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Enhancements/June 2018 ISRS
Revenues**
Witness: **Wesley E. Selinger**
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Sponsoring Party: **Spire Missouri Inc.**
Case Nos.: **GO-2019-0115, GO-2019-0116,**

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SPIRE MISSOURI, INC.

File Nos. GO-2019-0115, GO-2019-0116

DIRECT TESTIMONY

OF

WESLEY E. SELINGER

MARCH 2019

Spire Exhibit No. 8
Date 4-3-19 Reporter ju
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DIRECT TESTIMONY OF WESLEY E. SELINGER

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Wesley E. Selinger and my business address is 700 Market St., St. Louis,
3 Missouri, 63101.

4 Q. WHAT IS YOUR PRESENT POSITION?

5 A. I am presently employed as Manager, Rates and Planning at Spire Missouri.

6 Q. PLEASE STATE HOW LONG YOU HAVE HELD YOUR POSITION AND
7 BRIEFLY DESCRIBE YOUR RESPONSIBILITIES.

8 A. I have been in my present position since September 2017, when I joined Spire. In this
9 position, I am responsible for managing rate and regulatory matters, including the
10 Company's ISRS filings, as well as, the rate/regulatory planning and research functions of
11 Spire Missouri Inc. ("Spire" or the "Company") and its two operating units in Missouri,
12 Spire East and Spire West. As part of my duties, I am responsible for the research,
13 assessment, development, and implementation of Spire's rate/regulatory initiatives. I am
14 also responsible for advancing those initiatives in the applicable regulatory forum.

15 Q. WHAT WAS YOUR EXPERIENCE PRIOR TO ASSUMING YOUR CURRENT
16 POSITION?

17 A. Prior to joining Spire, from June 2012 through September 2013, I was employed by the
18 Center for Business and Regulation at the University of Illinois – Springfield as an assistant
19 to the Director of that organization. In that capacity, I assisted in research on regulatory
20 issues and worked with stakeholders from public and private sector groups concerning
21 regulatory issues. From September 2013 to August 2015, I was employed by Vectren
22 Corporation, an electric and natural gas combination utility located in Evansville, Indiana
23 as a Rates Analyst in the Company's Rates and Regulatory Department. In this role, I

1 managed several of the Company's rate adjustment filings, including but not limited to, the
2 Fuel Adjustment Clause and Pipeline Safety Adjustment. I also performed regulatory
3 research and participated in the evaluation and development of the Company's regulatory
4 initiatives. From August 2015 until joining Spire I was employed by Vectren Corporation
5 as a Senior Regulatory Policy Analyst. In that role, I participated in the evaluation and
6 development of the Company's strategic approach to regulatory developments and
7 initiatives; communicating results and feedback to the Company's executive leadership and
8 implementing those initiatives in the appropriate regulatory venue.

9 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

10 A. I graduated from the University of Illinois – Springfield with a Bachelor's degree in
11 Economics with a minor in Accounting in 2013. I earned a Master's Degree in Public
12 Administration, also from the University of Illinois – Springfield, in 2016.

13 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS**
14 **COMMISSION?**

15 A. No, I have not.
16

17 **I. PURPOSE OF DIRECT TESTIMONY**

18 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

19 A. The purpose of my direct testimony is to sponsor Spire's applications and supporting
20 appendices and to provide an overview of Spire's ISRS requests for its Spire East and Spire
21 West operating units. Beyond summarizing Spire's ISRS requests, I will detail the
22 enhancements Spire has made to its ISRS filings and supporting documents, and how those
23 enhancements impact the Company's requests in these proceedings. I will explain how

1 these enhancements are responsive to and aligned with the “evidentiary roadmap” provided
2 by the Commission in its September 20, 2018 Report and Order in Case Nos. GO-2018-
3 0309 and GO-2018-0310, Spire’s ISRS cases filed on June 7, 2018 (“June 2018 cases”).
4 Finally, I will explain, from a general policy perspective, why the recommendations of
5 Staff and OPC to continue to exclude capital investments originally included in the June
6 2018 cases from the Company’s ISRS revenue requirement should be denied.

7
8 **II. SPIRE’S ISRS FILING OVERVIEW AND ISRS PROCESS ENHANCEMENTS**

9 **Q. PLEASE PROVIDE A DESCRIPTION OF THE COMPANY’S REQUESTS IN**
10 **THESE PROCEEDINGS.**

11 A. In these cases, Spire is requesting recovery of the revenue requirements related to ISRS
12 eligible capital investments made from October 1, 2017 through January 31, 2019, to the
13 extent they were not approved for recovery in the June 2018 cases. Spire East’s revenue
14 requirement request in this proceeding, after updating the pro-forma months of December
15 2018 and January 2019 with actual information, is \$9,257,817. Spire West’s revenue
16 requirement request in this proceeding, after updating the pro-forma months of December
17 2018 and January 2019 with actual information, is \$8,754,194.

18 **Q. CAN YOU PLEASE EXPLAIN THE ABOVE-MENTIONED GUIDANCE**
19 **PROVIDED BY THE COMMISSION IN ITS REPORT AND ORDER IN SPIRE’S**
20 **JUNE 2018 CASES?**

21 A. The Commission provided such guidance at page 15 of its September 20, 2018 Report and
22 Order in Case Nos. GO-2018-0309 and GO-2018-0310, where it stated the following:

23 “In the future, if Spire Missouri wishes to renew its argument that plastic
24 pipe replacements result in no cost or a decreased cost of ISRS, it should

1 submit supporting evidence to be considered, such as, but not limited to, a
2 separate cost analysis for each project claimed, evidence that each patch
3 was worn out or deteriorated, or evidence regarding the argument that any
4 plastic pipe replaced was incidental to and required to be replaced in
5 conjunction with the replacement of other worn out or deteriorated
6 components.”

7
8 **Q. WHAT ACTIONS HAS SPIRE TAKEN TO ENSURE THAT ITS ISRS FILINGS**
9 **ARE ALIGNED WITH THE COMMISSION’S GUIDANCE AND PROVIDE THE**
10 **EVIDENTIARY SUPPORT THAT WAS DEEMED NECESSARY BY THE**
11 **COMMISSION?**

12 **A.** Spire has made significant modifications to its ISRS processes to comply with the direction
13 and guidance provided by the Commission in its Report and Order, and to provide
14 sufficient evidence that not only are the Company’s investments ISRS eligible, but that the
15 Company’s approach to retiring worn out or deteriorated pipe, which may require the
16 retirement of a portion of plastic pipe, results in cost savings that produce lower ISRS rates
17 for our customers, in addition to a safer distribution system. The Company has also made
18 efforts to provide the other parties to this proceeding with additional information and
19 support for the projects and investments associated with the Company’s revenue requests
20 in these proceedings.

21 As part of this proceeding the Company provided all parties with:

- 22 - An individual engineering/cost analysis for each project included in these ISRS filings
23 with only a very limited amount of exceptions, as explained below;
- 24 - Information regarding the projects captured under blanket work orders including task
25 by task descriptions of the type of work completed; this additional information had not
26 been provided in prior ISRS cases;

- 1 - Documentation for each relocation project requested by a governmental entity;
2 (documentation had previously been available upon request); and
3 - Work order authorization sheets for each project included in the Company's filing –
4 prior to this case, the Company has submitted these sheets for projects over \$25,000
5 whereas in this filing a document for each project, regardless of the project's cost, was
6 provided to the other parties to the case.
7

8 **Q. PLEASE EXPLAIN THE ENGINEERING/COST ANALYSES AND HOW THEY**
9 **IMPACT THE COMPANY'S ISRS REQUEST.**

10 A. The Company prepared an individual engineering/cost analysis for each project included
11 in these ISRS filings, with the exceptions of relocation projects mandated by governmental
12 entities, projects related to pipe found to be in an angle of repose, and projects in which no
13 plastic pipe was abandoned. Further details regarding how these analyses were constructed
14 and the conclusions reached through performing them can be found in the testimony of
15 Company witness Rob Atkinson.

16 As part of its filing, the Company applied the results of these individual project
17 engineering/cost analyses to each project specific addition amount to determine the amount
18 of that addition that would be included in the Company's revenue requirement. If an
19 individual analysis demonstrated that it was more-costly to use the Company's approach,
20 which involved replacing plastic pipe, than it would have been to utilize the existing plastic
21 pipe, the Company adjusted the addition amount for the percentage difference between the
22 two approaches. For instance, assume a particular project cost \$100 and the Company's
23 engineering/cost analysis for that project showed that utilizing the existing plastic cost 3%

1 less than the Company's approach. That percentage difference would then be applied to
2 the project specific addition amount and the Company would only include \$97 as the
3 addition amount to be included in its ISRS filing. If the project analysis showed that it
4 was less costly to use the Company's approach, involving the retirement of some plastic,
5 then 100% of the addition amount, \$100 in this example, would be included in the ISRS.

6 **Q. PLEASE EXPLAIN THE MODIFICATIONS MADE BY THE COMPANY**
7 **ASSOCIATED WITH BLANKET WORK ORDERS.**

8 A. In the Company's past ISRS filings, specific information regarding work completed under
9 blanket work orders has not been included as part of the supporting evidence. This is
10 largely because work captured under blanket work orders is not planned project work but
11 work that involves a large number of minor miscellaneous ISRS eligible activities. In
12 addition, blanket work orders do not close for an extended period of time and it is not
13 possible to determine a specific dollar amount associated with each of these minor tasks.
14 As part of these filings, the Company has created models that not only pull task level data
15 for all items captured under blanket work orders but also categorizes that information in a
16 way that demonstrates the ISRS eligibility of that work and facilitates a meaningful audit
17 of such work. The Company's blanket work orders were separated into categories
18 including service line replacements, maintenance of mains, cathodic protection, and main
19 leak clamping. These categories were further broken down into more detailed sub-
20 categories identifying the work as being related to the replacement of steel, copper, and
21 cast iron, leak repairs, atmospheric corrosion inspection, and the replacement of copper
22 pigtails.

1 **Q. DID THE COMPANY IDENTIFY ITEMS CAPTURED IN ITS BLANKET WORK**
2 **ORDERS THAT SHOULD BE REMOVED FROM ITS ISRS FILING?**

3 A. Yes. As part of examining the work captured under blanket work orders and included in
4 the Company's ISRS filing, the Company did identify a portion of the work related to non-
5 ISRS eligible activities including leak repairs due to excavation damage and other outside
6 forces, customer requested relocations, installs, and upgrades. The Company has removed
7 this ineligible work from this ISRS filing. In addition to work that can be identified as
8 ineligible for recovery in ISRS, the Company also removed any work under its blanket
9 work orders where documentation did not contain sufficient amounts of information to
10 determine that the work was in fact ISRS eligible.

11 **Q. HOW DOES THE COMPANY'S EVALUATION OF BLANKET WORK ORDERS**
12 **IMPACT ITS REQUESTS IN THESE PROCEEDINGS?**

13 A. As explained above, the Company organized work under its blanket work orders into larger
14 categories including service replacements, maintenance of mains, cathodic protection, and
15 leak clamping. The Company then proceeded to further breakdown these categories into
16 sub-categories to better reflect the work being performed and to identify work that should
17 be removed. The Company ultimately determined the number of tasks under each larger
18 blanket category and derived a percentage of eligible and ineligible items for each of the
19 larger categories. The percentage of work in each category deemed eligible was then
20 applied to each addition amount falling under that category. For instance, Appendix A,
21 Schedule 5 of Spire East's application demonstrates that for blanket work orders related to
22 service line replacements, 87.74% of the work captured in those blanket work orders should
23 be included in the Company's ISRS. Accordingly, and reflected on Appendix A, Schedule

1 2 of Spire East's application, each addition amount related to service line replacements
2 captured under a blanket work order has been adjusted to only include 87.74% of that
3 amount as part of the Company's ISRS revenue requirement.

4 **Q. WHAT CONCLUSIONS DID STAFF REACH REGARDING THE COMPANY'S**
5 **ENGINEERING/COST ANALYSES?**

6 A. Within Staff's recommendations in these cases, Staff states that "as a result of Spire
7 East/West's use of the avoided cost studies, it is reasonable to conclude that the plastic pipe
8 replacements result in no additional ISRS cost" and that "from an economic and
9 engineering viewpoint such replacement is incidental to or required in conjunction with the
10 replacement of worn out or deteriorated components." (Staff Recommendation at pg. 5-6).
11 Staff's statements fully support the Company's compliance with the above-mentioned
12 Commission guidance and are also in line with the Western District Court of Appeals
13 November 21, 2017 opinion where the court stated "we recognize that the replacement of
14 worn out or deteriorated components will, at times, necessarily impact and require the
15 replacement of nearby components that are not in a similar condition." (Footnote 5 at pp.
16 6).

17 **Q. WHAT CONCLUSIONS DID STAFF REACH REGARDING THE COMPANY'S**
18 **BLANKET WORK ORDER MODEL?**

19 A. In the memorandum attached to its recommendation, Staff states that it "also reviewed
20 Spire's work papers concerning "blanket work orders" and "reviewed Spire's
21 categorization to determine if each task Spire considered eligible met the requirements of
22 ISRS recovery." Based on that review, the Staff has recommended inclusion of these
23 amounts in the Company's ISRS revenues. I think this is an excellent example of the

1 progress that can be made when Staff and the Company work together to clarify any issues
2 that may arise as a result of Staff's review of the models and other information provided
3 by the Company so that necessary changes can be made to resolve those issues. The
4 Company believes those responsive changes have been accurately incorporated into Staff's
5 work papers supporting its recommendation. The Company will continue to work with the
6 other parties to further advance the provision of supporting documentation that facilitates
7 effective review of its ISRS work and costs.

8 **Q. HAS THE OFFICE OF PUBLIC COUNSEL ("OPC") PROVIDED COMMENTS**
9 **ON SPIRE'S ENGINEERING/COST ANALYSES OR ITS BLANKET WORK**
10 **ORDER MODELS?**

11 A. Unfortunately, no. In its March 15 filing, OPC did not comment on the additional
12 supporting evidence the Company provided, but still stated that the Company failed to
13 demonstrate that any of the investments in Spire's ISRS filings are eligible for inclusion in
14 the ISRS.

15 **Q. IN YOUR OPINION, WHAT DOES THE OPC RELY UPON TO SUPPORT ITS**
16 **POSITION THAT SPIRE HAS FAILED TO DEMONSTRATE THAT ANY OF**
17 **THE CAPITAL INVESTMENTS INCLUDED IN ITS ISRS FILINGS ARE**
18 **ELIGIBLE FOR INCLUSION IN THE COMPANY'S ISRS?**

19 A. Even though the Commission found that the old cast iron and bare steel main is in a worn
20 out or deteriorated condition and that the pipe being replaced by Spire falls under
21 Commission mandated replacement programs, OPC claims that "Spire's applications
22 present no evidence whatsoever that any of the replacements it has made and is claiming
23 as ISRS eligible under section 393.1009(5)(a) were pipes "that have worn out or are in

1 deteriorated condition (OPC's Objections to Spire Missouri Inc.'s Applications and
2 Petitions and Request for an Evidentiary Hearing pp. 2)

3 **Q. DO YOU AGREE WITH THIS ASSERTION?**

4 A. No. The Commission, Staff and Company have demonstrated time and time again that its
5 replacement programs are specifically designed to replace aging facilities that are in a worn
6 out or deteriorated condition and that they need to be replaced to protect the safety of the
7 Company's customers as well as the public generally. Regulators across the country, at
8 both the federal and state level, have agreed with the scientific evidence that these types of
9 materials have the characteristics that are prone to safety related issues such as
10 graphitization and corrosion, and should be replaced. The emphasis on replacing such
11 facilities has been further fueled by the loss of life associated with the rupture of such
12 facilities. It is for these same reasons, that the Commission implemented its safety rules
13 mandating the replacement of these kind of facilities and that the Missouri General
14 Assembly proactively enacted the ISRS statute. Notably, while OPC continues to demand
15 additional evidence of the need to replace such facilities, it has presented nothing in this
16 case (or in prior cases) to suggest what additional measures of a practical nature could
17 possibly be taken to further demonstrate this point.

18
19 **III. INCLUSION OF INVESTMENTS ORIGINALLY SUBMITTED IN SPIRE'S**

20 **JUNE 2018 ISRS CASES**

21 **Q. PLEASE EXPLAIN THE COMPANY'S REQUEST RELATED TO CAPITAL**
22 **INVESTMENTS ORIGINALLY INCLUDED IN THE JUNE 2018 CASES.**

1 A. As part of this proceeding, the Company is requesting ISRS ratemaking treatment for
2 eligible capital investments that were originally included in its June 2018 cases to the extent
3 that ratemaking treatment was not approved in those cases. This is a unique situation as
4 ISRS ratemaking treatment was authorized for a portion of the investments in the June
5 2018 case, but the Commission determined that additional evidence was required to support
6 ISRS ratemaking treatment for all of the capital investments submitted by the Company in
7 those proceedings. As described above, the Commission provided guidance as to how to
8 best approach providing such evidence going forward. In these cases, the Company has
9 provided the necessary evidence to support the inclusion of these investments in its ISRS
10 on a *going forward* basis. This is the same evidence that Staff has endorsed in this case as
11 satisfying the evidentiary standards outlined by the Commission. There is a very important
12 distinction to note here; the Company is not requesting to reach back and capture the
13 revenue that was removed from its last ISRS cases, but is resubmitting these projects along
14 with the evidence supporting their inclusion in the ISRS *going forward*. Those investment
15 amounts have been updated since the June 2018 cases to reflect their book value at the time
16 they would be included in rates in this proceeding; and do not attempt to recover any of the
17 return of, or on, these investments that has been generated during the interim.

18 **Q. WHY DOES THE COMPANY FEEL IT IS APPROPRIATE TO INCLUDE THOSE**
19 **CAPITAL INVESTMENTS IN ITS ISRS GOING FORWARD??**

20 A. In its Report and Order in the June 2018 cases, the Commission did not deem these
21 investments and associated revenues ineligible for ISRS inclusion but, as previously
22 mentioned, stated that additional evidence would be required to support the inclusion of
23 these investments, and then provided the Company with guidance on what that necessary

1 support would entail. As part of this case, the Company has provided the same
2 engineering/cost analyses, blanket work order detail, relocation documentation, and work
3 order authorization sheets for the projects that were originally submitted in the June 2018
4 cases as it has for the investments that are being originally submitted for recovery in this
5 proceeding. As noted, this evidence has been affirmatively endorsed by Staff in this case
6 as satisfying the Commission's request.

7 **Q. HAVE STAFF AND OPC TAKEN A POSITION ON THE INCLUSION OF THESE**
8 **CAPITAL INVESTMENTS IN THE COMPANY'S ISRS GOING FORWARD?**

9 A. Yes. Both Staff and the OPC have recommended the Commission deny the Company's
10 request to include these investments going forward. Staff and OPC have taken the position
11 that since the Commission's Report and Order in the 2018 cases is under appeal at the
12 Western District Court the issue is either entirely out of the Commission's hands or
13 otherwise not appropriate to address in these cases.

14 **Q. PLEASE EXPLAIN WHY IT IS APPROPRIATE FOR THE COMMISSION TO**
15 **GRANT SPIRE'S REQUEST TO INCLUDE THESE INVESTMENTS IN THE**
16 **ISRS GOING FORWARD.**

17 A. To the extent this is a legal issue, I assume the Commission will decide it based on the
18 attorneys' arguments. From a layman's perspective, however, I can state that I have never
19 encountered a situation where the existence of an appellate proceeding has interfered with
20 the Commission's processing of an ISRS application or its rebasing of an entire ISRS in
21 base rates. In fact, this exact situation – i.e. where ISRS costs were rebased in a rate case
22 despite the existence of any appeal – occurred in the Company's last rate cases for Spire
23 East and Spire West. From a regulatory professional's standpoint, I can also state without

1 reservation, that these investments quite clearly meet the ISRS statute's requirements for
2 ISRS eligibility, because they are gas utility plant projects that a) do not increase revenues
3 by directly connecting the infrastructure to new customers b) are in service and used and
4 useful c) were not included in the gas corporation's rate base in its most recent general rate
5 case and d) replace or extend the useful life of an existing infrastructure."

6 **Q. WHY THEN SHOULD THE COMMISSION PERMIT THE COMPANY TO**
7 **INCLUDE THESE ISRS ELIGIBLE INVESTMENTS IN ITS ISRS GOING**
8 **FORWARD?**

9 A. In its Report and Order in Spire's June 2018 cases, the Commission explained that the
10 Company had not, in its view, provided sufficient evidence to demonstrate that its
11 replacement approach, in fact, results in cost savings for the Company's customers and
12 therefore lower ISRS rates, but then provided guidance on how the Company could go
13 about providing that evidence. In these cases, the Company has taken the necessary actions
14 to comply with the Commission's guidance and demonstrate that such investments are
15 indeed ISRS eligible and that its approach does indeed result in cost savings. In doing so,
16 the Company, with Staff's endorsement, has effectively disproved the OPC's contention
17 that Spire is recovering increased ISRS costs due to the incidental retirement of plastic
18 pipe. Since, the Company has now conducted the analyses necessary to comply with this
19 Commission-approved evidentiary roadmap and is seeking inclusion of those eligible
20 investments; and since these analyses cure the perceived deficiency noted by the
21 Commission in its Orders, and all of these costs meet all the requirements for ISRS
22 eligibility, they should be approved for recovery on a going forward basis in these cases.

1 And of course, as with all ISRS revenue, these amounts would be subject to review and
2 possible refund at The Company's next rate case.

3 **Q. DO YOU HAVE ANY ADDITIONAL CONCERNS ABOUT THE IMPACT OF**
4 **CONTINUING TO EXCLUDE THESE REVENUES FROM RECOVERY.**

5 A. Yes. I believe basic fairness would necessitate these costs be deemed recoverable. The
6 Company invested the capital in good faith. The Company has justified its recovery under
7 the ISRS statute as well as the revised and modified evidentiary standard provided in the
8 Commission's Report and Order in the June 2018 cases. These investments have not been
9 included in the Company's base rates or any other mechanism. The capital investments
10 being challenged by Staff and the OPC have clearly met every standard of review for
11 recoverability in these cases. Stranding these costs would violate the regulatory compact
12 in which the Company and its investors are entitled to the opportunity to receive a fair
13 return on their investment. Regulatory certainty is the cornerstone of promoting investment
14 and jobs in the state for utilities. Said simply, utilities in Missouri are well aligned with
15 the state's interest in creating jobs and infrastructure investment in Missouri. Our request
16 in this case is for recovery of investments that comply with the ISRS statute. The fact that
17 such investments also contribute in a positive way to the achievement of these important
18 statewide goals is simply an *additional* reason for approving the Company's request. For
19 all of those reasons, the Commission should permit the Company to recover the
20 investments requested in these cases.

21 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

A. Yes.

