Exhibit No.:	________________
Issue(s):	Rate Base/ Depreciation
Witness/Type of Exhibit:	Robinett/Rebuttal
Sponsoring Party:	Public Counsel
Case No.:	GR-2017-0215 GR-2017-0216

REBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

LACLEDE GAS COMPANY
MISSOURI GAS ENERGY

CASE NO. GR-2017-0215
CASE NO. GR-2017-0216

October 17, 2017

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Request to Increase Its Revenues for Gas Service	)))	Case No. GR-2017-0215
In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase Its Revenues for Gas Service	)))	Case No. GR-2017-0216

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.

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

John A. Robinett
John A. Robinett
Utility Engineering Specialist

Subscribed and sworn to me this 17th day of October 2017.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI
JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037

Jerene A. Buckman
Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

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REBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
LACLEDE GAS COMPANY

MISSOURI GAS ENERGY

CASE NO. GR-2017-0215 and GR-2017-0216

Q. Please state your name and business address.

A. John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Office of the Public Counsel ("OPC") as a Utility Engineering Specialist.

Q. Are you the same John A. Robinett that filed direct testimony on behalf of the OPC in this proceeding?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address the direct testimony of the Missouri Department of Economic Development, Division of Energy ("DE") witness Jane Epperson's proposal for a $5.1 million dollar pilot program proposal for ten combined heat and power projects. I will also discuss the Retirement Work in Progress adjustment proposed by Laclede Gas Company (Laclede), Missouri Gas Energy (MGE), and the Missouri Public Service Commission (Commission) Staff (Staff). Finally, I address Staff's recommendation to increase customers' rates based on a flawed depreciation study.

<u>**Combined Heat and Power (CHP)**</u>

Q. What is OPC position on DE's proposed CHP pilot program?

A. OPC recommends the Commission reject DE's proposal as it relates to ratepayer-funded expenditures specific to the proposed CHP pilot program (or otherwise), and unique economic development/special contract riders. OPC does, however, support DE's exploratory partnership with Spire to investigate future CHP summits to consider the relevance of CHP within the context of a regulated natural gas utility in the Midwest.

Q. Is DE's proposed CHP pilot program a cost-effective or prudent use of ratepayer funds?

A. No. The CHP proposed pilot program requires all ratepayers to subsidize private businesses so those businesses can "consider" CHP "as an option."[1] DE's proposes to have all customers financially subsidize CHP so that non-residential customers (small industrial/ commercial ratepayers such as hospitals, universities, water, and wastewater treatment facilities) can consider whether CHP is an option.In contrast, to the CHP proposal, DE's proposed status quo funding level ($1.7 million annually or $5.1 for a three-year period) for low-income weatherization is a program, which does produce financial and societal benefits to all ratepayers through reduced arrearages.

OPC supports consideration of CHP but only within the context of future federal Department of Energy funding on a limited basis in disaster-prone coastal areas (as Mrs. Epperson cites in her direct[2]). However, the ratepayer-funded CHP projects DE proposes in this case are inappropriate in light of the uncertainty surrounding future federal funding of low-income energy assistance program ("LIHEAP") and the discontinuation of the state funded Missouri Utilicare program.

It is worth noting, as witness Epperson highlights in Table 1, page 6 of her direct testimony, there are already twenty-three CHP installations in operation without the benefit of ratepayer subsidized funding. It appears the "pilot" case for CHP has already been made.

Q. Are there other items that OPC would like to note regarding Table 1 from Epperson's direct testimony?

A. Yes. Two of these CHP installations are currently Commission-regulated steam-heat companies. Based on OPC's review of Case No. HR-2014-0066 the two CHP installations use different company names but are in fact the same company. The Commission approved a name change in File No. HN-2011-0286. These steam heat utilities are selling the commodity of steam. Steam is not a by-product of something they are manufacturing or making, so they should not reasonably be included in Table 1.

[1] Epperson Direct p. 16:8.
[2] Direct Testimony of Jane Epperson p. 9, 6-12.

Q. Should the Commission be aware of anything else in regards to DE's CHP proposal?

A. Yes. The DE proposal is potentially authorizing Laclede and/or MGE to disregard the promotional practices rules by funding a CHP project that requires new natural-gas-line extensions. Other heating providers (electric investor-owned utilities and propane suppliers) could make a compelling argument this proposal is inappropriate.

Finally, the inclusion of a CHP promotional program tied to an economic development rider ("EDR") unreasonably places additional financial burdens on ratepayers who are already being called to subsidize natural gas costs to attract potential business to Missouri. To the extent that EDR's are designed and approved, ratepayers should be held harmless to the fullest extent possible. OPC witness Dr. Geoff Marke will speak to the design and deployment of EDR's in greater detail in his rebuttal testimony.

<u>**Retirement Work in Progress (RWIP)**</u>

Q. Does the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USoA) for natural Gas utilities use the terminology "retirement work in progress"?

A. No.

Q. What is OPC's concern with Staff and the Companies' RWIP adjustment?

A. I am responding to Staff witness Cary Featherstone's direct testimony at page 47, lines 14-28, of the Staff Report. My concern is that if a retired plant asset is in an account with zero percent (0%) net salvage, there is no need to remove cost of removal or gross salvage from FERC account 108, Accumulated provision for depreciation. For accounts with zero percent (0%) net salvage, the cost of removal and the gross salvage value of retired plant have historically net out to zero. To state it another way, depreciation reserves are not overstated unless an account has experienced cost of removal in excess of gross salvage. This is not witness Featherstone's approach.

Q. Should dollars related to gross salvage be removed from depreciation reserves as stated by Staff witness Featherstone at page 47 lines 25 through 27?

A. No. If gross salvage proceeds exceed cost of removal, depreciation reserves would be understated at time the asset is retired. In any asset in an account with positive net salvage ordered as part of depreciation rates, I would expect gross salvage to the exceed cost of removal. In this situation there is a need to increase depreciation reserves upon disposition of the asset because original cost would be removed from reserves, but gross salvage will not been booked.

Q. Under what scenario is Staff's recommendation warranted?

A. Staff's position on this issue would be necessary if the retirement of an asset is from an account in which the cost of removal exceeds the gross salvage.

Q. Does OPC have issue with Staff RWIP adjustments for Laclede?

A. No.

Q. Does OPC have issue with Staff RWIP adjustments for MGE?

A. Yes. Staff indicated in response to Data Request No. 0477 that, "Plant related to retirement work in progress includes regulator station rebuilds and replacements, main replacements and plant change-outs for public improvements for main relocations." OPC reviewed the approved depreciation rates and corresponding net salvage percentages for the accounts included in Staff's RWIP adjustments for MGE. Accounts 376, 378, 379, 383, and 385 have Commission ordered net salvage percentages that are greater than or equal to zero.

Please see the attached Schedule JAR-R-1 which show the ordered depreciation schedule for MGE from Case No. GR-2014-0007. The ordered depreciation rates for MGE, with two exceptions, account 380 services and account 391.5 Enterprise Information Management System are either zero percent net salvage (cost of removal equals gross salvage) or positive net salvage (gross salvage exceeds cost of removal). The adjustments proposed by Mr. Featherstone for MGE accounts are not appropriate.

<u>Staff's Depreciation Study and Recommendation</u>

Q. What is Staff's Depreciation expense recommendation filed in its Direct Case?

A. According to Staff witness Mr. Keenan Patterson, at page 150 line 9 through 15 of the Staff Report:

> Staff's recommended rates would increase the estimated annual depreciation expense for LAC from approximately $51,132,732 based on deprecation rates approved in Case No. GR-2013-0171, to approximately $51,228,342. This is an increase in depreciation expense of $95,610.
>
> For MGE, Staff's recommended rates would increase the estimated annual depreciation expense from approximately $32,981,102 based on depreciation rates approved in Case No. GR-2014-0007, to approximately $38,081,940. This is a total increase of $5,100,838."

My review of Staff's accounting runs, however, tells a different story. The combination of depreciation expense and amortization expense accounts 403 and 404 totals are $33,999,073 for MGE and $54,341,032 for Laclede.

Q. Did OPC seek clarification on this discrepancy?

A. Yes OPC issued Data Request numbers 0433 through 0471 to Staff to gain a better understanding of work performed, information relied upon and their conclusions.

Q. What other information was sought in Data Request No. 0448?

A. OPC asked how Staff's recommended depreciation expense, as recommended by Staff's expert witness, tied to the Staff accounting schedules filed in support of Staff's Direct Report.

Q. What was Staff's response?

A. Staff responded saying that there was an error in the depreciation expense recommendation "The depreciation expense estimates at page 150 are in error. The depreciation expense in Staff's Accounting Schedules are based on Staff's recommended depreciation rates and therefore the depreciation expense in the Staff's Accounting Schedules are the correct values to use."

Q. Is Staff likely to correct this error in rebuttal testimony?

A. Yes. OPC anticipates that Staff would address this error and make a correction in rebuttal testimony.

Q. Does OPC agree with Staff's statement on page 152 of Staff's Report that Staff used "available data?"

A. No. Staff as indicated in response to Data Request No. 0434 it used only the data that Laclede and MGE provided with their direct filings.

Q. What additional data was available to Staff?

A. Other available data would include the salvage and retirement data provided in previous rate cases and depreciation studies by each utility. Additionally, depreciation consultants may do regional reviews of ordered rates to help support recommendations where little retirement data exists or has occurred to support their recommendations. It is important to note that the 2014 Depreciation study performed by Black & Veatch contained a regional depreciation survey because of MGE's lack of retirement and net salvage data. Additionally, Staff has access to the current ordered depreciation rates for other Missouri regulated natural gas companies.

Q. Did Staff issue any discovery related to depreciation in this case?

A. No. In response to Data Request No. 0468 Staff replied, "Staff recommendations were informed by the retirement and salvage data submitted by Spire, the depreciation report submitted by Spire and the record of Case No. GR-2013-0171 and GR-2014-0007."

Q. Did Staff incorporate salvage data files from Laclede's and MGE's last rate cases?

A. No. "While prior cases provided a starting point for some analysis, data files from these cases were not used or incorporated into data files from the current case."

Q. What is the importance of that?

A. For MGE, the previous case, File No. GR-2014-0007, contained net salvage data for the time period 2003 to 2012. This data provides a closer match to the retirement study data range that Staff indicated it relied upon for its depreciation rate recommendation. OPC reviewed the salvage and cost-of-removal data staff indicated it used. The salvage data used by Staff for MGE only goes back to 2008 not 1994 as Staff indicated at page 152:9-12 of Staff Report. OPC created the following table by sorting salvage data provided by MGE with its depreciation study in direct testimony.

FERC Acc.	MGE Net Salvage Data								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
375.2	X	X	X	X	X	X			X
376.1						X	X	X	X
376.2							X	X	X
376.3							X	X	X
378	X	X	X	X	X	X	X	X	X
379	X	X	X	X	X	X	X	X	X
380.1								X	X
380.2						X	X	X	X
381	X	X	X	X	X	X	X	X	X
382	X	X	X	X	X	X	X	X	X
383	X	X	X	X	X	X	X	X	X
385	X	X				X	X		X
390.1	X	X	X			X			X
391	X	X	X	X	X	X	X	X	X
392.1			X	X	X	X	X	X	X
392.2			X	X	X	X	X	X	X
393	X	X			X				
394	X	X	X	X	X	X	X	X	X
395									
396	X	X	X	X		X	X	X	X
397	X	X	X	X	X		X		
397.1	X	X	X	X	X	X	X	X	X
398	X	X		X	X	X	X		X

Q. What type of averaging did Staff perform on net salvage data?

A. Staff described their method of averaging the net salvage data in response to Data Request No. 0446 noting that, "averaging done by GF software by account, in that all years of data were averaged to find an average net salvage based on sum of cost of removal and sum of total salvage."

Q. In your experience, is this different from common practice?

A. No. It is common practice in depreciation studies to perform rolling/moving three or five year averages in order to analyze trends in gross salvage and cost of removal. Instead, Staff's study "where data was adequate" calculated moving five year averages, but Staff did not use that information a basis for determining a trend in net salvage. Instead, as described above Staff used the sum of cost of removal and sum of salvage (which should be gross salvage).

Q. Does OPC agree with the depreciation rate equation provided by Staff at page 151 line 25 of the Staff Report?

A. No. The equation provided by Staff has been altered in format from the equation found in Case No. ER-2004-0570 *Report and Order* issued March 10, 2005. The correct formula that appears in Case No ER-2004-0570 is as follows:

$$\text{Depreciation Rate} = \frac{100\% \quad - \quad \%\text{ Net Salvage}}{\text{Average Service Life (years)}}$$

Additionally, OPC observes that this equation originated not in that the Report and Order from Case No. ER-2004-0570, but in the Laclede Gas Company Case No. GR-99-315 (3rd Report and Order, issued January 11, 2005) and it is the only equation to calculate depreciation the Commission has ordered.

Q. Do you have any other concerns with Staff's depreciation testimony?

A. Yes. Although not directly stated, Staff seems to have had issues with obtaining adequate data to perform a complete statistical analysis study. For example, page 152 of the Staff report is riddled with catch phrases common with data concerns. On page 152, at line 4, Staff qualifies its number with the phrase, "where there was adequate data to support it," again at line 5 Staff notes, "[f]or accounts that did not have adequate data" Once again in Line 18 Staff reports: "when data supported its use," and again at line 29 is the phrase "where data supported it." All of these statements led to my conclusion Staff did not have adequate data to support its recommendation.

Q. What is OPC's depreciation rate recommendation?

A. OPC supports continued used of ordered depreciation rates for Laclede ordered in GR-2013-0171 and MGE ordered GR-2014-0007.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

Missouri Gas Energy - GR-2014-0007
Staff Recommended Depreciation Rates

Account Number	Description	Depreciation Rate	ASL (Years)	Net Salvage (%)	Life Only Rate	Net Salvage Rate
	Distribution					
374.2	Land Rights	2.08%	48.0	0.00%	2.08%	0.00%
375.0	Structures and Improvements	2.13%	47.0	0.00%	2.13%	0.00%
376.0	Mains	1.78%	50.0	11.00%	2.00%	0.22%
378.0	Measuring and Regulating Eq.	2.86%	35.0	0.00%	2.86%	0.00%
379.0	Measuring and Regulating Eq.-City Gate	2.63%	38.0	0.00%	2.63%	0.00%
380.0	Services	2.68%	40.0	-7.20%	2.50%	-0.18%
381.0	Meters	2.86%	35.0	0.00%	2.86%	0.00%
382.0	Meter Installation	2.86%	35.0	0.00%	2.86%	0.00%
383.0	House Regulators	2.44%	41.0	0.00%	2.44%	0.00%
385.0	Measuring and Regulating Eq.-Industrial	3.33%	30.0	0.00%	3.33%	0.00%
	General (Including Corporate)					
390.1	Structures and Improvements	2.13%	47.0	0.00%	2.13%	0.00%
391.0	Office Furniture and Eq.	9.09%	11.0	0.00%	9.09%	0.00%
391.5	Enterprise Information Management System	7.00%	15.0	-5.00%	6.67%	-0.33%
392.1	Transportation Eq. [Cars & Small Trucks]	13.28%	6.0	20.30%	16.67%	3.38%
392.2	Transportation Eq. [Large Trucks]	8.06%	10.0	19.40%	10.00%	1.94%
393.0	Stores Eq.	3.57%	28.0	0.00%	3.57%	0.00%
394.0	Tool, Shop, and Garage Eq.	5.26%	19.0	0.00%	5.26%	0.00%
396.0	Power Operated Eq.	10.00%	10.0	0.00%	10.00%	0.00%
397.1	Electronic Reading - ERT	5.26%	19.0	0.00%	5.26%	0.00%
397.2	Communication Eq.	6.25%	16.0	0.00%	6.25%	0.00%
398.0	Miscellaneous Eq.	4.35%	23.0	0.00%	4.35%	0.00%

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy Inc.'s Filing of Revised Tariffs to Increase its Annual Revenues for Natural Gas	)))	Case No. GR-2014-0007

ATTACHMENT 2
TO STIPULATION AND AGREEMENT

COMES NOW the Staff of the Missouri Public Service Commission, on behalf of Laclede Gas Company d/b/a Missouri Gas Energy Inc., the Office of the Public Counsel, the Missouri Division of Energy, the Midwest Gas Users' Association and United States Gypsum Corporation, by and through undersigned counsel, and hereby respectfully states:

1. On Friday, April 11, the above-referenced parties filed the body of a Stipulation and Agreement resolving all the issues in this case.

2. With that filing, the parties noted their intention to file Attachments 1 and 2 to the Stipulation and Agreement no later than Tuesday, April 15, 2014.

3. Accordingly, Staff hereby submits Attachment 2, which contains the recommended depreciation rates and other depreciation proposals referenced in Paragraph 25 of the Stipulation and Agreement in this case.

WHEREFORE, Staff respectfully submits this Attachment 2 to the Stipulation and Agreement in this case.

Respectfully Submitted,

STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION

/s/ John D. Borgmeyer
John D. Borgmeyer
Deputy Legal Counsel
Missouri Bar No. 61992

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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 15th day of April, 2014.

/s/ John D. Borgmeyer