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Misc. Revenue,
ADIT, CONG
Witness: Lisa M. Ferguson
Sponsoring Party: MoPSC Staff
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MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

LISA M. FERGUSON

SPIRE MISSOURI, INC., d/b/a SPIRE

CASE NO. GR-2022-0179

Jefferson City, Missouri
October 2022

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Rebuttal Testimony of
Lisa M. Ferguson

1 A. Staff's revenue requirement was \$11,791,973 for Spire East and \$27,456,723
2 for Spire West. After Staff's corrections and updated positions Staff's revenue requirement is
3 \$29,401,521 for Spire East and \$41,321,699 for Spire West. This represents an overall revenue
4 requirement increase of \$31.5 million for Spire Missouri over and above Staff's direct position.

5 Q. Please summarize the error corrections and updates Staff has made to its direct
6 filed position.

7 A. Listed below are the corrections and updates to Staff's position that have been
8 reflected in Staff's rebuttal accounting schedules. The Staff witness and associated issue listed
9 below will be explained further in the listed witness's rebuttal testimony.

- 10 • Capitalized Depreciation – Paul K. Amenthor
- 11 • Insurance Expense – Paul K. Amenthor
- 12 • Lease Expense – Paul K. Amenthor
- 13 • Propane Reserve – Lisa M. Ferguson
- 14 • Transition Cost Amortization – Lisa M. Ferguson
- 15 • Forest Park Amortization – Lisa M. Ferguson
- 16 • Low Income Program – Lisa M. Ferguson
- 17 • Payroll, Payroll Tax, Employee Benefits – Jane C. Dhority
- 18 • Pensions and Opens – Jane C. Dhority
- 19 • Overhead Capitalization – Regulatory Asset, Amortization and Expense –
20 Matthew R. Young
- 21 • Property Tax –Tracker Amortization - Karen Lyons
- 22 • Meters – Disallowance Adjustment Update, Excess Meter Adjustment –
23 Claire M. Eubanks, PE

1 **CORRECTIONS AND UPDATED POSITIONS**

2 **Propane Reserve – Spire East**

3 Q. Please explain the error correction regarding Staff’s position regarding
4 propane reserve.

5 A. Staff’s position regarding the propane assets in its direct testimony was to
6 reinstate all plant in service and accumulated reserve associated with the propane facilities that
7 Spire Missouri had retired in April 2022. Spire Missouri retired the assets with no associated
8 testimony on its change in ratemaking for the investment. Staff adjusted the correct amount of
9 plant in service but did not reinstate the full amount of reserve that existed at the time the plant
10 was retired. Staff had only proposed to include the same amount of accumulated reserve as the
11 plant in service. Staff has now included the full amount of accumulated reserve that existed at
12 April 2022. This represents an increase to Spire East’ revenue requirement of approximately
13 \$4,200. This change is reflected in the overall revenue requirement increases stated at the
14 beginning of this testimony.

15 **Transition Cost Amortization – Spire East and Spire West**

16 Q. Please summarize transition cost amortization and what correction is needed to
17 Staff’s proposed adjustment from its direct filing.

18 A. A stipulation approved by the Commission in Case Nos. GR-2017-0215
19 and GR-2017-0216, allows Spire East and Spire West to recover \$5.3 and \$4.2 million,
20 respectively, of acquisition transition costs from the merger of Laclede Gas Company and
21 Missouri Gas Energy over four (4) years. Staff utilized an incorrect test year when
22 calculating the amortization related to transition costs. Staff discovered through discussions
23 with Spire Missouri that the test year should be \$0 for transition cost amortization in order not

1 to double count the test year that Staff is utilizing as it is already included in the calculation of
2 intangibles, equity software and other non-depreciable items. This same issue existed in
3 Case No. GR-2021-0108 and was corrected by Staff. This change represents an increase to
4 Spire East' revenue requirement of approximately \$1.3 million and a decrease in revenue
5 requirement in Spire West of approximately \$320,000. These changes are reflected in the
6 overall revenue requirement increases stated at the beginning of this testimony.

7 **Forest Park Amortization – Spire East**

8 Q. What error does Staff need to correct for this issue?

9 A. Staff reset the amortization over three years and calculated the Forest Park
10 Amortization correctly in its direct work paper. However when building Staff's Accounting
11 Schedules for direct, Staff erroneously included the annualized amount as the adjustment in the
12 accounting schedules rather than the actual adjustment. Staff has now included the actual
13 adjustment in Staff's rebuttal accounting schedules. This change represents an increase to Spire
14 East' revenue requirement of approximately \$723,000. This change is reflected in the overall
15 revenue requirement increases stated at the beginning of this testimony.

16 **Low Income Program – Spire West**

17 Q. What error does Staff need to correct for this issue?

18 A. Staff calculated an adjustment in its direct work paper that contained three parts.
19 However only two of the three parts to the overall adjustment was entered into
20 Staff's accounting schedules at direct. This change represents an increase to Spire West'
21 revenue requirement of approximately \$269,000. This change is reflected in the overall
22 revenue requirement amounts stated at the beginning of this testimony.

1 **MISCELLANEOUS REVENUE – SPIRE EAST**

2 Q. What change does Staff propose to miscellaneous revenue?

3 A. In its direct case, Staff normalized miscellaneous revenue which included
4 propane inventory sales that Spire Missouri periodically transacts from its inventory. After
5 discussions with Spire Missouri, it was relayed to Staff that when Spire Missouri sells the
6 propane out of inventory, the Company expenses the inventory to a below the line account.
7 However, the inventory and the revenue are included in the cost of service. In order to include
8 all parts of the transaction in the cost of service, it is necessary to offset the revenue from the
9 propane sale with the expense of the propane gas cost prior to normalization of the revenue in
10 the account. The netting of the propane revenue and propane gas cost ultimately results in a
11 loss for this transaction. In a meeting held with Spire Missouri regarding the propane issue, it
12 was explained to Staff that the Company sells propane out of its inventory when it can produce
13 a gain. While Staff has included a loss in this case, Staff advises Spire Missouri that since the
14 sale of propane is not a necessity and is not time sensitive, a propane sale that incurs a loss
15 appears imprudent and should be avoided for all future propane sale transactions. This change
16 represents an increase to Spire East' revenue requirement of approximately \$397,000.

17 **ACCUMULATED DEFERRED INCOME TAX (ADIT)**

18 Q. What did Staff include in its direct cost of service for accumulated deferred
19 income tax?

20 A. Staff included a placeholder amount for both Spire East and Spire West for
21 ADIT as provided by Spire Missouri for December 31, 2021 until the updated amount for
22 fiscal year 2022 could be included during Staff's true-up audit.

1 Q. Does Staff recognize that a change to its ADIT balances that were filed in its
2 direct testimony is necessary?

3 A. Yes. ADIT includes tax timing differences for several deferrals that are included
4 in the cost of service, such as for the EnergyWise and Insulation Financing programs,
5 weatherization, energy efficiency programs as well as asset/liability balances related to
6 Spire Missouri's pension & OPEB trackers. In Staff's direct case, Staff included a placeholder
7 level of ADIT for several deferral items that were based on Spire Missouri's position rather
8 than reflecting Staff's position for each deferral.

9 Q. Does Staff intend to update its ADIT amounts for the true-up period as well as
10 include Staff's ADIT balances for deferral items?

11 A. Yes. Staff has submitted further discovery in regards to support of
12 Spire Missouri's ADIT balances and NOL balance. Staff intends to include an amount based
13 on its position regarding deferrals as well as the new data as of September 30, 2022 as part of
14 its true-up audit.

15 **COMPRESSED NATURAL GAS (CNG)**

16 Q. Please summarize Staff's position in regard to (CNG).

17 A. There are two main issues related to CNG. One is the scenario where Spire
18 Missouri is selling natural gas to parties who compress the gas themselves and then use or sell
19 the resulting CNG and the second scenario is where Spire Missouri themselves compress the
20 natural gas and then use or sell the CNG. Staff has recommended tariff changes in its direct
21 testimony to address the issue regarding tariffs for those customers who purchase natural gas
22 from Spire Missouri but then compress and use or sell it.

1 As far as the second scenario where Spire Missouri themselves compress the natural gas
2 and then use or sell it, Staff has removed all CNG investment and expense from the cost of
3 service as Staff's position is that compression and sale of CNG on the part of Spire Missouri is
4 not a rate regulated activity. Specifically, I explained Staff's concern in my direct testimony:

5 Q. Has Spire Missouri conducted its CNG operations such that the
6 CNG operations are kept separate and apart from Spire Missouri's other
7 regulated gas plant?

8 A. No. The situation regarding CNG is complex and aspects of
9 regulated and unregulated activity are interwoven. It is hard to peel apart
10 the layers when the Company embarks, with the mindset that they are
11 unregulated, on a project that includes both the utility and its unregulated
12 affiliates. Staff has taken the position it has in this testimony due to the
13 fact that Staff has had several meetings with Company and several
14 rounds of discovery and multiple concerns remain regarding the
15 CONG fueling stations and protection of customer rates, some of which
16 includes the following: (1) Staff maintains that the public access
17 CONG stations are not a regulated activity subject to the Commission's
18 jurisdiction, (2) the impact of public access CNG fueling station activity
19 for sale to third parties is inseparable from that of Company use for many
20 aspects of the cost of service that affects levels of expense included in
21 base rates due to the inclusion of natural gas costs, royalties and leases
22 for the public fast-fill pumps and, (3) operating its current fleet of
23 CONG vehicles along with behind the fence CNG stations may not be
24 cost-justified. At the time of filing this direct testimony, Staff has
25 data requests that have not yet been answered or that have been
26 answered but only after internal testimony deadlines that prevents
27 Staff from conducting an adequate review of the responses. While Staff
28 understands from discussions with Spire Missouri that there may be a
29 portion of the investment and expense associated with the behind
30 the fence CONG stations that could be properly included in base
31 rates due to its direct use in utility operations; it is uncertain at this
32 time what portion of investment and expense that would be. Due to
33 this uncertainty, Staff has removed all CNG investment and has
34 imputed an adjustment to remove other CNG associated expense from
35 Spire Missouri's cost of service.

36 Q. After review of the responses to Staff's discovery you mentioned in your direct
37 testimony, do you still have the same concerns as outlined in your direct testimony?

1 A. Yes, Staff has been unable to acquire from Spire Missouri the actual cost
2 information in such detail as to inform Staff which above the line FERC accounts these costs
3 are recorded as Spire Missouri cannot separate the amount of expenses that are related to utility
4 use of CNG from the expenses incurred for sales of third party CNG (gas that Spire
5 compresses). This is also true for CNG investment as Staff has recently discovered since filing
6 its direct testimony that there is apparently further “behind the fence” CNG facilities in the
7 Spire West territory. At this time Staff is not actively pursuing the issue of CNG as cost
8 beneficial for customers unless the Commission believes that CNG compression and sales is a
9 rate regulated activity, then Staff will investigate this in a future Spire Missouri rate case. Staff
10 does not recommend this, but if the Commission believes that **all CNG activity** is considered
11 under the rate regulated umbrella, there will need to be further implementation of policies and
12 procedures for CNG in relation to many areas; accounting, gas safety, tariffs, rate design, and
13 possibly others. In addition, as a method of protection of customer rates; in a future rate case
14 Staff will want to review a cost benefit analysis of all revenue, expense, and investment
15 associated with all CNG locations and operations, regardless as to whether those facilities are
16 public or behind the fence (company use). Up to this point, Spire Missouri has provided Staff
17 with documentation supporting a CNG cost avoidance study but has not provided a detailed
18 cost benefit analysis to determine whether the benefits of CNG operations actually exceed the
19 costs, whether for utility operations or third party sales.

20 Q. In your direct testimony, you stated that Spire Missouri recorded all investment
21 and expense associated with its CNG operations above the line and recorded all revenue for the
22 public sale of CNG in a below the line account. Is this still an accurate statement?

1 A. No. While Spire Missouri has recorded all investment and expense above the
2 line, Staff was notified by Spire Missouri through an update to Staff Data Request No. 0290
3 around the time of the filing of its direct testimony that the CNG revenue for Spire East is
4 recorded below the line, but the same CNG revenue for Spire West is recorded in an above the
5 line account.

6 Q. What is Staff's position regarding the CNG revenue in Spire West?

7 A. Staff has proposed an adjustment to remove the CNG revenue from Spire West
8 in its rebuttal accounting schedules as Staff's position remains that compressing and selling
9 CNG is not a rate regulated activity subject to the Commission's jurisdiction.

10 Q. You have addressed point 1 and point 3 from your direct testimony quoted
11 above. Does Staff still take issue with point 2 regarding the inseparability of investment and
12 expense between utility operational use and third party CNG sales?

13 A. Yes. Staff removed a placeholder amount of expense for both Spire East and
14 Spire West associated with CNG related expenses. Staff is still working with Company to
15 determine the amount and FERC accounts for which CNG related expenses have actually been
16 recorded in the cost of service. Staff has received data from the Company, however that data
17 is not provided in such a manner that Staff can determine the ultimate "above the line" expense
18 accounts for which these costs are recorded.

19 Q. As you reference in your direct testimony above, Spire Missouri is not recording
20 the CNG investment and expense in such a manner as to recognize that gas utility operations
21 may properly be using and incurring CNG costs and investment. Do the Missouri Revised
22 Statutes provide guidelines for utility companies to follow regarding operations that are utilized
23 for regulated and non-regulated purposes?

1 A. Yes. Spire Missouri proceeded with both its “behind the fence” and retail CNG
2 operations with no notice to the Commission or discussion with Commission Staff regarding
3 any possible issues with future rate recovery. Specifically it appears that Spire Missouri is not
4 in compliance with Missouri revised statute 393.140, “General Powers of Commission in
5 respect to gas, water, and electricity and sewer services” subsection 12 states:

6 (12) In case any electrical corporation, gas corporation, water
7 corporation or sewer corporation engaged in carrying on any other
8 business than owning, operating or managing a gas plant, electric plant,
9 water system or sewer system which other business is not otherwise
10 subject to the jurisdiction of the commission, and is so conducted that its
11 operations are to be substantially kept separate and apart from the
12 owning, operating, managing or controlling of such gas plant, electric
13 plant, water system or sewer system, said corporation in respect to such
14 other business shall not be subject to any of the provisions of this chapter
15 and shall not be required to procure the consent or authorization of the
16 commission to any act in such other business or to make any report in
17 respect thereof. But this subdivision shall not restrict or limit the powers
18 of the commission in respect to the owning, operating, managing or
19 controlling by such corporation of such gas plant, electric plant, water
20 system or sewer system, and said powers shall include also the right to
21 inquire as to, and prescribe the apportionment of, capitalization,
22 earnings, debts and expenses fairly and justly to be awarded to or borne
23 by the ownership, operation, management or control of such gas plant,
24 electric plant, water system or sewer system as distinguished from such
25 other business. In any such case if the owning, operating, managing or
26 controlling of such gas plant, electric plant, water system or sewer
27 system by any such corporation is wholly subsidiary and incidental to
28 the other business carried on by it and is inconsiderable in amount and
29 not general in its character, the commission may by general rules exempt
30 such corporation from making full reports and from the keeping of
31 accounts as to such subsidiary and incidental business.

32 Q. Does this conclude your rebuttal testimony?

33 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Spire Missouri, Inc.)
d/b/a Spire's Request for Authority to)
Implement a General Rate Increase for)
Natural Gas Service Provided in the)
Company's Missouri Service Areas) Case No. GR-2022-0179

AFFIDAVIT OF LISA M. FERGUSON

STATE OF MISSOURI)
) ss.
COUNTY OF ST. LOUIS)

COMES NOW LISA M. FERGUSON and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Lisa M. Ferguson*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



LISA M. FERGUSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the City of St. Louis, State of Missouri, at my office in St. Louis, on this 5th day of October 2022.



Notary Public

ANTOINETTE C. LANG
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis City
My Commission Expires: March 08, 2024
Commission Number: 16787761