

In the Matter of:

**SPIRE MISSOURI, INC.'s d/b/a SPIRE REQUEST FOR AUTHORITY, etc.**

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**GR-2021-0108, VOL. X**

*August 02, 2021*

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BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

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TRANSCRIPT OF PROCEEDINGS

Evidentiary Hearing via WebEx & In Person

August 2, 2021

Volume 10

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In The Matter Of Spire Missouri Inc.'s )  
d/b/a Spire Request for Authority to ) Case No. GR-2021-0108  
Implement a General Rate Increase for )  
Increase for Natural Gas Service )  
Natural Gas Service Provided in the )  
Company's Missouri Service Areas )

CHARLES HATCHER, Presiding  
Regulatory Law Judge  
RYAN SILVEY, Chairman  
JASON HOLSMAN,  
GLEN KOLKMEYER,  
Commissioners

REPORTED BY:

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TIGER COURT REPORTING, LLC

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I N D E X	PAGE
1	
2	
3	COMPANY'S WITNESS:
4	JOHN SPANOS
5	Direct Examination by Ms. Bockstruck 59
6	MICHELLE ANTRAINER
7	Direct Examination by Ms. Bockstruck 108
8	STAFF'S WITNESS:
9	DAVID BUTTIG
10	Direct Examination by Ms. Azland 110
11	Cross-Examination by Ms. Bockstruck 112
12	Cross-Examination by Mr. Clizer 115
13	OPC'S WITNESS:
14	JOHN A. ROBINETT
15	Direct Examination by Mr. Clizer
16	(Testimony was not
17	able to be transcribed.)
18	Redirect Examination by Mr. Clizer 117
19	SPIRE'S WITNESS:
20	TIMOTHY KRICK
21	Direct Examination by Mr. Cooper 133
22	Questions by Judge Hatcher 135
23	Redirect Examination by Mr. Cooper 138
24	STAFF'S WITNESS:
25	MATTHEW YOUNG
	Direct Examination by Mr. Thompson 142
	Cross-Examination by Mr. Cooper 144
	Cross-Examination by Mr. Clizer 156
	Questions by Judge Hatcher 160
	Cross-Examination by Mr. Cooper 166
	Redirect by Mr. Thompson 170

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

OPC'S WITNESS:

ROBERT SCHALLENBERG	
Direct Examination by Mr. Clizer	174
Questions by the Court	177
Redirect Examination by Mr. Clizer	183

E X H I B I T I N D E X

PAGE

COMPANY'S EXHIBITS:

1 - Michelle Antrainer's testimony	109
2 - Michelle Antrainer's testimony	109
3 - Michelle Antrainer's testimony	109
15 - Timothy Krick's testimony	135
16 - Timothy Krick's testimony	135
17 - Timothy Krick's testimony	135
35 - John Spanos's rebuttal testimony	61
36 - John Spanos's surrebuttal testimony	61

STAFF'S EXHIBITS:

46 - E-mail exchange	169
125 - Matthew Young's rebuttal testimony	143
128 - David Buttig's surrebuttal testimony	112
140 - Matthew Young's surrebuttal testimony	143

OPC'S EXHIBITS

203C - Robert Schallenberg's testimony	175
204C - Robert Schallenberg's testimony	175
205C - Robert Schallenberg's testimony	175
204P - Robert Schallenberg's testimony	175

P R O C E E D I N G S

1  
2 THE COURT: My name again is Charles Hatcher.  
3 I will be the regulatory law judge presiding over this  
4 hearing. Today's date is August 2, 2021. The  
5 Commission has set this day to begin an evidentiary  
6 hearing in file number GR-2021-0108.

7 For the record we were having a hybrid  
8 hearing, meaning that some participants are physically  
9 in person here in courtroom 310. Others will be in  
10 participating via WebEx, a videoconferencing Internet  
11 application. The WebEx participants will be using a  
12 monitor which is showing the live stream.

13 WebEx participants will have all the same  
14 abilities and responsibilities as those viewing in  
15 person. The WebEx video will not be a part of the  
16 record and will not be viewable on the PSC live stream.  
17 They will only be viewable by those on the WebEx. Their  
18 broadcast audio, however, will be taken down by the  
19 court reporter as part of the record.

20 Some further WebEx announcements. Everyone on  
21 WebEx, if you could please mute yourself. The  
22 Commission and the regulatory law judge will be  
23 proceeding slowly at every point to allow for unmuting.

24 The WebEx chat function is not private. It is  
25 not part of the record, and I highly recommend that you

1 do not use it because other people can see it.

2 Phone users on WebEx, to unmute yourself  
3 please press \*6 when you need to speak.

4 For the record I want to state that we have  
5 two watch rooms. These are rooms providing for  
6 additional social distancing for witnesses that do not  
7 have an office in the Governor Office Building. Playing  
8 in there will be the normal web stream, and any  
9 witnesses that are in that room, we will, of course,  
10 pause and give them time to make it across to our  
11 courtroom.

12 For the record I also want to state we do have  
13 one extra room. I envisioned this for any quick  
14 conferences or negotiation. I don't want to parcel out  
15 this room, so I'll let parties make any requests for  
16 access as they need it and that's really to eliminate  
17 any web parties in the room without any notice.

18 Counselors with clients in the same room or  
19 with at least one other person in the WebEx  
20 participating area, I just want to note, computer  
21 microphones these days are good enough to hear whispered  
22 conversations. That includes between attorneys and  
23 their clients when they're in the same room on a WebEx  
24 call. Heads up.

25 I think that is my end of announcements.

1 Let's get to our entry of appearances.

2 For Spire.

3 MS. BOCKSTRUCK: Good morning, Judge. For in  
4 house counsel for Spire, Goldie Bockstruck. Matthew  
5 Aplington and Rachel Niemeier.

6 COURT REPORTER: (Asked for clarification.)

7 MS. BOCKSTRUCK: I can hear it.

8 THE COURT: It's coming through the WebEx.  
9 We're all hearing it. It sounds as though callers being  
10 added into the WebEx so hopefully that will subside in  
11 just a moment.

12 COURT REPORTER: (Asked for clarification.)

13 THE COURT: That was Goldie Bockstruck  
14 speaking. Last name is B-o-c-k-s-t-r-

15 COURT REPORTER: (Asked for clarification.)

16 COMMISSIONER KOLKMEYER: Madam Court Reporter,  
17 we can hear you. I think we have dropped the room  
18 apparently and the Judge.

19 Judge Hatcher, if you can hear us we cannot  
20 hear you.

21 (Connection disruption.)

22 COMMISSIONER SILVEY: This is Commissioner  
23 Silvey. I just spoke with the office and I'm just going  
24 to sit tight for a little bit until we figure out what  
25 is going on.



1 (Off the record to handle connection and  
2 technical audio issues.)

3 000

4 (Afternoon session starting at 1 p.m.)

5 THE COURT: We had a false start with our  
6 hearing getting underway this morning. We are  
7 restarting again. My name is Charles Hatcher. I am the  
8 regulatory law judge presiding over this hearing. Today  
9 is August 2nd. The Commission has set this day for an  
10 evidentiary hearing in file number GR-2021-0108. I will  
11 not repeat our announcements, however, I've had a  
12 request from the parties to have a certain witness who  
13 has a time sensitive flight to catch this evening, that  
14 he be allowed to go first prior to opening statements.

15 Are there any objections to that procedural  
16 schedule change?

17 Hearing and seeing no objections, the witness  
18 can go ahead and come forward. Mr. Spanos.

19 MR. WOODSMALL: Your Honor, were you going to  
20 complete entries of appearance, and if not, may I ask on  
21 the record to be excused?

22 THE COURT: Granted on your excusal. I'll  
23 make a note of that. No, we're not going to do that  
24 right now just because of the time crunch.

25 MR. WOODSMALL: Understand.

1 THE COURT: Thank you very much,  
2 Mr. Woodsmall.

3 And, Spire, this is your witness.

4 Let me swear in the witness.

5 Mr. Spanos, would you please raise your right  
6 hand?

7 (Witness sworn.)

8 THE COURT: Please state and spell your last  
9 name for the record.

10 THE WITNESS: John J. Spanos. J-o-h-n Spanos,  
11 S-p as in Paul a-n-o-s.

12 THE COURT: Thank you.

13 And go ahead.

14 MS. BOCKSTRUCK: Thank you, Judge.

15 JOHN SPANOS,  
16 called on behalf of the Company, being sworn, testified  
17 as follows:

18 DIRECT EXAMINATION

19 BY MS. BOCKSTRUCK::

20 Q. You already stated your name for the record,  
21 can you please state your.

22 COURT REPORTER: (Asked for clarification.)

23 BY MS. BOCKSTRUCK:

24 Q. Can you state your business address?

25 A. 207 Senate Avenue, Camp Hill, Pennsylvania

1 17011.

2 Q. By whom are you employed and what is your  
3 title?

4 A. I'm employed by Gannett Fleming Valuation Rate  
5 and Consultants, LLC and I'm the president.

6 Q. Are you the same John Spanos who offered  
7 rebuttal and surrebuttal testimony in this proceeding on  
8 June 17, 2021 and July 14, 2021 effectively?

9 A. Yes, I am.

10 Q. Did you also (connection disruption) Schedules  
11 JJS-R1 and JJS-R2?

12 A. Yes, I did.

13 Q. Do you have any additions or corrections to  
14 make to your testimony or schedule at this time?

15 A. No, I do not.

16 Q. If I asked you the same questions today that  
17 are in your rebuttal and surrebuttal testimony would  
18 your answers be the same?

19 A. Yes, they would.

20 Q. Thank you.

21 MS. BOCKSTRUCK: I move the Commission to  
22 enter Mr. Spanos's rebuttal and surrebuttal testimony  
23 into the record as Exhibits 35 and 36.

24 THE COURT: Are there any objections to the  
25 admission of Exhibit 35 and 36 onto the record?

1           Hearing no objections it's so admitted.

2           Go ahead.

3           Did you have any further questions? I'm  
4 sorry.

5           MS. BOCKSTRUCK: No, I do not.

6           THE COURT: Thank you. Refer to my order of  
7 cross-examination. First we go to Staff.

8           MR. THOMPSON: Kevin Thompson for Staff. I  
9 have no questions.

10          THE COURT: Next is the School Board  
11 Association.

12          MR. BROWNLEE: Richard Brownlee.  
13 B-r-o-w-n-l-e-e. I have no questions.

14          THE COURT: National Housing Trust. Okay.

15          MR. LINHARES: Apologies, Judge. We have no  
16 questions. Thank you.

17          THE COURT: Thank you very much. I appreciate  
18 that.

19          And Renew Missouri has previously been asked  
20 to be excused.

21          Legal Services of Eastern Missouri.

22          MR. BARRS: Paul Barrs, B-a-r-r-s for Legal  
23 Services. No questions.

24          THE COURT: Thank you, Mr. Barrs.

25          And for Consumers Council.

1 MR. COFFMAN: Yeah. Good afternoon. This is  
2 John Coffman, C-o-f-f-m-a-n on behalf of the Consumers  
3 Council of Missouri and I have no questions.

4 THE COURT: Thank you, Mr. Coffman.

5 Mr. Woodsmall has been excused.

6 Ms. (connection disruption) has been excused  
7 and that leaves us to Mr. Clizer.

8 MR. CLIZER: No questions.

9 THE COURT: Thank you.

10 We now move to questions from the panel.  
11 Excuse me. This is a first opportunity for any  
12 Commissioners who would like to ask questions. Are  
13 there any Commissioner questions for this witness?

14 COMMISSIONER SILVEY: This is Commissioner  
15 Silvey. I have none.

16 Thank you, Mr. Chairman.

17 COMMISSIONER HOLSMAN: No questions.

18 Thank you, Commissioner Holsman.

19 And the bench has no questions.

20 The witness is excused.

21 THE WITNESS: Thank you.

22 THE COURT: Thank you, sir, and I wish you  
23 luck on catching your flight.

24 THE WITNESS: Thank you.

25 MR. APLINGTON: Your Honor, this is Mr.

1 Aplington from the Company. We have a physical copy of  
2 the two exhibits. Would you like those?

3 THE COURT: No. The Judge will take the  
4 responsibility of submitting the prefiled testimony for  
5 marking and submission.

6 MR. APLINGTON: Very good. They make an  
7 excellent paperweight.

8 THE COURT: Let's move backwards to our  
9 opening statements and let's get to our entry of  
10 appearances, and I do apologize to the counsel.

11 Let's go ahead and start over just so we have  
12 everybody's information here and especially now without  
13 the echo and impeding anyone's introduction.

14 For Spire, Ms. Bockstruck.

15 MS. BOCKSTRUCK: Thank you, Judge.

16 Goldie Bockstruck, Matt Aplington and Rachel  
17 Niemeier, 700 Market Street, St. Louis, Missouri 63101.  
18 We also have Anne Callenbach and Frank Caro with  
19 Polsinelli, 900 West 48th Place, Suite 900 Kansas City,  
20 Missouri 64112, and we also have Dean Cooper with  
21 Brydon, Swearngen and England, 3112 East Capitol  
22 Avenue, Jefferson City, Missouri 65101.

23 THE COURT: Thank you and for Commission  
24 Staff.

25 MR. THOMPSON: Thank you. For the Staff of

1 the Commission Kevin A. Thompson, Curtis Stokes, Jamie  
2 Myers, Karen Bretz, Casey Azland, Ron Irving and  
3 Madeline McKernan (Ph) P.O. Box 360, Jefferson City,  
4 Missouri 65102.

5 THE COURT: Thank you.

6 And Office of the Public Counsel.

7 MR. CLIZER: Good afternoon. John Clizer,  
8 C-l-i-z-e-r for the Office of the Public Counsel,  
9 business address Governor Office Building, Suite 250,  
10 200 Madison Street, P. O. Box 2230, Jefferson City,  
11 Missouri, 65102. Thank you.

12 THE COURT: And again Midwest Energy Consumers  
13 Group has been excused.

14 Consumers Council of Missouri.

15 MR. COFFMAN: Yes, Your Honor. This is John  
16 Coffman, C-o-f-f-m-a-n. My address is 871 Tuxedo  
17 Boulevard, St. Louis, Missouri 63119.

18 THE COURT: Missouri Industrial Energy  
19 Consumers have been excused.

20 National Housing Trust.

21 MR. LINHARES: Thank you, Judge. For National  
22 Housing Trust, Andrew Linhares, and address is 3115  
23 South Grand Boulevard, Suite 600, St. Louis, Missouri  
24 63118.

25 THE COURT: Thank you.

1           And Renew Missouri has been excused.

2           Legal Services of Eastern Missouri.

3           MR. BARRS: Thank you, Judge. Paul A. Barrs,  
4 B-a-r-r-s. Counsel with Legal Services of Eastern  
5 Missouri, 4232 Forest Park Avenue, St. Louis, Missouri  
6 63108.

7           THE COURT: Thank you.

8           And Missouri School Board Association.

9           MR. BROWNLEE: Richard Brownlee,  
10 B-r-o-w-n-l-e-e, Law Firm RSB3, LLC. on behalf of the  
11 Missouri School Boards Association also known regularly  
12 as MSBA. Thank you.

13          THE COURT: Thank you.

14          And Vicinity Energy Kansas City has been  
15 excused.

16          Quickly we'll run through preliminary matters.  
17 One thing I did not mention this morning talking about  
18 exhibits is the Judge, and that's me, will take the  
19 responsibility on submitting all of the pre-filed  
20 testimony in this case. If it's an EFIS the Judge will  
21 make sure and submit it on the record. This is because  
22 our current hybrid COVID system makes it a little bit  
23 hard. As you all notice, our court reporter is  
24 participating via WebEx. So with the other exhibits we  
25 also have an e-mail address to submit those to, and



1 that's very simply: EXHIBITS@PSC.MO.GOV.

2 All right. And we will abide by the order of  
3 opening statements and the order of cross-examination  
4 that was submitted, and we will now get to the opening  
5 statement.

6 Spire, you can lead us off please.

7 MS. BOCKSTRUCK: Judge, I was just wondering  
8 if the Commission --

9 (Due to connection issues the testimony was  
10 corrupt for this portion of the hearing.)

11 MR. CLIZER: -- a higher risk utility is going  
12 to have less capacity for debt -- a more costly capital  
13 structure. And if you need, you know, to stop and think  
14 exactly to double check what I'm saying, just picture  
15 this for a second. Who's going to have the easier time  
16 getting a loan from the bank? The Applebee's that's  
17 been in the same spot for 15 years or the new vegan  
18 chili food truck that just opened up? Obviously, the  
19 well established business with a good track record is  
20 going to be able to get easier debt financing and will  
21 be able to have more debt on its book. The more risky  
22 business is going to have less chance to get debt.  
23 They're going -- the banks are going to want them to put  
24 more of their own capital equity up front, and they're  
25 going to have a more costly capital structure.

1           I want to get back to this in just a moment,  
2     but the bottom line is that again, less risky businesses  
3     should have more debt, less costly capital structure.  
4     More risky businesses should have -- well, shouldn't  
5     have. They have less opportunity for debt, and,  
6     therefore, have a more costly capital structure.

7           A normal competitive business has to balance  
8     the idea of wanting to have as cheap a capital structure  
9     as possible with maintaining a good credit rating;  
10    right? Because if a business just went and got all  
11    debt, well, the bank's not going to give you that. It  
12    wants you to put up a little bit, like when it demands  
13    that you put up something for your loan when you go to  
14    buy a house.

15           So a regulated utility wants to balance having  
16    lowest cost capital with maintaining a good credit  
17    rating. So with these basics out of the way let's take  
18    a look at Spire.

19           The problem here is that Spire Missouri is  
20    currently targeting the equity rich capital structure  
21    that the Commission approved in its last rate case. And  
22    when I mean targeting, I mean they are specifically  
23    making sure to exactly reach the capital structure or as  
24    near as possible the Commission actually approved.

25           The result of this is that customers have been

1 paying far more for capital than is actually necessary.  
2 The Company could have had far more debt on their books  
3 and a far cheaper capital structure than they actually  
4 have right now, and we estimate that over the last three  
5 years this has resulted in almost \$60 million of  
6 unnecessary payments by customers.

7 But, and this is the biggest problem: The  
8 relationship between regulated unregulated is now  
9 backwards. And to point that out, Spire Missouri is  
10 currently carrying more equity on its books and less  
11 debt than its parent company, Spire Inc., which is a  
12 problem because Spire Inc. with its nonregulated  
13 activities is by definition going to be a more risky  
14 endeavor.

15 I mean Spire Missouri is a regulated utility.  
16 These are supposed to be the blue chips, you know, the  
17 things that the widows and orphans invest in because  
18 they're so secure. But for right now it's being treated  
19 as if its riskier than its own parent company who's able  
20 to maintain more debt and, therefore, have a cheaper  
21 capital structure.

22 You know, and let's pause for a second ago and  
23 go, why is this? Why is Spire Missouri targeting its  
24 own capital structure? Well, the reason for that is  
25 because by having a lot of equity, they're able to

1 generate a huge amount of cash flow that's flowing up to  
2 their parent, and their parent is using all that cash  
3 flow to make its own guarantees for its subsidiaries.

4 So, again, you have Spire Missouri subsidizing  
5 Spire, Inc. by maintaining a higher than necessary  
6 equity ratio in its capital structure.

7 So what are the overall effects of this?  
8 Well, the first one is that Spire is now forcing the  
9 Commission to make business decisions on its behalf.

10 The Commission often says, "We don't want to  
11 be managing the Company." Well, guess what. You're now  
12 managing the Company, at least when it comes to capital  
13 structure, because the Commission -- sorry -- the  
14 Company has already said, it's going to do what the  
15 Commission orders. It's going to maintain the capital  
16 structure the Commission orders. So, you've been placed  
17 in charge. That shouldn't be a position you want to be.  
18 You should want the Company to dynamically manage its  
19 capital structure in a way that a nonregulated Company  
20 would.

21 Second, your customers are again paying way  
22 more than they need to. This company, Spire Missouri  
23 can have more debt on its books. It can achieve a lower  
24 cost of capital. It doesn't want to because it's  
25 providing a subsidy to its parent by maintaining this

1 higher cost of capital, or, sorry -- higher capital  
2 ratio. Let me make sure that's correct.

3           The third, and this is perhaps the most  
4 problematic to me, Staff and the Company have both  
5 effectively adopted the position, the capital structure  
6 should remain the same because that's what was approved  
7 in the last rate case. But again, it's only what was  
8 approved in the -- sorry -- the Company is currently  
9 targeting its capital structure. So the fact that it's  
10 maintained a capital structure that is approved in the  
11 last rate case it forms a loop. You see?

12           The Company -- sorry -- the Commission assigns  
13 a capital structure. The Company targets it. The  
14 Company achieves it. The Staff remains -- recommends  
15 it be maintained and the loop is repeated. What this  
16 means is that customers have been put at risk at a  
17 perpetual high-cost capital structure, and if the  
18 Commission doesn't act, Missouri -- Spire Missouri  
19 customers are going to continue paying more than they  
20 need to for capital pretty much indefinitely until  
21 something else breaks the cycle.

22           This is again directly because Spire Missouri  
23 is targeting its capital structure at what the  
24 Commission approved, not actively managing it to  
25 balance, maintaining a good capital structure with

1 achieving the lowest cost of debt, but purposely saying  
2 that's the capital structure we want. It's as high as  
3 equity we can get.

4           What's the solution to all this? Well, as  
5 I've said multiple times, Spire, Inc. is actively  
6 managing its capital structure. Spire, Inc. is doing  
7 what Spire Missouri should be doing as a nonregulated  
8 entity. The easy solution, the simple solution is to  
9 point to Spire, Inc., and say, use that capital  
10 structure as a guide. Spire Inc. is actively managing  
11 its capital structure to achieve the lowest cost of  
12 capital while maintaining a good capital rating, which  
13 is why it's carrying less debt -- sorry -- more debt  
14 less equity on its books than its own subsidiary.

15           So use Spire, Inc. as a guide, and order a  
16 capital structure based on the Spire, Inc. consolidated  
17 capital structure. This will save rate payers a large  
18 amount of money, while simultaneously ensuring that the  
19 Company behaves in the same manner that a nonregulated  
20 competitive business would, which I again posit is what  
21 this Commission wants.

22           Our expert witness on this is Mr. David  
23 Murray, and let me tell you, he knows his stuff about  
24 capital structures and rate of returns in general. If  
25 you have any further questions, I strongly encourage you

1 to direct them to Mr. Murray when he takes the stand  
2 come Friday.

3 Let's move on to the next issue, affiliate  
4 transactions. And, again, we're going to start with a  
5 very short review of some of the basics. The Commission  
6 has an affiliate transaction rule, which is meant to  
7 prevent a regulated utility from giving its nonregulated  
8 affiliates a financial advantage. It's necessary that  
9 we do this to prevent subsidization; right? Because if  
10 we gave our nonregulated a financial advantage, for  
11 example, by providing them free goods or paying them for  
12 more than the goods they give us, then it hurts  
13 customers at the benefit of the regulated or  
14 nonregulated affiliate.

15 Finally, just a reminder, the supreme court  
16 has recognized the dangers of affiliate transactions and  
17 the need for proper controls.

18 So, in this case there are two problems we  
19 need to consider. The first is that Spire, Inc., which  
20 I remind you is the parent company of the overall Spire  
21 Enterprise, is not currently paying any of the cost for  
22 goods and services that Spire Missouri provides to it.  
23 This forms the back bone of the central argument and  
24 problem the OPC is seeking to address.

25 The second problem relates to the fact that

1 the allocation mechanisms that are being used are being  
2 manipulated in such a manner as to inappropriately  
3 assign the majority of costs back to Spire Missouri.  
4 This second problem is in my opinion sort of an  
5 explanation for how the first is occurring. So I would  
6 say that they are intertwined. What are the results  
7 though?

8 Well, again the results that Spire Missouri is  
9 subsidizing the operation of Spire, Inc., and, once  
10 again, Spire's customers, that's Spire Missouri  
11 customers, are paying far more than is actually  
12 necessary for the cost of goods for service.

13 Finally, this is a clear violation of the  
14 affiliate transaction rule, and the regulatory  
15 principles of cost causation. You have costs being  
16 caused by Spire, Inc. that are being paid for by Spire  
17 Missouri when they should be paid for by Spire, Inc.

18 Let's consider a brief example. So I want you  
19 to consider Spire, Inc.'s president and CEO, and I pause  
20 to you -- I'm going to go slowly here just in case, by  
21 whom is she employed?`

22 If you're like me you would say Spire, Inc.'s  
23 CEO is probably employed by Spire, Inc., but she's not.  
24 She's actually employed by Spire Missouri.

25 The next question is: Do you think Spire,



1 Inc. pays any part of the money that goes towards paying  
2 its own CEO? Again, if you're like me, you would have  
3 to think, yes, Spire, Inc. has to pay for its own CEO.  
4 That only makes sense, but the answer is again, no.  
5 Spire, Inc. is not paying for any part of the salary of  
6 its own CEO. Let that sink in for just a moment.

7           You have a company, Spire Missouri, who is  
8 right now providing a service to Spire, Inc. in the form  
9 of a person to manage the Company, and Spire, Inc. is  
10 paying nothing for that service. That is the affiliate  
11 transaction violation.

12           Why is this occurring? Well, let me walk you  
13 through it. Basically it functions like this: Spire,  
14 Inc.'s CEO bills her time to a shared service account.  
15 The shared service account allocates her time based on  
16 factors that are influenced by payroll.

17           Spire Missouri says that it has -- Spire  
18 Missouri says that Spire, Inc. has no payroll because it  
19 has no employees. Now it has no employees because its  
20 employees all work for Spire Missouri. They're just,  
21 you know, sort of doing contract work almost for Spire,  
22 Inc., but because it has no employees all of the costs  
23 that would be assigned to Spire, Inc. get flowed back to  
24 Spire Missouri. This creates what I refer to as a Spire  
25 three step shuffle, which, again, you basically have all

1 your workforce employed by the regular utility. You  
2 have the employees in the regulated utility do work for  
3 all of the affiliates, and then bill those costs to a  
4 shared services pool, and then you allocate all the  
5 costs back to the regulated utility using allocation  
6 factors that heavily favor the regulated utility and  
7 prevent allocation to Spire, Inc.

8 This is the manipulation of the allocation  
9 factors I was describing, and the result is that again,  
10 Spire, Inc. doesn't pay for any of the goods and  
11 services Spire Missouri produces on its behalf.

12 So let's talk solutions. The first solution  
13 is fairly simple: Direct bill as much as possible.  
14 This is literally what's supposed to be done. This is  
15 what's required by Spire's Cam, but it's not what's  
16 currently happening. That's why you have this problem.

17 The second is to just make sure that the goods  
18 and services produced by Spire, Inc. -- sorry --  
19 produced for Spire, Inc. by Spire Missouri are paid for  
20 by Spire Missouri. I have that slide wrong. That  
21 should be produced by Spire Missouri. Need to be paid  
22 for by Spire, Inc.

23 Third, you need to treat the Spire, Inc.  
24 officers as Spire, Inc. employees for allocation  
25 purposes. This idea of saying, well they're Spire

1 Missouri employees so we're going to assign their costs  
2 to Spire Missouri even though they're working on behalf  
3 of Spire, Inc. that's where you're getting into this  
4 problem.

5           So, a couple of pitfalls, arguments I think  
6 are going to come up. I'll touch these really briefly.  
7 First of all, this is not about whether or not Spire  
8 should have a shared services model. I've seen other  
9 companies have shared services companies and they don't  
10 have this problem. Ameren does it. Evergy does it.  
11 They don't do it the same way. This is not about  
12 whether you have a shared services company.

13           The whole, we're following our Cam, it's not  
14 true. It's not an excuse. The Cam requires fair and  
15 equitable distribution of costs. Assigning everything  
16 away from Spire, Inc. is neither fair nor equitable.

17           Third, even holding companies have to follow  
18 the rule. This idea that Spire, Inc. is a holding  
19 company and that somehow magically means it's, you know,  
20 not required to follow the rule, it's not true, but  
21 again, we'll address those in more detail come tomorrow.

22           Until then let's move on to ultrasonic and  
23 diaphragm meters. All right. So here there's two  
24 problems again. The first is a problem regarding gold  
25 plating. Spire Missouri is attempting to build out its

1 rate base unnecessarily by switching meter  
2 infrastructure.

3 The second problem involves a --

4 COURT REPORTER: (Asked for clarification.)

5 JUDGE HATCHER: Sherry, it was stranded  
6 investment.

7 Go ahead, Mr. Clizer.

8 MR. CLIZER: I'm just going to move right on.  
9 So let's talk about that gold plating. The first thing  
10 I want to say is with regard to these ultrasonic meters,  
11 Spire has not done the proper due diligence.

12 Now they're going to come here and tell you  
13 the amounts included in this case are relatively small,  
14 but what you have to recognize is that they have  
15 hundreds of thousands of customers. We are talking  
16 about hundreds of millions of dollars of investment  
17 going on here. This company has not done any  
18 cost-benefit analysis to determine whether or not Spire  
19 -- al shank meters are better than existing diaphragm  
20 meters. They haven't really done any RFPs. They  
21 haven't done any sourcing allocations. They haven't  
22 developed in realistic terms, any actual plans for the  
23 roll out. They don't -- haven't done what you would  
24 expect a nonregulated competitive business to do when  
25 deciding whether or not to make this kind of capital

1 investment.

2           Second, its offered justifications are without  
3 merit. First off, diaphragm meters are not obsolete no  
4 matter what Spire says. Other meter manufacturers are  
5 and continue to make -- are going to continue to make  
6 diaphragm meters. In fact, they're making diaphragm  
7 meters that are on par in terms of the capabilities as  
8 ultrasonic meters, which brings me to my second point.

9           The safety claims are way overstated. The  
10 ultrasonic meters that Spire are putting in don't have  
11 the existing safety benefits that Spire touts, and you  
12 can find diaphragm meters that have those exact same  
13 safety benefits. So all the idea that these are so much  
14 safer, you can get the same exact safety using diaphragm  
15 meters.

16           Third, Spire's reliability claims are  
17 irrelevant, and I don't mean that to say that the  
18 reliability is irrelevant. I mean to say that Spire is  
19 replacing meters regardless of whether or not they meet  
20 their accuracy, and are intending to replace meters  
21 after only ten years, long before the diaphragm meters  
22 have actually had a chance to wear out and deteriorate.

23           Finally, I want to point out that the  
24 incremental cost argument that you're going to hear from  
25 the Company is misleading. You're going to hear the

1 Company tell you that ultrasonic meters only cost \$25  
2 more than existing diaphragm meters. And you're going  
3 to get into your head that that's okay they only cost  
4 \$25. Don't.

5 This is much like if you had a friend who  
6 bought a car that was supposed to last eight years, and  
7 then the next year they buy another car, and they tell  
8 you the other car, it only cost \$200 more, so it was a  
9 good investment, and you point out to them, yeah, but  
10 now you're paying for two cars when you only needed the  
11 one. The fact that ultrasonic meters are only -- only  
12 \$25 more expensive than diaphragm meters, belies the  
13 fact that you have to pay for a whole second meter when  
14 you wouldn't otherwise have to.

15 That brings us to the second issue, stranded  
16 investments. As I've been saying, Spire's been  
17 replacing retiring meters that are about 20 years before  
18 they actually need to be retired according to the  
19 average service life of those meters based on its  
20 interpretation of a Commission rule, and it wants to  
21 accelerate that process of replacing meters early. This  
22 has created a disconnect between the actual service life  
23 and the regulation or depreciation life of these meters,  
24 which Spire has known about for years, and through  
25 several different rate cases, for which it has done

1 nothing to attempt to correct.

2           The result of this is that nearly two-thirds  
3 of Spire's diaphragm meter account is now unrecovered.  
4 But, if you let Spire begin the process of replacing  
5 those diaphragm meters with ultrasonic meters, it means  
6 that customers are going to have to pay for two meters  
7 at the same time. They'll be paying for the diaphragm  
8 meters, which are already in rates, and for the  
9 ultrasonics. Spire wants their customers to pay return  
10 and profit on two meters at the same time. This, the  
11 OPC argues, is unjustifiable.

12           One customer one meter. That is the OPC's  
13 argument. Customers should get the benefit of what they  
14 pay for and not have to pay for multiple meters just  
15 because Spire finds a new toy. This is not about  
16 safety. This is about Spire building out its rate base  
17 and using that as a means of funneling even more money  
18 to its parent company, Spire, Inc. It is a gold  
19 plating --

20           COURT REPORTER: (Asked for clarification.)

21           JUDGE HATCHER: Sherry, the word is gold  
22 plating. Thank you.

23           MR. CLIZER: I grow concerned that apparently  
24 I'm very hard to understand.

25           JUDGE HATCHER: It's a term of art. I can

1 understand the mishearing.

2 MR. CLIZER: I'm joking.

3 The Commission needs to protect Spire's  
4 customers from this rampant gold plating. I'm just  
5 going to move in.

6 So let's have a conclusion real brief. I'm  
7 going to summarize my three major points. There's going  
8 to be a lot of writing on this slide. I wanted to get  
9 it all out there so the Commission could see it.

10 Once again, you need to order capital  
11 structure that's consistent with the consolidated  
12 capital structure of Spire, Inc. This is necessary,  
13 because if you don't, Spire Missouri is going to keep  
14 targeting your capital structure that you set in the  
15 last rate case, your Staff will keep recommending that  
16 same targeted structure, and Spire will end up paying  
17 far more than it needs to for capital because it will  
18 have far more equity than it needs to. Use the  
19 consolidated capital structure to force the Company to  
20 act like a competitive business, specifically its own  
21 parent, Spire, Inc.

22 You need to order Spire Missouri to comply  
23 with the affiliate transaction rules. That means  
24 actually assigning costs to Spire, Inc. for the goods  
25 and services Spire Missouri is making and giving to



1 Spire, Inc.

2 Three. We're asking you to either disallow  
3 the recovery of ultrasonic meters, or make an adjustment  
4 to the existing depreciation reserve balances for  
5 diaphragm meters in order to account for and prevent  
6 this double recovery, this stranded investment from  
7 being borne by customers and forcing them to pay for two  
8 meters at the same time.

9 There are a whole bunch of other issues in the  
10 case. I'm going to run through these at a very high  
11 level, like one or two sentences each.

12 Rate of return. The only other issue is cost  
13 of equity. Honestly, I'm just going to let David Murray  
14 explain this to you when he takes the stand on Friday.

15 Incentive compensation. A well developed  
16 incentive compensation plan should pay for itself  
17 through the earnings that it generates. In other words,  
18 you should be able to recover the cost of the incentive  
19 plan through policy of regulatory lag. You don't need  
20 to include it in rates. That's double dipping.

21 Cash working capital. Staff and Spire want to  
22 include in rates a cost -- an amount of money to pay the  
23 day to day costs for Spire to make quarterly tax  
24 payments. Spire isn't paying taxes; therefore, you  
25 don't need to include that amount of money in rates.

1 You don't have to include money to make payments that  
2 the Company doesn't make.

3 Capitalization of overheads. The USOA says  
4 that you have to have a definite relationship to  
5 construction in order to capitalize overheads. Use of  
6 an arbitrary percentage is strictly not allowed.  
7 Spire's testimony basically acknowledges that the  
8 Company is using an arbitrary percentage that is not  
9 allowed. We are asking for the Commission to order them  
10 to stop doing something they're not allowed to do.

11 Also, I will throw out here that we're only  
12 asking for the capitalization of general overheads.  
13 There are overheads that do have an actual relationship  
14 to construction. We are not asking for them to disallow  
15 that. Just the ones related to general overheads that  
16 have no definite relationship to construction, which is  
17 what conforms with the rule.

18 Net operating loss inclusion. Staff and the  
19 Company are ignoring the fact that the Company has  
20 income tax expense that's built into rates, but is not  
21 remitted to taxing authorities. This income tax expense  
22 should be used to offset any NOL that would otherwise  
23 reduce rate base.

24 In the alternative, the Commission should  
25 issue an asset to track the amount of income tax expense

1 that is included in rate base but not remitted to the  
2 taxing authorities so that that amount can be used in  
3 the future to offset rates.

4 Gross receipts tax. The Company's tariffs  
5 allow for it to include gross receipts tax on a prorated  
6 basis of customers' bills; however, the amount that is  
7 included has to be based on the amount that's actually  
8 charged by the municipalities that impose the tax.

9 The municipalities that impose the tax almost  
10 all state that the tax is the amount charged less  
11 refunds. When Spire issued a refund, but did not remove  
12 the refund amount from the amount charged to customers,  
13 they charged customers more than what the taxing  
14 authority charged Spire. Because they charged more to  
15 customers than what the taxing authority charged to  
16 Spire, they produced a windfall to themselves.

17 Mechanisms to address weather conservation or  
18 both. Spire currently has a weather normalization  
19 adjustment mechanism. They have presented no real  
20 testimony as to why they should be allowed to maintain  
21 it. They are resting on their laurels on the assumption  
22 that the Commission will, of course, give them to it  
23 because it already has.

24 The OPC suggests that they shouldn't even have  
25 that because they've made no real efforts to show why

1 they keep needing it. At a minimum, you should just  
2 maintain the existing thing instead of moving to  
3 something that is decoupling by another name.

4 In the last case the Commission determined  
5 that it couldn't do what Spire is effectively attempting  
6 to do in this case because it had lacked the statutory  
7 authority because the mechanism accounted for more than  
8 weather and conservation, which is again true here. The  
9 mechanism accounts for everything. It is just  
10 decoupling by another name.

11 Depreciation we are about to cover, and I'm  
12 not going to cover that here because we'll probably give  
13 another opening just before that.

14 Rate design. The OPC is asking for the  
15 reduction of about \$2.50 from the Company's current  
16 customer charge to a \$20 charge. It's fairly  
17 straightforward. I'm going to let Dr. Geoff Marke  
18 discuss that at length on Thursday.

19 And low income issues. The low income  
20 advocates have put forward a slate of some very exciting  
21 and cool ideas that would help low income advocates,  
22 including a program that would help customers -- not  
23 customers. Well, yes, customers who are in critical  
24 needs situation receive help. So the people go to a  
25 hospital, for example. They'll have somebody trained at

1 the hospital to tell them, this is how you can reduce  
2 your bills if you need to.

3 The ability to perform these programs depends  
4 on getting funding, and right now what we're asking is  
5 for the Company to up front something, literally any  
6 amount of money to help fund these programs. Well, I  
7 take that back. Specifically, the OPC is requesting the  
8 Company put forward a million dollars, which it believes  
9 is consistent with what other utilities are providing.

10 And I want to make this clear, Spire's  
11 currently the only major investor on utility in this  
12 state that isn't providing any funding for these kind of  
13 programs. We would ask that they put forward something.

14 I think that the rest of the programs are  
15 already fairly well covered by the other Intervenors so  
16 I'm not going to belabor that point.

17 Oh, wrong button. I'm hitting the comport.

18 So, as one last thing I'm going to throw out  
19 this revenue impact of the OPC's case. This is here so  
20 that the Company can -- sorry -- the Commission can  
21 think in terms of real dollars.

22 A couple of things I want to draw your  
23 attention to. Right off the bat you'll notice that we  
24 actually have a pretty sizable positive adjustment. Oh,  
25 and by the way, I'm starting with the table on the left,

1 which are the OPC's issues and our estimations of their  
2 cost.

3 That sizable adjustment is what would happen  
4 if you take the depreciation rates that John Robinett  
5 has recommended, and you'll notice again, it's plus  
6 16.9 million. It's a lot of money. We are asking for  
7 that in part A, because it's the right thing to do to  
8 correct for depreciation problems that have occurred,  
9 and, B, because we believe it's offset by the  
10 considerable amount of counter subsidization adjustments  
11 that are -- or, sorry -- counter adjustments that are  
12 necessary to correct substance subsidization.

13 In particular I will note to you, that if you  
14 correct the problem related to the capital structure  
15 that I pointed out, and adopt the rates proposed by  
16 Mr. Robinett, it will be effectively a wash to the  
17 Company. That negative 20 million for capital structure  
18 plus 16.9. Recognizing, you know, the 3 million some  
19 odd dollars difference.

20 Overall, the OPC's adjustments are negative  
21 76.6. Now let's switch over to the other table really  
22 quick. As you've already heard, Spire's initial request  
23 was for \$112 million, of which 47 was the ISRS money  
24 that was already collecting, and another 65 million on  
25 top of that.

1           Now Staff's filed direct I believe was an  
2 increase of 54 million over base rates. Their True-up  
3 position I think is weighing in at 8182 based on what I  
4 was given but I don't have it in front of me.

5           The OPC's adjustment to Staff's case is that  
6 negative 76.6 million. So based off the filed position  
7 as you can see we would actually be going negative, but  
8 we're not asking that.

9           The OPC's just asking that there be no  
10 increase to base rates, and you might be wondering why  
11 are we not asking for a negative if we think that's what  
12 the adjustments will allow.

13           Well, two things. First, we first -- excuse  
14 me. When we first staked our position at the beginning  
15 of this case, we weren't sure exactly how things were  
16 going to turn out, but we knew based on the adjustments  
17 that we were already going to recommend that it was  
18 probably highly unlikely that there was going to be a  
19 reason to increase companies rates. That's why we went  
20 with that initially.

21           The second thing is I want to make this clear.  
22 We're not out to bankrupt the Company, okay? Spire Gas  
23 is providing an important service. Natural gas is  
24 necessary. We want them to have just and reasonable  
25 rates. We just want for customers to get their fair

1 due, which in this case means counteracting the large  
2 amount of subsidization that has been going on in order  
3 to build up Spire, Inc., the parent company.

4 At the end of the day we believe that a no  
5 increase to base rates is fair and reasonable. It  
6 balances the needs of the Company to collect its capital  
7 investments with the need of customers to see a  
8 reduction to offset the crazy amount of subsidization  
9 that has been occurring.

10 And with that I will simply ask if there are  
11 any questions?

12 THE COURT: Thank you, Mr. Clizer.

13 Are there any Commissioner questions for the  
14 Office of the Public Counsel?

15 All right. Hearing none. Thank you,  
16 Mr. Clizer.

17 I am going to recorrect our camera situation  
18 and then I'm going to call for a break. It is 2:48. It  
19 is 2:48 by my clock. Let's take an intermission until  
20 3:00 p.m. for any necessary breaks. We are in recess  
21 until 3:00 p.m.

22 (Off the record.)

23 THE COURT: Let's come back in from recess.  
24 Once again just to reorient everyone, we are in a hybrid  
25 rate case hearing for Spire Missouri. We have



1 participants on a WebEx. We also have live  
2 participants. We are getting ready to start with the  
3 issue of depreciation and follow up with our witnesses.  
4 Witness Spanos was heard earlier today.

5 I do have one announcement I want to make.  
6 Right now talking with our information technologies  
7 team, we are experiencing a lot of difficulties with the  
8 live stream and keeping that broadcasting for lack of a  
9 better word.

10 We'll be talking again tonight, myself and the  
11 IT team, but our current thinking for a solution  
12 tomorrow and going forward will be to continue with this  
13 format, with the hybrid format, but we are not going to  
14 have that camera pointing at the live screen. We will  
15 have the web camera, i.e. the Judge's WebEx camera up  
16 here to point at the witness stand, and we will likely  
17 switch to audio only on the live stream.

18 The people on WebEx will be the ones viewing  
19 the camera, and everyone in here is in person, and so  
20 we'll all be able to see the witness testifying. That's  
21 just an idea at this point. I'm throwing that out there  
22 for everyone to think about and sleep on tonight.

23 Let's switch gears.

24 Yes.

25 UNIDENTIFIED SPEAKER: Will material brought

1 up on the computer screen show up on WebEx then? And if  
2 you don't know that's fine. I was just curious.

3 THE COURT: No. Thank you. We will have to  
4 figure out a solution for that. Do we have witnesses  
5 that are going to be having some audiovisual exhibits or  
6 accessories? Well, maybe that's a nonissue. We'll get  
7 there when we get there.

8 Yes, ma'am.

9 MS. BOCKSTRUCK: I do have a question for  
10 those that are participating remotely. How are we  
11 supposed to get exhibits to them, because we do have  
12 copies for people that are here in the room, but for  
13 others --

14 THE COURT: You e-mail them to me and I'll  
15 forward them.

16 MS. BOCKSTRUCK: Okay.

17 UNIDENTIFIED SPEAKER: So, okay. I was -- so  
18 e-mail exhibits, openings to you and you're going to be  
19 distributing them?

20 THE COURT: Your openings are different than  
21 your exhibits.

22 UNIDENTIFIED SPEAKER: Got you.

23 THE COURT: Okay.

24 I think that has answered all the questions.  
25 Let's move on to depreciation. I believe our first

1 witness is Antrainer, and I'm sorry I don't have first  
2 names handy.

3 MS. BOCKSTRUCK: I think we need to do opening  
4 statements first.

5 THE COURT: You're right. We want to do small  
6 issue opening statements. My apologies.

7 Let us do that and we will start with our same  
8 list of opening statements, the same order. Spire.

9 Again for everyone on WebEx and in the room,  
10 we are starting our testimony on depreciation. That is  
11 Issue 24, and we will be starting with opening  
12 statements. Focus on depreciation.

13 First up is Ms. Bockstruck for Spire.

14 MS. BOCKSTRUCK: Thank you, Judge.

15 May it please the Commission. All parties  
16 agree as to one item regarding depreciation in this  
17 case. That one set of depreciation rates should apply  
18 for both Spire East and Spire West. So when it comes to  
19 depreciation rates in this case, the main issue before  
20 the Commission is what depreciation rates should the  
21 Company use.

22 The purpose of depreciation rates is to match  
23 the full service value of an asset with the utilization  
24 of an asset over its useful life. In order to do this a  
25 study must be undertaken that looks at the life

1 characteristics of an asset, drivers for replacement and  
2 retirements of assets as well as many other factors.

3 The Company through Gannett Fleming Valuation  
4 and Rate Consultants, LLC. --

5 COURT REPORTER: (Asked for clarification.)

6 THE COURT: Maybe that was me. Ms. Bockstruck  
7 if you could.

8 MS. BOCKSTRUCK: I was not shuffling papers.

9 THE COURT: If you could try moving the  
10 microphone.

11 MS. BOCKSTRUCK: Is this any better?

12 In order to do this study a study must be  
13 undertaken that looks at -- I'm sorry. I already read  
14 that part. The Company through Gannett Fleming  
15 Valuation and Rate Consultants conducted a depreciation  
16 study which is included as Schedule JJS-R2 to Company  
17 witness John Spanos's rebuttal testimony.

18 This depreciation study calculates the annual  
19 accrual rates for Spire Missouri's assets by account as  
20 of September 30, 2020. The Company's current  
21 depreciation rates have not been updated since 2012 and  
22 as such are outdated. Despite this fact OPC does not  
23 consider Spire's 2020 depreciation study, but instead,  
24 takes the position that depreciation rates for the  
25 Company be based on Spire East's current depreciation

1 rates.

2           They take this position for two reasons. One,  
3 because the Company did not file their depreciation  
4 study with the direct case. Rendering the 2020  
5 depreciation study void and not to be considered by OPC.  
6 The Company maintains that the Commission's rule does  
7 not require that the depreciation study be filed. The  
8 fact that it was submitted to all parties as part of its  
9 direct work papers is enough to meet the requirements of  
10 the Commission's rule.

11           Their second reason is that they don't believe  
12 enough data exists for Spire West to appropriately set  
13 the depreciation rates for those assets. As supported  
14 by Company witness, John Spanos, Spire West has  
15 historical transactional data supporting its rates going  
16 back to 1994. The initial data also included  
17 installation information that goes back to the initial  
18 year of service of some of Spire West's assets. This  
19 historical data is more than sufficient to establish  
20 appropriation -- appropriate depreciation rates for  
21 Spire West. To simply apply Spire East's depreciation  
22 rates to Spire West assets, would be an inappropriate  
23 and inaccurate means of setting combined depreciation  
24 rates for the Company.

25           If Staff proposes an amortization of the

1 Company's general planned accounts in a manner that  
2 supports the under recovery of a new assets placed in  
3 service. Unlike the Staff's approach, the Company's  
4 applied methodology and rates allows for the plant and  
5 service to be recovered over the useful life of the  
6 assets in a manner that ensures there will be -- will  
7 not be a reserved deficiency or surplus and ensures  
8 future assets of properly recovered at stable rates.

9 Depreciation of cast-iron main is also an  
10 issue before the Commission. As shown in the  
11 depreciation study, the proper recovery of all cast-iron  
12 main related assets need to be recovered by end of 2030  
13 based on requirements of the cast-iron main replacement  
14 program. OPC does not reflect this requirement in its  
15 proposal.

16 Spire Missouri requests that the Commission  
17 order the depreciation rates be set as proposed by the  
18 Company in Schedule JJS-R2.

19 So you see Spire has already provided the  
20 testimony today of John Spanos and we also have for you  
21 Michelle Antrainer for Spire Missouri.

22 Thank you.

23 THE COURT: Thank you, Ms. Bockstruck.

24 For Staff.

25 Maybe I should ask first. The normal course

1 is to do all of the mini openings and then witnesses?  
2 Okay.

3 Ms. Azland, go ahead.

4 MS. AZLAND: Good afternoon. My name is Casey  
5 Azland and I am representing Commission Staff. Staff  
6 recommends that the Commission order the use of the  
7 depreciation rates found in Staff's revenue requirement  
8 cost of service report with the exception of accounts  
9 related to smart meters and smart meter installation.

10 Using the depreciation rates proposed by Staff  
11 will prevent an over recovery of assets. Since the  
12 Company regularly maintains assets in the general plant  
13 accounts past their amortization period, and over  
14 recovery can occur and has occurred in the past. Staff  
15 will review the amortization of these accounts in each  
16 future rate case to avoid both over and under recovery.  
17 If the Commission were to order the depreciation rates  
18 proposed by Spire witness, Mr. Spanos, the Company  
19 should also be ordered to regularly retire any assets at  
20 the end of their amortization period.

21 For accounts 381.1 and 382.2 related to smart  
22 meters and smart meter installations, Staff recommends  
23 the use of the depreciation rates included in the  
24 surrebuttal testimony of David Buttig. These rates were  
25 ordered by the Commission in Case No. G020200416. There

1 has been no new evidence supporting the change of these  
2 depreciation rates since they became effective on  
3 October 16, 2020.

4 Staff witness David Buttig will be testifying  
5 today and able to answer any questions you may have.

6 Thank you.

7 THE COURT: Thank you.

8 And we move to National Housing Trust,  
9 Mr. Linhares. He is on WebEx.

10 MR. LINHARES: I have no opening to offer nor  
11 for any other mini opening, Judge.

12 THE COURT: Thank you. I appreciate that.

13 And next we move to Legal Services, Mr. Barrs.  
14 He is on WebEx.

15 MR. BARRS: Thank you, Judge. Similar to Mr.  
16 Linhares, I have no opening on this or any of the other  
17 mini -- other issues on mini opening.

18 THE COURT: Thank you.

19 And Office of the Public Counsel.

20 MR. CLIZER: Ready?

21 THE COURT: Go ahead, Mr. Clizer.

22 MR. CLIZER: If it would please the  
23 Commission, once again, John Clizer.

24 So, I will lift this up. Depreciation. It  
25 should be a relatively -- well, straightforward



1 exercise. You're basically attempting to figure out how  
2 long things last. Unfortunately, the process for this  
3 case has been rather difficult, torture some might say,  
4 and I feel like it's necessary to kind of walk through  
5 exactly what happened in this case to figure out why  
6 we're at where we're at today.

7           And it starts with the fact that the Company  
8 didn't actually file its depreciation study for any  
9 testimony to support its depreciation study in the  
10 direct. Instead, what it filed was a schedule buried in  
11 one witness's list of schedules that outlined new rates  
12 that it wanted. It did supply its deprecation study, I  
13 will acknowledge that, but again, nothing was actually  
14 put into the record to support what it wanted.

15           When Staff went to file its cost of service  
16 report, it adopted rates that were in large part  
17 consistent with the rates that Spire put in its direct,  
18 and I have to be very careful here. It was consistent  
19 with the rates Spire put in its direct.

20           The OPC saying, hey, no one's actually filed a  
21 rate study in the record, so there's no actual evidence  
22 to support anything. We went off the only thing we had,  
23 which was the rates that were still in effect, which is  
24 what we recommended. We did make a few adjustments  
25 which I'll get to at the end of this.

1           So then we come around to rebuttal, where for  
2 the first time, Spire actually files a depreciation  
3 study and the testimony supporting it.

4           Now, a couple of important points. The study  
5 that Spire filed had depreciation rates that were not  
6 consistent with what it had requested in its direct. It  
7 also criticized Staff for adopting rates that were  
8 largely consistent with its direct. It also criticized  
9 Staff for not adopting the general plant amortization  
10 strategy. I want to point out that up until this point  
11 no one had actually filed testimony recommending general  
12 plant amortization. And, of course, they criticized us  
13 for reusing old rates.

14           Staff chose not to file rebuttal, which is  
15 perfectly reasonable, and the OPC filed to, again, point  
16 out that there had not been a depreciation rate, which  
17 at that point nothing had been filed yet, and attempted  
18 to explain this by citing to Spire's explanation of the  
19 rules.

20           We also chose to use that to address the  
21 inconsistencies between Spire's study and its direct  
22 requested rates, and point out the Staff error  
23 consisting of or relating to the issue on the ultrasonic  
24 meters, which all the parties have basically agreed to  
25 up to this point.

1           When surrebuttal comes around, Spire files to  
2 basically criticize the OPC for pointing out the timing  
3 inconsistency of filing the direct, as well as again,  
4 criticizes us for issues related to general plant  
5 amortization, which no one had talked about before  
6 rebuttal.

7           Staff points out that its rates are consistent  
8 with what Spire had put in direct, although not the  
9 actual study, and makes recommendations regarding  
10 general plant amortization, in particular the idea that  
11 the Company should be ordered to immediately retire all  
12 fully accrued assets, which the OPC completely agrees  
13 with. They also correct for the mistake that the OPC  
14 pointed out.

15           And then for our part, we pointed out an error  
16 that related specifically to the plastic mains' account,  
17 and we also made recommendations regarding general plant  
18 amortization, and basically explained why that would be  
19 a bad idea in the first place.

20           So, where are we at the end of all of this?  
21 You have effectively two studies. You have the Spire  
22 study and the sort of a Staff -- well, you have Staff  
23 rates at any rate. No pun intended.

24           You have two different recommendations by the  
25 Company. The one in the direct and the one in the

1 actual study. Now they had been previously maintained  
2 they wanted the rates in direct. They've now switched  
3 to asking for the rates in their actual study, which are  
4 slightly different, and are going to be different than  
5 what Staff recommended.

6 The OPC, because of all of this confusion, is  
7 continuing to maintain that you should just stick with  
8 the rates that have already been approved.

9 Now, as I pointed out in my general opening,  
10 we have a few adjustments that when combined with that  
11 will actually increase the overall amount of Staff's  
12 case by about 16.9 million. The depreciation rates put  
13 forward by the Company will actually increase the  
14 overall rate of Staff's case by 16.5 million roughly.  
15 So we're actually \$400,000 over the Company's rates  
16 using the old rates but making Robinett's adjustments.  
17 A bit confusing, I know.

18 If the Commission doesn't stick with the old  
19 rates, this is what the Commission should do, and it's  
20 going to be very confusing so I'm going to repeat  
21 myself.

22 You should adopt the average service life and  
23 net salvage in Staff's class cost of service, and then  
24 apply the formula that's in Staff's class cost of  
25 service. I don't want to get to down -- and, so, yeah,

1 I'm going to repeat myself.

2 You should take the average service life and  
3 net salvage plant values from Staff's class cost of  
4 service report and apply the equation in Staff's class  
5 cost of service report to get to the ultimate rates.

6 That is what Staff claims that it did. It's  
7 not exactly. They used a weighted average method to get  
8 to their rates, which makes their rates slightly less  
9 than what it would've been if they had used the method  
10 they claim to have used. It's very confusing. I'll try  
11 and get all of this out there in cross.

12 But again, to reiterate. If the Commission  
13 does not order to maintain the existing rates with the  
14 adjustments recommended by Mr. Robinett, use the average  
15 service life and net salvage amounts from class -- from  
16 Staff's class cost of service using -- and the equation  
17 in Staff's class cost of service to get to the final  
18 rates. All right.

19 I've mentioned this several times. What are  
20 the adjustments? I'll roll through them really quick.

21 The first one involves cast-iron mains, and I  
22 frankly -- I almost have to laugh. Spire has insinuated  
23 that the OPC is not --

24 COURT REPORTER: (Asked for clarification.)

25 THE COURT: Sherry, it's cast-iron mains.

1 MR. CLIZER: Spire insinuated the OPC hasn't  
2 made an adjustment for cast-iron mains. The humor in  
3 this is that the OPC is recommending adjustment for  
4 cast-iron mains, and it's actually substantially more  
5 aggressive than Spire's. We actually raise rates by  
6 more than what Spire's requesting in order to correct  
7 the problem with the cast-iron mains account.

8 Let me give you a brief overhead of what that  
9 problem is. Spire is retiring all of its cast-iron  
10 mains as part of the ISRS Program. The account should  
11 be going down; however, Spire's making joint  
12 encapsulation projects to prolong the longevity of some  
13 of their mains while they do additional work. These  
14 joint encapsulation projects are being booked to the  
15 account for the mains. That's driving the account up.  
16 We don't have a problem with that.

17 The problem is the fact that joint  
18 encapsulations are going to last for about ten years on  
19 average, but the mains' account having an 80 year life,  
20 which means that you're driving up the mains' account  
21 while not depreciating it over the same period that it  
22 should be so you have this massive under recovery  
23 problem. Coupled with the fact that the whole account  
24 should be retired by I believe 2030 with the new ISRS  
25 law, you have a problem you need to fix.

1           Second one, plastic mains. Plastic mains,  
2 according to both Staff and the Company should be  
3 reduced to an average service life of 65 years. No.  
4 Sixty years down from 75. Plastic mains are supposed to  
5 last a long time. That's the whole reason were putting  
6 them in as part of the ISRS. The Commission is on  
7 record as having found that they should last  
8 indefinitely, but they are having their average service  
9 life reduced. Why? Because the Company has been  
10 retiring a large amount of plastic mains prematurely  
11 during the ISRS, which is why we had all those appeals.

12           Again, I'm not trying to litigate that, but  
13 when you have a bunch of premature retirements you end  
14 up bringing down the overall average life of the plant.  
15 You need to correct for that problem by removing the  
16 retirements brought about prematurely due to the ISRS,  
17 which will bring up the plant's life. The easiest way  
18 to do this is to use the average service life that were  
19 recommended by the Company itself in the last rate case  
20 which is 75 years.

21           The third adjustment isn't an adjustment to  
22 Staff's. It's basically just saying Staff has asked for  
23 ten years on the Enterprise software. The Company  
24 wishes to shorten it. There's no evidence for  
25 shortening it, so use Staff's recommendation there.

1           Then you have the ultrasonic meters. Again,  
2 basically everyone's agreed it should be 20 years. Just  
3 use 20 years average service life for the ultrasonic  
4 meters.

5           The last thing I want to talk about. I know  
6 I've been going for a while, general plant amortization.  
7 Again, nobody filed direct testimony saying that we  
8 should be using general plant amortization. It  
9 basically just sort of came out in rebuttal when Spire  
10 began criticizing Staff's recommendation. You shouldn't  
11 approve general plant amortization. It makes it very  
12 difficult to do prudence review of the work because  
13 you're lumping all of the assets into one plant.

14           If you do go with what Staff is proposing or  
15 Spire, any kind of general plant amortization you should  
16 do the following: One, you should order the Company to  
17 immediately retire all fully accrued plant. This is  
18 exactly what Staff is already recommending.

19           Two, I want to pause for just a second because  
20 I see you're writing. I want to make sure you have  
21 time.

22           Two, you should order the Company to on a  
23 regular basis continue retiring fully accrued plants.  
24 This could be monthly, biannually, annually, whatever  
25 the basis you set is, just have the Company routinely



1 retire the fully accrued plants.

2           And, three, require the Company to continue  
3 booking the individual unit price so that prudence  
4 reviews can be conducted in the future. I might have  
5 misquoted exactly what their recommendation is. It's in  
6 the -- it's in the testimony of John Robinett on  
7 surrebuttal.

8           So, summing up. We say you should maintain  
9 the existing rates for Spire East for both Spire East  
10 and West. If you don't do that you should take the  
11 average service life and net salvage plant values of  
12 Staff's cost cass -- Staff's cost of service -- Staff's  
13 cost of service report -- I'm tripping over myself --  
14 and apply the equation that's in Staff's cost of service  
15 report to get at the rates.

16           You should make an adjustment to cast-iron  
17 mains as recommended by John Robinett. You should make  
18 the adjustment to plastic mains as recommended by John  
19 Robinett. You should keep the Enterprise software, the  
20 ten-year average service life, and you should keep  
21 ultrasonic meters at a 20 year average service life.  
22 You should not approve general plant amortization, but  
23 if you do you should order, A, or one, retire all fully  
24 accrued plant.

25           Two, routinely retire the fully accrued plants

1 moving forward, and, three, keep the individual unit  
2 pricing so that you can do prudence reviews in the  
3 future.

4 That was a mouthful and I apologize but I had  
5 to get through a lot.

6 Thank you.

7 THE COURT: Thank you, Mr. Clizer. I  
8 appreciate your presentation. Let's get to our witness.

9 First up is Spire and, witness Antrainer,  
10 please come forward. I will swear you in.

11 And, Sherry, the last name is spelled  
12 A-n-t-r-a-i-n-e-r.

13 Ms. Antrainer, would you please raise your  
14 right hand?

15 (Witness sworn.)

16 THE COURT: Thank you.

17 And for -- please -- I'm sorry. Ms.  
18 Antrainer, state your name and spell your last name for  
19 the court reporter.

20 THE WITNESS: Michelle Antrainer,  
21 A-n-t-r-a-i-n-e-r.

22 COURT REPORTER: (Asked for clarification.)

23 THE WITNESS: A-n-t-r-a-i-n-e-r.

24 THE COURT: Okay. And if we could all  
25 project.

1 Please, go ahead.

2 MICHELLE ANTRAINER

3 called on behalf of the Company, being sworn, testified  
4 as follows:

5 DIRECT EXAMINATION

6 BY MS. BOCKSTRUCK:

7 Q. Ms. Antrainer, can you please state your name  
8 again and your business address?

9 A. Michelle Antrainer, 700 Market Street  
10 St. Louis, Missouri, 63101.

11 Q. And by whom are you employed and what is your  
12 title?

13 A. Spire and my title is lead regulatory analyst.

14 Q. Are you the same Michelle Antrainer who filed  
15 direct rebuttal and surrebuttal testimony in this  
16 proceeding on December 11, 2020, June 17th, 2021  
17 July 14, 2021 respectively?

18 A. Yes.

19 Q. And is it correct that you submitted a  
20 corrected rebuttal testimony on July 20th, 2021?

21 A. Yes.

22 Q. Do you have any additions or corrections to  
23 make to your testimony at this time?

24 A. No.

25 Q. If I asked you the same questions again today

1 would your answers remain the same?

2 A. Yes.

3 Q. All right. Thank you.

4 MS. BOCKSTRUCK: At this time I move that the  
5 Commission enter all of Ms. Antrainer's testimony into  
6 the record as Exhibits number 1, 2 and 3.

7 THE COURT: Thank you. We will mark those as  
8 offered Exhibits 1, 2 and 3.

9 Are there any objections to the admittance of  
10 Exhibit 1, 2 and 3, that is the direct corrected  
11 rebuttal and surrebuttal respectively of witness  
12 Michelle Antrainer?

13 Checking on WebEx and I see no objections.

14 It is received. Thank you.

15 MS. BOCKSTRUCK: No other questions. I tender  
16 her for cross-examination.

17 THE COURT: Thank you, Ms. Bockstruck.

18 We go now to cross-examination, and I am not  
19 going to read through the parties that are excused.

20 National Housing Trust. Mr. Linhares, do you  
21 have any questions for Ms. Antrainer?

22 MR. LINHARES: No, Judge. Thank you. I have  
23 no questions.

24 THE COURT: Thank you, sir.

25 Mr. Barrs for Legal Services, do you have any

1 questions on cross-examination for Ms. Antrainer?

2 MR. BARRS: No questions. Thank you, Judge.

3 THE COURT: Thank you.

4 And Office of Public Counsel?

5 No questions from Office of Public Counsel.

6 Ms. Antrainer, hold on just a minute.

7 Are there any questions from the

8 Commissioners?

9 Okay. Hearing none, Ms. Antrainer, you are  
10 excused. Thank you very much.

11 (Witness excused.)

12 THE COURT: Okay. Let's move on. Our next  
13 witness is Mr. Buttig. Thank you, sir. Please come  
14 forward. That last name is B-u-t-t-i-g?

15 Please raise your right hand, sir.

16 (Witness sworn.)

17 THE COURT: Thank you. Please have a seat.  
18 Please state and spell your name for the court reporter.

19 THE WITNESS: My name is David Buttig,  
20 B-u-t-t-i-g.

21 THE COURT: Your witness.

22 DAVID BUTTIG,  
23 called on behalf of Staff, being sworn, testified as  
24 follows:

25 DIRECT EXAMINATION

1 BY MS. AZLAND:

2 Q. Mr. Buttig, by whom are you employed and in  
3 what capacity?

4 A. By the Missouri Public Service Commission as a  
5 professional engineer.

6 Q. And did you contribute to the Staff cost of  
7 service report marked as Exhibit 101, and did you  
8 provide surrebuttal testimony marked as Exhibit 128?

9 A. I did.

10 Q. And do you have any changes or corrections to  
11 either the report or your surrebuttal testimony?

12 A. I do not.

13 Q. Is the information contained in both the  
14 report --

15 COURT REPORTER: (Asked for clarification.)

16 BY MS. AZLAND:

17 Q. The question was: Do you have any changes or  
18 corrections to the report or your surrebuttal testimony?

19 A. I do not.

20 Q. And is the information contained in the report  
21 and your surrebuttal testimony true and correct to the  
22 best of your knowledge and belief?

23 A. It is.

24 MS. AZLAND: At this time I would move for the  
25 admission for Exhibit 128 and tender the witness for

1 cross.

2 THE COURT: Thank you, Ms. Azland.

3 Are there any objections to the admission of  
4 128 on to the hearing record?

5 Hearing none it is so admitted.

6 And we have the witness tendered for cross.

7 On my list that is Spire goes first.

8 MS. BOCKSTRUCK: Thank you.

9 CROSS-EXAMINATION

10 BY MS. BOCKSTRUCK:

11 Q. Mr. -- is it Buttig?

12 A. Buttig, yes, that's correct.

13 Q. Buttig. Are some general plant accounts  
14 subject to amortization accounting?

15 A. In this case or in general?

16 Q. In this case.

17 A. Not currently there is no Commission order for  
18 a general plant amortization.

19 Q. Okay. And how about generally?

20 A. Yes. It has been done in other cases.

21 Q. Okay. Have you recommended rates for these  
22 general plant accounts consistent with a Company witness  
23 Selinger which is based on amortization accounting?

24 A. My recommended rates are similar to Selinger's  
25 yes.

1 Q. Are the amortization periods by witness  
2 Selinger the same as those presented by witness Spanos?

3 A. They are.

4 Q. Is amortization accounting based on a no  
5 interim survivor curve?

6 A. That's correct.

7 COURT REPORTER: (Asked for clarification.)

8 MS. BOCKSTRUCK: Sure.

9 BY MS. BOCKSTRUCK:

10 Q. I asked is amortization accounting based on no  
11 interim survivor curve?

12 A. And, that's correct.

13 Q. Would assets -- excuse me. Would new assets  
14 added to an account with a 20 year period be expected to  
15 have a five percent rate in order to get full recovery  
16 no more no less during the life of the asset?

17 A. If it was retired at the end of its  
18 amortization period.

19 Q. Okay. And amortization accounting where there  
20 is no survivor curve, is it expected that all assets be  
21 on the amortization period are fully recovered?

22 A. Can you repeat that?

23 Q. Yes. In amortization accounting where there  
24 is no survivor curve --

25 COURT REPORTER: (Asked for clarification.)



1 THE WITNESS: I asked her to repeat the  
2 question.

3 BY MS. BOCKSTRUCK:

4 Q. Let me ask again. In amortization accounting  
5 where there is no survivor curve, is it expected that  
6 all assets be on the amortization period are fully  
7 recovered?

8 A. Did you say beyond its amortization period are  
9 fully recovered? Is that what --

10 Q. Yes.

11 A. They would have been fully recovered but they  
12 are still within the account, and the depreciation rate  
13 is still being applied to it, it could in a sense still  
14 be collecting depreciation.

15 Q. Okay. I'm going to move on to cast iron  
16 assets. Is it true that the Company has a cast-iron  
17 replacement program in place?

18 A. It does.

19 Q. Does the Company have a plan in place to  
20 remove or replace all cast-iron mains by the end of  
21 2030?

22 A. I believe it does.

23 Q. Based on the definition of depreciation, would  
24 it be appropriate that all cast-iron main assets get  
25 recovered through depreciation by the end of 2030?

1 A. Yes.

2 MS. BOCKSTRUCK: No further questions.

3 THE COURT: Thank you.

4 We move to National Housing Trust. Mr.  
5 Linhares.

6 MR. LINHARES: Judge, I have no questions on  
7 cross. And, further, I do not intend to have any cross.  
8 I don't know if any other parties are in that same  
9 situation, but I have no cross for any witnesses.

10 THE COURT: Okay. I will take that into  
11 account and stop calling you. Thank you very much.

12 Let's move to Legal Services. Mr. Barrs.

13 MR. BARRS: No questions on this witness,  
14 Judge.

15 THE COURT: Okay.

16 And that leaves us to Office of the Public  
17 Counsel.

18 MR. CLIZER: Thank you.

19 CROSS-EXAMINATION

20 BY MR. CLIZER:

21 Q. Good afternoon. All right. So I have to  
22 start off by immediately correcting myself from my  
23 opening. Were you listening to my opening?

24 A. Yes, I was.

25 Q. Did you hear me say that Staff has recommended

1 a ten year life for the Enterprise software?

2 A. I believe I do remember you saying that.

3 Q. Is that correct?

4 A. It is not.

5 Q. What has Staff recommended?

6 A. I believe that the original one if I still  
7 have it I believe it was a 14 year life and I think that  
8 Spire will correct me on the ten year.

9 Q. I have here a copy of your Appendix 3 to Staff  
10 cost of --

11 COURT REPORTER: (Asked for clarification.)

12 MR. CLIZER: Appendix 3 to Staff cost of  
13 service report.

14 BY MR. CLIZER:

15 Q. Please verify what the average service life of  
16 the Enterprise software is filed in your cost of service  
17 report Appendix 3.

18 A. This one has a ten year average life.

19 Q. For account 391.95.

20 A. 391.5?

21 Q. .95. All right. Thanks. I'm going to move  
22 on to the next round of questions. You would agree with  
23 me that Spire did not file --

24 (Due to connection issues the testimony was  
25 corrupt for this portion of the hearing.)

1 THE COURT: Any recross for Mr. Robinett?

2 MR. BARRS: No questions. Thank you.

3 THE COURT: Thank you, sir.

4 And the next we come to Staff.

5 MS. AZLAND: No questions.

6 THE COURT: Okay. Thank you.

7 And Spire?

8 MS. MYERS: No questions.

9 THE COURT: And that leaves us to redirect.

10 Mr. Clizer.

11 MR. CLIZER: Thank you, Your Honor.

12 REDIRECT EXAMINATION

13 BY MR. CLIZER:

14 Q. Let's go in reverse order and start with the  
15 bench questions. So you were asked briefly about the  
16 Staff approach and the rates in Appendix 3. Let's break  
17 that down into two different parts. Let's start with  
18 the Staff approach.

19 What was Staff's approach for coming up with  
20 the actual depreciation rates recommended as you  
21 understand it?

22 A. Based on testimony and my understanding, Staff  
23 utilized files provided by the Company and arrived at  
24 very similar rates that were recommended by the Company.  
25 The one main difference in my opinion based on the

1 statement of positions now, is the general plant  
2 accounts where Staff recommended a total account rate  
3 that is present in Mr. Spanos's study, but Mr. Spanos is  
4 not actually recommending his total account rate.

5 Q. What is Mr. Spanos recommending as you  
6 understand it?

7 A. He is recommending a treatment of zero percent  
8 depreciation rates for all fully accrued, and then a  
9 solid rate based on the lives that are similar to what  
10 Staff has recommended in their study. He applied  
11 everything that is unfully amortized.

12 Q. Between the Staff method and Mr. Spanos's  
13 method, which do you think is more accurate or what  
14 flaws do you see?

15 A. I wouldn't recommend either because I'm  
16 hesitant to recommend a zero percent depreciation rate  
17 on continuing assets. I would recommend Mr. Spanos's  
18 unamortized balance only for the accounts.

19 Q. What about the accounts that have a different  
20 service life as proposed by Staff?

21 A. Generally I would be supportive of Staff with  
22 the exceptions to mains per cast-iron and plastic.

23 Q. So you would agree to using the service life  
24 and net salvage values in Staff Appendix 3?

25 A. Yes.

1 Q. But if you apply the service life and net  
2 salvage values to the equation, which is found on page  
3 112 of Staff's cost of service, which I will provide to  
4 you if you do not have a copy of in front of you, will  
5 you get the rates that are in Staff's Appendix 3? And  
6 there was a long pause in that question so I can repeat  
7 it if necessary.

8 A. I believe the main issues are going to happen  
9 down in general plant where they would not be because  
10 of --

11 Q. So if you used a --

12 COURT REPORTER: (Asked for clarification.)

13 THE WITNESS: The waiting method.

14 BY MR. CLIZER:

15 Q. So if you used the Staff's average service  
16 life and net salvage from their Appendix 3, and applied  
17 the equation on page 112 of their cost of service, you  
18 would reach a solid depreciation rate that is similar to  
19 what Mr Spanos --

20 MS. BOCKSTRUCK: I'm going to object to this  
21 line of questioning. It's beyond the scope of redirect.

22 MR. CLIZER: I'm attempting to clarify what  
23 exactly Staff's approach is, which admittedly is a bit  
24 confusing there, but I'll move on.

25 BY MR. CLIZER:

1 Q. So the other half of this was the general  
2 plant amortization which you mentioned. Just briefly  
3 explain what general plant amortization is and why you  
4 have a problem with it.

5 A. General plant amortization is usually applied  
6 to the general plant accounts where it is a bunch of  
7 smaller assets that aren't readily tracked by the  
8 utilities. And what it ultimately could allow for is  
9 that you basically just have to take the total additions  
10 for the year, and keep track of that, because that's  
11 really what you're tracking is additions for the year,  
12 and making sure that they recover that value over the  
13 amortization period. You lose potentially the value of  
14 individual assets and tracking to say are these still  
15 reasonable costs for the assets that they're adding.

16 Q. Can you use Staff's rates or Mr. Spanos's  
17 rates for that matter without ordering general plant  
18 amortization?

19 MS. BOCKSTRUCK: Objection again. This is  
20 beyond the scope of redirect.

21 THE COURT: Let me refer to my questions. I  
22 asked if OPC agreed with the approach used by Staff.

23 MR. CLIZER: To which Mr. Robinett responded  
24 that he did but for the general plant amortization,  
25 which I'm attempting to explain what that answer meant.

1 THE COURT: I think we're fine. Overruled.  
2 Go ahead, Mr. Clizer.

3 BY MR. CLIZER:

4 Q. Do you need me to repeat the question?

5 A. Yes, please.

6 Q. Can you use the rates recommended by Staff and  
7 not order general plant amortization?

8 A. Yes.

9 Q. All right. I'm going to move on.

10 Let's talk about cast-iron. Spire appears to  
11 be of the position or assumption that you're not  
12 recommending a change to cast-iron. Are you  
13 recommending conditions for an adjustment to cast-iron  
14 mains?

15 A. With depreciation rate change, yes.

16 Q. Is your adjustment designed to make sure that  
17 Spire recovers the outstanding balance of cast-iron main  
18 plants by the end of the -- I know 2030 is not around  
19 but I'm going to say the ISRS Sunset Provision?

20 A. Yes. If you look at my testimony on page four  
21 of my direct I spell out the math. I'm actually  
22 recommending the depreciation rate, which is almost  
23 three times what the Company did.

24 Q. Is Mr. Spanos's recommendation going to  
25 recover all of the outstanding cast-iron plants by the



1 end of the ISRS Sunset Provision period?

2 A. I don't know. Mine accounts for not only the  
3 original cost but the cost of removal with an eight year  
4 life.

5 Q. All right. You were asked some questions  
6 regarding Spire East versus Spire West. Now you're  
7 recommending Spire East --

8 THE COURT: Mr. Clizer, I'm going to raise a  
9 problem here. I understood that we were doing redirect  
10 and that was limited to bench questions and I was the  
11 only one.

12 MR. CRIZER: Oh.

13 THE COURT: Is that correct?

14 MR. CLIZER: Wait. Is not redirect also --

15 UNIDENTIFIED SPEAKER: It covers also cross,  
16 Judge.

17 THE COURT: Okay. Sorry about that. Go  
18 ahead.

19 MR. CLIZER: Okay. You scared me for a  
20 minute.

21 BY MR. CLIZER:

22 Q. Okay. You were asked several questions about  
23 the difference between Spire East and Spire West. So,  
24 again, just so we know where we're starting, you're  
25 recommending Spire East be applied to both; right?

1 A. Yes.

2 Q. What were your problems with the Spire West  
3 data?

4 A. Historically there's been an issue with the  
5 data dating back to an original transfer that lost part  
6 of it. With that I believe there was probably creation  
7 of additional data to AJIT that may exist, but basically  
8 you have data from '94 forward that could be used.

9 Q. But your recommendation is if you want to use  
10 the best data just use Spire East?

11 A. I was more comfortable with Spire East's  
12 historical data, yes.

13 Q. So you were asked several questions about  
14 conducting a site visit or speaking with Company  
15 personnel. Do you feel it's necessary to conduct a site  
16 visit to do a depreciation study or recommend  
17 depreciation rates?

18 A. Generally it's helpful. I don't know that  
19 it's entirely necessary all the time depending on your  
20 familiarity with the utility.

21 Q. Did Spire offer personnel to have  
22 conversations with OPC recommending its rates?

23 A. It didn't ask for it, but I would assume that  
24 they would have allowed that.

25 MR. CLIZER: I don't think I have any other

1 redirect.

2 THE COURT: Thank you, Mr. Clizer.

3 I believe that does it for our witness.

4 Mr. Robinett, you are excused.

5 And it is 4:50. I'm just stating that for  
6 everyone's information. I had brought up the issue of  
7 possibly going late this week and possibly going late  
8 this evening.

9 I'm going to start with a question and maybe  
10 ease ourselves into this. If we stop now what is the  
11 schedule for the rest of the week? My concern being  
12 capital overheads, which is scheduled for today. Are we  
13 just going to bump that to tomorrow morning?

14 Also, Mr. Clizer, before we make decisions, I  
15 recall that you had a scheduling concern that you wanted  
16 to bring up.

17 MR. CLIZER: My concern was that I have a  
18 person who was previously scheduled to discuss on the  
19 WNARRNA issue, which given that's the first thing on  
20 Wednesday will most likely fall in the afternoon. She  
21 has a doctor's appointment in the afternoon. I'd like  
22 to push it to the top of the day.

23 MR. THOMPSON: Staff has no objection to that.

24 MS. BOCKSTRUCK: Spire doesn't object, Your  
25 Honor.

1 THE COURT: Granted.

2 MR. CLIZER: If I assume that there is limited  
3 cross from the other Intervenors on the issue of  
4 capitalization of overheads, which seems likely given  
5 the current state of the hearing, I do not have much  
6 cross of capitalization of overheads.

7 MR. THOMPSON: Neither do I.

8 MR. BOCKSTRUCK: The Company wanted to proceed  
9 this evening on the issue.

10 COURT REPORTER: (Asked for clarification.)

11 MS. BOCKSTRUCK: I said the Company is willing  
12 to proceed this evening on the issue of capitalization  
13 of overhead.

14 THE COURT: Okay. Seeing no objections we're  
15 going to proceed to our next issues.

16 That is capital overheads. Let me see who I  
17 have on my witness list. Krick.

18 THE WITNESS: Yes, sir.

19 THE COURT: Thank you. Mr. Krick, please come  
20 on up to our witness stand and --

21 MS. BOCKSTRUCK: I believe we have mini  
22 opening statements.

23 THE COURT: Mr. Krick, if you could please  
24 hold on. We'll have mini opening statements first. I  
25 appreciate that.

1           Okay. Let's keep with the same order. Spire  
2 for opening our mini opening statements, and this is  
3 concerning capital overheads.

4           Mr. Cooper, at your convenience.

5                           OPENING STATEMENT

6           MR. COOPER: Thank you, Your Honor.

7           I guess for the court reporter this is Dean  
8 Cooper appearing on behalf of Spire Missouri.

9           Your Honor, Spire Missouri calculates its  
10 overhead capitalization rates in accordance with the  
11 uniform system of accounts using a reasonable and  
12 acceptable approach that is consistent with its  
13 historical practice, and charges overheads to capital  
14 that are reasonably applicable to its projects.

15           The Staff and OPC witnesses focus on those  
16 aspects of the USOA Gas Plant Instruction 4B that  
17 discusses direct time assignments and special studies.  
18 However, what the USOA prohibits in the last sentence of  
19 USOA Gas Plant Instruction 4B is the use of arbitrary  
20 percentages or amounts.

21           Spire Missouri capitalizes overheads using a  
22 systematic and consistent approach that primarily relies  
23 on cost causation factors to estimate the relationship  
24 of certain overhead costs to construction activities in  
25 lieu of studies. These factors are not fixed, but

1 rather are updated monthly as level of construction  
2 activities vary throughout the year and the seasons.

3 Spire Missouri's process is based on reason  
4 and judgment and, therefore, is not arbitrary.

5 Moreover, the general ledger contains transaction level  
6 support for these costs. No changes are necessary to  
7 the overhead capitalization amounts.

8 The Commission's report and order in Case No.  
9 GO-2019-0356, which was issued by the Commission on  
10 October 30 of 2019, similarly found that since Spire  
11 Missouri allocated overhead costs consistently with how  
12 these costs are allocated in the last general rate  
13 cases, it did not add arbitrary percentages for amounts  
14 to its overhead costs. The Commission concludes that  
15 Spire Missouri's treatment of overheads for purposes of  
16 these cases is allowable according to the USOA.

17 Further, Section 4 of 20CSR4240-40.040 allows  
18 the Commission to vary from the USOA where appropriate.

19 Spire Missouri's process for assigning  
20 overheads to capital investments has not fundamentally  
21 changed since that time. However, we are here because  
22 in reference to the ISRS case, the Commission further  
23 indicated that decisions varying from the method in the  
24 general rate case are best handled during the course of  
25 a rate case when there's more time for a full

1 examination and all rate factors are being reviewed.  
2 That opportunity has been provided in this case,  
3 however, the answer should be the same.

4 Further, while it's acknowledged that  
5 consistency for (connection disruption) is not a reason  
6 to do something, Spire's approaches provide stability  
7 for its customers and the Company in terms of rate  
8 impacts over many years.

9 Any restriction as to Spire's ability to  
10 capitalize overheads would necessitate a substantial  
11 increase to Spire's revenue requirement. This is  
12 because costs that are currently being allocated to  
13 capital and recovered over the life of those assets,  
14 would instead be shifted to expense and recovered on an  
15 annual basis.

16 As shown in the surrebuttal testimony of  
17 Company witness Timothy Krick, that could be an increase  
18 of as much as \$115 million in the Company's annual  
19 revenue requirement. This type of rate whip lash is  
20 neither good for customers nor the Company.

21 Now having said this, if on a going forward  
22 basis the Commission believes a special study or studies  
23 are necessary, Spire is very much willing to conduct  
24 such studies to share those results with the parties,  
25 and modify its procedures when rates are next set if

1 appropriate.

2 As you mentioned earlier, Your Honor, Spire  
3 will provide the testimony today of Mr. Timothy Krick,  
4 who is the vice president, controller and chief  
5 accounting officer of Spire Missouri.

6 THE COURT: Thank you, Mr. Cooper.

7 Next on our order of opening is Staff.

8 OPENING STATEMENT

9 MR. THOMPSON: May it please the Commission.

10 This is a straightforward issue. Staff attempted to  
11 audit the capitalized overheads and was unable to do so.  
12 Let me quote from the testimony of Mr. Young, Staff's  
13 expert.

14 In response to a data request asking for test  
15 year overhead employee costs and the related benefits  
16 that are capitalized, Spire stated it does not maintain  
17 records of such information.

18 Furthermore, Spire states that the allocation  
19 of costs to capital orders has dozens of steps, and is a  
20 complex systematic process. Consequently, Staff cannot  
21 accurately discern the origin of overhead costs that  
22 Spire is booking to its capital projects and including  
23 in its rate base.

24 Staff is unable to affirm that Spire is in  
25 compliance with USOA requirements found in Gas Plant



1 Instructions 3 and 4.

2           Consequently -- oh, and let me add, that Staff  
3 also is of the opinion that there are costs currently  
4 capitalized by Spire that appear to conflict with the  
5 guidance set forth in the USOA.

6           Consequently, Staff recommends that on a going  
7 forward basis the Commission should order Staff, or --  
8 excuse me, Spire, to cease capitalizing non-operational  
9 overhead costs, or, alternatively, order Spire to cease  
10 capitalizing costs received from Spire Services until  
11 such time that Spire can demonstrate its compliance with  
12 the USOA.

13           Spire cannot be audited. That is simply a  
14 circumstance that cannot be permitted to persist. It's  
15 Staff's obligation as the investigatory arm of the  
16 Commission to determine whether or not utility companies  
17 are complying with Commission regulations. In this  
18 instance Staff is unable to do so.

19           Thank you.

20           Questions?

21           THE COURT: Following our list of openings I  
22 believe Legal Services. Mr. Barrs, you're next on our  
23 list. Did you have an opening for capital overheads?

24           MR. BARRS: I do not and sorry to try and  
25 clarify what I said earlier. I will not have mini

1 opening statements on any other issues barring legal low  
2 income issues scheduled for Friday.

3 THE COURT: Thank you, Mr. Barrs. What about  
4 cross-examination? Should I keep asking you on cross  
5 too?

6 MR. BARRS: Not for this witness. Thank you  
7 on this issue or on the witness for this issue.

8 THE COURT: Okay. Thank you, sir.

9 Then our next opening statements Office of  
10 Public Counsel.

11 Thank you, sir.

12 OPENING STATEMENT

13 MR. CLIZER: If it would please the  
14 Commission.

15 (Connection disruption.)

16 MR. CLIZER: Regardless, I'll just project.

17 No?

18 THE COURT: No, because we have WebEx. We  
19 have a court reporter.

20 MR. CLIZER: Should I try and move it over  
21 here? I'm going to stand right here and do it because  
22 this is not going to take very long at all.

23 Fortunately, I think Mr. -- I think Staff's  
24 attorney has summed up the problems with this issue  
25 admirably. I have very little to add to it.

1           As the excerpts that I handed out shows the  
2       USOA prohibits assigning capitalizing to overheads --  
3       sorry. Capitalizing overheads based on arbitrary  
4       percentages. The Company is using arbitrary percentages  
5       to allocate its overheads. I mean there is really not a  
6       whole lot more to it than that, honestly.

7           The Company talks about providing a study. I  
8       would point out that the second full sentence says:  
9       Where the procedure of using, you know, timecards is  
10      practical, you shall provide a study basically if they  
11      haven't already. They're already supposed to be doing  
12      what they're suggesting they might do if the Commission  
13      wants them to. That's the whole problem here. They're  
14      using arbitrary percentages. They're clearly not  
15      allowed to. I second everything else that Staff said  
16      and I have nothing else really further to add.

17           THE COURT: Thank you, Mr. Clizer.

18           That will conclude our mini opening statements  
19      on the issue of capital overheads. Again that is Issue  
20      15.

21           We will go ahead and start with our witnesses.  
22      Witness Krick, K-r-i-c-k, could you please come up to  
23      the witness stand.

24           THE COURT: Thank you, sir.

25           (Witness sworn.)

1 THE COURT: Thank you. Please take your seat.  
2 And would you state and spell your name for the court  
3 reporter.

4 THE WITNESS: Yeah. Timothy Krick, K-r-i-c-k.

5 THE COURT: And Spire's witness.

6 MR. COOPER: Thank you, Your Honor.

7 TIMOTHY KRICK,  
8 called on behalf of the Company, being sworn, testified  
9 as follows:

10 DIRECT EXAMINATION

11 BY MR. COOPER:

12 Q. Mr. Krick, by whom are you employed and what  
13 capacity?

14 A. I'm employed by Spire as controller and chief  
15 accounting officer of Spire Missouri.

16 Q. Have you caused to be prepared for the  
17 purposes of this case certain direct, rebuttal and  
18 surrebuttal testimony in question and answer form?

19 A. Yes, I have.

20 Q. Is it your understanding that that testimony  
21 has been marked as Exhibits 15, 16 and 17 for  
22 identification?

23 A. Yes.

24 Q. Do you have any changes that you would like to  
25 make to that testimony at this time?

1           A.    I do have one minor change to my rebuttal on  
2 page six.  There's a table or image that was entered at  
3 the top of the page that belonged at the bottom of the  
4 page.

5                    If the question comes up on that topic I can  
6 point it out for you.

7           Q.    Yeah.  So it should have been after which  
8 answer?

9           A.    The one at the bottom of page six.

10          Q.    All right.  So the answer that would start on  
11 line 11 and end on line 15?

12          A.    Correct.  Yes.

13          Q.    If I ask you the questions which are contained  
14 in Exhibits 15, 16 and 17 today, would your answers as  
15 with the one change you noted be the same?

16          A.    Yes, they would.

17          Q.    Are those answers true and correct to the best  
18 of your information, knowledge and belief?

19          A.    Yes.

20                   MR. COOPER:  Your Honor, I would offer  
21 Exhibits 15, 16 and 17 into evidence and tender the  
22 witness for cross-examination.

23                   THE COURT:  All right.  Thank you, Mr. Cooper.

24                   Are there any objections to the admission of  
25 Exhibits 15, 16 or 17?

1           Hearing none they are so admitted.

2           The witness has been tendered, and according  
3 to my official list of cross-examination we go to Staff.

4           MR. THOMPSON: Kevin Thompson for Staff.

5           Thank you, Your Honor. No questions.

6           THE COURT: Thank you, Mr. Thompson.

7           Next we go to Office of the Public Counsel.

8           MR. CLIZER: No questions. Thank you, Your  
9 Honor.

10          THE COURT: Thank you.

11          Let me check. I do have questions for you.

12          EXAMINATION BY THE COURT:

13           Q. Mr. Krick, what do you mean in your direct  
14 testimony on page 11 lines 22 to 23, and it's restated  
15 again in your rebuttal, page ten lines 23 to 24 when you  
16 say quote: The process and systems used to capitalize  
17 overhead has changed in recent years. What did you mean  
18 by that statement?

19           A. We've enhanced our system, so we've actually  
20 put in some newer systems as part of our Oracle system.  
21 So we've actually enhanced the systems used to process  
22 the allocation as somewhat as a result of the cases last  
23 well too. We knew all parties desired more transparency  
24 so we actually added additional accounts to provide  
25 additional transparency.

1 Q. Thank you. When did those changes occur?

2 A. We implemented them at the beginning of fiscal  
3 year '20.

4 Q. Both Staff witness Matt Young, and OPC witness  
5 Bob Schallenberg state that Spire does not maintain the  
6 records required under the USOA Gas Plant Section 4  
7 overhead construction costs to support its allocation of  
8 costs to capital projects.

9 A Staff witness, Matt Young states, and I am  
10 referring to his surrebuttal page 18 line ten quote:  
11 Furthermore, the only time general and administrative  
12 expenses can be capitalized when the incremental cost  
13 method is not used, the studies are made to determine a  
14 relationship to construction. Spire has provided no  
15 such studies end quote.

16 Do you agree with his statement?

17 A. Somewhat. We provide -- we use different  
18 causal relationships to approximate what a study would  
19 provide, or better said, in lieu of what a formal study  
20 would provide, and these are the same causal  
21 relationships that we've used and updated for my seven  
22 years here, and I suspect the case before that.

23 Q. Thank you. And has Spire completed the  
24 studies that were required by the USOA to determine the  
25 relationship between general and administrative costs?

1           A.    We have not performed formal studies by a  
2 third party.  We've performed internal studies meant to  
3 approximate or provide similar evidence.

4           Q.    Okay.  Has Spire required its supervisors to  
5 maintain -- maintain timecards that identify how their  
6 time is spent?

7           A.    They do.

8           Q.    Is Spire STL Pipeline regulated by the Federal  
9 Energy Regulatory Commission?

10          A.    Yes.

11          Q.    Do you know if Spire STL Pipeline is required  
12 to follow the FERC USOA?

13          A.    Yes.

14          Q.    Yes, you know, or yes, it is?

15          A.    Yes.  I know that Spire STL Pipeline is  
16 required to follow the FERC USOA.

17          Q.    Thank you.  Sorry.  Lawyers.

18          A.    Yes.

19          Q.    Do you know who D. Scott Sabbert is?

20          A.    Yes, I do.

21          Q.    Would you tell me?

22          A.    Sure.  He is a peer of mine at the Company.  
23 He is the vice president of financial planning and  
24 analysis and supply chain.  He also serves as the chief  
25 financial officer of the pipeline and our marketing



1 business.

2 Q. Okay.

3 THE COURT: I am checking. I do not have any  
4 further questions. Okay.

5 We now go back to recross. So going to my  
6 handy list of cross-examination for a Spire witness we  
7 go first to Staff.

8 MR. THOMPSON: Kevin Thompson for Staff. No  
9 questions. Thank you, Judge.

10 THE COURT: Thank you, Mr. Thompson.

11 Next we go to Mr. Clizer for the Office of the  
12 Public Counsel.

13 MR. CLIZER: No questions. Thank you.

14 THE COURT: Thank you.

15 And we go to redirect.

16 MR. COOPER: Thank you, Your Honor.

17 I guess for the court reporter this is Dean  
18 Cooper again.

19 REDIRECT EXAMINATION

20 BY MR. COOPER:

21 Q. Mr. Krick, you were asked questions by Judge  
22 Hatcher starting with how the process has changed over  
23 recent years. What is the process that was being  
24 referred to?

25 A. The process is how we allocate overheads to

1 construction projects?

2 Q. Yes.

3 A. Can I just write it? Is that what you're  
4 asking? So we have a general ledger that maintains each  
5 and every detail of every transaction that could be in  
6 the form of an invoice by a third party. That could be  
7 a time record of an employee, and that could be a  
8 general ledger of entry. So within that general ledger  
9 we also have spot ledgers that maintain additional  
10 details of each and every one of those transactions.

11 We provided the general ledger as part of the  
12 request to Staff and OPC that included every one of  
13 those details. We did receive some questions. I heard  
14 also that they couldn't conclude -- they couldn't do an  
15 audit, which with all of the details we provided, I'm  
16 puzzled to understand why they couldn't accomplish an  
17 audit.

18 Q. Did you offer to provide additional  
19 information?

20 A. We did, knowing that there are lots of details  
21 associated with this, we went back to Staff and offered  
22 to provide exactly what they asked for, and we did  
23 mention that it would be a heavy lift, and that maybe  
24 some type of sampling method would be more appropriate,  
25 and that they would -- we would follow up after their

1 initial direct was filed. To my knowledge I don't think  
2 there was really any further follow-up.

3 Q. And when you say, there was no follow-up, you  
4 mean by the Company or by the Staff or what are you  
5 referring to?

6 A. From the Staff there was no additional  
7 questions to further perform audit activities.

8 Q. You reference in response to a bench question  
9 the causal relationship. Can you tell me how that  
10 causal relationship is established by the Company?

11 A. One of the primary relationships we used is  
12 field direct labor as a percentage of total field labor.  
13 That obviously drives a lot of activity to the Company  
14 as it relates to construction activity.

15 We also have various causal factors within the  
16 operation where vehicle usage is one, and other types of  
17 overheads that get consumed in the construction process.  
18 So we use again, with the direct labor for a lot of our  
19 A&G costs, which has been the discussion here, but  
20 there's lots of other overheads that we apply with other  
21 types of costs drivers, cost causation drivers.

22 Q. Once that causal relationship is established  
23 how often do you update it?

24 A. Well, we update that causal relationship at  
25 least annually in the budgeting process, but when it

1 comes to allocating overheads to capital it's a monthly  
2 process because we do have -- if you have a very warm  
3 winter, we may get some construction activities done,  
4 and the overheads that support that would then be  
5 capitalized. But if we had a very cold winter, very  
6 little capital would be done in the winter, and all that  
7 would go to O&M.

8           So one of my -- in my testimony I mentioned  
9 that if we did a study that is more of a static one time  
10 snapshot of what -- how does overhead support  
11 construction, and that's why I feel like our method is  
12 appropriate because it adjusts monthly.

13           Q. You got a bench question that asked about I  
14 think required studies if I heard correctly. Do you  
15 necessarily agree that studies are required by the USOA?

16           A. If you read it black-and-white, and I think  
17 there's -- there's -- I feel like this part of the USOA  
18 is somewhat vague. There's terms in there, reasonably  
19 applicable, equitable proportion as far as practical.

20           So again, I think a study is one way of doing  
21 that, but I also think a reasonable method is to, you  
22 know, use a causal relationship such as we did.

23           MR. COOPER: I don't have any more questions,  
24 Your Honor.

25           THE COURT: Thank you, Mr. Cooper.

1 I believe that wraps us up for this witness.

2 Mr. Krick, you are excused.

3 Mr. Young for Staff is our next witness. If

4 Mr. Young would make his way to the witness stand.

5 (Witness sworn.)

6 THE COURT: Thank you, sir. Please have a

7 seat and state and spell your name for the court

8 reporter.

9 THE WITNESS: Sure. My name is Matthew Young.

10 M-a-t-t-h-e-w Y-o-u-n-g.

11 THE COURT: Thank you, Mr. Young.

12 And, Staff, your witness.

13 MR. THOMPSON: Thank you, Judge. This is

14 Kevin Thompson for Staff.

15 MATTHEW YOUNG,

16 called on behalf of the Staff, being sworn, testified as

17 follows:

18 DIRECT EXAMINATION

19 BY MR. THOMPSON

20 Q. Good evening, Mr. Young.

21 A. Good evening.

22 Q. How are you employed?

23 A. I am a regulatory officer for the Missouri

24 Public Service Commission Staff.

25 Q. Are you the same Matthew Young that prepared

1 or caused to be prepared rebuttal testimony marked as  
2 Exhibit 125, surrebuttal testimony marked as Exhibit 140  
3 and contributed to Staff's revenue requirement cost of  
4 service report both public and confidential marked as  
5 Exhibit 101?

6 A. Yes.

7 Q. Do you have any changes or corrections to any  
8 of those pieces of testimony?

9 A. No.

10 Q. If I were to ask you the same questions today  
11 would your answers be the same?

12 A. Yes.

13 Q. And are those answers true and correct to the  
14 best of your knowledge and belief?

15 A. Yes.

16 MR. THOMPSON: At this time, Your Honor, I  
17 would offer Exhibits 125 and 140.

18 THE COURT: Thank you.

19 Are there any objections to Exhibit 125 or  
20 Exhibit 140 being admitted onto the hearing record?

21 Hearing no objections it's so admitted.

22 MR. THOMPSON: I tender the witness for  
23 cross-examination.

24 THE COURT: Thank you.

25 And according to my handy list we go to Spire.

1 MR. COOPER: It seems like we would be after  
2 OPC, Your Honor.

3 THE COURT: I am referring to -- it's page 10.  
4 I don't know where it came from. All I took was page  
5 10. But the order of opening statements and the order  
6 of cross-examination.

7 Staff, this seems like it was one of the  
8 schedules produced. Maybe one of the very initial  
9 schedules. If Spire wants to pass I'm happy to call in  
10 OPC first.

11 MR. COOPER: No. We have some questions.

12 THE COURT: Okay.

13 MR. COOPER: But the normal sort of practice I  
14 think we would follow Mr. Clizer on this.

15 Judge, I'm going to hand to Mr. Young, with  
16 your permission, the document that Mr. Clizer passed out  
17 during his opening statement.

18 THE COURT: Go ahead.

19 CROSS-EXAMINATION

20 BY MR. COOPER:

21 Q. Mr. Young, would you agree that when we talk  
22 about capitalized overheads, the base costs that are at  
23 issue are costs that were incurred by Spire Missouri;  
24 correct?

25 A. I'm not quite -- in addition to the cost

1 incurred by Spire Missouri, there is a litany of costs  
2 incurred by --

3 COURT REPORTER: (Asking for assistance.)

4 THE WITNESS: Sure. I said that in addition  
5 to the costs incurred by Spire Missouri there are also  
6 costs that flow through Spire Services.

7 BY MR. COOPER:

8 Q. And when you talk about costs that have flowed  
9 through Spire Services, those costs as well as the costs  
10 that are incurred by Spire Missouri itself, that's the  
11 pool of costs that we're talking about when we start to  
12 move towards what should or shouldn't be capitalized as  
13 a part of the overheads; correct?

14 A. Yes.

15 Q. And ultimately the question we're dealing with  
16 in this issue is: What portion of those costs should be  
17 capitalized along with the construction projects as  
18 opposed to expense. Is that an accurate statement?

19 A. Yes.

20 Q. And what I handed you -- well, let me back up.  
21 Do you recognize what I handed you?

22 A. It appears to be an Instruction 4 of the USOA.

23 Q. Okay. And I think you quoted this several  
24 times in your testimony, but in particular I think in  
25 your rebuttal testimony you quoted from A, Subpart A



1 where it talks about the types of overhead construction  
2 costs such as engineering supervision, general office  
3 salaries and expenses, construction engineering and  
4 supervision by others and onward. Do you remember doing  
5 that?

6 A. I believe it was my surrebuttal. It could be  
7 both. Yes, I do.

8 Q. And again, those types of costs if not  
9 capitalized, you would expect them to be expensed;  
10 correct?

11 A. Correct.

12 Q. Now in this case we're dealing with amounts  
13 that have -- overheads that have already been  
14 capitalized on Spire Missouri's books; correct?

15 A. Correct.

16 Q. And on a going forward basis, no provision is  
17 made in Staff's revenue requirement to treat any of the  
18 previously capitalized types of expenses as -- or  
19 capitalized amounts as expenses going forward; is that  
20 correct?

21 A. That's correct. In my direct testimony one of  
22 my recommendations was for the Commission to order  
23 adjustments to reflect their decision on this issue and  
24 that's what I was referring to. Unfortunately, I just  
25 don't have a number.

1 Q. Say that again.

2 A. In my direct testimony one of my  
3 recommendations was for an accounting adjustment to  
4 reflect the Commission's decision. Unfortunately, I  
5 just don't have a number.

6 Q. And by that accounting adjustment, would that  
7 be additional expenses that would've been added to the  
8 Staff's revenue requirement?

9 A. Yes.

10 Q. Now looking back at that excerpt from  
11 Instruction 4 that you have in front of you and still in  
12 Subpart A, would you agree with me that after that  
13 listing of types of overheads, it goes on to state that  
14 these shall be charged the particular jobs or units on  
15 the basis of the amount that such overhead reasonably  
16 applicable thereto?

17 A. Yes.

18 Q. Now neither you nor any other Staff witness  
19 have filed testimony suggesting that the underlying  
20 costs that have been capitalized were not prudently  
21 incurred; have you?

22 A. That's correct.

23 Q. Again, if we look at our Gas Plant Instruction  
24 4 that's in front of you, and Mr. Clizer conveniently  
25 highlighted this sentence. The last sentence of Subpart

1 B states: The addition to direct construction costs of  
2 arbitrary percentages or amounts to cover assumed  
3 overheard costs is not permitted; correct?

4 A. Correct.

5 Q. So while 4 B identifies direct time reporting  
6 and special studies as permitted, what it straight out  
7 prohibits is the capitalization of arbitrary percentages  
8 or amounts; correct?

9 A. That's correct.

10 Q. Would you agree with me that a common  
11 definition of arbitrary would be not done according to  
12 reason or judgment?

13 A. That's not in the applicable definition.

14 Q. Now in your surrebuttal in your description of  
15 Spire Missouri's process, you state that: Instead of  
16 conducting studies of the time charged to clearing  
17 accounts by its employees, Spire uses the direct labor  
18 charges as the basis of distributing overhead payroll  
19 costs; correct?

20 A. That's correct.

21 Q. And I think you further explain that Spire has  
22 assumed there is a relationship between how construction  
23 employees use their time and how a supervisor's time is  
24 used?

25 A. Yes, and that's what makes it an arbitrary

1 sentence.

2 Q. Well, that's my question for you. Doesn't the  
3 method used by Spire use reason or judgment? It's just  
4 not the reason or judgment that you think they should  
5 use?

6 A. It's not the -- it's not reasonable to just  
7 assume that the supervisors and their supervisors and  
8 all the way up to who knows how far up the hierarchy of  
9 the employees, that their time is dictated by how the  
10 time is reported by the field employees.

11 Q. But let's back up a second. I mean you're  
12 making an assumption as to how this plays out down the  
13 road. But at the fundamental level, there is reason or  
14 judgment in terms of how Spire Missouri approaches these  
15 overheads, the capitalization of overheads; correct?

16 A. No. We won't know until we see how their --

17 COURT REPORTER: (Asked for clarification.)

18 THE WITNESS: How Spire's reasoning was laid  
19 out.

20 BY MR. COOPER:

21 Q. Now just for sort of explanation I guess of  
22 impacts here, and you and I talked about this at the  
23 beginning of the questions, but that to the extent  
24 capitalized amounts or amounts are not capitalized, they  
25 would be expensed; correct?

1 A. Correct.

2 Q. And I think in your portion of the Staff  
3 report for the cost of service, you kind of explain that  
4 to some extent; correct?

5 A. I don't recall doing that.

6 Q. Okay. Well, let's get at it this way. Would  
7 you agree that at a very rough kind of high level that  
8 the revenue requirement impact of capitalized amounts is  
9 about ten percent?

10 A. That's a good ballpark estimate, yes.

11 Q. So, for example, if \$1 million of overheads  
12 are capitalized, all else being equal, you'd expect an  
13 increase in revenue requirement of about a hundred  
14 thousand?

15 A. I don't know about any -- would contribute to  
16 the revenue requirement by a hundred thousand.

17 Q. Okay. On the other hand -- well, let me say,  
18 if we go the other direction, if we say that million  
19 dollars of cost is not capitalized and instead expensed,  
20 again, all else being equal, that million dollars would  
21 increase the revenue requirement by a million dollars;  
22 correct?

23 A. If you moved the hundred million dollars from  
24 rate base to expense, it also affects depreciation  
25 expense and then rate of return. So it would probably

1 be a net increase of 70 to 80 million if you moved it  
2 from rate base to expense.

3 Q. Well, we not only pause because we kind of  
4 ended up starting from a different number I think in our  
5 hypotheticals, but your hypothetical was working with a  
6 hundred million dollars coming out of rate base and  
7 going into expense; correct?

8 A. Correct.

9 Q. And so you would expect that you would have  
10 some offsets, but you think that would still impact  
11 revenue requirement by 70 to 80 million; correct?

12 A. Yes. There would be no doubt there's a  
13 short-term increase I'm talking about.

14 Q. And again, if we go back to my first example,  
15 if we said a hundred million in rate base, what would  
16 you expect the revenue requirement impact to be, and we  
17 talked about ten percent, it would only be a hundred --  
18 now I've got myself confused. Ten million in that  
19 example; correct?

20 A. Correct.

21 Q. Okay. Now in your surrebuttal testimony you  
22 cite to a NARUC interpretation of the USOA for electric  
23 and gas utilities; don't you?

24 A. Yes, I do.

25 Q. And you attached that, in fact, to the

1 schedule here to your surrebuttal?

2 A. Yes.

3 Q. Now the USOA applicable to Spire Missouri is  
4 -- or -- yeah, the USOA applicable to Spire Missouri is  
5 created by the Federal Energy Regulatory Commission or  
6 FERC; correct?

7 A. That's right.

8 Q. And not NARUC?

9 A. Correct.

10 Q. And the NARUC interpretation you provided is  
11 dated September of 1988; correct?

12 A. That's correct.

13 Q. Is that the most recent interpretation of the  
14 FERC electric and gas USOA that NARUC has published?

15 A. As far as I'm aware that's the only  
16 interpretation.

17 Q. And, in fact, that 1988 interpretation would  
18 predate the version of the FERC USOA that's utilized by  
19 this Commission; correct?

20 A. That's probably correct but I think the  
21 language is identical.

22 Q. Is there a reason that this 1988 NARUC  
23 interpretation has not been relied on by the Staff over  
24 the last 32 plus years?

25 A. I'm not aware of the time that it has been

1 brought forth as an issue to be considered.

2 Q. It's been there since 1988 but can you tell me  
3 again what your response is?

4 A. My response is I'm not aware of any case since  
5 1988 where the interpretation of Gas Plant Instructions  
6 3 and 4 has been considered in a rate case.

7 Q. Now I think as a consequence of the Staff  
8 position, and this is in your testimony, Staff  
9 recommends that the Commission should order Spire to  
10 cease capitalizing nonoperational overhead costs, or as  
11 an alternative, order Spire to cease capitalizing costs  
12 received from Spire Services until such time that Spire  
13 can demonstrate its compliance at the USOA. Is that  
14 accurate?

15 A. Yes.

16 Q. In Staff's proposal, who's going to decide  
17 that Spire has demonstrated its compliance?

18 A. Well, I had envisioned that Spire and Staff  
19 and Public Counsel would cooperate and provide status  
20 reports to Commission, and decide how to implement that  
21 in Spire's general rate cases.

22 Q. So you would envision then that none of these  
23 amounts would be returned to being capitalized as  
24 overhead until the next rate case?

25 A. Well, the problem is, what we don't want is a



1 large adjustment to expense to charge rate payers as a  
2 result of this case, and then in between rate cases  
3 Spire is allowed to put those costs in the rate base and  
4 not be expensed out. And so there's a -- I guess  
5 there's got to be some consideration of what repairs are  
6 made.

7 Q. So tell me how that would work between cases.  
8 Are you proposing that there be a regulatory asset that  
9 would hold those costs in between rate cases?

10 A. I don't think so. I think you quantify what  
11 we're putting in the rates in the current case, and make  
12 a best effort not to double recover from rate --

13 COURT REPORTER: (Asked for clarification.)

14 THE WITNESS: Double recover from rate payers.

15 BY MR. COOPER:

16 Q. What are you going to do if at the end of this  
17 process it's determined that -- well, I guess I'm  
18 struggling with how this is going to play out in that  
19 next rate case. So, are you going to go back and pick  
20 up some of these expenses that should have been paid by  
21 the rate payers in the next rate case?

22 A. No. I think if we put in for an expense  
23 repairs will have paid it solely. There is no --

24 COURT REPORTER: (Asked for clarification.)

25 THE COURT: Put the mic really close to your

1 mouth. I think that's the issues.

2 THE WITNESS: So I think my answer was that  
3 the costs that are charged to rate payers will be  
4 charged to rate payers and there won't be a pool of  
5 costs that should've been charged. And in the next rate  
6 case we'll have some work done about how Spire has  
7 complied with the USOA.

8 BY MR. COOPER:

9 Q. But in the meantime, aren't you holding back  
10 some amount of costs that Spire Missouri would have  
11 otherwise capitalized?

12 A. If there is a mismatch it's just because I  
13 can't quantify the overheads, and it will depend on what  
14 the Commission orders.

15 Q. We talked about this a little earlier, but is  
16 a special study, or I guess a series of special studies  
17 one of the ways you would envision Spire would  
18 demonstrate its compliance with the USOA?

19 A. I think what we've been -- what Staff has been  
20 looking for is just the rationale and the basis of how  
21 overheads are sent to capital, and however that looks,  
22 whether it's a special study by a third party or whether  
23 it's a formal documentation I don't know.

24 MR. COOPER: That's all the questions I have,  
25 Your Honor.

1 THE COURT: Thank you, Mr. Cooper.

2 Remind me where we're at.

3 Thank you, Mr. Clizer. Go ahead.

4 MR. CLIZER: I'm going to try and keep mine as  
5 short as possible.

6 CROSS-EXAMINATION

7 BY MR. CLIZER:

8 Q. Good evening, Mr. Cooper.

9 A. Good evening.

10 Q. Do you have a copy --

11 MR. COOPER: Good evening.

12 MR. CLIZER: I do apologize. It is late.

13 BY MR. CLIZER:

14 Q. Do you have a copy of your surrebuttal in  
15 front of you?

16 A. I do.

17 Q. Can you go to page 19?

18 A. I'm there.

19 Q. I'm going to attempt to paraphrase lines 14  
20 through 18, and feel free to correct me, but would you  
21 agree that you're effectively saying that Spire does not  
22 keep sufficient records regarding the capitalization of  
23 overhead costs due to complete your audit?

24 A. Yes. In multiple data requests in an attempt  
25 to evaluate USOA's instructions, I guess Plant

1 Instruction No. 4 paragraph C where overhead  
2 construction costs shall be kept to show each overhead  
3 in nature and amount charged to each work order and each  
4 plant account and the basis of distribution. And so in  
5 the surrebuttal that you asked about, Spire has not been  
6 able to provide anything and satisfy that instruction.

7 Q. Do you have a copy of Mr. Schallenberg's  
8 direct?

9 A. Yes.

10 Q. Would you go to page 25 of the direct?

11 MR. CLIZER: Your Honor, I would note that Mr.  
12 Schallenberg's direct was filed confidential in its  
13 entirety. I'm going to pose this question in a manner  
14 that hopefully does not touch on any confidentiality,  
15 nor do I think confidentiality would be an issue with  
16 what we are discussing with regard to my questions right  
17 now. I want to put you on notice of that fact.

18 BY MR. CLIZER:

19 Q. So can you read lines 22 through line 5 on the  
20 next page to yourself? You don't have to read it out  
21 loud. Just read it to yourself.

22 A. Okay.

23 Q. Would you agree that that recommendation would  
24 at least help to alleviate the problems you identified  
25 on page 19 of your surrebuttal that I asked you about

1 previously?

2 A. I agree that would help.

3 Q. That would help. Mr. Young, I really want to  
4 call you something different. I apologize. Mr. Young,  
5 do you know for certain right now the amounts currently  
6 being booked as expense overheads and being collected in  
7 base rates are not going to be further capitalized to  
8 ISRS projects in the future?

9 A. I don't know. I wouldn't have a guess about  
10 ISRS projects. I know Mr. Schallenberg's direct --  
11 well, on that page you've directed me to, it quotes \$173  
12 million of overheads that are being capitalized. I  
13 believe Mr. Krick's surrebuttal it states \$87 million of  
14 overheads are being capitalized before an income tax  
15 factor, of which I don't think is applicable. But the  
16 answer is, no. The amounts are confusing.

17 Q. Okay. Maybe I didn't phrase that question  
18 correctly. I'm not asking about the amounts. I'm  
19 asking about whether or not you can say for certain  
20 right now, that whatever is being capitalized and  
21 expensed in overheads will not be further -- sorry.  
22 Excuse myself.

23 Can you say for certain right now that  
24 whatever is being expensed to overheads currently and  
25 included in base rates will not be further capitalized

1 in a future ISRS project?

2 A. I don't know. I can't say for certain. You  
3 know, the level of expense -- I guess the level of  
4 overhead changes every year and there's a --

5 COURT REPORTER: (Asked for clarification.)

6 THE WITNESS: A lot of moving pieces.

7 BY MR. CLIZER:

8 Q. On that same page 25 of Mr. Schallenberg's  
9 direct, lines 19 through 21 he proposes a tracker. Now  
10 I know that you have voiced opposition to this tracker.

11 My question is: Would that tracker at least  
12 make it more likely that it is possible to determine  
13 whether amounts currently being booked as an expense as  
14 overheads are being capitalized to ISRS projects in the  
15 future?

16 A. I just don't know how it would work.

17 Q. Fair enough.

18 MR. CLIZER: I believe that was all my  
19 questions.

20 THE COURT: Thank you, Mr. Clizer.

21 We'll now turn to bench questions. I'll ask  
22 the Commissioners first. Do any Commissioners have any  
23 questions for Mr. Young?

24 Okay. Hearing none the Judge does have a few  
25 questions.

1 EXAMINATION BY THE COURT:

2 Q. First, Mr. Young, do you know if the Missouri  
3 PSC has adopted the FERC Form 2, and that's spelled  
4 F-E-R-C? Has the Missouri PSC adopted the FERC Form 2  
5 as the annual report required to be submitted by its gas  
6 regulated entity?

7 A. I believe it has.

8 Q. Mr. Young, do you know if the parties were  
9 provided a copy of the 2020 annual report submitted by  
10 Spire STL Pipeline with FERC during this case?

11 A. I don't know.

12 Q. Okay. Thank you.

13 In your surrebuttal testimony page 16 lines 13  
14 to 16 you state quote: Spire comes to the conclusion  
15 that costs are not unique in nature and are equally  
16 eligible for capitalization. For example, Spire applies  
17 the same capital transfer rate to injuries and damages  
18 insurance, and nearly the entire office supply's account  
19 and directors' and officers' insurance, despite the  
20 varying relationship of those costs to construction end  
21 quote.

22 What is the capital transfer rate Spire  
23 applied to injuries and damages insurance, office  
24 supplies, and directors' and officers' insurance?

25 A. I can't recall the percentage itself. I

1 believe it would have been the three factor general  
2 allocator.

3 Q. Without Spire completing a study of supervisor  
4 timecard distributions, would there be any way to  
5 determine an appropriate capital transfer rate based on  
6 the requirements of the USOA?

7 A. I'm sorry. Could you repeat the first part of  
8 that question.

9 Q. Without Spire completing a study of supervisor  
10 timecard distributions, would there be any way without  
11 that to determine an appropriate capital transfer rate  
12 based on the requirements of the USOA?

13 A. I think they would have to look at the time  
14 cards of their employees and come to some sort of  
15 documented conclusion to apply the transfer rate.

16 Q. I'm hearing you answer -- I'm hearing you  
17 answer in the negative but I'm not hearing you say no.  
18 So I'm going to ask the question. Without Spire  
19 completing a study of the supervisor timecard  
20 distributions, would there be any way to determine an  
21 appropriate capital transfer rate based on the USOA  
22 requirements?

23 A. Off the top of my head, no, I can't think of  
24 any way based on USOA language they could do that.

25 Q. Thank you. Could Staff have performed its own



1 Spire supervisor time report to determine an overhead  
2 capitalization rate that would comply with the USOA?

3 A. No.

4 Q. In your rebuttal testimony page five line  
5 seven to ten you state -- let me tell you the question  
6 first. I'm going to explain what you -- I'm going to  
7 ask for you to explain what you mean by nonoperational  
8 overheads.

9 Here's the quote. For everyone else I'm  
10 looking at page -- rebuttal page five line seven to ten.  
11 Quote: Staff recommended that, on a going forward  
12 basis, the Commission should order Spire to cease  
13 capitalizing nonoperational overhead costs, or as an  
14 alternative order -- as an alternative order Spire to  
15 cease capitalizing costs received from Spire Services,  
16 until such a time as Spire can demonstrate its  
17 compliance with the USOA.

18 So I ask you in the middle of that quote,  
19 please explain what you meant by, nonoperational  
20 overhead costs.

21 A. When I came up with the term, nonoperational  
22 overhead costs, I was referencing and I should have done  
23 it in testimony, I was referencing the direct testimony  
24 of Mr. Krick in Case Numbers G020190356 and G020190357.  
25 On page six of his testimony he breaks down capital

1 costs into direct charges, operational overheads and  
2 nonoperational overheads, and those are described as  
3 employee benefits, shared service and administrative and  
4 general costs.

5 Q. I want to make sure I have that straight. The  
6 report and order that we took notice of and only took  
7 notice of your report and order, are you stating that  
8 you got that phrase and definition non -- where did it  
9 go -- nonoperational overhead costs from Mr. Krick of  
10 Spire's testimony from a different case?

11 A. That's correct. But basically I've had a  
12 nonoperational overhead costs are indirect costs in  
13 regard to construction that are not related to  
14 fieldwork. That's what I had envisioned when I use that  
15 term.

16 Q. Just for my education, not related to  
17 fieldwork, are we then talking about the office workers  
18 that somehow participate -- I'm talking about  
19 architects, lawyers, planners --

20 A. Sorry to interrupt. All of the things that  
21 Spire charges to construction such as the engineering,  
22 the corporate engineering function, the new growth  
23 support and there are several others, but, yes, the  
24 corporate type costs.

25 Q. Okay. How in general would the amount of

1 nonoperational overhead differ from costs capitalized  
2 from Spire Services?

3 A. Spire Services costs are embedded in the  
4 nonoperational overhead costs. So Spire Services costs,  
5 if I understand it correctly, are a subset of  
6 nonoperational costs.

7 Q. Okay. Let me pause here.

8 THE COURT: Sherry, if you can unmute and let  
9 me know how you're doing? If you need a break? I think  
10 we might be at least another 30 minutes give or take.

11 COURT REPORTER: I can go that long without a  
12 break.

13 THE COURT: Okay. Let's proceed.

14 BY THE COURT:

15 Q. Mr. Young, I've got two more questions. In  
16 the direct testimony of OPC Robert Schallenberg Schedule  
17 RES-D-4 it is stated that the test year overheads of  
18 Spire Missouri East and West combined to a total of  
19 172 million and a rounded number. The schedule lists  
20 different types of overhead and the amounts of each type  
21 of overhead for East and West separately if the  
22 Commission were to order Spire to cease capitalizing  
23 nonoperational overhead costs. Would that eliminate all  
24 of the overhead types that appear on Schallenberg's  
25 Direct Schedule RES-D-4 or are the nonoperational

1 overheads only a part of the \$172.8 million total?

2 A. I didn't bring Mr. Schallenberg schedules, so  
3 I don't recall exactly what that list looks like. It  
4 seems like if the Commission were to order all of those  
5 costs not go into capital, if I remember the schedule,  
6 it would be almost the entire list.

7 Q. Okay. I believe this is the last question for  
8 me. What information would Spire need to provide to the  
9 Staff for Staff to be able to audit Spire Missouri's  
10 capitalized overhead costs and to determine if Spire  
11 were in compliance with the USOA?

12 A. If Spire were to be able to provide some  
13 record of its plant accounts that displays the nature  
14 and amount of each overhead, which Spire has not been  
15 able to provide, not in the general ledger, then that  
16 would be a good start, and then we could move on to --  
17 but if we do the nature and quantity we could move on to  
18 the basis of the relationship to construction.

19 THE COURT: Thank you, Mr. Young.

20 Before I tender the witness, I'm going to take  
21 official notice of the Spire Missouri East and West  
22 annual report submitted to the Missouri Public Service  
23 Commission for 2020.

24 Where are we at? This leads to some recross.  
25 Let's check our official list.

1 For Staff witnesses. My apologies, Mr.  
2 Cooper. Would you like to go first or should I call  
3 OPC?

4 MR. COOPER: Are my choices first or not at  
5 all?

6 THE COURT: No. No. I'll let you go last.

7 MR. COOPER: Really? I'll go last.

8 THE COURT: Mr. Clizer.

9 MR. CLIZER: No further questions.

10 THE COURT: Okay.

11 And, Mr. Cooper.

12 MR. COOPER: Thank you, Your Honor.

13 CROSS-EXAMINATION

14 BY MR. COOPER:

15 Q. Mr. Young, the Judge asked you a question as  
16 to what types of things would need to be supplied;  
17 correct?

18 A. Correct.

19 Q. And do you remember did you have an e-mail  
20 exchange with Mr. Selinger of Spire Missouri in regard  
21 to information that might be available and different  
22 types of information that the Company might be able to  
23 provide?

24 A. I remember that, yes.

25 Q. Okay.

1 MR. COOPER: Your Honor, I'd like to mark an  
2 exhibit if I could.

3 THE COURT: You're going to be introducing  
4 that to be offered onto the record?

5 MR. COOPER: I am, correct. I believe Exhibit  
6 46, Your Honor, if that's consistent with your record.

7 THE COURT: Exhibit 46.

8 MR. COOPER: Thank you.

9 BY MR. COOPER:

10 Q. Mr. Young, you let me know when you've had a  
11 chance to look at Exhibit 46.

12 A. Okay.

13 Q. Do you recognize that to be an exchange, an  
14 e-mail exchange you had with Mr. Selinger of Spire  
15 Missouri?

16 A. Yes, it is.

17 Q. And Mr. Selinger had offered some different  
18 ways to get at the underlying information; correct?

19 A. He offered what he could offer.

20 Q. And as of May 4th you had suggested that  
21 perhaps everyone could come back to that after Staff's  
22 filing; correct?

23 A. I did.

24 Q. Did you ever go back to that after Staff's  
25 filing?

1           A.    No.  At this point it was clear that Spire  
2  couldn't provide overheads by cost elements and  
3  accounts.

4           Q.    And so you never went back to see what  
5  Mr. Selinger had offered or could provide in that  
6  regard?

7           A.    No.  He said it would require a lot of waiver.  
8  Called it a Big Lift, and I didn't want him to go  
9  through all the exercise to provide a bunch of data that  
10 wasn't going to help my audit.

11          Q.    So you never requested that Big Lift; correct?

12          A.    Correct.

13          Q.    It was mentioned in one of the Judge's --  
14 well, let me back up.

15                MR. COOPER:  Judge, I would offer Exhibit 46.

16                THE COURT:  These are the e-mails that were  
17 just passed out.  Does any party have any objection to  
18 admission of Exhibit 46 on to the hearing record?

19                MR. CLIZER:  I would -- well, to what extent  
20 is it being offered, because my objection is hearsay  
21 unless it's only being offered to the extent it proves a  
22 statement by Mr. Young.  Mr. Selinger's statements are  
23 hearsay.  So I think Mr. Young has authenticated this as  
24 a conversation he had with a representative of the  
25 Company, and so I think it comes in for whatever ways

1 the Commission chooses to provide it.

2 I would offer that if it's being introduced  
3 -- if the Commission is only accepting the portion that  
4 Mr. Young replies and every statement of the witness.

5 THE COURT: The Commissioners are very aware  
6 of the hearsay rule, and I will let them take this under  
7 their hat to determine its weight.

8 The objection is overruled. The exhibit is  
9 admitted onto the record.

10 BY MR. COOPER:

11 Q. Mr. Young, one of the Judge's questions I  
12 think referred to a three factor test in terms of the  
13 assignment of certain costs to capitalized overheads.  
14 Is there -- is the three factor test really applicable  
15 to the assignment of or the establishment of capitalized  
16 overheads, or is that a term that would normally be  
17 utilized in regard to corporate allocations?

18 A. That's correct.

19 COURT REPORTER: (Asked for clarification.)

20 THE WITNESS: That's correct. It is more  
21 applicable to distributing costs to affiliates.

22 BY MR. COOPER:

23 Q. Again, there was some questions about what you  
24 meant by nonoperational costs that came from the bench,  
25 and that was referenced back to your or Staff's



1 recommendation that the capitalization of those costs be  
2 ceased.

3           Again, no matter what constitutes those costs  
4 or what amount they're in, there is no provision made in  
5 Staff's case for treating those costs as expenses in the  
6 alternatives to capitalizing them as a part of the  
7 overheads; correct?

8           A.     That's right.

9           MR. COOPER:   That's all the questions I have,  
10 Your Honor.

11           THE COURT:   And we come to redirect.

12           MR. THOMPSON:  Thank you, Judge.

13                           REDIRECT EXAMINATION

14 BY MR. THOMPSON:

15           Q.     So picking up with the question that  
16 Mr. Cooper just asked, you never suggested that any  
17 costs that have already been booked to overheads --

18           A.     I'm sorry.  I'm having a hard time hearing the  
19 last part of that.

20           COURT REPORTER:  (Asked for clarification.)

21           MR. THOMPSON:  I don't know what I was saying  
22 anyway.  Let me try again.  This is Kevin Thompson for  
23 Staff.

24 BY MR. THOMPSON:

25           Q.     Your recommendation was for a change in

1 practice going forward; isn't that correct?

2 A. That is correct.

3 Q. Okay. And did you envision any fixed amount  
4 that had already been capitalized being instead  
5 expensed?

6 A. No, I did not.

7 Q. So this wasn't going to be a financial  
8 disaster?

9 A. No. I didn't make it into disallowance for  
10 Spire's cost of service.

11 Q. Okay. Now with respect to Exhibit 46, do you  
12 have that up there?

13 A. Was that the e-mail, or was that the --

14 Q. That was the e-mail.

15 A. Okay.

16 Q. Take a look at page two, and in the middle do  
17 you see there's an e-mail from you dated April 29th?

18 A. Yes.

19 Q. And the second paragraph there or maybe it's  
20 the third, anyway there is a mention of a spreadsheet.  
21 Do you see that?

22 A. I do.

23 Q. It says a spreadsheet similar to what we look  
24 at in the ISRS case?

25 A. Yes.

1 Q. Did you ever get a spreadsheet like that?

2 A. Mr. Selinger offered it, but that was what he  
3 would call Heavy Lift to us to reference to support the  
4 entire --

5 COURT REPORTER: (Asked for clarification.)

6 THE WITNESS: Rate base.

7 BY MR. THOMPSON: I'm looking, Judge. There's  
8 a lot of questions to go through.

9 BY MR. THOMPSON:

10 Q. What about a tracker, Mr. Young? You were  
11 asked about OPC's tracker suggestion. Is that something  
12 that you're in favor of?

13 A. No. As I was -- some of the rest of my  
14 rebuttal testimony. Not only with a tracker -- I don't  
15 know how we can mechanically implement it. I don't know  
16 if overhead costs are -- if they qualify for the  
17 Commission's usual standards on what is tracking and not  
18 tracking.

19 Q. And with respect to the excerpt from the  
20 uniform system of accounts, do you have that there?

21 A. Yes.

22 Q. And looking at paragraph C, is it your  
23 professional opinion that Spire complied with paragraph  
24 C?

25 A. My opinion is that it did not comply with

1 paragraph C.

2 Q. I have no further questions.

3 MR. THOMPSON: Thank you.

4 THE COURT: Thank you, Mr. Thompson.

5 I believe that will lead us to conclude  
6 Mr. Young's testimony.

7 You are excused, sir. Thank you.

8 As Mr. Schallenberg makes his way to the stand  
9 I would like to pass on a request to the counsel for  
10 Spire. The Commission would like to see a copy of the  
11 Spire STL Pipeline 2020 FERC Form 2 annual report as an  
12 exhibit.

13 Okay. Request is passed on.

14 Mr. Schallenberg, raise your right hand.

15 (Witness sworn.)

16 THE COURT: Thank you, sir. Please have a  
17 seat. Pull the microphone very close to your mouth and  
18 state and spell your last name for our court reporter.

19 THE WITNESS: Robert E. Schallenberg,  
20 S-c-h-a-l-l-e-n-b-e-r-g.

21 THE COURT: Thank you, Mr. Schallenberg.

22 And this will be our final witness for today.  
23 We will be adjourning after this witness.

24 It is Counsel's witness. Mr. Clizer go ahead.

25 MR. CLIZER: Thank you, Your Honor.

1 ROBERT E. SCHALLENBERG,  
2 called on behalf of OPC, being sworn, testified as  
3 follows:

4 DIRECT EXAMINATION

5 BY MR. CLIZER:

6 Q. Mr. Schallenberg, by whom are you employed and  
7 in what capacity?

8 A. I am employed by the Office of the Public  
9 Counsel and my job title is --

10 COURT REPORTER: (Asked for clarification.) --  
11 Director of Policy?

12 THE WITNESS: Yes.

13 BY MR. CLIZER:

14 Q. Did you prepare or cause to be prepared direct  
15 testimony, rebuttal testimony and surrebuttal testimony  
16 for this hearing?

17 A. Yes.

18 Q. Did you also receive an order from the  
19 Commission to correct your rebuttal testimony to add  
20 page numbers?

21 A. Yes.

22 Q. Did we file a corrected version of your  
23 testimony with page numbers?

24 A. Yes.

25 Q. Regarding the direct testimony, corrected

1 rebuttal testimony and surrebuttal testimony, do you  
2 have any changes you would like to make?

3 A. No.

4 Q. If I asked you the same questions that were  
5 proposed in your testimony today, would your answers be  
6 the same or substantially similar?

7 A. Yes.

8 MR. CLIZER: I would offer 203C, 204P, 204C  
9 and 205C, which are respectively the direct testimony,  
10 corrected rebuttal testimony public, corrected rebuttal  
11 testimony confidential and surrebuttal testimony of  
12 Mr. Schallenberg.

13 THE COURT: Thank you, Mr. Clizer.

14 I will not repeat the list. You all heard the  
15 exhibits. Are there any objections to the admission of  
16 Mr. Schallenberg's various testimonies?

17 Seeing no objection it is so admitted.

18 MR. CLIZER: Your Honor, I would note that we  
19 initially filed the rebuttal and surrebuttal testimony  
20 as confidential in their entirety. This was a  
21 precautionary measure because we felt like we were  
22 finding a large amount of confidential information.

23 If the Commission would so -- well, the OPC is  
24 not claiming any of the information filed as  
25 confidential, being claimed as confidential by Spire.

1 If the Commission would so like, we can let Spire  
2 determine if there's any portions. Obviously if they  
3 don't consider them confidential, and we may be able to  
4 file public, I'd offer that to both Spire and the  
5 Commission, otherwise we are prepared to stand on them  
6 being completely confidential.

7 Obviously, nobody's going to make a decision  
8 right now if necessary. I'm just throwing that out  
9 there.

10 THE COURT: Thank you. I appreciate that.  
11 We'll take that under advisement and I'll let you guys  
12 and ladies talk about that amongst yourselves.

13 Just for future reference, it's probably the  
14 better method just so we don't have to worry about the  
15 confidential on testimony, but I appreciate your going  
16 the extra mile to protect the Company.

17 MR. CLIZER: With that I tender the witness  
18 for cross.

19 THE COURT: Thank you, Mr. Clizer.

20 Going to my order of cross-examination for an  
21 OPC witness, skipping those that have been excused we  
22 come to Staff.

23 MR. THOMPSON: Thank you, Judge. This is  
24 Kevin Thompson for Staff. I have no questions of this  
25 witness at this time.

1 THE COURT: Thank you, Mr. Thompson.

2 And for Spire?

3 MR. COOPER: This is Dean Cooper. We have no  
4 questions at this time.

5 THE COURT: Thank you, Mr. Cooper.

6 That brings us to bench questions. Are there  
7 any questions from the Commissioners? And again to  
8 unmute it is \*6 if you're on your phone. Hearing no  
9 questions the Judge has a handful of questions.

10 EXAMINATION BY THE COURT:

11 Q. Mr. Schallenberg, OPC raised the  
12 capitalization of overheads issue in Spire Missouri's  
13 ISRS cases. That's GO20190356 AND 0357. Those ISRS  
14 cases included plant place in service between February  
15 1, 2019 and May 31, 2019. Your direct testimony  
16 schedule RES-D-4 includes capitalized overheads for the  
17 test year October 1, 2019 through September 30, 2020  
18 only; is that correct?

19 A. I can't say I recall that with enough detail  
20 but it sounds correct, but I don't have that kind of  
21 memory of the case.

22 Q. I think this is referring to your testimony in  
23 this case, your current schedule RES-D-4. I believe the  
24 -- what are the dates that your scheduled RES-D-4  
25 covers? What is the time period?



1           A.    October 1st of 2019 through September 30th of  
2    2020.

3           Q.    All right. Thank you. Does the test year in  
4    this rate case cover the Spire fiscal year reported in  
5    its 2020 annual report to the Missouri Public Service  
6    Commission? Does the test year in this rate case cover  
7    Spire's fiscal year which was reported in its 2020  
8    annual report?

9           A.    That is the test year and the fiscal year  
10   match. I believe their annual report matches on a  
11   fiscal year basis as well, but I know some of those  
12   reports come out on a calendar year basis, and I'm not  
13   100 percent, but I would say from my recollection annual  
14   report is on a fiscal year basis.

15          Q.    Thank you. And do you plan to update the  
16   overhead amounts in your direct testimony, and again  
17   this is schedule RES-D-4, do you plan to update that  
18   schedule to include plant placed into service through  
19   May 31st, 2021?

20          A.    I would say I'm not -- I don't know.

21          Q.    Other than labor and materials directly  
22   assigned to a capital project, is there any way, based  
23   upon the information provided by Spire to determine if  
24   any of the overhead allocations to the capital projects  
25   are in compliance with the USOA?

1           A.    I'd say if you want to play it by the  
2 precision and say do they have that kind of detail  
3 supporting on their overhead the answer's no.  If you go  
4 back and look at they use a lot of overheads that are  
5 labor based, and it's fairly -- if you can make the  
6 assumption that those overheads would be impacted by  
7 construction labor.  So -- and some of these -- I think  
8 it's ten overhead categories, some of those categories  
9 clearly are labor oriented, and so I don't -- I'm not  
10 challenging those types of overheads aren't being  
11 capitalized at the time.  There is a risk in that that  
12 there is some -- some misallocation, but I don't know  
13 what happened in this case.

14           Q.    I believe I have just a couple more questions.  
15 Do you know the total value of the test year plant  
16 additions included in rate base associated with the  
17 172.8 million of total overheads you listed on the same  
18 schedule we've been talking about, RES-D-4?

19           A.    As I recall the number is a calendar number of  
20 how much was capitalized over a 12 month period over a  
21 year, and so the plant balance is a moving balance  
22 during the year as different levels of construction  
23 materialized that would vary by month.  So there would  
24 not be on a year of capitalization of overhead, there  
25 wouldn't be one fixed plant balance.  It would be

1 constantly moving during the year.

2 Q. This is for my edification again. So there  
3 wouldn't -- we couldn't come up with one single number  
4 that would say this is the plant additions undertaken by  
5 Spire during the test year?

6 A. Yes. For example, January -- January, a  
7 certain amount of overheads would be capitalized based  
8 on January's activity. And when you get to February,  
9 February overheads will be based on February activity,  
10 and some of those projects will be completed so they're  
11 no longer subject to capitalization.

12 So the number that you're dealing with in a  
13 year where you say this is how much overhead you  
14 capitalize, that's a accumulative balance of all the  
15 fluctuating construction balances you have throughout  
16 the year.

17 Q. Okay. Would you agree that any tracking of  
18 overheads ordered in this rate case prospectively would  
19 not provide for any adjustment to capitalized overheads  
20 included in plant in this rate case?

21 A. Could you repeat the question?

22 Q. Yeah. I was thinking through that myself.  
23 Would you agree that any tracking of overheads ordered  
24 in this rate case prospectively would not provide for  
25 any adjustment to the capitalized overheads included in

1 plant in this rate case?

2 A. I would have to say it depends on how you  
3 design that tracker. It could or it couldn't if you  
4 designed it one way or the other.

5 Q. Let me think through this out loud maybe for  
6 just a second. Mr. Clizer was bringing up the points --  
7 he was bringing up the point that the recommendation by  
8 Staff in non term of art language is, we're going to  
9 leave alone the capital overheads that exist, and going  
10 forward we're going to have a tracker, or have a new  
11 system or have an order.

12 What I'm -- I think the question is getting  
13 at, is at that point in time when we switch, if the  
14 Commission switches, a tracker is not going to go back  
15 in time to do anything to these other capitalized  
16 overheads unless they're unfinished; is that --

17 A. If that's the case, of which you're talking  
18 about, the tracker can only track what it was -- from  
19 the time period it was on.

20 Q. Okay.

21 A. And it isn't designed -- I mean you'd have to  
22 do a special study to get to -- and the tracker isn't  
23 going to be designed to tell you how much it was last  
24 year or the next couple of years. It's only going to  
25 track when you put it in effect.

1 Q. Thank you.

2 THE COURT: That is all the questions I have.  
3 Let's go back to recross. Checking my handy  
4 list we come to Staff.

5 MR. THOMPSON: Thank you, Judge. Kevin  
6 Thompson for Staff. No questions.

7 THE COURT: Thank you, Mr. Thompson.  
8 Next we have Spire for recross.

9 MR. COOPER: Just a moment, Your Honor.  
10 No questions, Your Honor.

11 THE COURT: Thank you, Mr. Cooper.  
12 And redirect, Mr. Clizer.

13 MR. CLIZER: Hopefully keep this very brief.

14 REDIRECT EXAMINATION

15 BY MR. CLIZER

16 Q. Bob, you were asked a question about how to  
17 tell whether or not something was in compliance. You  
18 had responded in part talking about you weren't  
19 challenging all overheads. So just to try and clarify,  
20 what overheads -- what is your recommendation regarding  
21 overheads?

22 A. At this time the overheads that -- the  
23 practice that should be discontinued is the one that is  
24 called the general overhead, which is based on a  
25 construction labor ratio I think it's called.

1 Q. So it's not all overheads, just general  
2 overhead?

3 A. Not the overhead for like pensions and payroll  
4 taxes and those things, they might not be right, but I  
5 haven't studied them enough, and there is a general  
6 acceptance that that would be a capitalized cost.  
7 General overheads is the area you have the most trouble  
8 with in terms of being -- whether they are complaint or  
9 not, and that's where my focus is in this case.

10 Q. The only other question was related to this  
11 fiscal year timing issue, and maybe I was confused, but  
12 Spire's current test year coincide with their fiscal  
13 year?

14 A. With the 2020 fiscal year. We're now in a  
15 different fiscal year.

16 Q. Do they match up?

17 A. They match up.

18 Q. Okay. That was it.

19 THE COURT: Thank you.

20 Mr. Schallenberg, you are dismissed from the  
21 witness stand.

22 Before we dismiss for the day I want to go  
23 over just a couple of things. Tomorrow morning we are  
24 going to start at 9 a.m. It will be the same and new  
25 WebEx number that was sent out this afternoon if you

1 prefer to join by WebEx.

2           Tomorrow and likely for the remainder of the  
3 hearing, the live stream -- this is not the WebEx, this  
4 is the live stream that shows on the PSC website will  
5 not have video. It will be just like a local public  
6 hearing that we have had with this case and with others  
7 in the last year. It will have the full audio including  
8 the WebEx audio but will only show a still picture of  
9 the courtroom. Nobody on WebEx will be on the broadcast  
10 and we won't have it -- they will be able to see each  
11 other though.

12           That is all the announcements I have.

13           Are there any other announcements or closing  
14 business before I recess?

15           (No response.)

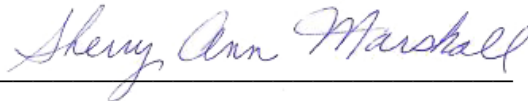
16           THE COURT: Excellent.

17                           (End of record.)  
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CERTIFICATE OF SERVICE

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I, Sherry Marshall, CCR No. 486, within the State of Missouri, do hereby certify that the testimony appearing in the foregoing matter was duly sworn by me; that the testimony of said witnesses was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this matter was taken, and further, that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.



Sherry Marshall, CCR



<hr/> <b>\$</b> <hr/>	25	<b>204P</b> 175:8	<b>391.5</b> 116:20
<b>\$1</b> 150:11	<b>16</b> 97:3 133:21 134:14,21,25 160:13, 14	<b>205C</b> 175:9	<b>391.95</b> 116:19
<b>\$112</b> 87:23	<b>16.5</b> 101:14	<b>207</b> 59:25	<b>3:00</b> 89:20,21
<b>\$115</b> 128:18	<b>16.9</b> 87:6,18 101:12	<b>20CSR4240-40.040</b> 127:17	<hr/> <b>4</b> <hr/>
<b>\$172.8</b> 165:1	<b>17</b> 60:8 133:21 134:14,21,25	<b>20th</b> 108:20	<b>4</b> 127:17 130:1 136:6 145:22 147:11,24 148:5 153:6 157:1
<b>\$173</b> 158:11	<b>17011</b> 60:1	<b>21</b> 159:9	<b>4232</b> 65:5
<b>\$2.50</b> 85:15	<b>172</b> 164:19	<b>22</b> 135:14 157:19	<b>46</b> 167:6,7,11 168:15, 18 171:11
<b>\$20</b> 85:16	<b>172.8</b> 179:17	<b>2230</b> 64:10	<b>47</b> 87:23
<b>\$200</b> 79:8	<b>17th</b> 108:16	<b>23</b> 135:14,15	<b>48th</b> 63:19
<b>\$25</b> 79:1,4,12	<b>18</b> 136:10 156:20	<b>24</b> 92:11 135:15	<b>4:50</b> 124:5
<b>\$400,000</b> 101:15	<b>19</b> 156:17 157:25 159:9	<b>25</b> 157:10 159:8	<b>4B</b> 126:16,19
<b>\$60</b> 68:5	<b>1988</b> 152:11,17,22 153:2,5	<b>250</b> 64:9	<b>4th</b> 167:20
<b>\$87</b> 158:13	<b>1994</b> 94:16	<b>29th</b> 171:17	<hr/> <b>5</b> <hr/>
<hr/> <b>0</b> <hr/>	<b>1st</b> 178:1	<b>2:48</b> 89:18,19	<b>5</b> 157:19
<b>0357</b> 177:13	<hr/> <b>2</b> <hr/>	<b>2nd</b> 58:9	<b>54</b> 88:2
<hr/> <b>1</b> <hr/>	<b>2</b> 55:4 109:6,8,10 160:3,4 173:11	<hr/> <b>3</b> <hr/>	<hr/> <b>6</b> <hr/>
<b>1</b> 58:4 109:6,8,10 177:15,17	<b>20</b> 79:17 87:17 105:2, 3 106:21 113:14 136:3	<b>3</b> 87:18 109:6,8,10 116:9,12,17 117:16 118:24 119:5,16 130:1 153:6	<b>6</b> 56:3 177:8
<b>10</b> 144:3,5	<b>200</b> 64:10	<b>30</b> 93:20 127:10 164:10 177:17	<b>600</b> 64:23
<b>100</b> 178:13	<b>2012</b> 93:21	<b>30th</b> 178:1	<b>63101</b> 63:17 108:10
<b>101</b> 111:7 143:5	<b>2019</b> 127:10 177:15, 17 178:1	<b>31</b> 177:15	<b>63108</b> 65:6
<b>11</b> 108:16 134:11 135:14	<b>2020</b> 93:20,23 94:4 97:3 108:16 160:9 165:23 173:11 177:17 178:2,5,7 183:14	<b>310</b> 55:9	<b>63118</b> 64:24
<b>112</b> 119:3,17	<b>2021</b> 55:4 60:8 108:16,17,20 178:19	<b>3112</b> 63:21	<b>63119</b> 64:17
<b>12</b> 179:20	<b>2030</b> 95:12 103:24 114:21,25 121:18	<b>3115</b> 64:22	<b>64112</b> 63:20
<b>125</b> 143:2,17,19	<b>203C</b> 175:8	<b>31st</b> 178:19	<b>65</b> 87:24 104:3
<b>128</b> 111:8,25 112:4	<b>204C</b> 175:8	<b>32</b> 152:24	<b>65101</b> 63:22
<b>13</b> 160:13		<b>35</b> 60:23,25	<b>65102</b> 64:4,11
<b>14</b> 60:8 108:17 116:7 156:19		<b>36</b> 60:23,25	<hr/> <b>7</b> <hr/>
<b>140</b> 143:2,17,20		<b>360</b> 64:3	<b>70</b> 151:1,11
<b>15</b> 66:17 132:20 133:21 134:11,14,21,		<b>381.1</b> 96:21	
		<b>382.2</b> 96:21	

<b>700</b> 63:17 108:9	114:12 115:11 116:19 118:2,4 157:4 160:18	131:25 132:16 174:19	<b>adopting</b> 99:7,9
<b>75</b> 104:4,20		<b>added</b> 57:10 113:14 135:24 147:7	<b>advantage</b> 72:8,10
<b>76.6</b> 87:21 88:6	<b>accounted</b> 85:7	<b>adding</b> 120:15	<b>advisement</b> 176:11
<b>8</b>	<b>accounting</b> 112:14, 23 113:4,10,19,23 114:4 129:5 133:15 147:3,6	<b>addition</b> 144:25 145:4 148:1	<b>advocates</b> 85:20,21
<b>80</b> 103:19 151:1,11	<b>accounts</b> 85:9 95:1 96:8,13,15,21 112:13, 22 118:2,18,19 120:6 122:2 126:11 135:24 148:17 165:13 168:3 172:20	<b>additional</b> 56:6 103:13 123:7 135:24, 25 139:9,18 140:6 147:7	<b>affects</b> 150:24
<b>8182</b> 88:3		<b>additions</b> 60:13 108:22 120:9,11 179:16 180:4	<b>affiliate</b> 72:3,6,14,16 73:14 74:10 81:23
<b>871</b> 64:16	<b>accrual</b> 93:19	<b>address</b> 59:24 64:9, 16,22 65:25 72:24 76:21 84:17 99:20 108:8	<b>affiliates</b> 72:8 75:3 169:21
<b>9</b>	<b>accrued</b> 100:12 105:17,23 106:1,24,25 118:8	<b>adjourning</b> 173:23	<b>affirm</b> 129:24
<b>9</b> 183:24	<b>accuracy</b> 78:20	<b>adjustment</b> 82:3 84:19 86:24 87:3 88:5 103:2,3 104:21 106:16,18 121:13,16 147:3,6 154:1 180:19, 25	<b>afternoon</b> 58:4 62:1 64:7 96:4 115:21 124:20,21 183:25
<b>900</b> 63:19	<b>accurate</b> 118:13 145:18 153:14	<b>adjustments</b> 87:10, 11,20 88:12,16 98:24 101:10,16 102:14,20 146:23	<b>aggressive</b> 103:5
<b>94</b> 123:8	<b>accurately</b> 129:21	<b>admits</b> 141:12	<b>agree</b> 92:16 116:22 118:23 136:16 141:15 144:21 147:12 148:10 150:7 156:21 157:23 158:2 180:17,23
<b>95</b> 116:21	<b>achieve</b> 69:23 71:11	<b>administrative</b> 136:11,25 163:3	<b>agrees</b> 100:12
<b>A</b>	<b>achieves</b> 70:14	<b>admirably</b> 131:25	<b>ahead</b> 58:18 59:13 61:2 63:11 77:7 96:3 97:21 108:1 121:2 122:18 132:21 144:18 156:3 173:24
<b>A&amp;g</b> 140:19	<b>achieving</b> 71:1	<b>admission</b> 60:25 111:25 112:3 134:24 168:18 175:15	<b>agreed</b> 99:24 105:2 120:22
<b>a-n-o-s</b> 59:11	<b>acknowledge</b> 98:13	<b>admittance</b> 109:9	<b>AJIT</b> 123:7
<b>A-N-T-R-A-I-N-E-R</b> 107:12,21,23	<b>acknowledged</b> 128:4	<b>admitted</b> 61:1 112:5 135:1 143:20,21 169:9 175:17	<b>alleviate</b> 157:24
<b>a.m.</b> 183:24	<b>acknowledges</b> 83:7	<b>admittedly</b> 119:23	<b>allocate</b> 75:4 132:5 138:25
<b>abide</b> 66:2	<b>act</b> 70:18 81:20	<b>adopt</b> 87:15 101:22	<b>allocated</b> 127:11,12 128:12
<b>abilities</b> 55:14	<b>actively</b> 70:24 71:5, 10	<b>adopted</b> 70:5 98:16 160:3,4	<b>allocates</b> 74:15
<b>ability</b> 86:3 128:9	<b>activities</b> 68:13 126:24 127:2 140:7 141:3		<b>allocating</b> 141:1
<b>accelerate</b> 79:21	<b>activity</b> 140:13,14 180:8,9		<b>allocation</b> 73:1 75:5, 7,8,24 129:18 135:22 136:7
<b>acceptable</b> 126:12	<b>actual</b> 77:22 79:22 83:13 98:21 100:9 101:1,3 117:20		<b>allocations</b> 77:21 169:17 178:24
<b>acceptance</b> 183:6	<b>add</b> 127:13 130:2		
<b>accepting</b> 169:3			
<b>access</b> 56:16			
<b>accessories</b> 91:6			
<b>accomplish</b> 139:16			
<b>accordance</b> 126:10			
<b>account</b> 74:14,15 80:3 82:5 93:19 100:16 103:7,10,15, 19,20,23 113:14			

<b>allocator</b> 161:2	<b>annually</b> 105:24 140:25	101:24 102:4 106:14 119:1 140:20 161:15	<b>assigned</b> 74:23 178:22
<b>allowable</b> 127:16	<b>answer's</b> 179:3	<b>appointment</b> 124:21	<b>assigning</b> 76:15 81:24 127:19 132:2
<b>allowed</b> 58:14 83:6,9, 10 84:20 123:24 132:15 154:3	<b>answers</b> 60:18 109:1 134:14,17 143:11,13 175:5	<b>approach</b> 95:3 117:16,18,19 119:23 120:22 126:12,22	<b>assignment</b> 169:13, 15
<b>alternative</b> 83:24 153:11 162:14	<b>Antrainer</b> 92:1 95:21 107:9,13,18,20 108:2, 7,9,14 109:12,21 110:1,6,9	<b>approaches</b> 128:6 149:14	<b>assignments</b> 126:17
<b>alternatively</b> 130:9	<b>Antrainer's</b> 109:5	<b>appropriately</b> 94:12	<b>assigns</b> 70:12
<b>alternatives</b> 170:6	<b>anyone's</b> 63:13	<b>appropriation</b> 94:20	<b>assistance</b> 145:3
<b>Ameren</b> 76:10	<b>Aplington</b> 57:5 62:25 63:1,6,16	<b>approve</b> 105:11 106:22	<b>Association</b> 61:11 65:8,11
<b>amortization</b> 94:25 96:13,15,20 99:9,12 100:5,10,18 105:6,8, 11,15 106:22 112:14, 18,23 113:1,4,10,18, 19,21,23 114:4,6,8 120:2,3,5,13,18,24 121:7	<b>apologies</b> 61:15 92:6 166:1	<b>approved</b> 67:21,24 70:6,8,10,24 101:8	<b>assume</b> 123:23 125:2 149:7
<b>amortized</b> 118:11	<b>apologize</b> 63:10 107:4 156:12 158:4	<b>approximate</b> 136:18 137:3	<b>assumed</b> 148:2,22
<b>amount</b> 69:1 71:18 82:22,25 83:25 84:2,6, 7,10,12 86:6 87:10 89:2,8 101:11 104:10 147:15 155:10 157:3 163:25 165:14 170:4 171:3 175:22 180:7	<b>apparently</b> 57:18 80:23	<b>April</b> 171:17	<b>assumption</b> 84:21 121:11 149:12 179:6
<b>amounts</b> 77:13 102:15 126:20 127:7, 13 146:12,19 148:2,8 149:24 150:8 153:23 158:5,16,18 159:13 164:20 178:16	<b>appeals</b> 104:11	<b>arbitrary</b> 83:6,8 126:19 127:4,13 132:3,4,14 148:2,7,11, 25	<b>attached</b> 151:25
<b>analysis</b> 77:18 137:24	<b>appearance</b> 58:20	<b>architects</b> 163:19	<b>attempt</b> 80:1 156:19, 24
<b>analyst</b> 108:13	<b>appearances</b> 57:1 63:10	<b>area</b> 56:20 183:7	<b>attempted</b> 99:17 129:10
<b>Andrew</b> 64:22	<b>appearing</b> 126:8	<b>argues</b> 80:11	<b>attempting</b> 76:25 85:5 98:1 119:22 120:25
<b>Anne</b> 63:18	<b>appears</b> 121:10 145:22	<b>argument</b> 72:23 78:24 80:13	<b>attention</b> 86:23
<b>announcement</b> 90:5	<b>Appendix</b> 116:9,12, 17 117:16 118:24 119:5,16	<b>arguments</b> 76:5	<b>attorney</b> 131:24
<b>announcements</b> 55:20 56:25 58:11 184:12,13	<b>Applebee's</b> 66:16	<b>arm</b> 130:15	<b>attorneys</b> 56:22
<b>annual</b> 93:18 128:15, 18 160:5,9 165:22 173:11 178:5,8,10,13	<b>applicable</b> 126:14 141:19 147:16 148:13 152:3,4 158:15 169:14,21	<b>arrived</b> 117:23	<b>audio</b> 55:18 58:2 90:17 184:7,8
	<b>application</b> 55:11	<b>art</b> 80:25 181:8	<b>audiovisual</b> 91:5
	<b>applied</b> 95:4 114:13 118:10 119:16 120:5 122:25 160:23	<b>aspects</b> 126:16	<b>audit</b> 129:11 139:15, 17 140:7 156:23 165:9 168:10
	<b>applies</b> 160:16	<b>asset</b> 83:25 92:23,24 93:1 113:16 154:8	<b>audited</b> 130:13
	<b>apply</b> 92:17 94:21	<b>assets</b> 93:2,19 94:13, 18,22 95:2,6,8,12 96:11,12,19 100:12 105:13 113:13,20 114:6,16,24 118:17 120:7,14,15 128:13	<b>August</b> 55:4 58:9
		<b>assign</b> 73:3 76:1	<b>authenticated</b> 168:23
			<b>authorities</b> 83:21 84:2

<b>authority</b> 84:14,15 85:7	<b>bank's</b> 67:11	<b>belief</b> 111:22 134:18 143:14	71:14 146:14
<b>Avenue</b> 59:25 63:22 65:5	<b>bankrupt</b> 88:22	<b>belies</b> 79:12	<b>borne</b> 82:7
<b>average</b> 79:19 101:22 102:2,7,14 103:19 104:3,8,14,18 105:3 106:11,20,21 116:15, 18 119:15	<b>banks</b> 66:23	<b>believes</b> 86:8 128:22	<b>bottom</b> 67:2 134:3,9
<b>avoid</b> 96:16	<b>barring</b> 131:1	<b>belonged</b> 134:3	<b>bought</b> 79:6
<b>aware</b> 152:15,25 153:4 169:5	<b>Barrs</b> 61:22,24 65:3 97:13,15 109:25 110:2 115:12,13 117:2 130:22,24 131:3,6	<b>bench</b> 62:19 117:15 122:10 140:8 141:13 159:21 169:24 177:6	<b>Boulevard</b> 64:17,23
<b>Azland</b> 64:2 96:3,4,5 111:1,16,24 112:2 117:5	<b>base</b> 77:1 80:16 83:23 84:1 88:2,10 89:5 129:23 144:22 150:24 151:2,6,15 154:3 158:7,25 172:6 179:16	<b>benefit</b> 72:13 80:13	<b>Box</b> 64:3,10
<b>B</b>	<b>based</b> 71:16 74:15 79:19 84:7 88:3,6,16 93:25 95:13 112:23 113:4,10 114:23 117:22,25 118:9 127:3 132:3 161:5,12,21,24 178:22 179:5 180:7,9 182:24	<b>benefits</b> 78:11,13 129:15 163:3	<b>break</b> 89:18 117:16 164:9,12
<b>B-A-R-R-S</b> 61:22 65:4	<b>basically</b> 74:13,25 83:7 98:1 99:24 100:2, 18 104:22 105:2,9 120:9 123:7 132:10 163:11	<b>biannually</b> 105:24	<b>breaks</b> 70:21 89:20 162:25
<b>B-O-C-K-S-T-R-</b> 57:14	<b>basics</b> 67:17 72:5	<b>Big</b> 168:8,11	<b>Bretz</b> 64:2
<b>B-R-O-W-N-L-E-E</b> 61:13 65:10	<b>basis</b> 84:6 105:23,25 128:15,22 130:7 146:16 147:15 148:18 155:20 157:4 162:12 165:18 178:11,12,14	<b>biggest</b> 68:7	<b>briefly</b> 76:6 117:15 120:2
<b>B-U-T-T-I-G</b> 110:14, 20	<b>bat</b> 86:23	<b>bill</b> 75:3,13	<b>bring</b> 104:17 124:16 165:2
<b>back</b> 67:1 72:23 73:3 74:23 75:5 86:7 89:23 94:16,17 123:5 138:5 139:21 145:20 147:10 149:11 151:14 154:19 155:9 167:21,24 168:4,14 169:25 179:4 181:14 182:3	<b>began</b> 105:10	<b>bills</b> 74:14 84:6 86:2	<b>bringing</b> 104:14 181:6,7
<b>backwards</b> 63:8 68:9	<b>begin</b> 55:5 80:4	<b>bit</b> 57:24 65:22 67:12 101:17 119:23	<b>brings</b> 78:8 79:15 177:6
<b>bad</b> 100:19	<b>beginning</b> 88:14 136:2 149:23	<b>black-and-white</b> 141:16	<b>broadcast</b> 55:18 184:9
<b>balance</b> 67:7,15 70:25 118:18 121:17 179:21,25 180:14	<b>behalf</b> 59:16 62:2 65:10 69:9 75:11 76:2 108:3 110:23 126:8 133:8 142:16 174:2	<b>blue</b> 68:16	<b>broadcasting</b> 90:8
<b>balances</b> 82:4 89:6 180:15	<b>behaves</b> 71:19	<b>Board</b> 61:10 65:8	<b>brought</b> 90:25 104:16 124:6 153:1
<b>ballpark</b> 150:10	<b>belabor</b> 86:16	<b>Boards</b> 65:11	<b>Brownlee</b> 61:12 65:9
<b>bank</b> 66:16		<b>Bob</b> 136:5 182:16	<b>Brydon</b> 63:21
		<b>Bockstruck</b> 57:3,4,7, 13 59:14,19,23 60:21 61:5 63:14,15,16 66:7 91:9,16 92:3,13,14 93:6,8,11 95:23 108:6 109:4,15,17 112:8,10 113:8,9 114:3 115:2 119:20 120:19 124:24 125:8,11,21	<b>budgeting</b> 140:25
		<b>bone</b> 72:23	<b>build</b> 76:25 89:3
		<b>book</b> 66:21	<b>building</b> 56:7 64:9 80:16
		<b>booked</b> 103:14 158:6 159:13 170:17	<b>built</b> 83:20
		<b>booking</b> 106:3 129:22	<b>bump</b> 124:13
		<b>books</b> 68:2,10 69:23	<b>bunch</b> 82:9 104:13 120:6 168:9
			<b>buried</b> 98:10
			<b>business</b> 59:24 64:9 66:19,22 67:7,10 69:9 71:20 77:24 81:20 108:8 138:1 184:14

<b>businesses</b> 67:2,4	141:1,6 155:21	155:6 160:10 162:24	121:12,15 134:1,15
<b>Buttig</b> 96:24 97:4	160:17,22 161:5,11,21	163:10 170:5 171:24	170:25
110:13,19,22 111:2	162:25 165:5 178:22,	177:21,23 178:4,6	<b>changed</b> 127:21
112:11,12,13	24 181:9	179:13 180:18,20,24	135:17 138:22
<b>button</b> 86:17	<b>capitalization</b> 83:3,	181:1,17 183:9 184:6	<b>characteristics</b> 93:1
<b>buy</b> 67:14 79:7	12 125:4,6,12 126:10	<b>cases</b> 79:25 112:20	<b>charge</b> 69:17 85:16
	127:7 148:7 149:15	127:13,16 135:22	154:1
	156:22 160:16 162:2	153:21 154:2,7,9	<b>charged</b> 84:8,10,12,
<b>C</b>	170:1 177:12 179:24	177:13,14	13,14,15 147:14
	180:11	<b>Casey</b> 64:2 96:4	148:16 155:3,4,5
<b>C-L-I-Z-E-R</b> 64:8	<b>capitalize</b> 83:5	<b>cash</b> 69:1,2 82:21	157:3
<b>C-O-F-F-M-A-N</b> 62:2	128:10 135:16 180:14	<b>cass</b> 106:12	<b>charges</b> 126:13
64:16	<b>capitalized</b> 129:11,	<b>cast</b> 114:15	148:18 163:1,21
<b>calculates</b> 93:18	16 130:4 136:12 141:5	<b>cast-iron</b> 95:9,11,13	<b>Charles</b> 55:2 58:7
126:9	144:22 145:12,17	102:21,25 103:2,4,7,9	<b>chat</b> 55:24
<b>calendar</b> 178:12	146:9,14,18,19 147:20	106:16 114:16,20,24	<b>cheap</b> 67:8
179:19	149:24 150:8,12,19	118:22 121:10,12,13,	<b>cheaper</b> 68:3,20
<b>call</b> 56:24 89:18 144:9	153:23 155:11 158:7,	17,25	<b>check</b> 66:14 135:11
158:4 166:2 172:3	12,14,20,25 159:14	<b>catch</b> 58:13	165:25
<b>called</b> 59:16 108:3	164:1 165:10 169:13,	<b>catching</b> 62:23	<b>checking</b> 109:13
110:23 133:8 142:16	15 171:4 177:16	<b>categories</b> 179:8	138:3 182:3
168:8 174:2 182:24,25	179:11,20 180:7,19,25	<b>causal</b> 136:18,20	<b>chief</b> 129:4 133:14
<b>Callenbach</b> 63:18	181:15 183:6	140:9,10,15,22,24	137:24
<b>callers</b> 57:9	<b>capitalizes</b> 126:21	141:22	<b>chili</b> 66:18
<b>calling</b> 115:11	<b>capitalizing</b> 130:8,10	<b>causation</b> 73:15	<b>chips</b> 68:16
<b>Cam</b> 75:15 76:13,14	132:2,3 153:10,11	126:23 140:21	<b>choices</b> 166:4
<b>camera</b> 89:17 90:14,	162:13,15 164:22	<b>caused</b> 73:16 133:16	<b>chooses</b> 169:1
15,19	170:6	143:1	<b>chose</b> 99:14,20
<b>Camp</b> 59:25	<b>Capitol</b> 63:21	<b>cease</b> 130:8,9 153:10,	<b>circumstance</b>
<b>capabilities</b> 78:7	<b>car</b> 79:6,7,8	11 162:12,15 164:22	130:14
<b>capacity</b> 66:12 111:3	<b>cards</b> 161:14	<b>ceased</b> 170:2	<b>cite</b> 151:22
133:13 174:7	<b>careful</b> 98:18	<b>central</b> 72:23	<b>citing</b> 99:18
<b>capital</b> 66:12,24,25	<b>Caro</b> 63:18	<b>CEO</b> 73:19,23 74:2,3,	<b>City</b> 63:19,22 64:3,10
67:3,6,8,16,20,23	<b>carrying</b> 68:10 71:13	6,14	65:14
68:1,3,21,24 69:6,12,	<b>cars</b> 79:10	<b>chain</b> 137:24	<b>claim</b> 102:10
15,19,24 70:1,5,9,10,	<b>case</b> 65:20 67:21	<b>Chairman</b> 62:16	<b>claimed</b> 175:25
13,17,20,23,25 71:2,6,	70:7,11 72:18 73:20	<b>challenging</b> 179:10	<b>claiming</b> 175:24
9,11,12,16,17,24	77:13 81:15 82:10	182:19	<b>claims</b> 78:9,16 102:6
77:25 81:10,12,14,17,	85:4,6 86:19 88:5,15	<b>change</b> 58:16 97:1	
19 82:21 87:14,17	89:1,25 92:17,19 94:4		
89:6 124:12 125:16	96:16,25 98:3,5		
126:3,13 127:20	101:12,14 104:19		
128:13 129:19,22	112:15,16 127:8,22,		
130:23 132:19 136:8	24,25 128:2 133:17		
	136:22 146:12 153:4,		
	6,24 154:2,11,19,21		

<p><b>clarification</b> 57:6,12, 15 59:22 77:4 80:20 93:5 102:24 107:22 111:15 113:7,25 116:11 119:12 125:10 149:17 154:13,24 159:5 169:19 170:20 172:5 174:10</p> <p><b>clarify</b> 119:22 130:25 182:19</p> <p><b>class</b> 101:23,24 102:3,4,15,16,17</p> <p><b>clear</b> 73:13 86:10 88:21 168:1</p> <p><b>clearing</b> 148:16</p> <p><b>clients</b> 56:18,23</p> <p><b>Clizer</b> 62:7,8 64:7 66:11 77:7,8 80:23 81:2 89:12,16 97:20, 21,22,23 103:1 107:7 115:18,20 116:12,14 117:10,11,13 119:14, 22,25 120:23 121:2,3 122:8,14,19,21 123:25 124:2,14,17 125:2 131:13,16,20 132:17 135:8 138:11,13 144:14,16 147:24 156:3,4,7,12,13 157:11,18 159:7,18,20 166:8,9 168:19 173:24,25 174:5,13 175:8,13,18 176:17,19 181:6 182:12,13,15</p> <p><b>clock</b> 89:19</p> <p><b>close</b> 154:25 173:17</p> <p><b>closing</b> 184:13</p> <p><b>Coffman</b> 62:1,2,4 64:15,16</p> <p><b>coincide</b> 183:12</p> <p><b>cold</b> 141:5</p> <p><b>collect</b> 89:6</p> <p><b>collected</b> 158:6</p> <p><b>collecting</b> 87:24 114:14</p>	<p><b>combined</b> 94:23 101:10 164:18</p> <p><b>comfortable</b> 123:11</p> <p><b>Commission</b> 55:5,22 58:9 60:21 63:23 64:1 66:8 67:21,24 69:9,10, 13,15,16 70:12,18,24 71:21 72:5 79:20 81:3, 9 83:9,24 84:22 85:4 86:20 92:15,20 95:10, 16 96:5,6,17,25 97:23 101:18,19 102:12 104:6 109:5 111:4 112:17 127:9,14,18,22 128:22 129:9 130:7, 16,17 131:14 132:12 137:9 142:24 146:22 152:5,19 153:9,20 155:14 162:12 164:22 165:4,23 169:1,3 173:10 174:19 175:23 176:1,5 178:6 181:14</p> <p><b>Commission's</b> 94:6, 10 127:8 147:4 172:17</p> <p><b>Commissioner</b> 57:16,22 62:13,14,17, 18 89:13</p> <p><b>Commissioners</b> 62:12 110:8 159:22 169:5 177:7</p> <p><b>common</b> 148:10</p> <p><b>companies</b> 76:9,17 88:19 130:16</p> <p><b>company</b> 59:16 63:1 68:2,11,19 69:11,12, 14,18,19,22 70:4,8,12, 13,14 71:19 72:20 74:7,9 76:12,19 77:17 78:25 79:1 80:18 81:19 83:2,8,19 86:5, 8,20 87:17 88:22 89:3, 6 92:21 93:3,14,16,25 94:3,6,14,24 95:18 96:12,18 98:7 100:11, 25 101:13 104:2,9,19, 23 105:16,22,25 106:2 108:3 112:22 114:16, 19 117:23,24 121:23</p>	<p>123:14 125:8,11 128:7,17,20 132:4,7 133:8 137:22 140:4, 10,13 166:22 168:25 176:16</p> <p><b>Company's</b> 84:4 85:15 93:20 95:1,3 101:15 128:18</p> <p><b>compensation</b> 82:15,16</p> <p><b>competitive</b> 67:7 71:20 77:24 81:20</p> <p><b>complaint</b> 183:8</p> <p><b>complete</b> 58:20 156:23</p> <p><b>completed</b> 136:23 180:10</p> <p><b>completely</b> 100:12 176:6</p> <p><b>completing</b> 161:3,9, 19</p> <p><b>complex</b> 129:20</p> <p><b>compliance</b> 129:25 130:11 153:13,17 155:18 162:17 165:11 178:25 182:17</p> <p><b>complied</b> 155:7 172:23</p> <p><b>comply</b> 81:22 162:2 172:25</p> <p><b>complying</b> 130:17</p> <p><b>comport</b> 86:17</p> <p><b>computer</b> 56:20 91:1</p> <p><b>concern</b> 124:11,15, 17</p> <p><b>concerned</b> 80:23</p> <p><b>conclude</b> 132:18 139:14 173:5</p> <p><b>concludes</b> 127:14</p> <p><b>conclusion</b> 81:6 160:14 161:15</p>	<p><b>conditions</b> 121:13</p> <p><b>conduct</b> 123:15 128:23</p> <p><b>conducted</b> 93:15 106:4</p> <p><b>conducting</b> 123:14 148:16</p> <p><b>conferences</b> 56:14</p> <p><b>confidential</b> 143:4 157:12 175:11,20,22, 25 176:3,6,15</p> <p><b>confidentiality</b> 157:14,15</p> <p><b>conflict</b> 130:4</p> <p><b>conforms</b> 83:17</p> <p><b>confused</b> 151:18 183:11</p> <p><b>confusing</b> 101:17,20 102:10 119:24 158:16</p> <p><b>confusion</b> 101:6</p> <p><b>connection</b> 57:21 58:1 60:10 62:6 66:9 116:24 128:5 131:15</p> <p><b>consequence</b> 153:7</p> <p><b>conservation</b> 84:17 85:8</p> <p><b>considerable</b> 87:10</p> <p><b>consideration</b> 154:5</p> <p><b>considered</b> 94:5 153:1,6</p> <p><b>consistency</b> 128:5</p> <p><b>consistent</b> 81:11 86:9 98:17,18 99:6,8 100:7 112:22 126:12, 22 167:6</p> <p><b>consistently</b> 127:11</p> <p><b>consisting</b> 99:23</p> <p><b>consolidated</b> 71:16 81:11,19</p> <p><b>constantly</b> 180:1</p>
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<b>constitutes</b> 170:3	170:9,16 177:3,5 182:9,11	<b>cost-benefit</b> 77:18	17,18,21 111:15 112:2 113:7,25 115:3,10,15 116:11 117:1,3,6,9 119:12 120:21 121:1 122:8,13,17 124:2 125:1,10,14,19,23 126:7 129:6 130:21 131:3,8,18,19 132:17, 24 133:1,2,5 134:23 135:6,10,12 138:3,10, 14,17 141:25 142:6,7, 11 143:18,24 144:3, 12,18 145:3 149:17 154:13,24,25 156:1 159:5,20 160:1 164:8, 11,13,14 165:19 166:6,8,10 167:3,7 168:16 169:5,19 170:11,20 172:5 173:4,16,18,21 174:10 175:13 176:10,19 177:1,5,10 182:2,7,11 183:19 184:16
<b>construction</b> 83:5, 14,16 126:24 127:1 136:7,14 139:1 140:14,17 141:3,11 145:17 146:1,3 148:1, 22 157:2 160:20 163:13,21 165:18 179:7,22 180:15 182:25	<b>cooperate</b> 153:19	<b>costly</b> 66:12,25 67:3, 6	
<b>Consultants</b> 60:5 93:4,15	<b>copies</b> 91:12	<b>costs</b> 73:3,15 74:22 75:3,5 76:1,15 81:24 82:23 120:15 126:24 127:6,11,12,14 128:12 129:15,19,21 130:3,9, 10 136:7,8,25 140:19, 21 144:22,23 145:1,5, 6,8,9,11,16 146:2,8 147:20 148:1,3,19 153:10,11 154:3,9 155:3,5,10 156:23 157:2 160:15,20 162:13,15,20,22 163:1,4,9,12,24 164:1, 3,4,6,23 165:5,10 169:13,21,24 170:1,3, 5,17 172:16	
<b>consumed</b> 140:17	<b>copy</b> 63:1 116:9 119:4 156:10,14 157:7 160:9 173:10	<b>Council</b> 61:25 62:3 64:14	
<b>Consumers</b> 61:25 62:2 64:12,14,19	<b>corporate</b> 163:22,24 169:17	<b>counsel</b> 57:4 63:10 64:6,8 65:4 89:14 97:19 110:4,5 115:17 131:10 135:7 138:12 153:19 173:9 174:9	<b>courtroom</b> 55:9 56:11 184:9
<b>contained</b> 111:13,20 134:13	<b>correct</b> 70:2 80:1 87:8,12,14 100:13 103:6 104:15 108:19 111:21 112:12 113:6, 12 116:3,8 122:13 134:12,17 143:13 144:24 145:13 146:10, 11,14,15,20,21 147:22 148:3,4,8,9,19,20 149:15,25 150:1,4,22 151:7,8,11,19,20 152:6,9,11,12,19,20 156:20 163:11 166:17, 18 167:5,18,22 168:11,12 169:18,20 170:7 171:1,2 174:19 177:18,20	<b>Counsel's</b> 173:24	<b>cover</b> 85:11,12 148:2 178:4,6
<b>continue</b> 70:19 78:5 90:12 105:23 106:2	<b>corrected</b> 108:20 109:10 174:22,25 175:10	<b>Counselors</b> 56:18	<b>covered</b> 86:15
<b>continuing</b> 101:7 118:17	<b>correcting</b> 115:22	<b>counter</b> 87:10,11	<b>covers</b> 122:15 177:25
<b>contract</b> 74:21	<b>corrections</b> 60:13 108:22 111:10,18 143:7	<b>counteracting</b> 89:1	<b>COVID</b> 65:22
<b>contribute</b> 111:6 150:15	<b>correctly</b> 141:14 158:18 164:5	<b>couple</b> 76:5 86:22 99:4 179:14 181:24 183:23	<b>crazy</b> 89:8
<b>contributed</b> 143:3	<b>corrupt</b> 66:10 116:25	<b>Coupled</b> 103:23	<b>created</b> 79:22 152:5
<b>controller</b> 129:4 133:14	<b>cost</b> 67:16 69:24 70:1 71:1,11 72:21 73:12, 15 78:24 79:1,3,8 82:12,18,22 87:2 96:8 98:15 101:23,24 102:3,5,16,17 106:12, 13,14 111:6 116:10, 12,16 119:3,17 122:3 126:23 136:12 140:21 143:3 144:25 150:3,19 168:2 171:10 183:6	<b>court</b> 55:2,19 57:6,8, 12,13,15,16 58:5,22 59:1,8,12,22 60:24 61:6,10,14,17,24 62:4, 9,22 63:3,8,23 64:5, 12,18,25 65:7,13,23 72:15 77:4 80:20 89:12,23 91:3,14,20, 23 92:5 93:5,6,9 95:23 97:7,12,18,21 102:24, 25 107:7,16,19,22,24 109:7,17,24 110:3,12,	<b>creates</b> 74:24
<b>controls</b> 72:17			<b>creation</b> 123:6
<b>convenience</b> 126:4			<b>credit</b> 67:9,16
<b>conveniently</b> 147:24			<b>critical</b> 85:23
<b>conversation</b> 168:24			<b>criticize</b> 100:2
<b>conversations</b> 56:22 123:22			<b>criticized</b> 99:7,8,12
<b>cool</b> 85:21			<b>criticizes</b> 100:4
<b>Cooper</b> 63:20 126:4, 6,8 129:6 133:6,11 134:20,23 138:16,18, 20 141:23,25 144:1, 11,13,20 145:7 149:20 154:15 155:8,24 156:1,8,11 166:2,4,7, 11,12,14 167:1,5,8,9 168:15 169:10,22			<b>criticizing</b> 105:10
			<b>CRIZER</b> 122:12
			<b>cross</b> 102:11 112:1,6 115:7,9 122:15 125:3, 6 131:4 176:18

<b>cross-examination</b> 61:7 66:3 109:16,18 110:1 112:9 115:19 131:4 134:22 135:3 138:6 143:23 144:6,19 156:6 166:13 176:20	<b>dealing</b> 145:15 146:12 180:12 <b>Dean</b> 63:20 126:7 138:17 177:3 <b>debt</b> 66:12,20,21,22 67:3,5,11 68:2,11,20 69:23 71:1,13 <b>December</b> 108:16 <b>decide</b> 153:16,20 <b>deciding</b> 77:25 <b>decision</b> 146:23 147:4 176:7 <b>decisions</b> 69:9 124:14 127:23 <b>decoupling</b> 85:3,10 <b>deficiency</b> 95:7 <b>definite</b> 83:4,16 <b>definition</b> 68:13 114:23 148:11,13 163:8 <b>demands</b> 67:12 <b>demonstrate</b> 130:11 153:13 155:18 162:16 <b>demonstrated</b> 153:17 <b>depend</b> 155:13 <b>depending</b> 123:19 <b>depends</b> 86:3 181:2 <b>depreciation</b> 98:12 <b>depreciating</b> 103:21 <b>depreciation</b> 79:23 82:4 85:11 87:4,8 90:3 91:25 92:10,12,16,17, 19,20,22 93:15,18,21, 23,24,25 94:3,5,7,13, 20,21,23 95:9,11,17 96:7,10,17,23 97:2,24 98:8,9 99:2,5,16 101:12 114:12,14,23, 25 117:20 118:8,16 119:18 121:15,22 123:16,17 150:24	<b>describing</b> 75:9 <b>description</b> 148:14 <b>design</b> 85:14 181:3 <b>designed</b> 121:16 181:4,21,23 <b>desired</b> 135:23 <b>detail</b> 76:21 139:5 177:19 179:2 <b>details</b> 139:10,13,15, 20 <b>deteriorate</b> 78:22 <b>determine</b> 77:18 130:16 136:13,24 159:12 161:5,11,20 162:1 165:10 169:7 176:2 178:23 <b>determined</b> 85:4 154:17 <b>developed</b> 77:22 82:15 <b>diaphragm</b> 76:23 77:19 78:3,6,12,14,21 79:2,12 80:3,5,7 82:5 <b>dictated</b> 149:9 <b>differ</b> 164:1 <b>difference</b> 87:19 117:25 122:23 <b>difficult</b> 98:3 105:12 <b>difficulties</b> 90:7 <b>diligence</b> 77:11 <b>dipping</b> 82:20 <b>direct</b> 59:18 72:1 75:13 88:1 94:4,9 98:10,17,19 99:6,8,21 100:3,8,25 101:2 105:7 108:5,15 109:10 110:25 121:21 126:17 133:10,17 135:13 140:1,12,18 142:18 146:21 147:2 148:1,5, 17 157:8,10,12 158:10 159:9 162:23 163:1 164:16,25 174:4,14,25	175:9 177:15 178:16 <b>directed</b> 158:11 <b>direction</b> 150:18 <b>directly</b> 70:22 178:21 <b>Director</b> 174:11 <b>directors'</b> 160:19,24 <b>disallow</b> 82:2 83:14 <b>disallowance</b> 171:9 <b>disaster</b> 171:8 <b>discern</b> 129:21 <b>disconnect</b> 79:22 <b>discontinued</b> 182:23 <b>discuss</b> 85:18 124:18 <b>discusses</b> 126:17 <b>discussing</b> 157:16 <b>discussion</b> 140:19 <b>dismiss</b> 183:22 <b>dismissed</b> 183:20 <b>displays</b> 165:13 <b>disruption</b> 57:21 60:10 62:6 128:5 131:15 <b>distancing</b> 56:6 <b>distributing</b> 91:19 148:18 169:21 <b>distribution</b> 76:15 157:4 <b>distributions</b> 161:4, 10,20 <b>doctor's</b> 124:21 <b>document</b> 144:16 <b>documentation</b> 155:23 <b>documented</b> 161:15 <b>dollars</b> 77:16 86:8,21 87:19 150:19,20,21,23 151:6
<b>crunch</b> 58:24 <b>curious</b> 91:2 <b>current</b> 65:22 85:15 90:11 93:20,25 125:5 154:11 177:23 183:12 <b>Curtis</b> 64:1 <b>curve</b> 113:5,11,20,24 114:5 <b>customer</b> 80:12 85:16 <b>customers</b> 67:25 68:6 69:21 70:16,19 72:13 73:10,11 77:15 80:6,9,13 81:4 82:7 84:12,13,15 85:22,23 88:25 89:7 128:7,20 <b>customers'</b> 84:6 <b>cycle</b> 70:21	<hr/> <b>D</b> <hr/>		
<b>damages</b> 160:17,23 <b>dangers</b> 72:16 <b>data</b> 94:12,15,16,19 123:3,5,7,8,10,12 129:14 156:24 168:9 <b>date</b> 55:4 <b>dated</b> 152:11 171:17 <b>dates</b> 177:24 <b>dating</b> 123:5 <b>David</b> 71:22 82:13 96:24 97:4 110:19,22 <b>day</b> 55:5 58:9 82:23 89:4 124:22 183:22 <b>days</b> 56:21			



<b>double</b> 66:14 82:6,20 154:12,14	<b>effective</b> 97:2	<b>engineering</b> 146:2,3 163:21,22	<b>estimations</b> 87:1
<b>doubt</b> 151:12	<b>effectively</b> 60:8 70:5 85:5 87:16 100:21 156:21	<b>England</b> 63:21	<b>evaluate</b> 156:25
<b>dozens</b> 129:19	<b>effects</b> 69:7	<b>enhanced</b> 135:19,21	<b>evening</b> 58:13 124:8 125:9,12 142:20,21 156:8,9,11
<b>draw</b> 86:22	<b>effort</b> 154:12	<b>ensures</b> 95:6,7	<b>Everygy</b> 76:10
<b>drivers</b> 93:1 140:21	<b>efforts</b> 84:25	<b>ensuring</b> 71:18	<b>everybody's</b> 63:12
<b>drives</b> 140:13	<b>EFIS</b> 65:20	<b>enter</b> 60:22 109:5	<b>everyone's</b> 105:2 124:6
<b>driving</b> 103:15,20	<b>electric</b> 151:22 152:14	<b>entered</b> 134:2	<b>evidence</b> 97:1 98:21 104:24 134:21 137:3
<b>dropped</b> 57:17	<b>elements</b> 168:2	<b>Enterprise</b> 72:21 104:23 106:19 116:1, 16	<b>evidentiary</b> 55:5 58:10
<b>due</b> 66:9 77:11 89:1 104:16 116:24 156:23	<b>eligible</b> 160:16	<b>entire</b> 160:18 165:6 172:4	<b>exact</b> 78:12,14
<b>dynamically</b> 69:18	<b>eliminate</b> 56:16 164:23	<b>entirety</b> 157:13 175:20	<b>examination</b> 59:18 108:5 110:25 117:12 128:1 133:10 135:12 138:19 142:18 160:1 170:13 174:4 177:10 182:14
<hr/> <b>E</b> <hr/>	<b>embedded</b> 164:3	<b>entity</b> 71:8 160:6	<b>excellent</b> 63:7 184:16
<b>e-mail</b> 65:25 91:14,18 166:19 167:14 171:13, 14,17	<b>employed</b> 60:2,4 73:21,23,24 75:1 108:11 111:2 133:12, 14 142:22 174:6,8	<b>entries</b> 58:20	<b>exception</b> 96:8
<b>e-mails</b> 168:16	<b>employee</b> 129:15 139:7 163:3	<b>entry</b> 57:1 63:9 139:8	<b>exceptions</b> 118:22
<b>earlier</b> 90:4 129:2 130:25 155:15	<b>employees</b> 74:19,20, 22 75:2,24 76:1 148:17,23 149:9,10 161:14	<b>envision</b> 153:22 155:17 171:3	<b>excerpt</b> 147:10 172:19
<b>early</b> 79:21	<b>encapsulation</b> 103:12,14	<b>envisioned</b> 56:13 153:18 163:14	<b>excerpts</b> 132:1
<b>earnings</b> 82:17	<b>encapsulations</b> 103:18	<b>equal</b> 150:12,20	<b>exchange</b> 166:20 167:13,14
<b>ease</b> 124:10	<b>encourage</b> 71:25	<b>equally</b> 160:15	<b>exciting</b> 85:20
<b>easier</b> 66:15,20	<b>end</b> 56:25 81:16 89:4 95:12 96:20 98:25 100:20 104:13 113:17 114:20,25 121:18 122:1 134:11 136:15 154:16 160:20 184:17	<b>equation</b> 102:4,16 106:14 119:2,17	<b>excusal</b> 58:22
<b>easiest</b> 104:17	<b>endeavor</b> 68:14	<b>equitable</b> 76:15,16 141:19	<b>excuse</b> 62:11 76:14 88:13 113:13 130:8 158:22
<b>East</b> 63:21 92:18 106:9 122:6,7,23,25 123:10 164:18,21 165:21	<b>ended</b> 151:4	<b>equity</b> 66:24 67:20 68:10,25 69:6 71:3,14 81:18 82:13	<b>excused</b> 58:21 61:20 62:5,6,20 64:13,19 65:1,15 109:19 110:10,11 124:4 142:2 173:7 176:21
<b>East's</b> 93:25 94:21 123:11	<b>Energy</b> 64:12,18 65:14 137:9 152:5	<b>error</b> 99:22 100:15	<b>exercise</b> 98:1 168:9
<b>Eastern</b> 61:21 65:2,4	<b>engineer</b> 111:5	<b>establish</b> 94:19	<b>exhibit</b> 60:25 109:10 111:7,8,25 143:2,5,19,
<b>easy</b> 71:8		<b>established</b> 66:19 140:10,22	
<b>echo</b> 63:13		<b>establishment</b> 169:15	
<b>edification</b> 180:2		<b>estimate</b> 68:4 126:23 150:10	
<b>education</b> 163:16			
<b>effect</b> 98:23 181:25			

20 167:2,5,7,11 168:15,18 169:8 171:11 173:12	<b>F</b>	<b>files</b> 99:2 100:1 117:23	<b>formal</b> 136:19 137:1 155:23
<b>exhibits</b> 60:23 63:2 65:18,24 91:5,11,18, 21 109:6,8 133:21 134:14,21,25 143:17 175:15	<b>F-E-R-C</b> 160:4	<b>filing</b> 100:3 167:22,25	<b>format</b> 90:13
<b>EXHIBITS@PSC. MO.GOV.</b> 66:1	<b>fact</b> 70:9 72:25 78:6 79:11,13 83:19 93:22 94:8 98:7 103:17,23 151:25 152:17 157:17	<b>final</b> 102:17 173:22	<b>forms</b> 70:11 72:23
<b>exist</b> 123:7 181:9	<b>factor</b> 158:15 161:1 169:12,14	<b>Finally</b> 72:15 73:13 78:23	<b>formula</b> 101:24
<b>existing</b> 77:19 78:11 79:2 82:4 85:2 102:13 106:9	<b>factors</b> 74:16 75:6,9 93:2 126:23,25 128:1 140:15	<b>financial</b> 72:8,10 137:23,25 171:7	<b>Fortunately</b> 131:23
<b>exists</b> 94:12	<b>fair</b> 76:14,16 88:25 89:5 159:17	<b>financing</b> 66:20	<b>forward</b> 58:18 85:20 86:8,13 90:12 91:15 101:13 107:1,10 110:14 123:8 128:21 130:7 146:16,19 162:11 171:1 181:10
<b>expect</b> 77:24 146:9 150:12 151:9,16	<b>fairly</b> 75:13 85:16 86:15 179:5	<b>find</b> 78:12	<b>found</b> 96:7 104:7 119:2 127:10 129:25
<b>expected</b> 113:14,20 114:5	<b>fall</b> 124:20	<b>finding</b> 175:22	<b>Frank</b> 63:18
<b>expense</b> 83:20,21,25 128:14 145:18 150:24, 25 151:2,7 154:1,22 158:6 159:3,13	<b>false</b> 58:5	<b>finds</b> 80:15	<b>frankly</b> 102:22
<b>expensed</b> 146:9 149:25 150:19 154:4 158:21,24 171:5	<b>familiarity</b> 123:20	<b>fine</b> 91:2 121:1	<b>free</b> 72:11 156:20
<b>expenses</b> 136:12 146:3,18,19 147:7 154:20 170:5	<b>favor</b> 75:6 172:12	<b>Firm</b> 65:10	<b>Friday</b> 72:2 82:14 131:2
<b>expensive</b> 79:12	<b>February</b> 177:14 180:8,9	<b>fiscal</b> 136:2 178:4,7,9, 11,14 183:11,12,14,15	<b>friend</b> 79:5
<b>experiencing</b> 90:7	<b>Federal</b> 137:8 152:5	<b>fix</b> 103:25	<b>front</b> 66:24 86:5 88:4 119:4 147:11,24 156:15
<b>expert</b> 71:22 129:13	<b>feel</b> 98:4 123:15 141:11,17 156:20	<b>fixed</b> 126:25 171:3 179:25	<b>full</b> 92:23 113:15 127:25 132:8 184:7
<b>explain</b> 82:14 99:18 120:3,25 148:21 150:3 162:6,7,19	<b>felt</b> 175:21	<b>flaws</b> 118:14	<b>fully</b> 100:12 105:17,23 106:1,23,25 113:21 114:6,9,11 118:8
<b>explained</b> 100:18	<b>FERC</b> 137:12,16 152:6,14,18 160:3,4, 10 173:11	<b>Fleming</b> 60:4 93:3,14	<b>function</b> 55:24 163:22
<b>explanation</b> 73:5 99:18 149:21	<b>field</b> 140:12 149:10	<b>flight</b> 58:13 62:23	<b>functions</b> 74:13
<b>extent</b> 149:23 150:4 168:19,21	<b>fieldwork</b> 163:14,17	<b>flow</b> 69:1,3 145:6	<b>fund</b> 86:6
<b>extra</b> 56:13 176:16	<b>figure</b> 57:24 91:4 98:1,5	<b>flowed</b> 74:23 145:8	<b>fundamental</b> 149:13
	<b>file</b> 55:6 58:10 94:3 98:8,15 99:14 116:23 174:22 176:4	<b>flowing</b> 69:1	<b>fundamentally</b> 127:20
	<b>filed</b> 88:1,6 94:7 98:10,20 99:5,11,15, 17 105:7 108:14 116:16 140:1 147:19 157:12 175:19,24	<b>fluctuating</b> 180:15	<b>funding</b> 86:4,12
		<b>focus</b> 92:12 126:15 183:9	<b>funneling</b> 80:17
		<b>follow</b> 76:17,20 90:3 137:12,16 139:25 144:14	<b>future</b> 84:3 95:8 96:16 106:4 107:3 158:8 159:1,15 176:13
		<b>follow-up</b> 140:2,3	
		<b>food</b> 66:18	
		<b>force</b> 81:19	
		<b>forcing</b> 69:8 82:7	
		<b>Forest</b> 65:5	
		<b>form</b> 74:8 133:18 139:6 160:3,4 173:11	

<b>G</b>	142:20,21 150:10 156:8,9,11 165:16	<b>happy</b> 144:9	<b>hitting</b> 86:17
<b>Gannett</b> 60:4 93:3,14	<b>goods</b> 72:11,12,22 73:12 75:10,17 81:24	<b>hard</b> 65:23 80:24 170:18	<b>hold</b> 110:6 125:24 154:9
<b>gas</b> 88:22,23 126:16, 19 129:25 136:6 147:23 151:23 152:14 153:5 160:5	<b>Governor</b> 56:7 64:9	<b>hat</b> 169:7	<b>holding</b> 76:17,18 155:9
<b>gave</b> 72:10	<b>GR-2021-0108</b> 55:6 58:10	<b>Hatcher</b> 55:2 57:19 58:7 77:5 80:21,25 138:22	<b>Holsman</b> 62:17,18
<b>gears</b> 90:23	<b>Grand</b> 64:23	<b>head</b> 79:3 161:23	<b>honestly</b> 82:13 132:6
<b>general</b> 71:24 83:12, 15 95:1 96:12 99:9,11 100:4,10,17 101:9 105:6,8,11,15 106:22 112:13,15,18,22 118:1 119:9 120:1,3,5,6,17, 24 121:7 127:5,12,24 136:11,25 139:4,8,11 146:2 153:21 161:1 163:4,25 165:15 182:24 183:1,5,7	<b>Granted</b> 58:22 125:1	<b>Heads</b> 56:24	<b>Honor</b> 58:19 62:25 64:15 117:11 124:25 126:6,9 129:2 133:6 134:20 135:5,9 138:16 141:24 143:16 144:2 155:25 157:11 166:12 167:1,6 170:10 173:25 175:18 182:9,10
<b>generally</b> 112:19 118:21 123:18	<b>gross</b> 84:4,5	<b>hear</b> 56:21 57:7,17, 19,20 78:24,25 115:25	<b>hospital</b> 85:25 86:1
<b>generate</b> 69:1	<b>Group</b> 64:13	<b>heard</b> 87:22 90:4 139:13 141:14 175:14	<b>house</b> 57:4 67:14
<b>generates</b> 82:17	<b>grow</b> 80:23	<b>hearing</b> 55:4,6,8 57:9 58:6,8,10,17 61:1 66:10 89:15,25 110:9 112:4,5 116:25 125:5 135:1 143:20,21 159:24 161:16,17 168:18 170:18 174:16 177:8 184:3,6	<b>Housing</b> 61:14 64:20, 22 97:8 109:20 115:4
<b>Geoff</b> 85:17	<b>guarantees</b> 69:3	<b>hearsay</b> 168:20,23 169:6	<b>huge</b> 69:1
<b>get all</b> 102:11	<b>guess</b> 69:11 126:7 138:17 149:21 154:4, 17 155:16 156:25 158:9 159:3	<b>heavily</b> 75:6	<b>humor</b> 103:2
<b>give</b> 56:10 67:11 72:12 84:22 85:12 103:8 164:10	<b>guidance</b> 130:5	<b>heavy</b> 139:23 172:3	<b>hundred</b> 150:13,16, 23 151:6,15,17
<b>giving</b> 72:7 81:25	<b>guide</b> 71:10,15	<b>helpful</b> 123:18	<b>hundreds</b> 77:15,16
<b>GO-2019-0356</b> 127:9	<b>guys</b> 176:11	<b>hesitant</b> 118:16	<b>hurts</b> 72:12
<b>GO20190356</b> 162:24 177:13	<b>H</b>	<b>hey</b> 98:20	<b>hybrid</b> 55:7 65:22 89:24 90:13
<b>GO20190357</b> 162:24	<b>half</b> 120:1	<b>hierarchy</b> 149:8	<b>hypothetical</b> 151:5
<b>GO20200416</b> 96:25	<b>hand</b> 59:6 107:14 110:15 144:15 150:17 173:14	<b>high</b> 71:2 82:10 150:7	<b>hypotheticals</b> 151:5
<b>gold</b> 76:24 77:9 80:18,21 81:4	<b>handed</b> 132:1 145:20, 21	<b>high-cost</b> 70:17	<b>I</b>
<b>Goldie</b> 57:4,13 63:16	<b>handful</b> 177:9	<b>higher</b> 66:11 69:5 70:1	<b>i.e.</b> 90:15
<b>good</b> 56:21 57:3 62:1 63:6 64:7 66:19 67:9, 16 70:25 71:12 79:9 96:4 115:21 128:20	<b>handle</b> 58:1	<b>highlighted</b> 147:25	<b>idea</b> 67:8 75:25 76:18 78:13 90:21 100:10,19
	<b>handled</b> 127:24	<b>highly</b> 55:25 88:18	<b>ideas</b> 85:21
	<b>handy</b> 92:2 138:6 143:25 182:3	<b>Hill</b> 59:25	<b>identical</b> 152:21
	<b>happen</b> 87:3 119:8	<b>historical</b> 94:15,19 123:12 126:13	<b>identification</b> 133:22
	<b>happened</b> 98:5 179:13	<b>Historically</b> 123:4	<b>identified</b> 157:24
	<b>happening</b> 75:16		<b>identifies</b> 148:5

<b>identify</b> 137:5	151:1,13	<b>intermission</b> 89:19	85:19 87:1 97:17
<b>ignoring</b> 83:19	<b>incremental</b> 78:24	<b>internal</b> 137:2	100:4 116:24 119:8
<b>image</b> 134:2	136:12	<b>Internet</b> 55:10	125:15 131:1,2 155:1
<b>immediately</b> 100:11	<b>incurred</b> 144:23	<b>interpretation</b> 79:20	<b>item</b> 92:16
105:17 115:22	145:1,2,5,10 147:21	151:22 152:10,13,16,	
<b>impact</b> 86:19 150:8	<b>indefinitely</b> 70:20	17,23 153:5	
151:10,16	104:8	<b>interrupt</b> 163:20	
<b>impacted</b> 179:6	<b>indirect</b> 163:12	<b>intertwined</b> 73:6	
<b>impacts</b> 128:8 149:22	<b>individual</b> 106:3	<b>Intervenors</b> 86:15	
<b>impeding</b> 63:13	107:1 120:14	125:3	
<b>implement</b> 153:20	<b>Industrial</b> 64:18	<b>introduced</b> 169:2	
172:15	<b>influenced</b> 74:16	<b>introducing</b> 167:3	
<b>implemented</b> 136:2	<b>information</b> 63:12	<b>introduction</b> 63:13	
<b>important</b> 88:23 99:4	90:6 94:17 111:13,20	<b>invest</b> 68:17	
<b>impose</b> 84:8,9	124:6 129:17 134:18	<b>investigatory</b> 130:15	
<b>inaccurate</b> 94:23	139:19 165:8 166:21,	<b>investment</b> 77:6,16	
<b>inappropriate</b> 94:22	22 167:18 175:22,24	78:1 79:9 82:6	
<b>inappropriately</b> 73:2	178:23	<b>investments</b> 79:16	
<b>Inc.'s</b> 73:19,22 74:14	<b>infrastructure</b> 77:2	89:7 127:20	
<b>incentive</b> 82:15,16,18	<b>initial</b> 87:22 94:16,17	<b>investor</b> 86:11	
<b>include</b> 82:20,22,25	140:1 144:8	<b>invoice</b> 139:6	
83:1 84:5 178:18	<b>initially</b> 88:20 175:19	<b>involves</b> 77:3 102:21	
<b>included</b> 77:13 84:1,	<b>injuries</b> 160:17,23	<b>iron</b> 114:15	
7 93:16 94:16 96:23	<b>insinuated</b> 102:22	<b>irrelevant</b> 78:17,18	
139:12 158:25 177:14	103:1	<b>Irving</b> 64:2	
179:16 180:20,25	<b>installation</b> 94:17	<b>ISRS</b> 87:23 103:10,24	
<b>includes</b> 56:22	96:9	104:6,11,16 121:19	
177:16	<b>installations</b> 96:22	122:1 127:22 158:8,10	
<b>including</b> 85:22	<b>instance</b> 130:18	159:1,14 171:24	
129:22 184:7	<b>instruction</b> 126:16,	177:13	
<b>inclusion</b> 83:18	19 145:22 147:11,23	<b>issue</b> 72:3 79:15	
<b>income</b> 83:20,21,25	157:1,6	82:12 83:25 90:3 92:6,	
85:19,21 131:2 158:14	<b>instructions</b> 130:1	11,19 95:10 99:23	
<b>inconsistencies</b>	153:5 156:25	123:4 124:6,19 125:3,	
99:21	<b>insurance</b> 160:18,19,	9,12 129:10 131:7,24	
<b>inconsistency</b> 100:3	23,24	132:19 144:23 145:16	
<b>increase</b> 88:2,10,19	<b>intend</b> 115:7	146:23 153:1 157:15	
89:5 101:11,13	<b>intended</b> 100:23	177:12 183:11	
128:11,17 150:13,21	<b>intending</b> 78:20	<b>issued</b> 84:11 127:9	
	<b>interim</b> 113:5,11	<b>issues</b> 58:2 66:9 82:9	
			85:19 87:1 97:17
			100:4 116:24 119:8
			125:15 131:1,2 155:1
			<b>item</b> 92:16
			<b>J</b>
			<b>J-O-H-N</b> 59:10
			<b>Jamie</b> 64:1
			<b>January</b> 180:6
			<b>January's</b> 180:8
			<b>Jefferson</b> 63:22 64:3,
			10
			<b>JJS-R1</b> 60:11
			<b>JJS-R2</b> 60:11 93:16
			95:18
			<b>job</b> 174:9
			<b>jobs</b> 147:14
			<b>John</b> 59:10,15 60:6
			62:2 64:7,15 87:4
			93:17 94:14 95:20
			97:23 106:6,17,18
			<b>join</b> 184:1
			<b>joint</b> 103:11,14,17
			<b>joking</b> 81:2
			<b>judge</b> 55:3,22 57:3,
			18,19 58:8 59:14
			61:15 63:3,15 64:21
			65:3,18,20 66:7 77:5
			80:21,25 92:14 97:11,
			15 109:22 110:2
			115:6,14 122:16
			138:9,21 142:13
			144:15 159:24 166:15
			168:15 170:12 172:7
			176:23 177:9 182:5
			<b>Judge's</b> 90:15 168:13
			169:11
			<b>judgment</b> 127:4
			148:12 149:3,4,14
			<b>July</b> 60:8 108:17,20
			<b>June</b> 60:8 108:16

<b>justifications</b> 78:2	<b>largely</b> 99:8	<b>Linhares</b> 61:15 64:21,22 97:9,10,16 109:20,22 115:5,6	<b>lower</b> 69:23
<hr/>	<b>lash</b> 128:19	<b>list</b> 92:8 98:11 112:7 125:17 130:21,23 135:3 138:6 143:25 165:3,6,25 175:14 182:4	<b>lowest</b> 67:16 71:1,11
<b>K</b>	<b>late</b> 124:7 156:12	<b>listed</b> 179:17	<b>luck</b> 62:23
<hr/>	<b>laugh</b> 102:22	<b>listening</b> 115:23	<b>lumping</b> 105:13
<b>K-R-I-C-K</b> 132:22 133:4	<b>laurels</b> 84:21	<b>listing</b> 147:13	<hr/>
<b>Kansas</b> 63:19 65:14	<b>law</b> 55:3,22 58:8 65:10 103:25	<b>lists</b> 164:19	<b>M</b>
<b>Karen</b> 64:2	<b>lawyers</b> 137:17 163:19	<b>litany</b> 145:1	<hr/>
<b>keeping</b> 90:8	<b>lead</b> 66:6 108:13 173:5	<b>literally</b> 75:14 86:5	<b>M-A-T-T-H-E-W</b> 142:10
<b>Kevin</b> 61:8 64:1 135:4 138:8 142:14 170:22 176:24 182:5	<b>leads</b> 165:24	<b>litigate</b> 104:12	<b>Madam</b> 57:16
<b>kind</b> 77:25 86:12 98:4 105:15 150:3,7 151:3 177:20 179:2	<b>leave</b> 181:9	<b>live</b> 55:12,16 90:1,8, 14,17 184:3,4	<b>made</b> 84:25 100:17 103:2 136:13 146:17 154:6 170:4
<b>knew</b> 88:16 135:23	<b>leaves</b> 62:7 115:16 117:9	<b>lives</b> 118:9	<b>Madeline</b> 64:3
<b>knowing</b> 139:20	<b>ledger</b> 127:5 139:4,8, 11 165:15	<b>LLC</b> 60:5 65:10 93:4	<b>Madison</b> 64:10
<b>knowledge</b> 111:22 134:18 140:1 143:14	<b>ledgers</b> 139:9	<b>loan</b> 66:16 67:13	<b>magically</b> 76:19
<b>KOLKMEYER</b> 57:16	<b>left</b> 86:25	<b>local</b> 184:5	<b>main</b> 92:19 95:9,12,13 114:24 117:25 119:8 121:17
<b>Krick</b> 125:17,19,23 128:17 129:3 132:22 133:4,7,12 135:13 138:21 142:2 162:24 163:9	<b>legal</b> 61:21,22 65:2,4 97:13 109:25 115:12 130:22 131:1	<b>long</b> 78:21 98:2 104:5 119:6 131:22 164:11	<b>mains</b> 102:21,25 103:2,4,7,10,13,15 104:1,4,10 106:17,18 114:20 118:22 121:14
<b>Krick's</b> 158:13	<b>length</b> 85:18	<b>longer</b> 180:11	<b>mains'</b> 100:16 103:19,20
<hr/>	<b>level</b> 82:11 127:1,5 149:13 150:7 159:3	<b>longevity</b> 103:12	<b>maintain</b> 68:20 69:15 84:20 85:2 101:7 102:13 106:8 129:16 136:5 137:5 139:9
<b>L</b>	<b>levels</b> 179:22	<b>loop</b> 70:11,15	<b>maintained</b> 70:10,15 101:1
<hr/>	<b>lieu</b> 126:25 136:19	<b>lose</b> 120:13	<b>maintaining</b> 67:9,16 69:5,25 70:25 71:12
<b>labor</b> 140:12,18 148:17 178:21 179:5, 7,9 182:25	<b>life</b> 79:19,22,23 92:24, 25 95:5 101:22 102:2, 15 103:19 104:3,9,14, 17,18 105:3 106:11, 20,21 113:16 116:1,7, 15,18 118:20,23 119:1,16 122:4 128:13	<b>loss</b> 83:18	<b>maintains</b> 94:6 96:12 139:4
<b>lack</b> 90:8	<b>lift</b> 97:24 139:23 168:8,11 172:3	<b>lost</b> 123:5	<b>major</b> 81:7 86:11
<b>lacked</b> 85:6	<b>limited</b> 122:10 125:2	<b>lot</b> 68:25 81:8 87:6 90:7 107:5 132:6 140:13,18 159:6 168:7 172:8 179:4	<b>majority</b> 73:3
<b>ladies</b> 176:12	<b>lines</b> 135:14,15 156:19 157:19 159:9 160:13	<b>lots</b> 139:20 140:20	<b>make</b> 56:10,15 58:23 60:14 63:6 65:21 69:3, 9 70:2 75:17 77:25 78:5 82:3,23 83:1,2 86:10 88:21 90:5
<b>lag</b> 82:19		<b>loud</b> 157:21 181:5	
<b>laid</b> 149:18		<b>Louis</b> 63:17 64:17,23 65:5 108:10	
<b>language</b> 152:21 161:24 181:8		<b>low</b> 85:19,21 131:1	
<b>large</b> 71:17 89:1 98:16 104:10 154:1 175:22			

98:24 105:20 106:16, 17 108:23 121:16 124:14 133:25 142:4 154:11 159:12 163:5 171:9 175:2 176:7 179:5	<b>Matthew</b> 57:4 142:9, 15,25	109:12	5,10 149:14 152:3,4 155:10 160:2,4 164:18 165:21,22 166:20 167:15 178:5
<b>makes</b> 65:22 74:4 100:9 102:8 105:11 148:25 173:8	<b>Mckernan</b> 64:3	<b>microphone</b> 93:10 173:17	<b>Missouri's</b> 93:19 127:3,15,19 146:14 148:15 165:9 177:12
<b>making</b> 67:23 78:6 81:25 101:16 103:11 120:12 149:12	<b>meaning</b> 55:8	<b>microphones</b> 56:21	<b>mistake</b> 100:13
<b>manage</b> 69:18 74:9	<b>means</b> 70:16 76:19 80:5,17 81:23 89:1 94:23 103:20	<b>middle</b> 162:18 171:16	<b>model</b> 76:8
<b>managing</b> 69:11,12 70:24 71:6,10	<b>meant</b> 72:6 120:25 137:2 162:19 169:24	<b>Midwest</b> 64:12	<b>modify</b> 128:25
<b>manipulated</b> 73:2	<b>meantime</b> 155:9	<b>mile</b> 176:16	<b>moment</b> 57:11 67:1 74:6 182:9
<b>manipulation</b> 75:8	<b>measure</b> 175:21	<b>million</b> 68:5 86:8 87:6,17,18,23,24 88:2, 6 101:12,14 128:18 150:11,18,20,21,23 151:1,6,11,15,18 158:12,13 164:19 165:1 179:17	<b>money</b> 71:18 74:1 80:17 82:22,25 83:1 86:6 87:6,23
<b>manner</b> 71:19 73:2 95:1,6 157:13	<b>mechanically</b> 172:15	<b>millions</b> 77:16	<b>monitor</b> 55:12
<b>manufacturers</b> 78:4	<b>mechanism</b> 84:19 85:7,9	<b>mine</b> 122:2 137:22 156:4	<b>month</b> 179:20,23
<b>mark</b> 109:7 167:1	<b>mechanisms</b> 73:1 84:17	<b>mini</b> 96:1 97:11,17 125:21,24 126:2 130:25 132:18	<b>monthly</b> 105:24 127:1 141:1,12
<b>Marke</b> 85:17	<b>meet</b> 78:19 94:9	<b>minimum</b> 85:1	<b>morning</b> 57:3 58:6 65:17 124:13 183:23
<b>marked</b> 111:7,8 133:21 143:1,2,4	<b>memory</b> 177:21	<b>minor</b> 134:1	<b>mouth</b> 155:1 173:17
<b>Market</b> 63:17 108:9	<b>mention</b> 65:17 139:23 171:20	<b>minute</b> 110:6 122:20	<b>mouthful</b> 107:4
<b>marketing</b> 137:25	<b>mentioned</b> 102:19 120:2 129:2 141:8 168:13	<b>minutes</b> 164:10	<b>move</b> 60:21 62:10 63:8 72:3 76:22 77:8 81:5 91:25 97:8,13 109:4 110:12 111:24 114:15 115:4,12 116:21 119:24 121:9 131:20 145:12 165:16, 17
<b>marking</b> 63:5	<b>merit</b> 78:3	<b>misallocation</b> 179:12	<b>moved</b> 150:23 151:1
<b>massive</b> 103:22	<b>meter</b> 77:1 78:4 79:13 80:3,12 96:9,22	<b>mishearing</b> 81:1	<b>moving</b> 85:2 93:9 107:1 159:6 179:21 180:1
<b>match</b> 92:22 178:10 183:16,17	<b>meters</b> 76:23 77:10, 19,20 78:3,6,7,8,10, 12,15,19,20,21 79:1,2, 11,12,17,19,21,23 80:5,6,8,10,14 82:3,5, 8 96:9,22 99:24 105:1, 4 106:21	<b>misleading</b> 78:25	<b>MSBA</b> 65:12
<b>matches</b> 178:10	<b>method</b> 102:7,9 118:12,13 119:13 127:23 136:13 139:24 141:11,21 149:3 176:14	<b>mismatch</b> 155:12	<b>multiple</b> 71:5 80:14 156:24
<b>material</b> 90:25	<b>methodology</b> 95:4	<b>misquoted</b> 106:5	<b>municipalities</b> 84:8, 9
<b>materialized</b> 179:23	<b>mic</b> 154:25	<b>Missouri</b> 61:19,21 62:3 63:17,20,22 64:4, 11,14,17,18,23 65:1,2, 5,8,11 67:19 68:9,15, 23 69:4,22 70:18,22 71:7 72:22 73:3,8,10, 17,24 74:7,17,18,20, 24 75:11,19,20,21 76:1,2,25 81:13,22,25 89:25 95:16,21 108:10 111:4 126:8,9,21 127:11 129:5 133:15 142:23 144:23 145:1,	<b>Murray</b> 71:23 72:1 82:13
<b>materials</b> 178:21	<b>Michelle</b> 95:21 107:20 108:2,9,14		
<b>math</b> 121:21			
<b>Matt</b> 63:16 136:4,9			
<b>matter</b> 78:4 120:17 170:3			
<b>matters</b> 65:16			

<b>mute</b> 55:21	<b>note</b> 56:20 58:23 87:13 157:11 175:18	110:4,5 115:16 131:9 135:7 138:11 146:2 160:18,23 163:17 174:8	<b>opportunity</b> 62:11 67:5 128:2
<b>Myers</b> 64:2 117:8	<b>noted</b> 134:15	<b>officer</b> 129:5 133:15 137:25 142:23	<b>opposed</b> 145:18
<b>N</b>	<b>notice</b> 56:17 65:23 86:23 87:5 157:17 163:6,7 165:21	<b>officers</b> 75:24	<b>opposition</b> 159:10
<b>names</b> 92:2	<b>number</b> 55:6 58:10 109:6 146:25 147:5 151:4 164:19 179:19 180:3,12 183:25	<b>officers'</b> 160:19,24	<b>Oracle</b> 135:20
<b>NARUC</b> 151:22 152:8,10,14,22	<b>numbers</b> 162:24 174:20,23	<b>official</b> 135:3 165:21, 25	<b>order</b> 61:6 66:2,3 71:15 81:10,22 82:5 83:5,9 89:2 92:8,24 93:12 95:17 96:6,17 102:13 103:6 105:16, 22 106:23 112:17 113:15 117:14 121:7 126:1 127:8 129:7 130:7,9 144:5 146:22 153:9,11 157:3 162:12,14 163:6,7 164:22 165:4 174:18 176:20 181:11
<b>National</b> 61:14 64:20, 21 97:8 109:20 115:4	<b>O</b>	<b>offset</b> 83:22 84:3 87:9 89:8	<b>ordered</b> 96:19,25 100:11 180:18,23
<b>Natural</b> 88:23	<b>O&amp;m</b> 141:7	<b>offsets</b> 151:10	<b>ordering</b> 120:17
<b>nature</b> 157:3 160:15 165:13,17	<b>object</b> 119:20 124:24	<b>one's</b> 98:20	<b>orders</b> 69:15,16 129:19 155:14
<b>necessarily</b> 141:15	<b>objection</b> 120:19 124:23 168:17,20 169:8 175:17	<b>onward</b> 146:4	<b>oriented</b> 179:9
<b>necessitate</b> 128:10	<b>objections</b> 58:15,17 60:24 61:1 109:9,13 112:3 125:14 134:24 143:19,21 175:15	<b>OPC</b> 72:24 80:11 84:24 85:14 86:7 93:22 94:5 95:14 98:20 99:15 100:2,12, 13 101:6 102:23 103:1,3 120:22 123:22 126:15 136:4 139:12 144:2,10 164:16 166:3 174:2 175:23 176:21 177:11	<b>origin</b> 129:21
<b>needed</b> 79:10	<b>obligation</b> 130:15	<b>OPC's</b> 80:12 86:19 87:1,20 88:5,9 172:11	<b>original</b> 116:6 122:3 123:5
<b>needing</b> 85:1	<b>obsolete</b> 78:3	<b>opened</b> 66:18	<b>orphans</b> 68:17
<b>negative</b> 87:17,20 88:6,7,11 161:17	<b>occur</b> 96:14 136:1	<b>opening</b> 58:14 63:9 66:3,4 85:13 92:3,6,8, 11 97:10,11,16,17 101:9 115:23 125:22, 24 126:2,5 129:7,8 130:23 131:1,9,12 132:18 144:5,17	<b>outdated</b> 93:22
<b>negotiation</b> 56:14	<b>occurred</b> 87:8 96:14	<b>openings</b> 91:18,20 96:1 130:21	<b>outlined</b> 98:11
<b>net</b> 83:18 101:23 102:3,15 106:11 118:24 119:1,16 151:1	<b>occurring</b> 73:5 74:12 89:9	<b>operating</b> 83:18	<b>outstanding</b> 121:17, 25
<b>newer</b> 135:20	<b>October</b> 97:3 127:10 177:17 178:1	<b>operation</b> 73:9 140:16	<b>overhead</b> 103:8 125:13 126:10,24 127:7,11,14 129:15,21 130:9 135:17 136:7 141:10 146:1 147:15 148:18 153:10,24 156:23 157:1,2 159:4 162:1,13,20,22 163:9, 12 164:1,4,20,21,23, 24 165:10,14 172:16 178:16,24 179:3,8,24 180:13 182:24 183:2,3
<b>Niemeier</b> 57:5 63:17	<b>odd</b> 87:19	<b>operational</b> 163:1	
<b>nobody's</b> 176:7	<b>offer</b> 97:10 123:21 134:20 139:18 143:17 167:19 168:15 169:2 175:8 176:4	<b>opinion</b> 73:4 117:25 130:3 172:23,25	
<b>NOL</b> 83:22	<b>offered</b> 60:6 78:2 109:8 139:21 167:4, 17,19 168:5,20,21 172:2		
<b>non-operational</b> 130:8	<b>office</b> 56:7 57:23 64:6,8,9 89:14 97:19		
<b>nonissue</b> 91:6			
<b>nonoperational</b> 153:10 162:7,13,19,21 163:2,9,12 164:1,4,6, 23,25 169:24			
<b>nonregulated</b> 68:12 69:19 71:7,19 72:7,10, 14 77:24			
<b>normal</b> 56:8 67:7 95:25 144:13			
<b>normalization</b> 84:18			

<b>overheads</b> 83:3,5,12, 13,15 124:12 125:4,6, 16 126:3,13,21 127:15,20 128:10 129:11 130:23 132:2, 3,5,19 138:25 140:17, 20 141:1,4 144:22 145:13 146:13 147:13 149:15 150:11 155:13, 21 158:6,12,14,21,24 159:14 162:8 163:1,2 164:17 165:1 168:2 169:13,16 170:7,17 177:12,16 179:4,6,10, 17 180:7,9,18,19,23, 25 181:9,16 182:19, 20,21,22 183:1,7	104:6 123:5 135:20 139:11 141:17 145:13 161:7 165:1 170:6,19 182:18	90:18 91:12	<b>place</b> 63:19 100:19 114:17,19 177:14
<b>overheard</b> 148:3	<b>participants</b> 55:8,11, 13 90:1,2	<b>percent</b> 113:15 118:7,16 150:9 151:17 178:13	<b>plan</b> 82:16,19 114:19 178:15,17
<b>overruled</b> 121:1 169:8	<b>participate</b> 163:18	<b>percentage</b> 83:6,8 140:12 160:25	<b>planned</b> 95:1
<b>overstated</b> 78:9	<b>participate</b> 163:18	<b>percentages</b> 126:20 127:13 132:4,14 148:2,7	<b>planners</b> 163:19
<hr/> <b>P</b> <hr/>	<b>participating</b> 55:10 56:20 65:24 91:10	<b>perfectly</b> 99:15	<b>planning</b> 137:23
<b>p.m.</b> 58:4 89:20,21	<b>parties</b> 56:15,17 58:12 92:15 94:8 99:24 109:19 115:8 128:24 135:23 160:8	<b>perform</b> 86:3 140:7	<b>plans</b> 77:22
<b>P.O.</b> 64:3	<b>parts</b> 117:17	<b>performed</b> 137:1,2 161:25	<b>plant</b> 95:4 96:12 99:9, 12 100:4,10,17 102:3 104:14 105:6,8,11,13, 15,17 106:11,22,24 112:13,18,22 118:1 119:9 120:2,3,5,6,17, 24 121:7 126:16,19 129:25 136:6 147:23 153:5 156:25 157:4 165:13 177:14 178:18 179:15,21,25 180:4,20 181:1
<b>paid</b> 73:16,17 75:19, 21 154:20,23	<b>party</b> 137:2 139:6 155:22 168:17	<b>period</b> 96:13,20 103:21 113:14,18,21 114:6,8 120:13 122:1 177:25 179:20 181:19	<b>plant's</b> 104:17
<b>panel</b> 62:10	<b>pass</b> 144:9 173:9	<b>periods</b> 113:1	<b>plants</b> 105:23 106:1, 25 121:18,25
<b>papers</b> 93:8 94:9	<b>passed</b> 144:16 168:17 173:13	<b>permission</b> 144:16	<b>plastic</b> 100:16 104:1, 4,10 106:18 118:22
<b>paperweight</b> 63:7	<b>past</b> 96:13,14	<b>permitted</b> 130:14 148:3,6	<b>plating</b> 76:25 77:9 80:19,22 81:4
<b>par</b> 78:7	<b>Paul</b> 59:11 61:22 65:3	<b>perpetual</b> 70:17	<b>play</b> 154:18 179:1
<b>paragraph</b> 157:1 171:19 172:22,23 173:1	<b>pause</b> 56:10 68:22 73:19 105:19 119:6 151:3 164:7	<b>persist</b> 130:14	<b>Playing</b> 56:7
<b>paraphrase</b> 156:19	<b>pay</b> 74:3 75:10 79:13 80:6,9,14 82:7,16,22	<b>person</b> 55:9,15 56:19 74:9 90:19 124:18	<b>plays</b> 149:12
<b>parcel</b> 56:14	<b>payers</b> 71:17 154:1, 14,21 155:3,4	<b>personnel</b> 123:15,21	<b>point</b> 55:23 68:9 71:9 78:8,23 79:9 86:16 90:16,21 99:10,15,17, 22,25 132:8 134:6 168:1 181:7,13
<b>parent</b> 68:11,19 69:2, 25 72:20 80:18 81:21 89:3	<b>paying</b> 68:1 69:21 70:19 72:11,21 73:11 74:1,5,10 79:10 80:7 81:16 82:24	<b>Ph</b> 64:3	<b>pointed</b> 87:15 100:14,15 101:9
<b>Park</b> 65:5	<b>payments</b> 68:6 82:24 83:1	<b>phone</b> 56:2 177:8	<b>pointing</b> 90:14 100:2
<b>part</b> 55:15,19,25 74:1, 5 87:7 93:14 94:8 98:16 100:15 103:10	<b>payroll</b> 74:16,18 148:18 183:3	<b>phrase</b> 158:17 163:8	<b>points</b> 81:7 99:4 100:7 181:6
	<b>pays</b> 74:1	<b>physical</b> 63:1	<b>policy</b> 82:19 174:11
	<b>peer</b> 137:22	<b>physically</b> 55:8	<b>Polsinelli</b> 63:19
	<b>Pennsylvania</b> 59:25	<b>pick</b> 154:19	
	<b>pensions</b> 183:3	<b>picking</b> 170:15	
	<b>people</b> 56:1 85:24	<b>picture</b> 66:14 184:8	
		<b>pieces</b> 143:8 159:6	
		<b>pipeline</b> 137:8,11,15, 25 160:10 173:11	
		<b>pitfalls</b> 76:5	



<b>pool</b> 75:4 145:11 155:4	<b>presiding</b> 55:3 58:8	<b>professional</b> 111:5 172:23	117:23 128:2 136:14 139:11,15 152:10 160:9 178:23
<b>portion</b> 66:10 116:25 145:16 150:2 169:3	<b>press</b> 56:3	<b>profit</b> 80:10	<b>providing</b> 56:5 69:25 72:11 74:8 86:9,12 88:23 132:7
<b>portions</b> 176:2	<b>pretty</b> 70:20 86:24	<b>program</b> 85:22 95:14 103:10 114:17	<b>provision</b> 121:19 122:1 146:16 170:4
<b>pose</b> 157:13	<b>prevent</b> 72:7,9 75:7 82:5 96:11	<b>programs</b> 86:3,6,13, 14	<b>prudence</b> 105:12 106:3 107:2
<b>posit</b> 71:20	<b>previously</b> 61:19 101:1 124:18 146:18 158:1	<b>prohibits</b> 126:18 132:2 148:7	<b>prudently</b> 147:20
<b>position</b> 69:17 70:5 88:3,6,14 93:24 94:2 121:11 153:8	<b>price</b> 106:3	<b>project</b> 107:25 131:16 159:1 178:22	<b>PSC</b> 55:16 160:3,4 184:4
<b>positions</b> 118:1	<b>pricing</b> 107:2	<b>projects</b> 103:12,14 126:14 129:22 136:8 139:1 145:17 158:8,10 159:14 178:24 180:10	<b>public</b> 64:6,8 89:14 97:19 110:4,5 111:4 115:16 131:10 135:7 138:12 142:24 143:4 153:19 165:22 174:8 175:10 176:4 178:5 184:5
<b>positive</b> 86:24	<b>primarily</b> 126:22	<b>prolong</b> 103:12	<b>published</b> 152:14
<b>possibly</b> 124:7	<b>primary</b> 140:11	<b>proper</b> 72:17 77:11 95:11	<b>Pull</b> 173:17
<b>potentially</b> 120:13	<b>principles</b> 73:15	<b>properly</b> 95:8	<b>pun</b> 100:23
<b>practical</b> 132:10 141:19	<b>prior</b> 58:14	<b>proportion</b> 141:19	<b>purpose</b> 92:22
<b>practice</b> 126:13 144:13 171:1 182:23	<b>private</b> 55:24	<b>proposal</b> 95:15 153:16	<b>purposely</b> 71:1
<b>pre-filed</b> 65:19	<b>problem</b> 67:19 68:7, 12 72:24,25 73:4 75:16 76:4,10,24 77:3 87:14 103:7,9,16,17, 23,25 104:15 120:4 122:9 132:13 153:25	<b>proposed</b> 87:15 95:17 96:10,18 118:20 175:5	<b>purposes</b> 75:25 127:15 133:17
<b>precautionary</b> 175:21	<b>problematic</b> 70:4	<b>proposes</b> 94:25 159:9	<b>push</b> 124:22
<b>precision</b> 179:2	<b>problems</b> 72:18 76:24 87:8 123:2 131:24 157:24	<b>proposing</b> 105:14 154:8	<b>put</b> 66:23 67:12,13 70:16 85:20 86:8,13 98:14,17,19 100:8 101:12 135:20 154:3, 22,25 157:17 181:25
<b>predate</b> 152:18	<b>procedural</b> 58:15	<b>prorated</b> 84:5	<b>putting</b> 78:10 104:5 154:11
<b>prefer</b> 184:1	<b>procedure</b> 132:9	<b>prospectively</b> 180:18,24	<b>puzzled</b> 139:16
<b>prefiled</b> 63:4	<b>procedure</b> 132:9	<b>protect</b> 81:3 176:16	
<b>preliminary</b> 65:16	<b>procedures</b> 128:25	<b>proves</b> 168:21	<hr/> <b>Q</b> <hr/>
<b>premature</b> 104:13	<b>proceed</b> 125:8,12,15 164:13	<b>provide</b> 111:8 119:3 128:6 129:3 132:10 135:24 136:17,19,20 137:3 139:18,22 153:19 157:6 165:8, 12,15 166:23 168:2,5, 9 169:1 180:19,24	<b>qualify</b> 172:16
<b>prematurely</b> 104:10, 16	<b>proceeding</b> 55:23 60:7 108:16	<b>provided</b> 95:19	<b>quantify</b> 154:10 155:13
<b>prepare</b> 174:14	<b>process</b> 79:21 80:4 98:2 127:3,19 129:20 135:16,21 138:22,23, 25 140:17,25 141:2 148:15 154:17		
<b>prepared</b> 133:16 142:25 143:1 174:14 176:5	<b>produced</b> 75:18,19, 21 84:16 144:8		
<b>present</b> 118:3	<b>produces</b> 75:11		
<b>presentation</b> 107:8			
<b>presented</b> 84:19 113:2			
<b>president</b> 60:5 73:19 129:4 137:23			

<b>quantity</b> 165:17	<b>raised</b> 177:11	<b>realistic</b> 77:22	147:3
<b>quarterly</b> 82:23	<b>rampant</b> 81:4	<b>reason</b> 68:24 88:19 94:11 104:5 127:3 128:5 148:12 149:3,4, 13 152:22	<b>recommended</b> 87:5 98:24 101:5 102:14 104:19 106:17,18 112:21,24 115:25 116:5 117:20,24 118:2,10 121:6 162:11
<b>question</b> 73:25 91:9 111:17 114:2 119:6 121:4 124:9 133:18 134:5 140:8 141:13 145:15 149:2 157:13 158:17 159:11 161:8, 18 162:5 165:7 166:15 170:15 180:21 181:12 182:16 183:10	<b>rate</b> 60:4 67:21 70:7, 11 71:17,24 77:1 79:25 80:16 81:15 82:12 83:23 84:1 85:14 89:25 93:4,15 96:16 98:21 99:16 100:23 101:14 104:19 113:15 114:12 118:2, 4,9,16 119:18 121:15, 22 127:12,24,25 128:1,7,19 129:23 150:24,25 151:2,6,15 153:6,21,24 154:1,2,3, 9,12,14,19,21 155:3,4, 5 160:17,22 161:5,11, 15,21 162:2 172:6 178:4,6 179:16 180:18,20,24 181:1	<b>reasonable</b> 88:24 89:5 99:15 120:15 126:11 141:21 149:6	<b>recommending</b> 81:15 99:11 103:3 105:18 118:4,5,7 121:12,13,22 122:7,25 123:22
<b>questioning</b> 119:21	<b>rates</b> 80:8 82:20,22, 25 83:20 84:3 87:4,15 88:2,10,19,25 89:5 92:17,19,20,22 93:19, 21,24 94:1,13,15,20, 22,24 95:4,8,17 96:7, 10,17,23,24 97:2 98:11,16,17,19,23 99:5,7,13,22 100:7,23 101:2,3,8,12,15,16,19 102:5,8,13,18 103:5 106:9,15 112:21,24 117:16,20,24 118:8 119:5 120:16,17 121:6 123:17,22 126:10 128:25 154:11 158:7, 25	<b>reasoning</b> 149:18	<b>recommends</b> 70:14 96:6,22 130:6 153:9
<b>questions</b> 60:16 61:3,9,13,16,23 62:3, 8,10,12,13,17,19 71:25 89:11,13 91:24 97:5 108:25 109:15, 21,23 110:1,2,5,7 115:2,6,13 116:22 117:2,5,8,15 120:21 122:5,10,22 123:13 130:20 134:13 135:5, 8,11 138:4,9,13,21 139:13 140:7 141:23 143:10 144:11 149:23 155:24 157:16 159:19, 21,23,25 164:15 166:9 169:11,23 170:9 172:8 173:2 175:4 176:24 177:4,6,7,9 179:14 182:2,6,10	<b>rating</b> 67:9,17 71:12	<b>recall</b> 124:15 150:5 160:25 165:3 177:19 179:19	<b>record</b> 55:7,16,19,25 56:4,12 58:1,21 59:9, 20 60:23,25 65:21 66:19 89:22 98:14,21 104:7 109:6 112:4 139:7 143:20 165:13 167:4,6 168:18 169:9 184:17
<b>quote</b> 129:12 135:16 136:10,15 160:14,21 162:9,11,18	<b>ratio</b> 69:6 70:2 182:25	<b>receipts</b> 84:4,5	<b>records</b> 129:17 136:6 156:22
<b>quoted</b> 145:23,25	<b>rationale</b> 155:20	<b>receive</b> 85:24 139:13 174:18	<b>recorrect</b> 89:17
<b>quotes</b> 158:11	<b>reach</b> 67:23 119:18	<b>received</b> 109:14 130:10 153:12 162:15	<b>recover</b> 82:18 120:12 121:25 154:12,14
<b>R</b>	<b>read</b> 93:13 109:19 141:16 157:19,20,21	<b>recent</b> 135:17 138:23 152:13	<b>recovered</b> 95:5,8,12 113:21 114:7,9,11,25 128:13,14
<b>Rachel</b> 57:5 63:16	<b>readily</b> 120:7	<b>recess</b> 89:20,23 184:14	<b>recovers</b> 121:17
<b>raise</b> 59:5 103:5 107:13 110:15 122:8 173:14	<b>ready</b> 90:2 97:20	<b>recognize</b> 77:14 145:21 167:13	<b>recovery</b> 82:3,6 95:2, 11 96:11,14,16 103:22 113:15
	<b>real</b> 81:6 84:19,25 86:21	<b>recognized</b> 72:16	<b>recross</b> 117:1 138:5 165:24 182:3,8
		<b>Recognizing</b> 87:18	<b>redirect</b> 117:9,12 119:21 120:20 122:9, 14 124:1 138:15,19 170:11,13 182:12,14
		<b>recollection</b> 178:13	<b>reduce</b> 83:23 86:1
		<b>recommend</b> 55:25 88:17 118:15,16,17 123:16	<b>reduced</b> 104:3,9
		<b>recommendation</b> 104:25 105:10 106:5 121:24 123:9 157:23 170:1,25 181:7 182:20	<b>reduction</b> 85:15 89:8
		<b>recommendations</b> 100:9,17,24 146:22	<b>refer</b> 61:6 74:24

120:21	<b>relationships</b> 136:18,21 140:11	<b>reported</b> 149:10 178:4,7	<b>reserve</b> 82:4
<b>reference</b> 127:22 140:8 172:3 176:13	<b>reliability</b> 78:16,18	<b>reporter</b> 55:19 57:6, 12,15,16 59:22 65:23 77:4 80:20 93:5 102:24 107:19,22 110:18 111:15 113:7, 25 116:11 119:12 125:10 126:7 131:19 133:3 138:17 142:8 145:3 149:17 154:13, 24 159:5 164:11 169:19 170:20 172:5 173:18 174:10	<b>reserved</b> 95:7
<b>referenced</b> 169:25	<b>relied</b> 152:23		<b>respect</b> 171:11 172:19
<b>referencing</b> 162:22, 23	<b>relies</b> 126:22		<b>responded</b> 120:23 182:18
<b>referred</b> 138:24 169:12	<b>remain</b> 70:6 109:1		<b>response</b> 129:14 140:8 153:3,4 184:15
<b>referring</b> 136:10 140:5 144:3 146:24 177:22	<b>remainder</b> 184:2		<b>responsibilities</b> 55:14
<b>reflect</b> 95:14 146:23 147:4	<b>remains</b> 70:14		<b>responsibility</b> 63:4 65:19
<b>refund</b> 84:11,12	<b>remember</b> 116:2 146:4 165:5 166:19,24	<b>reporting</b> 148:5	<b>rest</b> 86:14 124:11 172:13
<b>refunds</b> 84:11	<b>remind</b> 72:20 156:2	<b>reports</b> 153:20 178:12	<b>restarting</b> 58:7
<b>regard</b> 77:10 157:16 163:13 166:20 168:6 169:17	<b>reminder</b> 72:15	<b>representative</b> 168:24	<b>restated</b> 135:14
<b>regular</b> 75:1 105:23	<b>remitted</b> 83:21 84:1	<b>representing</b> 96:5	<b>resting</b> 84:21
<b>regularly</b> 65:11 96:12,19	<b>remotely</b> 91:10	<b>request</b> 58:12 87:22 129:14 139:12 173:9, 13	<b>restriction</b> 128:9
<b>regulated</b> 67:15 68:8, 15 72:7,13 75:2,5,6 137:8 160:6	<b>removal</b> 122:3	<b>requested</b> 99:6,22 168:11	<b>result</b> 67:25 75:9 80:2 135:22 154:2
<b>regulation</b> 79:23	<b>remove</b> 84:11 114:20	<b>requesting</b> 86:7 103:6	<b>resulted</b> 68:5
<b>regulations</b> 130:17	<b>removing</b> 104:15	<b>requests</b> 56:15 95:16 156:24	<b>results</b> 73:6,8 128:24
<b>regulatory</b> 55:3,22 58:8 73:14 82:19 108:13 137:9 142:23 152:5 154:8	<b>Rendering</b> 94:4	<b>require</b> 94:7 106:2 168:7	<b>retire</b> 96:19 100:11 105:17 106:1,23,25
<b>reiterate</b> 102:12	<b>Renew</b> 61:19 65:1	<b>required</b> 75:15 76:20 136:6,24 137:4,11,16 141:14,15 160:5	<b>retired</b> 79:18 103:24 113:17
<b>related</b> 83:15 87:14 95:12 96:9,21 100:4, 16 129:15 163:13,16 183:10	<b>reorient</b> 89:24	<b>requirement</b> 95:14 96:7 128:11,19 143:3 146:17 147:8 150:8, 13,16,21 151:11,16	<b>retirements</b> 93:2 104:13,16
<b>relates</b> 72:25 140:14	<b>repairs</b> 154:5,23	<b>requirements</b> 94:9 95:13 129:25 161:6, 12,22	<b>return</b> 80:9 82:12 150:25
<b>relating</b> 99:23	<b>repeat</b> 58:11 101:20 102:1 113:22 114:1 119:6 121:4 161:7 175:14 180:21	<b>requires</b> 76:14	<b>returned</b> 153:23
<b>relationship</b> 68:8 83:4,13,16 126:23 136:14,25 140:9,10, 22,24 141:22 148:22 160:20 165:18	<b>replace</b> 78:20 114:20	<b>RES-D-4</b> 164:17,25 177:16,23,24 178:17 179:18	<b>returns</b> 71:24
	<b>replacement</b> 93:1 95:13 114:17		<b>reusing</b> 99:13
	<b>replacing</b> 78:19 79:17,21 80:4		<b>revenue</b> 86:19 96:7 128:11,19 143:3 146:17 147:8 150:8, 13,16,21 151:11,16
	<b>replies</b> 169:4		
	<b>report</b> 96:8 98:16 102:4,5 106:13,15 111:7,11,14,18,20 116:13,17 127:8 143:4 150:3 160:5,9 162:1 163:6,7 165:22 173:11 178:5,8,10,14		

<b>reverse</b> 117:14		<b>seasons</b> 127:2	<b>set</b> 55:5 58:9 81:14 92:17 94:12 95:17 105:25 128:25 130:5
<b>review</b> 72:5 96:15 105:12	<b>S</b>	<b>seat</b> 110:17 133:1 142:7 173:17	<b>setting</b> 94:23
<b>reviewed</b> 128:1	<b>S-C-H-A-L-L-E-N-B- E-R-G</b> 173:20	<b>Section</b> 127:17 136:6	<b>shank</b> 77:19
<b>reviews</b> 106:4 107:2	<b>S-P</b> 59:11	<b>secure</b> 68:18	<b>share</b> 128:24
<b>RFPS</b> 77:20	<b>Sabbert</b> 137:19	<b>seeking</b> 72:24	<b>shared</b> 74:14,15 75:4 76:8,9,12 163:3
<b>rich</b> 67:20	<b>safer</b> 78:14	<b>Selinger</b> 112:23 113:2 166:20 167:14, 17 168:5 172:2	<b>Sherry</b> 77:5 80:21 102:25 107:11 164:8
<b>Richard</b> 61:12 65:9	<b>safety</b> 78:9,11,13,14 80:16	<b>Selinger's</b> 112:24 168:22	<b>shifted</b> 128:14
<b>risk</b> 66:11 70:16 179:11	<b>salaries</b> 146:3	<b>Senate</b> 59:25	<b>short</b> 72:5 156:5
<b>riskier</b> 68:19	<b>salary</b> 74:5	<b>sense</b> 74:4 114:13	<b>short-term</b> 151:13
<b>risky</b> 66:21 67:2,4 68:13	<b>salvage</b> 101:23 102:3,15 106:11 118:24 119:2,16	<b>sensitive</b> 58:13	<b>shorten</b> 104:24
<b>road</b> 149:13	<b>sampling</b> 139:24	<b>sentence</b> 126:18 132:8 147:25 149:1	<b>shortening</b> 104:25
<b>Robert</b> 164:16 173:19 174:1	<b>satisfy</b> 157:6	<b>sentences</b> 82:11	<b>should've</b> 155:5
<b>Robinett</b> 87:4,16 102:14 106:6,17,19 117:1 120:23 124:4	<b>save</b> 71:17	<b>separately</b> 164:21	<b>show</b> 84:25 91:1 157:2 184:8
<b>Robinett's</b> 101:16	<b>scared</b> 122:19	<b>September</b> 93:20 152:11 177:17 178:1	<b>showing</b> 55:12
<b>roll</b> 77:23 102:20	<b>Schallenberg</b> 136:5 164:16 165:2 173:8, 14,19,21 174:1,6 175:12 177:11 183:20	<b>series</b> 155:16	<b>shown</b> 95:10 128:16
<b>Ron</b> 64:2	<b>Schallenberg's</b> 157:7,12 158:10 159:8 164:24 175:16	<b>serves</b> 137:24	<b>shows</b> 132:1 184:4
<b>room</b> 56:9,13,15,17, 18,23 57:17 91:12 92:9	<b>schedule</b> 58:16 60:14 93:16 95:18 98:10 124:11 152:1 164:16, 19,25 165:5 177:16,23 178:17,18 179:18	<b>service</b> 73:12 74:8, 10,14,15 79:19,22 88:23 92:23 94:18 95:3,5 96:8 98:15 101:22,23,25 102:2,4, 5,15,16,17 104:3,8,18 105:3 106:11,12,13, 14,20,21 111:4,7 116:13,15,16 118:20, 23 119:1,3,15,17 142:24 143:4 150:3 163:3 165:22 171:10 177:14 178:5,18	<b>shuffle</b> 74:25
<b>rooms</b> 56:5	<b>scheduled</b> 124:12,18 131:2 177:24	<b>services</b> 61:21,23 65:2,4 72:22 75:4,11, 18 76:8,9,12 81:25 97:13 109:25 115:12 130:10,22 145:6,9 153:12 162:15 164:2, 3,4	<b>shuffling</b> 93:8
<b>rough</b> 150:7	<b>schedules</b> 60:10 98:11 144:8,9 165:2	<b>session</b> 58:4	<b>Silvey</b> 57:22,23 62:14,15
<b>roughly</b> 101:14	<b>scheduling</b> 124:15		<b>similar</b> 97:15 112:24 117:24 118:9 119:18 137:3 171:23 175:6
<b>round</b> 116:22	<b>School</b> 61:10 65:8,11		<b>similarly</b> 127:10
<b>rounded</b> 164:19	<b>scope</b> 119:21 120:20		<b>simple</b> 71:8 75:13
<b>routinely</b> 105:25 106:25	<b>Scott</b> 137:19		<b>simply</b> 66:1 89:10 94:21 130:13
<b>RSB3</b> 65:10	<b>screen</b> 90:14 91:1		<b>simultaneously</b> 71:18
<b>rule</b> 72:6 73:14 76:18, 20 79:20 83:17 94:6, 10 169:6			<b>single</b> 180:3
<b>rules</b> 81:23 99:19			<b>sink</b> 74:6
<b>run</b> 65:16 82:10			<b>sir</b> 62:22 109:24 110:13,15 117:3 125:18 131:8,11

132:24 142:6 173:7,16	<b>speak</b> 56:3	144:9,23 145:1,5,6,9, 10 146:14 148:15,17, 21 149:3,14 152:3,4 153:9,11,12,17,18 154:3 155:6,10,17 156:21 157:5 160:10, 14,16,22 161:3,9,18 162:1,12,14,15,16 163:21 164:2,3,4,18, 22 165:8,9,10,12,14, 21 166:20 167:14 168:1 172:23 173:10, 11 175:25 176:1,4 177:2,12 178:4,23 180:5 182:8	18 155:19 161:25 162:11 165:9 166:1 170:23 176:22,24 181:8 182:4,6
<b>sit</b> 57:24	<b>SPEAKER</b> 90:25 91:17,22 122:15		<b>Staff's</b> 88:1,5 95:3 96:7 101:11,14,23,24 102:3,4,16,17 104:22, 25 105:10 106:12,14 117:19 119:3,5,15,23 120:16 129:12 130:15 131:23 143:3 146:17 147:8 153:16 167:21, 24 169:25 170:5
<b>site</b> 123:14,15	<b>speaking</b> 57:14 123:14		<b>staked</b> 88:14
<b>situation</b> 85:24 89:17 115:9	<b>special</b> 126:17 128:22 148:6 155:16, 22 181:22		<b>stand</b> 72:1 82:14 90:16 125:20 131:21 132:23 142:4 173:8 176:5 183:21
<b>Sixty</b> 104:4	<b>specifically</b> 67:22 81:20 86:7 100:16		<b>standards</b> 172:17
<b>sizable</b> 86:24 87:3	<b>spell</b> 59:8 107:18 110:18 121:21 133:2 142:7 173:18		<b>start</b> 58:5 63:11 72:4 90:2 92:7 115:22 117:14,17 124:9 132:21 134:10 145:11 165:16 183:24
<b>skipping</b> 176:21	<b>spelled</b> 107:11 160:3		<b>starting</b> 58:4 86:25 92:10,11 122:24 138:22 151:4
<b>slate</b> 85:20	<b>spent</b> 137:6		<b>starts</b> 98:7
<b>sleep</b> 90:22	<b>Spire</b> 57:2,4 59:3 63:14 66:6 67:18,19 68:9,11,12,15,23 69:4, 5,8,22 70:18,22 71:5, 6,7,9,10,15,16 72:19, 20,22 73:3,8,9,10,16, 17,19,22,23,24,25 74:3,5,7,8,9,13,17,18, 20,21,23,24 75:7,10, 11,18,19,20,21,22,23, 24,25 76:2,3,7,16,18, 25 77:11,18 78:4,10, 11,18 79:24 80:4,9,15, 16,18 81:12,13,16,21, 22,24,25 82:1,21,23, 24 84:11,14,16,18 85:5 88:22 89:3,25 92:8,13,18 93:19,25 94:12,14,18,21,22 95:16,19,21 96:18 98:17,19 99:2,5 100:1, 8,21 102:22 103:1,9 105:9,15 106:9 107:9 108:13 112:7 116:8,23 117:7 121:10,17 122:6,7,23,25 123:2, 10,11,21 124:24 126:1,8,9,21 127:3,10, 15,19 128:23 129:2,5, 16,18,22,24 130:4,8,9, 10,11,13 133:14,15 136:5,14,23 137:4,8, 11,15 138:6 143:25		<b>state</b> 56:4,12 59:8,21, 24 84:10 86:12 107:18 108:7 110:18 125:5 133:2 136:5 142:7 147:13 148:15 160:14 162:5 173:18
<b>slide</b> 75:20 81:8		<b>Spire's</b> 73:10 75:15 78:16 79:16 80:3 81:3 83:7 86:10 87:22 93:23 99:18,21 103:5, 6,11 128:6,9,11 133:5 149:18 153:21 163:10 171:10 178:7 183:12	<b>stated</b> 59:20 129:16 164:17
<b>slightly</b> 101:4 102:8		<b>spoke</b> 57:23	<b>statement</b> 66:5 118:1 126:5 129:8 131:12 135:18 136:16 144:17 145:18 168:22 169:4
<b>slowly</b> 55:23 73:20		<b>spot</b> 66:17 139:9	<b>statements</b> 58:14 63:9 66:3 92:4,6,8,12 125:22,24 126:2 131:1,9 132:18 144:5 168:22
<b>small</b> 77:13 92:5		<b>spreadsheet</b> 171:20, 23 172:1	<b>states</b> 129:18 136:9
<b>smaller</b> 120:7		<b>St</b> 63:17 64:17,23 65:5 108:10	
<b>smart</b> 96:9,21,22		<b>stability</b> 128:6	
<b>snapshot</b> 141:10		<b>stable</b> 95:8	
<b>social</b> 56:6		<b>Staff</b> 61:7,8 63:24,25 70:4,14 81:15 82:21 83:18 94:25 95:24 96:5,10,14,22 97:4 98:15 99:7,9,14,22 100:7,22 101:5 102:6 104:2,22 105:14,18 110:23 111:6 115:25 116:5,9,12 117:4,16, 18,22 118:2,10,12,20, 21,24 120:22 121:6 124:23 126:15 129:7, 10,20,24 130:2,6,7,18 132:15 135:3,4 136:4, 9 138:7,8 139:12,21 140:4,6 142:3,12,14, 16,24 144:7 147:18 150:2 152:23 153:7,8,	
<b>software</b> 104:23 106:19 116:1,16			
<b>solely</b> 154:23			
<b>solid</b> 118:9 119:18			
<b>solution</b> 71:4,8 75:12 90:11 91:4			
<b>solutions</b> 75:12			
<b>sort</b> 73:4 74:21 100:22 105:9 144:13 149:21 161:14			
<b>sounds</b> 57:9 177:20			
<b>sourcing</b> 77:21			
<b>South</b> 64:23			
<b>Spanos</b> 58:18 59:5, 10,15 60:6 90:4 94:14 95:20 96:18 113:2 118:3,5 119:19			
<b>Spanos's</b> 60:22 93:17 118:3,12,17 120:16 121:24			

148:1 158:13	<b>study</b> 92:25 93:12,16, 18,23 94:4,5,7 95:11 98:8,9,12,21 99:3,4,21 100:9,22 101:1,3 118:3,10 123:16 128:22 132:7,10 136:18,19 141:9,20 155:16,22 161:3,9,19 181:22	<b>suggests</b> 84:24	<b>suspect</b> 136:22
<b>static</b> 141:9	<b>stuff</b> 71:23	<b>Suite</b> 63:19 64:9,23	<b>swear</b> 59:4 107:10
<b>stating</b> 124:5 163:7	<b>subject</b> 112:14 180:11	<b>summarize</b> 81:7	<b>Swearengen</b> 63:21
<b>status</b> 153:19	<b>submission</b> 63:5	<b>summed</b> 131:24	<b>switch</b> 87:21 90:17, 23 181:13
<b>statutory</b> 85:6	<b>submit</b> 65:21,25	<b>summing</b> 106:8	<b>switched</b> 101:2
<b>step</b> 74:25	<b>submitted</b> 66:4 94:8 108:19 160:5,9 165:22	<b>Sunset</b> 121:19 122:1	<b>switches</b> 181:14
<b>steps</b> 129:19	<b>submitting</b> 63:4 65:19	<b>supervision</b> 146:2,4	<b>switching</b> 77:1
<b>stick</b> 101:7,18	<b>Subpart</b> 145:25 147:12,25	<b>supervisor</b> 161:3,9, 19 162:1	<b>sworn</b> 59:7,16 107:15 108:3 110:16,23 132:25 133:8 142:5,16 173:15 174:2
<b>STL</b> 137:8,11,15 160:10 173:11	<b>subset</b> 164:5	<b>supervisor's</b> 148:23	<b>system</b> 65:22 126:11 135:19,20 172:20 181:11
<b>Stokes</b> 64:1	<b>subsidies</b> 57:10	<b>supervisors</b> 137:4 149:7	<b>systematic</b> 126:22 129:20
<b>stop</b> 66:13 83:10 115:11 124:10	<b>subsidiaries</b> 69:3	<b>supplied</b> 166:16	<b>systems</b> 135:16,20, 21
<b>straight</b> 148:6 163:5	<b>subsidiary</b> 71:14	<b>supplies</b> 160:24	<hr/> <b>T</b> <hr/>
<b>straightforward</b> 85:17 97:25 129:10	<b>subsidization</b> 72:9 87:10,12 89:2,8	<b>supply</b> 98:12 137:24	<b>table</b> 86:25 87:21 134:2
<b>stranded</b> 77:5 79:15 82:6	<b>subsidizing</b> 69:4 73:9	<b>supply's</b> 160:18	<b>takes</b> 72:1 82:14 93:24
<b>strategy</b> 99:10	<b>subsidy</b> 69:25	<b>support</b> 98:9,14,22 127:6 136:7 141:4,10 163:23 172:3	<b>talk</b> 75:12 77:9 105:5 121:10 144:21 145:8 176:12
<b>stream</b> 55:12,16 56:8 90:8,17 184:3,4	<b>substance</b> 87:12	<b>supported</b> 94:13	<b>talked</b> 100:5 149:22 151:17 155:15
<b>Street</b> 63:17 64:10 108:9	<b>substantial</b> 128:10	<b>supporting</b> 94:15 97:1 99:3 179:3	<b>talking</b> 65:17 77:15 90:6,10 145:11 151:13 163:17,18 179:18 181:17 182:18
<b>strictly</b> 83:6	<b>substantially</b> 103:4 175:6	<b>supportive</b> 118:21	<b>talks</b> 132:7 146:1
<b>strongly</b> 71:25	<b>sufficient</b> 94:19 156:22	<b>supports</b> 95:2	<b>targeted</b> 81:16
<b>structure</b> 66:13,25 67:3,6,8,20,23 68:3, 21,24 69:6,13,16,19 70:5,9,10,13,17,23,25 71:2,6,10,11,16,17 81:11,12,14,16,19 87:14,17	<b>suggested</b> 167:20 170:16	<b>supposed</b> 68:16 75:14 79:6 91:11 104:4 132:11	<b>targeting</b> 67:20,22 68:23 70:9,23 81:14
<b>structures</b> 71:24	<b>suggesting</b> 132:12 147:19	<b>surplus</b> 95:7	<b>targets</b> 70:13
<b>struggling</b> 154:18	<b>suggestion</b> 172:11	<b>surrebuttal</b> 60:7,17, 22 96:24 100:1 106:7 108:15 109:11 111:8, 11,18,21 128:16 133:18 136:10 143:2 146:6 148:14 151:21 152:1 156:14 157:5,25 158:13 160:13 174:15 175:1,11,19	<b>tariffs</b> 84:4
<b>studied</b> 183:5		<b>survivor</b> 113:5,11,20, 24 114:5	
<b>studies</b> 100:21 126:17,25 128:22,24 136:13,15,24 137:1,2 141:14,15 148:6,16 155:16			

<b>tax</b> 82:23 83:20,21,25 84:4,5,8,9,10 158:14	147:2,19 151:21 153:8 160:13 162:4,23,25 163:10 164:16 172:14 173:6 174:15,19,23,25 175:1,5,9,10,11,19 176:15 177:15,22 178:16	<b>timecards</b> 132:9 137:5	<b>transactional</b> 94:15
<b>taxes</b> 82:24 183:4	<b>thereto</b> 147:16	<b>times</b> 71:5 102:19 121:23 145:24	<b>transactions</b> 72:4,16 139:10
<b>taxing</b> 83:21 84:2,13, 15	<b>thing</b> 65:17 77:9 85:2 86:18 87:7 88:21 98:22 105:5 124:19	<b>timing</b> 100:2 183:11	<b>transfer</b> 123:5 160:17,22 161:5,11, 15,21
<b>team</b> 90:7,11	<b>things</b> 68:17 86:22 88:13,15 98:2 163:20 166:16 183:4,23	<b>Timothy</b> 128:17 129:3 133:4,7	<b>transparency</b> 135:23,25
<b>technical</b> 58:2	<b>thinking</b> 90:11 180:22	<b>title</b> 60:3 108:12,13 174:9	<b>treat</b> 75:23 146:17
<b>technologies</b> 90:6	<b>Thompson</b> 61:8 63:25 64:1 124:23 125:7 129:9 135:4,6 138:8,10 142:13,14,19 143:16,22 170:12,14, 21,22,24 172:7,9 173:3,4 176:23,24 177:1 182:5,6,7	<b>today</b> 58:8 60:16 90:4 95:20 97:5 98:6 108:25 124:12 129:3 134:14 143:10 173:22 175:5	<b>treated</b> 68:18
<b>ten</b> 78:21 103:18 104:23 116:1,8,18 135:15 136:10 150:9 151:17,18 162:5,10 179:8	<b>thousand</b> 150:14,16	<b>Today's</b> 55:4	<b>treating</b> 170:5
<b>ten-year</b> 106:20	<b>thousands</b> 77:15	<b>tomorrow</b> 76:21 90:12 124:13 183:23 184:2	<b>treatment</b> 118:7 127:15
<b>tender</b> 109:15 111:25 134:21 143:22 165:20 176:17	<b>throw</b> 83:11 86:18	<b>tonight</b> 90:10,22	<b>tripping</b> 106:13
<b>tendered</b> 112:6 135:2	<b>throwing</b> 90:21 176:8	<b>top</b> 87:25 124:22 134:3 161:23	<b>trouble</b> 183:7
<b>term</b> 80:25 162:21 163:15 169:16 181:8	<b>Thursday</b> 85:18	<b>topic</b> 134:5	<b>truck</b> 66:18
<b>terms</b> 77:22 78:7 86:21 128:7 141:18 149:14 169:12 183:8	<b>tight</b> 57:24	<b>torture</b> 98:3	<b>true</b> 76:14,20 85:8 111:21 114:16 134:17 143:13
<b>test</b> 129:14 164:17 169:12,14 177:17 178:3,6,9 179:15 180:5 183:12	<b>time</b> 56:10 58:13,24 60:14 66:15 74:14,15 80:7,10 82:8 99:2 104:5 105:21 108:23 109:4 111:24 123:19 126:17 127:21,25 130:11 133:25 136:11 137:6 139:7 141:9 143:16 148:5,16,23 149:9,10 152:25 153:12 161:13 162:1, 16 170:18 176:25 177:4,25 179:11 181:13,15,19 182:22	<b>total</b> 118:2,4 120:9 140:12 164:18 165:1 179:15,17	<b>True-up</b> 88:2
<b>testified</b> 59:16 108:3 110:23 133:8 142:16 174:2	<b>timecard</b> 161:4,10,19	<b>touch</b> 76:6 157:14	<b>Trust</b> 61:14 64:20,22 97:8 109:20 115:4
<b>testifying</b> 90:20 97:4		<b>touts</b> 78:11	<b>turn</b> 88:16 159:21
<b>testimonies</b> 175:16		<b>toy</b> 80:15	<b>Tuxedo</b> 64:16
<b>testimony</b> 60:7,14, 17,22 63:4 65:20 66:9 83:7 84:20 92:10 93:17 95:20 96:24 98:9 99:3,11 105:7 106:6 108:15,20,23 109:5 111:8,11,18,21 116:24 117:22 121:20 128:16 129:3,12 133:18,20,25 135:14 141:8 143:1,2,8 145:24,25 146:21		<b>tracking</b> 120:11,14 172:10,11,14 181:3, 10,14,18,22	<b>two-thirds</b> 80:2
		<b>tracked</b> 120:7	<b>type</b> 128:19 139:24 163:24 164:20
		<b>tracker</b> 159:9,10,11 172:10,11,14 181:3, 10,14,18,22	<b>types</b> 140:16,21 146:1,8,18 147:13 164:20,24 166:16,22 179:10
		<b>tracking</b> 120:11,14 172:17,18 180:17,23	
		<b>trained</b> 85:25	<hr/> <b>U</b> <hr/>
		<b>transaction</b> 72:6 73:14 74:11 81:23 127:5 139:5	<b>ultimate</b> 102:5
			<b>ultimately</b> 120:8 145:15
			<b>ultrasonic</b> 76:22 77:10 78:8,10 79:1,11 80:5 82:3 99:23 105:1, 3 106:21

<b>ultrasonics</b> 80:9	<b>users</b> 56:2	55:10	<b>West</b> 63:19 92:18 94:12,14,21,22 106:10 122:6,23 123:2 164:18,21 165:21
<b>unable</b> 129:11,24 130:18	<b>USOA</b> 83:3 126:16, 18,19 127:16,18 129:25 130:5,12 132:2 136:6,24 137:12,16 141:15,17 145:22 151:22 152:3,4,14,18 153:13 155:7,18 161:6,12,21,24 162:2, 17 165:11 178:25	<b>viewable</b> 55:16,17	<b>West's</b> 94:18
<b>unamortized</b> 118:18	<b>USOA's</b> 156:25	<b>viewing</b> 55:14 90:18	<b>whip</b> 128:19
<b>underlying</b> 147:19 167:18	<b>usual</b> 172:17	<b>violation</b> 73:13 74:11	<b>whispered</b> 56:21
<b>understand</b> 58:25 80:24 81:1 117:21 118:6 139:16 164:5	<b>utilities</b> 86:9 120:8 151:23	<b>visit</b> 123:14,16	<b>widows</b> 68:17
<b>understanding</b> 117:22 133:20	<b>utility</b> 66:11 67:15 68:15 72:7 75:1,2,5,6 86:11 123:20 130:16	<b>voiced</b> 159:10	<b>windfall</b> 84:16
<b>understood</b> 122:9	<b>utilization</b> 92:23	<b>void</b> 94:5	<b>winter</b> 141:3,5,6
<b>undertaken</b> 92:25 93:13 180:4	<b>utilized</b> 117:23 152:18 169:17	<hr/> <b>W</b> <hr/>	<b>wishes</b> 104:24
<b>underway</b> 58:6	<hr/> <b>V</b> <hr/>	<b>Wait</b> 122:14	<b>witness's</b> 98:11
<b>unfinished</b> 181:16	<b>vague</b> 141:18	<b>waiting</b> 119:13	<b>witnesses</b> 56:6,9 90:3 91:4 96:1 115:9 126:15 132:21 166:1
<b>unfully</b> 118:11	<b>Valuation</b> 60:4 93:3, 15	<b>waiver</b> 168:7	<b>WNARRNA</b> 124:19
<b>UNIDENTIFIED</b> 90:25 91:17,22 122:15	<b>values</b> 102:3 106:11 118:24 119:2	<b>walk</b> 74:12 98:4	<b>wondering</b> 66:7 88:10
<b>uniform</b> 126:11 172:20	<b>vary</b> 127:2,18 179:23	<b>wanted</b> 81:8 98:12,14 101:2 124:15 125:8	<b>Woodsmall</b> 58:19,25 59:2 62:5
<b>unique</b> 160:15	<b>varying</b> 127:23 160:20	<b>wanting</b> 67:8	<b>word</b> 80:21 90:9
<b>unit</b> 106:3 107:1	<b>vegan</b> 66:17	<b>warm</b> 141:2	<b>words</b> 82:17
<b>units</b> 147:14	<b>vehicle</b> 140:16	<b>wash</b> 87:16	<b>work</b> 74:20,21 75:2 94:9 103:13 105:12 154:7 155:6 157:3 159:16
<b>unjustifiable</b> 80:11	<b>verify</b> 116:15	<b>watch</b> 56:5	<b>workers</b> 163:17
<b>Unlike</b> 95:3	<b>version</b> 152:18 174:22	<b>ways</b> 155:17 167:18 168:25	<b>workforce</b> 75:1
<b>unmute</b> 56:2 164:8 177:8	<b>versus</b> 122:6	<b>wear</b> 78:22	<b>working</b> 76:2 82:21 151:5
<b>unmuting</b> 55:23	<b>vice</b> 129:4 137:23	<b>weather</b> 84:17,18 85:8	<b>worry</b> 176:14
<b>unnecessarily</b> 77:1	<b>Vicinity</b> 65:14	<b>web</b> 56:8,17 90:15	<b>would've</b> 102:9 147:7
<b>unnecessary</b> 68:6	<b>video</b> 55:15 184:5	<b>Webex</b> 55:10,11,13, 15,17,20,21,24 56:2, 19,23 57:8,10 65:24 90:1,15,18 91:1 92:9 97:9,14 109:13 131:18 183:25 184:1,3,8,9	<b>wraps</b> 142:1
<b>unrecovered</b> 80:3	<b>videoconferencing</b>	<b>website</b> 184:4	<b>write</b> 139:3
<b>unregulated</b> 68:8		<b>Wednesday</b> 124:20	<b>writing</b> 81:8 105:20
<b>update</b> 140:23,24 178:15,17		<b>week</b> 124:7,11	<b>wrong</b> 75:20 86:17
<b>updated</b> 93:21 127:1 136:21		<b>weighing</b> 88:3	
<b>usage</b> 140:16		<b>weight</b> 169:7	
		<b>weighted</b> 102:7	



---

**Y**

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**Y-O-U-N-G** 142:10

**year** 79:7 94:18

103:19 106:21 113:14  
116:1,7,8,18 120:10,  
11 122:3 127:2 129:15  
136:3 159:4 164:17  
177:17 178:3,4,6,7,9,  
11,12,14 179:15,21,  
22,24 180:1,5,13,16  
181:24 183:11,12,13,  
14,15 184:7

**years** 66:17 68:5

78:21 79:6,17,24  
103:18 104:3,4,20,23  
105:2,3 128:8 135:17  
136:22 138:23 152:24  
181:24

**Young** 129:12 136:4,  
9 142:3,4,9,11,15,20,  
25 144:15,21 158:3,4  
159:23 160:2,8 164:15  
165:19 166:15 167:10  
168:22,23 169:4,11  
172:10

**Young's** 173:6