

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

In the Matter of Spire Missouri Inc.'s	)	
d/b/a Spire Missouri East and Spire	)	<b><u>File No.: GO-2022-0070</u></b>
Missouri West Filing of its Proposed	)	Tariff No: JG-2022-0047
Weather Normalization Adjustment	)	Tariff No. JG-2022-0048
Rider (WNAR) Tariff Sheets	)	

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its recommendation to reject Spire's proposed WNAR tariff sheets and to order further relief, states the following:

**Background**

1. On September 1, 2021, Spire Missouri, Inc., d/b/a Spire Missouri East and Spire Missouri West, filed an application to update its Weather Normalization Rider (WNAR) pursuant to Section 386.266.3 and its Spire Missouri East and Spire Missouri West tariff Sheets 13 through 13.2.<sup>1</sup>

2. Previously, in GR-2021-0280, Staff discovered that Spire did not incorporate into its billing system the WNAR rates reflected in its tariffs, effective October 1, 2020, until February 22, 2021.<sup>2</sup> The WNAR rates approved in March 2021 in case GR-2021-0280 were not affected by that billing error.<sup>3</sup>

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<sup>1</sup> Application to Update Its Weather Normalization Adjustment Rider (WNAR), File No. GO-2022-0070 (EFIS No. 1) ("Application").

<sup>2</sup> Order Approving WNAR Tariff and Ordering Staff to Investigate a Billing Error, File No. GR-2021-0280 at 2 (Mar. 17, 2021) ("Order Approving WNAR").

<sup>3</sup> Order Approving WNAR at 2.

3. The Commission did open an investigation into Spire’s WNAR billing error.<sup>4</sup> In that investigation, Staff identified the level of revenues that were not billed for Spire Missouri East and Spire Missouri West.<sup>5</sup> Staff also identified the number of customer bills affected by the billing error:<sup>6</sup>

	Revenues that were not billed due to billing error	Incremental change per Ccf due to revenues not billed	Number of customer bills impacted
Spire East	\$ 933,655	\$ 0.00190	693,281
Spire West	\$ 842,420	\$ 0.00236	562,909

4. Since these billing errors occurred, and since the investigation, some customers have joined Spire’s system and some have left.

5. Spire’s current proposed updated WNAR rates reflect reconciliations to recover the amounts discussed above that were previously undercharged to customers, and as a result Spire’s proposed WNAR rates go from \$0.01059 to \$0.00820 for Spire West and from \$0.01006 to \$0.00381 for Spire East.<sup>7</sup>

### **Staff Recommendation**

6. Staff recommends the Commission reject Spire’s proposed WNAR tariff sheets, order Spire to file new tariff sheets removing adjustments based on billing errors made by Spire between October 2020 and February 2021, and for those billing errors order Spire to make billing adjustments as required under Commission Rule 20 CSR 4240-13.025(1)(B)-(C).

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<sup>4</sup> Order Opening an Investigation, File No. GW-2021-0293 (Mar. 17, 2021).

<sup>5</sup> Staff’s Progress Report at 1-2, File No. GW-2021-0293 (May 17, 2021).

<sup>6</sup> Staff’s Progress Report at 1-2.

<sup>7</sup> Application to Update Its Weather Normalization Adjustment Rider (WNAR), File No. GO-2022-0070 (EFIS No. 1) (“Application”).

7. Spire is required to charge the rates under its tariffs, and no other rate.<sup>8</sup> This is the “filed rate doctrine.” The filed rate doctrine has an underlying policy of transparency and predictability.<sup>9</sup>

8. From October 1, 2020, through February 22, 2021, Spire did not charge the rates reflected in its WNAR tariffs. Spire’s customers should suffer no negative consequences as a result of Spire’s billing errors.

9. There is no provision in Spire’s WNAR tariff to reconcile billing errors resulting in undercharges or overcharges.<sup>10</sup> Adjustments in Spire’s WNAR tariff are adjusted based on sales, not on revenues.<sup>11</sup>

10. There is a provision at Commission Rule 20 CSR 4240-13.025(1)(B)-(C) to make billing adjustments for undercharges:

In the event of an undercharge, an adjustment shall be made for the entire period that the undercharge can be shown to have existed not to exceed twelve (12) monthly billing periods or four (4) quarterly billing periods, calculated from the date of discovery, inquiry, or actual notification of the utility, whichever was first.<sup>12</sup>

11. Also in the event of an undercharge, “the utility shall offer the customer the option to pay the adjusted bill over a period *at least double* the period covered by the adjusted bill.”<sup>13</sup>

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<sup>8</sup> § 393.130, RSMo (2016).

<sup>9</sup> *State ex rel. AG Processing, Inc. v. Pub. Serv. Comm’n*, 311 S.W.3d 361, 365 (Mo. App. W.D. 2010) (“approved tariffs are to ‘provide advance notice to customers of prospective charges, allowing the customers to plan accordingly.’”).

<sup>10</sup> P.S.C. Mo. No. 7 Sheet No. 13 through 13.2.Spire; P.S.C. Mo. No. 8 Sheet No. 13 through 13.2.

<sup>11</sup> P.S.C. Mo. No. 7 Sheet No. 13 through 13.2.Spire; P.S.C. Mo. No. 8 Sheet No. 13 through 13.2. (Paragraph 4 sets the Semiannual Reconciliation Rate “calculated based on ten (10) months *actual sales* and two (2) months *projected sales*).

<sup>12</sup> 20 CSR 4240-13.025(1)(B).

<sup>13</sup> 20 CSR 4240-13.025(1)(C) (emphasis added).

12. There are myriad reasons Spire’s billing errors should not be reconciled through its WNAR tariff as a general proposition.

13. First, by including adjustments based on billing errors, Spire would improperly be adjusting the WNAR based on revenues, not based on sales.

14. Second, including the billing errors in the WNAR adjustment in the future could create the potential that Spire could collect carrying costs from its ratepayers based on Spire’s own billing errors.<sup>14,15</sup>

15. Third, the purpose of the WNAR is to adjust revenues for differences between actual heating degree days and normal heating degree days.<sup>16</sup> The purpose of the WNAR is not to flow through billing errors or the failure to charge customers amounts due under the WNAR tariff sheets.

16. Fourth, it is neither transparent nor predictable to hide billing errors from undercharges within a subsequent WNAR filing. Customers should expect the WNAR to be adjusted based on changes in usage patterns due to weather consistent with Section 386.266.3, RSMo, and not adjusted due to company billing errors.

17. Fifth, existing customers should not be required to pay for undercharges not collected from other customers that have since left the system. Yet Spire’s proposed WNAR rates would require existing Spire customers to pay for undercharges not collected from customers that have since left the Spire system.

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<sup>14</sup> See P.S.C. Mo. No. 8, Sheet No. 13.1 ¶ 6.a. (“Each month, carrying costs, at a simple rate of interest equal to the prime bank lending rate... minus two percentage points, shall be applied to the Company’s average beginning and ending monthly WNA balances....”).

<sup>15</sup> In this case specifically, Spire would not collect carrying costs on its own billing errors.

<sup>16</sup> § 386.266.3, RSMo (Supp. 2020); see *also* Order Approving WNAR at 1-2.

18. Sixth, new Spire customers that have joined the system since February 2021 should not be required to pay for undercharges that occurred before those customers joined the Spire system. Under Spire's proposed WNAR rates, those new customers would be required to pay for undercharges that occurred before those customers joined the system.

19. In contrast, if the Commission orders Spire to remove billing error undercharges from its WNAR reconciliation and to recover any undercharges by making appropriate billing adjustments under 20 CSR 4240-13.025, Spire's current customers suffer no negative consequences. Each Spire customer would be appropriately required to pay the amount that specific customer was undercharged, and no more.

20. Consistent with the filed rate doctrine, it is transparent and predictable to require undercharges from billing errors consistent with Rule 20 CSR 4240-13.025(1)(B)-(C), including the option for customers to pay the adjusted bill over a period at least double the period covered by the adjusted bill. This sends the appropriate message to customers that adjustments to the WNAR are based on changes to actual customer sales resulting from changes to the weather.

21. Under 20 CSR 4240-13.025(1)(C), Spire's customers must be given the opportunity to pay for any undercharges over a period of at least ten (10) months, which is twice the length of the five (5) months from October 2020 to February 2021 that the billing errors occurred.<sup>17</sup> Ideally, customers would be given a period of twelve (12) months to repay any under charged amounts. Giving customers twelve (12) months to repay

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<sup>17</sup> 20 CSR 4240-13.025(1)(C).

would minimize the rate impact of Spire's billing errors, while generally matching the WNAR billing repayment period. A twelve (12) month repayment period would also account for the fact that much of Spire's undercharges occurred in the cold months of December, January, and February of 2020 through 2021.

22. Under Staff's recommendation, Staff estimates that Spire's WNAR rates would be \$0.00586 for Spire West and \$0.00192 for Spire East. For a customer that uses 100 Ccf or therms per month, the impact of this would be a difference of \$0.23 per month for Spire West and \$0.19 per month for Spire East. Billing adjustments for amounts undercharged from October 2020 to February 2021 will be specific to each customer, but on average the total amounts would be \$1.50 for Spire West and \$1.35 for Spire East, which would be approximately \$0.12 and \$0.11 per month, respectively, over twelve (12) months.

**WHEREFORE**, as set forth in Staff's Memorandum, Staff recommends the Commission issue an order rejected the Spire East and Spire West WNAR tariff sheets, as substituted September 1, 2021:

P.S.C. MO. No. 7

Sixth Revised Sheet No. 13.2 Cancelling Fifth Revised Sheet No. 13.2

P.S.C. MO. No. 8

Sixth Revised Sheet No. 13.2 Cancelling Fifth Revised Sheet No. 13.2

further ordering Spire to file new tariff sheets and workpapers that do not include the reconciliation for the billing errors made between October 2020 and February 2021; deciding that Spire can recover undercharged amounts through billing adjustments

consistent with 20 CSR 4240-13.025(1)(B)-(C); and ordering such other and further relief the Commission deems just and reasonable.

Respectfully submitted,

**/s/ Curt Stokes**

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**Attorney for Staff of the  
Missouri Public Service Commission**

**CERTIFICATE OF SERVICE**

I certify that copies of the foregoing have been emailed to all parties and/or counsel of record on this 10<sup>th</sup> day of September, 2021.

**/s/ Curt Stokes**

## MEMORANDUM

**TO:** Missouri Public Service Commission Official Case File  
File No. GO-2022-0070, Tariff Tracking Nos. JG-2022-0047 and JG-2022-0048  
Spire Missouri, Inc.

**FROM:** Michael L. Stahlman, Regulatory Economist III

/s/ Michael L. Stahlman 9/10/2021  
Regulatory Economist/ Date

/s/ Curtis Stokes 9/10/2021  
Staff Counsel Division / Date

**SUBJECT:** Staff Recommendation to **Reject** the Tariff Sheets Filed by Spire to adjust its Weather Normalization Adjustment Rider to go into effect on October 1, 2021.

**DATE:** September 10, 2021

On September 1, 2021, Spire filed two tariff sheets to adjust its weather normalization adjustment rider (WNAR) rates with an effective date of October 1, 2021. These tariff sheets incorporate the differences between normal and actual weather for the billing months of February 2021 through July 2021. On September 2, 2021, the Commission directed Staff to file a recommendation on the pending tariff no later than September 10, 2021.

Spire's WNAR became effective on April 19, 2018. The purpose of the tariff is to adjust revenues for differences between actual heating degree days (AHDD) and normal heating degree days (NHDD). However, the proposed tariff sheets also seek to reconcile the billing errors Spire made when it did not properly charge customers the tariffed WNAR rates from October 2020 to February 2021. These errors were first noticed in Spire's previous WNAR filing, Case No. GR-2021-0280, and investigated in Case No. GW-2021-0293.

Spire's Tariff Sheets, P.S.C. MO. Nos. 7 and 8, Sheet No. 13.1, specify that the Semi-annual Reconciliation Rate ("SRR") "shall be calculated based on ten (10) months actual sales and two (2) months projected sales." Spire's method of reconciliation was not based on the actual sales, but upon the billed revenues. Spire's tariff does not allow for the reconciliation of billing errors made by Spire due to the misapplication of the WNAR rate from October 2020 through February 2021. However, 20 CSR 4240-13, the Commission's rules covering billing practices for residential customers, sets out the standards by which Spire may issue corrected bills to the affected customers.



Based on the information in GW-2021-0293 and this case, Staff has estimated the impact on the WNAR if Spire had billed customers according to the effective tariffed rates, as shown in the table below.

Table 1: Current, Proposed, and Staff's Estimated WNAR rates

District	Current	Proposed	Staff's Estimate
Spire East	0.01006	0.00381	0.00192
Spire West	0.01059	0.00820	0.00586

For a customer that uses 100 ccf or therms per month, the impact of including the billing error in the WNAR reconciliation in this case as proposed by Spire results in higher monthly bill of approximately \$0.19 for Spire East and \$0.23 for Spire West. Staff has some other concerns with Spire's reconciliation calculation, such as if it properly corrects for the two estimated calendar months from the prior period which may also impact the resulting WNAR.

#### **Staff Recommendation**

Staff has reviewed the following tariff sheets and recommends rejection of the following tariff sheets that have an effective date of October 1, 2021:

P.S.C. MO. No. 7

Sixth Revised Sheet No. 13.2 Cancelling Fifth Revised Sheet No. 13.2

P.S.C. MO. No. 8

Sixth Revised Sheet No. 13.2 Cancelling Fifth Revised Sheet No. 13.2

Staff further recommends that the Commission order Spire to file new tariff sheets and workpapers that do not include the reconciliation for the billing errors made between October 2020 and February 2021.

Staff has verified that Spire is not delinquent on any assessment and has filed its Annual Report. Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing.

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

In the Matter of Spire Missouri Inc.'s d/b/a      )  
Spire Missouri East and Spire Missouri West   )  
Filing of its Proposed Weather Normalization   )  
Adjustment Rider (WNAR) Tariff Sheets         )

File No. GO-2022-0070

**AFFIDAVIT OF MICHAEL L. STAHLMAN**

STATE OF MISSOURI    )  
  )  
COUNTY OF COLE     )         ss.

**COMES NOW** Michael L. Stahlman, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

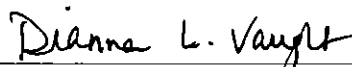
  
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Michael L. Stahlman

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 10<sup>th</sup> day of September, 2021.

**DIANNA L. VAUGHT**  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: July 18, 2023  
Commission Number: 15207377

  
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Notary Public