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Witness: Louie R. Ervin II
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Sponsoring Party: Missouri School
Boards' Association
File No.: GR-2022-0179

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

FILE NO. GR-2022-0179

REBUTTAL TESTIMONY

OF

LOUIE R. ERVIN II

ON BEHALF OF

MISSOURI SCHOOL BOARDS' ASSOCIATION

October 7, 2022

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Louie R. Ervin II. My business address is 150 First Avenue NE, Suite 300,
4 Cedar Rapids, Iowa 52401.

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

6 A. I am employed by Latham, Ervin, Vognsen, and Associates, Inc. ("LEV") as President
7 and Chief Operating Officer.

8 **Q. Will you briefly describe Latham, Ervin, Vognsen & Associates?**

9 A. LEV is an independent energy adviser, primarily to Midwestern purchasers of natural
10 gas, electricity and steam. Our clients include K-12 education institutions, colleges,
11 universities, grain and feed companies, hospitals, municipalities, large industrial
12 companies, smaller municipal electric utilities and trade associations. LEV is not
13 affiliated with any utility, energy marketer, broker or pipeline. Our primary activities are
14 negotiation of short-term and long-term electric and natural gas supply agreements,
15 providing technical and business advice to clients on aggregate energy purchasing,
16 assistance with administration of energy supply contracts, preparation of Class Cost of
17 Service and Rate Design studies, providing expert witness testimony in state and federal
18 jurisdictions, advising client on strategic energy investments, including solar and wind
19 electric generation, negotiating the purchase and sale of energy businesses, and providing
20 advice on market participation in Regional Transmission Organizations. Our firm has
21 advised clients on the establishment and operations of statewide school natural gas
22 programs in Missouri, Illinois, Iowa, Wisconsin, Nebraska and Kansas.

23 **Q. Please state your relevant education and background business experience.**

1 A. I hold a Bachelor of Science degree in Electrical Engineering from Iowa State University
2 and I am a licensed Professional Engineer in the State of Iowa. I managed a utility
3 planning and engineering department and oversaw utility integration during the start of
4 the Midcontinent Independent System Operator energy markets. After holding senior
5 management positions for over eleven years with an Iowa utility, I joined LEV in August
6 2017.

7 **Q. Have you testified as an expert witness before courts, legislatures, and regulatory**
8 **bodies?**

9 A. I recently provided testimony before the Missouri Public Service Commission in Cases
10 No. GR-2021-0108, GR-2021-0241 and No. GR-2021-0320. I also testified before the
11 Iowa Utilities Board, the Illinois Commerce Commission and represented a utility at
12 FERC.

13 **Q. On whose behalf is your testimony presented?**

14 A. I am testifying on behalf of the Missouri School Boards' Association (hereinafter
15 "MSBA").

16 **Q. Will you briefly describe MSBA and the School Transportation Program (STP)?**

17 A. MSBA is a 501(c)(6) not-for-profit corporation representing 388 schools and school
18 districts in the State of Missouri as a trade association with approximately 2,000
19 individual school locations, several of which have multiple natural gas meters or
20 accounts. MSBA sponsors a statewide aggregate natural gas purchasing program which
21 enables schools to take services under all Missouri gas corporations' STP tariffs which
22 are mandated by the special school natural gas aggregation statute Section 393.310
23 RSMo. MSBA's purchasing organization is referred to as Missouri Purchasing Resource

1 Center (“MOPRC”). MSBA’s natural gas purchasing organization under MOPRC is
2 commonly known as the MSBA Natural Gas Consortium, or Consortium.

3 **Q. How many of those natural gas accounts are served by Spire?**

4 A. MSBA is the authorized purchasing agent for over 2,300 Missouri school natural gas
5 accounts of which approximately 903 and 715 STP accounts are in the Spire West and
6 Spire East service areas, respectively. The Consortium purchases natural gas on the open
7 market and arranges for gas supply, pipeline delivery, and local utility transportation to
8 Missouri school meters. The total annual consumption of the Consortium is
9 approximately 35,000,000 therms with about 80% of the total being on Spire East and
10 West combined. In addition, MSBA does have 31 standard transportation accounts on the
11 Spire West system.

12 **II. CONCERNS WITH SPIRE’S PROPOSED TRANSPORTATION TARIFF**

13 **Q. What is the purpose of your testimony?**

14 A. I have a few general concerns with Spire’s proposed changes to its Transportation Tariff
15 as referenced in Witness Embry’s testimony and Schedule KME-D1. MSBA’s concerns
16 are from the consumers’ perspective and are unique from both Spire and Retail Gas
17 Marketer (RGM) positions.

18 **Q. Do you have concerns about Spire’s proposal regarding the replacement of an RGM
19 (Retail Gas Marketer)?**

20 A. Yes. In Sheet 9.6, Sec. C.4. “Customers Without an RGM”, Spire proposes that if a
21 transportation customer ceases to have an RGM, Spire will serve as the customer’s RGM
22 on an interim basis for two billing cycles (two months). If the customer does not procure
23 a new RGM within that time, then the customer “shall default to the Company’s General

1 Service Rate classification applicable based on the previous twelve (12) months' average
2 for supply service and will not be allowed to return to TS until the next enrollment
3 period.”

4 While two months may be adequate for smaller aggregations, MSBA's concern is that
5 with the sheer volume of customers in a large aggregation such as MSBA's under the
6 STP, being forced to move over 1,600 accounts to Spire as the interim substitute RGM
7 and two months later moving them to Spire retail service rate and then again to a new
8 RGM at the next enrollment period, is not feasible or reasonable. MSBA believes it is in
9 Spire's, RGM's and consumers' best interest to give the large aggregations more time to
10 secure a new RGM to avoid mass confusion and unnecessary calls from individual
11 schools to Spire. Not only would this be bad for the MSBA program but we feel it would
12 be undesirable for Spire as well. Simply stated, allowing only 60 days for the replacement
13 of an RGM is simply not sensible nor is the accomplishment of such task attainable.
14 MSBA recently entered into an agreement with a new RGM and it took more than six
15 months to get everything set up to make the change, especially billing at Spire and the
16 RGM.

17 **Q. What would you suggest as a solution?**

18 A. I would suggest that for large aggregations of accounts such as schools in the STP
19 program, at least six billing cycles should be allowed to procure a new RGM and get
20 billing changes made with Spire and the RGM.

21 **Q. Do you share concerns about Spire's proposed LVT standard transportation service
22 tariff cash out provision?**

23 A. Yes, particularly during critical periods such as during Winter Storm Uri in February

1 2021. During Winter Storm Uri, gas market prices were as much as 100 times or more
2 greater than prices a week earlier. Penalties for under delivery based on multiples of gas
3 market prices were so severe, RGMs were biased toward over delivery which artificially
4 created higher demands and further drove up prices resulting in even higher penalties.
5 MSBA believes that an incremental market index cost plus a reasonable dollar amount
6 penalty is more appropriate than what Spire is proposing, particularly during critical
7 events such as Operational Flow Orders (OFSs). That said, this matter of standard
8 transportation cash out is not MSBA's highest priority because the majority of about
9 1600 school accounts are under the STP rate schedule. However, as noted earlier, MSBA
10 does have 31 standard transportation accounts on the West system. Most or all of these 31
11 accounts could/should be moved to the STP rate schedule, but MSBA and Spire will need
12 some leeway to work through the transition because MSBA currently has pipeline
13 capacity under contract with an RGM.

14 **Q. What would you suggest as a solution?**

15 A. I would request a commitment from Spire that they will cooperate and coordinate with
16 MSBA to facilitate moving most of the 31 standard transportation accounts to the STP
17 rate schedule in a timely manner with a leeway of up to six months on Spire's release of
18 pipeline capacity.

19 **Q. Does this conclude your testimony?**

20 A. Yes.

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OF THE STATE OF MISSOURI

STATE OF Iowa)
COUNTY OF Linn) SS

AFFIDAVIT OF LOUIE R. ERVIN II

Louie R. Ervin II, being first duly sworn, deposes and states that he is the witness who sponsors the accompanying rebuttal testimony; that said testimony was prepared by him or under his direction and supervision; that if inquiries were made as to the facts in said testimony, he would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of his knowledge, information, and belief.

Louie R. Ervin II
Louie R. Ervin II

Subscribed and sworn to before me this 7th day of October, 2022.

Marc Richard Reynolds
Notary Public

My commission expires: February 21, 2025

