

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

In the Matter of the Application of	)	
Spire Missouri Inc. d/b/a Spire	)	<b><u>Case No. GO-2021-0126</u></b>
for Approval to Establish an On-Bill	)	Tracking Nos. YG-2021-0110;
Financing Program and Cost	)	YG-2021-0112; YG-2021-0113
Recovery Mechanism	)	

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Recommendation* in this matter hereby states:

1. Spire Missouri, Inc. d/b/a Spire filed its *Verified Application of Spire Missouri Inc. for Approval to Establish an On-Bill Financing Program and Cost Recovery Mechanism for its Missouri Service Territory and Request for Waiver from its 60 Day Notice Rule* along with direct testimony and revised tariff sheets on October 30, 2020. The *Application* seeks approval of a new tariffed program, an on-bill financing program and an associated cost recovery mechanism. Staff reviewed the *Application* and filed a *Motion to Extend* on November 13, 2020. OPC also filed an *Objection and Motion to Dismiss* on November 13, 2020. The Commission on November 18, 2020, ordered responses to OPC's *Objection and Motion* to be filed by November 23, 2020; Staff asked to extend the filing date of its recommendation to allow for several discussions with Spire, for the Company to file supplemental information to its original *Application* and for Staff to review such information.

2. After a thorough review of the proposed tariff sheets, supporting information and supplemental testimony, Staff has compiled a memorandum attached to this pleading as Appendix A. The memorandum outlines Staff's concerns that the tariff sheets are overly vague, lack sufficient detail to ensure both participant and non-participant

protections and that they are not based on the currently effective statutes and rules governing gas utilities. Staff provides support for each of these positions in its memorandum.

3. At the same time that Staff has been conducting its review and the parties have been meeting to aid the investigation, Spire filed a request for a general rate increase, opened as Case No. GR-2021-0108. Staff would propose that the Commission reject the tariff sheets as filed in this matter, and permit the parties to move their discussions regarding the development of an on-bill financing program to the rate case.

**WHEREFORE**, Staff prays that the Commission will accept this *Recommendation*; reject proposed tariff sheets YG-2021-0110, YG-2021-0112 and YG-2021-0113; permit the parties to move their discussions to the general rate case, Case No. GR-2021-0108; and grant such other and further relief as the Commission considers just in the circumstances.

**/s/ Whitney Payne**

Whitney Payne

Senior Counsel

Missouri Bar No. 64078

Attorney for the Staff of the

Missouri Public Service Commission

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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 26th day of February, 2021, to all counsel of record.

**/s/ Whitney Payne**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File,  
Case No. GO-2021-0126, Spire Missouri, Inc.

FROM: Joe Roling, Regulatory Economist, Tariff/Rate Design Department,  
Industry Analysis Division  
Robin Kliethermes, Regulatory Compliance Manger,  
Tariff/Rate Design Department, Industry Analysis Division

*/s/ Natelle Dietrich / February 26, 2021*    */s/ Whitney Payne/February 26, 2021*  
Director - Industry Analysis Division/Date    Staff Counsel's Office/Date

SUBJECT: Staff Recommendation for Rejection of Spire Missouri Inc.'s Application to  
Establish an On-Bill Financing Program and Cost Recovery Mechanism

DATE: February 26, 2021

### **OVERVIEW**

On October 30, 2020, Spire Missouri, Inc. ("Spire" or the "Company"), on behalf of its Spire Missouri West ("Spire West") and Spire Missouri East ("Spire East") operating units, filed its Application ("Application") with the Missouri Public Service Commission ("Commission") for approval to establish an on-bill financing program and cost recovery mechanism for its Missouri service territory. On the same day Spire filed testimony from two witnesses and filed five (5) tariff sheets in YG-2021-0112<sup>1</sup> and YG-2021-0113<sup>2</sup> to support its Application. Spire seeks a waiver from Commission Rule 20 CSR 4240.4.017(1) that provides the secretary of the Commission a minimum of sixty (60) days' notice prior to filing a case.

On January 25, 2021, the Company filed supplemental direct testimony. On January 27, 2021, the Commission ordered Staff to file a recommendation no later than February 26, 2021.

### **SUMMARY**

As filed, Staff recommends the Commission reject the Company's Application because it seeks to establish a cost recovery mechanism that is not authorized by State Statute or Commission Rule. Further the Company fails to provide adequate information to support a proposed budget that is twice the magnitude of previously approved on-bill financing programs and doubles Spire's current budget for energy efficiency programs absent a general rate proceeding.

Staff is generally not opposed to a well-designed on-bill financing program; however, as described in more detail below, Staff has significant concerns with the Company's proposed design.

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<sup>1</sup> Spire East

<sup>2</sup> Spire West

## **PROGRAM DESCRIPTION**

Spire states that its proposed on-bill financing program is modeled after the Pay as You Save (PAY®) program. Spire's testimony explains that the Company will contract with a third-party implementer. The program implementer will perform an evaluation of the homes of interested customers. If the home is deemed qualified to participate in the program, the implementer would prepare a bid containing potential measures, other than direct-install measures, the customer may elect to have installed, along with an estimate of the associated savings.<sup>3</sup> After the evaluation has determined that a customer is qualified, if a customer chooses to participate, Spire will arrange to finance and install the measures.

Further, Spire states that the on-bill charge associated with an individual investment is limited to 80% of the value of the energy savings generated by the investment, with a cap of 12 years.<sup>4</sup> As stated in the tariffs filed in YG-2021-0112 and YG-2021-0113, the Company will recover the costs for its investments, including any fees through a monthly service charge assigned to the property. The service charge also includes a 4% interest charge. The service charge shall be paid by the occupant or a successor occupying the property until all Company costs have been recovered.<sup>5</sup> The owner of the premise will own the equipment after it has been paid off.<sup>6</sup>

Since the service charge is limited to 80% of the value of the energy savings generated by the investment, Spire is proposing a new annual recovery mechanism that will be a line-item charge on all Residential customer bills. Spire states that the difference between the revenues collected through the participant finance charge and the Company's approved cost of capital including a tax gross up and other associated charges such as property tax and O&M expenses will be recovered through annual filings of Spire's new mechanism.<sup>7</sup>

In Spire's initial direct testimony the Company proposed an annual budget of \$11 million for an undetermined number of years. In Spire's supplemental testimony, the Company proposed an annual budget of \$11 million for three years. Based on the Company's supplemental testimony, Staff assumes the Company is requesting a total program financing of \$33 million.

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<sup>3</sup> Page 5, Direct Testimony of Shaylyn Dean

<sup>4</sup> Page 4, Direct Testimony of Shaylyn Dean

<sup>5</sup> Program participants must agree to have a property notice filed in the County land records through either i) owner's agreement if the participant is not the owner, or ii) as part of the efficiency upgrade agreement if the participant is the owner.

<sup>6</sup> Page 4 Direct Testimony of Shaylyn Dean

<sup>7</sup> Pages 3 through 4, Direct Testimony of Wesley E. Selinger

### **STAFF RECOMMENDATION**

Staff has reviewed the Company's Application and has significant concerns with the Company's proposed on-bill financing program as currently designed. The Company's proposed tariffs as filed in YG-2021-0112 and YG-2021-0113 and as attached to the direct and supplemental testimony of Wesley Selinger are overly vague, lack sufficient detail to ensure participant and non-participant protections, are not based on current gas law and should be rejected. Further Staff recommends that the development of an on-bill financing program should be addressed in the Company's currently filed general rate proceeding.

### **PROGRAM DESIGN DISCUSSION**

Spire asserts that its proposed program is similar in nature to Ameren Missouri's on-bill financing program. However, Ameren Missouri's authorized budget results in total financing up to \$15 million.<sup>8</sup> Spire's proposed budget is over twice the size of Ameren Missouri's program and Spire has less residential customers. Further, Spire's program is proposing a new annual rate adjustment mechanism that is not authorized by Statute or Commission Rule, whereas Ameren Missouri's on-bill financing program defers costs not recovered through a participant's line item charge to a regulatory asset account for recovery in Ameren Missouri's next general rate proceeding. Also, unlike Spire's proposed program, Ameren Missouri's PAYS® program is part of its Commission approved Missouri Energy Efficiency Investment Act ("MEEIA") energy efficiency programs and, therefore, is subject to prudence reviews and evaluations.

Even if Spire's proposed rate adjustment mechanism tariff were authorized by Statute or Commission Rule, Spire's tariff as attached to the direct testimony of Wesley E. Selinger is overly vague. The tariff, attached to this recommendation for reference, does not describe in detail the costs by FERC account eligible for recovery, provide the calculation that should be used to establish the rider rate, frequency of rider filings, timeline for rider filings, filing requirements, prudence reviews, timing of rate reconciliations, and provisions for disallowances. Spire witness Wesley E. Selinger's direct testimony states that the rate adjustment mechanism would also recover property taxes applied to installed measures; however, the tariff does not outline how property taxes would be applied to residential HVAC units and other energy efficiency measures. Lastly, Spire's proposed tariff only applies to residential customers. This incorrectly assumes that residential customers are the only customers that should be responsible for recovery of unrecovered participant costs if the programs benefit all customers.

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<sup>8</sup> Ameren Missouri's PAYS® will provide \$5 million in financing in year 2021 and \$10 million in 2022.

**BUDGET DISCUSSION**

Spire has not provided evidence that \$33 million is a reasonable budget for the program. Spire's proposed budget is more than twice as large as Ameren Missouri's financing (PAYS) program approved by the Commission and Evergy's Commission-ordered financing (PAYS) program not yet filed. Also, as stated in testimony, Spire already operates Energywise and Insulation financing programs.

Further, given the current COVID-19 pandemic and the Company's current rate increase request, Staff has concerns regarding the reasonableness of an additional \$33 million recoverable from the residential class.

**OTHER MATTERS**

The tariffs as filed in YG-2021-0112 and YG-2021-0113 in this docket GO-2021-0126 have also been filed in YG-2021-0133 in Case No. GR-2021-0108, the Company's general rate proceeding, and have been suspended based on Commission Order. Again, in Staff's opinion, this program is more appropriately addressed in Case No. GR-2021-0108.

Staff has verified that the Company has filed its annual report and is not delinquent on any assessment.

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

In the Matter of the Application of Spire            )  
Missouri Inc. d/b/a Spire for Approval to        )  
Establish an On-Bill Financing Program            )  
and Cost Recovery Mechanism                        )  
**Case No. GO-2021-0126**

**AFFIDAVIT OF ROBIN KLIETHERMES AND JOSEPH P. ROLING**

STATE OF MISSOURI        )  
  )        ss.  
COUNTY OF COLE         )

**COME NOW** Robin Kliethermes and Joseph P. Roling, and on their oath declare that they are of sound mind and lawful age; that they contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Robin Kliethermes  
Robin Kliethermes

/s/ Joseph P. Roling  
Joseph P. Roling



P.S.C. MO. No.

Original

SHEET No. R-30.27

Spire Missouri Inc. d/b/a/ Spire

For: Spire Missouri East and West

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**RULES AND REGULATIONS**

**Spire On-Bill Financing Program Residential charge**

Description: The Program Residential Charge is a monthly charge designed to recover all Program costs not otherwise recovered through the Participant Service Charge. Costs shall include financing costs equal to the Company's current weighted average cost of capital, income taxes, property taxes, operating expenses, and administrative expenses.

Applicability: In addition to the other charges provided for in the Company's tariff, a monthly Program Residential Charge shall be added to each Residential customer's bill for service rendered on and after the effective date of this tariff or the date contained in a Commission order approving the previous Program Residential Charge, as applicable.

Schedule of Surcharges: The amount of the On-Bill Financing Program Residential Charge is as follows:

Residential Service (RG)	\$ 0.00
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DATE OF ISSUE:

DATE EFFECTIVE:

ISSUED BY: Scott A. Weitzel, Managing Director, Regulatory & Legislative Affairs  
Spire Missouri Inc., St. Louis, MO. 63101