

1 Service deferral order relating to environmental upgrades
 2 to its Sibley plant, and the court rejected Public
 3 Counsel's single-issue ratemaking argument because it
 4 said, look, all the Commission's doing is allowing it to
 5 defer these costs for future consideration in a rate case,
 6 just as all the Commission would be doing here is allowing
 7 us to establish an obviously reasonable depreciation rate
 8 pending further investigation in a rate case. And the
 9 court said, and when the rate case comes, the Commission
 10 can go ahead and look at these costs, it can look at other
 11 costs, it can look at whatever it wants to and whatever
 12 relevant factors it believes exist and then decide what it
 13 should ultimately allow in rates. And that's exactly what
 14 we're doing here.

15 And I think if you look at that decision,
 16 which is at 858 SW 2d 806, you can almost take information
 17 system and substitute that for Sibley, and you can go
 18 ahead and take our EIMS system, our information management
 19 system that we're implementing now and treat that as, if
 20 you want, the environmental upgrade that was under
 21 consideration there and you would see that these are
 22 exactly identical, that there is absolutely no legal bar
 23 to it.

24 The only difference is that in that
 25 particular case Missouri Public Service was asking to

1 defer its carrying costs on that investment. It was
2 asking to defer for eventual recovery its depreciation
3 expense on that investment so that all of those things
4 would be potentially recoverable in the next rate case.

5 We're not going nearly that far. We're not
6 asking to go ahead and defer and hopefully eventually
7 recover our carrying costs on the millions and millions of
8 dollars that will go into service in October. We're
9 saying we'll eat those. And we're not asking to go ahead
10 and defer the millions of dollars of depreciation expense
11 even under the 7 percent rate that we're proposing that
12 will begin accruing as soon as it goes into service.
13 We're saying we'll eat that, too.

14 All we're asking for is, when we start
15 absorbing this depreciation expense, can we please have it
16 consistent with what a reasonable depreciation rate given
17 the life of this asset, the expected life of this asset
18 and other assets is established as we start absorbing that
19 expense? That's a modest, conservative, eminently
20 reasonable thing to request.

21 And I submit to you that with these
22 consumer safeguards, there is absolutely no reason not to
23 do it and many, many reasons to reject Public Counsel's
24 argument that you should not.

25 The last thing I'd like to mention is

1 Public Counsel said in its position statement that this
2 somehow violates our Stipulation & Agreement in the last
3 rate case. Let's just say we disagree. I don't think
4 Public Counsel even raised that argument in its motion for
5 summary determination. At least I don't recall seeing it.
6 I think that's a throw-in argument at the very end.

7 But to buy off on that argument you'd have
8 to conclude in agreeing to the Stipulation & Agreement,
9 everybody agreed that everything would be frozen for
10 unspecified period of time, that nobody could ever file a
11 complaint, nobody could ever suggest different tariffs,
12 that nobody could go ahead and respond to a new asset
13 coming into service. I don't think stipulation and
14 agreements have ever been interpreted in that fashion.
15 And once again, I just don't think that's a very credible
16 argument.

17 So once again, we appreciate the
18 Commission's moving this along in a reasonably quick
19 fashion, and we strongly recommend that the Commission do
20 what we think is the reasonable, appropriate thing here
21 and approve the Staff and company recommendation for a
22 7 percent depreciation rate, 15-year service life, and
23 would respectfully request that it make that effective
24 October 1st, 2012 when we begin bringing the benefits of
25 this fantastic system to our customers.

1 Thank you.

2 JUDGE WOODRUFF: Thank you, Mr. Pendergast.
3 Commissioner Kenney, do you have any questions for
4 Mr. Pendergast?

5 COMMISSIONER KENNEY: No, thank you.

6 JUDGE WOODRUFF: Opening for Staff, then.

7 MS. SHEMWELL: Good morning and thank you.
8 May it please the Commission? I'm Lera Shemwell. I
9 represent the Staff in this case.

10 Public utilities have large investments in
11 capital assets. Customers pay the company back for that
12 investment through depreciation rates, and customers also
13 pay return on that investment through the rate of return.

14 We employ depreciation accounting because
15 it's designed to recover the cost of the plant over its
16 estimated useful life. One of the basic principles of
17 depreciation and accrual accounting is the matching
18 principle, which is designed so that customers are paying
19 for an asset that is used to provide the customer with
20 service over the time that the asset is actually in use.
21 And the idea behind that is that all customers who use an
22 asset are paying for the cost of the asset over its useful
23 life.

24 Assets may wear out or be consumed or
25 become obsolete. Mr. Pendergast -- or Laclede's chart

1 showed a manual typewriter, and while those may be
2 collected by collectors, rarely are they used anymore,
3 except in perhaps small water and sewer companies. But
4 that's an example of obsolescence through technology and
5 market changes.

6 Staff saw its task as determining in this
7 case the most reasonable depreciation rate for these
8 accounts over the life of the system, not just today, but
9 what we expect for the life of this system to be, and it
10 is, we think -- while no one can really see the future, we
11 think that 15-year use life is reasonable based upon what
12 we know today.

13 This Laclede is calling its Enterprise
14 Information Management System. We'll refer to it also as
15 generically enterprise management systems. I believe
16 Missouri American Water called theirs a business
17 transformation system.

18 Staff applied the matching principle to its
19 analysis of these assets and balanced the interests of
20 both the company and its shareholders, the customers and
21 the shareholders.

22 Depreciation is designed to assure that
23 utilities allocate through accrual accounting and in a
24 reasonable way the cost of the utility property to the
25 time periods during which the utility uses the asset to

1 provide service. Staff expects customers will be getting
2 the benefit of these assets for around 15 years, so that
3 the cost of the asset should be recovered from customers
4 over 15 years so that current customers, who may not be
5 customers in 15 years, would not pay the full cost of
6 these assets.

7 Will Staff's recommendation change over
8 time? Probably. That's why the Commission studies
9 depreciation rates periodically and studies expected
10 useful life. These are fairly new systems being
11 implemented by a lot of utility companies, and we expect
12 to gain analysis with our experience.

13 Staff supports accounting for the
14 Enterprise Management System in the correct manner from
15 the time the assets become used and useful. This is a
16 phased-in implementation starting in October of this year.
17 Staff is recommending that a separate account be set up
18 for these assets, and the USOA has many different
19 accounts, and the Commission may approve Laclede to set up
20 a different account for these assets.

21 Its current Account 391.1 and 391.3 may
22 have included the old system. However, those accounts
23 today primarily contain personal desktop computers and
24 software and printers, items of that type that most agree
25 have a useful life of five years, and with the way

1 technology is moving, that useful life may actually be
2 diminishing.

3 Staff does not believe that the EIMS is
4 that type of asset, and that's why Staff would like to see
5 this type of core system separated from an account in
6 which personal computers are recorded. Staff believes
7 that that gives information to anyone studying
8 depreciation rates in the future.

9 What Laclede is using in its EIMS is not
10 generic software like we have in our -- like we get in our
11 desktop computers, like Office. The software's been
12 customized specifically for Laclede. It's a
13 multi-million-dollar investment, and Staff does not
14 believe that a five-year use life is reasonable.

15 Are there other reasonable use lives
16 besides 15 years? Possibly. Maybe even probably. But we
17 think that that is the most reasonable based upon what we
18 know today.

19 Staff has reviewed Laclede's Enterprise
20 Management System and those of four other Missouri
21 utilities in the past year and has investigated the type
22 of assets Laclede is proposing to record by making two
23 site visits to Laclede and researching the functionality
24 of the EIMS with a two-day review of documents. Mr. Guy
25 Gilbert of our depreciation department and John Robinett

1 have been to Laclede twice and actually viewed the
2 physical plant, what currently exists and what is being
3 replaced.

4 Staff also researched by looking at FERC
5 Form 2s to see how other natural gas companies are
6 recording these assets, and Staff was looking for an
7 average of the depreciation or the use lives of these
8 assets by other companies.

9 What Staff did not do was testify as to any
10 legal issues. Staff did not address single-issue
11 ratemaking or whether this can be done outside of a rate
12 case, feeling that that is a legal issue.

13 The Commission has statutory authority to
14 do this under 393.140 sub 8 as it has noted in several
15 cases. The Commission has the power to examine the
16 accounts, books, contracts, records, documents and papers
17 of a utility, and to order the account in which particular
18 outlays and receipts shall be entered or charged. Staff
19 notes that the statute does not contain any express
20 standard for the issuing of an Accounting Authority Order
21 and it is, therefore, committed to the Commission's sound
22 discretion.

23 In a recent Missouri American Water case
24 which did not include a depreciation study, the Commission
25 approved a black box settlement as just and reasonable.

1 As part of that settlement, however, in the Stipulation &
2 Agreement, the parties did name -- they did suggest a use
3 life of 20 years for the business transformation system,
4 and the Commission approved that stipulation.

5 So to summarize Staff's position, we
6 recognize the matching principle and considered the
7 interests of both shareholders and customers in making a
8 recommendation. We note that there will be no immediate
9 impact on rates, and if there is later, that Laclede has
10 agreed to certain safeguards that the Staff recommends the
11 Commission order as part of this case.

12 Staff saw its job as determining the
13 correct or most reasonable depreciation rate for today,
14 and Staff's approach was to try to find the right number
15 which we believe is in the public interest.

16 Thank you.

17 JUDGE WOODRUFF: Thank you, Ms. Shemwell.
18 Commissioner Kenney, do you have any questions?

19 COMMISSIONER KENNEY: No, thank you.

20 JUDGE WOODRUFF: Thank you. Public
21 Counsel.

22 MR. POSTON: Good morning. May it please
23 the Commission? My name is Marc Poston. I'm with the
24 Office of the Public Counsel, and I'm here today on behalf
25 of Laclede's customers.

1 We urge the Commission to deny Laclede's
2 request to change depreciation rates without a
3 depreciation study. A better approach is to address this
4 issue in the upcoming rate case that Laclede intends to
5 file later this year and to require them to file a
6 depreciation study in that case.

7 There's good reasons why the Commission
8 should deny this request. First, Laclede's request is
9 unreasonable because changing one or two depreciation
10 rates without looking at all depreciation rates in a
11 comprehensive study is analogous to prohibited
12 single-issue ratemaking. Single-issue ratemaking is
13 contrary to the public interest because, as the name
14 implies, it changes rates without knowing whether other
15 changes may also be needed that would offset or negate the
16 harmful impact of the single-issue rate change. In this
17 case, the single issue would be the change in depreciation
18 rates for new computer software.

19 Making this change now will cause future
20 rates to increase by millions of dollars at a time when a
21 full depreciation study could reveal that that rate
22 increase is not justified.

23 A finding that Laclede's request is
24 analogous to single-issue ratemaking would also be
25 consistent with a recent Union Electric case. The outcome

1 of that UE case was a big loss for my office. As you
2 know, our office has slim resources, but in the UE case we
3 were able to hire a consultant to analyze UE's
4 depreciation rates. The consultant concluded that several
5 depreciation rates regarding UE's Callaway nuclear plant
6 should be adjusted to reflect a change in the estimated
7 useful life of the plant.

8 Ue and the Commission Staff opposed our
9 consultant's recommendation primarily on the grounds that
10 depreciation rates should not be adjusted without a full
11 depreciation study that reconsiders all depreciation
12 rates.

13 The Commission ultimately sided with UE and
14 Staff and concluded that changing the depreciation rate
15 for only a few accounts without looking at all
16 depreciation rates is analogous to single-issue
17 ratemaking. For this reason, the Commission made no
18 changes to UE's depreciation rates. We appealed, but the
19 Commission's conclusion was upheld by the Court of
20 Appeals.

21 Now we find ourselves on the other side of
22 this argument, and we hope the Commission will be
23 consistent with its treatment of depreciation expense.

24 The second reason the Commission should
25 deny Laclede's request is to uphold the Stipulation &

1 Agreement from Laclede's 2010 rate case wherein Laclede
2 agreed to a 20 percent depreciation rate for all computer
3 software. The 20 percent rate does not distinguish
4 between desktop computer software and mainframe computer
5 software. It's applied equally to all software.

6 The Commission approved the agreement and
7 ordered Laclede to adhere to its terms. Laclede benefited
8 from that agreement with a \$31.4 million rate increase.
9 Consumers received nothing but assurances by Laclede and
10 the Commission that the terms of the agreement would be
11 followed.

12 A year and a half later, Laclede filed to
13 try to amend the term of that agreement, that's this
14 application, without putting the \$31.4 million rate
15 increase back on the table for reconsideration.

16 The third reason to deny Laclede's request
17 is because when the evidentiary record closes on this
18 case, there will not be sufficient evidence to support a
19 decision that creates a new account for software that is
20 simply replacing old software. The evidence necessary to
21 make the change won't be available until a depreciation
22 study is filed, hopefully in Laclede's upcoming rate case.

23 For these reasons, we ask that the request
24 be denied and Laclede be directed to file a depreciation
25 study in its upcoming rate case to ensure that this issue

1 is resolved sooner rather than later.

2 Thank you.

3 JUDGE WOODRUFF: Thank you, Mr. Poston.

4 Questions, Commissioner Kenney?

5 COMMISSIONER KENNEY: No. Thank you very
6 much.

7 JUDGE WOODRUFF: All right. Then we'll
8 proceed to our first witness for Laclede. Call your first
9 witness.

10 MR. ZUCKER: Pursuant to our discussion
11 this morning, we've changed the order a little bit.
12 Instead of Mr. Buck going first, Mr. Spanos is going to go
13 first. So we call Mr. John Spanos.

14 JUDGE WOODRUFF: Good morning, Mr. Spanos.

15 THE WITNESS: Good morning.

16 (Witness sworn.)

17 JUDGE WOODRUFF: Let's go ahead and mark
18 his testimony as an exhibit first before we start. He
19 just has the one piece of testimony; is that correct?

20 MR. ZUCKER: Yes, just the one.

21 JUDGE WOODRUFF: That will be No. 1.

22 (LACLEDE EXHIBIT NO. 1 WAS MARKED FOR
23 IDENTIFICATION BY THE REPORTER.)

24 JUDGE WOODRUFF: You can inquire.

25 JOHN J. SPANOS testified as follows:

1 DIRECT EXAMINATION BY MR. ZUCKER:

2 Q. Good morning, Mr. Spanos.

3 A. Good morning.

4 Q. Can you state your full name and business
5 address for the record?

6 A. John J. Spanos, 207 Senate Avenue,
7 Camp Hill, Pennsylvania.

8 Q. And you are here this morning to testify
9 for who?

10 A. Laclede Gas.

11 Q. And did you file surrebuttal testimony in
12 this case on July 30, 2012?

13 A. Yes, I did.

14 Q. And do you have any changes to that
15 surrebuttal testimony?

16 A. No, I do not.

17 Q. And so if I asked you all the same
18 questions in that testimony today, your answers would be
19 the same?

20 A. Yes, they would.

21 MR. ZUCKER: I move for Exhibit No. 1 to be
22 placed into evidence.

23 JUDGE WOODRUFF: Exhibit No. 1 has been
24 offered. Any objection to its receipt?

25 (No response.)

1 JUDGE WOODRUFF: Hearing none, it will be
2 received.

3 (LACLEDE EXHIBIT NO. 1 WAS RECEIVED INTO
4 EVIDENCE.)

5 MR. ZUCKER: Thank you, Mr. Spanos.

6 THE WITNESS: Thank you.

7 JUDGE WOODRUFF: For cross-examination, we
8 begin with Staff.

9 MS. SHEMWELL: We don't have any questions.
10 Thank you.

11 JUDGE WOODRUFF: Public Counsel?

12 MR. POSTON: Thank you.

13 CROSS-EXAMINATION BY MR. POSTON:

14 Q. Good morning, Mr. Spanos.

15 A. Good morning.

16 Q. I'd like to begin by explaining that most
17 of my questions I intend to seek a yes or no answer. So I
18 ask that you please -- please don't elaborate or explain
19 your answers unless I've asked you to do so.

20 You're a consultant, not an employee of
21 Laclede Gas Company; is that correct?

22 A. Yes.

23 Q. Did you conduct a depreciation study for
24 Laclede's 2010 rate case?

25 A. Yes.

1 Q. And that depreciation study was several
2 hundred pages long; is that correct?

3 A. I'd say that's a fair assessment, yes.

4 Q. Is performing depreciation study very time
5 consuming?

6 A. It takes usually three to four months, so I
7 would consider that time consuming, yes.

8 Q. Would you agree that the depreciation rates
9 you proposed in Laclede's last rate case were based in
10 part upon historical data from Laclede?

11 A. Of the assets that were in service at that
12 particular time, yes.

13 Q. You'd agree that in the 2010 rate case your
14 depreciation study determined that the Commission should
15 apply a 20 percent depreciation rate to Laclede's computer
16 software systems?

17 A. For the assets that were in service at that
18 time, I believe that's the rate. I don't have that right
19 in front of me, but I believe that's the rate that was
20 proposed for those assets that were in service at that
21 time.

22 Q. I have a copy of the depreciation study if
23 you'd like to look at it to confirm.

24 A. That would be helpful.

25 MR. POSTON: May I approach?

1 JUDGE WOODRUFF: You may.

2 THE WITNESS: The study shows a five-year
3 life with a rate of 6.54 for the assets in Account 391.3
4 based on the fact that the schedule shows those assets
5 that are in service and those assets that are still being
6 depreciated based on the five-year life.

7 BY MR. POSTON:

8 Q. So five-year life has 20 percent
9 depreciation rate?

10 A. Again, the calculation is based on those
11 dollars that are surviving on the books. There are assets
12 that are beyond five years. That's why you gave me a
13 different rate.

14 Q. I understand.

15 A. But there is a five-year life for those
16 types of assets.

17 Q. And you have not performed or submitted a
18 new depreciation study for Laclede in this case; is that
19 correct?

20 A. I have not.

21 Q. Do you consider depreciation studies
22 performed by you to be a reliable basis for the Commission
23 to set depreciation rates?

24 A. I think I obtain all of the information
25 that gives the most appropriate representation of the

1 depreciation expense and the rates to be utilized based on
2 the information. So yes, in my depreciation studies I
3 feel that's a true assessment.

4 Q. Do you agree that, generally speaking, you
5 don't know the results of a depreciation study until it's
6 been completed?

7 A. I would say, generally speaking, the actual
8 results, that's true. I --

9 Q. That's fine. Thank you. And did you file
10 a depreciation study in KCPL, Kansas City Power & Light's
11 last rate case?

12 A. Yes, I did.

13 Q. And do you know what depreciation rate you
14 recommended for computer software in that case?

15 A. For the desktop software, a five-year life,
16 and I don't remember the rate because we recommended
17 remaining life in that particular category.

18 Q. Was there another category with other
19 software?

20 A. I don't remember any other separate
21 software. However, some utilities put it in Account 303,
22 miscellaneous and tangible plant, and I don't remember
23 KCPL's exact scenario as to whether they had any other
24 software in that account.

25 MR. POSTON: That's all the questions I

1 have. I'm sorry. Hold on.

2 BY MR. POSTON:

3 Q. In the last rate case, Laclede's rate case,
4 did the Commission authorize a 20 percent depreciation
5 rate for Account 391.3 based on your depreciation study?

6 A. I don't have the exact information in front
7 of me. However, based on what I remember from the final
8 ruling, they approved a five-year life, and because of the
9 fact that they approve a whole life rate, I would assume
10 that it was 20 percent, but I don't have the exact numbers
11 in front of me.

12 MR. POSTON: Thank you. That's all.

13 JUDGE WOODRUFF: All right. Come up to
14 questions from the Bench, then. Commissioner Kenney?

15 COMMISSIONER KENNEY: No questions. Thank
16 you.

17 JUDGE WOODRUFF: All right. I have no
18 questions, so there's no need for recross. Any redirect?

19 MR. ZUCKER: Yes, your Honor. Before I
20 start, I'd like to see the information that Mr. Poston
21 gave. May I approach?

22 JUDGE WOODRUFF: Sure.

23 MR. ZUCKER: Thank you, your Honor.

24 REDIRECT EXAMINATION BY MR. ZUCKER:

25 Q. Good morning again, Mr. Spanos.

1 A. Good morning.

2 Q. Mr. Poston asked you about your last
3 depreciation study for Laclede. Do you recall that?

4 A. Yes, I do.

5 Q. And you performed that in 2009; is that
6 correct?

7 A. It was as of 2009, yes.

8 Q. And was -- the asset you looked at, was
9 there anything comparable to the EIMS system Laclede's
10 implementing now?

11 A. The EIMS system is very different from what
12 was in service at that time. It's a much more fully
13 integrated system, and so in my opinion it's not the same
14 type of assets that were in service at that time.

15 Q. And you did a -- would you say that you
16 have done a study on the EIMS system for purposes of
17 setting a or recommending a depreciation life?

18 MR. POSTON: Objection. I did not ask him
19 any questions about the IMS system.

20 MR. ZUCKER: Yeah. He asked him questions
21 about whether he had done a full depreciation study.

22 MR. POSTON: I didn't ask him anything
23 about that system. I just asked if he'd done a
24 depreciation study in this case.

25 JUDGE WOODRUFF: I'll overrule the

1 objection. You can go ahead and answer.

2 BY MR. ZUCKER:

3 Q. You said that you haven't done a
4 depreciation study in this case. Does that mean you
5 haven't done a full depreciation study or you haven't done
6 a depreciation study on EIMS?

7 A. I've not done a full depreciation study.
8 However, in determining a life expectation and ultimate
9 rate, the information for new assets does not have
10 historical data other than the fact that you can determine
11 business plans of the company.

12 So in this particular case, I've done all
13 of the same types of things I would to determine a life
14 characteristic for these assets as if I had done a full
15 depreciation study for this account. So in that regard,
16 I've obtained all the same information that I would
17 understanding company's business decisions, looking at
18 what the industry is doing for these types of assets and
19 determining a life characteristic that would be reasonable
20 for these assets.

21 And in that regard, for this particular
22 type of asset, I've done all the same types of things I
23 would do if doing a full depreciation study.

24 Q. So when you do a full depreciation study
25 for Laclede's next rate case, will you do anything

1 **different for EIMS?**

2 A. I'll ask all those specific questions
3 again, but the same information, unless the business plans
4 have changed the next time I do a depreciation study, all
5 would be the same.

6 Q. **Mr. Poston asked you about KCPL's software**
7 **account. What is your experience with other companies,**
8 **how they obtain a depreciation rate for a system like**
9 **EIMS?**

10 A. In most cases the -- if the asset is
11 outside of a rate case, the company would ask for, write a
12 letter to the Commission explaining the type of asset that
13 they have in place and that it warrants a specific rate
14 for those types of assets and they categorize that.

15 In other cases, if it's within a rate case,
16 you'll see that the same types of information we obtain in
17 this case would be involved, and the classification of
18 these assets would be put into a separate subaccount or
19 handled separately if it is unique assets to the company.

20 MR. ZUCKER: Thank you, Mr. Spanos. I have
21 no further questions.

22 JUDGE WOODRUFF: All right. Then you can
23 step down.

24 THE WITNESS: Thank you.

25 JUDGE WOODRUFF: Laclede can call its next

1 witness.

2 MR. ZUCKER: Mr. Pendergast will call our
3 next witness.

4 MR. PENDERGAST: At this time we would call
5 Glenn W. Buck to the stand. And, your Honor, is it okay
6 if we excuse Mr. Spanos at this time?

7 JUDGE WOODRUFF: Yes. Mr. Buck, I'll swear
8 you in here.

9 (Witness sworn.)

10 JUDGE WOODRUFF: Thank you very much. And
11 do you want to go ahead and mark his exhibits,
12 Mr. Pendergast?

13 MR. PENDERGAST: Yes.

14 (LACLEDE EXHIBIT NOS. 2 AND 3 WERE MARKED
15 FOR IDENTIFICATION BY THE REPORTER.)

16 JUDGE WOODRUFF: Okay. You may inquire.
17 GLENN W. BUCK testified as follows:

18 DIRECT EXAMINATION BY MR. PENDERGAST:

19 Q. Good morning, Mr. Buck. Would you please
20 state your name and business address for the record.

21 A. My name is Glenn W. Buck, and I work for
22 Laclede Gas Company at 720 Olive Street, St. Louis,
23 Missouri 63101.

24 Q. Thank you. And are you the same Glenn W.
25 Buck who has previously caused to be filed in this

1 proceeding direct and surrebuttal testimony which has just
2 been marked as Exhibits 2 and 3?

3 A. That's correct.

4 Q. Do you have any corrections to make to your
5 prefiled testimony?

6 A. I do not.

7 Q. If I were to ask you the same questions
8 today that are in your direct and surrebuttal testimony,
9 Exhibits 2 and 3, would your answers be the same?

10 A. Yes, sir.

11 Q. And are those answers true and correct to
12 the best of your knowledge and belief?

13 A. Yes, sir.

14 MR. PENDERGAST: Thank you. With that, I
15 would request that Exhibits 2 and 3 be admitted into
16 evidence, and tender Mr. Buck for cross-examination.

17 JUDGE WOODRUFF: Thank you. Exhibits 2 and
18 3 have been offered. Any objections to their receipt?

19 (No response.)

20 JUDGE WOODRUFF: Hearing none, they will be
21 received.

22 (LACLEDE EXHIBIT NOS. 2 AND 3 WERE RECEIVED
23 INTO EVIDENCE.)

24 JUDGE WOODRUFF: Cross-examination,
25 beginning with Staff.

1 CROSS-EXAMINATION BY MS. TOMPKINS:

2 Q. Good morning, Mr. Buck.

3 A. Good morning, ma'am.

4 Q. I want to refer you to your surrebuttal
5 testimony, Exhibit 3.

6 A. I am there. What page, please?

7 Q. Page 4, lines 15 through 17. You talk
8 about the two systems that have not experienced useful
9 service lives in excess of 15 years?

10 A. That's correct.

11 Q. To clarify, are those two systems, the one
12 applicable to accounting and the other to payroll, are
13 they still in use by the company today?

14 A. Yes, they are.

15 Q. And then staying on your surrebuttal
16 testimony, on page 5, line 7, you mention upgrades and
17 workarounds that have been made by -- made to the
18 company's core information system. Can you explain what
19 you mean by workarounds?

20 A. Let me refer to a data request response if
21 I might, please. Okay. Specifically workarounds from our
22 standpoint have generally been dealing with
23 functionalities that the current core systems couldn't do,
24 and we either had a situation where we had a new
25 functionality that was required that the core systems

1 didn't have or, probably more importantly, the programmers
2 or the analysts who had actually been around to sit there
3 and modify the old core software, which is COBOL-based,
4 frankly, we didn't have the people who had those skill
5 sets. A lot of them have retired. Many of them -- many
6 of the people coming out of school right now are all
7 Java-based and distributed systems. They don't deal with
8 COBOL anymore. So it was just easier to sit there and
9 create an outside system.

10 For example, I will give an example. We
11 had one where we needed to sit there or wanted to hook up
12 our community action agencies with being able to sit there
13 and do pledges for our low-income customers. Ideally,
14 with a good system, they could have sat there and looked
15 right to our CS system. We could let them go into that.
16 We couldn't do that sort of modification because we didn't
17 have the skill sets to do so and we were kind of worried
18 about breaking the code.

19 What we did was we sat there and created a
20 distributed system outside of that that allowed it to
21 interface with the mainframe and just pull the data from
22 that system and created a functionality that we needed to
23 sit there and supply our -- the consumer groups outside
24 through that distributed system. So that's an example of
25 the workarounds.

1 **Q. Okay. So do the upgrades or workarounds**
2 **replace any of the core information management systems?**

3 A. No. It sort of layers on top of the core
4 systems. The core systems really are, as I look at it,
5 really had your basic kind of blocking and tackling of
6 running a business. They sat there and, you know,
7 produced bills, they produced financials, they produced
8 payroll, but when you talk about, yeah, there's
9 functionality that occurs that the company has transformed
10 itself into just because information technology, those
11 workarounds really laid on top of the systems instead
12 of -- it didn't even really necessarily enhance them.
13 They really laid on top of them.

14 **Q. Are those depreciated or amortized?**

15 A. They are in 391.300, so they are amortized,
16 and for the most part, just going off the top of my head,
17 most of those have been developed in such a period of time
18 that they've pretty much been fully amortized at this
19 point in time.

20 **Q. What's the difference with those assets**
21 **being amortized versus depreciated?**

22 A. Okay. The PSC utilizes, as far as I know
23 for Laclede, and I think for every other utility in the
24 state, they use an open-ended depreciation methodology.
25 So if an asset goes into service, until you take that

1 asset off the books it continues to depreciate, even if
2 it's got a longer -- even if it lives longer than what the
3 estimated life is.

4 For example, if we have a main that's in
5 the ground, an estimated service life for a main may be 40
6 years, but if there's a piece of property, a main that we
7 put in the ground that lasts 50 years, for years 41
8 through 50 we're still depreciating even though
9 theoretically we've recovered the full cost of that main
10 at that point in time.

11 And the reason why is because depreciation
12 rates are set on an average service life, so there's going
13 to be some last longer, some that are shorter. So as a
14 result, the average service life will -- you'll sit there
15 and maybe recover more than the price of that one
16 particular asset, but if you look at the property as a
17 whole, which is what Mr. Spanos was able to sponsor, if
18 you look at the property as a whole, the average service
19 life and the depreciation rate thereto makes sense.

20 Versus amortization, and this has been
21 something that has been set out probably because of,
22 frankly, there wasn't a lot of accounting authority
23 related to some amortizable property. At the end of the
24 period that you're amortizing a piece of property over,
25 you stop amortization on that piece of property at that

1 point in time. So if it's an amortizable account, at the
2 end of the period of time that you're actually
3 establishing that amortization rate for, amortization of
4 that piece of property stops at that date.

5 **Q. Are the assets that we're talking about in**
6 **this case, are they software only?**

7 A. There was hardware related to our New Blue
8 system, but we are not asking for any authority to change
9 the hardware recovery. So they're in a separate account,
10 and that's got, I believe, a 10 percent depreciation rate
11 on it.

12 MR. PENDERGAST: Your Honor, just by way of
13 clarification, so we don't confuse the record, if we could
14 just advise everybody that when Mr. Buck refers to New
15 Blue, he's talking about the new information management
16 system.

17 THE WITNESS: And I apologize. That's been
18 kind of a nomenclature at Laclede is we refer to that
19 project as New Blue rather than just EIMS.

20 JUDGE WOODRUFF: Okay. Thank you.

21 THE WITNESS: You're welcome.

22 BY MS. TOMPKINS:

23 **Q. So are you still using the old legacy**
24 **systems?**

25 A. Painfully, yes.

1 Q. Are they still in Accounts 391.1 and
2 391.3 -- excuse me 391.1 and 391.3?

3 A. This may be a longer answer than what
4 you're asking, but I'm going to give it to you anyway.
5 For the old systems, specifically our CIS system, our
6 materials management system and our service location
7 system, they never actually made it into Account 391.300
8 because at the time those systems were implemented we had
9 no accounting guidance to allow capitalization of those
10 things. In fact, capitalization guidance from the FASB
11 didn't come out until 1998 when they issued SOP 98-1 which
12 said, here's what you do if you've got a big asset.

13 The reason why they did that is because the
14 price of internally used software started to grow
15 exponentially over the course of those years, especially
16 when people looked at Y2K and said, gosh, we've got to sit
17 there and do a whole bunch of work with this stuff. The
18 accounting industry said, yep, it's time to sit there and
19 come out with a pronouncement.

20 So long and short of it is that our CIS
21 system was not capitalized through a gas plant in service
22 account. Instead, we put it to a miscellaneous deferred
23 debit account and just amortized it over a five-year
24 period just because the magnitude of the cost of that CIS
25 system was such that we didn't think it would be

1 appropriate to expense over one year.

2 Now, with that said, the service location
3 system, which was another one I had used in the example,
4 that one the significance of the cost was much less and
5 the development time was much less, and we actually did
6 expense that in the year that we actually put it in place.

7 Hope that helps. Sorry. I told you it was
8 going to be a long answer.

9 **Q. Thank you. The original management**
10 **software currently in the account, has it been fully**
11 **depreciated?**

12 A. For those core systems, yes. There are
13 some ancillary software systems that have been put in
14 place subsequent to 2005. You've got a five-year
15 amortization period basically. If something was put into
16 place in 2005, it would fall out of rates in 2010, which
17 is actually when we had our last rate case. We've had a
18 couple of major upgrades to certain systems, not those
19 core systems.

20 Those items, for example, our GIS system
21 upgrades, our service hub upgrades, those were like circa
22 2006, 2007, those are still in place. But when we turn on
23 our EIMS -- not New Blue. When we turn on EIMS, those are
24 going to hook into it. So it's not -- they're going to be
25 obsolete at that point in time.

1 **Q. What does GIS stand for?**

2 A. God, I was hoping you wouldn't ask that.

3 It's like geospatial information system. It's basically
4 where you can sit there and draw something and say this is
5 where my main is in the ground and on this street and this
6 is where the service lines come off of it, and it helps
7 people in the field to sit there and actually locate where
8 those services are and the mains are and helps them
9 actually design, do distribution design, saying, hey, this
10 area is where we probably need to sit there and bring
11 additional back feed in because we're getting a lot of
12 customers in that area. So you've got -- you've got to
13 sit there and push additional ability to push gas into
14 that, so you do a system feed upgrade because your current
15 systems can't handle it. And that's about all the
16 engineering I know.

17 MS. TOMPKINS: That's all the questions we
18 have right now.

19 THE WITNESS: Thank you.

20 JUDGE WOODRUFF: Cross by Public Counsel?

21 MR. POSTON: Thank you.

22 CROSS-EXAMINATION BY MR. POSTON:

23 **Q. Good morning.**

24 A. Good morning, sir.

25 **Q. Are you a certified public accountant?**

1 A. I am not.

2 Q. Do you consider yourself an expert in the
3 field of accounting?

4 A. Yes.

5 Q. Do you consider yourself an expert in the
6 field of engineering?

7 A. I think we just witnessed that. No. Thank
8 you.

9 Q. Every month Laclede charges each
10 residential customer a \$19.50 customer charge regardless
11 of whether the customer used gas during the month; is that
12 correct?

13 A. Residential customers, that's correct.

14 Q. And the customer charge is set to provide
15 sufficient revenues for Laclede to cover most of its
16 approved revenue requirement, correct?

17 A. Could you define most of, please?

18 Q. Majority of the revenue requirement?

19 A. It's probably around 55 to 60 percent. If
20 you consider that to be the majority or most, then I would
21 have to agree with you, yes.

22 Q. And Laclede also charges a usage-based rate
23 per therm that's set to provide sufficient revenues for
24 Laclede to recover the remaining revenue requirement; is
25 that correct?

1 A. That's correct.

2 Q. And the revenue requirement recovered
3 through these two rates was set by the Commission in
4 Laclede's last rate case?

5 A. I believe it was GR-2010-0171.

6 Q. And is depreciation a component of
7 Laclede's revenue requirement?

8 A. Yes, sir, it is.

9 Q. And you also agree that Laclede earns a
10 return on its software investments?

11 A. On some of them.

12 Q. Do you have a copy of Mr. Robertson's
13 rebuttal testimony?

14 A. Robertson? Yes, I do.

15 Q. Will you please turn to page 11?

16 A. You did say rebuttal, correct?

17 Q. Yes.

18 A. I'm there.

19 Q. And at the bottom of that page is a data
20 request and response that carries over on to page 12. Do
21 you see that?

22 A. Give me one moment, please. I do see it,
23 but I'd like to just read it for context. Go ahead,
24 please.

25 Q. Did you prepare that response?

1 A. It was prepared by me or under my
2 supervision, yes, sir. If you're asking who attached
3 their signature at the bottom, that would be me.

4 Q. And this data request asks you to identify
5 the software systems that are being replaced by each of
6 the four components of the new software system, correct?

7 A. Based on the inquiry of the data request,
8 that's what my response was, yes, sir.

9 Q. And Laclede's response identifies a number
10 of software systems being replaced; is that correct?

11 A. Yes, sir.

12 Q. And most of the current software systems
13 have received enhancements over the years; is that
14 correct?

15 A. Could you define enhancements, please?

16 Q. Well, as that term is used in your
17 testimony, I believe you talk about enhancements.

18 A. I want to make sure because it's not the
19 core systems that necessarily got enhancements. It was
20 enhancements around the core system. In other words, we
21 didn't do a lot of modification to our CIS system.
22 Instead we put software, for example, with the pledges
23 thing, we put that on as an enhancement to the system, but
24 it wasn't the core system. So that's, I guess, as the
25 term enhancement in my testimony was to meant to say,

1 that's how it was captured.

2 Q. And these enhancements were capitalized to
3 Account 391.3; is that correct?

4 A. That is correct.

5 Q. And 319.3 is a subaccount for computer
6 software; is that correct?

7 A. I'd have to look at the -- I believe the
8 way it's categorized is data processing systems, but it's
9 essentially software, yes, sir.

10 Q. And 391.1 is a subaccount that would
11 include personal computers; is that correct?

12 A. That would be a hardware account. It's got
13 personal computers. It's got the mainframes. It's got
14 our distributed equipment, our servers, et cetera. It's
15 not just personal computers, but yes, it's hardware.

16 Q. And what is the depreciation rate that
17 applies to these accounts?

18 A. To the 391.10, I believe it's a 10-year
19 life with a 10 percent depreciation rate. For 391.30,
20 it's a 5-year life with a 20 percent amortization rate,
21 which is different from a depreciation rate.

22 Q. Would you agree with the statement that not
23 all computer software has the same expected service life?

24 A. Absolutely.

25 Q. In this case you propose the same service

1 **life for all the software components of EIMS; is that**
2 **correct?**

3 A. You did say software components?

4 Q. **Yes.**

5 A. Yes, that is correct.

6 Q. **I'd like to discuss the application.**

7 **Although Laclede's application asked for a 5 percent**
8 **depreciation rate, Laclede's now proposing a 7 percent**
9 **depreciation rate as recommended by Staff's witness**
10 **Mr. Robinett; is that correct?**

11 A. Do you have a copy of the application,
12 please, that I could review? I didn't bring one up with
13 me.

14 Q. **I do not know if I have one.**

15 A. It may be difficult for me to answer
16 questions related to something that was filed quite a
17 while back. If you don't, perhaps one of my attorneys has
18 one. Thank you.

19 Okay. Very briefly, I've had a chance to
20 scan it. It sort of jogged my memory. So please go
21 ahead.

22 MS. SHEMWELL: To be clear, what did you
23 just hand the witness?

24 MR. POSTON: I'm sorry. I handed him a
25 copy of their application.

1 THE WITNESS: Here, do you want to show
2 her?

3 MR. POSTON: Just Laclede's application.

4 MS. SHEMWELL: Thank you.

5 BY MR. POSTON:

6 Q. And I'd asked, the application asked for a
7 5 percent depreciation rate; is that correct?

8 A. I'll ask for that back again, please.
9 Sorry. As initial rate, yes, sir.

10 Q. I'd like to briefly jump back to a question
11 I'd ask you about 391 -- Account 391.1, you'd said it has
12 a 10 percent?

13 A. Off the top of my head, that's what I
14 thought. If you -- subject to check, I suppose. If you
15 have something that tells me it's something else, I'll be
16 happy to look at it.

17 MR. POSTON: Can I approach the witness
18 again?

19 JUDGE WOODRUFF: You can.

20 BY MR. POSTON:

21 Q. Does that look familiar to you?

22 A. Yes, it does.

23 Q. Can you identify what I just handed you?

24 A. Yes. It's the list of depreciation rates
25 that were approved in GR-2010-0171, Attachment B to

1 probably the first partial Stipulation & Agreement.

2 **Q. Okay. And looking at that, does that**
3 **change your answer to how you answered what's the rate for**
4 **Account 391.1?**

5 A. Why, yes, it does. It shows a five-year
6 life at 20 percent, and that's actually probably what I
7 meant to say. Thank you for correcting me.

8 And just if I might, I'll do a small matter
9 of clarification. The reason why I was a little confused
10 about is in our GR-2005 case or '7 case, we had a
11 depreciation study, and that account and another account
12 got switched back and forth. So there is about a
13 three-year period where one of them did a ten-year or
14 10 percent depreciation rate.

15 **Q. Thank you. Laclede is also proposing to**
16 **file a depreciation study in its next rate case; is that**
17 **correct?**

18 A. We agreed to that, yes, sir.

19 **Q. Has Laclede already retained a consultant**
20 **to conduct this depreciation study?**

21 A. I believe you met him this morning.

22 **Q. Do you know if he's already began his work**
23 **on that study?**

24 A. We -- the last information we had given him
25 was from -- I mean, I can't speak to exactly what he's

1 done. He's got information through 2009. We will give
2 him the last three years of retirement or mortality data
3 in order to update his depreciation study. So my guess
4 would be no, although he has done some due diligence
5 related to, for example, this case right now.

6 JUDGE WOODRUFF: Just to clarify, you are
7 speaking of Mr. Spanos?

8 THE WITNESS: I am speaking of Mr. Spanos,
9 yes, sir.

10 JUDGE WOODRUFF: Wanted to be clear on
11 that.

12 BY MR. POSTON:

13 Q. Turning to your rebuttal testimony on
14 page 7.

15 A. I'm there.

16 Q. You state that the authority you seek is
17 nearly identical to the authority recently granted by the
18 Commission when it approved a Stipulation & Agreement in
19 the most recent Missouri American Water rate case; is that
20 correct?

21 A. That's correct.

22 Q. And your attorney, Mr. Pendergast,
23 discussed that same case in his opening statement. Do you
24 recall?

25 A. He did.

1 **Q. Have you read the Nonunanimous**
2 **Stipulation & Agreement from that case?**

3 A. Yes, I have.

4 **Q. Do you have a copy with you?**

5 A. I do not.

6 MR. POSTON: May I approach?

7 JUDGE WOODRUFF: You may.

8 BY MR. POSTON:

9 **Q. Can you identify the document I just handed**
10 **you?**

11 A. It appears to be the Nonunanimous
12 Stipulation & Agreement in WR-2011-0337, Missouri American
13 Water -- in the matter of Missouri American Water
14 Company's request for authority to implement a general
15 rate increase for water and sewer service provided in
16 Missouri service areas.

17 **Q. And can you please turn to the tab that**
18 **I've inserted?**

19 A. I'm there.

20 **Q. And what page is that?**

21 A. It doesn't have page numbers. I can count
22 it if you wish.

23 **Q. Well, a paragraph section then.**

24 A. It's paragraph No. 25 if you're assuming
25 the assuming the highlighted section.

1 Q. And that's titled Contingent Waiver of
2 Rights; is that correct?

3 A. That is correct.

4 Q. Can you please read the highlighted
5 sentence?

6 A. Other than explicitly provided herein, none
7 of the signatories shall be prejudiced or bound in any
8 manner by the terms of this agreement in these or any
9 other proceedings regardless of whether the Stipulation &
10 Agreement is approved.

11 Q. Is it your understanding the Commission
12 approved the terms of that agreement?

13 A. As well as the depreciation rate, yes.

14 Q. Last question. Was there anything
15 preventing Laclede from filing a depreciation study with
16 the application in this case?

17 A. If you want a yes or no answer, the answer
18 would be, as far as I know, no.

19 MR. POSTON: Thank you. That's all I have.

20 JUDGE WOODRUFF: We'll come up for
21 questions from the Bench, then. Commissioner Kenney.
22 Commissioner Kenney, did you have any questions?

23 COMMISSIONER KENNEY: I'm sorry. No. No,
24 thank you.

25 JUDGE WOODRUFF: Okay. All right. I do

1 have a couple questions.

2 QUESTIONS BY JUDGE WOODRUFF:

3 Q. Do you know when Laclede is planning on
4 filing its next rate case, roughly?

5 A. Yes. Roughly December of this year.

6 Q. Okay. And in my experience in dealing with
7 rate cases, generally it's the company that wants to have
8 a short life and a quicker depreciation, and the Public
9 Counsel and the Staff generally are looking for a longer
10 life and shorter -- longer depreciation term. Why is this
11 case different?

12 A. If you don't mind a slightly more elaborate
13 answer.

14 Q. Go ahead.

15 A. The reason why is that, unlike any of the
16 other information systems, as you saw on the probably
17 second poster, maybe the first second poster Mike put up
18 on there during opening statements, our most expensive
19 system, and it was the single most expensive system we've
20 ever had prior to this, was about \$7 million, and that was
21 our Walker system. And that was a system that pretty much
22 was the only big system on our books at the time because
23 we already fully depreciated our CIS system, we already
24 fully depreciated our MMS system.

25 So we've kind of been sequencing our

1 software in place. So it was never, gee, here, let's pay
2 for everything all at time. Suddenly come to 2011 and
3 we're putting in a 60-plus million dollar asset, which is
4 by far the single largest asset we will ever have had on
5 our books. In fact, actually, it actually dwarfs the
6 non-information-system assets that we have. Normally our
7 construction expenditures in a year exclusive of that
8 before we were ramped up our cast iron program was about
9 \$50 million.

10 So if you think about it, we're spending
11 more on one system or one integrated system in this
12 particular instance than we normally spend in a year on
13 our entire distribution system. So that was one concern.

14 If you sit there and look at it, if we kept
15 a five-year depreciation rate versus what we proposed
16 originally, which was a 20-year life, so a five-year life
17 versus 20-year life, if we went with five years, the
18 customer impact on customers themselves would have been
19 somewhere in the neighborhood of \$8 million more than what
20 we get by going with the 20-year life, or in the case of
21 the seven-year or 7 percent rate we agreed to, that would
22 still be \$7.3 million more.

23 We have concerns about customer impact.
24 Frankly, as we sat there and looked at it, looked at how
25 long our system's been in place, and we've had a lot of

1 experience with these now, and as the second chart I
2 believe showed, most of our systems, our core systems have
3 lasted between 10 and 25 years, with the average being 18
4 currently. A five-year rate didn't make sense. It didn't
5 make sense for the customers, and it didn't make sense
6 for -- if you want to talk about a matching principle,
7 when assets are consumed and when the benefit is provided.
8 That's why we proposed a 15-year rate.

9 And frankly, as we looked at our utility
10 companies, and Mr. Spanos attested to this, as we looked
11 at other utility companies or other companies that
12 implement this sort of software, they're using a 12 to
13 15-year period. So a 15-year period is probably -- I
14 don't think it's conservative based on where Laclede
15 spends its information system dollars, but it certainly
16 makes a lot more sense to us than the five-year life, and
17 it certainly will lower the burden on our consumers.

18 Q. Correct me if I'm wrong on this, and I'm
19 trying to further understand this. If the Commission were
20 to deny -- deny Laclede's application here and Public
21 Counsel's position were found to be correct and Laclede
22 were to start depreciating this on a five-year life span,
23 would it be unable to recover part of that cost until this
24 was put into rates?

25 A. Yes. For example, one of the options we

1 had available to us is, when we filed the application we
2 could have sought an AAO to defer the depreciation
3 expense, carrying costs and property taxes related to this
4 project. We chose not to do that. Are we going to be
5 absorbing some financial burden between when these
6 software systems go into place and what new rates go into
7 effect? Yes, but we thought this was much cleaner. It
8 was on our dime.

9 The one thing I will say is that if the
10 Commission goes with a five-year life for the depreciable
11 property or the software in this case, it's going to send
12 kind of a chilling effect to not just ourselves but other
13 utilities across the state to sit there and say, yeah,
14 we're willing to make a large investment in technology.

15 Q. So if this company -- if this software has
16 a 5-year life span instead of 20-year life span, Iacleda
17 is going to absorb more of that cost until new rates are
18 imposed, correct, than they would if it was a 20-year?

19 A. That's correct. I mean, I did a rough
20 estimate that's probably in the neighborhood of, if it
21 would go with a 20 -- or a five-year life, because it's
22 going in in stages. Some of it's going in in October.
23 Some of it's going to be going in January. The last
24 portion, which is the customer billing system and the
25 customer care system, will be going in place in July.

1 If we stage those that way, we'll probably
2 end up eating about \$7 million worth of depreciation
3 expense based on a five-year life versus maybe 2.3 if we
4 go with a 7 percent depreciation rate and a 15-year life.
5 So the financial burden on the company would be a greater
6 with a five-year life.

7 But then again, when new rates go into
8 effect, the customer rates are going to go up by
9 \$7 million a year. So the financial burden on us would be
10 in the interim. The financial burden on the customer
11 would be for the next four and a half years or five years
12 until such time as the assets have become fully amortized,
13 at which point the customer five years from now is going
14 to pay nothing for a system that's going to hopefully
15 serve them for another ten years or more.

16 JUDGE WOODRUFF: That's all my questions.
17 We'll go to recross based on those questions from the
18 Bench. Staff?

19 MS. SHEMWELL: No questions. Thank you.

20 JUDGE WOODRUFF: Public Counsel?

21 MR. POSTON: Yes. Thank you.

22 RE CROSS-EXAMINATION BY MR. POSTON:

23 **Q. You had mentioned in the -- or you**
24 **testified in response to a bench question that Laclede**
25 **will, if the Commission rejects your application, will eat**

1 **you said 7 million, I believe.**

2 A. I could be off on rounds, but yes,
3 approximately \$7 million, sir.

4 Q. **Is that number offset for what you're**
5 **getting in depreciation right now in rates?**

6 A. No, it's not.

7 Q. **And you also testified that if the**
8 **Commission denies your application, that it will increase**
9 **rates by \$8 million?**

10 A. When new rates go into effect, if that --
11 if the five-year life is carried forward, when new rates
12 go into effect, it will be increasing customer rates
13 versus the position we're taking by about \$7.4 million.

14 Q. **And if the Commission in the rate case does**
15 **not set a 5-year life and sets something between 5 and 15,**
16 **your number would go down; is that correct?**

17 A. If it's between 5 and 15, it probably works
18 in a sequential sense, but yes, it will go down, if you
19 take \$7.4 million divided by ten, so \$740,000 per year.
20 So if you go to six years, it would be \$7.4 million
21 higher, et cetera.

22 Q. **If the depreciation study that you file in**
23 **the rate case supports a 15-year life and the Commission**
24 **approves that, what would be the impact to consumers?**

25 A. First off, I don't think a depreciation

1 study is going to sit there and support anything related
2 to this because we have no experience with this sort of
3 asset. With that said, if it's a 15-year life versus a
4 5-year life, the depreciation on an annual basis, probably
5 about \$2.3 million versus the \$9 million we're -- sorry,
6 closer to \$10 million we were talking about previously.

7 Q. So I believe you testified your \$8 million
8 figure is based on the assumption that the Commission
9 would continue the five-year life after the rate case?

10 A. That's based on what we're interpreting
11 from your-all's testimony, yes, sir.

12 MR. POSTON: Thank you. That's all.

13 JUDGE WOODRUFF: Redirect.

14 REDIRECT EXAMINATION B MR. PENDERGAST:

15 Q. Good morning, Mr. Buck.

16 A. Good morning, sir.

17 Q. Again. Mr. Poston asked you some questions
18 about the 7 or \$8 million adverse customer impact that
19 recognizing Public Counsel's proposed 20 percent rate on
20 this asset would have in the next rate case; is that
21 correct?

22 A. That's correct.

23 Q. And you said that if that were used in the
24 interim, that the company could absorb up to \$7 million?

25 A. That's the approximate number I remember in

1 my head, yes, sir.

2 Q. Okay. And would it be accurate to say that
3 if the Commission adopts Public Counsel's recommendation,
4 in the next rate case as well as now, that if the company
5 were to stay out past the time when that depreciation rate
6 were fully recovered, that it would begin to recover more
7 than the cost of that asset?

8 A. Certainly.

9 Q. So if you go with a 20 percent/five-year
10 depreciation rate, the potential for under-recovery on the
11 front end and the potential for over-recovery on the back
12 end are both increased; is that correct?

13 A. That's correct.

14 Q. Okay. And in view of that, what is your
15 opinion on whether it's simply better to get it right
16 initially?

17 A. I think certainly the margin for error
18 using a 15-year life will give you some more wiggle room
19 until you've seen what the systems can do, how they're
20 established, how well they integrate, et cetera, at which
21 point over the term of a 15-year period you'll be able to
22 sit there and do an interim depreciation rate and say,
23 hey, based on what we're looking at, it probably should
24 have been 12, it probably should have been 20.

25 So there's more room to sit there and

1 actually measure actual outcomes with the system by going
2 with the longer life. Whereas, if you've got a five-year
3 period, you've already chewed in to quite a bit of that
4 asset and sought recovery from your customers of a fairly
5 large portion of that asset with no opportunity to really
6 sit there and do a meaningful depreciation study on the
7 assets themselves.

8 Q. Okay. Thank you. Mr. Poston also asked
9 you some questions on, well, okay, fine, if the Commission
10 goes with the 20 percent rate now but then in the rate
11 case changes that to something, oh, like what the Staff
12 and company have proposed now, and would it not have that
13 adverse impact if that were to happen. Do you recall
14 those questions?

15 A. I do.

16 Q. Now, you've read the direct testimony of
17 Mr. Robertson, have you not?

18 A. Once or twice, yes, sir.

19 Q. Okay. And did you get any sense from that
20 direct testimony that Public Counsel was planning on
21 pulling some sort of switcheroo where it would say five
22 years is appropriate now but then it would have an
23 epiphany when we came to the rate case and it would
24 suddenly say something else is more appropriate?

25 A. I got the distinct impression that they

1 were going straightforward with five-year life as the
2 appropriate life to have. And frankly, I think that would
3 be somewhat disingenuous to sit there and recommend a
4 20 percent depreciation right now only to wait seven
5 months when the assets still have given you no operational
6 history to come back then say, you know what, that
7 7 percent seems like it kind of made sense now.

8 Q. You also talked about, in response to
9 questions, the message that would be sent by going with an
10 overly accelerated depreciation rate as far as utilities'
11 willingness to make investments to serve their customers.
12 Do you recall that?

13 A. I do.

14 Q. And would that message, from your
15 perspective, be even worse if not only were a party
16 recommending that something be accelerated beyond a
17 reasonable level but then was playing a game of I'm going
18 to do it for six or seven months and then I'm going to
19 come in and reduce it once you have a rate case?

20 A. As I said before, that would be -- that
21 would send a very chilling effect to the utility
22 companies. And the reality is that we didn't take this
23 investment lightly. We spent a lot of time, a lot of
24 effort, several board meetings, as we have communicated
25 with the other parties, making a decision to sit there and

1 go this route.

2 As I said, most -- single most large
3 investment we've ever made, and we did not just do it
4 willy-nilly. And I know that if we have an issue related
5 to long-term recovery, we will find some different way to
6 try to handle it going forward from a regulatory
7 standpoint, or we just won't make that decision again.

8 Q. Mr. Poston also asked you to read out of
9 the Stipulation & Agreement in the Missouri American Water
10 Company case a provision talking about not -- party not
11 being prejudiced in future proceedings. Do you recall
12 that?

13 A. I do.

14 Q. Do you recall whether that same provision
15 is in the Laclede Stipulation & Agreement that Public
16 Counsel has cited for its 20 percent/5 percent rate
17 recommendation?

18 A. You know what, that's almost boilerplate
19 for any Stipulation & Agreement.

20 Q. And to your knowledge, Public Counsel
21 hasn't felt restrained from using the results of that
22 Stipulation & Agreement in support of its position, has
23 it?

24 A. No.

25 Q. Okay. Thank you. You were also asked some

1 **generalized questions about the customer charge and rates**
2 **that are established by Mr. Poston. Are you aware of**
3 **whether the fact that rates are established, whether they**
4 **be in a customer charge or on a usage basis, whether it**
5 **has prevented the Commission in the past from changing**
6 **depreciation rates between rate cases?**

7 A. No. In fact, actually in reply to I
8 believe it was a Staff data request, we've got several,
9 several issues where the company literally, as Mr. Spanos
10 referred to, the company sends a letter to the PSC that
11 says, hey, we've got a new class of asset. We need a
12 depreciation rate. But I've got something from actually
13 the chief engineer from PSC, a person who predated me,
14 which is kind of a scary thought, saying, yeah, that kind
15 of sounds right.

16 Additionally, just probably a few months
17 ago in the KCPL case something very similar, the
18 Commission approved an amortization for intangible costs
19 related to, I think it was Missouri Highway Department
20 contribution to a bridge that KCPL contributed to, and
21 they established that amortization rate without the need
22 for a depreciation study and outside of a rate case.

23 Q. Okay. And just to make sure it's supported
24 by evidence, in the Missouri American Water Company case,
25 was there a depreciation study submitted and even

1 considered by the Commission before it recommended the
2 5 percent/20-year service life for its enterprise-wide
3 system?

4 A. There was not.

5 Q. Okay. And even though the Commission may
6 establish customer charges and usage rates, are you aware
7 of whether or not utilities have been permitted to defer
8 depreciation expense and a return that accrues between
9 rate cases pursuant to AAOs?

10 A. Yes. In fact, actually we had one related
11 to -- I spoke to Ms. Tompkins a little while back about
12 Y2K related costs. We actually had an AAO related to all
13 the depreciation, deferred taxes and return on a fairly
14 large significant investment to sit there and modify our
15 systems to handle two more digits. So yes, we've had
16 multiple AAOs in our case.

17 Q. Did that have actually deferred
18 depreciation expense --

19 A. Absolutely.

20 Q. -- accumulates between rates cases?

21 Just to be clear on the record, we're not
22 asking to defer and eventually recover, try and recover
23 depreciation expense associated with this new system
24 between rate cases, are we?

25 A. That was an avenue we chose not to go down.

1 Q. We will be absorbing that; is that correct?

2 A. That's correct.

3 Q. And I think you identified that as about
4 2.3 million, 2.5?

5 A. That's the number that sticks in my head,
6 yes, sir.

7 Q. Okay. And we are not seeking to go ahead
8 and defer and try and eventually recover a return or
9 carrying costs associated with that investment; is that
10 correct?

11 A. That's correct.

12 Q. Okay. All we're seeking is to have --

13 MR. POSTON: Judge, I'm going to
14 object. These are all leading questions. Ask rephrasing
15 of the questions.

16 JUDGE WOODRUFF: I'll sustain the
17 objection. This is redirect.

18 BY MR. PENDERGAST:

19 Q. What are we requesting?

20 A. We are just really merely requesting the
21 establishment of a new rate for a new class of asset.
22 We're not seeking deferral. We are not seeking
23 depreciation or deferred taxes as part of our next case.
24 It's merely establishment of a rate for something we don't
25 have a depreciable life for right now.

1 Q. Okay. And Mr. Poston also asked you a
2 couple of questions when you talked about the expense the
3 company would be absorbing whether or not we were
4 recovering something in rates for similar systems. Do you
5 recall that?

6 A. I recall the question, yes, sir.

7 Q. And I think you indicated that all our core
8 systems had been fully depreciated?

9 A. Yes. Specifically, and I'll just give
10 dates again, our CIS system went into place in 1987.

11 MR. POSTON: Objection. Judge, there's no
12 question here.

13 JUDGE WOODRUFF: Can the court reporter
14 read back what the question was?

15 (THE REQUESTED TESTIMONY WAS READ BY THE
16 REPORTER.)

17 MR. POSTON: That's a statement.

18 JUDGE WOODRUFF: Do you want to rephrase
19 your question?

20 BY MR. PENDERGAST:

21 Q. Is it true that all of our core systems
22 have been fully depreciated?

23 A. Yes, it is. For example, our CIS system
24 went into place in 1987, and we amortized it over a
25 five-year period. Then our service location system, our

1 MMS system and our leak control system went into place in
2 1992, 1993. They were over a five-year period also. The
3 amortization period ran out in 1997. Our Walker system
4 went into place in 1998, 1999. So it went out -- came out
5 in about 2003, 2004, depending on exactly when the pieces
6 got closed.

7 Those really are our core systems, and they
8 have all been off the books, and, in fact, we're
9 recovering nothing in current rates on any of those
10 systems from current customers coming out of GR-2010-0171.

11 Q. Okay. You also indicated in response to a
12 question, and I don't recall whether it was Mr. Poston or
13 Judge Woodruff, that we had also looked at other utilities
14 in the course of developing our recommendation; is that
15 correct?

16 A. That is correct.

17 Q. Okay. And what were the results of looking
18 at other utilities?

19 MR. POSTON: Objection. I don't recall any
20 question about looking at other utilities from either
21 myself or the Bench.

22 JUDGE WOODRUFF: Did it come from Staff?

23 MS. TOMPKINS: No, Judge.

24 MR. PENDERGAST: I think he was asked a
25 general question about how we developed the rate, and in

1 in response to that question he said we looked at other
2 utilities, and I'm following up on that.

3 MR. POSTON: Judge, again, there's been no
4 question from anybody regarding other utility companies.

5 JUDGE WOODRUFF: I'll sustain the
6 objection.

7 MR. PENDERGAST: That's fine. We'll move
8 on. Actually, I think that's all I have, your Honor.
9 Thank you very much.

10 JUDGE WOODRUFF: Thank you.

11 THE WITNESS: Thank you, sir.

12 JUDGE WOODRUFF: And you may step down.
13 And we're due for a break. We'll take a break now and
14 come back at 10:30.

15 (A BREAK WAS TAKEN.)

16 JUDGE WOODRUFF: All right. It's 10:30.
17 Let's come back to order after our break. I believe that
18 concludes the evidence from Laclede. So we'll move on to
19 Staff. Like to call your next witness?

20 MS. TOMPKINS: Staff calls John Robinett.
21 Do you want to enter exhibits, Judge?

22 JUDGE WOODRUFF: Yes, go ahead.

23 MS. TOMPKINS: I have rebuttal testimony
24 and surrebuttal.

25 JUDGE WOODRUFF: Rebuttal will be 4.

1 Surrebuttal will be 5.

2 (STAFF EXHIBIT NOS. 4 AND 5 WERE MARKED FOR
3 IDENTIFICATION BY THE REPORTER.)

4 (Witness sworn.)

5 JUDGE WOODRUFF: You may inquire.

6 JOHN ROBINETT testified as follows:

7 DIRECT EXAMINATION BY MS. TOMPKINS:

8 Q. Please state your full name for the record.

9 A. John A. Robinett.

10 Q. And by whom are you employed?

11 A. Missouri Public Service Commission, P.O.
12 Box 360, Jefferson City, Missouri 65102.

13 Q. And what position do you hold?

14 A. I'm a Utility Engineering Specialist.

15 Q. How long have you been employed by the
16 Commission?

17 A. Just over two years.

18 Q. And who's your supervisor?

19 A. Mr. Gilbert.

20 Q. Are you the same John Robinett that
21 prepared and caused to be prepared and the rebuttal and
22 surrebuttal testimony marked as Exhibits 4 and 5?

23 A. I am.

24 Q. Do you have any corrections to your
25 surrebuttal or rebuttal testimony?

1 A. I have corrections to my rebuttal.

2 Q. Can you please identify those corrections
3 for the record?

4 A. The first one is on page 5, line 7 of the
5 rebuttal. It should -- instead of cost of removal, it
6 should say net salvage.

7 MS. SHEMWELL: I'm sorry. What line was
8 that, please?

9 THE WITNESS: Line 7, page 5.

10 BY MS. TOMPKINS:

11 Q. And what else?

12 A. The second is on page 6, line 8, it should
13 read, in Staff's opinion, there are compelling reasons.
14 And the final correction is on page 6, line 19, it should
15 read Enterprise Information Management System.

16 Q. Do you have any other corrections?

17 A. No.

18 Q. Is your testimony true and correct to the
19 best of your knowledge and belief?

20 A. Yes.

21 Q. If I were to ask you the same questions in
22 your prefiled testimony today, would your answers be the
23 same?

24 A. They would.

25 MS. TOMPKINS: I move to admit into the

1 record Mr. Robinett's rebuttal and surrebuttal testimony
2 marked as Exhibits 4 and 5 and tender the witness for
3 cross-examination.

4 JUDGE WOODRUFF: Exhibits 4 and 5 have been
5 offered. Any objections to their receipt?

6 (No response.)

7 JUDGE WOODRUFF: Hearing none, they will be
8 received.

9 (STAFF EXHIBIT NOS. 4 AND 5 WERE RECEIVED
10 INTO EVIDENCE.)

11 JUDGE WOODRUFF: And for cross-examination,
12 we begin with Laclede.

13 MR. PENDERGAST: No questions, your Honor.

14 JUDGE WOODRUFF: Public Counsel?

15 MR. POSTON: Thank you.

16 CROSS-EXAMINATION BY MR. POSTON:

17 Q. Good morning.

18 A. Good morning.

19 Q. Your testimony proposes a 7 percent
20 depreciation rate for Laclede's new software; is that
21 correct?

22 A. Yes.

23 Q. And you agree that making this change now
24 before the rate case will have an effect on the amount
25 Laclede books to its depreciation reserve?

1 A. I don't know.

2 Q. Do you have a copy of Staff's position
3 statement on this position of the issues -- Staff's
4 Statement of Position on the Issues?

5 A. I do not.

6 MR. POSTON: Can I approach the witness?

7 JUDGE WOODRUFF: You may.

8 BY MR. POSTON:

9 Q. Can you identify the document I handed you?

10 A. This is Staff's Statement of Position on
11 the Issues in Case No. GO-2012-0363.

12 Q. And at the bottom of that page there's a
13 position -- it's a paragraph. Can you tell me who
14 authored that paragraph?

15 A. I believe that came from legal.

16 Q. Okay. And there was a sentence I pointed
17 out to you. Can you read that sentence for me?

18 A. A commission order will, however, have an
19 effect on the amount Laclede books to its depreciation
20 reserve, which will have an effect on the rates customers
21 pay in the future.

22 Q. Okay. Do you agree with that statement?

23 A. I do.

24 Q. If the Commission were to agree with you
25 that Laclede should be allowed to book the new software at

1 a 7 percent depreciation rate in this case, is it Staff's
2 position that this 7 percent would serve as a placeholder
3 until a more accurate rate is determined through a
4 depreciation study?

5 A. It is if no other rate is decided besides
6 that in the future rate case.

7 Q. Can you explain that?

8 A. The 7 percent for now is a placeholder. If
9 something is determined in a rate case pending the
10 depreciation study, that could be adjusted from there. So
11 for now, 7 percent is the placeholder, yes.

12 Q. Thank you. And Laclede's depreciation
13 study should also provide evidence on whether other
14 depreciation rates should also be adjusted; is that
15 correct?

16 A. With an entire study, yes.

17 Q. And is it possible that other depreciation
18 rates will need to be adjusted in the next rate case?

19 A. They could. I don't know.

20 Q. And why is that?

21 A. It would just be the retirements. We would
22 look at the retirements and additions of the assets and
23 look at the whole principle of it.

24 Q. On your rebuttal testimony, page 5, down at
25 the bottom, you state that Laclede will book

1 approximately -- you say that if the Commission does not
2 make the depreciation rate change requested by Laclede or
3 the 7 percent proposed by Staff, that Laclede will book
4 approximately 12.6 million annually to the depreciation
5 reserve; is that correct?

6 A. That is what it says there. And can I
7 caveat that?

8 Q. Sure.

9 A. That 12.6 is based on the total number once
10 it is in service annually.

11 Q. Okay. What would Laclede book annually to
12 the depreciation reserve if your proposed 7 percent
13 depreciation rate is adopted in this case by the
14 Commission?

15 THE WITNESS: Judge, we may need to go
16 in-camera here. I have developed a model, but upon
17 Laclede's request, I'm not sure the numbers are public.

18 JUDGE WOODRUFF: I'll ask Laclede, do we
19 need to go in-camera?

20 MR. PENDERGAST: If we're going to get
21 specific about what those numbers are today, there may be
22 information that we haven't publicly disclosed. It would
23 probably be appropriate to do so.

24 JUDGE WOODRUFF: Okay. We will go
25 in-camera, then.

1 (REPORTER'S NOTE: At this point an
2 in-camera session was held, which is contained in
3 Volume 3, pages 91 through 94 of the transcript.)
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1 JUDGE WOODRUFF: All right. And we're back in
2 regular session.

3 BY MR. POSTON:

4 Q. In your surrebuttal testimony, page 2, you
5 state that Staff has reviewed FERC Form 2 for some gas
6 companies throughout the United States looking for
7 approved rates for similar EIMS systems for values
8 associated with Account 391; is that correct?

9 A. I do.

10 Q. And did Public Counsel send Staff a data
11 request that requested these FERC Form 2 documents?

12 A. They did. I believe it was OPC DR No. 11.

13 Q. And did Staff provide those FERC Form 2
14 documents, to your knowledge?

15 A. On a CD, yes.

16 Q. And do you agree that all of the FERC
17 Form 2 documents that you reviewed were for pipeline
18 companies and not for local distribution companies?

19 A. I don't know that for exact, no.

20 MR. POSTON: May I approach the witness?

21 JUDGE WOODRUFF: You may.

22 MS. SHEMWELL: Judge, if I might clarify
23 something. FERC Form 1s are for electric and FERC Form 2s
24 are typically for gas, so if that might be helpful.

25 BY MR. POSTON:

1 **Q. Can you identify what I've handed you?**

2 A. I believe this is the cover page to all of
3 the -- without review of all of them, this is the cover
4 page to the FERC Form 2, and then page 338, which lists
5 the depreciation rates, and then I am assuming it's any
6 other notes associated with it.

7 **Q. And would you just look through those and**
8 **tell me, does it look like those are primarily or**
9 **exclusively pipeline companies?**

10 MS. SHEMWELL: Judge, if I may approach?
11 I'd like to see what Mr. Poston has handed the witness.

12 JUDGE WOODRUFF: Yes.

13 THE WITNESS: Could you repeat your
14 question again for me?

15 BY MR. POSTON:

16 **Q. Do you agree that all the FERC Form 2**
17 **documents in your review were for pipeline companies and**
18 **not for local distribution companies?**

19 A. I don't know that I can answer that. I see
20 some that are labeled as transmission and pipeline, but
21 others are not.

22 **Q. Can you identify any company in that stack**
23 **that you know for a fact is a local distribution company?**

24 A. No.

25 **Q. And on -- I assume you have a list with you**

1 of the same companies that are in that stack; is that
2 correct?

3 A. I do.

4 Q. And looking over your list, does it appear
5 what most of those companies are labeled, named as
6 pipeline or transmission companies?

7 A. Yes.

8 Q. And do pipeline companies provide different
9 services than local distribution companies?

10 A. Could you redefine that question for me?

11 Q. Do pipeline companies provide different
12 services than local distribution companies?

13 A. I know they both provide gas.

14 Q. Okay. That's a similarity. Do they
15 provide different services to their -- whoever their
16 clients are?

17 A. I don't know.

18 Q. Did you read each of the FERC Form 2s in
19 their entirety?

20 A. No.

21 Q. And what did you review on each FERC
22 Form 2?

23 A. I reviewed page 338, which addresses the
24 depreciation rates, and any notes associated with that
25 page.

1 **Q. And I'd like to walk you through a few of**
2 **the FERC forms.**

3 MS. SHEMWELL: Do you have copies of those
4 for the rest of us?

5 MR. POSTON: I do not. I'm not going to
6 enter them in the record.

7 BY MR. POSTON:

8 **Q. I've handed you two documents. Can you**
9 **identify those documents?**

10 A. They are the FERC Form 2 cover page,
11 page 338, and any notes associated with A&R Pipeline for
12 2009 and -- I believe it's the same ones.

13 **Q. Trade you up.**

14 A. And then Southern Natural Gas Company for
15 2010.

16 **Q. And if you could turn to the A&R Pipeline,**
17 **in your opinion, does this example support your proposed**
18 **7 percent depreciation rate?**

19 MR. PENDERGAST: Your Honor, I'm going to
20 object at this point. I haven't had an opportunity to see
21 this material. I don't know what relevance it has to
22 anything. I don't know about A&R or A&R's system. So I
23 don't think it's proper to go ahead and try and introduce
24 this evidence through cross-examination of a witness.

25 JUDGE WOODRUFF: Do you want to come up and

1 take a look at the documents? I'll give you a moment.

2 MR. PENDERGAST: Thank you. I renew my
3 objection here. This purports to be a FERC account for a
4 company that we haven't had an opportunity to review. If
5 your Honor is willing to go ahead and allow us to
6 introduce additional evidence on other utilities that have
7 15 and 10 year or 12 year service lives for various
8 accounts, we can consider not objecting to this.

9 But I think having some FERC -- some other
10 company's FERC account being made subject to
11 cross-examination without us being able to conduct any
12 discovery is inappropriate.

13 JUDGE WOODRUFF: What is the relevance of
14 that, Mr. Poston?

15 MR. POSTON: Mr. Robinett testifies in his
16 surrebuttal testimony that he reviewed these FERC Form 2s
17 and that they support the 7 percent depreciation rate. I
18 think I'm fully entitled to look at the same forms that he
19 say support his position and cross-examine him on that.
20 Laclede had every opportunity once they read his
21 surrebuttal testimony to receive these exact same
22 documents. I assume they did not do so.

23 As far as having an opportunity to question
24 him on this, that's why Staff's counsel is here and they
25 can question him on these and present more of these FERC

1 Form 2s if they feel necessary.

2 MR. PENDERGAST: And I think it's
3 appropriate that if Public Counsel wanted to affirmatively
4 talk about other companies and what their depreciation
5 rates are, that it could have put that in affirmative
6 evidence, but once again, Public Counsel has not done
7 that. We have not had an opportunity to look at this, to
8 evaluate it, to conduct any discovery on it, and I think
9 it's inappropriate to use that as affirmative evidence.

10 JUDGE WOODRUFF: This is cross-examination
11 to test the truthfulness or I guess the strength of
12 Staff's opinion. Is that a fair statement?

13 MR. POSTON: Right. And it's surrebuttal
14 testimony, so we did not have an opportunity to present
15 evidence on this because it came to us in surrebuttal.

16 JUDGE WOODRUFF: I'm going to overrule the
17 objection and allow you to proceed, and we'll see where we
18 go from there.

19 BY MR. POSTON:

20 Q. My question was, in your opinion, does the
21 A&R Pipeline Company FERC Form 2 support your 7 percent
22 depreciation rate?

23 A. Yes.

24 Q. And do you base that on the footnote data
25 where it states under general plant that the depreciation

1 rate for office furniture and equipment group is
2 6.667 percent?

3 A. Yes.

4 Q. Do you see under general plant where it has
5 a computer equipment group?

6 A. I do.

7 Q. And what's the depreciation rate for
8 computer equipment?

9 A. 20 percent.

10 Q. Does this document specify in which group
11 A&R Pipeline Company books computer software?

12 A. You're asking by FERC USOA account?

13 Q. Does this document specify where software
14 is included?

15 A. No.

16 Q. Isn't it true, then, that you don't know
17 where the company booked its computer software?

18 A. This company, A&R?

19 Q. Yes.

20 A. That would be correct.

21 Q. When you reviewed these FERC Form 2s, all
22 of them -- well, first let me ask, you did review all of
23 the FERC Form 2s that you --

24 A. The specific pages that I have stated to,
25 yes.

1 Q. How many companies was it, approximately?

2 A. Companies or files?

3 Q. How many -- well, okay. Yeah. Files.

4 A. There were 55.

5 Q. When you reviewed those forms, were you
6 able to determine what type of software systems were being
7 used by each company?

8 A. Each company, no.

9 Q. Were you able to review by looking at these
10 forms all the assets that these companies included under
11 each account and subaccount?

12 A. No.

13 Q. Would you agree with me that gas companies
14 don't all use the same subaccounts for booking
15 depreciation expenses?

16 A. I cannot speak for all gas companies, no.

17 Q. And if you could please turn to the next
18 example I gave you for Southern Natural Gas Company, LLC.
19 Do you have that?

20 A. I do.

21 Q. And --

22 A. I'm assuming you're referring to 2010,
23 right?

24 Q. 2010.

25 A. Okay. Yes.

1 Q. Fourth quarter, yes. And can you tell me
2 what the depreciation rate is for office furniture and
3 equipment?

4 A. 6.67 percent.

5 Q. And would you -- do you believe that this
6 example supports your 7 percent recommendation?

7 A. Yes.

8 Q. Do you see another rate under the heading
9 data processing slash electronic testing?

10 A. Yes.

11 Q. And what's the rate provided on that form?

12 A. 20 percent.

13 Q. Do you agree that the FERC Form 2s don't
14 provide enough detail for you to testify with a high level
15 of certainty just what depreciation rate these pipeline
16 companies apply to their software systems?

17 A. I believe the review confirms for where
18 this is booked, 391, that that represents what I believe
19 to be right.

20 Q. Do you know for certain that 391 is where
21 these companies booked their software?

22 A. No.

23 Q. Okay. I'd like to change gears and discuss
24 Staff's position in this case as compared to Staff's
25 position in a prior case. Are you familiar with the Union

1 **Electric case, ER-2008-0318?**

2 A. No.

3 Q. I'd like to hand you a document. You said
4 **you're not familiar with ER-2008-0318?**

5 A. No, I'm not.

6 Q. Can you identify the document I've handed
7 **you? What does this appear to be?**

8 A. This appears to be Mr. Gilbert's rebuttal
9 **testimony in that case.**

10 Q. Okay. And when you prepared your testimony
11 **in this case, did you consider Staff's positions in prior**
12 **cases?**

13 A. No.

14 Q. So you stated this appears to be rebuttal
15 **testimony of Mr. Gilbert from ER-2008-0318?**

16 A. That's a belief how it is titled here, yes.

17 Q. And is Mr. Gilbert your supervisor?

18 A. Yes.

19 Q. Will you please turn to page 3?

20 A. I'm there.

21 Q. There's a question and answer beginning on
22 **line 4, and the question is, what is Staff's**
23 **recommendation in the current case? Do you see that?**

24 A. It starts on line 3, the question?

25 Q. Yes.

1 A. Yes, I see that question.

2 Q. Could you read that answer?

3 A. Without having conducted a depreciation
4 study all of the accounts of AmerenUE's --

5 Q. Sorry. Can you start again? You skipped a
6 word. You skipped the word of.

7 A. Okay. Without having conducted a
8 depreciation study of all the accounts of AmerenUE's
9 investment, it is premature to make any changes to
10 depreciation. Staff is concerned that a reduction in
11 depreciation accrual now as opposed by OPC --

12 Q. I'm sorry. As proposed, is that what you
13 said? As proposed.

14 A. As proposed by OPC may be premature given
15 the risk of reducing the accrual for nuclear plant
16 accounts now to only discover in the near future in the
17 context of a full depreciation study that depreciation
18 rates need to be increased.

19 Q. Has a depreciation study been filed in this
20 case?

21 A. No.

22 Q. Is Laclede seeking to change the
23 depreciation rate without the benefit of a comprehensive
24 depreciation study of all accounts?

25 A. No. They are asking for a new account and

1 a new depreciation rate. They have not asked for 391.1 or
2 391.3 to be changed.

3 **Q. If Laclede were -- if the Commission were**
4 **to deny Laclede's request, where would they book this new**
5 **plant?**

6 MR. SHEMWELL: That calls for speculation.
7 I don't know that Mr. Robinett can predict where Laclede
8 would book anything.

9 MR. POSTON: Calls for his expert opinion
10 as to where you would book it.

11 JUDGE WOODRUFF: With that clarification,
12 I'll allow it. I don't want you to speculate on what
13 Laclede's going to do, but you can explain in your expert
14 opinion where they should put it.

15 MS. SHEMWELL: May I add or could put it?

16 JUDGE WOODRUFF: Or could put it.

17 BY MR. POSTON:

18 **Q. Where would they book it if the Commission**
19 **rejects this application?**

20 MS. SHEMWELL: Mr. Poston's statement is
21 asking for speculation. He's not asking what you're
22 saying.

23 JUDGE WOODRUFF: I do want to be clear
24 about this. I don't want him to speculate about where
25 Laclede will put this. What I want to get is his opinion

1 about where it would be appropriate for them to put it.

2 THE WITNESS: I would like to cite the FERC
3 Account 391 where it says, this account shall include the
4 cost of office furniture and equipment owned by the
5 utility and devoted to utility service and not permanently
6 attached to buildings, except the cost of such furniture
7 and equipment which the utility elects to assign to other
8 plant accounts on a functional basis.

9 BY MR. POSTON:

10 Q. I'm just asking for an account number.
11 What account would they -- would you believe that it
12 should go into, if the Commission denies this application?

13 A. The general account 391.

14 MR. POSTON: Thank you. That's all I have.

15 JUDGE WOODRUFF: All right. I do have some
16 questions from the bench for myself.

17 QUESTIONS BY JUDGE WOODRUFF:

18 Q. If the Commission denies Laclede's
19 application, has it set a depreciation rate for this
20 equipment?

21 A. Laclede -- for the current, the new system
22 coming in?

23 Q. For the new system.

24 A. I believe it's at Laclede discretion to
25 book it in whichever account they wish.

1 Q. Okay.

2 A. They have three -- or they have five 391
3 accounts that they could book this to.

4 Q. And if the Commission issues -- well, I'll
5 move on from that.

6 If there is a full depreciation study in
7 the next rate case, would you expect that it would lead to
8 a five-year life recommendation?

9 A. For the new EMS system?

10 Q. The new EMS system.

11 A. No.

12 JUDGE WOODRUFF: That's all the questions I
13 have. Recross based on questions from the Bench,
14 beginning with Laclede?

15 MR. PENDERGAST: Just very briefly.

16 RECROSS-EXAMINATION BY MR. PENDERGAST:

17 Q. You were asked whether or not if Laclede
18 submits a depreciation study in the next rate case,
19 whether in your opinion that would lead to a five-year
20 life for the EIMS investment. I believe you responded no?

21 A. Yes, that is correct.

22 Q. In your opinion, would a 15-year service
23 life that Staff is recommending now continue to be
24 appropriate?

25 A. That is my belief at this time. This study

1 may tell us otherwise, yes.

2 Q. Okay. And if you had that full
3 depreciation study, is it your expectation that whatever
4 may be happening with whatever other depreciable accounts
5 Laclede has would be recognized at the same time that
6 whatever the Commission does with this investment and its
7 depreciation rate are recognized?

8 A. Based on the guarantee that Laclede has
9 supplied, yes.

10 Q. So the Commission will be able to take all
11 of that into consideration at the same time?

12 A. Yes.

13 MR. PENDERGAST: Okay. Thank you.

14 JUDGE WOODRUFF: Public Counsel?

15 MR. POSTON: No questions.

16 JUDGE WOODRUFF: Redirect?

17 MS. SHEMWELL: Thank you.

18 REDIRECT EXAMINATION BY MS. SHEMWELL:

19 Q. Hello, Mr. Robinett.

20 A. Hello.

21 Q. Mr. Robinett, you read a paragraph out of
22 the Uniform System of Accounts; is that correct?

23 A. Provided by FERC, yes.

24 Q. I'm going to hand you a page out of that
25 document.

1 JUDGE WOODRUFF: Do you want to mark this
2 as an exhibit?

3 MS. SHEMWELL: Yes, please.

4 JUDGE WOODRUFF: This is No. 6.

5 (STAFF EXHIBIT NO. 6 WAS MARKED FOR
6 IDENTIFICATION BY THE REPORTER.)

7 BY MS. SHEMWELL:

8 Q. Mr. Robinett, is this what you read into
9 the record?

10 A. The paragraph directly under 391, yes.

11 Q. And 391 is the account we're discussing?

12 A. Yes.

13 Q. How do you know that this page is from the
14 USOA?

15 A. I have the entire FERC USOA with me, and on
16 the top it says FERC USOA, or FERC, Federal Energy
17 Regulatory Commission.

18 Q. Why are you referring to the FERC?

19 A. That is the producer of the USOA for gas
20 utilities.

21 Q. Do you know if the Commission has adopted
22 the USOA?

23 A. I believe they have.

24 Q. Mr. Poston had a discussion with you about
25 how much, if the Commission agrees with Staff's position,

1 the difference in the potential effect on rates in the
2 future. Do you remember that line of questioning?

3 A. I do.

4 Q. Can you predict exactly how much it will
5 affect rates?

6 A. No. I only have estimates.

7 Q. What are the factors you considered in your
8 estimates?

9 A. One is timing of the next rate -- the rates
10 of the next rate case being approved, and then it was
11 amounts going in of the projected phase-in dates provided
12 by the company.

13 Q. Amounts of what going in?

14 A. Plant dollars going into service.

15 Q. What are those phase-in dates?

16 A. I believe the first phase-in date is
17 October 1st, 2012. The second is estimated at
18 January 1st, 2013, and the final Phase 3 is July 1st,
19 2013.

20 Q. Were there any other factors you considered
21 in making your estimate?

22 A. I looked at the difference between the two
23 rates versus OPC and what the Staff has recommended and
24 put that out over an estimated customer base of 600,000
25 for Laclede to give an estimate of what the cost would be

1 per customer for the new system.

2 **Q. What was the result of that?**

3 MR. POSTON: Objection. There was no
4 question asked about what the impact would be per
5 customer. I did not ask any question about that.

6 MS. SHEMWELL: There was a question about
7 increase to customer rates.

8 JUDGE WOODRUFF: I'll overrule the
9 objection.

10 THE WITNESS: I also put in a -- four
11 different scenarios for life of the difference as
12 recommended here. The cost per customer of the accrual
13 difference between the 20 percent recommended by OPC and
14 Staff's would be a cost per the customer of \$9.70 over the
15 entire life of whatever the asset is decided.

16 BY MS. SHEMWELL:

17 **Q. Is that a per month number or total?**

18 A. That is a total over the life, and that
19 does not assume any ROE. It is strictly the depreciation
20 accrual.

21 **Q. Are you diminishing the idea that there**
22 **will be a rate increase?**

23 A. Could you rephrase that for me?

24 **Q. I'm asking you, are you concerned with a**
25 **rate increase to customers or any increase?**

1 A. In this case?

2 Q. Uh-huh. Yes.

3 A. They should have no effect in this case.

4 Q. You were asked quite a few questions about
5 the FERC Form 2s. What was your purpose in looking at the
6 FERC Form 2s?

7 A. To see if I had a reasonable rate assigned
8 to look what other companies out there were using,
9 specifically addressing Account 391, which is where
10 Laclede's current assets were booked.

11 Q. And Mr. Poston showed you a list under
12 that, and he pointed out that office equipment had a 6.67
13 rate and that computer equipment had a 20 percent rate.
14 Do you recall those questions?

15 A. I do.

16 Q. And which of those did you use in your
17 analysis?

18 A. I used the analysis for office furniture
19 and equipment, the 6.67 rate.

20 Q. Why did you do that?

21 A. That is where Laclede currently books
22 theirs, so I believe that was a reasonable estimate. It
23 also under 391 lists that they may place mechanical and
24 office equipment such as accounting machines, typewriters
25 and et cetera.

1 **Q. What are you reading from?**

2 A. Exhibit 6 that you gave me under the list
3 of items, No. 7.

4 **Q. Did you review other aspects of your**
5 **recommendation on the basis -- or to look at**
6 **reasonableness?**

7 A. I did.

8 **Q. What?**

9 A. During this review process, I was on site
10 at Laclede on two occasions to review the current and the
11 new system as well as reviewing the RFP process, the
12 section process and the implementation plan.

13 **Q. Did you -- Mr. Poston was asking you why**
14 **you were comparing the FERC Form 2s, which are natural gas**
15 **pipeline companies, I think we concluded, generally. Did**
16 **you have -- do you have any experience with distribution**
17 **companies?**

18 A. No.

19 **Q. Missouri distribution companies?**

20 A. I have worked one rate case in -- for
21 Southern Missouri Natural Gas.

22 **Q. Have we established that gas companies have**
23 **a choice where they book certain accounts?**

24 A. I believe under the definition on
25 Exhibit 6, yes.

1 MS. SHEMWELL: That's all I have. Thank
2 you, Judge.

3 JUDGE WOODRUFF: All right. And
4 Mr. Robinett, you can step down. Ms. Shemwell, did you
5 wish to offer No. 6?

6 MS. SHEMWELL: I would like to offer No. 6.
7 Thank you, Judge.

8 JUDGE WOODRUFF: 6 has been offered. Any
9 objections to its receipt?

10 (No response.)

11 JUDGE WOODRUFF: Hearing none, it will be
12 received.

13 (STAFF EXHIBIT NO. 6 WAS RECEIVED INTO
14 EVIDENCE.)

15 JUDGE WOODRUFF: And move to Public
16 Counsel's witness.

17 MR. POSTON: Office of the Public Counsel
18 calls Ted Robertson.

19 JUDGE WOODRUFF: Mr. Robertson had rebuttal
20 and surrebuttal?

21 MR. POSTON: Yes.

22 (OPC EXHIBIT NOS. 7 AND 8 WERE MARKED FOR
23 IDENTIFICATION.)

24 (Witness sworn.)

25 TED ROBERTSON testified as follows:

1 DIRECT EXAMINATION BY MR. ROBERTSON:

2 Q. State your name, please.

3 A. Ted Robertson.

4 Q. And by whom are you employed and in what
5 capacity?

6 A. I'm employed by the Missouri Office of the
7 Public Counsel as its Chief Public Utility Accountant.

8 Q. Are you the same Ted Robertson that caused
9 to be prepared and filed rebuttal and surrebuttal
10 testimonies that have been marked as Exhibits 7 and 8?

11 A. I am.

12 Q. Do you have any corrections or changes to
13 your testimony?

14 A. I didn't think so, but I did find one.

15 Q. Okay.

16 A. On rebuttal testimony, page 9, line 15, at
17 the very end I reference the case GR-2011-0171. I believe
18 that's supposed to be 2010.

19 Q. Do you have any other corrections?

20 A. I haven't found any, so no.

21 Q. With that correction, if I were to ask you
22 the same questions in your testimony here today, would
23 your answers be substantially the same?

24 A. They would.

25 MR. POSTON: Your Honor, I offer Exhibits 7

1 and 8 and tender this witness for cross-examination.

2 JUDGE WOODRUFF: Exhibits 7 and 8 have been
3 offered. Any objections to their receipt?

4 (No response.)

5 JUDGE WOODRUFF: Hearing none, they will be
6 received.

7 (OPC EXHIBIT NOS. 7 AND 8 WERE RECEIVED
8 INTO EVIDENCE.)

9 JUDGE WOODRUFF: For cross-examination,
10 beginning with Staff.

11 MS. SHEMWELL: Thank you, Judge.

12 CROSS-EXAMINATION BY MS. SHEMWELL:

13 Q. Good morning, Mr. Robertson.

14 A. Good morning.

15 Q. OPC's position in this case is that
16 Laclede's application should not be considered to be an
17 Accounting Authority Order, right?

18 A. That is correct.

19 Q. On page 2, line 15 and 16 of Mr. Robinett's
20 testimony, do you have a copy of that in front of you?

21 A. Which one of his testimony?

22 Q. I'm talking about his rebuttal.

23 A. And the page again?

24 Q. 2.

25 A. Okay. I'm there.

1 Q. Line 15 and 16.

2 A. Okay.

3 Q. He testifies that Laclede is asking for an
4 Accounting Authority Order and that this type of request
5 has been called a depreciation authority order in other
6 cases; is that correct?

7 A. That's what it says.

8 Q. And you took issue with that in your
9 testimony?

10 A. I did. I also sent a data request to the
11 Staff in which they responded.

12 Q. I just said you took issue with that in
13 your testimony, correct?

14 A. And I followed up, yes.

15 Q. And you indicated that Mr. Robinett's
16 testimony is false, is a false and completely absurd
17 mischaracterization of Laclede's application.

18 A. Do you want to point me to the reference?

19 Q. Certainly. Page 4, line 9, 10 and 11.

20 A. Of rebuttal or surrebuttal?

21 Q. Of your surrebuttal.

22 A. Page 4?

23 Q. Yes, sir.

24 A. And the line numbers again?

25 Q. You were asking about, Mr. Robinett states

1 that the company's asking for an Accounting Authority
2 Order, and in parentheses, in all in caps, AAO. Is his
3 allegation correct? And your response to that was, no, it
4 is not. Mr. Robinett's allegation that company is
5 requesting an AAO is a false and completely absurd
6 mischaracterization of Laclede's application in the
7 instant case. It is false because an AAO is a cost
8 deferral mechanism.

9 Do you agree with my reading of that?

10 A. I do.

11 Q. Does that remain your testimony today?

12 A. It does, as I understand AAOs.

13 MS. SHEMWELL: If I may approach?

14 JUDGE WOODRUFF: You may. This is going to
15 be marked as an exhibit also?

16 MS. SHEMWELL: Please.

17 JUDGE WOODRUFF: This will be No. 9.

18 (STAFF EXHIBIT NO. 9 WAS MARKED FOR
19 IDENTIFICATION BY THE REPORTER.)

20 BY MS. SHEMWELL:

21 Q. Mr. Robertson, I've handed you a copy from
22 File No. -- Commission File No. EO-2012-0340. Do you
23 recognize that?

24 A. It is what it says it is.

25 Q. Which is an Order Granting Application,

1 correct?

2 A. That's how it's titled.

3 Q. And it's captioned in the matter of the
4 application of Kansas City Power & Light Company and KCP&L
5 Greater Missouri Operations Company for the issuance of a
6 depreciation authority order relating to their electric
7 operation, electrical operations. Will you agree with me?

8 A. I do.

9 Q. And this was dated, issue date June 27th,
10 effective date July 7th, 2012, correct?

11 A. It is.

12 Q. And the opening paragraph says that the
13 Missouri Public Service Commission is granting the
14 application of Kansas City Power & Light and KCP&L Greater
15 Missouri Operations for a depreciation authority order,
16 correct?

17 A. I'm sorry. Where are you at on that?

18 Q. The very first paragraph of the order.

19 A. Okay. You're on page 2?

20 Q. Page 1.

21 A. On page 1.

22 Q. The very first paragraph.

23 A. Yes. Okay.

24 Q. Under procedure, the second sentence says,
25 the application seeks an order setting depreciation rates

1 for certain accounts; is that correct?

2 A. It does.

3 Q. And then let's turn to page 2. At the top
4 of the page in this order the Commission is quoting from
5 Section 393.140. If you look at Footnote 2, it says 4 and
6 then it has four dots.

7 A. I agree, sure.

8 Q. And the next sentence is -- you agree we're
9 talking about a depreciation authority order, correct?

10 A. That's correct.

11 Q. The next sentence says, in Commission
12 practice such order is called an Accounting Authority
13 Order; is that correct?

14 A. That's what it says.

15 Q. That's what the Commission said. There's
16 an indented paragraph, and then at the bottom of that
17 paragraph when the Commission goes back into discussion it
18 says, in Commission practice, that species of accounting
19 authority order is called a depreciation authority order,
20 correct?

21 A. That's what it says.

22 Q. Was this case decided by the Commission
23 prior to your filing your surrebuttal testimony?

24 A. I'd have to check. July 30th. Three days.
25 Three days prior.

1 Q. Thank you. Are you familiar with the
2 process of this case, the EO case?

3 A. Generally, yes.

4 Q. In that case, was a depreciation study
5 performed?

6 A. Not to my knowledge.

7 Q. In the Missouri American Water case that
8 we've discussed today, WR-2011-0337, we all agree that
9 that was a black box settlement, right?

10 A. We do.

11 Q. Do you have a copy of the Stipulation &
12 Agreement in front of you?

13 A. Maybe. Give me a moment here.

14 Q. I'll hand you a copy, if I may.

15 JUDGE WOODRUFF: This will be No. 10.

16 (STAFF EXHIBIT NO. 10 WAS MARKED FOR
17 IDENTIFICATION BY THE REPORTER.)

18 BY MS. SHEMWELL:

19 Q. I've handed you a copy of the Nonunanimous
20 Stipulation & Agreement. Did Office of the Public Counsel
21 sign off on this agreement?

22 A. Yes.

23 Q. If you'd turn to paragraph 19, and I'm
24 sorry, these are not numbered.

25 A. Did you say 19?

1 Q. Paragraph 19.

2 A. Paragraph 19.

3 Q. I think I put a Post-It note on that page.

4 A. You really did. Thank you. Okay.

5 Q. The parties did specifically identify a
6 depreciation rate for the business transformation software
7 system, correct? The companies did identify that number
8 in the stipulation?

9 A. The depreciation rate --

10 Q. Yes.

11 A. -- is what you're asking?

12 Q. Yes.

13 A. Yes.

14 Q. It also indicated that MAWC shall conduct a
15 depreciation study as described in paragraph 16. So there
16 was no depreciation study in this case; is that right?

17 A. I believe you're correct, yes.

18 Q. Did the Commission approve the Nonunanimous
19 Stipulation & Agreement?

20 A. Yes.

21 Q. Mr. Robinett, I believe this is his
22 rebuttal at page 2, line 3.

23 A. Rebuttal?

24 Q. Yes.

25 A. Okay.

1 Q. Said that his purpose was to recommend the
2 Commission adopt the most reasonable depreciation rate for
3 the EIMS assets, and then the end is at this time. Do you
4 agree or accept that when he said at this time, he was
5 talking about at the time his study -- or his testimony
6 was filed?

7 A. I take it at face value.

8 Q. Is that a yes?

9 A. Are you asking at the time he wrote the
10 testimony, is that what you're asking?

11 Q. Yes, at the time he filed his testimony.

12 A. Sure.

13 Q. You agree that any depreciation rates set
14 by the Commission in this case can be and will be reviewed
15 in Laclede's upcoming rate case?

16 A. Sure.

17 Q. And Laclede has agreed if the Commission
18 sets a different rate to go back and recalculate the rates
19 if it benefits consumers to do so. Actually, what they
20 will recalculate is the amount that goes against the
21 depreciation reserve. Do you agree that they've agreed to
22 do that?

23 A. Could you rephrase the question? I'm not
24 sure I know what you're asking. I think I do. I'm not
25 sure.

1 Q. If the Commission in this case orders let's
2 say 10 percent for a number, but in the next rate case
3 they order a 12-year life and an 8 percent depreciation
4 rate or a six-year life with a high depreciation rate.
5 Laclede will go back and adjust the amount going into
6 their depreciation reserve?

7 A. They have recently made that statement that
8 they would, yes.

9 Q. On page 4 at line 16 through 19 --

10 A. Page 4.

11 Q. -- of your surrebuttal.

12 A. Page 4, 16 through 19?

13 Q. That doesn't seem right. Give me just a
14 second. I'm sorry. I don't think that's the right cite.
15 You say, the USOA states that AAOs are only for events and
16 transactions of significant effect which are abnormal.
17 I'm looking for the cite on that. Okay. Page 4, line 16.

18 A. Okay.

19 MS. SHEMWELL: Judge, I would like this
20 marked as an exhibit, please.

21 JUDGE WOODRUFF: This will be 11.

22 (STAFF EXHIBIT NO. 11 WAS MARKED FOR
23 IDENTIFICATION BY THE REPORTER.)

24 BY MS. SHEMWELL:

25 Q. Do you recognize this page, Mr. Robertson?

1 A. I do.

2 Q. And was paragraph 7 what you were referring
3 to when you were referring to extraordinary items?

4 A. One moment, please. It is, or at least in
5 part. I'd have to go through the rest of the USOA to see
6 if there's other areas in that also, though, but this does
7 discuss it to some degree.

8 Q. Mr. Robinett has a copy of the USOA. Do
9 you want to take that opportunity now to look through it?

10 A. It's up to you.

11 Q. Well, let's just make it subject to check
12 that you're agreeing that this is the definition of
13 extraordinary items, shall we?

14 A. Oh, I'm not disagreeing with it's the
15 definition of extraordinary items. In reference to my
16 testimony is what I'm discussing, I'd have to look at the
17 USOA to see if there was other references relating to it.

18 Q. Is your point that it might be defined
19 elsewhere?

20 A. My point is there might be other
21 discussions in the USOA that relate to this topic.

22 Q. And can you cite us any place in the USOA
23 where it discusses accounting authority orders?

24 A. Not at this moment, no.

25 Q. Do you want to look further?

1 A. Not at this moment, no.

2 MS. SHEMWELL: Judge, I'd like to move this
3 exhibit into evidence, please.

4 JUDGE WOODRUFF: All right. Exhibit 11 has
5 been offered. Any objections to its receipt?

6 (No response.)

7 JUDGE WOODRUFF: Hearing none, it will be
8 received.

9 (STAFF EXHIBIT NO. 11 WAS RECEIVED INTO
10 EVIDENCE.)

11 BY MS. SHEMWELL:

12 Q. In your testimony, when you're talking
13 about AAOs, you say that an AAO is analogous to
14 single-issue ratemaking.

15 A. Where are you referencing? What page?
16 Which testimony?

17 Q. I'm referring to your surrebuttal.

18 A. Okay.

19 Q. How do you define analogous?

20 A. Which page? Which testimony are you
21 referencing?

22 Q. I'm talking about surrebuttal.

23 A. Okay. I'm in surrebuttal.

24 Q. I'm sorry. I can't find it here. Do you
25 recall that?

1 A. I recall language regarding the section of
2 testimony where we were talking about the Ameren case. Is
3 that back in that area?

4 **Q. Yes --**

5 A. If that's it, we might be able to find it,
6 but I thought that was rebuttal.

7 MR. ZUCKER: Lera, are you talking about
8 page 2, line 9?

9 MS. SHEMWELL: Of rebuttal or surrebuttal?

10 MR. ZUCKER: Surrebuttal.

11 THE WITNESS: That's one reference at
12 least, yes.

13 BY MS. SHEMWELL:

14 **Q. It's line 10, correct?**

15 A. Yes.

16 **Q. Page 2 of your surrebuttal?**

17 A. The one counselor just discussed, but I
18 believe there was other in rebuttal also. The question
19 is?

20 **Q. How are you using the term analogous?**

21 A. Similar, I think is the way I would
22 probably term it. To make better understood, I guess.

23 **Q. With you do you have Mr. Robinett's**
24 **response to OPC's DR 3?**

25 A. I probably do. You need to give me a

1 moment, though. I'm collecting a lot of papers from you.

2 Can you read question the me for the DR?

3 Because I believe there was several DRs that maybe had the
4 same numbering, depending on which series.

5 Q. The question from Public Counsel was,
6 page 2 of Mr. Robinett's rebuttal testimony states, quote,
7 in the past, the Commission issued this type of order with
8 some frequency for telephone companies and water and sewer
9 companies, close quote, or period close quote. Please
10 provide all case numbers of the cases reviewed by
11 Mr. Robinett that support his claim.

12 A. Okay.

13 Q. Has he provided you with a list of those
14 documents?

15 A. I believe the response that you are
16 referencing the Attachment 2 in the response. Is that
17 what you're referencing?

18 Q. I'm referencing the index of depreciation
19 authority orders.

20 A. I don't think they're -- you say
21 depreciation authority orders?

22 Q. Yes.

23 A. I believe it's what he's referencing as
24 Attachment 2, I think. Let me check here. Maybe not.
25 Maybe.

1 Q. This is what I'm referencing (indicating) .

2 A. What are you looking at? Okay. I thought
3 that was the one with DR 5. I think it's DR --
4 Attachment 2 was --

5 Q. You have it marked as DR 5. I think we
6 considered this to be a response to the question 2.

7 A. Okay. Well, then yes. Okay.

8 Q. You don't doubt that Mr. Robinett listed
9 depreciation authority orders under these numbers, case
10 numbers and names he has listed here, that the Commission
11 has issued these orders in the past? You're not doubting
12 that this is a list of depreciation authority orders the
13 Commission has issued in the past?

14 A. I take it at face value. I have not gone
15 back and checked these out, no. I don't know that --

16 Q. Is the data center available to you? Is
17 the data center available to you, Mr. Robertson?

18 A. I believe it is.

19 Q. And you can go in and ask for any public
20 document that you would like?

21 A. Public and nonpublic, I believe.

22 Q. You probably have access to all agency
23 documents as well?

24 A. I believe so, yes.

25 Q. Are you an accountant, Mr. Robertson?

1 A. I was trained as an accountant, yes.

2 Q. You're not an engineer?

3 A. No.

4 Q. It is rational for the company to set
5 reasonable depreciation rates for different classes of
6 accounts; do you agree with that?

7 A. I do.

8 Q. Do you know what Laclede has booked in
9 Accounts 391.1 and 391.3, do you know how many or how much
10 of that is desktop computers as opposed to, let's say, a
11 core management system?

12 A. Actually, we have responses to the
13 company's data requests, and I think they identified that
14 no desktop computer software was in the 391.3, subject to
15 check.

16 Q. 391.1?

17 A. I think 391.1 was more or less small system
18 hardware kind of stuff. I think they expense their small
19 computer software in the year they buy it, subject to
20 check.

21 Q. You agree with me that the Commission
22 reviews depreciation rates periodically?

23 A. I'm sorry. The question again?

24 Q. The Commission reviews depreciation rates
25 periodically?

1 A. Yes.

2 Q. And the Commission has adopted the USOA for
3 accounting of utility assets?

4 A. I can't quote you exactly which one, which
5 year, but yes, they have.

6 Q. And the USOA has hundreds of different
7 accounts in which utility assets may be recorded?

8 A. It does.

9 Q. A utility may set up a subaccount at any
10 time and record assets in that subaccount?

11 A. Sure.

12 Q. Without Commission authorization?

13 A. Yes.

14 Q. But the utility may only place those assets
15 into rates upon Commission approval?

16 A. That's correct.

17 Q. Mr. Robinett described the research he'd
18 done to Laclede's system as two site visits and a review
19 of documents. Did you hear him testify to that?

20 A. I did.

21 Q. And have you done any similar research?

22 A. We have. We've looked at many different
23 documents from the company regarding their request for
24 proposals, in addition to sending a number of data
25 requests for information to the company and to the Staff.

1 **Q. Did you also review the FERC Form 2s that**
2 **Mr. Robinett submitted to OPC as a result of a data**
3 **request?**

4 A. Probably not in the detail he did, but I
5 did look at the responses Staff provided and looked at a
6 couple of the individual ones.

7 **Q. Did you find anything in there that**
8 **supported your testimony?**

9 A. I did.

10 **Q. What would that be?**

11 A. As counselor for our office during
12 Mr. Robinett's period up here on the stand showed him, the
13 data processing for at least a couple of those companies
14 is based on a five-year life and a 20 percent annual
15 depreciation rate.

16 **Q. And are you comfortable that that account**
17 **contains equipment similar to the enterprise management?**

18 A. Just like Mr. Robinett, I can't tell you
19 exactly what's in that account.

20 MS. SHEMWELL: Thank you. That's all I
21 have.

22 MS. SHEMWELL: All right. Did you wish to
23 offer 9 and 10?

24 MS. SHEMWELL: I was going to say, if there
25 are exhibits that haven't been offered, I'd like to do so

1 now.

2 JUDGE WOODRUFF: 9 and 10 have been
3 offered. Any objections to their receipt?

4 (No response.)

5 JUDGE WOODRUFF: Hearing none, they will be
6 received.

7 (STAFF EXHIBIT NOS. 9 AND 10 WERE RECEIVED
8 INTO EVIDENCE.)

9 JUDGE WOODRUFF: For further cross, then,
10 we go do Laclede.

11 MR. ZUCKER: Thank you, your Honor.

12 CROSS-EXAMINATION BY MR. ZUCKER:

13 Q. Good morning, Mr. Robertson.

14 A. Good morning.

15 Q. You have never performed a depreciation
16 study, have you?

17 A. As my response to your Data Request No. 1
18 asked, correct.

19 Q. So that answer was?

20 A. Yes, I have not.

21 Q. Yes, you have not. Okay. And did I hear
22 you answer a question from Ms. Shemwell that for items
23 like desktop software, the company expenses them?

24 A. I'll say subject to check. I'd have to
25 check the responses to the data requests, but I thought in

1 some cases they expensed the software in the year
2 incurred.

3 Q. Do you know what Laclede puts into
4 Account 391.3, the software account?

5 A. It's my understanding that most of its
6 mainframe systems are there, but I'd have to check the --
7 subject to check to their data request response.

8 Q. Okay. Would you turn to your surrebuttal
9 testimony, page 6, line 11, starting at line 11. Are you
10 there?

11 A. I am.

12 Q. You discuss the Sibley case in your answer
13 to that question; is that correct?

14 A. That's correct.

15 Q. And down on lines 15 and 16, you talk about
16 classic examples of an AAO event as a fire, flood or ice
17 storm; is that correct?

18 A. That is correct.

19 Q. But the Sibley case itself was not a fire,
20 flood or ice storm, was it?

21 A. Actually, I believe it was two separate
22 AAOs in the '90, '91 cases, and no, they were not fires,
23 floods or storms.

24 Q. In fact, the Sibley AAO was about an
25 expensive construction project at a generating plant;

1 **isn't that correct?**

2 A. That is correct. That was one part of it.

3 Q. Let's have a lighter moment. If you'll
4 **excuse me. I'm going to show you a picture,**
5 **Mr. Robertson. Hold it up for the -- for everybody in the**
6 **room. Would you accept that -- well, let me come closer**
7 **to you. Can you see it well enough?**

8 A. I can now.

9 Q. Maybe I'll stand about right here, if you
10 **don't mind. Would you accept that these are Laclede Gas**
11 **service trucks?**

12 A. If you say so.

13 Q. Appreciate that. And do these trucks carry
14 **gas service workers and their tools and equipment?**

15 A. Sure. I guess.

16 Q. Okay.

17 A. Under your assumption.

18 Q. And do they transport those gas servers
19 **and -- the gas service workers and their tools and**
20 **equipment to work sites?**

21 A. Okay. Yes.

22 Q. Okay. All right. If I may get a different
23 **one now. By the way, do you have any idea about what year**
24 **these trucks were?**

25 A. Come a little closer if you want me to take

1 another look. I'll venture a guess.

2 Q. Okay.

3 A. Actually, the vans I'd say look like Chevy
4 vans from the late '50s, maybe early '60s.

5 Q. I have another picture here. Would you
6 accept for me that this is -- well, let me come closer to
7 you. You can actually read the little sign on the cart.

8 A. You're really asking for something now,
9 aren't you? Okay.

10 Q. Would you accept that this is a Laclede Gas
11 service horse and cart?

12 A. Look like mules to me.

13 Q. Ah-hah. Very good. Very good. You know
14 your animals. I don't, but I'm now going to take your
15 word for it.

16 A. Excellent.

17 Q. That was actually my next question, are
18 these horses or mules. You answered it.

19 Would you accept that the cart can carry
20 the service workers and their tools and equipment?

21 A. Yes.

22 Q. Would you accept that the horse transports
23 the workers and their tools and equipment to job sites
24 where they can perform their duties?

25 A. With the understanding that they're mules.

1 Q. I'm sorry. Thank you. Okay. And would
2 you also accept that the truck performed the same function
3 as the horse and cart?

4 A. Transportation, yes.

5 Q. And would you believe that basically the
6 truck that I showed you before replaced the horse and
7 cart?

8 A. I think that's probably reasonable, yes.

9 Q. And could all of these items, the horse,
10 the cart and the truck, have had different depreciation
11 rates?

12 A. Yes.

13 Q. Last question on this picture. Do you know
14 if Laclede owned or leased these mules?

15 A. You know --

16 Q. You don't have do answer that.

17 A. I was going to say, I'm kind of old, but I
18 don't know that I'm that old.

19 Q. Let me ask you one more, then. Do you know
20 about what year this picture comes from?

21 A. I do not.

22 Q. Neither do I. All right. If you believed
23 that EIMS was a new type of asset, would you agree that
24 the Commission could order a depreciation rate now so that
25 the company could book the asset at least until the

1 **company's next rate case?**

2 A. Recognizing that I do not agree that it's a
3 new class or new type of asset, if they did have a new
4 investment that they had no depreciation rate for, yes,
5 under that scenario.

6 Q. Okay. And in the Missouri American case
7 that Ms. Shemwell talked with you about, I believe that
8 was Case 2011-0337, didn't Missouri American get a new
9 account for its business transportation system?

10 A. For which system now?

11 Q. It's Missouri American's business
12 transformation system.

13 A. There you go.

14 Q. I'm sorry.

15 A. As part of the black box settlement in the
16 Stipulation & Agreement, they added a new subaccount
17 391-4.

18 Q. Please turn to page 10 of your rebuttal
19 testimony.

20 A. I'm there.

21 Q. I'm not yet. I'll try to join you. Okay.
22 I'm going to refer to lines 11 to 17. Basically you say
23 there that the rate to be required for the new investment
24 is very close to what is currently authorized, and by that
25 you mean five years. Did I read that correctly?

1 A. That's correct.

2 Q. So what you are saying is that you believe
3 Laclede's EIMS system should have an expected life of
4 about five years?

5 A. Yes, based on what we know today.

6 Q. Based on what we know today, you really
7 believe that?

8 A. Yes.

9 Q. So you believe that in two or three years
10 from now Laclede should expect to start the process again
11 of choosing and implementing a new computer system?

12 A. What I believe is the company did a full
13 depreciation study in its last rate case.

14 Q. Whoa, whoa, whoa. Please answer that
15 question.

16 A. I am answering it.

17 Q. Well, a depreciation study doesn't have
18 anything to do with it. I'm asking you if you think that
19 there's a five-year expected useful life, and, therefore,
20 in two or three years we're going to have to start this
21 process again that we're going through now?

22 A. And I'm telling you the basis for my
23 support of that belief.

24 Q. It's a yes or no question. Do you think
25 that we should be expected to start this process again in

1 **two or three years?**

2 A. I think that a full depreciation study
3 would tell you whether you need to or not, yes.

4 Q. **Well, based on your estimate that it lasts**
5 **about five years, wouldn't you say that we should expect**
6 **in two or three years to start the process again?**

7 A. First off, let me clarify. It's not my
8 estimate. It's the company's and their depreciation
9 analyst's from their last case. That's what they
10 supported.

11 Q. **So you're saying in our last case we**
12 **supported an EIMS system as a five-year system?**

13 A. You supported depreciation rate for the
14 software you have now that you're replacing.

15 Q. **The depreciation -- we didn't have an EIMS**
16 **system in the last rate case, did we?**

17 A. You have similar systems that you're
18 replacing. The EIMS is just new and updated, modernized
19 systems for what you already have.

20 Q. **I understand that's your position. So let**
21 **me ask you then, if we spent tens of millions of dollars**
22 **again five years from now, can we expect the Office of the**
23 **Public Counsel to not object at least so far as the timing**
24 **is concerned?**

25 A. We'd look at the facts of the case when

1 that occurred.

2 Q. Let me clarify the question. I'm sorry.
3 Tens of millions of dollars on another EIMS-like system.

4 A. What I can tell you is you supported a
5 five-year life, 20 percent rate, depreciation rate in your
6 last case for the same kind of equipment.

7 Q. Well, that doesn't answer my question. I'm
8 asking you, if five years from now we had spent tens of
9 millions of dollars again on another EIMS system, can we
10 expect you to not object at least so far as timing is
11 concerned?

12 MR. POSTON: I'm going to object actually
13 to the question. It's asking him to speculate. We don't
14 know what they're going to propose or what the issue would
15 be in that case. It's just all speculation.

16 MR. ZUCKER: I'm not asking him to
17 speculate on anything but the timing.

18 JUDGE WOODRUFF: I'm going to sustain that
19 objection. Move on.

20 BY MR. ZUCKER:

21 Q. Have you looked at other companies'
22 depreciation rates for their EIMS-type assets?

23 A. You keep calling it the EIMS, which is what
24 you guys are calling your system. I looked recently at
25 the Missouri American, what they call the business

1 transformation system, which in some of your documentation
 2 it's called that also. So in the context of a large scale
 3 transformation or change in their management information
 4 systems, I have looked at other companies, yes, recently
 5 Missouri American Water Company. Empire did approximately
 6 the same thing six or seven years ago, maybe a little
 7 longer. I'd have to go back and check. Aquila did theirs
 8 back in the '96 '7, '8 range. We looked at theirs when
 9 they were doing a lot of -- going to their non-regulatory
 10 stuff and they put a whole new system in.

11 Even Laclede and several of the other
 12 companies such as Ameren, during the year 2000 scare, you
 13 guys remember that. You guys had a lot -- Laclede was one
 14 of them had consultants come in and look at their systems,
 15 and some large dollar costs were incurred to make sure the
 16 systems were going to be okay so they didn't crash on,
 17 what was it, December 31, 12:01, 2000.

18 Q. So you looked at other Missouri cases when
 19 they came up over time?

20 A. Yes.

21 Q. Did you look at anything for this case?
 22 Well, I guess you've answered Missouri American Water you
 23 looked at, right?

24 A. Recently.

25 Q. And the service life of the -- of their

1 **business transformation system was an issue in that case,**
2 **was it not?**

3 A. Actually, they brought that business
4 transformation project up in the last two rate cases.

5 Q. Okay. But in the last rate case, the
6 **service life of that system was an issue, correct?**

7 A. The company requested a longer life for the
8 asset, yes.

9 Q. And what was Public Counsel's position on
10 **that?**

11 A. We opposed it.

12 Q. And do you have -- can you show me
13 **testimony from that case where you opposed it?**

14 A. It's in EFIS, my testimony, any testimony I
15 filed on that.

16 Q. And were you the witness that opposed it?

17 A. If there's testimony on it, it's in EFIS.

18 Q. Were you the witness that opposed it?

19 A. Yes.

20 Q. So you filed -- you're saying you filed
21 **testimony in, let's see, WR-2011-0337 opposing the service**
22 **life change requested by Missouri American Water?**

23 A. No. I'm telling you I filed testimony in
24 that case. I'd have to go back and look at the testimony
25 and see what issues I discussed.

1 Q. My question was, what was OPC's position on
2 this? You said OPC opposed it.

3 A. We did.

4 Q. I said who filed testimony on that issue
5 opposing that life rate increase?

6 A. I didn't hear you say filed testimony.
7 What I told you was that if we filed testimony on it, I
8 would have been the one that did that.

9 MR. ZUCKER: Permission to approach the
10 witness?

11 JUDGE WOODRUFF: You may.

12 BY MR. ZUCKER:

13 Q. Did you file three testimonies in that
14 case, written testimonies?

15 A. You've got cover sheets here. You don't
16 have the testimony attached to it.

17 Q. I'm asking you, does that refresh your
18 recollection?

19 A. Subject to check, I agree with you.

20 Q. And you filed direct, rebuttal and
21 surrebuttal; is that correct?

22 A. Yes.

23 Q. And in any of those cases, does the
24 issue -- does it show that the issue was the business
25 transformation?

1 A. I would have to look at the testimony.
2 I've got one of the issues listed is rate base evaluation
3 and rate base evaluation ratemaking. So I would have t
4 look at the individual testimonies, and I don't recall off
5 the top of my head what the individual issues were.

6 Q. So you don't recall from just several
7 months ago whether you filed testimony in that case
8 opposing the life of the -- the request for a longer life
9 made by Missouri American Water?

10 A. I don't believe you've heard that I'm the
11 only accountant in our office, and I work a lot of cases.
12 I'd be happy to go back and check if you want me to. And
13 also, the last rate case for Missouri American Water, I
14 would check my testimony in that one, too, because it was
15 an issue also then.

16 Q. In fact, didn't Sean Lafferty of your
17 office file testimony in that case on the business
18 transformation system?

19 A. I'd have to check.

20 Q. If he did, he was the witness in that case,
21 in the last rate case for the business transformation
22 cost, he would have done so under my direction since he
23 was my employee.

24 Q. Okay. Fair enough. If I show you his
25 testimony, would that refresh your recollection?

1 A. Depends what you're asking for.

2 MR. ZUCKER: Permission to approach the
3 witness?

4 JUDGE WOODRUFF: You may.

5 BY MR. ZUCKER:

6 Q. Do you see where Mr. Lafferty filed
7 rebuttal testimony on the business transformation issue?

8 A. I do.

9 Q. And does he mention in that testimony how
10 long he thinks the service life should be?

11 A. Can you point me to the reference you're
12 talking about?

13 Q. Well, the problem is there isn't any
14 reference because he doesn't address the service life
15 issue.

16 A. I believe that probably answers the
17 question.

18 Q. Well, okay. I'm hoping that you can answer
19 it for me.

20 A. If you'll point me to the reference where
21 there is or is no service life, we'll do it.

22 Q. Well, you have in front of you all the
23 testimony that he filed on business transformation. Do
24 you see anything?

25 A. Do you want me to read the testimony?

1 **Q. If you would take a minute. It's not that**
2 **long.**

3 A. Okay. You asked -- the question was?

4 **Q. Can you point to anywhere in that testimony**
5 **where Mr. Lafferty opposes the term, the life term, the**
6 **extended life term for business transformation that**
7 **Missouri American was asking for?**

8 A. Well, first off, this is a highly
9 confidential -- it's a nonproprietary version of a highly
10 confidential document, so some of it's redacted. So all
11 the testimony's not here on this copy you gave me.

12 **Q. I'm just talking about the business**
13 **transformation section.**

14 A. I understand, but there's also redacted
15 portions of that. So it's not all here, all the
16 testimony. But having said that, and qualifying it based
17 on that, on page 12 he talks about we're opposing -- or
18 talks about what the company's request is where the
19 company wants to delay the depreciating of the business
20 transformation asset, and his testimony which follows was
21 OPC's position on this issue is to oppose what they were
22 requesting.

23 **Q. Is there anywhere you can point to where**
24 **they said this life is too long, we think it should be a**
25 **shorter life?**

1 A. Okay. In the context of is there a
2 specific life mentioned? Other than the company wanting
3 to -- wanting to postpone the placement of it in service
4 and depreciating of it, no.

5 Q. Thank you. Can I retrieve --

6 JUDGE WOODRUFF: Certainly may.

7 BY MR. ZUCKER:

8 Q. So about six months ago Public Counsel told
9 this Commission that a 20-year life was acceptable in the
10 Missouri American case; isn't that correct?

11 A. In the context -- with the Missouri
12 American case?

13 Q. Yes or no. Is that correct?

14 A. We were a party that signed onto a
15 Stipulation & Agreement.

16 Q. That included a 20-year life for Missouri
17 American's business transformation system, correct?

18 A. Not a final. It's not final. Subject to
19 review.

20 Q. Correct, yes or no?

21 A. There were many other items related to the
22 Stipulation & Agreement, but it was included in that
23 stipulation, yes.

24 Q. Do you consider what Laclede's doing a
25 major change to its software system?

1 A. A significant upgrade, yes.

2 Q. And isn't it true, Mr. Robertson, that
3 major changes to software systems can usually be expected
4 to last many years?

5 A. Probably.

6 Q. So five years is not really a reasonable
7 estimate if they can be expected to last many years; isn't
8 that true?

9 A. Based on the company's own depreciation
10 study, that's the only evidence we have of what the life
11 can be at the moment.

12 Q. I'm not asking you about the company's
13 depreciation study. I'm asking you, isn't it -- if a
14 major change to a software system can be expected to last
15 many years, isn't a five-year estimate unreasonable?

16 A. That's what we're hoping for the
17 depreciation study to tell us.

18 Q. So you're expecting a longer life in the
19 depreciation study?

20 A. I don't know. All I have right now is the
21 evidence that the company and their witness presented in
22 their last case and Staff supported.

23 Q. Okay. But you said you thought five years
24 sounded about right based on the testimony that you filed.

25 A. Based on --

1 Q. Now I'm asking you, doesn't a major change
2 to a software system last many years, and you said that's
3 right, too. So what is -- in your opinion, what should
4 the expected life be, five years or many years?

5 A. The expected life's going to be determined
6 in the depreciation study, and that's what we're asking
7 the Commission to order the company to do.

8 MR. ZUCKER: Would you instruct him to
9 answer the question, please, your Honor.

10 JUDGE WOODRUFF: If you can answer the
11 question, do so.

12 THE WITNESS: I thought I did.

13 JUDGE WOODRUFF: Did you want to pursue it
14 further?

15 MR. ZUCKER: No, your Honor.

16 BY MR. ZUCKER:

17 Q. Please turn to page 21 of your rebuttal
18 testimony.

19 A. I'm there.

20 Q. Okay. Is it a fair summary of your
21 testimony on line 6 to 11 to say that what you're saying
22 is when Mr. Buck said the shorter life would be more
23 expensive for ratepayers, you found that to be
24 shortsighted and deceptive? Is that a fair summary of
25 that testimony?

1 A. I did say that, yes.

2 Q. And is your Attachment TJR-2, you filed
3 that in support of that argument, correct?

4 A. I did.

5 Q. And, Mr. Robertson, have you ever argued in
6 written or oral testimony for a longer life for a capital
7 asset?

8 A. I would have to go through all my testimony
9 to review that. I present a great many testimonies on
10 capital assets. So I really don't -- I can't answer that
11 question specifically. I'd have to look at the testimony
12 to see.

13 Q. Your answer is you don't know?

14 A. At this moment.

15 Q. Okay. Has Public Counsel ever argued in
16 written or oral testimony for a longer life for a capital
17 asset?

18 A. Same answer.

19 Q. You don't know?

20 A. At this moment.

21 Q. In fact, didn't Public Counsel argue for a
22 longer life for the Callaway plant in Ameren's rate case
23 ER-2008-0318 that's in the heart of your rebuttal
24 testimony?

25 A. My knowledge of that is that the -- it was

1 related to the relicensing of the project. So I think
2 you're correct. They were looking for a longer life, and
3 they wanted --

4 **Q. They being Office of the Public Counsel was**
5 **looking for a longer life?**

6 A. They -- well, the company was looking for a
7 longer life because they were going to extend the life of
8 it. Pretty much to the limit of my knowledge on that,
9 though.

10 **Q. Let me clarify my question. Was OPC**
11 **arguing for a longer depreciation life for the Callaway**
12 **plant in that case?**

13 A. My understanding of that, our position on
14 that was that they were looking to rebalance, I believe,
15 the depreciation reserve account to match it with what
16 that life was going to be.

17 **Q. So is that a yes?**

18 A. That's my answer to the best of my
19 knowledge what the position, the full position was. I
20 wasn't the witness in the case, but I have looked at
21 testimony, but it's been a while.

22 **Q. Okay. So if Public Counsel was seeking to**
23 **extend the life of the Callaway plant, wasn't Public**
24 **Counsel being shortsighted and deceptive in that case?**

25 A. I don't see the correlation.

1 **Q. Well, according to your own words and your**
2 **supporting testimony, your argument to lengthen the life**
3 **of an asset is shortsighted and deceptive?**

4 **A. I don't understand the correlation of that,**
5 **what you're saying with the testimony that we're**
6 **discussing here, that you're referencing.**

7 **Q. Well, what you said was, when Mr. Buck said**
8 **the shorter term was worse for customers, you said, no,**
9 **the longer term is worse, and saying the shorter term is**
10 **worse is shortsighted and deceptive. I'm asking you,**
11 **doesn't that apply to Public Counsel's argument in the**
12 **Ameren case?**

13 **A. And I'm telling you that I don't see the**
14 **correlation between the two cases because all we're**
15 **talking about in the testimony is a work paper discussion**
16 **he put together of what the dollar effect would be on**
17 **ratepayers in this case.**

18 **Q. So Public Counsel was not trying to deceive**
19 **its clients in the Ameren case with Callaway on the**
20 **Callaway plant?**

21 **A. I guess I'll repeat my answer. I don't see**
22 **the correlation to Mr. Buck's work paper in this case --**

23 **Q. So that's not a --**

24 **A. -- which his testimony is referencing.**

25 **Q. Is that a no or not a no?**

1 A. I don't know what you're asking.

2 Q. Okay. Didn't MGE recently get a new
3 subaccount for transportation?

4 A. I don't recall.

5 MR. ZUCKER: Permission to approach the
6 witness?

7 JUDGE WOODRUFF: Sure.

8 THE WITNESS: Okay.

9 BY MR. ZUCKER:

10 Q. Did they get a new account in
11 transportation, a new transportation subaccount?

12 A. I see where it says retains the same rates.
13 Is there a reference to a new subaccount? Am I missing
14 it?

15 Q. I think so.

16 A. Can you tell me which paragraph it's in?
17 Because I don't see it.

18 Q. Maybe at the bottom of that second page.
19 Might be paragraph 2.

20 A. Neither one says anything specifically
21 about --

22 Q. Let me help you.

23 A. You help me out. That will work.
24 Paragraph 3 then. Okay. It says -- well, the document
25 says that it will add a new depreciation rate for

1 transportation subaccount.

2 Q. Right.

3 A. Okay.

4 Q. And didn't they get that rate without a
5 depreciation study?

6 A. I wasn't active in this case, so I don't
7 know.

8 Q. And didn't they get that outside of a rate
9 case?

10 A. Case number's GE, so yes.

11 Q. And, in fact, didn't MGE's new rate for
12 transportation vehicles simply break up those vehicles
13 into two different accounts even though they're both
14 vehicles?

15 A. I don't know the details of this case.

16 Q. Okay. Please turn to page 17 of your
17 rebuttal testimony.

18 A. Page what?

19 Q. 17.

20 A. Of my surrebuttal?

21 Q. Of your rebuttal.

22 A. Okay. I'm there.

23 Q. Starting at the end of line 18 it says,
24 that is the lower depreciation rate requested by the
25 company would add less to the depreciation reserve

1 balance, and those transactions under the company's
2 proposal would not be subject to future review or
3 adjustment no matter what the result of a later
4 depreciation study identified as an appropriate
5 depreciation rate for the investment. Did I read that
6 correctly?

7 A. Yes.

8 Q. Hasn't Laclede addressed this concern, your
9 concern in your rebuttal testimony, with its pledge that a
10 different rate found in the rate case could be
11 retroactively applied?

12 A. They have recently, yes.

13 Q. Okay. And didn't they do it in Mr. Buck's
14 surrebuttal testimony dated July 31st?

15 A. I believe that's correct, yes.

16 Q. Did they also do it, and by they I mean
17 Laclede, in a pleading dated July 20th?

18 A. Subject to check.

19 Q. Please turn to page 5 of your surrebuttal.

20 A. I'm there.

21 Q. Okay. Starting at the end of line 14, it
22 says, if the MPSC grants Laclede its request to change the
23 EIMS depreciation rate to 5 percent yet rejects that
24 change in the rate case, there will be a consumer impact
25 in that future ratepayers will be forced to pay for plant

1 **that should have already depreciated. Did I read that**
2 **correctly?**

3 A. You did.

4 Q. **And hasn't Laclede addressed this concern**
5 **with its pledge that a different rate for EIMS found in**
6 **rate cases could be retroactively applied?**

7 A. No, they have not.

8 Q. **And why not?**

9 A. Because under -- Laclede is earning a
10 certain amount of revenues right now in depreciation
11 expense. They'll continue to earn that until the next
12 rate change. By them -- whether or not they change it to
13 5 percent or leave it at the 20 percent, that imbalance
14 will cause a mismatch of the revenues and expenses that
15 occur between the two different time periods.

16 Q. **And hasn't Laclede agreed that if a**
17 **different rate is found, that imbalance can be adjusted --**

18 A. Only --

19 Q. **-- so that ratepayers are not harmed?**

20 A. Only as far as what the depreciation
21 reserve balance is. What the company actually earns in
22 current revenues versus future revenues will still retain
23 that imbalance.

24 Q. **Doesn't -- doesn't Laclede's offer put the**
25 **customer back where he would have been had they used the**

1 rate that the Commission decides, that the Commission
2 rules in the rate case?

3 A. Clarify the question for me. I don't
4 really understand what you're asking.

5 Q. What I'm asking is, hasn't Laclede
6 addressed this concern because it's saying that whatever
7 rate gets ruled on in the rate case, gets decided in the
8 rate case can apply retroactively, and so that rate will
9 be applied from the time we put EIMS into service until
10 the new rate?

11 A. As far as the depreciation reserve balance,
12 yes, it does that, but it doesn't address the concerns of
13 improper matchings.

14 Q. All right. Please turn to page 6 of your
15 surrebuttal. At the end of line 4 it says, if Laclede's
16 application is approved, it will guarantee that Laclede
17 gets to depreciate a smaller portion of the cost of the
18 EIMS investment at the new rate regardless of what happens
19 in the next or future rate case. I read that correctly?

20 A. Yes.

21 Q. And again, hasn't Laclede addressed this
22 concern with its pledge that a different rate for EIMS
23 found in the rate case could be retroactively applied?

24 A. Unless the rate -- next rate case, the
25 depreciation study comes up that it should be based on a

1 five-year life, as the current rate is right now, with
2 20 percent annual rate, no, it hasn't been alleviated.
3 The balance to be further depreciated out, the remaining
4 balance of the new investment will be much larger, and so
5 the imbalance still retains. It's not resolved.

6 Q. Let's take a step back. Do you have
7 Mr. Buck's surrebuttal testimony?

8 A. Yes.

9 Q. Can you turn to page 12 of that testimony?

10 A. I'm there.

11 Q. Starting on line 18 it says, nevertheless,
12 to address this concern Laclede is willing to commit to
13 conducting a full depreciation study of all of its assets
14 in its next rate case proceeding so that such information
15 will be available before any depreciation rate change from
16 this proceeding is reflected in rates.

17 That eliminates Public Counsel's concern
18 about there being a depreciation study, correct?

19 A. Our concern about there being a
20 depreciation study?

21 Q. Right. You were concerned that there
22 wouldn't be a depreciation study for some time into the
23 future.

24 A. Our concern is that a depreciation study be
25 done to support the rate that they're asking for now, but

1 that hasn't been done. So we're looking for, before you
2 change the rate, do you the depreciation study.

3 Q. But if it's done in a rate case before
4 there's any effect on rates, then the customer's just as
5 good off as they were if it was done today?

6 A. No, the customer is not as good off. If
7 you authorize a change in the rate today and it doesn't
8 come out to be the same rate in the next case, the
9 ratepayers are going to be affected.

10 Q. Let's look at page 13.

11 A. Okay.

12 Q. Starting at line 18 it says, specifically
13 the company would not object to the Commission clarifying
14 that if a different depreciation rate is approved in the
15 company's next rate case for this investment, then that
16 rate may be used to determine how much depreciation should
17 have been accumulated for the investment during the
18 period, what the associated depreciation reserve should
19 be, and any other cost of service item related to the
20 investment.

21 Doesn't that address Public Counsel's issue
22 with the reserve?

23 A. Only the reserve, the depreciation reserve,
24 yes.

25 Q. As opposed to what?

1 A. As to the imbalancing of the -- the amount
2 of depreciation expense the company has currently built
3 into rates versus what they'll have built into rates in
4 the future at the next rate change. The rebalancing of
5 the reserve, yes.

6 The whole issue here as we see it or as I
7 see it is a regulatory lag issue. Under the current rate,
8 five-year life, 20 percent, the company's depreciating
9 essentially one-fifth of the investment each calendar year
10 or 12 fiscal months. If they don't get some change -- and
11 they have that amount essentially built into rates for
12 whatever software they have in their plant account now.
13 That plant's going to be retired to some degree, but
14 they'll still collect that depreciation expense in their
15 current rates. They're going to recover it even though
16 the plant's gone until the next rate case.

17 The flip side of the regulatory lag is
18 they're going to put this large investment in, and unless
19 the Commission changes it before they can get in for a new
20 case, for a next rate change, they're going to have
21 depreciated off anywhere from a year, maybe a year and a
22 half, who knows, depending on when they file the case.
23 Those imbalances occur between what the company's
24 collecting under current rates and what they would collect
25 under future rates.

1 Q. So it's not your understanding that we're
2 fixing that imbalance if the Commission rules something
3 else in the rate case before any rates go in effect?

4 A. The only way that -- there's always going
5 to be to some degree that imbalance because they're going
6 to retire certain assets. The only way it can be fixed
7 completely is if the depreciation rate in the next rate
8 case under depreciation study turns out to be the same
9 rate that's currently authorized.

10 Q. Okay. And if it is, then it will be fixed?

11 A. If that would occur, yes.

12 Q. Okay. Turn to page 3 of your surrebuttal.

13 A. I'm there.

14 Q. So what you say there is the best approach
15 is to consider the requested change for EIMS in a rate
16 case where the parties can prepare and submit a full
17 depreciation study because the real test of whether
18 7 percent is the correct rate won't happen until that
19 occurs.

20 A. Okay.

21 Q. Hasn't Laclede's pledge that it would
22 conduct a full depreciation study in its next rate case
23 and retroactively apply those changes address that
24 concern?

25 A. As I just explained, it would adjust the

1 reserve balance, but it doesn't adjust the imbalance
2 between the revenues currently received for depreciation
3 expense or built -- depreciation expense that's currently
4 built in revenues and depreciation expense that will be
5 built into future rates.

6 **Q. Unless you go back to the original rate?**

7 A. Yes, unless the actual currently authorized
8 rate turns out to be the same rate in the future.

9 **Q. Right. And that's what we're trying to --**
10 **what you're upset about is that you think we're changing a**
11 **rate. You're disputing that we're putting in a new asset,**
12 **and you think we're changing a rate. And so what we're**
13 **saying is, if we're wrong about that and the rate should**
14 **actually be, whether it's new or not, the rate should**
15 **actually be 20 percent, then we're saying we'll put the**
16 **customer back in the same position he would be, and you're**
17 **agreeing with that?**

18 A. First off, the way you categorized our
19 dispute's incorrect. I'm not disputing that it's a new
20 asset. I'm disputing that it's a different type of asset
21 than what you're already using for financial systems,
22 power plant management, asset management, human resources.
23 It's all the same thing. It's just new. It is a new
24 asset. It's not -- but it's not a new type of investment
25 or -- as you guys are trying to describe it, in my view.

1 **Q. Okay.**

2 A. That is what --

3 **Q. I understand that that's your argument,**
4 **it's not a new type of investment. Okay.**

5 A. The second part being the dispute on the
6 depreciation rate is that the only evidence we have to
7 support the current -- the rate for this type of
8 investment, which is similar to the investment they have
9 now, is the company's own documentation and depreciation
10 study from their last rate case, which Staff also
11 supported.

12 **Q. And did that rate case include the EIMS**
13 **system? Did that depreciation study include that system?**

14 A. As far as I know, it included the general
15 ledger system, financial system, the HR systems, and all
16 the systems, other systems that are currently booked that
17 the company is thinking we're replacing.

18 **Q. So you think that that should be put in the**
19 **current five-year software account?**

20 A. Until you have a depreciation study that
21 shows it's different, yes.

22 **Q. But you're saying we don't even put the**
23 **desktop software in that account?**

24 A. I'm telling you that when I asked the
25 company for their data request -- in a data request where

1 they book that stuff, subject to check, I believe they
2 said for the desktop software, like Windows XP or
3 something like that, in some instances I believe they
4 expensed it.

5 Q. Well, let's check real quick.

6 A. Excellent.

7 Q. No. 22.

8 A. These are responses to our data requests, I
9 assume?

10 Q. Yes.

11 A. Let me look that up real quick.

12 Q. Do you have it yourself?

13 A. If I -- yeah, I think I do.

14 Q. 22.

15 A. I know we asked the question. It's just a
16 matter of finding where the answer was. In response to my
17 Data Request No. 22, I asked about personal computer
18 software, small desktop -- desktop software and which
19 accounts or account they booked it. The company responded
20 391.3.

21 Q. Okay. Does that refresh your
22 recollection --

23 A. It does.

24 Q. -- that we actually put desktop software in
25 the software account?

1 A. Yes.

2 Q. And you said the only evidence is where the
3 company -- is what the company's history is. Did you --
4 have you seen the -- have you seen this information on the
5 company's history on its core systems?

6 A. I have information. It's probably similar
7 to that, yes.

8 Q. And doesn't that tell you that the -- that
9 the new EIMS system is likely to last many years?

10 A. Actually, the information the company
11 provided us was part of their board of directors meetings,
12 their ERP updates, and the CIS system and discussions with
13 the companies, the core part of it was put in in the late
14 '80s, and then through the '90s some was put in. But
15 according to the chart we have, a great majority of the
16 costs regarding these type of management information
17 systems were put in 2004 and subsequent.

18 Q. And didn't we tell you that those were just
19 the workarounds and not the core systems?

20 A. And I believe there probably have been
21 significant workarounds. Actually, we asked for a data
22 request about all the workarounds and the company didn't
23 provide it. They said we could come to the office and
24 flip through all the information ourselves.

25 Q. Let me ask you, did you ask for a data

1 request about what other companies are using for their
2 depreciation lives for these -- this -- a large
3 enterprise-wide computer asset, computer software asset?

4 A. Did we ask?

5 Q. Did you ask?

6 A. The company --

7 Q. Yes.

8 A. -- a data request? What other companies
9 are doing?

10 Q. Yes.

11 A. I don't recall.

12 Q. Well, you have your data requests in front
13 of you there that you just looked at?

14 A. I have some of them, yes.

15 Q. What does question 32 say?

16 A. 32?

17 Q. Yes.

18 A. The question is asking about page 8 of Mr.
19 Spanos' surrebuttal testimony where he stated that
20 software applications similar to EIMS being implemented by
21 other utilities across the United States. Wanted
22 information on what utilities he was referencing. He
23 provided a spreadsheet.

24 Q. And what did you get in response to that
25 question?

1 A. Well, I have a paragraph with a written
2 answer, and then he said he also provided a spreadsheet,
3 which I believe is a one-page sheet with some companies
4 showing some different lives or different -- he provided
5 an attachment called Lives for Software Applications, and
6 he gave -- in that there were three categories, gas,
7 electric, water, different utilities within that category,
8 and then study date and the life.

9 Q. And what were the lives on that list?

10 A. They vary.

11 Q. And can you go down the list and read them
12 off?

13 A. If you wish. Under the gas is Equitable
14 Gas, 15-year life; National Fuel Gas Distribution New York
15 Division, 15-year life; National Fuel Gas Distribution
16 Pennsylvania Division, 15-year life; Northwest Natural Gas
17 customer information system, 15-year life; power plant
18 software, 10-year life; North Star Electric Gas Company --
19 and Gas Company, 15-year life; People's Natural Gas,
20 15-year life; Sierra Pacific, 10-year life.

21 Under the electric, Dominion, Virginia
22 Power, says 15 and 20-year life. Doesn't say -- describe
23 the differences. Nevada Power, 12-year life.

24 Under water, Aqua Pennsylvania, 10-year
25 life; Pennsylvania American Water Company, 12-year life;

1 New York Water Company, 10-year life; Missouri American
2 Water Company, 20-year life.

3 It also has a column for different years
4 for the dates of the study, and they vary also.

5 Q. I think you've answered my question.

6 A. Okay.

7 Q. So thank you.

8 A. Sure.

9 Q. So doing a full depreciation study that
10 we've offered to do is not enough for Public Counsel.
11 Having a rate case is not enough for Public Counsel. Even
12 if we apply the corrected rate retroactively, that's not
13 enough. Your game only works if Laclede is forced to use
14 a 20 percent rate now and apply a lower rate like
15 7 percent later. Is that right, Mr. Robertson?

16 A. Your description as game I don't
17 understand, but what we do recommend is that the company
18 current depreciation rate which they supported, Staff
19 supported, their depreciation analyst supported in the
20 last case, continue to be utilized until they can do
21 another depreciation study to look at all plant
22 investment, and the next time we can do that is probably
23 within the next rate case, which they have discussed with
24 us they intend to file within the next few months.

25 Q. But given the concessions Laclede has made

1 to try to make this -- an order in this case not prejudice
2 ratepayers, the only reason you have left to continue to
3 the hearing we're here for today is in order to try to get
4 the 20 percent rate now and the 7 percent rate later;
5 isn't that correct?

6 A. I don't see what you describe as
7 concessions resolving the issue, resolving the problems
8 inherent in the request.

9 Q. Well, let me ask you something. You have
10 testified that you think five years is about right.
11 Doesn't that make it harder for you to argue later that 15
12 or 20 years is correct?

13 A. As I discussed with you earlier, I have
14 testified that the only evidence that we have currently is
15 that the company provided depreciation study from its last
16 rate case, which was the 2010 case.

17 Q. That's not what you testified.

18 A. Sure it is. That's what we base our
19 position on.

20 Q. In your rebuttal --

21 A. That's the only evidence we have.

22 Q. -- testimony you testified that five years
23 is about -- sounds about right to you?

24 A. Based on the evidence we currently have.

25 MR. ZUCKER: A moment please, your Honor?

1 BY MR. ZUCKER:

2 Q. Just a couple more, Mr. Robertson. Go to
3 page 4, please of your surrebuttal testimony.

4 A. Okay.

5 Q. Now, you are not an attorney, correct?

6 A. No, I am not.

7 Q. Okay. And let me read from line 1. At the
8 moment, the only real evidence that exists are the current
9 authorized rates which were developed from the studies
10 prepared in the company's last rate case. You're not
11 qualified to say what the only real evidence is, are you?

12 A. I can express my opinion. That's based on
13 my opinion.

14 Q. Okay. And so the information that you just
15 went over about what other companies have lives for on
16 their enterprise information systems, do you consider that
17 not to be evidence?

18 A. You're referring to Mr. Spanos' response to
19 the data request?

20 Q. Yes.

21 A. That is a response to his data request.

22 Q. What about Mr. Spanos' testimony, do you
23 consider that to be evidence?

24 A. If it's entered into the record, yes.

25 Q. And do you consider what Mr. Spanos said

1 **today to be evidence?**

2 A. If it's entered into the record, yes.

3 Based on my layman's knowledge, it would be considered as
4 part of the record and I guess could be considered as
5 evidence or not.

6 Q. And do you consider Mr. Buck's testimony
7 about how long our previous components of -- software
8 components have lasted evidence?

9 A. Same answer.

10 Q. Same answer as what? Yes? Yes if it's in
11 the record, I believe?

12 A. It's in the record.

13 MR. ZUCKER: That's all, your Honor.

14 JUDGE WOODRUFF: I have no questions from
15 the bench, so no need for recross. Redirect.

16 MR. POSTON: Thank you.

17 REDIRECT EXAMINATION BY MR. POSTON:

18 Q. Ms. Shemwell was asking you questions about
19 AAOs, and in one of your responses you discussed a DR to
20 Staff on AAOs. Do you recall that?

21 A. No. Help me refresh my memory.

22 Q. That's as far as I can go with it. She
23 also asked you question on the KCPL case.

24 A. Okay. Yes.

25 Q. And are you familiar with that case?

1 A. If you're referring to the EO-2012-0340,
2 which is the one I think she was referencing, I'm
3 generally familiar.

4 Q. **I believe you mentioned that case in your**
5 **testimony --**

6 A. I have, yes.

7 Q. **-- is that correct? Do you recall where?**

8 A. I believe it was towards the end of -- let
9 me check. In rebuttal, I believe it's towards the --
10 starting on page 21, I believe. I'm sorry. There was
11 a -- put a Q and A in on page 22 of the rebuttal in
12 response to Mr. Buck's direct testimony where he tries to
13 correlate the KCPL case, recent KCPL case with the
14 company's instant case, yes.

15 Q. **Okay. And would you consider this an**
16 **explanation of the differences between this present case**
17 **and the KCPL case?**

18 A. I do. The major difference, as I state in
19 the testimony, is that it's my understanding that the
20 rebuild of the -- was a rebuild of the railroad line and I
21 believe part of the bridge by KCPL even though they didn't
22 own the assets because they were damaged during the 2011
23 floods, but KCPL still wanted to get coal shipments
24 through. In order to get them through, the owners weren't
25 willing to expend the money, so KCPL did. They did not

1 and currently do not own the assets as far as I know.

2 MS. SHEMWELL: Judge, my question was about
3 whether or not the Commission can issue depreciation
4 authority orders and whether or not those are accounting
5 authority orders. I didn't ask anything about the
6 property involved.

7 JUDGE WOODRUFF: That did sound a little
8 nonresponsive. If you would, please, tighten up your
9 questions and responses.

10 MR. POSTON: I think Mr. Zucker also asked
11 questions about that as well. I'll move on.

12 BY MR. POSTON:

13 Q. Why, in your opinion, is Laclede's request
14 not an AAO, not a request for an AAO?

15 A. Actually, this document that counsel for
16 Staff provided me was the first time I've ever seen it
17 referred to or seen a depreciation authority order as an
18 accounting order, an AAO order. I've never seen it
19 described as that before. So I'm not sure the judge or
20 whoever wrote that order fully understood that -- the
21 differences between the two.

22 Accounting authority orders, which
23 originally developed back in the late '80s, early '90s,
24 related to baseline costs that weren't normally looked at
25 or incurred by a utility in a rate case. That's not the

1 case here. So I don't know why they defined it as an
2 accounting authority order in that KCPL case. I don't
3 have an answer for that. I don't believe it's accurate.
4 It's always been described as a depreciation authority
5 order, and the two are completely separate. And Staff
6 even admits to that in one of the DR responses to our data
7 requests.

8 Q. Are you aware if any party opposed or
9 raised the same issues that we're raising here? Were
10 those same issues raised in that case?

11 A. Not as far as I know.

12 Q. And I believe Ms. Shemwell asked you a
13 question about the Nonunanimous Stipulation & Agreement
14 from the Missouri American Water Company case,
15 WR-2011-0337, Exhibit 10. Do you still have that?

16 A. I do. She let me keep it.

17 Q. And she referred you to paragraph 19; is
18 that correct?

19 A. She did.

20 Q. And that's titled Special Accounting for
21 Business Transformation System; is that correct?

22 A. It is.

23 Q. And on the next page, I guess the page
24 following where that title appears, do you see where it
25 says in the middle of that page, accounting treatment for

1 **BTS assets prior to their in-service date will be in**
2 **accordance with the following language included in the**
3 **Stipulation & Agreement filed in MAWC's last rate case?**

4 A. I do.

5 Q. And there's two paragraphs following that.
6 **Do you see? Can you read that second paragraph?**

7 A. The smaller of the two?

8 Q. Yes.

9 A. Nothing in this agreement shall be
10 considered binding by the Commission or agreement of the
11 signatories as to the reasonableness, prudence or future
12 regulatory ratemaking of the expenditures involved.

13 Q. Do you have any concerns about future
14 **settlements of rate cases if black box settlements are**
15 **picked open piece by piece and used against a signatory**
16 **party?**

17 A. I think we all do really, whether it's
18 being expressed currently in this case or not.
19 Stipulation & Agreement is what it is. There's a lot of
20 give and take to get to those.

21 MS. SHEMWELL: Judge, I'm not aware that's
22 responsive to any question that we have asked. That's a
23 point Mr. Poston had made, but --

24 MR. POSTON: She asked questions about this
25 Stipulation & Agreements. That was a black box

1 stipulation. I think I'm entitled to question on it.

2 JUDGE WOODRUFF: I'll overrule the
3 objection.

4 THE WITNESS: I guess my train of thought
5 was that it is -- it was a black box settlement. I was
6 active in the case, participated in the negotiations. We
7 came to essentially a dollar amount settlement, and then
8 some other parts, this being one of the business
9 transformation management, business transformation costs,
10 the way they were going to be treated. There was a lot of
11 give and take in the case, what we gave up versus what we
12 gave, but it was what it was. It was a Stipulation &
13 Agreement. And we -- and these costs, we can challenge
14 them in a future case. Not add anything more to it.

15 BY MR. POSTON:

16 Q. Do you think using something that we've
17 agreed to like this against us in this manner could cause
18 our office perhaps not to agree to stipulate to certain
19 issues in the future?

20 A. I think it could probably cause a lot of
21 parties, both utilities and regulators, to feel that way.
22 And it kind of works that way in this case because it's my
23 understanding Laclede's last rate case was a Stipulation &
24 Agreement also. So in that Stipulation & Agreement, the
25 depreciation rate or the 391.3 account where software that

1 they are using is recorded, they agreed to a five-year
2 life with a 20-year depreciation rate, and now they want
3 to change it in this case.

4 **Q. And there were questions, I think, from**
5 **both Ms. Shemwell and Mr. Zucker about Laclede's**
6 **commitment that it will recalculate the depreciation rate**
7 **if a different rate is used in the rate case. Do you**
8 **recall those questions?**

9 **A. I recall several.**

10 **Q. Does that commitment from Laclede satisfy**
11 **OPC's single-issue ratemaking concerns?**

12 **A. From a single-issue ratemaking aspect, the**
13 **way I would describe it is what they stated they would do**
14 **to rebalance the depreciation reserve account doesn't**
15 **resolve our concerns about the imbalances that will occur**
16 **between the revenues they're currently collecting,**
17 **revenues that have a certain amount of depreciation**
18 **expense included in them, in comparison to what they're**
19 **going to collect down the road if the authorized**
20 **depreciation rate is changed. There's imbalances in what**
21 **they'll collect, and ratepayers will be harmed by those**
22 **imbalances. So their agreement or acquiescence that**
23 **they'll rebalance depreciation reserve account itself does**
24 **not resolve our concerns.**

25 **Q. Does it resolve our concerns that a full**

1 depreciation study would -- scratch that.

2 Does it resolve our concerns of what a full
3 depreciation study would provide in the rate case that
4 it's not provided in this case at this point hasn't been
5 filed?

6 A. Well, the only evidence we've got right now
7 for what they should be depreciating this type of
8 equipment at is the depreciation study from the last case
9 and the authorized rates from the last case. Any changes
10 that should occur, if they do a depreciation study in the
11 next rate case they'll identify those and then the parties
12 will have a chance to look at them and either agree with
13 them, challenge them or at least investigate them in that
14 case.

15 Q. Ms. Shemwell asked you a question about how
16 you used or your definition of the term analogous. Do you
17 recall that?

18 A. I do.

19 Q. And you believe that your use of the term
20 analogous is consistent with the Commission's use of that
21 same term in the UE case ER-2008-0318?

22 MS. SHEMWELL: I don't know how
23 Mr. Robertson is going to know how the Commission used it.
24 He'd have to speculate.

25 JUDGE WOODRUFF: He's asking his opinion.

1 I'll overrule that objection.

2 THE WITNESS: It is my opinion that the way
3 I used it is the same, or at least I intended it to be, as
4 what the Commission wrote in their order. In referencing
5 the order, I believe that it is similar, yes, in my
6 opinion.

7 BY MR. POSTON:

8 Q. There was questions from Ms. Shemwell about
9 Mr. Robinett's -- about some depreciation authority orders
10 from teleco cases and some other cases.

11 A. Uh-huh.

12 Q. I believe she showed some of those to you.
13 Is there any record evidence in this case of any detail of
14 any of those cases?

15 A. The only thing that was provided in that
16 response was the --

17 Q. I'm talking about in this case, in the
18 evidence of this case, is there any detail of any of
19 those?

20 A. No.

21 Q. Any of those?

22 A. Nothing that I know of was presented.

23 MS. SHEMWELL: I'll ask the Commission then
24 to take official notice of its past orders.

25 JUDGE WOODRUFF: I believe they can be

1 cited in the beliefs. Those would be recorded cases, I
2 believe, or at least in the Commission's system. So I
3 don't know that there's any reason to take official notice
4 of them, but you can certainly cite to them.

5 MS. SHEMWELL: Thank you.

6 BY MR. POSTON:

7 Q. Can you tell just from that list of cases
8 whether the issues in those cases were similar to the
9 issues in this case?

10 A. The details of each case are not described,
11 so no.

12 Q. Mr. Zucker asked you questions about
13 whether you think the EIMS should have a five-year life.
14 Do you recall those?

15 A. I do.

16 Q. Can you explain, what's the basis for your
17 answer that a five-year life is appropriate in this case?

18 A. The only evidence that we have to rely on
19 right now, the only Commission authorized evidence as far
20 as what the appropriate depreciation rate for those
21 systems are is what was authorized by the Commission in
22 the last rate case, which was supported by their own
23 depreciation study, and that's what we're relying on. We
24 haven't done a depreciation study.

25 We haven't done an in-depth depreciation

1 analysis. We're relying on what the company provided and
2 the Commission authorized and the Staff supported in their
3 last rate case. Nobody's presented anything of that in
4 depth in this case to refute it.

5 Q. Mr. Zucker also asked you a question
6 regarding a DR, DR 32, where OPC had asked the company to
7 identify companies that had been identified in Mr. Spanos'
8 testimony. Do you recall those questions?

9 A. I do.

10 Q. Are the details in any of those cases in
11 the record of this case?

12 A. They are not. Just a listing of companies
13 by gas, electric, water, and then some dates when it says
14 the study was performed, and then just a listing of the
15 lives. There's no detail behind either one, any of the
16 cases, individual cases, how the lives were determined or
17 even if they're actually the true lives. I don't know.

18 Q. So just knowing a company name and a year,
19 a life, a number of years for the life of that system,
20 does that provide you with any information to help you
21 determine what type of system those companies actually
22 use?

23 A. There's no description of the type of data
24 processing systems that they have.

25 Q. So when you look just by those names and

1 year lives, do you know whether those companies included
2 all the type -- all of their software, their information
3 management software into those accounts?

4 A. That information is not available.

5 Q. So you wouldn't know if they applied the 15
6 life or 10-year life to just a subset of the software that
7 Laclede is wanting to apply a 15-year life to in this
8 case?

9 A. I do not know the answer to that. The
10 information is not available in what I have.

11 MR. POSTON: That's all I have.

12 JUDGE WOODRUFF: All right. Then you may
13 step down. And I believe that's all the evidence or the
14 testimony. The procedural schedule adopted for this case
15 calls for expedited transcripts to be filed on
16 August 22nd. I'll make that order. Post hearing briefs
17 are due September 14. We are expecting a decision by
18 October 10th. So we'll be working on it.

19 MR. PENDERGAST: Thank you, your Honor.

20 MS. SHEMWELL: Thank you, Judge.

21 JUDGE WOODRUFF: Anything else before we
22 adjourn?

23 MR. ZUCKER: The October 10th date's okay
24 with you?

25 JUDGE WOODRUFF: I said we'll work on it.

1 It actually may be sooner than that because the Ameren
2 hearing starts on the 24th, which will tie me up some.
3 I'll actually look to get it done before that, before the
4 Ameren case starts.

5 MR. PENDERGAST: Thank you.

6 JUDGE WOODRUFF: With that, we are
7 adjourned.

8 (WHEREUPON, the hearing adjourned at
9 12:55 p.m.)

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1 C E R T I F I C A T E

2 STATE OF MISSOURI)
) ss.

3 COUNTY OF COLE)

4 I, Kellene K. Feddersen, Certified
5 Shorthand Reporter with the firm of Midwest Litigation
6 Services, do hereby certify that I was personally present
7 at the proceedings had in the above-entitled cause at the
8 time and place set forth in the caption sheet thereof;
9 that I then and there took down in Stenotype the
10 proceedings had; and that the foregoing is a full, true
11 and correct transcript of such Stenotype notes so made at
12 such time and place.

13 Given at my office in the City of
14 Jefferson, County of Cole, State of Missouri.

15

16 _____
Kellene K. Feddersen, RPR, CSR, CCR

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