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Appendices/Introduction of
Witnesses and Issues
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SPIRE MISSOURI, INC.

File Nos. GO-2019-0356, GO-2019-0357

DIRECT TESTIMONY

OF

WESLEY E. SELINGER

SEPTEMBER 2019

Spire Exhibit No. 9
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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 Inc. (“Spire”
6 or the “Company”).

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

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

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

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

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

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

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

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

16 A. Yes. I testified in Case Nos. GO-2019-0115 and GO-2019-0116.

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 ISRS 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. I will also detail the alternative ISRS revenue requirement
22 calculations and appendices submitted by Spire in these proceedings. I will address
23 generally several issues raised in these proceedings by the Office of Public Counsel

1 (“OPC”) and the Staff of the Missouri Public Service Commission (“Staff”) and provide
2 an overview of the Spire witnesses that will provide additional detail on those issues.
3

4 **II. SPIRE’S ISRS FILING OVERVIEW/APPENDICES**

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

7 A. In these cases, Spire is requesting recovery of the revenue requirements related to ISRS
8 eligible capital investments made from February 1, 2019 through July 31, 2019. Spire is
9 also requesting recovery for the period of October 1, 2017 through June 30, 2018, to the
10 extent costs for eligible ISRS investments were not approved for recovery in Case Nos.
11 GO-2018-0309 and GO-2018-0310 (“June 2018 cases”). Spire East’s revenue requirement
12 request in this proceeding, after updating the pro-forma months of June and July 2019 with
13 actual information is \$7,640,218. Spire West’s revenue requirement request in this
14 proceeding, after updating the pro-forma months of June and July 2019 with actual
15 information is \$6,424,114.

16 **Q. PLEASE EXPLAIN THE COMPANY’S REQUEST RELATED TO CAPITAL**
17 **INVESTMENTS ORIGINALLY INCLUDED IN THE JUNE 2018 CASES.**

18 A. As stated above, Spire’s requested revenue requirements are related to eligible investments
19 made during the period of October 2017 through July 2019, which includes costs from
20 Spire’s June 2018 cases, only to the extent that such costs were not previously approved
21 for recovery. As shown on Appendix A – Schedule 8 of Spire’s updated supporting
22 schedules, Spire East’s revenue requirement request includes \$1,590,345 for costs not

1 approved in Case No. GO-2018-0309 and Spire West's revenue requirement request
2 includes \$1,383,297 for costs not approved in Case No. GO-2018-0310.

3 **Q. WHY HAS SPIRE INCLUDED AMOUNTS FROM THE JUNE 2018 CASES IN**
4 **ITS REQUEST?**

5 A. Spire continues to believe the June 2018 ISRS investments meet the ISRS statute's
6 requirements for ISRS eligibility, because, consistent with the language of the statute,
7 they are gas utility plant projects that a) do not increase revenues by directly connecting
8 the infrastructure to new customers b) are in service and used and useful c) were not
9 included in the gas corporation's rate base in its most recent general rate case and d)
10 replace or extend the useful life of existing infrastructure.

11 **Q. PLEASE EXPLAIN THE COMMISSION'S TREATMENT OF SIMILAR COSTS**
12 **IN CASE NOS. GO-2019-0115 AND GO-2019-0116 ("JANUARY 2019 CASES")?**

13 A. In its May 3, 2019 Report and Order, the Commission dismissed Spire's proposal to
14 include costs from the 2018 Cases to the extent they were not approved in those cases.

15 **Q. WHY HAS SPIRE CHOSEN TO MAKE A SIMILAR REQUEST IN THIS**
16 **PROCEEDING?**

17 A. While we recognize that the Commission determined in the January 2019 Cases that it
18 lacked the power to consider these investments, the Company has sought judicial review
19 of the Commission's action in that regard at the Missouri Western District Court of
20 Appeals. Accordingly, I have been advised by legal counsel that the sole purpose for
21 including these investments is to preserve the Company's right to collect such amounts
22 should it ultimately prevail in that appeal.

1 **Q. IS THE COMPANY PURSUING SIMILAR TREATMENT FOR COSTS**
2 **REMOVED FROM THE JANUARY 2019 CASES?**

3 A. The Company has not requested similar treatment for revenues excluded from recovery in
4 the January 2019 cases since that issue was still before the Commission on an application
5 for rehearing at the time the Company performed its last update; however, the Company
6 may choose to do so in the future depending on the results of multiple appeals currently
7 pending before the Missouri Western District Court of Appeals.

8 **Q. PLEASE DESCRIBE THE WORKPAPERS AND APPENDICES THE COMPANY**
9 **HAS PROVIDED IN SUPPORT OF ITS APPLICATION IN THESE CASES?**

10 A. The Company's filings consist of the supporting appendices, schedules, and general
11 formatting historically filed with Spire ISRS cases. Additionally, Spire has provided
12 Staff and OPC with documentation supporting mandated relocations, work order
13 authorization sheets for all projects, models detailing investments captured under blanket
14 work orders, and files supporting the Company's annual reconciliations for both Spire
15 East and West.

16 **Q. HAS SPIRE MADE CHANGES TO THE TREATMENT OF ITS BLANKET**
17 **WORK ORDERS?**

18 A. No, not since the Company's January 2019 ISRS cases. In Spire's January 2019 ISRS
19 cases, the Company worked with the other parties to develop models that support the
20 ISRS eligibility of tasks captured under the Company's blanket work orders. Spire has
21 applied the same approach in these cases as in the January 2019 cases regarding blanket
22 work orders.

1 **Q. HOW DOES THE COMPANY SUPPORT THE COSTS CAPTURED UNDER ITS**
2 **BLANKET WORK ORDERS?**

3 A. Prior to the Company's January 2019 ISRS cases, specific information regarding work
4 completed under blanket work orders had not been included as part of the Company's
5 supporting evidence. This is largely because work captured under blanket work orders is
6 not planned project work tied to a specific project but work that involves many minor
7 miscellaneous ISRS eligible activities. In addition, blanket work orders do not close for
8 an extended period of time and it was not possible to determine a specific dollar amount
9 associated with each of these numerous minor tasks. In the January 2019 cases, the
10 Company, with the help of Staff, created models that not only pull task level data for all
11 items captured under blanket work orders but also categorize that information in a way that
12 demonstrates the ISRS eligibility of that work and facilitates a meaningful audit of such
13 work. The Company's blanket work orders were separated into categories including
14 service line replacements, maintenance of mains, cathodic protection, and main leak
15 clamping. These categories were further broken down into more detailed sub-categories
16 identifying the work as being related to the replacement of steel, copper, and cast iron, leak
17 repairs, atmospheric corrosion inspection, and the replacement of copper pigtails.

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

20 A. Yes. The Company continues to refine the support and processes related to blanket work
21 orders. However, like the January 2019 cases, the Company did identify that a portion of
22 the work was related to non-ISRS eligible activities. This included leak repairs due to third
23 party excavation damage and other outside forces, customer requested relocations, installs,

1 and upgrades. The Company has removed this ineligible work from this ISRS filing. In
2 addition to work that can be identified as ineligible for recovery in ISRS, the Company
3 also removed any work under its blanket work orders where documentation did not contain
4 sufficient information to definitively determine that the work was in fact ISRS eligible.

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

7 A. As explained above, the Company organized work under its blanket work orders into larger
8 categories including service replacements, maintenance of mains, cathodic protection, and
9 leak clamping. The Company then proceeded to further breakdown these categories into
10 sub-categories to better reflect the work being performed and to identify work that should
11 be removed. The Company ultimately determined the number of tasks under each larger
12 blanket category and derived a percentage of eligible and ineligible items for each of the
13 larger categories. The percentage of work in each category deemed eligible was then
14 applied to each ISRS project addition amount falling under that category. For instance,
15 Appendix A, Schedule 4 of Spire East's application demonstrates that for blanket work
16 orders related to service line replacements, 81.01% of the work captured in those blanket
17 work orders should be included in the Company's ISRS. Accordingly, and as reflected on
18 Appendix A, Schedule 2 of Spire East's application, each ISRS project addition amount
19 related to service line replacements captured under a blanket work order has been adjusted
20 to only include 81.01% of that amount as part of the Company's ISRS revenue requirement.
21 By way of illustration, consider a blanket work order investment amount related to a service
22 line replacement of \$100. Since 81.01% of service line replacement work falls under one

1 of the eligible categories, \$81.01 in investment costs would be included in the Company's
2 ISRS revenue requirement calculation and \$18.99 would be excluded.

3 **Q. HAS STAFF ADDRESSED THE COMPANY'S TREATMENT OF BLANKET**
4 **WORK ORDER COSTS IN THESE CASES?**

5 A. Yes. As it did in the January 2019 cases, Staff's recommendation states it has reviewed
6 the Company's support for blanket work order costs and accepts Spire's blanket work order
7 amounts.

8 **Q. PLEASE EXPLAIN THE COMPANY'S ALTERNATIVE REVENUE**
9 **REQUIREMENT CALCULATION.**

10 A. While the Company's recommended revenue requirement calculation does not reflect an
11 adjustment for plastic, it recognizes that the Commission has in the prior two ISRS cases
12 ordered the Company's ISRS revenue requirement be calculated by adjusting ISRS
13 investments using a percentage-based methodology. Therefore, should the Company not
14 prevail at the Missouri Western District Court of Appeals, the Company has provided an
15 alternative revenue requirement calculation employing the percentage methodology for the
16 period of February 1, 2019 through July 31, 2019. In these cases, the application of the
17 percentage methodology removes approximately \$7 million in capital investments from
18 the Company's ISRS request. Since Spire re-established its ISRS following its last rate
19 case over \$50 million dollars in capital investments has been removed from ISRS recovery.

20

1 **III. CAST IRON AND BARE STEEL PIPE**

2 **Q. PLEASE EXPLAIN THE OPC'S POSITION ON SPIRE'S REQUEST FOR ISRS**
3 **RECOVERY FOR THE REPLACEMENT OF CAST IRON AND BARE STEEL**
4 **PIPE.**

5 A. The OPC has objected to Spire's request for ISRS recovery for the costs of replacing cast
6 iron and bare steel facilities. In its objection to Spire's applications, the OPC claims that
7 "there is no evidence in the record to show that the cast iron and steel mains and service
8 lines that Spire has replaced actually meet the definition of gas utility projects found in
9 393.1009(5)(a) because there is no evidence in the record to show that these pipes are all
10 worn out or are in a deteriorated condition."

11 **Q. IS SPIRE OFFERING WITNESSES TO ADDRESS THIS ISSUE?**

12 A. Yes. Spire witnesses Craig Hoferlin and Robert Leonberger will address this issue in their
13 direct testimony. Mr. Hoferlin will not only speak to the Commission's Findings of Fact
14 in the Company's two prior ISRS cases, but also to the opinions of federal and state safety
15 officials on this subject. Mr. Leonberger will provide additional insight into the safety
16 considerations that led to the adoption of the Commission's current safety rules. He will
17 also provide his assessment of why the pace of the Company's current replacement
18 programs is appropriate from a safety standpoint, including his assessment of the worn out
19 or deteriorated condition of the pipe being replaced.

20 **Q. HAS THE OPC RAISED ADDITIONAL ISSUES WITH THE REPLACEMENT OF**
21 **BARE STEEL PIPE?**

22 A. Yes. The OPC has also objected to the inclusion of costs related to the replacement of bare
23 steel main that has had cathodic protection applied.

1 **Q. IS SPIRE OFFERING WITNESSES TO ADDRESS THIS ISSUE?**

2 A. Yes. Both Spire witnesses Robert Leonberger and Craig Hoeflerlin will address this issue
3 in their direct testimony. Mr. Leonberger has decades of experience evaluating and
4 addressing the risks associated with this pipe and has been involved in numerous efforts to
5 address this issue both at the national level and as a former Manager of the Missouri Public
6 Service Commission's Gas Safety Department. Mr. Leonberger was closely involved in
7 Missouri's efforts to establish replacement programs for this type of infrastructure and has
8 detailed knowledge of the evolution of the Company's pipeline systems. Mr. Hoeflerlin
9 will also address this issue in his direct testimony.

10
11 **IV. INTRODUCTION OF SYSTEMATIC VERSUS PIECEMEAL ANALYSIS**

12 **Q. PLEASE EXPLAIN, GENERALLY, THE ENGINEERING/COST ANALYSES**
13 **THE COMPANY HAS INCLUDED WITH ITS DIRECT TESTIMONY IN THESE**
14 **CASES.**

15 A. In these cases, the Company has submitted a sample of ten project engineering/cost
16 analyses based on the guidance provided in Commissioner Hall's concurring opinion
17 attached to the Commission's August 21, 2019 Report and Order on Rehearing in the
18 January 2019 cases.

19 **Q. WHY HAS THE COMPANY CHOSEN TO SUBMIT ADDITIONAL**
20 **ENGINEERING/COST ANALYSES IN THESE CASES?**

21 A. As mentioned above, in a concurring opinion submitted in the January 2019 cases,
22 Commissioner Hall stated that the comparison the Company performed in those cases was
23 not the correct comparison and could not be used to determine ISRS revenues. The opinion

1 continued by explaining that a valid comparison would involve comparing the costs of the
2 Company's prior patchwork replacement approach – where only the facilities needing
3 immediate replacement were addressed – to the Company's systematic program which
4 involves the replacement of worn out or deteriorated cast iron and bare steel, as well as
5 plastic, where appropriate. Based on that guidance, the Company has prepared additional
6 analyses for consideration in these cases. The Company continues to support its position
7 that its approach to replacing bare steel and cast iron is not only the more cost-efficient
8 approach, but also the approach that results in greater system integrity and minimal
9 customer disruption.

10 **Q. IS SPIRE OFFERING A WITNESS TO SUPPORT THE ADDITIONAL**
11 **ANALYSES?**

12 A. Yes. Details of the assumptions used and results achieved for these analyses can be found
13 in Spire witness Craig Hoferlin's testimony. Also included in Mr. Hoferlin's testimony
14 are the results of the sample analyses that show that in all instances the Company's
15 approach to its ISRS projects is the most cost- efficient approach and results in reduced
16 ISRS costs compared to the alternative patchwork approach the Company previously
17 employed.

18 **Q. HAS THE COMPANY PREPARED A REVISED PROJECT ANALYSIS FOR**
19 **EACH PROJECT INCLUDED IN ITS APPLICATIONS IN THESE CASES?**

20 A. No, it has not. The Company did not have the time and resources following the
21 Commission's order in the January 2019 cases to prepare this new kind of analysis for each
22 project. Nor does the Company believe such a comprehensive analysis is necessary since
23 the results of this sample analysis are representative of what would be shown by analyses

1 of additional projects. Moreover, the analyses broadly re-confirm the validity and results
2 of the Company's prior and more comprehensive engineering analyses by showing that its
3 systematic approach to replacing bare steel and cast iron, even when it involves the
4 replacement of some plastic, results in ISRS cost savings when compared to its prior
5 patchwork approach. I should add that these savings are so significant that they produce
6 net benefits for customers on both an absolute and net present value basis. As described
7 below, the Company has provided multiple engineering/cost analyses under different
8 approaches, assumptions, and circumstances and under every scenario the results continue
9 to support the Company's position. The Company will continue to follow the guidance
10 provided by the Commission regarding the development of its engineering/cost analyses.

11 **Q. PLEASE EXPLAIN THE HISTORY OF THE COMPANY'S**
12 **ENGINEERING/COST ANALYSES.**

13 **A.** In Spire's last general rate cases, the Company submitted the rebuttal testimony of Mark
14 Lauber, Spire's Director of Health, Safety, and Environmental Compliance and former
15 Manager of Pipeline Safety Compliance. Mr. Lauber presented an engineering/cost
16 analysis in which he evaluated a cast iron replacement project replacing a section of pipe
17 with two interspersed plastic patches under two approaches, one where only the bare steel
18 and cast iron was replaced and one in which the entire main was replaced including the two
19 interspersed patches of plastic. This analysis showed it was 20% more expensive to use
20 the plastic patches rather than bypassing them. Mr. Lauber explained that the additional
21 expense was related to the extra tie in holes and fittings needed to incorporate the plastic
22 patches into the new main. Since Spire's last general rate case, the Company has performed
23 additional engineering cost analyses as part of its subsequent ISRS cases.

1 **Q. PLEASE DESCRIBE THE COMPANY’S ADDITIONAL ENGINEERING COST**
2 **ANALYSES SUBMITTED IN ITS 2018 ISRS CASES.**

3 A. In Case Nos. GO-2018-0309 and GO-2018-0310 the Company expanded on the analysis
4 previously performed by Mr. Lauber and submitted nine engineering/project analyses for
5 projects that were handpicked by the OPC in prior ISRS cases in addition to the project
6 evaluated by Mr. Lauber in the rate case. The results of these analyses demonstrated that
7 across all ten projects the Company had reduced its ISRS costs by about 5% and roughly a
8 quarter of a million dollars. The Commission ultimately determined in its Report and
9 Order, however, that the sample was too small to support the Company’s position that its
10 approach to replacing bare steel and cast-iron results in lower ISRS costs than under its
11 previous approach. The Commission did provide the Company with some guidance for
12 future analyses by stating at page 15 of its Report and Order: “In the future, if Spire
13 Missouri wishes to renew its argument that plastic pipe replacements result in no cost or a
14 decreased cost of ISRS, it should submit supporting evidence to be considered, such as, but
15 not limited to, a separate cost analysis for each project claimed, evidence that each patch
16 was worn out or deteriorated, or evidence regarding the argument that any plastic pipe
17 replaced was incidental to and required to be replaced in conjunction with the replacement
18 of other worn out or deteriorated components.”

19 **Q. PLEASE DESCRIBE THE ENGINEERING/COST ANALYSES SUBMITTED IN**
20 **THE JANUARY 2019 CASES.**

21 A. Based on the guidance mentioned above, the Company met with Staff and the OPC several
22 times. The Company, with input from Staff, prepared an engineering/cost analysis for each
23 project included in its applications in those cases. Spire and Staff met numerous times to

1 develop the necessary analysis that they believed met the evidentiary threshold described
2 by the Commission. Spire greatly expanded upon the support it provided for these analyses
3 by including for each project a narrative description of the work being performed,
4 diagrams, maps, and schematics and a tabular breakdown of the differences between the
5 alternative scenarios.

6 **Q. WHAT DID STAFF CONCLUDE REGARDING THE ENGINEERING/COST**
7 **ANALYSES IN THOSE CASES?**

8 A. In its recommendation, Staff stated that “it is reasonable to conclude that the plastic pipe
9 replacements result in no additional ISRS cost” and that “from an economic and
10 engineering viewpoint such replacement is incidental to or required in conjunction with the
11 replacement of worn out or deteriorated components.”

12 **Q. GIVEN THE HISTORY AND VARIETY OF APPROACHES TAKEN IN THESE**
13 **ENGINEERING/COST ANALYSIS COMPARISONS, WHAT CONCLUSIONS**
14 **CAN BE REACHED REGARDING THE COMPANY’S APPROACH TO**
15 **REPLACING BARE STEEL AND CAST IRON?**

16 A. Based on the results of each of the iterations of engineering/cost analyses performed by the
17 Company in this and prior ISRS cases, there is overwhelming evidence that the Company’s
18 approach to replacing bare steel and cast-iron, which involves the replacement or bypassing
19 of some plastic components results in reduced ISRS costs to the Company’s customers. In
20 other words, there is no incremental cost incurred in replacing or bypassing these plastic
21 components.

22

1 **V. INTRODUCTION OF OVERHEADS ISSUE**

2 **Q. HAS THE OPC RAISED ISSUES REGARDING SPIRE'S TREATMENT OF**
3 **OVERHEADS IN THIS PROCEEDING?**

4 A. Yes. The OPC continues to raise issues regarding Spire's treatment of overheads in the
5 Company's ISRS cases.

6 **Q. DO YOU AGREE WITH THE OPC'S POSITION THAT OVERHEAD COSTS**
7 **INCLUDED IN SPIRE'S ISRS FILING ARE NOT "CONSTRUCTION COSTS"**
8 **PER THE FERC UNIFORM SYSTEM OF ACCOUNTS ("USoA").**

9 A. I strongly disagree with the OPC's position. A reading of the FERC USoA gas plant
10 instructions section 4 "Overhead Construction Costs" shows that the overhead costs
11 included in Spire's ISRS filings are exactly the type of items determined to have a
12 relationship with capital projects and are appropriately defined as overhead construction
13 costs.

14 **Q. PLEASE ADDRESS THE OPC'S POSITION ON THE COMPANY'S APPROACH**
15 **TO ALLOCATING OVERHEADS.**

16 A. The OPC has claimed that the Company is not following the FERC USoA by utilizing
17 "arbitrary general allocation percentages." Spire witness Tim Krick, Spire's Controller,
18 will explain the details of the Company's allocation processes in his testimony. I want to
19 express my own disagreement with OPC's assertion in this regard. It is simply
20 inappropriate to characterize Spire's allocation percentages as arbitrary given the
21 Company's consistent approach to allocations over many years, the detailed review of the
22 Company's allocations in general rate proceedings, and the Commission's approval of the
23 Company's allocation processes.

1 Q. PLEASE EXPLAIN, IN GENERAL, HOW SPIRE DERIVES ITS ALLOCATION
2 PERCENTAGES.

3 A. The allocation of overheads is driven by logical methodologies based on cost drivers such
4 as direct labor etc.

5 Q. HAS THE COMPANY'S APPROACH TO ALLOCATIONS CHANGED
6 RECENTLY?

7 A. No. The Company's approach to overheads and the allocation of indirect costs has not
8 changed in decades.

9 Q. HAS THE OPC HAD THE OPPORTUNITY TO REVIEW SPIRE'S ALLOCATION
10 PERCENTAGES IN OTHER PROCEEDINGS?

11 A. Yes. The Company's allocations associated with capital projects have been subject to
12 detailed review by all parties over multiple rate cases and ISRS cases without issue.

13 Q. IS THE COMMISSION BOUND TO THE FERC USoA?

14 A. No. Within the Commission's rule at 4 CSR 240-40.040 (4), the Commission states that
15 "in prescribing this system of accounts the Commission does not commit itself to the
16 approval or acceptance of any item set out in any account for the purpose of fixing rates or
17 in determining other matters before the Commission." Given that Spire's allocation
18 processes have been approved by the Commission in prior rate cases, have not changed for
19 decades, and have been subject to detailed review by all parties over multiple rate cases
20 and ISRS cases without issue, it is simply incorrect to assert that Spire's approach to
21 allocations is in any way arbitrary. It is equally baseless to suggest that the Company is
22 not appropriately utilizing the FERC USoA or is in violation of the Commission rules
23 prescribing their use.

1 **Q. PLEASE EXPLAIN THE STIPULATION AND AGREEMENT REGARDING**
2 **OVERHEADS APPROVED IN SPIRE'S JANUARY 2019 ISRS CASES.**

3 A. In Spire's January 2019 ISRS cases, the Company, Staff, and the OPC entered into a
4 stipulation and agreement in which all parties agreed that no adjustment to overhead costs
5 should be made and the parties would meet to further discuss the issue. As part of those
6 discussions, Spire would give a detailed presentation describing how overheads for ISRS
7 projects are determined. The stipulation and agreement also stated that "after the detailed
8 presentation made by the Company, the Company will provide data and respond to
9 interrogatories requested by the OPC or Staff regarding overhead allocations to ISRS
10 projects." The parties met on June 7, 2019. Spire brought an internal subject matter expert
11 with over 17 years of experience in nearly every facet of cost allocation and made a detailed
12 presentation on how its overhead costs are determined. The Company also offered its
13 subject matter to the other parties for questioning as well.

14 **Q. FOLLOWING THE COMPANY PRESENTATION, DID SPIRE RECEIVE ANY**
15 **FEEDBACK OR ADDITIONAL INQUIRIES FROM THE OTHER PARTIES?**

16 A. No. Spire did not receive any feedback or follow-up questions from any party following
17 this presentation. As a result, it remains unclear to this day what additional information
18 the OPC is looking for from the Company regarding treatment of overhead costs or what
19 specific concerns it has regarding the manner in which these overhead costs are determined
20 by the Company. It is simply impossible to be responsive to OPC's concerns in the absence
21 of any critique of or engagement on the Company's detailed presentation on the subject.
22 This lack of engagement does not advance the objective of resolving the issue and results
23 in a significant expenditure of time and resources. All parties must now file testimony,

1 bring forth witnesses, and litigate this issue again without any kind of indication from OPC
2 on what additional information would have satisfied their lingering inquiries. It is
3 disappointing that rather than have a constructive conversation, which the Company is
4 willing to do, the preferred approach is to play a game of “gotcha” over several days in an
5 ISRS proceeding in which the parties have an extremely limited amount of time to review
6 and respond to whatever concerns may be raised. I believe this is an extremely poor
7 approach for achieving reasonable outcomes in a regulatory proceeding and does nothing
8 to benefit the Company’s customers.

9 **Q. HAS STAFF TAKEN A POSITION REGARDING OVERHEADS IN ITS**
10 **RECOMMENDATION IN THESE CASES?**

11 A. Staff did not address the issue of overheads in its recommendation. In the Company’s last
12 ISRS proceedings, however, Staff did state that issues related to overheads are best suited
13 to be handled as part of a general rate case. Spire agrees.

14 **VI. INTRODUCTION OF INCOME TAX ISSUE**

15 **Q. PLEASE EXPLAIN STAFF’S RECOMMENDATION REGARDING INCOME**
16 **TAX EXPENSE.**

17 A. In its revenue recommendation, Staff has removed any amount for income tax.

18 **Q. WHY HAS STAFF TAKEN THIS APPROACH?**

19 A. Staff states that it has taken into account “incremental tax deductions associated with
20 interest expense, capitalized overheads, and service transfers associated with ISRS plant
21 additions in this period.” Staff has then applied those deductions as an offset against
22 current income tax associated with the Company’s ISRS investments in this period. For
23 reasons stated by Company witness Chuck Kuper, the Company continues to disagree with

1 Staff's position based on its interpretation of what the ISRS statute provides in terms of
2 how income taxes are to be calculated and the fact that the ongoing amounts recognized in
3 rates for this item already exceed the level of deductions actually being received by the
4 Company.

5 **Q. PLEASE EXPLAIN THE STIPULATION AND AGREEMENT RELATED TO**
6 **THIS ISSUE IN SPIRE'S JANUARY 2019 CASES.**

7 A. In Spire's January ISRS cases, the Staff, OPC, and Spire entered into a stipulation and
8 agreement by which the parties would calculate the return on rate base and the necessary
9 tax gross up on that return based on the appropriate marginal tax rate then split that gross-
10 up and include 50% in Spire's revenue requirement. The parties then agreed to meet and
11 further discuss the issue with the hopes of seeking a resolution.

12 **Q. PER THE STIPULATION, DID THE PARTIES MEET TO DISCUSS THE**
13 **ISSUE?**

14 A. Yes. The parties met on May 21st in Jefferson City and made a serious effort to better
15 understand each other's position on the issue. The Company remains open to discussing
16 and resolving this issue in these cases.

17 **VII. LIST OF ISSUES AND WITNESSES**

18 **Q. PLEASE PROVIDE A LIST OF WITNESSES AND THE ISSUES THEY WILL BE**
19 **ADDRESSING IN TESTIMONY.**

20 A. The table below lists the contested issues in this proceeding and the Company witnesses
21 addressing those issues.

Tim Krick, Controller, Spire Inc.	Overheads
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Craig Hoeflerlin, Vice President, Operational Services, Spire Inc.	Bare Steel and Cast-Iron Replacement Programs, including worn out or in a deteriorated condition, Bare Steel that has been Cathodically Protected, Piecemeal vs. Systematic Engineering/Cost Analyses
Robert Leonberger, Engineer/Natural Gas Expert, NatGas Consulting	Missouri Bare Steel and Cast-Iron Replacement Program Rule History, including worn out or in a deteriorated condition, Bare Steel that has been Cathodically Protected
Chuck Kuper, Director Tax, Spire Inc.	Income Taxes

1

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

A. Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of Spire Missouri)
Inc. to Change its Infrastructure System) **File No. GO-2019-0356**
Replacement Surcharge in its Spire Missouri East)
Service Territory)

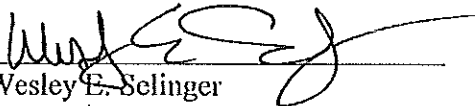
In the Matter of the Application of Spire Missouri)
Inc. to Change its Infrastructure System) **File No. GO-2019-0357**
Replacement Surcharge in its Spire Missouri West)
Service Territory)

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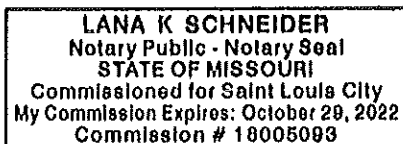
STATE OF MISSOURI)
) **SS.**
CITY OF ST. LOUIS)

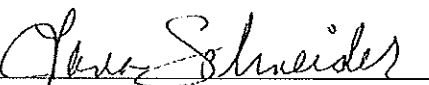
Wesley E. Selinger, of lawful age, being first duly sworn, deposes and states:

1. My name is Wesley E. Selinger. I am Manager, Rates and Planning for Spire Missouri Inc. My business address is 700 Market St., St Louis, Missouri, 63101.
2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Spire Missouri Inc.
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.


Wesley E. Selinger

Subscribed and sworn to before me this 27 day of SEPTEMBER 2019.




Notary Public