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Witness:	Glenn W. Buck
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LACLEDE GAS COMPANY

GO-2012-0363

DIRECT TESTIMONY

OF

GLENN W. BUCK

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DIRECT TESTIMONY OF GLENN W. BUCK

1 Q. Please state your name and business address.

2 A. My name is Glenn W. Buck, and my business address is 720 Olive St., St. Louis,
3 Missouri, 63101.

4 Q. What is your present position?

5 A. I am presently employed as Manager, Financial Services, for Laclede Gas Company
6 ("Laclede" or "Company").

7 Q. Please state how long you have held your position and briefly describe your
8 responsibilities.

9 A. I was appointed to my present position in March, 1999. In this position, I am responsible
10 for the financial aspects of rate matters generally, including financial analysis and
11 planning. I am also responsible for preparing various financial forecasts, and monitoring
12 regulatory trends and developments.

13 Q. What was your experience with the Company prior to becoming Manager, Financial
14 Services?

15 A. I joined Laclede in August, 1986, as a Budget Analyst in the Budget Department. I was
16 promoted to Senior Budget Analyst in June, 1988, and transferred to the Financial
17 Planning Department in December, 1988 as an Analyst. I was promoted to Senior
18 Analyst in February, 1990, Assistant Manager in February, 1994, and Manager in January
19 1996. I acted in that capacity until being appointed to my current position.

20 Q. What is your educational background?

1 A. I graduated from the University of Missouri - Columbia, in 1984, with a Bachelor of
2 Science degree in Business Administration.

3 Q. Have you previously filed testimony before this Commission?

4 A. Yes, I have, in Case Nos. GR-94-220, GR-96-193, GR-99-315, GR-2001-629,
5 GT-2001-329, GR-2002-356, GO-2004-0443, GR-2005-0284, GR-2007-0208, GR-2010-
6 0171, GT-2009-0026, ER-2010-0036, GC-2011-0006 and GC-2011-0098. Further, I
7 provided oral testimony before the Commission regarding the Infrastructure System
8 Replacement Surcharge rulemaking in Case No. AX-2004-0090.

9 **PURPOSE OF TESTIMONY**

10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to present evidence to the Commission concerning the
12 propriety of the Company's application to establish a new depreciation rate for the new
13 enterprise information management system ("EIMS") that the Company is in the process
14 of implementing so that it can continue to provide high quality utility service to its
15 customers. To that end, I will summarize the scope, nature and timing of this new
16 system, outline the limited accounting authorizations that the Company is requesting to
17 account for this new system in a proper and accurate manner, and describe the full range
18 of issues that any party would still be able to raise in any future rate case proceeding if
19 the Company's request is granted. Finally, I will conclude by responding to the factual
20 assertions made by the Office of the Public Counsel ("OPC") in its recently filed Motion
21 for Summary Determination in which it asks the Commission to dismiss the Company's
22 application.

SCOPE, NATURE AND TIMING OF EIMS

Q. What is EIMS?

A. For well over a year now, Laclede has been involved in the planning, design, and preliminary implementation of EIMS. As a result of this initiative, the Company will, for the first time in its history, have a fully integrated and comprehensive information management system that will be capable of providing enhanced accounting tools, cross-functional communication, data tracking and analyses, and other essential business processes in the areas of customer service, billing and information, financial performance, supply chain/inventory, human resources and asset management. In fact, the transformative nature of this undertaking to Laclede and how it operates is such that the Company and its employees refer to it as the Company's "newBLUE" project.

Q. Can you describe the various components of EIMS?

A. Yes. As set forth in Schedule GWB-D1, these components include the Oracle Enterprise Systems applicable to accounting, reporting, payment processing and supply chain functionality, the PowerPlant system applicable to fixed asset and tax accounting, the Oracle Customer Care and Billing System applicable to billing, collections and customer service functions, and the IBM Maximo system applicable to enterprise asset management and work management.

Q. What enhancements will EIMS bring to the Company's provision of utility service?

A. Once fully implemented in the summer of 2013, EIMS will provide the Company with additional tools to improve customer care and operate even more efficiently.

Q. What contribution will EIMS make to enhancing customer care?

1 A. For one thing, it will make additional customer support information available to customer
2 service personnel operating out of the Company's call center – an enhancement that
3 should lead to greater “first call” resolution for customer inquiries and, in the process,
4 produce greater efficiency through the ability to take more calls and/or to reduce average
5 speed of answer. EIMS will also provide the Company with greater flexibility to design
6 and implement more individualized service offerings for customers with distinct needs,
7 requirements and operating characteristics. The value of this flexibility to Laclede's
8 customers should be particularly evident when it comes to easier accessibility to
9 information helping customers to better understand their energy usage and to benefit from
10 the more efficient use of those energy resources. Similar benefits should also accrue in
11 the design, implementation and evaluation of the Company's energy efficiency,
12 affordability and weatherization programs.

13 Q. Will EIMS also allow the Company to operate more efficiently over the long-term?

14 A. Yes. EIMS should also benefit customers over the long-term by enabling the Company
15 to operate more efficiently across a wide spectrum of business functions. Among other
16 things, it will help to streamline and automate business processes and provide
17 management with easy access to operational metrics for use in making timely and
18 efficient management decisions. It will also provide for more robust time and labor
19 tracking, reporting and financial analysis and enhance our ability to conduct spend
20 analysis in support of strategic sourcing. All of these enhancements will help to
21 eliminate work duplication in the gathering, reporting and evaluation of data and improve
22 our ability to coordinate field operations in an even more efficient and systematic
23 manner.

1 Q. Will EIMS also provide the Company with additional ways to enhance the safety of its
2 system?

3 A. Yes. Its features will also enhance the Company's ability to centralize, more rapidly
4 access and more robustly analyze and track safety-related infrastructure data and records
5 as well as compliance requirements. In short, the introduction of these new information
6 management tools will do for Laclede what the expanded use of such technology has
7 done for countless other businesses – enable the Company to ultimately provide its
8 customers with higher quality utility service in a more efficient manner.

9 Q. Are these anticipated enhancements the primary reason why the Company chose to move
10 forward with its EIMS investment?

11 A. They were certainly a very important factor. But moving forward with this
12 transformation of the Company's information management system was also a by-product
13 of necessity. Laclede takes very seriously its obligation to make such large investments
14 only where there is a compelling case to do so. That's exactly why the Company has
15 maintained and has continued to operate the same Customer Information System ("CIS")
16 for 25 years. Because of its age, however, it had become increasingly difficult to find
17 programmers and software providers with the knowledge and expertise to maintain and,
18 in the event of an emergency, repair the CIS system. Accordingly, it became increasingly
19 important to move forward with a new information management system and the
20 Company has now done so.

21 **ACCOUNTING AUTHORIZATIONS SOUGHT**

22 Q. Please explain what accounting authorizations the Company is requesting in connection
23 with its implementation of EIMS.

1 A. As the Company begins to implement the various components of EIMS, it is critical that
2 Laclede have an authorized, Commission-approved depreciation rate effective for the
3 beginning of the Company's next fiscal year (October 1, 2012) that can be applied to this
4 kind of transformative information management asset. Currently, Laclede has only one
5 depreciation account in effect for software, and it is wholly inapplicable to the kind of
6 fundamental restructuring of information management assets represented by EIMS.
7 Indeed, given their cost and complexity, it has been the Company's experience that such
8 wholesale changes to its information management systems for core functional areas only
9 occur over intervals spanning from 15 to 25 years, with the CIS system I just discussed
10 being an example of one that has survived the longest.

11 Q. What then is the Company's proposal for accounting for this new asset in an appropriate
12 manner?

13 A. As described in the Company's Application, Laclede is requesting two basic accounting
14 authorizations from the Commission. First, the Company requests that the Commission
15 authorize Laclede to establish a new subaccount denominated as Account 391.5 –
16 Enterprise Information Management System (EIMS) applicable to the EIMS assets
17 identified in Schedule 1 to the Company's Application, and attached hereto as Schedule
18 GWB-D1.

19 Q. Does Schedule GWB-D1 include a complete description of the various components of the
20 EIMS project?

21 A. Yes, it does. As set forth in Schedule GWB-D1, these components include both the
22 internal and external costs incurred by the Company to design, configure, test and
23 implement all of the core components of EIMS.

1 Q. What is the second major accounting authorization requested by the Company?

2 A. The Company further requests that the Commission establish and assign a five percent
3 (5%) depreciation rate for the EIMS investments that are included in Account 391.5
4 beginning with their in-service dates in 2012 and 2013 and that such depreciation
5 continue to accrue until such time, if any, that a new rate for this subaccount is
6 established.

7 Q. Are these depreciation-related accounting authorizations consistent with others recently
8 granted by the Commission?

9 A. Yes. They are nearly identical to the authorizations recently granted by the Commission
10 in connection with a similar enterprise information system being implemented by
11 Missouri-American Water Company. Based on the unanimous recommendations of all of
12 the parties in the Stipulation and Agreement that resolved Missouri-American's most
13 recent rate case proceeding, Case No. WR-2011-0337, the Commission concluded that a
14 5% depreciation rate was appropriate for at least the initial years of that utility's
15 implementation of its enterprise information system. For the reasons previously
16 discussed, the Company believes such a rate is equally appropriate for its EIMS
17 investment.

18 Q. Did the Commission also require that Missouri-American conduct and file a depreciation
19 study in the next rate case following full implementation of Missouri-American's new
20 system so that any potential changes to the depreciation rate could be evaluated?

21 A. Yes. And the Company is certainly willing and has, in fact, proposed that the
22 Commission impose a similar condition on Laclede as part of any order approving the
23 Company's application.

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RESERVATIONS OF RIGHTS

Q. As part of the authorizations it is requesting in this case, is the Company seeking any ratemaking determination by the Commission in this case?

A. No. Similar to other instances where the Commission has issued accounting authorizations, including orders establishing new depreciation rates, the Company fully recognizes that such authorizations do not include any ratemaking determinations. To the contrary, Laclede understands that the parties will be free to raise in a subsequent case whatever issues they may have regarding the prudence of this investment.

Q. Does that include the prudence of both the Company’s decision to make this investment as well as the prudence and reasonableness of management’s implementation of EIMS?

A. Yes. It includes both.

Q. Will the parties also be free to suggest changes to the depreciation rate established by the Commission if it approves the Company’s Application?

A. Yes. Similar to what the Commission approved in connection with the authorizations given for the Missouri-American enterprise information management system, the Company understands that the parties would be free to propose a different rate once a depreciation study is filed following full implementation of the EIMS.

Q. Has the Company communicated to the other parties its willingness to recognize these reservation of rights in this case?

A. Yes. The Company has already proposed in its Application that the Commission include these disclaimers and reservations of rights in any order granting the Company’s Application. In addition, as a result of its previous discussions with the Staff and

1 OPC, the Company has also offered to provide additional assurances in this regard,
2 including assurances relating to the parties' access to any information that may be
3 required to audit and evaluate the prudence of any EIMS expenditures or the
4 propriety of the depreciation rate applicable to the investment. It is the Company's hope
5 that these additional assurances will be reflected in a Stipulation and Agreement that the
6 Company has been working on with the Staff.

7 **RESPONSE TO OPC'S MOTION**

8 Q. Have you had an opportunity to review the factual assertions made by OPC in support of
9 the Motion for Summary Determination which it filed in this proceeding on June 13,
10 2012?

11 A. Yes, I have.

12 Q. Do you have any comments on the Motion?

13 A. Because I am not an attorney, I will not comment on any of the legal conclusions set forth
14 in the Motion. I will instead focus on what I believe are a number of fundamental factual
15 errors underlying the assertions made by OPC in support of the Motion. The first has to
16 do with OPC's assertion that the Company's request to establish a new depreciation rate
17 for its EIMS investment is analogous to a proposal that was made by OPC in an Ameren
18 electric rate case in which OPC unsuccessfully proposed to lower the depreciation rate
19 applicable to Ameren's Callaway nuclear plant. As OPC notes in its Motion, the
20 Commission rejected OPC's proposal because no overall depreciation study had been
21 done for the case, although the Commission emphasized that a complete depreciation
22 study had just been performed in Ameren's previous rate case. Absent such a study, the
23 Commission was concerned that OPC's proposed change for Callaway might lower

1 Ameren's overall rates even though a complete depreciation study might have resulted in
2 offsetting increases in rates for other items. The Commission accordingly declined to
3 accept OPC's proposal based on the Commission's perception that such action might be
4 somewhat analogous to single issue ratemaking.

5 Q. Did the Commission consider OPC's proposed depreciation rate change?

6 A. Yes, unlike the kind of summary rejection that OPC has proposed in this case, the
7 Commission thoroughly considered OPC's evidence and position before it ruled on the
8 issue. In fact, the Commission specifically considered OPC's argument that special
9 circumstances, including an extension of the operating license for Callaway, existed to
10 support the change in depreciation rate, but determined that these circumstances were not
11 new or unusual. The point is that the Commission clearly entertained OPC's arguments
12 and evidence, leaving me with the impression that even if the Company were asking for a
13 change in depreciation rates, rather than the establishment of a new one, the Commission
14 would still be open to considering evidence and taking such action if there were
15 circumstances justifying it.

16 Q. Are the factual circumstances underlying the Company's request for a new depreciation
17 rate for its EIMS investment in this case similar to the circumstances present in the
18 Ameren case?

19 A. No. In fact, they are very different. To begin with, in the Ameren case, the Commission
20 was faced with a depreciation proposal by OPC that would have had an *immediate* impact
21 on rates in that case. In other words, Commission acceptance of OPC's proposal would
22 have resulted in an immediate reduction in the rates being authorized by the Commission
23 in that case. In contrast, Commission approval of the new depreciation rate proposed by

1 the Company would have no impact on rates at this time – a difference that OPC seems to
2 recognize in its Motion by implying that approval of the depreciation rate proposed in
3 this case *might* have an impact on *future* rates.

4 Q. Is this potential impact on future rates a legitimate basis for not establishing a
5 depreciation rate at this time?

6 A. No. The Commission has routinely taken actions between rate cases that may have an
7 impact on future rates. Among others, these have included the issuance of accounting
8 authority orders permitting utilities to defer a variety of costs for consideration in a future
9 rate case, financing orders authorizing utilities to issue stock and incur debt, and
10 rulemakings requiring utilities to incur costs that they weren't incurring before. All of
11 these actions could, at some point, have an impact on future rates. That possibility,
12 however, has never prevented the Commission from acting. In fact, it is my
13 understanding, based again on advice of counsel, that Missouri courts have expressly
14 rejected the argument that such actions violate the general prohibition against single issue
15 ratemaking because there may be a future impact on rates. To the contrary, so long as the
16 costs being addressed by the Commission remain subject to review and adjustment in a
17 future rate proceeding, as the Company proposes they should be in its Application, the
18 courts have held that the Commission is entirely free to act.

19 Q. Is there anything else you find disconcerting about OPC's alleged concern regarding the
20 future rate impact of the Company's proposal?

21 A. Yes. I find it strange that OPC would resist the Company's efforts to establish a realistic
22 5% depreciation rate for this asset on the theory that there is already a higher 20%
23 depreciation rate in effect that could be applied to this asset. While I believe OPC is

1 factually incorrect in asserting that this higher depreciation rate could be reasonably
2 applied to this asset, its worth noting that implementation of OPC's position in the
3 Company's next rate case would result in customers being charged 6 or 7 million dollars
4 more in depreciation expense than would be the case under the Company's proposal. It
5 would also require current customers to finish paying for the new system in its entirety
6 years in advance of when the system would be ultimately be retired from service. If that
7 is the desired outcome, then OPC can propose a 20% depreciation rate in the future. In
8 the meantime, however, I have a difficult time reconciling OPC's stated concerns over
9 future rate impacts with OPC's recommendation to require Laclede's current customers
10 to pay off an expensive long-lived asset in just five years.

11 Q. Are there other factual differences between the Ameren depreciation issue referenced by
12 OPC and the depreciation proposal by the Company in this case?

13 A. Yes. In the Ameren case, OPC was proposing to change an existing depreciation rate
14 applicable to the Company's decades-old Callaway plant. In this case, however, Laclede
15 is seeking the establishment of a new depreciation rate for a brand new investment for
16 which there simply isn't a class with a currently applicable depreciation rate. As a result,
17 there is an absolute need for the Commission to establish such a rate so that the Company
18 can begin accounting for this investment in an appropriate manner.

19 Q. But hasn't OPC pointed to an existing depreciation rate that Laclede has for computer
20 software in support of its argument that the Company does have an existing depreciation
21 rate that could be applied to this investment?

22 A. Yes. But there is no simply no factual basis that would support applying the existing
23 20% depreciation rate for computer software to the kind of enterprise-wide integrated

1 replacement of the of the Company's information management system represented by
2 EIMS. While a five year service life may be appropriate for a desktop software upgrade
3 from say Microsoft Office 2003 to Microsoft Office 2007, it doesn't begin to reflect the
4 service life that can be expected for a massive upgrade affecting over 80% of the
5 Company's information systems functions. To the contrary, the 5%/20 year service life
6 proposed by the Company in its application for this investment is far more representative
7 of its expected useful life.

8 Q. Is your conclusion supported by the Company's historical experience with these kinds of
9 large, system-wide upgrades?

10 A. Yes. Although the Company has never implemented information systems upgrades as
11 comprehensive and massive as EIMS, other large system upgrades that the Company has
12 made in the past three decades have experienced service lives far in excess of 5 years. As
13 I previously noted, for example, the Company's current Customer Information System
14 was first placed in service in 1987 or approximately 25 years ago. Other major
15 information systems, including the Company's Walker Accounting and MMS systems,
16 have been in service for 15 year to 20 years. Given this history and the basic purpose of
17 depreciation (which is to match cost recovery with the period over which an asset is
18 likely to be in service and provide customer benefits), the Company's proposed
19 depreciation rate is an appropriate and fully supported starting point for depreciating this
20 asset, particularly in view of the fact that the rate will be subject to review and adjustment
21 in subsequent rate case proceedings. By the same token, the current five year service life
22 for computer software is plainly inapplicable to this new investment based on any
23 reasonable assessment of the new system's probable service life.

1 Q. So not all software is alike in terms of its expected service life?

2 A. No. And that shouldn't come as a surprise. There are a variety of assets that may fall
3 under the same general category, but still have significantly different service lives. An
4 example is the different types of transportation equipment the Company has.
5 Transportation Equipment – automobiles (392.1) are simpler, less expensive vehicles that
6 have been assigned a 6 year life. Transportation Equipment – trucks (392.2) are more
7 complex, more expensive and more time consuming to construct, and have been assigned
8 an 11 year life. In effect, Laclede currently has the automobile version of software, but
9 not the truck version. EIMS definitely fits into the truck version category and not the
10 automobile version category.

11 Q. Is there other support for utilizing the 5% depreciation rate and 20 year service life for
12 EIMS proposed by the Company?

13 A. Yes. As I have previously discussed, the Commission recently approved a 5%
14 depreciation rate (as part of an overall comprehensive rate case settlement) and a 20 year
15 service life for the new Missouri-American enterprise-wide management information
16 system – a system that is remarkably similar to the Company's EIMS investment. Like
17 the Company's proposed approach in this case, the depreciation rate for Missouri-
18 American's new system will be subject to potential revision once it is fully implemented.
19 In the meantime, however, the Commission's action in Missouri-American provides
20 strong support for the Company's proposal to utilize a 5% depreciation rate for EIMS
21 pending further review. It also provides a further demonstration of why applying a 20%
22 depreciation rate and a five-year service life to this investment, as suggested by OPC,
23 would be fundamentally inappropriate.

1 Q. OPC also suggests in its Motion that the Commission should require the Company to
2 conduct an overall depreciation study before it establishes a new depreciation rate for
3 EIMS. Is such a study necessary as a prerequisite to establishing a new rate?

4 A. No. As I previously indicated, unlike the situation in the Ameren case, the Company is
5 not proposing to change the rates it charges its customers based on the new depreciation
6 rate that would be established by the Commission if it approves the Company's
7 application. Because rates are not changing, there is absolutely no need to conduct an
8 overall depreciation study at this time to ensure that there are no offsetting changes in
9 other depreciation rates since there is nothing to offset.

10 Q. Given all of these considerations, is there another Commission precedent, in addition to
11 the Missouri-American decision, that is more applicable to the Company's requested
12 relief than the Ameren decision relied upon by OPC?

13 A. Yes. Just recently, in Case No. EO-2012-0340, the Commission Staff recommended
14 new depreciation rates and amortization provisions for certain assets owned by KCP&L
15 and KCP&L Greater Missouri Operations ("GMO"), including a bridge built by the
16 utility in connection with its Iatan plant and certain miscellaneous power equipment.
17 Notably, OPC did not oppose this action even though the depreciation rates and
18 amortizations were established outside of a general rate case and were not accompanied
19 by the kind of overall depreciation study that OPC has suggested in connection with
20 Laclede's request. Apparently, OPC was able to recognize in that case that since the
21 requested depreciation actions had no immediate impact on rates, there was no basis for
22 opposing it. Laclede respectfully submits that the actions requested of the Commission in
23 Case No. EO-2012-0340, and OPC's apparent concurrence therein, provide a far more

1 helpful and pertinent precedent for how the Commission should proceed in this case, than
2 does the Ameren case cited by OPC.

3 **CONCLUSION**

4 Q. Do you have any concluding observations to make?

5 A. Yes. Laclede believes that it has done the right thing with its EIMS investment by
6 working extremely hard to transform its information systems in a way that will enable the
7 Company to further enhance the quality, safety and efficiency of the services it provides
8 to its Missouri customers. All it asks of the Commission in this case is that it timely
9 establish a new depreciation rate that reasonably reflects the useful service life of this
10 significant investment pending its full implementation and the parties' exercise of their
11 rights to raise whatever issues they may have regarding the investment at the time the
12 Company seeks recovery of the costs. Laclede does not believe that is too much to ask
13 and respectfully requests that the Commission grant the relief requested in its Application
14 in this case.

15 Q. Does this complete your direct testimony?

16 A. Yes, it does.

ENTERPRISE INFORMATION MANAGEMENT SYSTEM

Amounts capitalized to implement the EIMS will include both internal and external costs (including consulting costs) to design, configure, test and implement this enterprise software in accordance with GAAP.

- Oracle Enterprise Business Systems – core system functionality including accounting, reporting, payment processing and supply chain functionality (calendar Q4 2012 targeted implementation)
- PowerPlant – a utility-focused suite of applications supporting fixed asset and tax accounting (Q4 target)
- Oracle Customer Care and Billing – supporting all customer-facing functionality including billing, collections, and customer service functions (Q3 2013 target)
- IBM Maximo - Enterprise asset management and workflow system (two phased implementation targeted for Q1 and Q3 2013)

In the matter of Laclede Gas Company's)
application to establish depreciation rates for) **Case No. GO-2012- 0363**
Enterprise Computer Software Systems)

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

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

Ham & Buck

Subscribed and sworn to before me this 19 day of June, 2012.

Yrsa M. Reed

Notary Public

